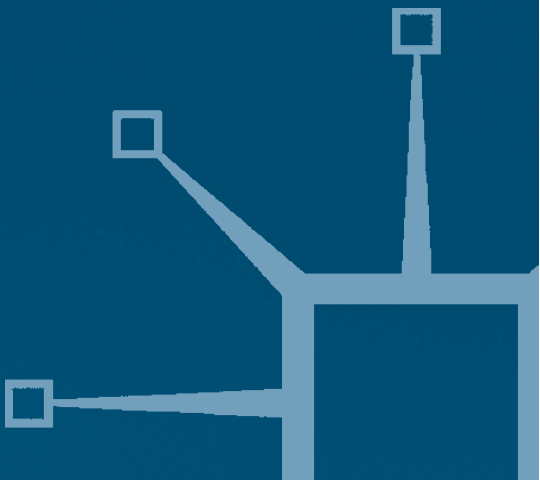
palgrave
macmillan

The Regional Organizations of the Asia-Pacific

Exploring Institutional Change

Michael Wesley



The Regional Organizations of the Asia–Pacific

Also by Michael Wesley

Casualties of the New World Order

The Regional Organizations of the Asia–Pacific

Exploring Institutional Change

Edited by

Michael Wesley
Senior Lecturer, School of Politics and International Relations, University of New South Wales, Australia

palgrave
macmillan

Softcover reprint of the hardcover 1st edition 2003 978-1-4039-0363-1

First published 2003 by
PALGRAVE MACMILLAN
Houndmills, Basingstoke, Hampshire RG21 6XS and
175 Fifth Avenue, New York, N.Y. 10010
Companies and representatives throughout the world

PALGRAVE MACMILLAN is the global academic imprint of the Palgrave Macmillan division of St. Martin's Press, LLC and of Palgrave Macmillan Ltd. Macmillan® is a registered trademark in the United States, United Kingdom and other countries. Palgrave is a registered trademark in the European Union and other countries.

ISBN 978-1-349-50890-7 ISBN 978-1-4039-4402-3 (eBook)
DOI 10.1057/9781403944023

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging in Publication Data
The regional organizations of the Asia Pacific : exploring institutional change / edited by Michael Wesley.
p. cm.
Includes bibliographical references and index.

1. Asian cooperation. 2. Pacific Area cooperation. 3. Regionalism–Asia. 4. Regionalism–Pacific Area. 5. Asian Development Bank. 6. ASEAN. 7. Asia Pacific Economic Cooperation (Organization) 8. ASEAN Regional Forum. I. Wesley, Michael, 1968–

HC412.R463 2003
337.1'5—dc21

2003044160

10 9 8 7 6 5 4 3 2 1
12 11 10 09 08 07 06 05 04 03

Contents

Preface

This project may appear to be motivated by the pursuit of objective explanations of institutional change to regional institutions in the Asia–Pacific. In reality, it has been driven by a shared belief in both the inevitability and the desirability of further regionalization and more developed regional organizations in the Asia–Pacific. The project probably would not have emerged had not the Asian economic crisis occurred in 1997. Pre-crisis beliefs were of an inevitable teleology of regional development, cooperation and advancing institutionalization; by implication the processes of regionalism and institutionalization were generally thought to be readily understandable, and in little need of explanation.

The Asian economic crisis changed a number of things. Most basically, it removed all complacent beliefs in smooth improvements and inevitable, benign change. It also altered many of the rationales for regionalism, removing some existing ones and adding others as imperatives. And importantly for the genesis of this project, it left all four prominent regional institutions looking less than adequate in their responses to the collective crisis. Consequently, the intention of the contributors to this project is to advance understandings of processes of change in regional organizations of the Asia–Pacific as a way of promoting the development of institutions that are more effective at responding to crises such as the Asian economic crisis, and preventing the widespread suffering and unrest that it caused.

The project was made possible by a very old regional practice in the Asia–Pacific: the easy interaction and socialization among informal networks of officials, scholars and businesspeople, all with common interests in regionalism. It has been able to gather together a mix of contributors from each of these fields, drawing strength from the different perspectives they bring.

The origins of this research developed from a conception launched at the Asia–Australia Institute at the University of New South Wales in Sydney, Australia. It planned a two-day research workshop, designed to gather together officials from regional organizations and governments, businesspeople and academics to examine the process of institutional change in Asia–Pacific regional organizations. The meeting took place in September 1999 in Bangkok, Thailand, co-hosted by the Institute of

Strategic and International Studies, Thailand. It was also made possible through funding provided by Greenspot, Thailand, Ltd. All participants in that workshop have been valuable contributors to this volume, even if their names do not appear on the contents page. They are: M.C. Abad; Steve Bates; Suchit Bunbongkarn; Stephen FitzGerald; Kiki Fukushima; Colin Heseltine; Federico Macaranas; Edgardo Rodriguez; Julie Shannon; Rizal Sukma; Michael Wesley. For their support and help we must also thank Mr Rudolfo Severino, Secretary-General of ASEAN, Mr Tadao Chino and the staff of the Asian Development Bank, and the staff of the APEC Secretariat. Our hope is that this volume in some way responds to the original intention of this project and does justice to the contributions and commitment of those who took part in its development.

Michael Wesley
Sydney, April 2002

Contributors

M.C. Abad, Jr is the special assistant to the Secretary-General of ASEAN, assisting the Secretary-General on matters relating to ASEAN's political and security cooperation. Before joining the ASEAN Secretariat in January 1993, Mr Abad served as Chief Presidential Staff Officer in the office of the President of the Philippines, from 1987 to 1992.

Steve Bates is a policy adviser in the International Regional Unit of the Department of the Environment and Heritage, Australian Federal Government. From 1994 to 1998 he was executive officer of the Australian Member Committee of the Council for Security Cooperation in the Asia Pacific (AUS-CSCAP). He has a PhD in international relations from the Australian National University.

Akiko Fukushima is a senior researcher at the National Institute for Research Advancement (NIRA) in Japan. Formerly working for the Japanese Ministry of Foreign Affairs, she has also been a member of the Committee on International Economy of the Japanese Prime Minister's Office since 1995.

Colin Heseltine is currently the Australian ambassador to the Republic of Korea. He was First Assistant Secretary in the North Asia Division of the Department of Foreign Affairs and Trade, Australia between 1997 and 2000. His diplomatic postings include Santiago, Chile (1970–73), Madrid (1975–78), Beijing (Minister and Deputy Head of Mission, 1982–85, 1988–1992) and Taipei (Head of Mission, 1992–97).

Julie Shannon teaches in the School of Politics and International Relations at the University of New South Wales in Sydney, Australia.

Michael Wesley is a senior lecturer in the School of Politics and International Relations at the University of New South Wales. He was previously a research fellow at the Asia–Australia Institute, also at the University of New South Wales.

Abbreviations and Glossary

ABAC	APEC Business Advisory Council
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
ADF	Asian Development Fund
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIJV	ASEAN Industrial Joint Ventures
AMF	Asian Monetary Fund Proposal
AMM	ASEAN Ministerial Meeting
APEC	Asia–Pacific Economic Cooperation
APTA	ASEAN Preferential Trading Arrangements
ARF	ASEAN Regional Forum
ARIC	Asia Recovery Information Centre
ASA	Association of Southeast Asia
ASEAN	Association of Southeast Asian Nations
ASEAN-ISIS	ASEAN Institutes for Strategic and International Studies
ASEM	Asia–Europe Meetings
ASPAC	Asian and Pacific Council
BAAIJV	Basic Agreement on ASEAN Industrial Joint Venture
BMC	Budget and Management Committee (APEC)
CBM	confidence-building measures
CEPT	Common Effective Preferential Tariff (AFTA)
CER	Closer Economic Relations (Australia–New Zealand)
CSBM	confidence and security-building measure
CSCAP	Council for Security Cooperation in the Asia–Pacific
CTI	Committee on Trade and Investment (APEC)
DAC	Declaration of ASEAN Concord
DMC	developing member country (ADB)
DPRK	Democratic People's Republic of Korea
EAEC	East Asia Economic Caucus
EMEAP	Executives' Meeting of East Asia–Pacific Central Banks
EC	European Community
Ecotech	Economic and Technical Cooperation (APEC)
EEC	European Economic Community
EPG	Eminent Persons' Group

EU	European Union
EVSL	Early Voluntary Sectoral Liberalization (APEC)
FDI	foreign direct investment
FPDA	Five Power Defence Agreement
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GCI	general capital increase (ADB)
GDP	gross domestic product
IAP	Individual Action Plan (APEC)
ICJ	International Court of Justice
IMF	International Monetary Fund
INTERFET	UN International Force for East Timor
ISG	Inter-Sessional Support Group
ITA	Information Technology Agreement (WTO)
KEDO	Korean Peninsula Energy Development Organization
MAPA	Manila Action Plan for APEC
Maphilindo	Malaysia, Philippines, Indonesia Cooperation Organization
Mercosur	Common Market of the South (*Mercado Comun del Sur*)
MNLF	Moro National Liberation Front (Philippines)
MoF	Ministry of Finance (Japan)
MTSF	Medium Term Strategic Framework (ADB)
Mufakat	Consensus
Musjawarah	Consultation
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NIC	newly industrializing country
OAA	Osaka Action Agenda (APEC)
OCR	ordinary capital resources (ADB)
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Cooperation in Europe
PAFTAD	Pacific Trade and Development Conference
PBEC	Pacific Basin Economic Council
PECC	Pacific Economic Cooperation Conference
PMC	Post-Ministerial Conference (ASEAN)
PRC	People's Republic of China
SEACDT	Southeast Asia Collective Defence Treaty
SEACEN	Southeast Asian Central Banks' Association
SEANWFZ	Southeast Asia Nuclear Weapons Free Zone

SEATO	Southeast Asian Treaty Organization
SLORC	State Law and Order Restoration Committee (Myanmar)
SME	small or medium enterprise
SOM	Senior Officials' Meeting
SPL	Special Programme Loan (ADB)
TAC	Treaty of Amity and Cooperation
TILF	Trade and Investment Liberalization and Facilitation (APEC)
UN	United Nations
UNECAFE	United Nations Economic Commission for Asia and the Far East
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNDP	United Nations Development Programme
UNTAET	United Nations Transitional Administration in East Timor
WTO	World Trade Organization
ZOPFAN	Zone of Peace, Freedom, and Neutrality

1
Introduction

Michael Wesley

The second half of the twentieth century has seen the Asia–Pacific undergo change rivalling that of any other region in rate, extent and significance during the same period. Scarcely any global trend has not manifested intensely within the Asia–Pacific: decolonization; ideological contestation; superpower rivalry; ethnic conflict; urbanization; rapid economic development; catastrophic financial crash. It is not surprising, then, that the concept of change has been a constant presence in most accounts of the post-colonial Asia–Pacific. Most accounts of the region's institutions have also made heavy use of the concept, either to document the evolution of regional organizations over time or to lament their lack of substantive progress.

This volume is dedicated to examining change within the regional organizations of the Asia–Pacific between 1966 and 2000. It has two simultaneous foci: the region's organizations, the Asian Development Bank (ADB), the Association of Southeast Asian Nations (ASEAN), Asia–Pacific Economic Cooperation (APEC), and the ASEAN Regional Forum (ARF); and the concept of institutional change. This collective writing project was motivated by two related concerns. First, international relations has entered an age of profound discontinuities after a seemingly long period of stability: the end of the cold war and the Asian financial crisis being just two examples of the sudden end of seeming verities about the world and the forseeable future. Within the discipline, in the interests of relevance, more needs to be understood about the nature of change itself.

Second, since the Asian crisis, there is little clear idea about the likely future shape of the region, and seemingly no consensus on what is desirable for the future. The crisis and lack of direction of the region's organizations partly reflect, and are partly responsible for, this

uncertainty of vision. While ASEAN, APEC and the ARF had all conceived of plans for the future that functioned for a time as built-in organizational teleologies,[1] in part premised on continuing regional economic growth, these visions of the future have all to differing extents been abandoned or de-emphasized as practical calls for action, entailing the surrender of strong visions of the organizations' role in the region's future. Regional organizations' capacity to regenerate with a sense of purpose will surely be central to a stable, cohesive and prosperous future for the Asia–Pacific. Are the ADB, ASEAN, APEC and the ARF up to the challenge of the next decades in the Asia–Pacific? Do they have the capacity to respond to continuing economic uncertainty, spreading ethnic conflict, and emerging strategic rivalries, or should they be scrapped in favour of alternative institutions? By contributing to an understanding of how organizational change occurs, and how states, societies and institutions react to challenges in international relations, the chapters in this volume hope to contribute some answers to these pressing issues.

This volume breaks new ground in a number of ways. An extended comparative study of change processes in the ADB, ASEAN, APEC and the ARF does not exist elsewhere: rarely have the four organizations been studied together, and never from the conceptual perspective of institutional change. Existing analysis of Asia–Pacific regional organizations falls into three broad categories: histories of individual organizations;[2] commentaries on regionalism as a general trend in the Asia–Pacific, often comparing it to similar trends in other regions;[3] and studies or characterizations of a unique 'Asian-style' regionalism and regional diplomacy.[4] Change is a constant background theme in all these types of study, but organizational change across all four organizations is never problematized, and brought to the fore of the analysis.

1. Comparing Asia–Pacific regional organizations

The basic approach we have adopted in this project is to attempt to derive some general conclusions about the nature of institutional change and about the character of Asia–Pacific regionalism by comparing alterations in four different regional organizations over time. The advantage of the comparative method is that it allows a researcher to focus selectively on certain common aspects of a variety of separate cases, and to use the observed commonalities or variations among the cases to draw general conclusions about the variables under study.[5] We have also tried to minimize the disadvantage of the comparative

method – that by focusing 'on thematic similarities and differences, the richness of a case study may be lost and its causal patterns misconstrued'[6] – by including separate case histories of each organization's development over time, in Chapters 2 to 5.

Fundamental to the comparative method is the selection of the cases to be compared. First formally defined by John Stuart Mill, the logic of comparison must include both elements of similarity and elements of difference in order to derive the greatest value from the process.[7] It is immediately apparent that the ADB, ASEAN, APEC and the ARF are different in a number of ways: in age; in budget; in degrees of organizational infrastructure; in function; in membership; and in regional definition, among others. Given these significant differences, then, it is necessary to justify their comparison at all by outlining how they are similar: in other words, to ensure that we are comparing 'apples with apples'.

The ADB, ASEAN, APEC and the ARF have been chosen for comparison because they share certain crucial characteristics: they occupy the same regional–subregional space; they are the most prominent existing regional organizations in the Asia–Pacific; and therefore in sharing both overlapping memberships and common regional location, they experience many of the same endogenous and exogenous change stimuli that will be investigated in this volume. However, given that we intend to explore *institutional* change in these organizations, we need to further verify that all four are indeed institutions. In the words of one anonymous reviewer of this manuscript, it needs to be made clear 'why the ADB, with a multi-million dollar budget and an enormous staff, can be treated along with the ARF, which doesn't even have a Secretariat'.

The process of defining institutions has been one of the most contested aspects of the body of international relations literature on international organizations and multilateralism since the early 1980s. Susan Strange put the burgeoning sub-field on notice of the dangers of imprecise definition of its own subject matter in her contribution to a 1982 symposium when she declared that much of the debate on regimes was less than useful because 'people mean different things when they use [the word "regime"]'.[8]

It is easy to see the cause of her concern when one looks at the most influential definitions in the sub-field. Undoubtedly the most often used is that provided by Krasner at the same symposium:

> Regimes are implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a

> given area of international relations. Principles are beliefs of fact, causation, and rectitude. Norms are standards of behaviour defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice.[9]

Keohane attempts a simpler definition by suggesting that '[i]nstitutions can be defined as persistent and connected sets of rules, formal and informal, that prescribe behavioural roles, constrain activity, and shape expectations'.[10] Ruggie has been influential in focusing on multilateralism as an institutional form 'that coordinates relations among three or more states on the basis of generalised principles of conduct: that is, principles which specify appropriate conduct for a class of actions, without regard to particularist interests of the parties or the strategic exigencies that may exist in any specific occurrence'.[11] Caporaso[12] and Martin,[13] among others, have followed in setting out defining principles of multilateralism: centring on indivisibility, generalized principles of conduct and diffuse reciprocity.

None of these definitions of international institutions is of much use to this study. On the one hand, they are so broad that they would bring within the potential ambit of this study hundreds of minor agreements and conventions, most of which are so different to the organizations under study that they would rob the comparisons of any value at all. On the other hand, by focusing attention on certain aspects of the institutional form, these definitions are unduly restrictive for a study dealing with institutional change in all of its aspects. Krasner's definition, for example, is used by him to direct attention to a distinction between change of the regime and change within the regime, a distinction that has very little utility for our study.

Given that existing definitions are of little use, we must rely on our own set of criteria establishing the comparability of the ADB, ASEAN, APEC and the ARF. We have determined five, which are restrictive enough to rule out particular agreements and conventions, but broad enough to permit comparability among the four organizations, despite their surface differences. First, each is based on a concept of regional membership within the Asia–Pacific, within which all recognized states[14] are potentially members, and outside of which countries may be non-regional members or observers. Second, all are characterized by a series of generalized, ongoing commitments to cooperate in taking common, complementary, or non-antagonistic action in one or more issue areas. Third, each institution has an internally consistent series of

written and unwritten rules and norms of acceptable and unacceptable behaviour and a generally shared sense of where the threshholds of behaviour lie. Fourth, each institution has a formal and defined procedure for taking collective decisions. Fifth, all are serviced by regular meetings of members' leaders and officials, which gives all four a rolling agenda of aspirations and actions. Each of these similarities, plus the fact that all share both overlapping memberships and a common regional location, resulting in a common experience of many of the same endogenous and exogenous change stimuli, suggests that it is indeed possible to compare the ADB, ASEAN, APEC and the ARF in a meaningful and productive way.

2. Approaches to institutional change

The next task is to specify what general elements will be investigated across the four case studies. The major focus of this volume is on institutional change. On the one hand, Chapters 6 to 10 examine different aspects of the institutional change process: the impact of membership expansions; the rate at which change occurs, the various causes and conditions of change; and the direction of institutional evolution. On the other hand, both the sources of change and significant change itself are looked for at several different levels in each of the four organizations.

Change is a concept that has seen a great deal of use, focus and analysis in international relations. There are four main conceptual approaches to change within the discipline. First, the concept of change has been used as a lever of critique of international relations theory thought to be too static or *status quo* oriented. The most prominent examples of this use of the concept of change have been Cox's and Ruggie's critiques of Waltz's neorealist theory.[15] While Cox was later to develop his critique into a critical theory of international relations that relied heavily on both a Leibnizian and a Marxian concept of change,[16] neither he nor Ruggie undertook conceptual analyses of change beyond pointing out those processes in international relations that have delivered major change in the past, and which Waltz had ignored. Second, change is a defining process in the theories of the functionalists and neofunctionalists and in more recent studies on the possibilities of progress and normative change in international relations.[17] All value change positively in terms of its capacity to transform international relations into a system more protective of human well-being, and attention is fixed on the agents and processes that can bring such change about. Third, change is focused on as an outcome in world politics in need of

explanation: its extent, its timing, its direction or lack thereof, its catalysts and drivers, are the subject of ongoing debate.[18] Finally, a number of studies have been completed on change as a process in need of critical explanation and general classification, yielding important insights into the defining structures and processes of world politics.[19]

This work on change and its role in international relations presents a valuable launching pad for our examination of institutional change in regional organizations of the Asia–Pacific. Many studies have focused on change in regional organizations;[20] some have focused on change in the development of regionalism in the Asia–Pacific;[21] all have supplied many of the concepts used in the studies that follow. But because this volume adopts an exploratory approach to its two foci – the nature of institutional change and the development of Asia–Pacific organizations – it has eschewed formulating any defining change framework to drive the analysis. Enforcing a rigid analytical discipline would risk robbing a multi-perspective, multi-author work of its potential richness of insight and detail:

> Human affairs are amenable to rigorous deductive analysis only if extremely simplifying assumptions are made, and many of the complex sources of indeterminacy are excluded. A serious lack of realism is not the only casualty of such an approach, for what have been axiomatically – and necessarily – excluded are those features of human existence and activity that underlie most changes.[22]

Furthermore, many of the chapters in this volume make the point that identifying change is a subjective process: even if change is defined at its simplest as institutional variation over time, the definition of what constitutes significant institutional variation remains in contest. Therefore the international relations concepts of change have been leavened with ideas on change imported from sociology, the 'new institutional economics', economics and management, and even biology.[23]

While each of the authors of the following chapters has been asked to exercise his or her own judgement in defining and analysing change processes, all have been urged to broaden their consideration of change process to five levels, and the mutual influence of change processes across different levels. The first and most obvious site of analysis comprises the structures of the regional organizations themselves. Important indicators of change at this level can include the formation of the organizations, new agreements, treaties, concords or directives recommending change, increases or decreases in their memberships,

forms of decision-making and consultation, enhancements or restrictions to administrative structures or secretariats, or in significant changes to organizational budgets. The authors have been urged not only to consider these changes as the dependent variables of the study, effects in need of causal explanations, but also as causes of further institutional change in themselves.

The second level of analysis underpins the actual organizations: it comprises the regional norms, conventions, codes of behaviour, mutual expectations and identities that have developed between states over time. They both inform and are informed by regional organizations. Such informal institutional factors often provide procedural support to organizational structures, such as when the norms of decision-making, consultation, or interaction within the organization are not explicitly provided by the formal written 'constitutions' of the organizations. On the other hand, organizations can take specific decisions to change certain aspects of regional norms that are felt to be no longer relevant or efficient to regional interaction.

The third level of analysis encourages attention to be paid to domestic developments within regional states and their societies. Often the impetus for change to regional institutions can originate from within one or more regional states: domestic regime change, rising prosperity and trade exposures, advancing democratization, the spread of communications technology. A crucial cause and conduit of change is rising societal and governmental expectations. Attention to domestic sources of change, however, requires careful distinctions to be made between changes at the state level intended to drive organizational change at the regional level; and evolutions in regional organizations that pre-date and drive changes at the state and societal levels.

Fourth, a distinct conceptual focus can be given to the region as a subordinate system of international relations.[24] This perspective argues that the international relations of the Asia–Pacific are qualitatively different from global-level international relations. They are characterized by a discrete distribution of power, their own structures of externalities and mutual influences, a distinct regional security complex,[25] and shared regional values systems. As a subordinate international system, the Asia–Pacific does not reproduce the characteristics of the global system at a regional level; rather, global structures are 'refracted' in various ways on to the regional order.[26] A regional perspective can influence calculations and actions of regional states in subtly different ways.

Finally, during the period covered by the following chapters, change at the global level cannot be neglected. The obvious global changes

since 1966 that are focused on in what follows include the end of cold war bipolarity and the acceleration of the forces collectively referred to as 'globalization'. However, other, less obvious global-level influences are also shown to have major effects on change processes in regional organizations in the Asia–Pacific, from shifts in dominant development philosophies, to the intensification of regionalism elsewhere, to critiques of post-cold war triumphalism and ideologies of modernity.

3. The organization of this volume

This volume approaches the study of change in Asia–Pacific regional organizations from several directions. The first four chapters are broadly chronological, each providing an account of the historical development and emerging challenges of one of the organizations under study: the ADB, ASEAN, APEC and the ARF. These chapters offer the opportunity to examine how change has occurred in each of the organizations in greater detail than in the chapters that follow. The next five chapters are comparative, each adopting a different perspective on change. After a chapter devoted to examining processes of membership expansion, four different perspectives on change are selected, and applied comparatively to all four organizations. These perspectives on change are: the *type* of change most often experienced, whether gradual and evolutionary or episodic and radical; the *conditions* promoting change, what forces cause and drive change processes; the *dynamics* of change, what considerations and motives influence the onset and processes of change; and the *direction* of change, whether a uniform advance, or tidal patterns of advances and retreats.

The account of the development of the Asian Development Bank between 1966 and 2000 provided by Wesley in Chapter 2 is one that relies on a model of challenge–critique–institutional response to explain organizational change. The chapter is divided broadly into the contextual conditions providing the stimulus for change in the organization, and the various institutional changes that have resulted over time. The contextual influences are grouped into three main clusters: the fluctuating economic fortunes of the region as the 'policy domain' to which the organization needed to respond; the external institutional context to which the ADB has been forced to respond in the shape of its rivalry with the World Bank; and the realities of its internal institutional context, provided by the accession of new members and political rivalries between its leading members. Wesley's analysis of change in the ADB identifies three types of institutional change: structural reorganization

and quantitative expansion in activities; an evolution in approaches to development funding; and changes reflecting the need to respond to emerging social, environmental and poverty-reduction agendas.

In Chapter 3 Abad presents an account of ASEAN from the perspective of a long-serving member of the ASEAN Secretariat. His is a picture of ASEAN as an organization that has faced a range of serious challenges from the start. Despite, but more often in response to, these challenges, Abad's account is of an organization inexorably expanding in responsibilities and membership, deepening in commitment to regional cooperation, and innovating in the mechanisms of consultation. Much of the chapter concentrates on the Asian crisis and its aftermath as serious challenges to the organization now and into the future. On the one hand, Abad shows ASEAN's strength and diplomatic solidarity in responding to the crisis in a flurry of regional and global financial and institutional initiatives. On the other, he lists a range of new and continuing issues of concern for Southeast Asia that represent a daunting agenda requiring an ASEAN response. Many of these issues require qualitatively new mechanisms of cooperation; Abad's discussion of ASEAN's dilemmas in the East Timor crisis demonstrates these issues starkly and lends real relevance to his discussion of the norms of non-intervention and the status of recent proposals for 'flexible engagement'. The strong conclusions of this chapter are that ASEAN is an organization that will need to continue its history of change in order to remain relevant to the region and its most pressing challenges.

Chapter 4 is an account of the development of APEC written by a professional diplomat who has been involved with the organization at different points along its entire history. It begins by identifying two prominent stimuli and shapers of APEC's development: the need for the organization to accommodate substantial diversity among its members, and its relationship to the global trade regime. Heseltine's account of change in APEC is one of the incarnation of an organization from a set of ideas on regional cooperation to an actual community with very real impacts on its member states, the region, and the world beyond the Asia–Pacific. He emphasizes the role of APEC as by necessity an innovator of institutional forms, constantly confronting the need to ensure a balance of widely disparate interests; able to mix individual with collective action; determined to combine equity with a commitment to voluntarism. The diplomat's perspective provides a revealing insight into the demands placed on each member's diplomatic resources by steady institutional expansion and the proliferation of consultative mechanisms. While providing a generally optimistic reading of APEC's

development and future prospects – a perspective that is to an extent questioned in later chapters – Heseltine highlights the constant challenge faced by a consensual and constantly evolving organization to remain coherent, focused and effective. A common theme developed by the chapters on the ADB, ASEAN and APEC is the emerging realization by these organizations of the need to develop non-élite constituencies within the societies of the region.

Relevance is the organizing concept of Fukushima's account of the development of the region's newest institution, the ARF, in Chapter 5. In her detailed account of the its emergence, Fukushima presents the ARF as a combination of European models of security multilateralism and the imported modalities of the non-security structures in the region, predominantly ASEAN and APEC. She characterizes the ARF among a range of possible types of security cooperation, pondering the value and relevance of its constrained version of multilateralism to the region's underlying bilateralist security architecture. The question of relevance is pressed further with the presentation of a formidable list of 'demand-side' security issues as the necessary agenda of any relevant regional security institution. This chapter joins those on ASEAN and APEC in documenting the important catalysing and proselytizing roles played by underpinning organizations of 'second-track' diplomacy. Fukushima makes one final and important passing reference to the issue of relevance: from a Japanese perspective a question is posed about the continuing viability of such a security organization being driven by the small and middle powers of Southeast Asia.

Chapter 6 is a transitional stage in the analysis, in selecting one particular manifestation of change for closer comparative study: membership expansion. Wesley begins by observing that this type of change has affected all four regional organizations under study, and therefore presents a good opportunity to undertake an initial comparison of change types and processes. After analysing the formal rules on membership expansion in each organization, he moves on to consider some of the unstated prerogatives of organizational growth. He presents a framework for characterizing and explaining instances of expansion: first distinguishing between a 'logic of prescription' and a 'logic of attraction' as a way of determining whether the motivation to join is with the applicant state or whether the organization itself desires the accession of a new member; then examining the range of costs and benefits associated with membership and expansion. Next, the history of membership expansions is considered and arranged into a typology of different types of expansion processes, before a model of this form of

institutional change as the coincidence of promoting and inhibiting factors is developed. Finally, the theoretical issue raised in other literature on regional institutions – the connection between institutional 'widening' and 'deepening' – is examined in the context of all four organizations. The analysis in Chapter 6 suggests there may be much value in the thematic examinations of change to regional institutions that follow.

Chapter 7 begins the section on thematic examinations by posing the question, 'What does the process of change in Asia–Pacific regional institutions look like?' In order to make this difficult characterization, Wesley develops a spectrum of types of organizational change, with constant, gradual, evolutionary change at one end and punctuated equilibrium, where long periods of institutional inertia are interrupted by crises of relevance and bursts of sudden and profound institutional change, at the other. He considers the evidence for incremental change in all four organizations against that for episodic change. To determine whether instances of change are incremental or episodic, he adopts a vigorous qualification for cases of episodic change: in order to qualify, institutional innovations must depart from prevailing regional norms and accepted practices. Although important differences remain between the four organizations, Wesley's findings are that the weight of the evidence, especially in each organization's infancy, falls toward the evolutionary pole of the spectrum. Important exceptions arise in the periods following the end of the cold war and the Asian crisis, particularly for the more mature organizations, the ADB and ASEAN. The increasing vulnerability of organizations to institutional stasis, crisis-led challenge, and rapid innovation as they mature, is an interesting conceptual observation on the nature of institutional change.

Shannon provides a detailed and rigorous consideration of the conditions under which change occurs in all four organizations in Chapter 8. She compiles a detailed analytical framework by drawing on aspects of rational choice theory, historical and sociological institutionalism, and constructivism in a way that allows her analysis to focus not only on interests and contexts, but also on values and individuals. She also advances a new conceptualization of institutions as existing in a state of 'perpetual inadequacy' in relation to their operating contexts, because of inevitable gaps that endure between relatively rigid organizational structures and their ever-altering policy environments. In investigating the conditions of change, Shannon makes use of the concept of a 'window of opportunity' for change, in either a 'macro' or a 'micro' sense, where exogenous or endogenous developments provide a critique of the

organization's effectiveness. Characterizing opportunities for change in this way allows her to focus on whether, in what way and by whom these are seized upon to drive organizational change. Shannon's conclusions show clearly how on the one hand the nature of the window of opportunity, and on the other the organizational norms and strong path-dependency of Asia Pacific organizations have influenced the incidence, rate and type of change they have each undergone over time.

In Chapter 9, Bates conducts a detailed investigation into how and why change has occurred in these institutions, seeking to document the dynamics and motivations of change. This chapter focuses on one period of intense change in Asia–Pacific regional institutions, which Bates characterizes as the period of the resurgence of regionalism in the late 1980s and early 1990s. The detailed and comprehensive review of change dynamics in this period provides an extremely important account of the complex political motivations driving the changes in institutional forms in the Asia–Pacific. Bates suggests the coincidence of five powerful motivations as the best explanation for the rapid developments in regional organization during this period: defensive responses to the perceived rise of protectionism in the global trading system; as a competitive and manageable collective response to the challenges of globalization; as a set of industry-level imperatives to expand market and investment opportunities; as a collective response to the destabilizing forces of globalization; and as the result of a spreading ideational commitment to regional solidarity among national policy-makers. Bates' argument is that the dynamics of regional institutional change are powerfully shaped by the coinciding perceptions and motivations of a range of state and non-state interests. Where a genuine or fortuitous coincidence of perspectives occurs, progress can be rapid and linear, whereas competition between regional conceptions and rationales can lead to periods of stasis and uncertainty.

In Chapter 10, Wesley analyses the explicit or implicit assumption of many studies of change to regional organization: that of a unidirectional progress in the development of the organization through largely positive processes of change. He asks whether change is really a uniform process of strengthening regional capacity and commitment in all four Asia–Pacific organizations. 'Progress' is defined for the purposes of his analysis as a higher level of compliance by member states with regional commitments and greater propensity to identify with the region; 'retreats' are characterized as the willingness to act with greater autonomy *vis-à-vis* regional organizations and increases in the propensity to identify with

non-regional interests. Four measures are adopted to gauge advances or retreats: the scope of organizational activity; organizational authority; increments in organizational capability; and the diffusion of regional cooperation to new organizations. The results attest to a general if uneven advance. All four regional organizations have increased the scope of their activities, but only ASEAN has genuinely expanded across different issue areas. Authority has advanced, but only in the sense of the progressive internalization of regional norms into the policy-making of regional states; almost no increment in the capacity of any of the organizations to command compliance of member states has occurred. ASEAN and the ADB have seen expansions in capacity, APEC has to a limited extent, but the ARF has seen none. In terms of diffusion, progress has been tidal, with creation of regional organizations proceeding apace in the 1950s and 1960s, a process of rationalization in the 1970s and 1980s, and limited diffusion again in the 1990s.

4. Conclusion

All these chapters, when taken together, provide a combination of conceptual analysis and case detail of great richness. In the process of developing its argument, each chapter both confirms and challenges some of the accepted truths about regionalism in the Asia–Pacific. In addition to this, genuine extensions have been made to the conceptual understanding of change in international relations. Along the way, a daunting list of challenges has been compiled for these four organizations (and some institutional challengers) to respond to; on the other hand, a range of clues has been offered about the capacity of Asia–Pacific regional organizations to respond to these challenges, and how they should plan their responses.

Notes

1. Namely, ASEAN's 'Vision 2020'; APEC's Bogor targets of free trade by 2010/2020; and the ARF's three-stage development plan consisting of confidence-building, preventive diplomacy and conflict resolution. All have stalled as realistic motivators of future action.
2. See Dick Wilson, *A Bank for Half the World*, Manila: AD Bank, 1987; Po-wen Huang, *The Asian Development Bank*, New York: Vantage, 1975; Arnfinn Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, London: Macmillan, 1985; Michael Antolik, *ASEAN and the Diplomacy of Accommodation*, Armonk: M.E. Sharpe, 1990; Ross Garnaut, *Open Regionalism*

and Trade Liberalisation: An Asia–Pacific Contribution to the World Trade System, Singapore: ISEAS, 1996; Michael Leifer, 'The ASEAN Regional Forum: Extending ASEAN's Model for Regional Security', *Adelphi Paper No. 302*, London: IISS, 1996.

3. See Louise Fawcett and Andrew Hurrell (eds), *Regionalism in World Politics*, Oxford: Oxford University Press, 1995; Norman D. Palmer, *The New Regionalism in Asia and the Pacific*, Lexington: Lexington Books, 1991.
4. See Amitav Acharya, *The Quest for Identity. International Relations of Southeast Asia*, Singapore: Oxford University Press, 2000; Lau Teik Soon, 'ASEAN Diplomacy: National Interest and Regionalism', *Journal of Asian and African Studies*, Vol. 25, 1990; B. Kurus, 'Understanding ASEAN: Benefits and Raison d'être', *Asian Survey*, Vol. 33, 1993.
5. See John P. Frendreis, 'Explanation of Variation and Detection of Covariation: The Purpose and Logic of Comparative Inquiry', *Comparative Political Studies*, Vol. 16, No. 2, July 1983; Harry Eckstein, 'Case Study and Theory in Political Science', in F.I. Greenstein and N.W. Ponsby (eds), *Handbook of Political Science*, Reading, MA: Addison-Wesley, 1975.
6. Alexander L. George, 'Case Studies and Theory Development: The Method of Structured, Focused Comparison', in Paul Gordon Lauren (ed.), *Diplomacy: New Approaches in History, Theory, and Policy*, New York: Free Press, 1979, p. 46.
7. John Stuart Mill, 'Of the Four Methods of Experimental Inquiry', in *A System of Logic: Ratiocinative and Inductive*, London: Longmans, Green and Co., 1898, pp. 253–66.
8. Susan Strange, '*Cave! Hic Dragones!* A Critique of Regime Analysis', in Stephen D. Krasner (ed.), *International Regimes*, Ithaca: Cornell University Press, 1983, p. 343.
9. Stephen D. Krasner, 'Structural Causes and Regime Consequences: Regimes as Autonomous Variables', in Krasner, *International Regimes*, p. 2.
10. Robert O. Keohane, 'Multilateralism: An Agenda for Research', *International Journal*, Vol. 65, Autumn 1990, p. 732.
11. John Gerard Ruggie, 'Multilateralism: The Anatomy of an Institution', in John Gerard Ruggie (ed.), *Multilateralism Matters*, New York: Columbia University Press, 1993, p. 11.
12. James A. Caporaso, 'International Relations Theory and Multilateralism: The Search for Foundations', *International Organization*, Vol. 46, No. 3, Summer 1992, pp. 599–632.
13. Lisa L. Martin, 'Interests, Power, and Multilateralism', *International Organization*, Vol. 46, No. 4, Autumn 1992, p. 767.
14. The Asia–Pacific confronts the China–Taiwan issue, of course. By defining itself as an organization of 'economies', APEC has been able to include both; however, as a security institution, the ARF has not been able to include Taiwan given China's (and others') non-recognition of it as a sovereign state.
15. See Robert W. Cox, 'Social Forces, States and World Orders: Beyond International Relations Theory', reprinted in Robert W. Cox with Timothy J. Sinclair, *Approaches to World Order*, Cambridge: Cambridge University Press, 1996; John Gerard Ruggie, 'Continuity and Transformation in the World

Polity: Toward a Neorealist Synthesis', reprinted in Robert O. Keohane (ed.), *Neorealism and Its Critics*, New York: Columbia University Press, 1986.

16. Robert Cox, *Production, Power, and World Order*, New York: Columbia University Press, 1987.
17. For example, David Mitrany, *A Working Peace System*, Chicago: Quadrangle Books, 1966; Karl W. Deutsch et al., *Political Community in the North Atlantic Area*, New York: Greenwood Press, 1969; Ernst Haas, *Beyond the Nation State*, Stanford: Stanford University Press, 1964; Emanuel Adler and Beverly Crawford (eds), *Progress in Postwar International Relations*, New York: Columbia University Press, 1991.
18. For example, concepts of change as a series of repeated cycles employed by realists such as Robert Gilpin, *War and Change in World Politics*, Cambridge: Cambridge University Press, 1981, are in constant contest with visions of change as broadly linear development and progress: for example, Francis Fukuyama, *The End of History and the Last Man*, London: Penguin, 1992; for an extremely interesting article on contrasting concepts of time and progress, see Robert Jervis, 'The Future of World Politics: Will It Resemble the Past?', *International Security*, Vol. 16, No. 3, Winter 1991/92.
19. See for example Barry Buzan and R.J. Barry Jones (eds), *Change and the Study of International Relations: The Evaded Dimension*, London: Frances Pinter, 1981; James N. Rosenau, *Turbulence in World Politics: A Theory of Change and Continuity*, Princeton: Princeton University Press, 1990; Ernst Haas, *When Knowledge is Power: Three Models of Change in International Organisations*, Berkeley: University of California Press, 1990; Luc Sindjoun, 'Transformation of International Relations: Between Change and Continuity', *International Political Science Review*, Vol. 22, No. 3, 2001; George Modelshi, 'Is World Politics Evolutionary Learning?', *International Organization*, Vol. 44, No. 1, Winter 1990.
20. See for example Dorette Corby, 'Dialectical Functionalism: Stagnation as a Booster of European Integration', *International Organization*, Vol. 49, No. 2, Spring 1995; Gerald Schneider and Lars-Erik Cederman, 'The Change of Tide in European Political Cooperation: A Limited Information Model of European Integration', *International Organization*, Vol. 48, No. 4, Autumn 1994; and Andrew Moravcsik, 'Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community', *International Organization*, Vol. 45, No. 1, Winter 1991.
21. See James N. Schubert, 'Toward a "Working Peace System" in Asia: Organizational Growth and State Participation in Asian Regionalism', *International Organization*, Vol. 32, No. 2, Spring 1978; Chin Kin Wah, 'ASEAN: Consolidation and Institutional Change', *The Pacific Review*, Vol. 8, No. 3, 1995.
22. R.J. Barry Jones, 'Concepts and Models of Change in International Relations', in Buzan and Jones, *Change and the Study of International Relations*, p. 15.
23. Works such as Douglass C. North, *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University Press, 1990; Andrew P. Cortell and Susan Peterson, 'Altered States: Explaining Domestic institutional Change', *British Journal of Political Science*, Vol. 29, 1999, pp. 177–203;

James G. March and Johan P. Olsen, 'The Institutional Dynamics of International Political Orders', *International Organization*, Vol. 52, No. 4, Autumn 1998; Steven D. Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, January 1984; Geoffrey Hodgson, 'An Evolutionary Theory of Long-Term Economic Growth', *International Studies Quarterly*, Vol. 40, 1996; and Asbjorn Sonne Norgaard, 'Rediscovering Reasonable Rationality in Institutional Analysis', *European Journal of Political Research*, Vol. 29, January 1996 have been a rich and heterodox source of ideas and inspiration for the following chapters.

24. Leonard Binder, 'The Middle East as a Subordinate International System', *World Politics*, Vol. 15, 1963, pp. 408–29.
25. Barry Buzan, *People, States, and Fear: An Agenda for Security Studies in the Post-Cold War Era*, New York: Harvester Wheatsheaf, 1991, pp. 186–229.
26. Binder, 'The Middle East as a Subordinate International System', p. 415.

Part I
The Organizations

2
The Asian Development Bank

Michael Wesley

The Asian Development Bank (ADB) is an institution committed to advancing the economic development of Asian and Pacific states. It contains both regional and non-regional members, with the proviso that regional members retain at least 60 per cent of the decision-making power in the organization. Members' decision-making influence is set by a system of weighted voting determined by their subscribed proportion of the Bank's ordinary capital stock.

At the time of its founding in 1966, the ADB's developing member countries (DMCs) accounted for 56 per cent of the population of the developing world. Since that time, membership expansions have seen its responsibilities extend to just over two-thirds of the population of the developing world.

By the end of 1999, the ADB had issued US$59.47 billion in loans on favourable commercial terms to its DMCs from its ordinary capital resources (OCR), and US$22.76 billion of concessionary loans from its Asian Development Fund (ADF) to its DMCs with the lowest per capita GDPs.[1] The ADB raises its capital through member subscriptions comprising both paid-in and callable elements, as well as through borrowing on international capital markets using its existing capital holdings as a guarantee. By the end of 1999, the ADB had an authorized capital stock of US$47.94 billion and borrowings from international capital markets of US$40.1 billion. The ADF is resourced partly from OCR, but mostly from donor subscriptions raised through regular replenishments. At the end of 1999, the ADF had total resources of US$22.08 billion. The recently agreed seventh replenishment of the ADF in September 2000 brought commitments of US$5.6 billion.

The origins of the ADB can be traced to a Japanese proposal for a regional development bank endorsed by the First Ministerial Conference

on Asian Economic Cooperation held under the auspices of the United Nations Economic Commission for Asia and the Far East (ECAFE) in Manila in December 1963. A Working Group and Consultative Committee established by ECAFE produced a draft agreement on the ADB for the Second Ministerial Conference on Asian Economic Cooperation, also in Manila, in 1965. The ADB came into existence on 22 August 1966, with the ratification of the Agreement establishing the Asian Development Bank by 15 of its 31 signatories. Since 1966, the ADB's membership has grown to 59.

The ADB generally receives much less attention in the media and in academic scholarship than its counterpart regional organizations, ASEAN and APEC. This lacuna is surprising, given the ADB's central position in some of the most crucial developments in the region's history since 1966. It is a development institution existing in a region that has seen the most rapid and sustained period of economic development of any region in history, followed by the precipitous economic crash in 1997–98. It is the first multilateral institution that has had to cope with difficult regional membership issues: the entry of a united Vietnam into regional affairs; and the concurrent insistence of the People's Republic of China and Taiwan on full membership. It is the only multilateral institution to be conceived and dominated by Japan. It has been the site of a long-run clash between 'Asian' and American development philosophies.

While this chapter is unable to examine any of these issues in any depth, it does touch on each of them in the process of compiling a general history of institutional change in the ADB. The chapter is divided into two parts. The first half considers the context of the ADB's operations since 1966, examining in turn: the major economic changes that have occurred in the Asia–Pacific since 1966; the ADB's relationship with the World Bank, the other development institution with major operations in the Asia–Pacific; new members and changing demands on the ADB's resources; and the internal struggle for control of the ADB that has characterized much of its history. The second part of the chapter details the major changes that have occurred to the ADB. It begins by examining the diversification of the Bank's ambit of operations and funding, and its internal structural changes. It then explores the changes in the ADB's approaches to development, and what pressures have driven these changes. It concludes by taking a closer look at the social, environmental, and poverty-reducing objectives recently adopted by the Bank, as well as its new role in financial stabilization, and the stresses and tensions that these have brought to the ADB.

1. The contexts of changes to the Asian Development Bank

The historical context

The region for which the ADB has responsibility has undergone extensive economic change since 1966. At its founding, the developing states among its members were almost all recently decolonized, and faced the challenges of nation-building, economic development, and often subversion and internal instability. The region was bitterly divided by cold war animosities, and was host to one of the most serious superpower proxy conflicts in Vietnam. Approaches to development at the time had strong political as well as economic rationales: economic development was one strategy for bolstering the resilience of non-Communist states against subversion. The creation of the ADB gained impetus from the founding of the Inter-American Development Bank and the African Development Bank.

The steady economic advances of the Asian region during the late 1960s gave way to serious economic and financial instability in the 1970s. The decade opened with the demise of the convertibility of the US dollar to gold and the floating of major exchange currencies around the world. The economic impact in Asia was particularly great for states holding external reserves in depreciating currencies, with flow-on effects on debt service burdens and terms of trade. The economic fortunes of the developing Asian states were also affected adversely in the early 1970s by Britain's decision to enter the European Economic Community, by the GATT Generalized System of Preferences; and by the economic effects of the British and American military disengagements from Southeast Asia. Things became worse following the oil crisis of 1973 and the subsequent world economic slowdown that began in 1974. Asian states faced rampant inflation, falling commodity prices and demand, and worsening trade deficits and terms of trade. Development suffered as the prices for imported capital goods rose while inflation eroded the value of development expenditures. Weather conditions and the higher price of fertilizer endangered the availability of food in many regional countries. These events saw major responses by the ADB. Its first general capital increase (GCI) of 150 per cent was approved in October 1971, and a substantial expansion of its concessional lending led to the formation of the ADF in June 1974 to provide an organized mechanism to replenish the Bank's concessional resources. A second GCI of 135 per cent came in September 1977 following the effects of the second oil shock on the region.

The 1980s was a decade of relative economic stability for the region in comparison with the turbulent 1970s. These years saw the spread of the Asian economic miracle, and the transition of increasing numbers of former developing member states to 'newly industrializing countries' (NICs) on the back of models of export-oriented growth. The rise in value of the yen following the Plaza Accord in 1986 saw the siting of large proportions of Japanese industry in East and Southeast Asia, and in the late 1980s and early 1990s the NICs were registering average economic growth rates of around 7 per cent. Much of this economic growth was financed by massive inflows of private investment to the region. These developments saw the ADB's membership remain relatively stable, and its disbursement of loans stagnate or fall for long periods as many of its former DMCs outgrew their need for ADB loans. Some had even begun to repay their outstanding loans to the ADB at accelerated rates. Even as membership expansions and new calls on ADB funds registered returns to steady growth in ADB lending activities, the challenges of a rapidly developing region were the cause of substantial contest and change within the ADB.

Perhaps the greatest challenge to the ADB came at the start of its fourth decade, with the onset of the Asian economic crisis in 1997–98. What began as an attack on the Thai baht on 2 July 1997 soon turned into an investment rout that rippled across the region. The economies of East Asia in 1997 and 1998 dropped for the first time in a decade below the average growth rate levels of non-East Asian developing economies. The currency attacks and investment outflows accentuated serious structural weaknesses in Asian economies: poorly regulated financial sectors, widespread corruption, weak systems of corporate and political accountability. The crisis spread to Asian societies as well, with sharp rises in unemployment and absolute poverty, and even starvation in some regions. Political and social unrest followed in a number of regional countries. As this occurred, the ADB watched the region's development progress challenged and partly undone in a very short space of time, and faced criticism for its apparent lack of foresight and timely responses. These experiences were to see a change occur in the Bank's development approach and philosophies, partly reflecting a rethink that had occurred before the onset of the crisis.

The ADB and the World Bank

The ADB is not the only multilateral development bank with significant operations in the Asia–Pacific: it is joined here by the older, larger, higher-profile and better-resourced World Bank. Relations between the ADB and

the World Bank are essentially competitive.[2] Both contend not only with each other, but with other private and institutional borrowers, for access to capital resources from both the international donor community as well as on international financial markets.[3] The ADB's ability to compete for resources from both sources depends on its ability to demonstrate its relevance to the development needs and market conditions of the Asia–Pacific, and the breadth and creativity of its operations.

On a number of occasions, the ADB has been left behind by innovations in the World Bank's operations, and has felt the need to copy World Bank innovations to maintain its relevance. One example is the World Bank's adoption of a pool-based system of lending in the early 1980s, giving it greater flexibility and lower nominal lending rates than the ADB. This led to a questioning of the ADB's lending operations, and a series of studies resulted in the ADB adopting the pool-based lending system in October 1985. Another case developed in the late 1980s, when the ADB found itself left behind by the World Bank's policy of tying development funding to market-based policy reforms in borrower countries. This caused criticism of the ADB from its donor countries in Europe and the US, which had sponsored the change in the World Bank. Eventually the ADB also moved to adopt 'policy frameworks' to accompany its loans to DMCs.[4] More recently, the ADB has been challenged by the World Bank's decision to establish a 'regional hub' in the Asia–Pacific by opening a secretariat in Singapore, as part of a general policy of decentralization, increasing its regional presence, and the delegation of decision-making to regional offices.

The ADB's response, particularly in the late 1990s, has been to try to differentiate its programmes and activities from those of the World Bank. Its main strategy in doing this has been to stress the regional rationale for development, and the ADB's own special relevance to the Asia–Pacific region. The task for the ADB is seen to be to translate and respond to global economic, financial and developmental issues at the regional level, while representing the region globally. New efforts have been made to define development at the regional and subregional levels, and to demonstrate that development issues are most appropriately and effectively addressed at these sites. A prototype example is the ADB's development projects for the Mekong region. The second aspect of the ADB's regional strategy is the policy of 'regional cooperation' with other regional institutions. A good example of this has been the Bank's cooperation in implementing some of the Manila Framework responses to the Asian economic crisis, such as its initial hosting of the regional economic monitoring mechanism established in partnership with ASEAN.

During the 1990s, however, multilateral development banks have had to deal with a common problem in the growing number of critiques of development projects in the developing world. Activists and NGO groups have begun to question various large infrastructure projects on the grounds of their impact on the environment, the human and social costs of the displacement of local communities, and even their uncertain economic benefits.[5] Questions have also been raised about the final destination of much development funding, and whether it is used to the benefit of local élites or populations most in need. Such common challenges have prompted consultation between multilateral development banks, such as the 1994 meeting of the boards of the major development banks to discuss the new development challenges facing them.

The challenges of an expanding membership

The ADB has seen a fairly steady growth in its members, a trend that has brought its own challenges for the organization. New members have caused the regional ambit of the ADB's responsibilities to expand over time: significant new frontiers were added in the South Pacific in the 1970s and 1980s; and in Central Asia in the 1990s. New DMCs have kept the ADB's lending operations growing over time, allowing it to continue to demonstrate its relevance despite many of its original DMCs becoming non-borrowing NICs in the course of the Asian economic miracle.

In the course of some of its membership expansions, the ADB has had to grapple with some sensitive political issues. On 2 July 1976 a united Vietnam took its seat at the ADB in controversial circumstances. Quite apart from the ongoing hostility towards Vietnam from a number of ADB members, delicate negotiations had been held to determine whether a united Vietnam would be recognized as the holder of the 3000 shares of ADB capital that had been held by South Vietnam before April 1975. Vietnam did take control of these shares on taking its seat in the Bank. New problems arose in the early 1980s with China's campaign to join the ADB. Part of this campaign was to insist that the PRC's entry to the organization should entail Taiwan's expulsion, as had occurred previously with its accession to other multilateral institutions: the UN, the World Bank and the IMF. On this occasion, Taiwan refused to leave, creating a difficult situation for the ADB. Under the ADB Charter, a member can only be expelled if it defaults on its payments. Taiwan had not borrowed from the ADB since 1971 and was making its repayments ahead of schedule; furthermore, it was an original ADB member and a major shareholder of Bank capital. China's push for the

expulsion of Taiwan was dropped after the US warned that such a move would cause it to 'reconsider' its support for the ADB.[6] The compromise was that since the ADB was founded after the victory of the Chinese Communist Party in 1949, Taiwan had never claimed to represent all of China; because Taiwanese membership had always represented only Taiwan, China's membership did not supplant that of Taiwan. To Taiwanese protest, Taiwan's seat was renamed 'Taipei, China' as China joined the ADB in March 1986. The ADB had pioneered a political compromise that was to benefit APEC in the future.

The other major political problem faced by the ADB as a consequence of its expanding membership is the effects that new members have on the delicately balanced voting weights of existing members.[7] Eighty per cent of the voting power over outcomes in the ADB is distributed among members in proportion to their subscribed share of the Bank's capital stock. While decisions are rarely taken according to majority vote, these proportions are crucial in determining the extent to which each country can nominate a director to the board of directors, which is charged with the day-to-day running of the Bank. Members with the largest capital subscriptions, and thus larger voting weights, are able to nominate a director alone, while members with smaller subscriptions and voting weights have to join together to nominate directors.

On the one hand, a large number of smaller accessions can drive down the proportional voting power of the larger members. The steady growth in membership in the 1970s and 1980s caused Japan some consternation when it found its voting share reduced to 12.406 per cent in 1988 from an original share of 17.12 per cent in 1966. In such cases, provision has been made in the ADB Charter for original members to request special increases in their capital stock proportionate to their original share.[8] In practice, this has caused considerable competition between larger members, concerned over proportional control of the organization. This has led to a reluctance by the Board of Governors to grant special capital increases, although often such problems are addressed in the course of GCIs. On the other hand, the accession of members with large capital subscriptions can have significant effects on the internal power distribution of the organization, often to the detriment of smaller members. One consideration is that new non-regional members should not upset the ADB Charter stipulation that regional members' voting power should always comprise more than 60 per cent of the total.[9] The other consideration is the effect on nominations to the Board of Governors. China's accession in 1986 carried with it a subscription to 114 000 shares of ADB capital stock at the value of

US$1.3 billion, giving it the automatic right to be the sole nominee of a director on the board. This threatened to deprive the small countries that combined to nominate the eighth regional seat of that seat, forcing them to join other coalitions of small states in nominating their directors.[10] Eventually another regional seat was added to avoid this outcome, which in itself necessitated the addition of another non-regional seat to preserve the regional–non-regional balance on the board of directors.[11]

New DMCs can also bring with them increased demands on the ADB's resources. Again, the large DMCs present more of a problem than the smaller ones. China's accession in 1986 brought these problems with it as well, as the extent of that country's eligibility for ADB assistance became clear. The problem was compounded by India's announcement in August 1981 that it would begin borrowing from the ADB. Despite being an original member, India had hitherto refrained from borrowing from the Bank. No doubt its decision was partly influenced by its knowledge of China's impending membership and inevitable demands on the ADB's resources. As a result, 1987 and 1988 saw large increases in ADB loan approvals as both India and China started to apply for ADB funds. While stretching the Bank's resources somewhat, the increase was also a welcome development after the reverses and stagnation of ADB lending for the previous two years. The continuing demands of these two giant DMCs on ADB resources have had to be financed from its OCR; while both qualify in GDP per capita terms for concessional loans from the ADF, such demands would overwhelm the capacities of the facility and crowd out the demands of other small DMCs.[12]

Internal power struggles

The brief discussion of membership and voting power issues provides a glimpse of some of the struggles for power that have occurred in the organization. The ability to exercise control over the ADB's policies carries with it large potential benefits: the ability to influence the extent and type of development that is funded in an economically dynamic region; the ability to demonstrate regional commitment and leadership; and the capacity to demonstrate power that is relevant in other contexts. A number of broad divisions occur and partly overlap in the ADB–principally the donor–borrower and the regional–non-regional divides – but the major ongoing competition for power within the Bank has occurred between Japan and the US. Some of the institutional change that has occurred in the ADB has come about as a result of this struggle for influence and leadership.

The concept of the ADB was devised by Japanese planners, who were convinced that Japanese regional economic interests were not served by the US-dominated World Bank. Consequently, 'Japanese planners sought to establish a Bank in which Japan was institutionally advantaged' as a vehicle for promoting Japanese economic interests in the Asia–Pacific.[13] Japan derived a formal advantage from the ADB Charter, which guaranteed greater influence to both donors and regional members. It was also able to establish informal structures of dominance early. The first meeting of the ADB Board of Governors, which took place in Tokyo in November 1966 and was chaired by Japanese Finance Minister Takeo Fukuda, unanimously elected Takeshi Watanabe as President of the ADB, a prelude to the informal rule of always electing a Japanese president. Watanabe quickly established the primacy of the President in ADB policy-making, and oversaw the early recruitment of Bank staff. Five of the first ten staff were Japanese, who assisted Watanabe in setting up the rules and decision-making procedures to guide the day-to-day running of the Bank, thereby inculcating a Japanese administrative culture in those rules and procedures. From an early stage, a close relationship was fostered between the ADB and the Japanese Ministry of Finance (MoF), through the almost exclusive recruitment of Japanese ADB staff from the MoF and the regular process of MoF staff taking 'temporary leave of absence' from the Ministry to serve in placements at the ADB. A strong institutional conduit has been established over the years to channel Japanese regional economic and financial objectives into the Bank's policies.[14]

The US acquiesced to the early dominance of Japan over the ADB, partly because it coincided with the years of US entanglement in and retreat from the Indochina Wars, partly because the aims of the ADB broadly coincided with the US cold war doctrines of containment of Communism by fostering development.[15] However, an early willingness of the US to thwart total Japanese control was revealed by its decisive support for the Philippines' campaign to host the ADB's headquarters. Despite this early setback, Japan was able to establish a dominance over ADB policies in the early 1970s. The vast proportion of ADB loans between 1967 and 1972 went to countries with which Japan had extensive trading and investment relationships; at the same time the flow of ADB development funding had a low or negative relationship with US trading interests in the Asia–Pacific.[16] Japanese industry was also able to benefit from gaining a large proportion of ADB procurement contracts. At the same time, Japan remained by a long way the largest contributor to ADB resources, especially its soft loan facilities, thereby allaying regional resentments of this dominance.

From the beginning of the 1970s, as Japan began to define its development interests in the Asia–Pacific more broadly than just the sites of specific trading and investment relationships, ADB funding began to flow to countries of less immediate economic interest to Japan. While its proportion of voting power fell due to membership expansions and its political voice in the organization seemed muted, Japan continued to maintain its dominance in the ADB through its informal structures of control.[17]

The origins of the overt American challenge to Japanese dominance of the ADB can be found in the attainment of influence of neoclassical economic doctrine in the Reagan Administration, which came to power in 1981. The implicit challenge in much of the US criticism of the ADB in the 1980s was directed at the government-led development philosophy undergirding most ADB funding. The neoclassical agenda recommended minimal government involvement in the economy as a way to remove a major distortion and drag on economic growth. An early American victory was to force a move away from solely project lending to policy-based lending support to economic reform programmes, though structural adjustment financing, balance-of-payments loans and sectoral adjustment loans. Despite this, American criticisms of the ADB mounted in the 1980s, often supported by other donor countries. As the Asian economic miracle took off, the ADB's *raison d'être* came under scrutiny, as a government-run development bank in a region able to attract record amounts of private investment. Traditional donor countries also queried why by the end of 1995, the newly wealthy NICs had contributed only 0.3 per cent of the ADF's resources.[18] East and Southeast Asian economic success raised questions of why the donor countries were providing development aid to countries that were increasingly their economic competitors. Donor demands mounted that ADB funding should be linked to commercial priorities, while an increasingly insistent US position was that the organization should become profit-making and self-financing.[19] At times the ADB found itself caught between contradictory criticisms. Canadian representative John Bosely complained that stagnating growth in the ADB's loan approvals in the mid-1980s was 'a consequence of its failure to adjust to the changing needs of its borrowers.'[20] Meanwhile, American representatives were criticizing the ADB's 'approval culture', a 'fixation with meeting pre-programmed lending targets' as a way of demonstrating its growing relevance to the region.[21]

The US–Japanese struggle for influence over the ADB's approach to development funding was most overtly fought over the issue of relative voting weights. An early informal principle of the ADB was that the US

2. Institutional change in the Asian Development Bank

Institutional change in the ADB has occurred in a number of different forms. This review of those changes that have occurred begins at the most obvious level at which institutional change can be discerned: the geographical and sectoral spread of the ADB's activities; quantitative increases in the Bank's resources and capabilities; and structural changes that have occurred within the organization. The second section explores the evolution of the ADB's approach to development funding, and searches for the pressures that led to these changes in approach. The final section takes a closer look at the social, environmental and poverty-reducing objectives recently adopted by the Bank, as well as its new role in financial stabilization, and the stresses and tensions that these have brought to the ADB.

Expansions in the ADB ambit of operations

The geographical reach of the ADB's development funding operations has gradually widened over time, reflecting membership expansions, patterns of development and changing priorities within the Bank. Table 2.1 lists the membership expansions that have occurred in the

Table 2.1 ADB membership expansions since 1967 (DMCs listed in italics)

Year	***New members***
1967	Switzerland
1969	*Hong Kong*
1970	France, *Fiji*
1971	*Papua New Guinea*
1972	*Tonga*
1973	*Burma, Solomon Islands*
1974	*Kiribati*
1976	*Cook Islands*
1978	*Maldives*
1981	*Vanuatu*
1982	*Bhutan*
1986	Spain, *People's Republic of China*
1990	*Marshall Islands, Federated States of Micronesia*
1991	*Mongolia, Turkey, Nauru*
1993	*Tuvalu*
1994	*Kazakhstan, Kyrgyz Republic*
1995	*Uzbekistan*
1998	*Tajikistan*
1999	*Azerbaijan*

ADB, revealing two strong geographical trends of DMC accession. The first consists of the joining of the ADB by most Pacific Island states during the 1970s and 1980s, necessitating the advance of ADB development funding into the South Pacific. The second is the 1990s trend of former Soviet Central Asian republics joining the Bank, and funding operations extending into this part of Asia.

Diversification of the geographical spread of the ADB's operations also occurred as a result of changing priorities of leading countries within the Bank. Whereas the early years of ADB funding closely matched Japanese trade and investment priorities in the Asia–Pacific region, the pattern of funding diversified as Japanese policy-makers adopted a broader view of Japanese interests.[26] The gradual spread of the Asian economic miracle also affected the ADB's patterns of lending. As a succession of states graduated to NIC status, the region began to attract ever greater amounts of foreign investment, obviating the need for loans from the ADB. Many NICs began repaying their earlier ADB loans at accelerated rates, partly from considerations of economic management, and partly to demonstrate their NIC status.

Diversification has also occurred over time in the sectoral spread of the ADB's funding activity. The Bank's early years coincided with the celebration of the 'Green Revolution', or new agricultural technologies that could be used in the developing world to boost productivity with the aim of ensuring food self-sufficiency for developing countries. These broader development priorities established themselves at the core of the ADB's early funding, with a strong early emphasis on funding agricultural projects, plus related supply and distribution infrastructure.[27] This emphasis was reinforced through the 1970s as global economic instability and recession increased the price of imported fertilizer and extreme regional weather patterns diminished crop yields in various countries. By the beginning of the 1980s, agriculture had begun to lose its pre-eminent position in sectoral funding to energy, transport and communications, and infrastructure projects, reflecting the emergence of new regional priorities of attracting investment and industry. By the late 1980s, these sectoral priorities had been joined by a third: social infrastructure, meaning investment in health, education and basic public amenities. By the late 1990s, as discussed later in this chapter, the social focus had increased towards direct action on poverty reduction in DMCs.

In order to support the increase in ADB lending, as well as the broadening geographic and sectoral scope of the Bank's operations over time, there has been a steady increase in its internal organizational budget

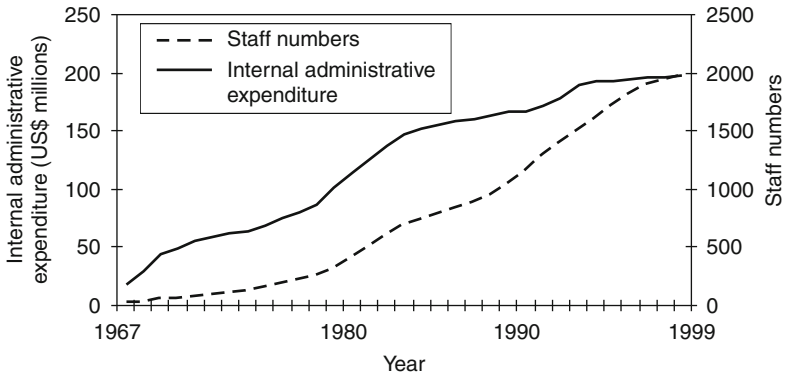


Figure 2.1 Asian Development Bank organizational growth, 1967–99

and staff numbers (Figure 2.1). Growth rates in both indicators have fluctuated at different times, showing the sharpest rises in the early 1980s and 1990s, as new agendas and approaches to development were incorporated into the ADB's operations. These changes in the ADB's development focus, as well as evolving expectations of the Bank, also drove a steady rate of organizational restructuring. Internal inquiries and audits have become almost a regular feature of the ADB's activities, and have resulted in various internal restructures. The general trend of these restructures has followed the diversifying logic of ADB operations. A major restructure occurred after an internal audit that concluded in 1992 that recommended changes that would provide a much sharper focus on the ADB's core activities. The changes that took effect from the beginning of 1995 provided for broad geographic specialization at the vice-president level, functional specialization at the departmental level, and technical specialization at the division level.

The other internal organizational change that has begun to occur in the late 1990s has been the steady reduction of the centralized and hierarchical nature of the Bank's administration. This has been the inevitable result of the expanding scope and increasing complexity of the Bank's operations and the challenges to which it is required to respond. It has also been influenced by the World Bank's own initiatives to decentralize its operations. Internally, the late 1990s have also seen the beginnings of more open consultations between the board of directors and the professional staff of the Bank on institutional issues, such as the 'bunching' of project funding approvals at the end of financial periods, and the role of the board in the functioning of the Bank.

The evolving ADB approach to development funding

The ADB has broadened its approach to development funding to the region over time. These changes have been driven in part by the changing development requirements of the region, and in part by changes in development philosophies of its major donors and the rivalries between these donors over approaches to development. Unfortunately, borrowing DMCs seem to have provided little of the input to the changes in ADB's approach to development funding. The process of applying for ADB loans places most of the power to determine funding with the ADB, which must ultimately approve loan applications. Because most applicants for ADB funding will shape their applications in such a way as to maximize their chances of gaining approval, this involves accepting and reinforcing the ADB's current approaches to and priorities in development funding in the applications themselves.

At the beginning of its operations, the ADB adopted the conventional approach to development funding that was dominant in the mid-1960s. This involved providing large loans from its conventional resources to the governments of DMCs for large-scale development projects. As mentioned earlier, these predominantly flowed to projects involving commodities production and related infrastructure. The need to begin diversifying the Bank's funding options became obvious early. A Board of Governors meeting in Sydney in April 1969 decided to make 10 per cent of the ADB's resources available on concessional terms to its poorest DMCs. This facility was formalized into the ADF in 1974. The other early innovation was the use of partnership lending on a steadily expanding range of projects.

Further diversification occurred in 1980, when the ADB inaugurated its sectoral lending programmes, allowing a single loan to finance a cluster of projects and sub-projects within a specific sector or subsector. This was to provide the Bank with much greater flexibility in its operations. The 1980s also saw the Bank move away from sole dealings with governments. The ADB began to lend without the necessary requirement of government guarantees and became increasingly involved in private sector lending. In 1982 the Bank began to increase its co-financing operations with private banks as a way of increasing its funding leverage.[28] An innovation by the World Bank caused the adoption of a system of pool-based variable lending in October 1985, introducing even greater flexibility into the ADB's operations.

Beginning in the late 1980s, the ADB's funding strategies started to evolve in line with Western donor demands that the Bank become more attuned to commercial priorities and less dependent on government

funding.[29] A controversial early development was the establishment in May 1989 of the Asian Finance Investment Corporation (AFIC) as a mechanism for channelling more private investment into the region. The ADB was given a 30 per cent holding in AFIC, with much of the rest being subscribed by Japanese banks and securities houses. AFIC aroused early European and American suspicions that it was yet another attempt to institutionalize Japanese economic hegemony in the region. The early 1990s saw the ADB consciously move away from its earlier project financier role towards that of a 'resources mobilizer' able to attract more private capital into the region, on the initiative of new President Mitsuo Sato. Reflecting this change, ADB managers became accountable for and partly assessed by the amount of private capital they could mobilize and draw into the region. In 1994, the ADB introduced a new market-based loan window to provide funds to the private sector at terms currently prevailing in international capital markets. In 1996 it launched a human resource strategy aimed at developing the region's work skills as a component of the sustainable development strategy.

The new ADB private sector strategy was consciously designed to try to underpin the region's capacity to maintain and sustain high levels of economic growth. Partly it was a response to the dwarfing of the resources of the ADB by the massive investment inflows to the region in the 1990s. The new development philosophy it signalled was that it was the ADB's task to help establish the groundwork conditions for market forces to operate in developing the region. As questions began to arise about the ultimate destination and benefits of development bank funding, the private sector strategy also became a way of circumventing bureaucratic inertias, inefficiencies and corruption.

New agendas and concerns

Just as the new private sector approach to development funding was becoming established within the ADB, new criticisms of the consequences and inequities of development funding were beginning to emerge. As discussed earlier, the environmental and social impact of major development projects began to attract considerable attention, and questions were being asked about whether the economic benefits of development funding flowed to people most in need or to the élites in the DMCs.[30]

The ADB's response to these criticisms began with a series of organizational responses, but was to culminate in a complete change in its development philosophy following the Asian economic crisis in 1997–98. The earliest organizational response came in 1990, with the

upgrading of the ADB's Environmental Division, giving it greater input into the funding approval process in order to take environmental impacts into account in ADB-funded projects. New policies on governance and social displacements as a result of Bank-funded projects were instituted in 1994. The 1990s also saw a policy of developing a closer relationship with NGOs consciously pursued. A new disclosure policy was adopted, allowing NGOs to play an even greater role in monitoring ADB activities and to question projects they assessed as having adverse environmental or social implications. The ADB went even further than this, by providing loans and project financing to NGOs to facilitate their watchdog role over development activities in the region. The ADB has also become much more active in seeking to influence and set development agendas itself. An Asian Development Bank Institute (ADBI) was founded in Tokyo in 1998 to provide the Bank with its own capacity to question and develop approaches to and philosophies of development.

A major review of ADB operations was initiated in 1992, partly in response to mounting criticisms of the ADB and its role from a number of quarters, and partly because of the pressure of changes in the World Bank. Its report and recommendations provided the basis for the ADB's adoption of its Medium Term Strategic Framework (MTSF) in 1994. The MTSF set out five strategic development objectives for the Bank: economic growth; the reduction of poverty; human development; the status of women; and protection of the environment. These represented a compromise between the established private sector approach and an emerging concern with social issues and social and environmental impacts stimulated by recent criticisms. At an organizational level, however, the MTSF instituted a completely new project classification system, with rigid standards for funding and performance. Partly the intention was to address some of the institutional sclerosis in the Bank by prompting change and opening up through instituting a different funding specification system.

The Asian economic crisis came as a major shock to the ADB. On the one hand, the Bank faced a range of criticisms for its inability to foresee the crisis and prompt action in its member states to avoid it. On the other hand the ADB saw, in the space of several months, the undoing of much of the development progress achieved during the course of several decades in some of its DMCs and NIC members. Quite apart from the economic statistics, concern grew at the social impact of the crisis and the fragility of much of the development that had occurred for large sections of the populations in affected countries. Consideration of

'human security' and social protection became important topics for regional discussion and research, questioning the wisdom of earlier approaches to development through either government-directed programmes or the operation of the market.[31]

These events and reactions coincided with the election of a new ADB president, Tadao Chino, to result in a major redefinition of the ADB's development approach in 1999. Chino instituted the adoption of a primary poverty-reduction strategy as the main focus for the Bank's activities. The new approach was centred on three pillars: pro-poor sustainable economic growth programmes; social development structures, such as the development of social safety nets; and good governance programmes targeting corruption and aimed at providing a greater voice to the poor. The MTSF was retained, but its objectives were to be reoriented towards the primary goal of poverty reduction. Organizationally, the change was complemented by the creation of a Poverty Reduction Unit within the Bank.

The radical change in the development approach of the ADB prompted opposition from outside and within. Some DMCs in particular voiced suspicions of the Bank's new 'social linkage' approach, accusing it of bearing overtones of cultural imperialism by developed states and even of various 'fair-trade' agendas associated in recent years with disputes in the WTO over labour and environmental standards in developing countries.[32] A number were also concerned at the diversion of ADB funding away from infrastructure investment without consulting the needs of its DMCs. Substantial resistance to the changes also occurred internally to the Bank, as the changes brought the need to restructure existing organizational procedures and roles.

Regional financial stabilization

The Asian economic crisis saw the ADB assume yet another role, constituting a further diversification of Bank's operations. The massive investment outflows from the region saw the three most affected states – Thailand, the Republic of Korea, and Indonesia – in dire need of liquidity injections in the short term, as well as funding for structural reforms and rebuilding in the medium and long terms. Stung by criticisms of its early lethargy in predicting and responding to the crisis, the ADB made major funding outlays to all three affected countries. To Thailand, it extended a US$1.2 billion financial market reform programme loan targeted at: strengthening financial market supervision; improving risk management; facilitating investment access to domestic financial markets; and developing long-term institutional

sources of funds. It extended it largest-ever loan to Korea: US$4 billion for capacity-building for financial institutions; building financial market infrastructure and improving corporate accounting and disclosure standards. Another US$15 million loan was also extended to Korea to create a financial supervisory agency; assist in managing non-performing loans; strengthen credit agencies; and create a mortgage-backed securities market. Indonesia was extended US$1.8 billion for a capital market reform programme.[33]

The response to the crisis also saw more permanent structural changes in the Bank's operations. The establishment within the ADB of a Special Programme Loan (SPL) facility, created to enable the ADB to extend emergency large-scale funding support to crisis-hit countries, suggests that this is a role that the Bank intends to play in the event of future crises. A Regional Economic Monitoring Unit and an Asia Recovery Information Centre were also set up in the aftermath of the crisis, the former established in cooperation with ASEAN. These responses represent the ADB's move into regional financial stabilization, a significant diversification from its original role as a development bank. Once again, such moves have raised questions about whether they will divert resources away from the infrastructure development needs of the other DMCs.[34]

3. Conclusion

As the oldest surviving regional multilateral organization in the Asia–Pacific, the ADB has seen a substantial amount of institutional change since 1966. Not only has it had to respond to the development circumstances of a region that has exhibited the extremes of both economic growth and crisis over the past three decades; it has also had to respond to criticism from a number of directions as well as internal competition for influence and funding. While its organizational reach has been extended to both the east and the west, it is the diversification in its roles and approaches to development funding that have marked the greatest changes in the organization. Its moves into new areas of activity and funding have rarely entailed the complete abandonment of previous activities. Cumulatively, this has resulted in a vast increase in the complexity and scope of the ADB's operations, with each change compounding the problems of oversight and coordination in the organization. These changes have in turn necessitated changes in organizational structuring and culture, and the beginnings of moves away from the Bank's traditional hierarchy and centralization.

The effects of the Asian economic crisis on the Bank's operations have taken it into completely new territory at the start of its fourth decade of operations. These recent changes can only suggest that the various competing pressures on the organization will persist into the foreseeable future, if not intensify. The new agendas have not allayed the demands of the DMCs that require funding for traditional infrastructure development projects. The new concern with social security and financial stability does not carry the conviction of all of its member states, particularly the US, which still remains committed to the belief in the operation of unfettered markets. Despite securing access to ADB funding, NGOs remain strident sceptics of many of the operations of the multilateral donor community. If anything, the ADB's recent history has seen an erosion of consensus on what constitutes the best approach to development, a trend that is partly reflected in the diversification of the Bank's activities. The trends of challenge, criticism and response established during the ADB's first three-and-a-half decades suggest that institutional change – perhaps growing in intensity – will be a fact of life for the ADB into the future.

Notes

1. Asian Development Bank, *Asian Development Bank Annual Report*, Manila: ADB, 1999.
2. Based on an interview with an Asian Development Bank official. A number of these interviews were conducted by the author in 1999 on conditions of anonymity, and inform much of this chapter's analysis of recent changes in the ADB.
3. Dick Wilson, *A Bank for Half the World*, Manila: ADB, 1987, p. 215.
4. 'A Fund of Questions', *The Economist*, 5 May 1990.
5. See for example Arundhati Roy, *The Cost of Living*, New York: Modern Library, 1999.
6. *Far Eastern Economic Review*, 5 December 1985.
7. For a more detailed discussion of this issue, see Chapter 6, 'Membership and Expansion'.
8. ADB Charter, Article 5(2).
9. ADB Charter, Article 5(1).
10. Wilson, *A Bank for Half the World*, p. 272.
11. *Far Eastern Economic Review*, 15 May 1986.
12. Anthony Rowley, 'Take a Number and Halve It', *Far Eastern Economic Review*, 7 May 1992, pp. 46–7.
13. Ming Wan, 'Japan and the Asian Development Bank', *Pacific Affairs*, Vol. 68, Winter 1995/96.
14. See Peter Hartcher, *The Ministry*, Sydney: HarperCollins, 1997, especially ch. 9.
15. Ming Wan, 'Japan and the Asian Development Bank', p. 511.

16. Stephen Krasner, 'Power Structures and Regional Development Banks', *International Organization*, Vol. 35, No. 2, Spring 1981, p. 319
17. Ming Wan, 'Japan and the Asian Development Bank', pp. 525–7.
18. 'Help Yourselves', *The Economist*, 4 May 1996.
19. Henny Sender, 'Mid Life Crisis', *Far Eastern Economic Review*, 16 May 1996, p. 81.
20. Quoted in 'Power Play', *The Economist*, 2 May 1987, p. 76.
21. Shada Islam, 'Loan Words', *Far Eastern Economic Review*, 19 May 1995, p. 47.
22. Anthony Rowley, 'We'll Do It Our Way', *Far Eastern Economic Review*, 14 May 1987, p. 68.
23. James Clad, 'Vote-Buying in Manila', *Far Eastern Economic Review*, 14 July 1988, pp. 56–7.
24. Islam, 'Loan Words', p. 47.
25. Interview with an Asian Development Bank official.
26. Ming Wan, 'Japan and the Asian Development Bank', p. 520
27. Some commentators suggest that this was part of a deliberate strategy to perpetuate developing countries' dependence on the commodities trade; see for example Nitish K. Dutt, 'The United States and the Asian Development Bank', *Journal of Contemporary Asia*, Vol. 27, No. 1, 1997.
28. Wilson, *A Bank for Half the World*, p. 249.
29. Rodney Tasker, 'Lender of First Resort', *Far Eastern Economic Review*, 17 May 1984.
30. See Robert O'Brien, Anne Marie Goertz, Jan Aart Scholte and Marc Williams, *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements*, Cambridge: Cambridge University Press, 2000.
31. See Japan Centre for International Exchange and Institute of Southeast Asian Studies, *The Asian Crisis and Human Security*, Tokyo: JCIE, 1998; and Japan Centre for International Exchange and Institute of Southeast Asian Studies, *Sustainable Development and Human Security*, Tokyo: JCIE, 1999.
32. See John Gerard Ruggie, 'At Home Abroad, Abroad At Home: International Liberalisation and Domestic Stability in the New World Economy', *Millennium*, 1995.
33. Asian Development Bank, *Asian Development Bank Annual Report*, Manila: ADB, 1998.
34. See Salil Tripathi, 'Strategic Shift', *Far Eastern Economic Review*, 17 September 1998, pp. 44–6.

and Japan would pay equal capital subscriptions to the Bank's OCR, and thereby retain parity in votes. While maintaining the rough equivalence of OCR contributions, Japan had by the late 1980s shown itself to be the major contributor to the ADB's concessional loan funds, partly as a way of recycling its surplus capital. At the same stage, it saw that its proportion of total ADB voting had fallen to 12.406 per cent from an original share of 17.12 per cent by 1988. Japan began to assert that voting shares should reflect ADF contributions as well.[22] Japan applied to the Board of Governors for a special capital increase that would see its voting share boosted to 16.41 per cent, but was vigorously opposed by the US.[23] It was not until after the 1994 GCI that Japan managed to push its proportion of voting power above 15 per cent again, and to break parity with the US.

Other minor power struggles have occurred at the donor–borrower and the regional–non-regional divides in the ADB. The struggles between Japan and the Americans and Europeans over the ADB's development philosophies in the late 1980s increased developing country dissatisfaction with the lack of influence of the DMCs over an institution devoted to development. When it was revealed that developed members controlled 55 per cent of the total ADB votes, a campaign pursued among developing members to reweight the voting formula in favour of the DMCs. The proposal most strongly advocated was to take members' size of economy and population into account as well when assigning proportions of votes. Unsurprisingly, this proposal was opposed by developed members. As disputes over human rights and labour standards in borrower countries began to enter ADB debates in the 1990s, a new push developed to 'regionalize' the workings of the Bank. A number of NICs and DMCs began to question new Western-backed lending policies to health, education and environmental projects on the grounds of cultural imperialism.[24] New proposals were floated to make the ADB 'of and for the region', including bringing Singapore and Taiwan on to the board of directors. According to some reports, regional–non-regional voting splits have begun to occur.[25] At the same time, questions about Japanese dominance of Bank policy have been raised from within the region, accompanied by demands that the ADB's operations be truly multilateralized.

Each of these factors has provided the external and internal context for the operations of the ADB. As such, they have furnished both the stimuli for institutional change within the organization, as well as the benchmarks against which the ADB's capacity to adapt to change and mounting demands can be measured. The remainder of this chapter reviews the institutional changes that have occurred in the ADB since 1966.

3

The Association of Southeast Asian Nations: Challenges and Responses

M.C. Abad, Jr

1. The Evolution of ASEAN

Why did Southeast Asia need an intergovernmental organization? According to Thanat Khoman, writing 25 years since he hosted the first meeting of five foreign ministers who affixed their signatures to the Bangkok Declaration, the most important reason was the fact that, with the withdrawal of the colonial powers, there would have been a power vacuum which could have attracted outsiders to step in for political gains. He believed that as the colonial masters had discouraged any form of intraregional contact, the idea of neighbours working together in a joint effort was thus to be encouraged.[1]

The Bangkok Declaration proclaimed that 'the countries of Southeast Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development'. The founders' model was the European Economic Community.[2] But even before it could get itself organized for economic cooperation, major political and security issues began to preoccupy ASEAN: the intensifying Vietnam War, the subsequent occupation of Cambodia by Vietnam, and the Cambodian peace process. This period stretched to about two-thirds of ASEAN's existence.

From the beginning, the five founding members – Indonesia, Malaysia, the Philippines, Singapore and Thailand – agreed that ASEAN should be open to all Southeast Asian states. But the immediately succeeding years were not conducive for this to happen. It took the organization more than three decades to realize the vision of bringing all Southeast Asian countries under one regional cooperative framework. The final consolidation of ASEAN into ten member countries was a function of several factors – domestic, regional and global. Brunei Darussalam joined after it became

independent, while the end of the cold war and the political normalization in Cambodia paved the way for the entry of the Indochinese states – Vietnam, Laos, Myanmar and finally Cambodia.

ASEAN's external relations moved even faster than Southeast Asian consolidation. Within two decades of its establishment, ASEAN had built a network of cooperative relations with the European Community, Australia, Canada, Japan, New Zealand, the US and the United Nations Development Programme. After the cold war, ASEAN established relations with China, India and the Russian Federation. It was this very same policy of cooperative engagement that propelled ASEAN to assume an active role in the promotion of interregional dialogue and cooperation. Most ASEAN members are participants in Asia–Pacific Economic Cooperation (APEC), the Asia–Europe Meetings (ASEM), and most recently the Asia–Latin America Economic Forum. Realizing the region's increasing security interdependence, ASEAN established the ASEAN Regional Forum in 1994 to promote political and security dialogue among countries in the Asia–Pacific region. The ARF is composed of all ASEAN member countries, all 'dialogue partners', and other concerned states within the Pacific–Asia rim.

The period that led to the completion of the ASEAN−10 was a time of regional resurgence. The processes of widening and deepening proceeded simultaneously. The nature of cooperative activities intensified as the membership grew. The process of deepening was manifested in major policy shifts. For example, economic cooperation evolved into economic integration. Security dialogue and cooperation moved from bilateral to multilateral.

The expansion of areas of cooperation resulted in a corresponding enlargement of the organization's structure and mechanisms. Between 1967 and 1975, ASEAN was an organization dominated by the Foreign Ministers. The Economic Ministers started to meet in 1975. Today, there are 20 kinds of ministerial meetings, which convene at differing intervals. They are supported by 29 committees of senior officials and about 122 technical working groups. The proliferation of ASEAN activities at the ministerial level raised questions over the primacy of the Foreign Ministers in providing direction for the organization. This was anticipated as early as 1983 by the Task Force on ASEAN Cooperation chaired by Khun Anand Panyarachun, which recommended the creation of an ASEAN Council of Ministers to incorporate all chairmen of the various ministerial meetings. Its far-reaching institutional implications did not receive enthusiastic support from ASEAN decision-makers at that time. Nevertheless, it paved the way for the preparation of the first joint

ministerial report, which was presented at the Third ASEAN Summit in 1987. Five years later, the first Joint Ministerial Meeting, composed of Foreign and Trade Ministers, was convened. Then, in 1999, the Philippines convened a Special Joint Ministerial Meeting, composed of Foreign, Trade and Finance Ministers, in recognition of the interrelationship of their roles in the wake of the regional financial contagion.

The First ASEAN Summit of 1976 adopted the Treaty of Amity and Cooperation in Southeast Asia, which made ASEAN a treaty-based intergovernmental organization. The ASEAN Secretariat was established in the same year. The Fourth ASEAN Summit of 1992 gave impetus to the resurgence of ASEAN cooperative activities and changed the designation of the Secretary-General of the ASEAN Secretariat to Secretary-General of ASEAN. At the same time, the ASEAN Secretariat was professionalized through open and competitive recruitment. For the first time, the Secretary-General of ASEAN was mandated to initiate policies for the consideration of concerned ASEAN bodies.

The most important institutional evolution of ASEAN since its establishment has been the increasing frequency of meetings of the Heads of Government over the last decade. It was, indeed, anomalous that the first meeting of the ASEAN leaders took place nine years after the establishment of the organization. Then, in 1987, they decided to meet every five years. The ASEAN leaders' decision was prompted by the 1987 Report of the Group of Fourteen (G14), established by the ASEAN Chamber of Commerce and Industry, to have more frequent summit meetings 'to generate a much higher degree of commitment at all levels'. In 1990, the Report of the Panel of Eminent Persons (chaired by Tan Sri Ghazalie Shafie) recommended that the Heads of Government should meet at least once a year 'in a working, business-like meeting, without pomp and excessive ceremony'. Therefore, in 1992, the ASEAN leaders decided to meet every three years' with informal meetings in between. In 1995, the leaders regularized the annual informal meeting in between formal meetings. It is only a matter of time before the distinction between these two kinds of meetings is eliminated.

The annual meeting of the ASEAN leaders secured their position at the helm of the organization. This development transformed ASEAN from a mainly diplomatic organization to a truly comprehensive regime for regional governance of common affairs. This shift has created pressure on the organization to produce substantive outputs, which contributed further to the momentum generated by leadership at the highest level. The leaders' meeting has now become the most important event in ASEAN's calendar – at the expense of the Foreign Ministers.

The expansion of intergovernmental activities was only part of the surge in the development of other sectors in the region. The business sector established the ASEAN Chamber of Commerce and Industry in 1972 and the ASEAN Business Forum in 1994 to collectively promote its interests by influencing the decision-making process in the region. They represent the ASEAN private sector in ASEAN's external economic relations.

Even in the political sphere, the establishment of a regional network of strategic think tanks in 1984 – the ASEAN Institutes for Strategic and International Studies – launched regional track-two diplomacy.[3] Since then, these institutions have been at the forefront of building a constituency of Southeast Asian regionalism and community. They have also participated actively in the processes of conflict management, such as in the series of workshops on managing potential conflict in the South China Sea since 1990. Civil society organizations have also established regional alliances to present a common front on issues that concern them. For example, civil society groups dominated the March 1993 Asian Regional Meeting on Human Rights held in Bangkok, which attempted to adopt a common stance ahead of the Second World Conference on Human Rights held in Vienna in June of the same year. Today, there are about 50 non-governmental organizations with regional membership that are currently affiliated with the ASEAN Secretariat.

2. Recent regional challenges

Economic interdependence

At the first informal summit in 1996, Singapore Prime Minister Goh Chok Tong raised the question of what ASEAN would do beyond 2003 – the year when AFTA would be fully realized. He believed that the recipe was at hand: economic integration. His question led to the year-long formulation of the ASEAN 'Vision 2020', which stated that ASEAN 'will create a stable, prosperous, and highly competitive ASEAN Economic Region in which there is free flow of goods, services, investments and capital'. Unfortunately, the East Asian financial crisis, which began in July 1997, almost sidelined the ASEAN Vision's adoption in December 1998. The financial crisis interrupted the remarkable economic achievements of East Asia over the past three decades, which saw the region grow faster than all other regions of the world.[4]

The call for closer economic integration simply ratified what had been going on all the time – accelerating regional and global economic interdependence. Intra-East Asian international trade and foreign direct

investment (FDI) accounted for 49 per cent and 54 per cent, respectively, of the region's total trade and FDI in 1995.[5] In fact, the very interconnection that created mutually reinforcing economic dynamism before the financial crisis served to sow the seeds of negative sentiment that triggered a panic across the region. The problem was said to have began with financial intermediaries – institutions whose liabilities were perceived as having an implicit government guarantee, but were essentially unregulated and, therefore, subject to severe moral hazard problems. The excessive risky lending of these institutions created inflation – not of goods but of asset prices. When the bubble burst, falling asset prices made the insolvency of intermediaries visible, forcing them to cease operations, leading to collapses in domestic asset markets, widespread bank failures, corporate bankruptcies, and eventually an economic downward spiral. The collapse happened because speculative bubbles were vulnerable to self-fulfilling pessimism: as soon as a significant number of investors began to wonder whether the bubble would burst, it did.[6]

The story of the regional contagion in East Asia is supported by self-evident statistics. The 1990s saw an important change in the composition of capital flows – from official to private sources. The movement of private capital accelerated because trade had expanded at roughly twice the rate of GDP growth, foreign direct investment at roughly three times, and foreign equity investment at some ten times.[7] Net flows from official sources to emerging markets declined sharply, from 42 per cent of the total in 1990 to a mere 15 per cent in 1995. In contrast, the flow of private capital increased eight times, from US$31 billion in 1990 to US$241 billion in 1996. East Asia was the destination of choice and accounted for 46 per cent of net private flows to emerging markets in 1996.

The reversal of private capital flows in East Asia was dramatic, particularly in South Korea, Indonesia, Malaysia, Thailand and the Philippines. According to the International Monetary Fund (IMF), these countries experienced a flow reversal of US$84 billion in 1997 – from a net inflow US$73 billion in 1996 to a net outflow of US$11 billion in 1997. The Institute of International Finance provided estimates indicating that the degree of reversal was even larger, at US$105 billion – from a net inflow of US$93 billion in 1996 to a negative US$12 billion in 1997.

According to the IMF, net foreign direct investment inflows to the five worst-affected East Asian countries slowed down from US$12 billion in 1996 to US$10 billion in 1997. Similarly, net portfolio investment also fell from US$20 billion in 1996 to US$12 billion in 1997. Net banking inflows showed the largest reversal. They turned into a negative US$32 billion in 1997 from a positive US$41 billion in 1996, signifying

a turnaround of US$73 billion. Banking flows proved to be the most volatile of private capital movement.[8]

The magnitude of the financial crisis and the speed with which it spread across the region finally convinced everyone that the processes and consequences of globalization and interdependence are real and profound. ASEAN recognized that for the region to recover, it needed the support of the international community. Therefore, at the height of the financial crisis, ASEAN mobilized the concerned committees of ASEAN ambassadors based in the capitals of the members of the Group of Seven (G7) industrial nations. The ASEAN Secretariat formulated and sent the talking points for the simultaneous *démarche* on 7 May 1998. These efforts contributed to the subsequent pronouncements of the G7. In support of the efforts of the crisis-hit countries, the Finance Ministers of the G7, at their meeting in Birmingham on 15–17 May 1998, urged the IMF to monitor effectively capital flows, including short-term capital flows, with a view to providing information to the market and promoting stability. Then in October 1998, the Finance Ministers and Central Bank Governors of the G7 agreed that strengthened arrangements for dealing with contagion were needed – the central element would be the establishment of an enhanced IMF facility, which would provide a contingent short-term line of credit for countries in need.[9]

In their efforts to ensure that the views, not just of ASEAN countries, but of all developing economies, were heard and considered in the various processes of reviewing the international financial system, the ASEAN Finance Ministers adopted the ASEAN Common Position on the Review of the International Financial Architecture in April 1999. ASEAN also urged the IMF and other multilateral institutions to look into the possibility of subjecting the hedge funds to full disclosure and greater transparency in their operations.[10] ASEAN was at the centre of the group of Asia–Pacific countries that put together the Manila Framework of November 1997. Taking advantage of their membership, ASEAN countries also secured the support of other multilateral organizations, such as the Asia–Pacific Economic Cooperation and the Asia–Europe Meeting. The APEC leaders endorsed the Manila Framework, while the ASEM leaders issued a special statement on the need for reforms in the international monetary and financial systems, focusing on crisis prevention and reducing the vulnerability of domestic financial systems to potential shocks, including speculation-induced instability.[11]

In search of preventive measures, the ASEAN Finance Ministers began consideration of a region-wide economic surveillance mechanism in

Kuala Lumpur in December 1997. The ASEAN Surveillance Process, which has been installed since October 1998, is designed as an early-warning mechanism to prevent the recurrence or mitigate the impact of future financial crises. The kind of mandate given to the ASEAN Deputy Finance Ministers and Deputies of the Central Banks, which constitute a select committee that reviews surveillance reports, is unique in the experience of ASEAN. It is a case of collective monitoring and peer review within an intergovernmental framework. Furthermore, recognizing the economic interdependence of East Asia, ASEAN welcomed the Chinese initiative to hold regular consultations among Finance and Central Bank Deputies of ASEAN, China, Japan and the Republic of Korea. For the long term, ASEAN reaffirmed its commitment to the course of greater economic liberalization and regional integration.[12]

The financial crisis has shown the fundamental vulnerability of developing economies to external shocks. It has also highlighted the dangers of poorly sequenced and unbalanced capital account liberalization. There was a realization that the forces of globalization, particularly the worldwide movement of capital, necessitate an equally effective multilateral supervisory and regulatory regime to mitigate its impact, particularly on developing economies.

The financial crisis and the imperatives of reform require more responsive regional governance, taking into account recent trends in globalization. The revolution in communications has quickened the pace of interaction and strengthened the imperative to respond. Technological advances have made traditional borders more penetrable. Governments retain sovereignty, but other actors in the international system continue to demonstrate powers and influence beyond national borders. A global and rapid flow of capital, threats, images and ideas has overflowed the old system of territorial integrity. Regional organizations face the challenge of playing a more effective role in bridging the interconnections between national and global forces of interdependence.

Transboundary environmental pollution

Smoke haze intermittently affected Southeast Asian countries during the dry seasons in 1991, 1994 and 1997–98. Between 1997 and 1998, ASEAN countries, in particular Brunei Darussalam, Indonesia, Malaysia and Singapore, were badly affected by smoke haze caused by land and forest fires from Indonesia's Sumatra and Kalimantan regions. The Philippines and Vietnam were affected to a lesser degree. The severity and extent of the smoke haze pollution in 1997–98 period was

unprecedented, affecting approximately 70 million people across the region. It destroyed 25 million acres of forest. The overall cost to the affected countries was estimated at US$4.5 billion – US$3.1 billion for fire damage and US$1.4 billion for haze-related costs.[13]

Since the smoke haze affected most parts of the region, a regional response was necessary. The ASEAN Environment Ministers adopted the Regional Haze Action Plan in 1997, to be implemented by the Haze Technical Task Force. The Plan was a more focused strategy building on the ASEAN Plan of Action on Transboundary Pollution, which in itself was considered a 'landmark' regional initiative.[14] Despite these responses, ASEAN found itself in a situation where expectations far outweighed its institutional capability. First, it did not have resources to mobilize. Thus the United Nations Environmental Programme played a leading role in coordinating international assistance to control regional fire and haze on behalf of ASEAN. The US extended assistance under its Southeast Asia Environmental Initiative. Australia provided financial assistance through the World Meteorological Organization and the Economic and Social Commission for Asia–Pacific to improve meteorological services in ASEAN countries. Finally, the Asian Development Bank funded a technical assistance programme to strengthen the institutional capability of ASEAN to prevent and mitigate transboundary atmospheric pollution.

Second, ASEAN did not have a dedicated regional institution and binding arrangements for managing transboundary pollution. For a period of two years after December 1997, ministerial-level meetings on the haze had to be convened eight times – unprecedented in ASEAN history. To build regional capability, Indonesia has proposed the establishment of an ASEAN Research and Training Centre for Land and Forest Fire Management. The proposed Centre will be established in Central Kalimantan to train fire-fighters in Indonesia and to serve as a resource for ASEAN countries. Building on the momentum of intense collaboration, ASEAN agreed in August 1999 to undertake a feasibility study to develop an ASEAN Legal Framework on Transboundary Haze Pollution.

Recognizing the gravity of the situation and its impact on neighbouring states, Indonesia has demonstrated a significant degree of tolerance of external pressure. At the height of the smoke haze problem, ASEAN adopted a zero burning policy and 'urged Indonesia to quickly implement the necessary by-laws and regulations to enforce the zero-burning policy'.[15] Indonesia also agreed to a dialogue with its timber concessionaires and plantation companies in Riau, North Sumatra and Jambi Provinces. At these meetings, ASEAN representatives strongly urged that open burning

should not be allowed for the conversion of the vast tracts of land in Sumatra and Borneo into commercial plantations.

The long-term solution to the problems caused by land and forest fires lies in national economic policies. In particular, imposing a moratorium on agricultural land-clearing through burning requires a reorientation of agricultural trade and employment policy. Indonesia's ability to adjust its policies will depend on whether alternative economic opportunities can be created elsewhere. On the other hand, ASEAN's ability to undertake this policy advocacy role will depend on its willingness to develop a compensation system that will benefit those countries or sectors that will be disadvantaged by such policies. Equally important in preventing land and forest fires is the government's ability and willingness to enforce the law, a matter that is beyond the capability of ASEAN.

Managing transboundary pollution will remain an important regional concern. The increasing trade and transport of raw materials, fossil fuels and commodities across the region's busy shipping lanes has contributed to marine pollution through oil spills and ocean dumping. ASEAN has to adopt and enforce regional environmental standards and compliance. Nevertheless, there will always be a limit to what regional institutions can do to effect change in individual countries. There will always be friction between the need to address situations, which have transnational dimensions, and the regional commitment to the principle of national sovereignty. It is easy to blame the policy of 'non-interference' in another country's internal affairs for ASEAN's ineffectiveness in dealing with the haze problem. It has been suggested that ASEAN should not allow this longstanding but 'outdated' policy to affect its resolve to respond.[16] In reality, some domestic factors can exacerbate the problem and hinder the search for solutions – whether or not regional arrangements are allowed to play a role.

While wide-ranging discussions took place bilaterally and multilaterally within ASEAN on the haze problem, it remained for Indonesia to assume greater responsibility in addressing the problem. Clearly, the principle of 'non-interference' in the internal affairs of others did not prevent ASEAN from taking an active role in this instance. In the wake of the latest haze episode, some analysts have asked whether ASEAN's active interaction with Indonesia, which has led to the adoption of zero burning policy and the initiation of major regional arrangements, is a unique case or whether it will set a precedent for employing a multilateral approach to address the domestic sources of regional problems.[17]

East Timor and humanitarian intervention

According to the UN Office for the Coordination of Humanitarian Affairs, more than 75 per cent of East Timor's population was displaced and 70 per cent of all housing, public buildings and essential services were destroyed during the two weeks of violence that erupted after the territory voted overwhelmingly on 30 August 1999 for independence from Indonesia. Seven thousand residents were estimated to have died in the violence, which was perpetuated by pro-Jakarta militia. The crisis deepened when public services and law and order collapsed with the rapid withdrawal of Indonesian authorities.

ASEAN was caught unprepared for the violence and the consequent humanitarian situation that deteriorated very rapidly over a period of two weeks after the referendum. Before to the Indonesian government's unexpected decision to hold a referendum in East Timor, the issue was being addressed through negotiations among the parties directly concerned. Since 1983, Indonesia and Portugal had undertaken, through the good offices of the Secretary-General of the United Nations, to find an internationally acceptable solution to the East Timor question. The culmination of the good offices process was the 5 May 1999 signing of an overall agreement between the two governments, which entrusted the UN Secretary-General with organizing a consultation to determine whether the East Timorese would accept or reject a proposed constitutional framework for special autonomy within Indonesia.

The bilateral agreement specified that, should the autonomy proposal be accepted, Indonesia would act to implement it and Portugal would act to remove East Timor from the United Nations list of Non-Self-Governing Territories, and the question of East Timor from the Council and the General Assembly agendas. If the proposal were rejected, Indonesia would take the necessary constitutional steps to terminate its links with East Timor. At the same time, Portugal, Indonesia and the UN Secretary-General would agree on a transfer of authority to the United Nations, which would then initiate moves to independence.

ASEAN was entirely left out of the above processes. Because of ASEAN's unconditional support for Indonesia's sovereignty over the territory from the beginning, East Timor was never placed on the agenda of the organization. Thus, when the crisis broke, ASEAN was unable to respond as the regional organization closest to the crisis. It was not able to activate any political or diplomatic initiatives to prevent or contain the local conflict.

Acceding to international pressure, Indonesia eventually agreed to a UN-sponsored multinational force to restore order in East Timor. On 14 September 1999, Thai Foreign Minister Surin Pitsuwan, acting as

Chairman of the ASEAN Standing Committee, informed his counterparts that Indonesia would like to see ASEAN countries participate in the multinational force and that, if possible, the commander should be an ASEAN national. His meeting with Indonesian President B.J. Habibie and General Wiranto that day was a follow-up to the informal consultations among the ASEAN Heads of Government attending the APEC meeting in Auckland on 13 September 1999. But the international community would not wait for ASEAN. Some even suggested that ASEAN's motive was primarily to shield Indonesia from further embarrassment. On 20 September, the UN International Force for East Timor (INTERFET) – led by Australia – was deployed.

The *Bangkok Post* editorial stated:

> The case of East Timor underscores the failure of ASEAN to deal with the internal conflicts of member countries when they escalate to cause international outrage and threaten the stability of the whole region. If the image of Caucasian troops imposing peace on Asia creates discomfort for Asia, because the West at one time colonized most of the members, then the regional grouping must re-define the role that it should play in these internal matters. The mechanisms and willingness must be found to allow members to address issues that could blow up in their faces.[18]

On 25 October 1999, the United Nations Security Council voted to establish the United Nations Transitional Administration in East Timor (UNTAET), which would exercise all legislative and executive authority, including the administration of justice, and maintenance of law and order. UNTAET would take over from INTERFET. On this occasion, a Thai journalist asked: 'Will the setting up of UNTAET provide a new opportunity for ASEAN to readdress itself, or serve as yet another albatross around its neck?'[19]

The transition from INTERFET to a United Nations peacekeeping operation was completed in February 2000. This time, an ASEAN member, the Philippines, led the United Nations peacekeeping force. Although the Special Representative of the UN Secretary-General for East Timor, who headed the UN Transitional Administration in East Timor (UNTAET), was not from the region, his chief of staff was a Malaysian. It was an opportunity for ASEAN to recoup its image of being a stiffened and disconcerted regional organization. Some viewed this as a signal of a changing moral and political fibre in the organization.[20]

The East Timor crisis was a wake-up call for ASEAN. Unfortunately, like most conflict situations, it was a complicated one. For one thing, ASEAN's biggest member was at the heart of the problem. Southeast Asian leaders and diplomats were immobilized by their preoccupation with not causing offence to the Indonesian political élite. Another obstacle was the limited resources available to the organization. Participating countries in a multinational contingent preceding a UN peacekeeping force had to bear the costs of their involvements. At that time, most ASEAN countries were only in the early stages of recovery from the devastation that the financial crisis inflicted on the region. Moreover, ASEAN countries suffered from a credibility problem, having supported Indonesia's sovereignty over East Timor for more than two decades. Finally, there was a concern that the conditions in East Timor could have created situations where soldiers from other ASEAN countries could have killed Indonesians in the course of their duties.[21]

The East Timor case has brought the debate on the concept and practice of humanitarian intervention to the region. It forced governments to engage with the international community and civil society in a re-examination of certain fundamental principles and practices in the region. New *modi operandi* have been advanced on the basis of alternative principles. For instance, in the face of ASEAN's strong adherence to respecting national sovereignty and observing non-interference, *ad hoc* arrangements such as 'coalitions of the willing'[22] are being advocated to balance these important principles with certain universal and moral standards. It has been argued that, in the process of relaxing the interpretation of the principle of non-interference, ASEAN need not give up other features of the ASEAN way – loss of face can still be avoided by 'quiet diplomacy' and a non-confrontational stance.[23] The significance of such ideas rests not so much in their increasing adherents but in the fact that they are discussed at all. Thai Deputy Foreign Minister Sukhumbhand Paribatra expressed confidence that 'a new chapter is being written in the development of Southeast Asia and the development of ASEAN'.[24]

3. Long-term implications for regional principles and practices

The recent challenges outlined above create a formidable task for ASEAN: to identify principles and practices that need to be reviewed for the organization to be able to respond to certain difficult situations. The most challenging of these would be to its long-upheld principles of

mutual respect for sovereignty and non-interference in the internal affairs of others.[25]

In the midst of these recent developments suggesting that change is imperative, it is essential to take into account that the principle of non-interference underpins the entire interstate system and all regional and international organizations.[26] The Charter of the United Nations has guaranteed this principle. It is supposed to establish order in otherwise anarchic international relations. It is a logical extension of the concept of national sovereignty. Nevertheless, the pressures exerted by the increasing number of problems at the regional level are expected to spur more intensive and freer interactions among the countries concerned. ASEAN Secretary-General Rodolfo Severino has written:

> It is becoming clear that ASEAN solidarity also means ASEAN manifesting its concern over apparently internal developments in some members – whether they arise from ethnic conflict, political violence, or economic upheaval – if such developments threaten to spill over to neighboring countries. Such spillover effects may be in the form of contagion of the problem itself or refugees in massive numbers or severe economic repercussions or a serious impact on regional stability.
>
> In this sense, ASEAN is emerging as a true community or even family. There are differences within the family, even serious ones; but there is also the underlying consciousness that, in some cases, the problem of one is the problem of all, that the group must stick together to get a better deal with the world outside, and that, as in a family, the troubles of one can legitimately be the concern of the rest. Because the Southeast Asian community will be more closely integrated, a new equilibrium may have to be sought between national sovereignty and regional purpose. Precise rules may have to govern more of the many modes of ASEAN cooperation. ASEAN's institutions may have to be strengthened to keep pace with a more closely integrated ASEAN and more intensive ASEAN cooperation.[27]

In July 1997, former Deputy Prime Minister of Malaysia, Anwar Ibrahim, called on ASEAN to consider the idea of 'constructive intervention'.[28] A year later, Thai Foreign Minister Surin Pitsuwan brought the debate to the level of ASEAN officials. The Foreign Minister stated, 'If we are aiming for regional integration, we must be willing to cede some aspects of national sovereignty.'[29] He suggested that constructive intervention should promote 'more flexibility for members to express views and, if necessary,

provide advice on policies pursued in each country'.[30] Later in the debate, he renamed the concept as 'flexible engagement'.

On 20 July 1998, the ASEAN senior officials, meeting in the Manila Hotel to prepare for that year's ASEAN Ministerial Meeting, began to formally exchange views on the Thai proposal. The Philippines official, as chairman, opened the discussion with a question: 'Is ASEAN's principle of non-interference in the internal affairs of one another open to new interpretation?' This historic Manila Hotel meeting concluded by reaffirming the said principle, while at the same time recognizing the possibility that some domestic problems have regional implications that require regional responses. Thereafter, the Foreign Ministers discussed the concept and argued that, in fact, consultations on such problems were already taking place – mostly at the bilateral level. The Foreign Ministers tried to convey an impression that the debate had been settled by agreeing to promote 'enhanced interaction' among the member states.

In fact, the debate has just begun. By raising questions about the relevance of its non-interference policy, ASEAN has revisited the motivations for the very establishment of the regional organization. As a function of their historical and political background, most national governments and members of the political élite saw in the regional organization a legitimating function. Membership in the regional organization was supposed to consolidate their political control and freedom from external interference. The Treaty of Amity and Cooperation stated: 'Each High Contracting Party shall not in any manner or form participate in any activity which shall constitute a threat to the political and economic stability, sovereignty, or territorial integrity of another High Contracting Party.'[31] The debate might be reduced to what constitutes a 'threat'. But then again, national threats could spill over into neighbouring states and become regional threats. The idea, therefore, of using a multilateral framework in the pursuit of national interests from the traditional perspective has become too narrow in this age of regional and global interdependence.[32]

The ASEAN formal discussions on such principles have so far addressed only a part of the issue. It is important to extend the review to situations where domestic problems do not affect any other part of the region directly but violate certain universal and moral principles. The concept of security has evolved because the locus of threats has changed. Forty-five of the world's 49 major conflicts since 1990 were domestic in nature. About 4 million people have died in these conflicts – half of them civilian, mostly women and children.[33] To engage genuinely in this debate, ASEAN states need to define their national interests consistent with certain universal and moral values. Therefore,

ASEAN is faced with a challenge of upholding universal and moral standards without abandoning its commitment to regional solidarity. It needs to find a balance to reconcile the two ideals that could be in contradiction in some situations.

In 1994, the 50th anniversary of the United Nations, the Commission on Global Governance proposed an amendment to the UN Charter, which would permit international action in cases that, in the judgement of the Security Council, constitute a gross violation of the security of people so that they require international response on humanitarian grounds.[34] Its co-chairman, Ingvar Carlsson, wrote that the old pillars of sovereignty and non-interference in internal affairs should give way to a more flexible system, based as much on concern for the security of people as for the security of states.[35]

A redefinition of the concept of security is supposed to serve as a deterrent against gross violations of universal values. UN Secretary-General Kofi Annan believes that if states bent on criminal behaviour know that 'frontiers are not an absolute defence' – that the UN Security Council will take action to halt the gravest crimes against humanity – then they will not embark on such a course assuming they can get away with it.[36]

In fact, ASEAN has embraced certain universal principles and moral standards. The ASEAN Foreign Ministers' Joint Communiqué of 1993 called for the 'strengthening of international cooperation on all aspects of human rights and that all governments should uphold humane standards and respect for human dignity'.[37] Furthermore, the Joint Communiqué stated that 'violations of basic human rights should be redressed and should not be tolerated under any pretext'. The organization even subscribed to a more encompassing principle when it adopted in 1997 the ASEAN 'Vision 2020', which augured for 'vibrant and open ASEAN societies'.[38]

ASEAN need not abandon its principle of non-interference. But its interpretation should be broadened. This means that the principle should not be equated with indifference when universal principles of human rights to life, liberty and justice are violated. It should not result in paralysis when the global commons is being threatened. Instead, it should promote greater cooperation and dialogue on increasing numbers of transnational issues.

'Enhanced interaction' should establish the gap between the often-disturbing silence and unsolicited activism. It should take place when the collective interests of the regional community are at stake and when universal and moral values are transgressed. 'Enhanced interaction' should be made possible abreast of undiminished sensitivity and mutual respect.

Broader interpretation of the principle of non-interference requires new ways of looking at things. It requires a shared perception of the fundamental changes that have taken place in the world. Without a paradigm shift, terms like 'enhanced interaction' will remain simply words for public consumption. Like any other intergovernmental agreement, the new policy of enhanced interaction must be genuinely internalized by all concerned decision-makers before it can be expected to make a difference.

Recent developments also bear serious long-term implications for the established policies and practices of ASEAN. First, the financial crisis has sent a clear signal that multinational corporations make decisions with a regional perspective. This suggests that the prospects of national and subregional economies depend on the prospects of the entire region to which they belong. Southeast Asia cannot go it alone. The extent of the regional contagion has validated ASEAN's policy of engaging the whole of East Asia. The expression of this policy culminated with the ASEAN hosting of a regular meeting of East Asian leaders, which led to the adoption of the Joint Statement on East Asia Cooperation in November 1999. It is crucial that this policy is sustained.

Second, the introduction of the peer review process implies that member economies must institute measures toward greater transparency and accountability in their financial and economic systems. Such measures should be developed in the broader context of national and regional governance that is accountable. However, accountable regional governance could come about only when a robust Southeast Asian 'community' has succeeded the state-centric intergovernmental structures.[39]

Third, the vision of 'vibrant and open ASEAN societies' indicates the establishment of certain standards of governance in the region. It represents a challenge to the practice of finding the least common denominators among the member countries. The ASEAN 'Vision 2020' has planted a seed of democratic governance in Southeast Asia.

Fourth, the 1997–98 episode of the smoke haze, which engulfed most parts of the region, suggested that the definition of regional projects need not be geographically regional in scope. ASEAN currently prescribes the concept of 'regionality' as a primary criterion in its project appraisal and approval process. A project is regional when it involves at least three countries. Approaches to mitigating transnational environmental pollution are challenging this practice. They demonstrate how a single-country project could benefit the whole region. There are many other transnational issues, which originate at local sources, such as drug trafficking, money laundering, smuggling and, most recently,

telecommunications and computer crimes. Over time, these issues will prove that regional projects need not always be regional.

Fifth, in the political area, ASEAN will continue to be confronted by issues beyond its control. It will find it increasingly difficult to maintain a selective approach of picking only those issues it wants – mostly either non-controversial or issues abroad where no member state is involved. It will have to base its decisions on certain standards and not on geography. The minimalist view of ASEAN that it is all about maintaining harmony, and that everything else is a bonus and therefore dispensable, might have become inadequate if not obsolete. This minimalism has been considered an obstacle to decisive restructuring of the regional institutions.[40]

Sixth, what happened to Indonesia on the East Timor issue showed that it was futile to resist international pressure for UN-sanctioned intervention when the situation warranted it. ASEAN's Treaty of Amity and Cooperation has ordained the member countries to be 'well disposed'[41] towards offers of third-party mediation and assistance. The East Timor case could make ASEAN realize the value of practising what it is exhorting.

Seventh, the nature of the above challenges offers profound implications for ASEAN decision-making processes. They all required regional institutions that were capable of responding swiftly and decisively. ASEAN's conference diplomacy should not be allowed to stand in the way of establishing modalities for crisis management. In 1995, the ASEAN leaders declared that 'In a rapidly changing world, ASEAN shall remain bold, forward-looking, dynamic and nimble in order to safeguard the vital interests of the its diverse members.'[42] In the same year, Singapore Foreign Minister S. Jayakumar said that ASEAN 'should prepare psychologically to become a rapid reaction organization, one that responds quickly to new challenges'.[43] It took another four years and a political crisis in Cambodia before a proposal to institutionalize the 'ASEAN Troika' was initiated by Thailand Prime Minister Chuan Leekpai in November 1999. As proposed, the Troika, which would be composed of the past, present and future chairman of the ASEAN Standing Committee, should be able to respond swiftly to crisis and emerging issues. The ASEAN Troika, when institutionalized, will have profound implications for ASEAN's consensus-based decision-making pattern. ASEAN's emphasis on the process might be moderated by the need for timely results and solutions to regional problems.

Nevertheless, in a fast-changing world, ASEAN should be prepared to be flexible, if consensus could not be achieved, in the face of threats to regional, national and human security. Failure to reach consensus on fundamental issues should not lead to inaction. Instead, it should lead,

for example, to the establishment of issue-based coalitions – as opposed to region-based – among governments and non-state actors.

Consensus-based decision-making is supposed to promote strong commitment to carry out every decision without any reservation. But while the principle of trust is paramount, greater confidence is built when implementation of decisions is verifiable. Singapore's Member of Parliament Simon Tay wrote: 'As interdependence grows, commitments and responsibilities must increasingly be observed, not just promised. There must be ways to help members meet their obligations and hold them to scrutiny when they fail.'[44] The challenge, therefore, is not just about coming up with collective policies at the right time, but also in unequivocally living up to them all the time.

4. Conclusion

ASEAN is undergoing change. The question is whether the pace of change corresponds with what is necessary for ASEAN to remain relevant. If it does, then ASEAN could further evolve into a formidable force for regional and international cooperation. Like most regional arrangements, ASEAN could provide great opportunities and serve as an important platform for its small or weak members to articulate their views on important issues that affect their well-being. It could promote the capacity of civil society, local communities and national governments to overcome the challenges of increasing globalization, interconnection and interdependence, as well as in seizing the opportunities they bring. A founder of ASEAN described it as a 'stepping stone' in international development. Regional cooperation should be promoted as a building block for larger multilateral frameworks and global governance of common affairs. On the other hand, if ASEAN mechanically moves always at a pace comfortable to its slowest member, then it runs the risk of becoming an unnecessary drag for some of its member nations that have more dynamic political and economic systems. It thus risks alienating its own people, retaining only the form of conference diplomacy without a constituency.

Notes

1. Thanat Khoman, 'ASEAN: Conception and Evolution', in K.S Sandhu et al. (eds), *The ASEAN Reader*, Singapore: Institute of Southeast Asian Studies, 1992.
2. Ibid.
3. See Mohamed Jawhar Hassan, 'Track Two Activities in the Asia-Pacific Region', paper presented at the ASEAN–UNESCO Regional Symposium on Cooperative Peace, ASEAN Secretariat, Jakarta, 11–12 September 1998. See

also *Shared Destiny: Southeast Asia in the 21st* Century (Report of the ASEAN–Vietnam Study Group, February 1993).

4. See *The East Asian Miracle: Economic Growth and Public Policy*, The World Bank and Oxford University Press, September 1993.
5. Ministry of Foreign Affairs of the Republic of Korea, 'Vision Group on East Asian Cooperation', 20 January 1999.
6. Paul Krugman, 'Asia: what went wrong', *Fortune*, 2 March 1998, p. 21, and 'What happened to Asia?' http://web.mit.edu/krugman.
7. 'Implications of the globalisation of financial markets', *Economic Roundup*, Commonwealth Treasury of Australia, Spring 1999, p. 78.
8. C. Rangarajan, 'Exchange Rate Management and Capital Flows – Lessons from India and East Asia', Speech at the India–ASEAN Eminent Persons Lecture Series, ASEAN Secretariat, Jakarta, 25 February 2000.
9. Report of G7 Finance Ministers to G7 Heads of State or Government, Birmingham, 15–17 May 1998, and Declaration of G7 Finance Ministers and Central Bank Governors, Washington, 30 October 1998.
10. Joint Press Statement, Second Meeting of the ASEAN Finance Ministers, Jakarta, 28 February 1998.
11. APEC Leaders' Meeting, 25 November 1997, Vancouver, Canada and ASEM Leaders' Meeting, 3–4 April 1998, London, UK.
12. As reflected in the Hanoi Declaration of 16 December 1998, the ASEAN leaders resolved to pursue 'greater integration of our economies as a primary expression of our cooperation and solidarity'.
13. Estimates by Worldwide Fund for Nature (WWF) and Economy and Environment Program for Southeast Asia (EEPSEA). See James Cotton, 'The haze over Southeast Asia: challenging the ASEAN mode of regional engagement', *Pacific Affairs*, Vol. 72, No. 3, Fall 1999; and John J. Brandon, 'Lifting Southeast Asia's Haze', *Christian Science Monitor*, 9 September 1999.
14. David Rosenberg, 'Environmental pollution around the South China Sea: developing a regional response', *Contemporary Southeast Asia*, Vol. 21, No. 1, April 1999.
15. Joint Press Statement, 8th ASEAN Ministerial Meeting on Haze, Singapore, 26 August 1999.
16. Brandon, 'Lifting Southeast Asia's Haze'.
17. Rosenberg, 'Environmental pollution'. Elsewhere it had been argued that the role played by ASEAN was possible because environmental restraints were not regime threatening and, therefore, unlikely to be the primary cause of major conflicts between states in the region. See Alan Dupont, 'The environment and security in Pacific Asia', *Adelphi Paper 319*, London: International Institute for Strategic Studies, June 1998.
18. 'ASEAN has invited Howard's bravado' (editorial), *Bangkok Post*, 22 September 1999.
19. Kavi Chongkittavorn, 'ASEAN gets another chance in Timor', *The Nation*, 11 October 1999.
20. Peter Hartcher, 'Send in the troops but make it ASEAN', *The Australian Financial Review*, 14 September 1999.
21. Raphael Pura, 'Conflict over East Timor may test ASEAN alliances', *Asian Wall Street Journal*, 30 September 1999. Part of the problem, according to some commentators, is that, while ASEAN engages in high-minded rhetoric,

its members sometimes seem to care little for each other when the chips are down. See, for instance, Barry Wain, 'ASEAN goes missing in action in East Timor', *Asian Wall Street Journal*, 25 February 2000.

22. Sunai Phasuk, 'Thailand gives ASEAN new meaning', *The Nation*, 24 September 1999.
23. Carolina G. Hernandez, 'Towards re-examining the non-intervention principle in ASEAN political cooperation', *The Indonesian Quarterly*, Third Quarter 1998, p. 170.
24. 'Crisis marks time of change for region' (editorial), *The Straits Times*, 27 September 1999.
25. Article 2, Treaty of Amity and Cooperation in Southeast Asia, 24 February 1976.
26. See Rodolfo C. Severino, Jr, 'What ASEAN is and what it stands for', Remarks at the Research Institute for Asia and the Pacific, University of Sydney, Australia, 22 October 1998, in *ASEAN Rises to the Challenge*, Jakarta: ASEAN Secretariat, 1999, pp. 83–99.
27. Rodolfo C. Severino Jr, 'ASEAN Vision 2020: challenges and prospects in the new millennium' Remarks at the Eight Southeast Asia Forum, Kuala Lumpur, 15 March 1998, p. 34.
28. Anwar Ibrahim, 'Crisis Prevention', *Newsweek International*, 21 July 1997.
29. Press Release, Department of Information, Ministry of Foreign Affairs of Thailand, 26 June 1998.
30. Ibid. Closer consultation and coordination of policies have been advocated in such areas as haze, illegal immigration, illicit drug trafficking, and spillover of border clashes. On this theme, see Jusuf Wanandi, 'Is ASEAN Dead?', *The Straits Times*, 20 December 1998.
31. Article 10, TAC, 24 February 1976.
32. For more discussion on this theme, see M.C. Abad, Jr, 'Reengineering ASEAN', *Contemporary Southeast Asia*, Vol. 18. No. 3, December 1996, pp. 237–53.
33. Mark Malloch Brown and Jayantha Dhanapala, 'Let's go out into the world and gather up the small arms', *International Herald Tribune*, January 2000.
34. *Our Global Neighborhood*, The Report of the UN Commission on Global Governance, November 1994.
35. Ingvar Carlsson, 'Towards a new system of security', *International Herald Tribune*, 25 January 1995.
36. Kofi Annan, 'Two concepts of sovereignty', *The Economist*, 18 September 1999, pp. 49–50.
37. Joint Communiqué of the 26th ASEAN Ministerial Meeting, Singapore, 23–24 July 1993.
38. ASEAN Vision 2020, Kuala Lumpur, 15 December 1997.
39. For an advocacy on Southeast Asian community, see Jusuf Wanandi, 'Rethinking ASEAN', *Newsweek*, 20 April 1998.
40. Michael Wesley, 'The Asian Crisis and the Adequacy of Regional Institutions', *Contemporary Southeast Asia*, Vol. 21, No. 1, April 1999, p. 68.
41. Article 16, Treaty of Amity and Cooperation, 24 February 1976.
42. Bangkok Summit Declaration, 15 December 1995.
43. Opening Statement by Prof. S. Jayakumar, Foreign Minister of Singapore, at the 28th ASEAN Ministerial Meeting, Bandar Seri Begawan, 29 July 1995.
44. Simon Tay, 'Why ASEAN must look outwards', *The Straits Times*, 22 July 1999, p. 47.

4

Asia–Pacific Economic Cooperation: Institutional Evolution and the Factors Driving Ongoing Change

*Colin Heseltine**

The Asia–Pacific Economic Cooperation (APEC) process, launched in 1989, was a significant departure in Asia–Pacific regionalism. It was to become the first institutional expression of the region defined as the Asia–Pacific: an organization linking Northeast and Southeast Asia with North America, Central and South America, and Australia and New Zealand. It was one of the first expressions of the 'new regionalism' of the late 1980s and early 1990s, and a pioneer of several of the features identified as significant innovations of the new regionalism.[1] The APEC process was willing to gather together developed and developing economies, mature and post-Communist economies, and a range of types of regime, states and quasi-state entities. Founded on a vigorous set of regional trade flows, and intended as an economic organization, APEC was soon to contribute to rising levels of attention and debate on regional identity and regional consciousness.

This chapter presents an overview of APEC as it has developed since 1989. It begins by examining two prominent causes and shapers of institutional evolution in APEC: the challenges of a diverse membership, and APEC's relationship to the global multilateral trade regime. Both of these factors have influenced the various facets of institutional change in APEC in distinctive ways. Each of these facets is examined in turn in the remainder of the chapter: the organization's origins and evolution; its development of an expanding agenda of activities and responsibilities; the consequences of its expanding membership; the impact of the internal review and reform processes; and the effects of economic interests and the World Trade Organization. Taken together,

these changes present a view of an organization different in many ways from that first envisaged in 1989.

1. Stimuli and shapers of APEC's evolution

Any organization's evolution is affected by a range of different factors, enduring and incidental; intentional and unintended; prominent and hidden. To try to document all the causes and shapers of APEC's unique institutional evolution would be a massive, if not impossible, task. Rather, this section will discuss two sets of factors that are both observable and enduring in their shaping of APEC's institutional development. Both the diversity of the institution's membership and APEC's relationship to the global trade regime have heavily influenced the several facets of APEC's evolution that are discussed in the subsequent sections of this chapter.

Accommodating diversity

From its earliest conceptions, the APEC process has included an extremely diverse membership, arguably more diverse in more ways than any other regional organization. For theorists like Robert Triffin, regionalism is a process that is much easier among similar states, which launch cooperation from a substantial degree of common ground in viewpoints, institutions and economic history.[2] The members of APEC are diverse in a number of different ways, each posing specific challenges to institutional solidarity. Consequently, finding mechanisms to accommodate APEC's substantial diversities has been an overriding institutional objective, and has shaped the organization's evolution in many ways.

The members of APEC are diverse across a range of economic factors, some of which have been useful for the process of economic cooperation, while others have acted more as obstacles. On the one hand, the economies of the Asia–Pacific rim have different but strongly complementary economic structures, the basis of the regional trade trends on which the APEC process was based. On the other hand, the differing levels of economic development between members created specific fears about the content of the APEC process, and influenced its institutional evolution in a specific direction. Particularly the developing economies within APEC voiced early concerns about the impact of free trade on their fledgling economic structures.[3] While these fears were partly offset by concerns among developing members about a rise in protectionism against their export-focused sectors, APEC also responded to these fears institutionally, by adopting its unique three-legged approach to economic cooperation discussed in section 3 of this chapter.

Another set of differences that APEC had to accommodate was that over the economic philosophies espoused by member states. Authors like Richard Higgott have defined these differences in terms of two 'models': one favouring higher levels of state intervention into the economy in order to direct development; the other advocating minimal state intervention and the virtues of maximum competition.[4] Gallant and Stubbs have suggested that beneath these differences in philosophy are differences in business culture, contrasting East Asian informal, flexible, 'network-based' business practices rooted in social relations, with a Western 'firm-based' economic culture based on laws, binding contracts and more impersonal business relationships.[5] These differences were much more pronounced in the late 1980s and early 1990s than they were in the late 1990s, and once again were accommodated by way of APEC's three-legged structure. APEC's innovation here was to address the requirements of the more interventionist, network-based economies with the Trade Facilitation and Economic and Technical Cooperation aspects of economic cooperation, and those of the less interventionist, firm-based economies with the trade liberalization aspect.

Another source of diversity, less economic than political, occurred in respect of definitions of the region and approaches to regional organization. In defining the region in a particular way, APEC at various points had to confront different definitions of the appropriate region. The founding conception was originally vague on the status of North America in relation to the region. A more enduring concern was that of the states of Southeast Asia that their own form of regionalism in ASEAN would eventually be swamped by the larger regional organization. A third conception, eventually accommodated within APEC, was that of a caucus of Southeast Asian and Northeast Asian states, first proposed by Malaysia in 1990.

Overlaying these conceptions were differing approaches to regional cooperation. These were defined by some authors as a 'Western' approach to cooperation through the negotiation of detailed binding agreements, as opposed to an 'Asian' approach based on evolving trust and agreement through ongoing association and consultation over time.[6] As discussed by other chapters in this volume, APEC's approach to cooperation was heavily influenced by the ASEAN approach. At the same time, however, the organization's need to address the concerns of its more contract-minded members led to a series of innovations in its evolution introduced primarily in the Osaka Action Agenda of 1995. These are discussed in greater detail in section 3 of this chapter.

The diversities among APEC's members have been a major factor in the organization's development, influencing its evolution in important

ways. At a basic level, these diversities have meant that, in Stuart Harris's terms, APEC has needed to adopt a constitutive rather than and regulatory approach to cooperation.[7] As discussed below, APEC's diverse membership has also sponsored some unique institutional innovations that define the very nature of the organization and the way it works.

APEC regionalism and the global trade regime

Almost every stage of APEC's institutional evolution has been affected by parallel developments in the global trade regime. Basic to APEC's existence is a collective undertaking among its members that APEC remain at all times consistent with the provisions of the global trade regime, determined by the General Agreement on Tariffs and Trade (GATT) until 1994, and the World Trade Organization (WTO) thereafter. However, APEC has been an instrument used at various times to sponsor positive change within the global regime, either as a way of exerting pressure on other regions during or between negotiating rounds, or as a source of innovation intended to be eventually adopted globally.

One of the major early sources of impetus for the creation of APEC was the Uruguay Round of the GATT. There were widespread fears during APEC's early years that the Uruguay Round had run into a series of potentially fatal obstacles to its conclusion, and the organization was explicit in its early communiqués about its role in pushing the Uruguay Round forward. Funabashi identifies the Vancouver APEC Special Ministerial Meetings in 1990 and 1992, the Seoul APEC Ministerial Meeting in 1991, and the Blake Island Economic Leaders' Meeting in 1993 as particularly decisive in breaking difficult logjams in the Uruguay Round negotiations, and ultimately decisive in bringing about the conclusion of the Uruguay Round in 1994.[8]

Various members of APEC have at different times become interested in using the organization as a mechanism for introducing innovations in trade cooperation into the global regime, or as a method of gaining the support of a 'critical mass' of members of the global economies behind a trade agreement. The most successful example of APEC playing such a role came in its involvement in the signing of the Information Technology Agreement (ITA) in 1996. Endorsement by APEC at Christchurch and Subic Bay in 1996 was a vital step in building support for the ITA, signed at the WTO Ministerial meeting in Singapore in December 1996, less than four years after it was first proposed.

Most members of APEC continue to view the organization in terms of its relationship to the global trade regime. For this reason, APEC's institutional development has been heavily shaped by the various

stages in the negotiation and consolidation of the GATT/WTO since 1989. The remainder of this chapter examines in greater detail how APEC's diversity of membership, and relations with the global trade regime, along with other factors, have influenced the various facets of APEC's institutional development.

2. APEC's origins and evolution

Ideas for Pacific economic cooperation were extensively discussed for more than two decades before APEC's creation in 1989. But apart from support for cooperation at the business and academic level – primarily through the establishment of the Pacific Basin Economic Council (PBEC) in 1967 and Pacific Trade and Development Conferences (PAFTAD) in 1968 – there was little support at the political level for formalizing regional economic cooperation.

A range of factors contributed to this reluctance. ASEAN had just been created in 1967 with an essentially political focus, East Asia's economic transformation was only in its early stages, Japan had not yet become the region's economic power-house, and the trade and investment links between the US and Asia were still to develop strongly. Internationally, the Kennedy Round of Multilateral Trade Negotiations had been successfully concluded and the international trading environment was largely positive. Politically, the cold war and American power in the region were the dominant realities of regional politics.

Changed circumstances by the mid- to late 1980s created a more positive mood for closer economic cooperation. The negotiation of the Canada/US Free Trade Agreement and further progress by the European Community towards a single market indicated to regional economies the first stages of a shift towards greater regionalism in world affairs. Difficulties in negotiating the Uruguay Round also underlined the importance of a coalition to represent the Asia–Pacific's interest effectively in a successful conclusion to the Round and to avoid intensified inward-looking pressures in European and North American trading blocs if the Round should fail.

The intellectual 'grounding' for APEC was established in 1980 through the Pacific Economic Cooperation Conference (PECC), a joint initiative of Australia and Japan, which embodied a tripartite structure involving business, academics and government officials. PECC provided the format to discuss issues freely and without the need to adhere to official country positions, thereby increasing mutual confidence and underlining the potential – and indeed value – of closer cooperation.

Consequently, many see PECC as the forerunner to APEC: it was certainly the right idea, structure and timing – all of which are critical to effecting lasting change, or at least to creating the climate for change.

In the late 1980s there were a number of proposals from Japan, the US and Australia for closer regional economic cooperation. But the initiative by the then Prime Minister of Australia, Bob Hawke, during a visit to Korea in February 1989 to bring together a meeting of ministers from the region gave a form and sense of direction to these proposals. Korea's strong support for the initiative was important in helping launch the meeting held in Canberra in November 1989 of ministers from 12 regional economies (Australia, Brunei, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the US). That meeting in turn set the general principles and objectives of APEC: to help strengthen the multilateral trading system, assess impediments/prospects for increased trade and investment flows, and identify practical common economic needs.

Two other milestones in APEC's institutional evolution are particularly worth noting: the decision in 1992 to establish a small APEC secretariat in Singapore – which gave the process professional and administrative support – and the decision in 1993 to hold meetings of APEC leaders, with the initial APEC leaders' Meeting being convened by President Clinton at Blake Island, Seattle.

The decision to bring leaders into the process was particularly important in imparting a new profile and dynamic to APEC by drawing support for the process at the highest levels in each participating economy. The Leaders' Meetings have proven to be extraordinarily effective in accelerating the pace of APEC's development and providing an invaluable informal setting for bilateral exchanges among APEC leaders who might not otherwise have met during the course of the year. As such, the meetings represent extremely cost-effective diplomacy, an important spur to APEC's work, and a natural focus for media attention. The Leaders' Meetings have in themselves enabled important innovations in Asia–Pacific regionalism: promoting the development of defining regional norms and understandings; advancing regular and normalized regional relations; and instituting annual summits between the leaders not only of the region's great powers, but with its other members as well.

3. An expanding agenda

APEC's agenda has developed enormously over the past ten years under the combined influence of changing needs, the instructions of leaders

and ministers, the experience and in-built momentum of APEC's work programme, the priorities of the APEC Chair (which rotates annually), the requirements of new members, the views of the business community and input from a range of governmental and non-governmental organizations.

An important legacy of the Canberra meeting in 1989 and one of the structural 'legs' of APEC was a programme of Economic and Technical Cooperation (Ecotech) in such areas as energy, fisheries, human resource development, industrial science and technology, telecommunications and transportation. The goals of Ecotech are to achieve sustainable growth and equitable development, reduce economic disparities among APEC economies, improve the economic and social well-being of the people, and to deepen the spirit of community in the Asia–Pacific region. These goals complement APEC's broader trade liberalization and facilitation objectives, including by recognizing that liberalization will not be effective unless all members of APEC have an equivalent interest in the APEC process.

In practice, Ecotech has focused on policy dialogues, sharing best practices and experience, sharing information to promote transparency and knowledge, the harmonization of standards, and training in support of implementing international commitments.

Trade and investment facilitation has been a second major area of APEC expansion. While the initial focus was on customs harmonization, standards harmonization and mutual recognition of standards, the agenda has progressively broadened to comprise a wide range of activities looking beyond traditional border protection to other administrative, regulatory and structural impediments. These include business mobility, government procurement, intellectual property and competition policy.

The trade facilitation agenda also includes action on a wide range of impediments that can best be addressed by APEC members acting collectively, such as simplifying customs procedures, harmonizing product standards, and improving business access to strategically important information about laws, regulations and market conditions. Action in these areas is of direct concern to exporters and investors since complex administrative procedures, discriminatory investment regulations and inadequate intellectual property protection can add significantly to the cost of doing business, create uncertainties in the business environment and deter potential investors.

The third major addition to APEC's agenda, and the so-called 'third leg' of APEC, was regional trade and investment liberalization. Initial work in this area was effectively set in train by the Singapore Ministerial Meeting

in 1990 and received major impetus from the Eminent Persons' Group (an independent advisory group set up in 1992). One of the central ideas developed by this group was adopted in November 1994, when APEC leaders endorsed the Bogor goal of free and open trade in the region by 2010 for industrialized economies and 2020 for developing economies.

The work of implementing the Bogor goals – a level of ambition unmatched by any other international institution – was boosted by two key events: endorsement by leaders of the Osaka Action Agenda (OAA) in 1995 and the Manila Action Plan (MAPA) in 1996, under whose framework were agreed the following:

- each APEC economy was charged with preparing a plan (later to become known as an Individual Action Plan or IAP), which set out how it would implement APEC's Trade and Investment Liberalization and Facilitation (TILF) goals in 15 different areas, ranging from tariffs, non-tariff barriers, services and investment, through to standards, competition policy and intellectual property;
- the plans of each economy were to be subject to review by the other APEC economies;
- APEC was, in addition, to proceed in each of the 15 areas with collective actions – joint activities undertaken by APEC members whose implementation is overseen by the Committee on Trade and Investment (CTI).

The approach to trade liberalization endorsed at Osaka was therefore a unique mixture of action by individual economies on the one hand and collective APEC processes on the other. It has often been described as 'concerted liberalization', that is, a middle path between full GATT/WTO-style negotiations and a completely unilateral approach. APEC's middle way was ideally suited to the circumstances faced in the region, where a number of economies were moving to implement domestically difficult outcomes negotiated in the Uruguay Round. It also suited APEC's voluntary and cooperative approach based on consensus and respect for the equality of its members.

4. The consequences of an expanding membership

APEC has come a long way over the last decade, from an informal dialogue group to the primary vehicle for promoting open trade and practical economic cooperation in the Asia–Pacific region. Not surprisingly, the development of APEC – and the participation of

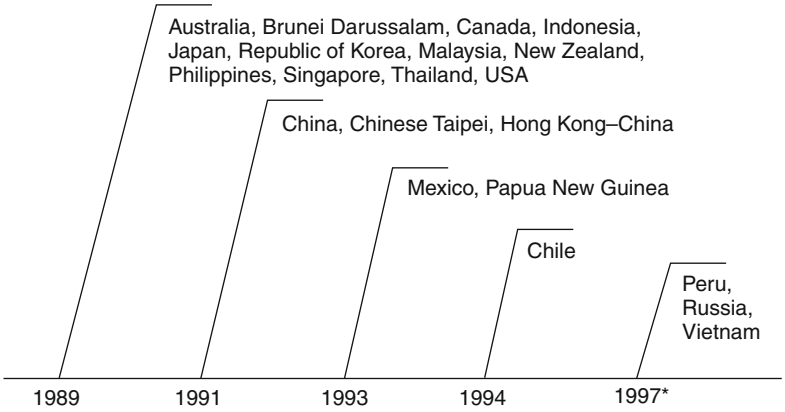


Figure 4.1 APEC's membership timeline

such major international powers as the US, Japan and China – has made membership very attractive. Since its formation, APEC has expanded from 12 to 21 economies, comprising 2.4 billion people and accounting for 60 per cent of world GDP and over 45 per cent of world trade (see Figure 4.1). While this has given APEC an influential voice in international discussions on trade, finance, investment and other economic issues, it has also required internal adjustment and change, especially given cultural differences, differing levels of economic development, very different political and economic systems, and the need to adjust to APEC's mode of operation and demanding work programme.

Although APEC has not set a permanent ceiling on its membership, it will remain limited in size because of its regional character and the need to keep the group manageable and effective. To this end, and following the agreement to include Russia, Vietnam and Peru, APEC adopted in 1997 the following guidelines for considering the admission of new members:

- an applicant economy should be located in the Asia–Pacific region;
- it should have substantial and broad-based economic linkages with the existing APEC members, in particular, the value of its trade with APEC members, as a percentage of its international trade, should be relatively high;
- it should be pursuing externally oriented, market-driven economic policies;

- it will need to accept the basic objectives and principles set out in the various APEC declarations, especially those from the Leaders' Meetings; and
- a successful applicant will also be required to produce an Individual Action Plan (IAP) for implementation and to commence participation in the Collective Action Plans across APEC's work programme.

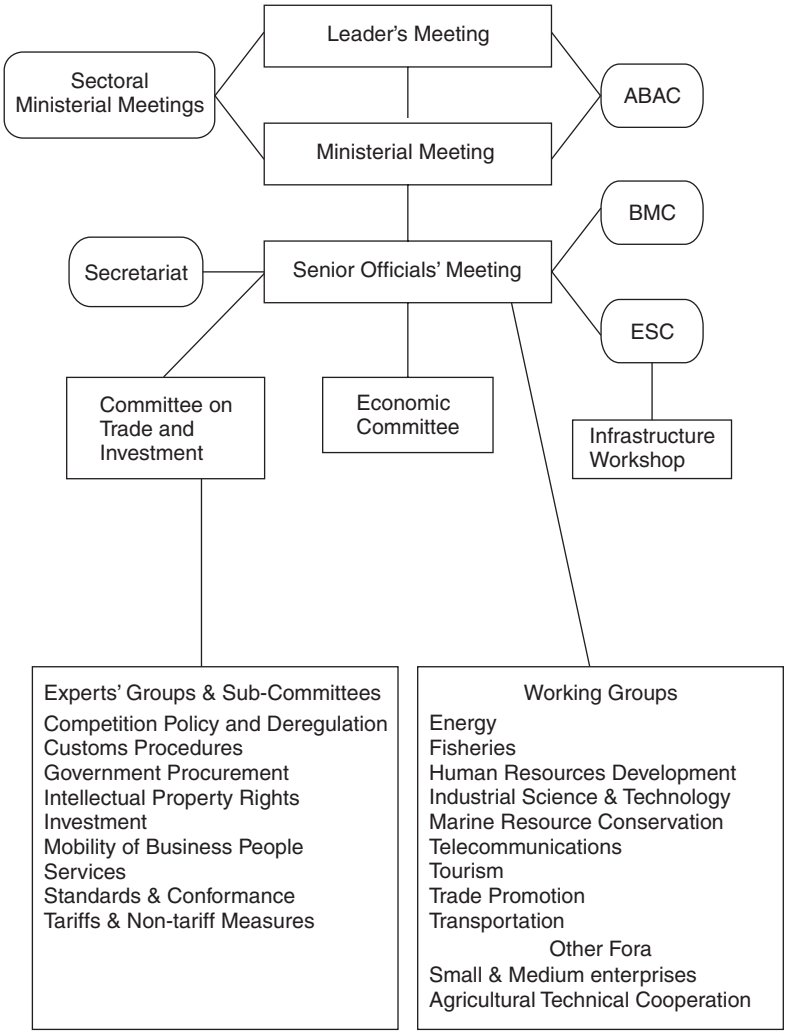
In practice, the integration of new members has worked quite smoothly, but in order to consolidate APEC and fully integrate the newer members, it was also decided in 1997 to impose a ten-year moratorium on any further membership expansion, so as give APEC time to adjust, to address internal management issues and to help the newer members of APEC. The longstanding arrangement by which non-members can be granted guest status in APEC Working Groups has been continued. This allows non-members to contribute to the work of APEC, while promoting mutual familiarity and cooperation.

Significantly, APEC's consensus rule has been an important strength of the organization, including in handling membership issues, by increasing mutual confidence, encouraging dialogue and cooperation on joint interests, and focusing attention on the practical and achievable.

5. Reviews and reforms

Ministers and officials have developed not only a comprehensive work programme, but also an extensive supporting structure to achieve the ambitious goals set by the leaders. However, the expansion of APEC's work programme has resulted in intensifying financial and personnel implications for all member economies in servicing APEC's activities. The size of that burden is underlined by the fact that in 2001 there were around 26 APEC fora and around 225 APEC meetings or events. This represents a heavy demand, particularly for smaller and developing APEC economies and those for whom English is a secondary language.

In reality, APEC's current structure reflects the incremental way in which the APEC process has developed since its inception (Figure 4.2). However, much of the existing architecture was put in place before the Bogor Declaration, the Osaka Action Agenda and the Manila Action Plan. A review of the management of APEC was conducted between 1998 and 2000, headed by Malaysia, Brunei Darussalam and New Zealand, examining whether the current structure was appropriate or the best design to enable APEC to achieve its goals.



ABAC = APEC Business Advisory Council
BMC = Budget and Management Committee
ESC = Ecotech Sub-Committee

Figure 4.2 Organizational structure of APEC

The intention of the review was to deliver a more streamlined, effective and disciplined APEC process and one more focused on core APEC goals. The review therefore covered the mandates of APEC fora, the roles

of all the key bodies, the coordination of TILF and Ecotech activities and coordination amongst sectoral Ministerial Meetings (of which there have been well over a dozen since 1992).

Following the decisions of leaders/ministers at Kuala Lumpur in 1998, a number of reforms have already been instituted, including:

- the role of the Economic Committee has been refocused to concentrate on economic research and policy analysis;
- the role of the Budget and Management Committee (BMC), formerly the Budget and Administration Committee, has been strengthened, particularly in respect of project management;
- the Committee on Trade and Investment (CTI) has adopted a number of measures to streamline its structure, including disbanding two sub-fora and refocusing the work of others.

Additionally, all APEC fora have now completed self-reviews of their mandates, in accordance with the Guidelines, which ministers endorsed at Kuala Lumpur. The possibility of outside evaluation of the effectiveness of APEC fora was not ruled out by ministers, but the range of fora activities, and the need to keep them under ongoing review, suggested that this would need to be complementary to, rather than a substitute for, ongoing internal review.

The findings of the self-reviews included the need to identify more clearly the specific contribution of individual projects; the opportunities to disband or amalgamate some fora (the Trade and Investment Data Working Group and the Small Group on Information Gathering were disbanded in early 2000); the scope to make greater use of electronic means of communication to reduce the need for physical meetings and to improve the efficiency/cost-effectiveness of document distribution; the opportunities to further expand interaction with business; the need for more effective coordination between sectoral Ministerial Meetings and the broader APEC process; and the desirability of establishing APEC-wide criteria before creating any new fora. As a result of the self-review, ministers directed that a range of reform measures be implemented.

However, the challenges of adaptation, relevance, and making a practical contribution to meeting existing and emerging needs is ongoing and is being pursued through a range of means outside the management review process. For example, agreement has been reached on the timing of APEC Finance Ministers' Meetings to better align the timing of all the key annual APEC Ministerial Meetings and thereby achieve

more effective coordination and integration of the overall APEC process. Similarly, APEC commissioned PECC to prepare an independent review of the Individual Action Plan (IAP) process, particularly the effectiveness of IAPs in monitoring progress towards the achievement of the Bogor goals. As a result of that review, work has been under way within APEC to develop a model IAP that is more transparent, ambitious and user-friendly in tracking progress towards the Bogor goals.

6. Integrating the business perspective

A high priority within APEC remains closer engagement of the business community. The most important step in this direction was taken in 1995, with the decision to form an APEC Business Advisory Council (ABAC) as a permanent business advisory body, replacing the previous Pacific Business Forum. ABAC is a compact, high-level body, with representatives personally appointed by Leaders, and charged with ensuring that the implementation of APEC's agenda reflects business priorities. Involvement of business is also occurring at other levels, with APEC working to involve business more closely in meetings and Working Group activities.

While APEC has made an important contribution to facilitating trade and investment through improved market access via lower trade barriers, achieving greater transparency of trade and investment regimes and lowering the costs of doing business, continued business input is critical to APEC's ability to effectively meet business needs and priorities. A particular priority in this regard is facilitating the growth of small or medium enterprises (SMEs) which are a central feature of many APEC economies and a major source of employment.

A further priority, and one that APEC is addressing through improving its communications strategy and by having Working Groups pay increased attention to communicating the practical benefits of their work, is ensuring that the business community and broader public in APEC economies are aware of APEC's activities and achievements.

There is insufficent understanding, for example, of the significant progress that has been made towards trade and investment liberalization since 1989, with average tariff levels having fallen, for example, by 59 percent in Korea, 57 percent in China and the Philippines, and 43 percent in Malaysia. Similarly, Individual Action Plans have recorded substantial deregulation of APEC economies, particularly in the financial, telecommunications and transport sectors, while APEC's work on simplifying and harmonizing customs procedures with the objective of

achieving 'paperless trading' for trade in goods in the region entail enormous potential savings when you consider that, on average, one international transaction involves around 30 different parties, 40 documents and 200 pieces of data.

7. APEC and the World Trade Organization

The 1999 Auckland meetings produced the first unambiguous call by the leaders of the Asia–Pacific for a new WTO round. APEC made an ambitious call for the inclusion of industrial products in the market access negotiations – to add to the negotiations already mandated on agriculture and services – and for the round to be completed in three years as a single package. APEC also called on all WTO members to join APEC economies in a standstill commitment to refrain from imposing new or more restrictive trade measures for the duration of the negotiations and to eliminate agricultural export subsidies and unjustifiable export prohibitions. The Seattle WTO Ministerial Meeting at the end of 1999 failed to to achieve the launch of a new round of comprehensive multilateral trade negotiations. Nevertheless, APEC's support for a new round bolstered the credibility of the forum. This was important following the failure of APEC economies to agree to implement a package of tariff reductions under the Early Voluntary Sectoral Liberalization (EVSL) programme in 1998, which was ultimately referred to the WTO.[9]

APEC's declaration of support for a new round of WTO negotiations underlined the critical role APEC could play multilaterally as a caucus group, as a source of ideas and experience, and a vehicle for injecting Asia–Pacific interests and perspectives into broader international deliberations. Examples of the way APEC has already contributed to the work of the WTO include helping to bring about agreement on the Information Technology Agreement, undertaking work to define traded services sectors such as energy services, and contributing to work to ensure the implementation of commitments made in the WTO on telecommunications.

8. The challenges ahead

The Asian economic crisis has clearly been an important test for APEC. One of the clear lessons from the crisis is the importance of good institutions and practices: a solid central bank, vigilant corporate authorities, high prudential standards, workable bankruptcy and insolvency laws and the like. Urgent action was therefore required to help APEC members

strengthen their economic and financial management. This was achieved through closer consultation and cooperation – particularly through the APEC Finance Ministers process – an emphasis on keeping markets open, improved prudential supervision of banks and other financial institutions, human resource development and – most importantly – a continued commitment to the Bogor goals.

As such, APEC has been a strong force for economic integration and cooperation and for promoting strategic stability in the Asia–Pacific region. It has also been an important barrier to renewed protectionist pressures – at a time when the region was experiencing its worst economic crisis in 50 years.

While APEC's focus remains economic, leaders in Kuala Lumpur called for increased attention to the far-reaching social impacts of the crisis, particularly the need to strengthen social safety nets. These also included the creation of the Asia Recovery Information Centre (ARIC), an Internet facility based at the Asian Development Bank in Manila designed to improve crisis related information flows and the sharing of experiences.

A key task for APEC in the future will be to help maintain political commitment for the launch of a new WTO round. In the 2000 Brunei meetings there was widespread recognition of the particular importance of addressing developing country concerns as a means of building political momentum for a new round. Capacity-building work to promote the ability of developing countries to implement existing WTO agreements may be an important activity in this regard.

There is also need to enhance understanding of the positive aspects of globalization and to counter concerns that were evident, for example, in protests in Seattle. APEC is well placed to contribute positively to this process, since benefits achieved across APEC's diverse membership highlight the advantages of trade and investment liberalization both for developing and developed economies.

In addition to pursuing trade and investment liberalization and ensuring that commitment to a new round is maintained, it will be necessary to improve communication of APEC's relevance and achievements, involve the business sector more closely, increase the practical value/contribution of Ecotech through fewer but larger projects (there were 249 Ecotech projects under way or completed in 1999) and ensure that APEC activities are focused on core goals and do not duplicate work in other international fora.

These are important challenges but ones that APEC is determined to meet. The evident success of the Auckland Leaders' and Ministerial

Meetings, and the clear work programmes that have been agreed, set an excellent basis – and reasons for confidence – as we move towards APEC's second decade.

Notes

* This chapter draws from work prepared by the Market Development Division and the Trade Negotiations Division, Department of Foreign Affairs and Trade, Australia.

1. See Louise Fawcett and Andrew Hurrell (eds), *Regionalism in World Politics*, Oxford: Oxford University Press, 1995.
2. Robert Triffin, 'Economic Integration: Institutions, Theories, and Policies', *World Politics*, Vol. 6, No. 4, 1954, p. 533.
3. John Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, Cambridge: Cambridge University Press, 2001, pp. 119–124.
4. Richard Higgott, 'Economic Cooperation: Theoretical Opportunities and Practical Constraints', *The Pacific Review*, Vol. 6, No. 2, 1993, p. 111.
5. Nicole Gallant and Richard Stubbs, 'APEC's Dilemmas: Institution-Building Around the Pacific Rim', *Pacific Affairs*, Vol. 70, No. 2, Summer 1997, p. 206.
6. See for example Martin Rudner, 'APEC: The Challenges of Asia–Pacific Economic Cooperation', *Modern Asian Studies*, Vol. 29, No. 2, 1995; and William J. Bodde, Jr, *View From the 19th Floor: Reflections of the First APEC Executive Director*, Singapore: ISEAS, 1994.
7. Stuart Harris, 'Concepts and Objectives of Pacific Economic Cooperation', *Pacific Economic Papers*, No. 213, Australia–Japan Research Centre, Australian National University, November 1992, p. 13.
8. Yoichi Funabashi, *Asia–Pacific Fusion: Japan's Role in APEC*, Washington, DC: Institute for International Economics, 1995, p. 93.
9. The 15 sectors included in the EVSL programme were: chemicals; energy; environmental goods and services; fish and fish products; forest products; gems and jewellery; medical equipment and instruments; toys; telecommunications; automotive; civil aircraft; fertilizers; food; natural and synthetic rubber; and oilseeds and oilseed products. APEC trade ministers agreed at their meeting in June 1999 to refer the negotiations their economies had undertaken on sectoral tariff reductions to the WTO, where the package became known as Accelerated Tariff Liberalization (ATL). The sectors included in the ATL package are the first eight of those listed above. APEC leaders agreed in Auckland that, notwithstanding their firm support for concluding the WTO negotiations as a single package, there should be scope for early tariff reductions in the sectors covered by the APEC-originated ATL initiative.

5
The ASEAN Regional Forum

Akiko Fukushima

1. Introduction

For half a century the security framework of Asia has been built not on a multilateral institution but on a series of bilateral alliances between the US and Japan, the US an the Republic of Korea, the US and the Philippines, and the US and Australia and New Zealand. The bilateral alliance structure in the post-World War II Asia–Pacific during the cold war was defined as having the US as the hub and the allies as spokes, the so-called 'hub-and-spoke' architecture. This basic framework of Asian security has not changed even after the end of the cold war.

In the 1950s and 1960s the US attempted to establish a multilateral system for collective defence similar to that of the North Atlantic Treaty Organization (NATO) in Europe. The Truman Administration, for example, considered the idea of a Pacific collective security system. Later, the Eisenhower Administration set up the Southeast Asia Treaty Organization (SEATO), which was established in February 1955 to counter Communist insurgency in Southeast Asia. This was in accordance with the Southeast Asia Collective Defence Treaty (SEACDT) signed in Manila in September 1954 by the United Kingdom, the United States, France, Australia, New Zealand, Thailand, the Philippines and Pakistan. SEATO was headquartered in Bangkok and functioned through an annual council meeting. Although SEATO aimed at countering the Communist threat, its limitations soon became apparent. Asian states were unwilling to discuss embarrassing security problems in the SEATO forum, and the US was unwilling to have its activities scrutinized by the SEATO. The wars in Laos, Cambodia and Vietnam served to illustrate SEATO's inadequate handling of counter-subversion, and by the mid-1960s, the SEATO alliance was no longer in the mainstream

of security cooperation in Southeast Asia. Following the fall of the US-supported regimes in Vietnam and Cambodia in April 1975, SEATO started to crumble and was eventually dissolved on 20 June 1977, without achieving its aim of collective defence. Although the US had confidence in collective security approach in the case of NATO, it found that a bilateral approach was more effective in the Asia–Pacific.

On the other hand, the subregion of Southeast Asia established the Association of Southeast Asian Nations (ASEAN) in 1967 for political and security cooperation. ASEAN, however, was slow to take concrete action, taking seven years to establish its secretariat in Jakarta in 1974. It was only in the 1980s that ASEAN really started to agree on regional industrial projects, such as the Basic Agreement on ASEAN Industrial Joint Venture (BAAIJV) in 1983. For 17 years ASEAN's membership did not grow beyond the original five founding members, Indonesia, Malaysia, the Philippines, Singapore and Thailand, but has grown to include Brunei Darussalam in 1984, Vietnam in 1995, and Laos and Myanmar in 1997, and Cambodia in 1999. Now, it has ten members. ASEAN gained substantial momentum after the end of the cold war, promoting a new regional multilateral security dialogue, the ASEAN Regional Forum (ARF).

Meanwhile, bilateral alliances have been revisited and reaffirmed after the end of the cold war. This is clearly seen with the case with the 'Japan–United States Joint Declaration on Security: Alliance for the Twenty-First Century' signed on 17 April 1996, and the 'Guidelines for Japan–US Defence Cooperation' announced on 23 September 1997. Thus far, the bilateral alliances reaffirmed after the end of the cold war have a more explicit regional purpose than was previously the case. 'The Japan–US Security Treaty' has a specific provision on regional contingencies in Article 6, a purpose seldom even alluded to during the cold war. Both the Joint Declaration and the Guidelines have now underscored it. The former stated, 'The Prime Minister and the President agreed that the two governments will jointly and individually strive to achieve a more peaceful and stable security environment in the Asia–Pacific region. In this context Japan–US security relations constitute the foundation for such efforts.'[1] The latter, in its opening paragraph presenting the aim of the Guidelines, clearly states that they are 'to create a solid basis for more effective and credible Japan–US cooperation under normal circumstances, in case of an armed attack against Japan, and in situations in areas surrounding Japan'.[2] Both documents clearly suggest that the bilateral alliance is not only for the two countries, but for regional security as well.

At the same time, a number of security threats have become increasingly transnational, such as refugee movements and the possibility of local events impacting on other countries and areas. Added to this, the deepening and widening of the European regional security architecture has led regional players in the Asia–Pacific to start asking the question 'Why not in this region?' While they agree that the Asia–Pacific cannot create a NATO-like collective defence institution in the near future, they have, at the very least, come to recognize the merit of cooperative security institutions, like the Organization for Security and Cooperation in Europe (OSCE), that are enhancing the confidence-building process as well as playing a conflict-prevention role.

This chapter returns to the birth of the ASEAN Regional Forum (ARF), and examines how its nature and functions have consequently evolved. Further, the chapter explores the questions of how the ARF can challenge its present security agenda, enabling the it to navigate its self-imposed road map and associated stumbling blocks, and allowing the (re)creation of a body in tune with, and relevant to, the current regional security environment.

2. The prevailing security environment in the Asia–Pacific

The demand side of the equation

Unlike bilateral relations, multilateral cooperation does not emerge spontaneously. It requires political will to form such an institution. In other words, there must be a demand for a regional cooperative security body or institution. Moreover, in order to sustain such cooperation, there must be a perceived benefit from the multilateral process, as each participant must contribute time, energy and resources. Is there such a demand in the Asia–Pacific? Are there such benefits to be gained from multilateral cooperation within the region?

To complicate the scene, Asia–Pacific states do not share the preconditions for regional cooperation. They do not share a common history, nor a common religion, nor common values, unlike the situation in Europe where they share history, Christianity and values like freedom, equality and fraternity. Moreover, some states in the region still live with the historical legacy of animosity from World War II.

As for the demand side of the equation in the post-cold war Asia–Pacific, the region, despite the fact that it embraces four major powers, namely the US, Russia, China and Japan, has been peaceful, without any major armed conflicts. This offers a sharp contrast to

Europe, where numerous intra-state conflicts, such as Kosovo, Bosnia-Herzegovina and Chechnya, have erupted one after another since the end of the cold war. None the less, vestiges of the cold war remain in the region, such as the tensions between Mainland China and Taiwan, and between North and South Korea. In addition, there are a number of maritime territorial disputes left unsolved in the region, such as the Spratly Islands, the Tokdo/Takeshima dispute between South Korea and Japan, the Senkakus/Daioyutai dispute between Japan and China, the Northern Territories between Japan and Russia, to name a few. These vestiges linger as potential flash points that could shatter regional stability, with possible fallout affecting other regions of the globe. The region has additional concerns regarding proliferation of weapons of mass destruction such as nuclear weapons, with the launch of missiles by the Democratic People's Republic of Korea (DPRK) and nuclear testing in South Asia. The region has also witnessed rising tension over territorial issues in the Spratly Islands. There is an all too obvious need to find measures that will be able to ensure equitable and tangible stability within the region.

Moreover, although ethnic-driven conflict in Asia has not been as extensive or visible in recent years as that which has horrified and distressed the world in the Balkans, Central Africa and elsewhere, there are potential intrastate conflicts in Asia as well. Such conflict surfaced in Indonesia in the late 1990s, where the gaining of independence by East Timor served to fuel secessionist sentiment in oil- and gas-rich Aceh, as well as Irian Jaya. Indigenous Christians and Muslim transmigrants have been clashing in Maluku and West Kalimantan. Indonesia does not hold the monopoly on this issue; other potential intrastate conflicts in the region include the Karen and Shan minorities in Myanmar, Muslim separatist groups in Mindanao and the Moro National Liberation Front (MNLF) in the Philippines, and tensions existing between the majority Malays and minority Chinese in Malaysia. As for Northeast Asia, in China, there exists the longstanding tensions of Tibet, the long-running aspirations of Ugyur Muslim separatists in Xinjiang, and to a lesser extent the grievances of the autonomy-seeking dissidents in Inner Mongolia. These festering tensions could dramatically escalate if not treated in an appropriate manner.

On the other hand it has become apparent that increasing economic interdependence and globalization require global stability for continued economic growth. Asia–Pacific nations have come to realize the importance of maintaining peace and security in the region as being the key to ensuring their own economic well-being. Thus, there clearly exists a demand for a regional security framework in addition to the traditional hub-and-spoke security architecture.

The supply side of the equation

On the supply side, regional security institutions can take a variety of forms, from a state of anarchy at one extreme, that is a Hobbesian state of nature pitting all against all, to a state of cooperation and mutual understanding under a liberal–institutionalist regime at the other. To be more specific, institutional forms can include: collective defence such as NATO; collective security like the United Nations; a concert[3] or committee of great powers as found in nineteenth-century Europe; or cooperative security as fostered by the OSCE. The choice of form depends on the threat posed and the security perceptions of potential participants.

The Asia–Pacific region is not ready to create a regional collective defence institution beyond bilateral alliances in the foreseeable future, since the region's states do not share a common threat or hypothetical enemy. The region is not able to embrace a collective security-type structure since not all countries in the region are ready to accept a common obligation to act together in case of a contingency in the region. Some states share a certain interest, while others do not. Even when created, such a regional collective security organization will not function if the 'all-for-one' function does not work. The Asia–Pacific is also not able to embrace a concert-type structure encompassing the whole region, since countries do not share strong enough incentives to act together to maintain the status quo. Each country seems to have its own concerns and threats that are not necessarily shared by the whole region. The only plausible form of regional security cooperation within the region seems to be cooperative security.

3. The birth of the ARF

The successful evolution of APEC in the economic sphere provided the impetus to create a regional security framework. Asian countries, unlike Europe, which has multilateral and multilayered security government institutions such as NATO, the EU and the OSCE, had no multilateral security framework during the cold war. Even after the cold war, Asian countries do not share a common threat, which is a prerequisite for creating a collective defence institution like NATO. On the contrary, they are mutually suspicions of the military intentions of other states within the region. Rather than striving to establish some form of collective defence-based institution, countries in the region have opted to explore the creation of a looser form of regional security institution, which materialized as the ASEAN Regional Forum (ARF) in 1994.

The road to the creation of the ARF, however, was not smooth. Initially, regional security cooperation was proposed by the Soviet Union during the cold war era, and was reiterated by the Soviet/Russian leaders after the cold war. For example, Soviet General Secretary Mikhail Gorbachev proposed a Pacific Ocean Conference along the lines of the Helsinki Conference in his Vladivostok speech in July 1986, and a region-wide security consultative community with a seven-point proposal in his Krasnoyarsk speech in 1988. Soviet proposals were received as propaganda at best, and sometimes as a way to promote naval disarmament in the Pacific where the Soviet Union was inferior to the US.

Regional scepticism about multilateral security arrangements was not limited to the Soviet proposals. In 1990, when the Australian and Canadian foreign ministers first proposed an Asian version of the CSCE (OSCE), the region was not ready to accept the idea. Whereas Canadian External Affairs Minister Joe Clark's proposal was an adaptation of the CSCE (OSCE) to the North Pacific, the Australian Foreign Minister Gareth Evans proposed that the whole of Asia adopt the CSCE model and call it CSCA.[4]

These proposals, strongly influenced by the success of the CSCE (OSCE), were received coldly, if not rejected outright by ASEAN, China and the US. Japan also rejected a 'CSCA' idea on the grounds that security imperatives are different in the Asia–Pacific region from those in Europe, and therefore require different mechanisms to maintain security. In August 1990 Japan's Foreign Ministry rejected both the Canadian and Australian proposals by saying that 'Japan doubts if such a grouping could produce fruitful results . . . Conflicts in the Asia–Pacific region would be better settled through meetings of the concerned parties rather than at an international security forum.'[5] Japan argued that Asia needed Asian solutions for its security needs, tantamount to a web of bilateral alliances. With memories of the 1920–21 Washington Conference in mind, Japan was still very sceptical of the virtue of a security multilateralism that might undermine its bilateral alliance with the US.

As signs of the cold war have dissipated, however, Japan has seen the new Russia, the traditional advocate of security multilateralism in the region, pursuing democracy and sharing more or less the same values as Japan. This transition has led to a change in the Japanese position on regional security cooperation.

Japan conspicuously reversed its position on regional security multilateralism after Gorbachev's visit to Tokyo in April 1991, which marked the first visit by the head of the Soviet Union to Japan. During his visit to Japan, Gorbachev emphasized that the Soviet Union no longer

opposed the Japan–US alliance. This removed Japan's concern about Russia secretly wanting to drive a wedge into the Japan–US security alliance using multilateral security proposals, and signalled a shift in Japanese foreign policy toward Russia, from disengagement to engagement. As a manifestation of this shift, Japan announced during Gorbachev's visit that it welcomed Soviet participation in Pacific Economic Cooperation Conference (PECC).[6]

Foreign Minister Taro Nakayama took Japan's next step in his speech at the ASEAN-PMC in July 1991. He proposed the creation of multilateral security dialogue within the ASEAN-PMC framework. However, Nakayama's proposal did not get much support. Before this proposal, the Institute of Strategic and International Studies in ASEAN countries (ASEAN-ISIS) met in Jakarta in June 1991 to discuss its recommendations to the Fourth ASEAN Summit to be held in Singapore the following year. The meeting adopted a memorandum entitled 'An ASEAN Initiative for an Asia–Pacific Political Dialogue', which proposed looking into the creation of a multilateral security framework, the Conference on Stability and Peace in the Asia–Pacific (CSPAP), using an existing institution, namely the ASEAN-PMC. The meeting declared as follows: '[ASEAN] should be a creative initiator as well as active participant . . . for maintaining peace in the region . . . We propose that at the end of each PMC an ASEAN-PMC initiated conference be held at a suitable retreat which will allow for the appropriate ambiance for the constructive discussion of Asia–Pacific stability and peace.'[7]

Immediately afterwards, at the ASEAN-ISIS meeting in Jakarta, the Foreign Office of the Philippines hosted a conference on 'ASEAN and the Asia–Pacific Region: Prospects for Security Cooperation in the 1990s'. This conference made similar proposals for enhancing and expanding the function of the ASEAN-PMC as a security dialogue. Observing this surge of momentum, the then Foreign Minister Taro Nakayama made the aforementioned proposal. None the less, neither the ASEAN-PMC dialogue partners nor the ASEAN members received this proposal warmly. In hindsight, numerous explanations have been advanced as to why Nakayama's proposal was not accepted, while the subsequent ASEAN-PMC endorsed the creation of ARF. Some observers strongly underscored the lack of prior consultation with member states before submitting the official proposal, and others suggested that fear of Japan assuming a leadership role in regional security might be a possible cause. Another plausible explanation is that the memorandum was for the next ASEAN Summit held in Singapore in February 1992, and

the Nakayama proposal surfaced too soon in an official setting. Some scholars have pointed out that ASEAN, which wanted to expand the membership of a new security forum beyond ASEAN-PMC members by including China, Russia and the DPRK, was uncomfortable with Nakayama's idea of limiting membership to ASEAN-PMC. Moreover, ASEAN members were uneasy with Nakayama's proposal to create a Senior Officials' Meeting (SOM) for a new security forum, since ASEAN did not want to create the impression that the PMC would be perceived as a security forum.

Two years after Nakayama's proposal, in July 1993, the ASEAN-PMC in Singapore did agree to create the ARF along the lines that Nakayama had proposed. By this time, others in the region had also shifted their positions with regard to a multilateral security dialogue. The momentum for the creation of security dialogue institution was said to have stemmed from concern about a possible withdrawal of the US military from Asia. Regional security cooperation was designed to be an insurance policy in the case of an American departure, leading the ARF to hold its first foreign ministerial-level meeting in July 1994 in Bangkok, between the ASEAN ministerial and PMC meetings.

While much attention is paid to China's rapid economic growth, there is also an acute awareness of its growing military strength, and this has been one of the prime factors driving the desire of regional players to engage China in the ARF. Even after the creation of the ARF in 1993, China remained hesitant and defensive about joining a multilateral security institution. Part of China's reluctance to participate in the ARF originates in having traditionally relied on a unilateral or bilateral approach, leaving the Chinese sceptical about multilateral approaches to security. However, just as important is China's dislike of discussing thorny issues, such as the Spratly Islands, in a multilateral arena. China has been cautious concerning multilateral security dialogues, being acutely sensitive to intrusion into its internal affairs on subjects like Taiwan and Tibet, as well as territorial issues like the Spratly Islands. Regardless, China has joined the ARF, recognizing the political costs of non-participation in this forum, although it is a membership that can be encapsulated in the words of Foreign Minister Qian Qichen when he attended the ASEAN Foreign Minister's Meeting as a guest in July 1993 and agreed to establish ARF. He asserted that 'it [the ARF] should not make decisions nor take common action on a certain country, a certain region, a certain question'.

The ARF is not a collective defence institution that requires a common threat or an enemy shared by member states, such as NATO. Nor is it a concert-type multilateral security cooperation short of a collective defence alliance or enforcement mechanisms necessary to deter an aggressor state, such as the European Concert or the *entente cordiale* after the Napoleonic Wars. The ARF is a security dialogue forum, like the Organization for Security and Cooperation in Europe (OSCE), in a looser form.

4. The evolution of the ARF

Goals, expectations and approaches

The Chairman's statement issued at the end of the inaugural ARF meeting in Bangkok in July 1994 underscored the commitment of the participating nations 'to foster the habit of constructive dialogue and consultation on political and security issues of common interest and concern', in order to make 'significant efforts toward confidence-building and security cooperation in the Asia–Pacific region'. In its first meeting, ARF participants agreed to an annual Foreign Ministers' Meeting. The ARF was clearly portrayed as a security dialogue process amongst foreign ministers. Surprisingly but understandably, defence ministers were not invited. Even today defence ministers are not invited, but defence officials have since 1996 been involved in the ARF-SOM (Senior Officials' Meeting) process, as well as the ARF Inter-Sessional Support Group (ISG) which plays a vital role in enhancing the transparency of defence policies in the region.

The second meeting in Brunei in August 1995 discussed the *modus operandi*, goals and expectations of the ARF. The Chairman's statement specifically alluded to the goals as 'to ensure and preserve the current environment of peace, prosperity and stability in the Asia–Pacific . . . to reduce the risk to security and . . . recognize that the concept of comprehensive security includes not only military aspects but also political, economic, social . . . '. The ARF has been clearly positioned as a forum for dialogue on regional political and security issues. As for its method and approach, the Chairman's statement stipulated that 'The approach shall be evolutionary, taking place in three broad stages, namely the promotion of confidence building, development of preventive diplomacy and elaboration of approaches to conflicts.' This three-stage approach, with the final goal of conflict resolution in mind, was elaborated in the concept paper prepared for the second meeting. This implies that participants have perceived the ARF as a vehicle for conflict prevention and resolution.

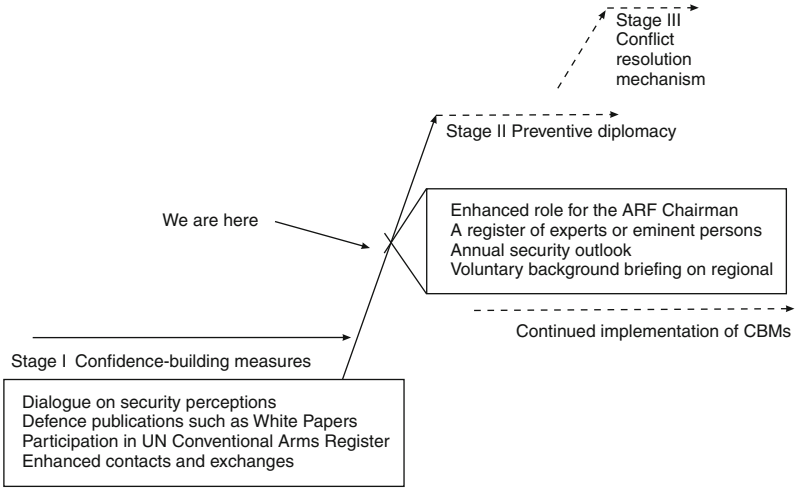


Figure 5.1 The evolution of the ARF

However, the ARF today, after six years, has been unable to move to the second stage, and it currently stands in between Stage I and Stage II, as shown in Figure 5.1.

The ARF's struggle with preventive diplomacy

The Fourth ARF Meeting in July 1997 confirmed that confidence-building measures (CBMs) and preventive diplomacy, when they overlap, should be promoted in tandem, and asked the ISG to study the overlap. This was in response to China's assertion that there is an overlap between the two, and one should focus more on CBMs rather than hastily move to Stage II, namely preventive diplomacy. Included in the Chairman's summary of the Fifth ARF Meeting was reference to the report submitted by the ISG, which dealt with the following four areas: an enhanced role for the ARF Chairman; a focus on the idea of a good offices role; the development of a register of experts or eminent persons among ARF participants; and an annual security outlook report and voluntary background briefing on regional security issues.[8]

As shown in Table 5.1, the ARF has taken an inclusive approach to membership and the eligibility of participants in the forum. It is significant that China has been on board since its birth, especially considering that it was reluctant to form a multilateral institution on security. In

Table 5.1 The evolution of ARF membership

First ARF Meeting	Bangkok, 25 July 1994	ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) ASEAN's dialogue partners (Australia, Canada, the European Union, Japan, New Zealand, Republic of Korea and the United States) ASEAN's consultative partners (China and Russia) ASEAN's observers (Laos, Papua New Guinea and Vietnam)
Second ARF Meeting	Bandar Seri Begawan, 1 August 1995	Cambodia admitted
Third ARF Meeting	Jakarta, 23 July 1996	India admitted
Fourth ARF Meeting	Subang Jaya, 27 July 1997	
Fifth ARF Meeting	Manila, 27 July 1998	Mongolia admitted
Sixth ARF Meeting	Singapore, 26 July 1999	
Seventh ARF Meeting	Bangkok, 27 July 2000	Democratic People's Republic of Korea admitted

order to include China, ASEAN has paid special attention to its needs, and has included a passage in the Concept Paper submitted to the second meeting that 'the ARF should also progress at a pace comfortable to all participants'.

As Table 5.1 shows, the ARF began with a large membership, which has continued to expand. This has made the security dialogue process very inclusive, and with the recent addition of DPRK, the process has become truly inclusive.

Meanwhile the ARF has introduced guiding principles on participation:

1. New members must subscribe to and work cooperatively toward achieving the ARF's key goals as stated in the ARF Concept Paper annexed to the Chairman's Statement of 1 August 1995.
2. Applicants must directly affect the peace and security of the region.
3. The ARF will expand carefully and cautiously.
4. Participation should be decided by consultation among all ARF participants.

The significance of the ARF

Although the ARF was dismissed as a mere talking shop by some realists when created, it has over the six years nurtured dialogue and mutual confidence among ministerial participants, and has developed an 'esprit de corps' among ISG participants. The ARF has surely served the goal of Stage I, which focuses on confidence-building measures, and has become the sole region-wide political-security intergovernmental dialogue and cooperation framework.

It is worth noting that the ARF has tackled some very hard and sensitive issues in recent meetings. For example, the ARF 1998 Ministerial Meeting discussed the nuclear tests by India and Pakistan, even though India, a participant in the ARF, strongly opposed placing this subject on the agenda. The Chairman's Statement condemned India in the following manner (without specifically naming it):

> The Ministers, therefore, expressed grave concern over and strongly deplored the recent nuclear tests in South Asia, which have exacerbated tension in the region, and raised the specter of a nuclear arms race. They called for the total cessation of such testing, and urged the countries concerned to sign the Treaty on the Non-Proliferation of Nuclear Weapons and the Comprehensive Nuclear Test Ban Treaty without delay, conditions, or reservations.

Furthermore, in the 1999 ARF ministerial meeting, the Spratly Islands territorial issue was taken up against China's opposition to discussing the matter in the multilateral setting. Many ministers appealed for solution by consultation, and it is worth noting that even territorial disputes, which are a very sensitive subject, are now taken up in the ARF.

The 'track-two' process

Another unique feature of the ARF was established at the second ARF meeting, namely the development of a track-two structure, which 'shall be carried out by strategic institutes and relevant non-governmental organizations to which all ARF participants should be eligible', to complement the 'track-one' governmental structure. This dual-level approach may have its conceptual origins in the ASEAN-ISIS group, a track-two structure established to complement ASEAN in 1984.

The ARF track-one process, which started as an annual ministerial meeting between ASEAN-AMM and ASEAN-PMC, is now augmented by the various Inter-Sessional Support Groups (ISGs), as shown in Figure 5.2. It is further augmented by track-two meetings sponsored by the ARF to

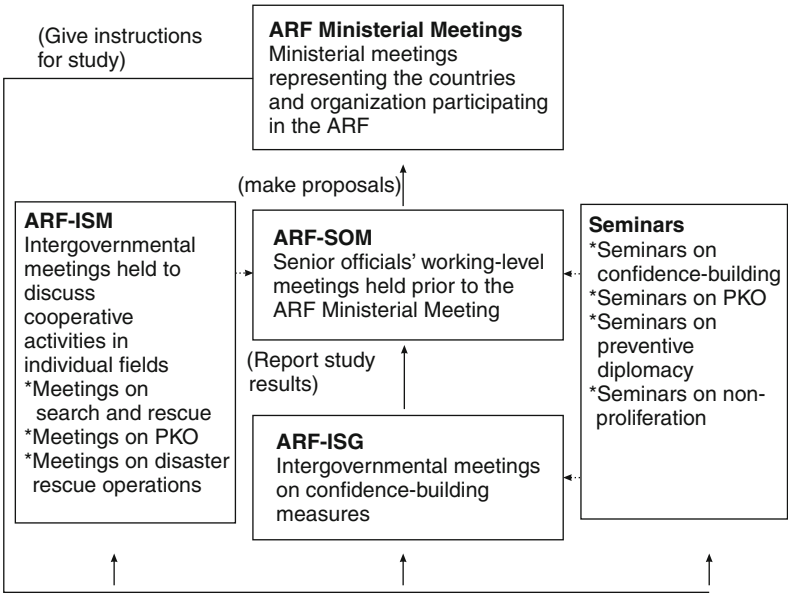


Figure 5.2 How ARF-related meetings work

enhance confidence-building. In addition, without clearly being identified as the ARF's track two, the Council for Security Cooperation in the Asia–Pacific (CSCAP) has come to play an important role as the 'second track' to the ARF, as has been illustrated in the discussion of preventive diplomacy.

The Council for Security Cooperation in the Asia–Pacific (CSCAP) is the most inclusive track-two process in the Asia–Pacific region. According to the late Professor Seizaburo Sato, the idea was born in an airplane on the way back from a PECC meeting in Hawaii, where Amos Joe Jordan of CSIS, Jusuf Wanandi and Seizaburo Sato agreed that a security version of PECC should also be created. Han Sung-Joo from South Korea later joined this seed group, and the idea was proposed officially in November 1992 at a meeting of Asia–Pacific think tanks in Seoul.[9] Participants of the meeting agreed that 'conditions were ripe for the creation of a PECC-like institutional process focusing on security issues',[10] prompting the meeting to adopt the Seoul Statement, and form the CSCAP Steering Committee.

CSCAP is a multilateral, non-governmental organization that links regional, security-oriented research institutes. CSCAP's base structure comprises national committees of academics, business executives, security specialists, and former and current foreign ministry and defence officials drawn from participating countries. It is also worth noting that many of the organizing institutes that make up the CSCAP Steering Committee have direct or close links to their respective foreign ministries.

In addition to the annual general meeting, CSCAP has established four working groups: maritime cooperation, enhanced security cooperation in the North Pacific, the concepts of cooperative and comprehensive security, and confidence- and security-building measures (CSBMs). While having a wide-ranging focus, these working groups have taken up much of the ARF agenda, with the case of preventive diplomacy being an obvious example. Specifically, the CSCAP working group on CSBMs organized workshops on preventive diplomacy in March 1999 in Bangkok. These workshops have made a major contribution toward agreeing on a working definition for preventive diplomacy, and formulating the principles underlying this concept, and these developments served as a catalyst for discussion at the subsequent ARF meeting. Another workshop was organized in April 2000 in Singapore.

One of the key features of the track-two processes has been the ability to include participants who are not yet members of the track-one process. One example was the DPRK. Before it became a member of the ARF, it was a member of CSCAP and attended steering and general meetings as well as participating in the working groups. The track-two process offers participants the opportunity to discuss sensitive issues before they bring them to track one. In other words, track two has served as a testing ground for countries, giving them a forum to test their new ideas without losing face.

5. The ARF's challenges and beyond

What has the ARF achieved?

To date, the ARF has enabled participants to discuss security issues, including sensitive ones such as the Spratly Islands, and it has promoted confidence-building measures amongst its participants.

Another important development concerns the key, but reluctant, player China, and the gradual shift in its position regarding security dialogues. From tentative beginnings, China has since served as co-chair of an Inter-Sessional Support Group (ISG) on CBMs in Beijing in 1996 and, significantly, at an ARF conference in 1996, Foreign Minister Qian

Qichen acknowledged the value of the ARF and said that it constituted a new attempt at regional security cooperation and represented a new concept of security. China has come to stress the multipolar structure of power distribution, and to extol the virtues of multilateralism. The motivation behind this position come, at least in part, because it perceives multilateral security cooperation as a means to check American unipolarity, as well as being a vehicle to check its alliances in the region. Multilateral security cooperation at a less institutionalized level and without any binding obligations on China, like the ARF, seems to have an appeal for China. However, having said this, it does not want to see such forums under US leadership, nor pushing a human rights agenda.

The ARF's vast geographical footprint has been to its advantage in fostering an inclusive atmosphere. This has been evident in the case of the DPRK, which felt comfortable enough with the forum to deepen its involvement to the track-one level. Much of the credit for creating such an environment must go to ASEAN leadership in promoting the ARF, a factor that has made participants feel comfortable and less threatened.

The limits of the ARF

As stated in the Chairman's summary, the process is evolutionary and moving slowly enough to allay the unease of some participants. This has, in turn, frustrated other members who prefer a faster pace. Moreover, its consensus decision-making method and principle of non-interference in internal affairs have made it difficult to evolve from Stage I to II. While these principles have increased the comfort level of the ARF for some participants, and have made the ARF sustainable, it is also these same principles which present themselves as obstacles if the ARF wishes to prevent or engage in resolving regional conflicts.

The ARF seems to be a hostage to its second Chairman's Statement and Concept Paper, and this has been all too obvious in the past few years as the ARF struggles with its evolution into Stage II, namely preventive diplomacy. Is the ARF forever destined to go no further than its concept paper adopted in 1995? Or, does its flexibility allow the ARF to revise its road map? Is the ARF capable of making progress from devising CBMs to implementing preventive diplomacy? And, is it even really productive for peace and security in the Asia–Pacific to introduce preventive diplomacy?

The ASEAN leadership and its *modus operandi*, while making the process more congenial to all the participants, have frustrated some members. The venue rotates amongst ASEAN members, and so does the

Chair of the ARF. Some are also asking whether ASEAN has the same level of interest in Northeast Asian or South Asian issues as they have in their own subregional issues.

The ARF, however, cannot stand alone in ensuring the security, peace and stability of the region. It must rely on the web of bilateral alliances since it does not have any force to employ on its own. Cooperative security-type dialogues are feasible when combined with deterrence by bilateral alliances or regional collective defence. The latter is not feasible for the foreseeable future.

The challenges ahead

The ARF at the turn of the century must ask the hard questions addressing its goals, expectations, methods and approaches. Does it want to stick to the mandate established at the Second Meeting? Or does it want to chart a new road to regional peace and stability?

The form and function of security arrangements that states undertake ought to reflect their understanding of their individual security situations and regional security outlook. Among various forms of security arrangements introduced in this chapter, the ARF has developed as a cooperative security-type arrangement. Given the security outlook in the region, cooperative security is the only option available at this point in time, as it allows different perceptions of security threats to coexist.

In order for a cooperative security arrangement to stand, there must be (a) a common appreciation of the notion of mutual security, (b) acceptance of certain shared norms about the value and process of dialogue, and (c) an absence of ideological schisms or perceived danger of imminent threat or aggression. It is only feasible when no single actor can achieve security through unilateral means. In order to enhance security, the cooperative security approach emphasizes the promotion of reassurance, confidence-building and mutual trust through communication, transparency and dialogue. Thus, to the extent possible, potential adversaries are to be engaged rather than excluded. The ARF has at least nurtured the habit of dialogue in the region, something which did not exist a decade ago.

If the norms of cooperative security are accepted by an interacting group of states, to the point where they no longer regard force as a viable instrument of interaction, and, moreover, do not even perceive the need to defend against each other, they are said to constitute a security community. If this group of states were to engage in tightly knit interaction leading to common policy stances, they would become a

pluralistic security community, and, going a step further to create institutional mechanisms that would formulate policies on behalf of the membership, would bring about the existence of an integrated security community. Bearing this in mind, the ARF seems to have a long way to go before it even reaches the stage of security community, because, as exemplified in the case of the Spratly Islands, it is still in the process of building norms.

The ARF in the future

When compared to the European security architecture, Asian security architecture is a pale shadow, and the situation is little different when compared to the OSCE, which is also a cooperative security arrangement. None the less, the ARF has come to complement the network of bilateral alliances in the Asia–Pacific, enhancing confidence-building amongst the participants. The ARF today provides a sort of a social capital for security in the region.

Future evolution of the ARF depends on the security climate in the region, as well as political will and the perceived benefit of the process. Given these conditions, the ARF has the potential to develop into an important regional arrangement for peace and stability. There is a variety of options it can take, including the change of its name to 'Asian Regional Forum' rather than 'ASEAN Regional Forum', instituting a co-chairmanship of ASEAN and non-ASEAN participants to cater to the interests of non-ASEAN members, or even further expansion of its organizations. The ARF should also thoroughly investigate the possibility of establishing a partnership with the ASEAN plus three, a body which is already under way and has attracted a great deal of attention.

Future avenues for ARF development must be defined by asking the question: 'Whom does the ARF defend members from?' Countries in Asia during the cold war did not unite themselves against the Soviet threat. Rather, some opted for the course of non-alliance. Today threat perceptions are more blurred, with some members facing non-traditional threats like environment, narcotics and others. Are countries in the Asia–Pacific ready to defend regional colleagues, even at the expense of shedding their own blood or economic development?

Given sufficient political will, the ARF can blaze a trail in creating a benign security environment in the Asia–Pacific. However, this is premised on the security environment transforming from zero sum to positive sum.

Notes

1. Japan–United States Joint Declaration on Security: Alliance for the 21st Century, Tokyo, 17 April 1996, para. 7.
2. Guidelines for Japan–US Defence Cooperation, 23 September 1997, para. I.
3. A concert regulates relations among major powers by sharing information about capabilities and intentions, and by creating norms of cooperation.
4. In July 1990, Senator Gareth Evans, Australian Minister for Foreign Affairs, proposed a CSCA for addressing the apparently intractable security issues that exist in Asia. See Gareth Evans, 'Australia is catching up with its geography', speech to launch the Institute for Contemporary Asian Studies, Monash University, 19 July 1990. See also Gareth Evans, 'What Asia needs is a Europe-style CSCA', *The International Herald Tribune*, 27 July 1990. On 24 July 1990 Canadian Minister of Foreign Affairs Joe Clark gave a speech at the Foreign Press Club in Tokyo and suggested that it was time to create an Asia–Pacific security organization. See *Canada News*, no. 18, September 1990.
5. FBIS East Asia, 90/149, 2 August 1990, p. 12; and 'Security plan fails to impress', *The Japan Times Weekly International Edition*, 13–19 August 1990.
6. Japan–Soviet Joint Statement on 18 April 1991, para. 24, Tokyo, Japan.
7. ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS), *A Time for Initiative: Proposals for Consideration of the Fourth ASEAN Summit*, pp. 9–10.
8. Chairman's Statement of the Fifth ASEAN Regional Forum, Manila, 27 July 1998, para. 28.
9. This gathering was the fourth meeting on security cooperation in the Asia–Pacific organized by the Pacific Forum/CSIS, the Japan Institute of International Affairs, the Seoul Forum for International Affairs, and the ASEAN-ISIS.
10. Paul Evans, 'The Council for Security Cooperation in the Asia–Pacific: Context and Prospects', CANCAPS Paper No. 2, March 1997.

Part II

Perspectives on Institutional Change

6
Membership Expansion and Change

Michael Wesley

One of the most obvious manifestations of change to regional organizations in the Asia–Pacific is their increase in membership over time. Since its founding in 1966, the Asian Development Bank (ADB) has grown from 31 to 59 members. The Association of Southeast Asian Nations (ASEAN) has doubled in size since its five founding members came together in 1967. Asia–Pacific Economic Cooperation grew from 12 members to 21 during the first decade after its inception in 1989. The ASEAN Regional Forum's original 18 members in 1994 has since expanded to 23.

This chapter examines organizational expansion as a specific manifestation of change to these institutions. Specifically, it searches for the forces and stimuli prompting non-members to apply to join the organizations, and the incentives and costs for the organizations associated with accepting more members. The course of this analysis reveals that there are several logics of organizational expansion at work in the Asia–Pacific, demonstrating different aspects of regionalism and conceptions of organizational purpose in the various regional institutions. The way in which each organization has expanded sheds light on the vision of regionalism and the region they embody; their conception of the role the organization should play in broader regional and global affairs; and the different ways the organizations are perceived by regional countries, both members and non-members alike.

Organizational expansion is examined from several different angles in what follows. Beginning on a formal note, the first section compares the procedures and parameters set out by each organization for accepting new members. Following this, the process of successive expansions in each organization is analysed, revealing two very different unstated logics of expansion at work: the logic of 'prescription' and the logic of

'attraction'. Third, a typology of the methods of membership expansion is advanced, allowing a classification of each of the organizational expansions to these regional organizations to be made. Fourth, the forces and stimuli underlying expansions are examined, both from the point of view of the applicants and the organizations and existing members. Finally, the link between membership expansion (or 'widening') and institutionalization and evolution (or 'deepening') is explored; particularly whether these are complementary or competitive processes.

1. Formal guidelines for membership expansions

The formal guidelines for the acceptance of new members into regional institutions are important to the consideration of their processes of change and expansion because they not only establish the 'rules', but they are also important signals of the nature and parameters of the organization. The criteria an organization sets up for appraising the applications of new members convey important messages about its rationale, its vision of the region and of regionalism, and its conception of its role in regional politics as well as more broadly.[1] As Keohane observes, regional organizations differ in goals and intent from universal membership organizations by the very fact of their restricted membership; the restrictions they place on membership are a crucial part of the 'goods' they offer their members: 'Restricted [membership] institutions either seek to achieve gains vis-à-vis outsiders (a function for which there must be outsiders to exploit) or to build strong bonds of community.'[2] The criteria establishing eligibility for membership are determined by, and are crucial to, selecting the combination of states thought best to deliver the desired objectives of the regional organization.[3]

The other major set of considerations concerning membership criteria are those associated with group effectiveness. Olson's influential work on collective action led him to the conclusion that the larger a group, the smaller the fraction of the total group benefit that accrues to each individual; the lower the incentive of each individual to contribute to the collective benefit; and the greater the organization costs. Consequently, 'the larger the group, the farther it will fall short of providing an optimal supply of a collective good, and very large groups normally will not, in the absence of coercion or separate, outside incentives, provide themselves with even minimal amounts of a collective good'.[4] For Olson, then, there are organizational disincentives to each expansion in group size, depending on whether the group is providing exclusive or inclusive goods to its members. The second effectiveness

consideration is that of decision-making effectiveness. Buchanan and Tullock's model of group size and decision-making costs leads them to the conclusion that 'The costs that the individual expects to incur as a result of his own participation in collective decision making vary directly with the size of the deciding group in a given-sized total population.'[5] In other words, the larger the group, the longer it will take and the more diplomatic resources it will absorb to generate a collective decision. For Buchanan and Tullock, as for Olson, there are also disincentives to increasing membership: 'One means of reducing these costs is to organise collective activity in the smallest units consistent with the extent of the externality that collectivisation is designed to eliminate.'[6]

These and other considerations underlie calculations of whether to accept new members in each of the regional institutions in the Asia–Pacific. They have on occasion generated tension between expansion-minded and *status-quo*-minded members. However, underlying the expansion process is a foundation of formal rules established by each of the institutions to regulate membership expansion and acceptability. In the Asia–Pacific institutions, as with most other institutions, the formal criteria are balanced between the specific and the vague. Partly this was a matter of prudence on the part of organizational founders, trying to strike a balance between charting the future direction of the organization and providing it with enough flexibility to cope with unforeseen developments. As we will see, these formal rules are complemented in the case of each of the Asia–Pacific regional institutions with informal rules and considerations.

The formal membership criteria for the Asian Development Bank are set out in Article 3 of the Bank's Charter. It states that membership of the Asian Development Bank is open to: members and associate members of the United Nations Economic Committee for Asia and the Far East (since renamed the United Nations Economic and Social Committee for Asia and the Pacific (UNESCAP)); and other regional countries and non-regional developed countries that are members of the United Nations or its specialized agencies (Article 3(1)). Non-original members (those that had not ratified the ADB Charter by 30 September 1966) could join 'under such terms and conditions as the Bank may determine . . . upon the affirmative vote of two-thirds of the total number of Governors, representing not less than three-quarters of the total voting power of the members' (Article 3(2)). There are two interesting aspects of this procedure. First, it shows the ADB's majority voting procedures in full, a factor which attenuates the decision-making costs consideration of group expansion discussed by Buchanan and

Tullock. This may explain the comparatively rapid and steady rate of membership expansion in the ADB compared to the other organizations. Second, membership and eligibility issues are to some extent 'pre-digested' by the relevant United Nations agencies before they reach the Bank. According to a former UNESCAP senior official, the reason for this was probably to quarantine a development body such as the Bank from some of the politically charged membership eligibility issues that had plagued the early United Nations. By making UNESCAP or UN agency membership a prerequisite for ADB membership, the founders were probably ensuring that the possibly acrimonious membership issues were fought out in the UN, rather than in the ADB.[7]

The formal membership criteria for ASEAN are stated in the Bangkok Declaration of August 1967: 'the Association is open for participation to all States in the Southeast Asian region subscribing to the aforementioned aims, principles, and purposes' (Fourth Article). At the time of the Bangkok Declaration, these 'aforementioned aims, principles, and purposes' consisted of: accelerating economic growth, social progress and cultural development through joint endeavours; promoting regional peace and stability; promoting active collaboration and mutual assistance on matters of common interest in a number of listed fields; providing mutual research and educational activities; collaborating on agriculture, industry and trade issues; promoting Southeast Asian studies; and maintaining close links with other regional and international organizations. Since that time, additional requirements have been added. Specifically, aspirant members are expected to have already acceded to the Treaty of Amity and Cooperation of February 1976, and to have become observer members of the organization. The latter conditions, however, are necessary but not sufficient for membership. Building on the decision of the Manila ASEAN Summit of 1987 to open the TAC to non-members' accession, the Hanoi ASEAN Summit of December 1998 agreed to 'expedite the ratification of the Second Protocol to the Treaty of Amity and Cooperation in Southeast Asia so as to enable non-regional states to accede to the Treaty at the earliest possible time', thereby depriving the TAC of its membership implications. Further, Papua New Guinea has been an observer to ASEAN for over a decade, but has not graduated to membership. With ASEAN, it is informal considerations as well as a clearly enunciated definition of the region that govern membership expansion more than the formal rules.

Formal declarations on membership expansion in APEC have revealed evolving criteria over time. The first, Canberra, Declaration in November 1989 set out relatively straightforward membership criteria:

'participation by Asia–Pacific economies should be assessed in the light of the strength of economic linkages with the region, and may be extended in the future on the basis of consensus on the part of all participants' (Article 16(9)). By the time of the Seoul Declaration on November 1991, the condition that aspirant members 'accept the objectives and principles of APEC as embodied in this Declaration' (Article 7(b)) had been added. As the interest of various non-member countries increased in becoming APEC members, the organization for the first time hinted that there were limits to the expansion process in the Bangkok Statement of September 1992: 'APEC [is] entering a phase when consolidation and effectiveness should be the primary considerations, and that decisions on further participation required careful consideration in regard to the mutual benefits to both APEC and prospective participants.' The ten-year moratorium on membership expansions announced by APEC in 1997 suggests that its current membership may have reached the limits of its willingness to expand for the present time.

The ASEAN Regional Forum lists two formal requirements that must be met by aspirant members. First, they must agree to support the aims of the ARF and to abide by all the decisions it has made. Second, 'a state should be admitted only if it can be demonstrated that it has an impact on the peace and security of the "geographical footprint" of key ARF activities (i.e., Northeast and Southeast Asia as well as Oceania)'. This second criterion places the ARF alongside the ADB as regional organizations that are prepared to admit non-regional members, as long as a connection or commitment to the Asia–Pacific region can be demonstrated. It is on this basis, for example, that the European Union is a participant in the ARF. The ARF also follows APEC in using objectively measurable linkages of aspirant states to member states to assess their eligibility for membership. For APEC, 'the strength of economic linkages' is the variable; for the ARF it is the security impact on the region, perhaps borrowing from Buzan's concept of a 'security complex', or a set of intense security interdependencies which 'will be more strongly focussed among the members of the set than they are between the members and outside states'.[8]

2. Two logics of organizational expansion

Two logics of membership expansion become apparent on examining the history of Asia–Pacific membership expansions; distinguishing between cases of expansion and regional institutions on the basis of

these logics reveals much about the institutions themselves. The first type can be termed the 'logic of prescription', where the organization itself states clearly that it wishes certain non-members eventually to join the organization. Consequently, the 'onus of decision' is on the state that the organization wants to become a member. The 'impetus' for expansion derives from within the organization itself. The second type can be termed the 'logic of attraction', meaning that the organization attracts aspirant members by its very existence. In this case, the expansion 'impetus' is located outside of the organization, within the aspirant members. The 'onus of decision' on expansion resides with the organization itself, or more accurately, with its incumbent members.

The logic of prescription has characterized all of ASEAN's membership expansions. The first expansion in ASEAN's membership – Brunei in 1984 – is a case in point. With Brunei's independence from the United Kingdom looming by the late 1970s, particularly Indonesia and Malaysia became concerned that the newly independent small state would trigger renewed tensions among the ASEAN countries that had existing territorial disputes in Borneo. In May of 1978, Indonesian President Suharto and Malaysian Prime Minister Hussein discussed the issue at a conference in Labuan, reaching a decision to promote an 'ASEAN solution' to the Brunei issue. This meant that ASEAN would encourage Brunei to join it on its independence in order to guarantee its sovereignty and forestall tension and competition with and between other ASEAN members. On this basis, Brunei became an observer in June 1980, and a member of ASEAN days after its independence. ASEAN's subsequent membership expansions have also been prescriptive. The end of the cold war and the resolution of the Cambodian conflict revived visions of a Southeast Asian community including all ten states, which had been articulated at the time of the Bangkok Declaration but put aside as tension deepened with Vietnam. This logic of prescription became more urgent as ASEAN's 30th anniversary approached, with some member countries determined to have completed the ASEAN−10 project by the time of the 30th anniversary Summit in Kuala Lumpur in 1997.

A logic of prescription also developed in the early years of APEC. The Canberra Declaration, the first statement made by APEC, stated clearly the desirability of certain membership expansions:

> Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan. Taking into account the general principles of cooperation [of APEC], and recognising that APEC

> is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider further involvement of these three economies in the process of Asia Pacific Economic Cooperation.

Such statements were reiterated until the time of the accession of China, Taiwan and Hong Kong to APEC in 1992. Since that time, APEC has ceased having a prescriptive logic of membership expansion in favour of an attractive logic.

The Asian Development Bank and the ASEAN Regional Forum have exclusively attractive logics of expansion. From the time of their founding, neither organization has felt its membership incomplete to the extent that it has stated the desirability of certain non-members joining. The ADB, APEC and the ARF continue to attract applications for membership because they are perceived by non-member states as offering certain benefits that are available only to members. The fact that APEC and the ARF have established moratoria on further membership expansions only serves to further highlight the fact that both have attracted significant numbers of aspirant states arguing for their membership eligibility. In theory, the ADB, APEC and the ARF could continue to expand, while ASEAN's further expansion would take it outside its pre-stated geographical limits.

There are two important implications of the different sources of the 'impetus' for expansion and the 'onus of decision' distinguishing the logic of prescription from the logic of attraction. The first is an indication of the exclusivity and therefore the purpose of the organization. ASEAN's clear definition of the geographical scope of its region, and its clear demarcation of those states eligible for membership and those not, indicates a highly exclusive organization. Relationships with states outside Southeast Asia are handled on the basis of dialogue partnerships, not aspirant membership. This suggests that the regionalist project within ASEAN is conceived of as an exclusive collective good, meaning the inclusion of external members is thought to compromise each incumbent's share of the benefits of collective action.[9] On the other hand, the broad (formal) criteria of membership eligibility established by the ADB, APEC and the ARF provide grounds for a number of aspirants to claim their eligibility for membership. This suggests that their benefits were thought (at least at their founding) to be inclusive, meaning that 'the supply of collective [benefits] . . . expands when the group expands'.[10]

The other implication is a consequence of the different locations of the 'onus of decision'. The logic of prescription places the 'onus of decision' on the aspirant state, while the logic of attraction places the onus on the organization and the incumbent members. This has important consequences for the terms of accession as they are negotiated. Even though each organization has a requirement that new members agree to comply with all of the agreements and terms of membership that have already been established in the organization (the equivalent of the European Union's *acquis communautaire*), such requirements are not always strictly applied in accession negotiations. Aspirant states in a situation governed by a prescriptive logic have the power to demand modifications to the conditions of membership. Thus, for example, Vietnam, Laos, Myanmar and Cambodia have all negotiated extensions to the ASEAN Free Trade Area deadlines as conditions of their joining the organization. China, the most eagerly sought member of APEC, was able to attach strict conditions to the status of Taiwan in the organization as part of its agreement to join.[11] Such leverage is not available to aspirant states under the attractive logic. Although not as strictly applied in the Asia–Pacific institutions as in the European, the application procedures under the attractive logic require states to demonstrate to some extent that they are eligible for membership, and that they will be able to comply with the obligations of membership once they join.

3. Types of membership expansion

Before moving on to consider the causes of membership expansions, it is important to further classify the types of expansion that occur within Asia–Pacific regional organizations. An examination of the record of expansions shows that there are several basic types of expansion, reflecting the conditions obtaining at the time of the application, and the way that these conditions acted on states' and organizations' calculations to propel the change from non-membership to membership.

The first type of expansion comes about with the creation of new states within the geographical area described by the organization as its own region. The persistence of states in the region that are not members of the organization often appears as an anomaly to members and others; there is often therefore a strong prescriptive logic at work in these cases. Early examples of this type of expansion in the ADB include Fiji, Tonga, Papua New Guinea, and other South Pacific states, as well as Bangladesh; in ASEAN the membership of Brunei is an example. Such early types of new member expansions can thus be linked to the general

process of decolonization in the Asia–Pacific region. Some of these members, such as Papua New Guinea, became members of regional organizations before their formal independence; most joined soon after gaining independence. The next cluster of new state expansions came in the aftermath of the cold war, particularly with republics of the Former Soviet Union. Interestingly, these memberships occurred some time after their gaining of independence, starting with Kazakhstan and the Kyrgyz Republic in 1992. For these former Soviet states, the consideration was whether to become members of the European Bank for Reconstruction and Development or the Asian Development Bank; they could not be members of both.[12] Eventually, they were joined by Uzbekistan, Tajikistan, and Azerbaijan in choosing the latter. This suggests a difference between post-colonial and post-cold war new state organizational expansions: while a major motivator of membership in the former period was the desire of newly independent states to affirm their sovereign statehood (along with securing development funding and other organizational benefits), the predominant reason for the latter was the desire to access the requirements and conditions of development.

The second type of expansion involves a change in an aspirant member's acceptability to the organization. This can occur due to a number of different considerations. One is ideological. With the end of the cold war and the withdrawal of Vietnamese troops from Cambodia, Vietnam, Cambodia and Laos suddenly became acceptable as ASEAN members where in the past they had been considered adversaries. Strategic issues can also be important. The growing closeness of the relationship between Myanmar and China added greater urgency to ASEAN's efforts to include Myanmar as a member. Conceivably, economic considerations could also affect aspirant members' acceptability. Decisions within APEC on India's application for membership may be affected by India's growth rates and trade intensities with Asia–Pacific economies in the years to come.

Third, a change can occur in non-members' perceptions of the desirability of membership of the organization. This factor has been particularly prevalent in relation to the economic organizations. During the period when the Asia–Pacific economies experienced periods of rapid economic growth, incentives rose to establish linkages with such a dynamic region. The 'Asian miracle' naturally lent its lustre to the economic institutions of the region, the ADB and APEC. This factor explains the steady process of membership expansion experienced by these organizations, particularly in the 1990s. As these institutions were

seen to have contributed to the economic success of these countries, or were a method of partially benefiting from their economic dynamism, non-members' perceptions of the desirability of membership rose. Another attraction held by APEC is its ability to gather Asia–Pacific leaders annually at APEC summits. Aspirant countries' leaders, upon joining the organization, would have guaranteed access every year to not only the leaders of the US, Japan and China, but also of a range of economically dynamic and strategically important regional states.

Fourth, a change in the definition of the region and its geographical boundaries can cause changes in membership. In the case of APEC, a more literal interpretation of the geographical definition of the Pacific Rim was used to expand the membership to certain Latin American economies and the Russian Federation. It is worth noting, however, that consensus on such redefinitions was not present among the incumbent APEC membership at the time. The ADB provides another example. As the inadequacies of its capital reserves became apparent in the late 1970s, and as it was pointed out that it was the only regional development bank without a capital-exporting OPEC country as a member, discussions were held at the ADB on how to encourage membership of some West Asian countries. This included suggestions that the ECAFE criteria could be jettisoned, since no West Asian states were ECAFE members.[13] Such moves were not eventually made, but this episode remains an example of how redefinitions of the region can be made to draw in new members. Another possible redefinition that may be under way is that within ASEAN. Moves to transform the 'ASEAN+3' structure into an 'East Asia community' may eventually entail a geographical redefinition from Southeast Asia to East Asia as the salient region as a way of merging ASEAN with Japan, China and the Republic of Korea.[14]

The fifth route to expanding membership derives from the relations between regional organizations. Where one organization is seen to be integral to another, the acceptance of a new member by the former often creates a precedent to accept the same state as a new member of the latter. The Charter of the ARF makes this principle explicit with regard to ASEAN: 'All ASEAN members are automatically participants of ARF.' In the case of the ARF, as Cambodia became an ASEAN observer in 1995, it automatically became a full ARF member. Other examples exist also. Mexico's joining of NAFTA was more of an eligibility consideration for APEC than its economic linkages to the Asia–Pacific; Peru's membership of PECC was cited in its application to join APEC. Vietnam's membership of ASEAN made its application to join APEC much less controversial than Russia's or Peru's, which joined at the same time. It

is worth noting, however, that this process does not always proceed smoothly. Myanmar's new ASEAN membership has greatly complicated the emerging Asia–Europe Meetings (ASEM) process, because of the European Union's refusal to accord senior officials from Myanmar status within meetings.[15] A consequence of this expansion has been to place the viability of the broader ASEM process at risk.

4. The conditions of organizational expansion

Having examined the requirements, logics and types of membership increases to regional organizations in the Asia–Pacific, this section analyses the conditions that promote and constrain organizational expansions. More specifically, it seems reasonable to infer from the evidence of the circumstances of organizational expansion in the Asia–Pacific that new states join regional organizations when a constellation of promoting factors coincides with a reduction in inhibiting factors. To rescue this statement from the dangers of tautology, it is necessary to isolate these promoting and inhibiting factors, and specify what makes them intensify or weaken at different times. Promoting and inhibiting factors exist for both aspirant members and organizations. This makes the coincidence of auspicious conditions a rare event; the rise of promoting factors in one (aspirant or organization) and inhibiting factors in the other (organization or aspirant, respectively) will prevent expansion and cause unrequited expansion aspirations. In what follows, promoting and inhibiting factors will be explored first in aspirant states, then in organizations.

Aspirant states can perceive a number of incentives for joining a regional organization. The most basic motivation for seeking membership is in order to access the collective benefits that the organization provides to its members. These can be conceived in political, economic or security terms. Politically, regional organization membership can offer a smaller state greater political weight in advancing its interests in broader international politics. Membership of a collectivity can also be used to avoid external pressure or escape international political isolation. This was a major motivation for Myanmar's application to join ASEAN. Economically, membership of a regional trade association can confer trade and investment creation benefits, guaranteed market access for exports, and sometimes subsidies and protection for domestic industries. Economic attraction can also exist at a less tangible level: 'Economically and technologically weak[er] states [often] . . . associate positive images of material progress with "successful" or powerful states or regions.'[16]

In security terms, feelings (and others' perceptions) of exposure or weakness can be allayed by joining the collective. It is relative changes in political isolation or leverage, economic success, or security circumstances that cause this class of promoting factors to rise or decline over time. As a general rule, growing political isolation or falling political leverage, or stagnating national economic growth compared to regional member states' economic growth, or increasing feelings of insecurity will cause a state's membership aspirations to increase.

Large changes in domestic forces or policies can provide promoting factors. Economic reforms and newfound commitments to economic liberalization, for example, have prompted membership bids to regional organizations from Vietnam and China to Australia. Often states enter international obligations as a way of preserving controversial domestic reforms. Growing interdependence with (and vulnerability to) an organization, and a desire to influence the organization's policies that impact on them can also prompt states to apply for membership. Membership can also be sought for reasons of access: to regional markets, to key decision-makers, to organizational legitimacy. Sometimes precedents set by, or competitiveness with, other proximate states stimulates applications: accession to the ADB first by a succession of South Pacific states and then by a succession of former Soviet Central Asian republics exhibit these considerations. Some states may also join organizations as a way of insulating themselves from the pressures placed on them by the organization: both Myanmar and Cambodia expected ASEAN membership to carry with it the non-intervention principle, thus providing protection against ASEAN countries' criticisms of domestic conditions within their countries.[17]

Inhibiting factors occur in various forms for aspirant states. Calculations of the expected utility of membership may show that it is more prudent or profitable to remain outside the organization. Informing these calculations will be considerations of where the 'burden of adjustment' will fall: will the new member or the organization have to spend more resources adjusting to the expansion?[18] More specifically: to what extent will the requirements of membership adversely affect domestic structures and conditions in the new member; and how will the attributes of the new member affect the domestic conditions of incumbent states or the collective goods provided by the organization? The accession of Vietnam, Laos, Myanmar and Cambodia to ASEAN provides a good example. Had these states been required, as a condition of membership, to comply with the 2003 deadline for implementing the ASEAN Free Trade Area tariff cuts, the effect on their

economies would have been devastating for the domestic industries their governments were trying to foster: for example, Cambodia relies on tariffs for 70 per cent of its government revenue, and Laos for 32 per cent.[19] By allowing these new members to negotiate extensions to the AFTA deadlines (as a consequence of the logic of prescription and the onus of decision being located with the aspirant states as discussed above), the burden of adjustment was transferred to ASEAN as an organization by reducing the collective good expected from free trade in 2003 and depriving the incumbent economies of free access to the new members' markets. Where the burden of adjustment lies with aspirant states and remains high (absolutely and in relation to expected membership benefits), it will be an inhibiting factor to membership expansion. Naturally, the membership obligations for some organizations, such as the ADB or the ARF, will be less onerous than for others, such as ASEAN or APEC; this will affect considerations of the burden of adjustment.

For regional organizations and their incumbent members, there are also promoting and inhibiting factors in accepting new members. Promoting factors centre on the benefits that the organization perceives it is likely to gain from a new member. If the collective benefits of membership are 'inclusive', meaning the amount of a collective good increases with each addition to the group's membership, the collective benefits themselves will be a promoting factor.[20] Accepting a new member can also provide the organization with increased access to or influence over that member. New members may also be welcomed as a way of increasing the organization's weight in relation to significant international contexts. ASEAN's expansions in the 1990s provide a case in point: part of the attraction of the ASEAN−10 was that four new members would increase ASEAN's weight, allowing it to remain at the core of the ARF and APEC, thus preserving its influential agenda-setting roles in both organizations.[21] Increases in strategic uncertainty can furnish promoting conditions for expansion. Once again, ASEAN's new members serve as a case in point. In 1984, Brunei's independence, seen by some as a stage in a progressive British withdrawal from the region, and in 1992, closures of American bases in the Philippines and Soviet bases in Vietnam, created fears of a power vacuum developing in the region; in each case new members were hurried into ASEAN. Similarly, China's strategic moves, from negotiating bases in Myanmar to contesting the South China Sea, were a strong consideration in the rapid absorption of Laos, Myanmar and Cambodia.

Inhibiting factors can be divided into concerns over collective benefits and implications for organizational effectiveness. Where collective benefits of a group are 'exclusive', or in fixed supply, each increment

in membership reduces the amount of the collective good that accrues to each member. Some of the increases in ADB membership provide a case in point. The applications of large, poor members that are likely to have a large call on the Bank's funds are greeted with concern by other prospective borrowers, as well as by donor members. When China's entry to the ADB in 1986 prompted India to drop its policy of not borrowing from the Bank, it caused inevitable strain on the ADB's reserves. Of particular concern was both countries' access to the Bank's soft loan facilities through the Asian Development Fund.[22] Consideration is often given also to how a new member will affect the organization's issue focus, policies, geographical preoccupations, or *raison d'être*. New members can tip delicate internal balances of preferences between competing objectives, or bring with them economic or strategic concerns that require the organization's attention. An example of the former is the sensitivities of adding more developing economies to APEC, thought by some to bring a danger of tipping APEC's focus towards that of a development organization rather than a trade liberalization and facilitation body. The latter situation is demonstrated by ruminations among ASEAN's incumbent members of how Vietnam's, Laos's, Myanmar's and Cambodia's accession would affect ASEAN's relations with China, particularly in relation to the South China Sea disputes.[23]

Additional members can affect decision-making in two ways. First, they can increase the decision-making costs of coming to agreement, as more states' interests and concerns have to be negotiated and accommodated.[24] This suggests, following Coase's theory of the firm, that an organization seeking political access or influence over contiguous states will expand its membership while the marginal benefits of access exceed the marginal increments in decision-making costs; but expansion will stop when marginal decision-making costs exceed the benefits of influence over new members, and it is easier to deal with these states bilaterally.[25] Considerations of decision-making costs occur particularly for consensus-based organizations like APEC:

> Ministers also expressed the view that APEC was entering a phase when consolidation and *effectiveness* should be the primary considerations, and that decisions on further participation required careful consideration in regard to the mutual benefits to both APEC and prospective participants.[26]

The second consideration affects organizations that take decisions by weighted vote; in the Asia–Pacific, this means the ADB. Each member of

the ADB has its number of votes calculated on the basis of two components: an equal division among all members of 20 per cent of the total voting power in the organization; and additional votes based on each member's shares in the capital stock of the Bank (not including the soft loan facilities). Expanding membership generates a number of complex and related concerns among members. First, even though their voting weights remain the same, each membership expansion sees incumbent members face a decrease in their decision-making influence as a proportion of the organization's total. For example, a steady growth in the Bank's membership had, by 1988, given rise to Japanese concerns that its original 17.12 per cent ADB shareholding had fallen to 12.406 per cent. A number of the ADB's special capital increases have been negotiated to allow incumbents to subscribe to additional capital stock to recoup some of their diminished influence. Second, new members upset the delicate arithmetic of the method of selecting directors of the Bank. Directors are selected to represent the broader membership in the basis of voting weights; while the largest capital subscribers select their own director who casts the votes of that member, other directors are selected by coalitions of smaller shareholders, and cast the combined votes of those shareholders.[27] New members upset this delicate balance; for example China's accession in 1986 came with a sufficiently large capital subscription to secure it a director in its own right, leading to an increase in the number of ADB directors from 13 to 15.[28] Third, consideration must be given to the Charter requirement that none of these alterations affect the requirement that regional members collectively can hold not less than 60 per cent of the Bank's total capital stock.

The case of Myanmar's entry to ASEAN offers a good example of the changing constellation of promoting and inhibiting factors determining the progress of accession. ASEAN's interest in developing closer ties with Myanmar in the early 1990s was not reciprocated. During 1992, a proposed visit to Yangon by Philippines Foreign Minister Manglapus was discouraged by Myanmar, as was an attempt to arrange a meeting between the foreign ministers of Myanmar and ASEAN at the time of the United Nations General Assembly session.[29] In a period of consolidation of military rule after the 1990 election and the unrest before and after, it is likely that an inwardly focused SLORC administration saw insufficient benefits in ASEAN membership and an unnecessary burden of adjustment associated with contemporary criticisms from ASEAN's Islamic members of Myanmar's treatment of its Rohingya Muslims.[30] These factors changed over time. Successively closer military and political relations between Myanmar and China both increased the prescriptive

desire of ASEAN to accept Myanmar, while increasing the attractiveness of ASEAN to Mynamar as a way of offsetting China's influence. Growing trade links with ASEAN members and their continued economic success served as added inducements to membership, complementing a growing commitment to economic growth through liberalizing trade and investment in Myanmar. Finally, membership in ASEAN was seen by Myanmar as a way of escaping some of the criticisms of its domestic politics, mostly from Western countries, but sometimes also from ASEAN members themselves. Finally, the negotiation of longer timeframes for its AFTA commitments, and a continuing ASEAN policy of 'constructive engagement' allayed fears of incurring a burden of adjustment.[31]

5. 'Widening' versus 'Deepening'

It is important also to consider how membership expansion relates to the other types of organizational change examined in this volume. The two basic types of organizational change are commonly referred to as 'widening' and 'deepening'. Deepening refers to processes of organizational change that promote closer cooperation, coordinate policy in new issue areas, or further integrate states within an organization. Widening and deepening are thought to be somewhat antithetical impulses; with the inclusion of new members often being observed to delay the progress of deepening while new members are absorbed. It is important, therefore, to examine how the widening that has occurred in all of the regional institutions in the Asia–Pacific has affected their other processes of organizational evolution.

Inclusion of new members usually presents a regional organization with task of 'digestion': adapting to the burdens of adjustment that fall on the organization; socializing new members into organizational methods and procedures; adjusting to the realities of realignments in decision-making influence and coalitions.[32] For example, ASEAN's new members have required extensive training for officials in the English language, the official language of ASEAN. These requirements of 'digestion' can slow down organizational evolution in two ways. First, they absorb organizational energy and resources that would otherwise be used to improve the effectiveness of the organization by its incumbent members. To some extent, the attention of the organization becomes distracted towards the demands and problems of the new members rather than the business of the organization. Singapore's Prime Minister Goh was quoted at the Fifth ASEAN Summit in Bangkok in December 1995 where the Vietnamese, Cambodian, Laos and Myanmar Heads of

Government attended an ASEAN meeting for the first time, as seeing the new members 'slowing us down for a while but later on adding strength'.[33] Second, organizational expansion can restrain existing projects of organizational evolution while they wait for the new states to 'catch up' with their level of organizational comfort. In effect, the organization does not wish to place too high a burden of adjustment on new members, and so refrains temporarily from adding to the requirements of membership usually entailed in a deepening project.

There are three corollaries of these considerations for how widening affects deepening in regional organizations in the Asia–Pacific. First, widening restrains or delays deepening. In addition to the reasons listed previously, widening can reduce the concord among incumbent members, particularly if there are differences of opinion on the advisability of widening. Within APEC, differences of opinion emerged over the decision to admit the Russian Federation; within ASEAN, Myanmar's and Cambodia's entries were attended by sharp divisions among incumbent members.[34] Increased tensions, if serious enough, can complicate projects to enhance organizational effectiveness. Second, new members can 'lock in' organizational procedures that its older members may have been preparing to jettison. The ASEAN expansions of the 1990s provide a good example. Vietnam, Laos, Myanmar and Cambodia have all insisted on the continuation of the principles of non-interference and avoidance of criticism among ASEAN members in the face of some members' attempted departures from those principles. A number of leaders from original ASEAN states have proposed that the organization endorse norms allowing mutual constructive criticism on issues of common concern to demonstrate that the ASEAN policy of 'constructive engagement' with Myanmar is producing results, and to secure the return of Cambodia to democracy after the Hun Sen *coup* of 1997.

Widening can also be used as a strategy to forestall deepening by those member states that wish to avoid incurring additional obligations to the organization, or that wish to block regional organizations from becoming more effective or influential. By urging more and diverse members to join an organization, this strategy can stall an organization at its 'lowest common denominator' of collaboration in order to provide a subject of cooperation between a large and diverse membership. For example, Malaysian Prime Minister Mahathir has been an eager advocate of APEC's organizational expansion, as a way of 'watering down the consensus-driven process'.[35] His enduring opposition to APEC has been caused by his perception that it competes with ASEAN and his own vision of an East Asian Economic Caucus.

Finally, widening can stimulate drives for greater deepening. Sometimes, as in the European Union, this can be in order to mollify core integrationist members wishing to maintain the momentum of deepening.[36] This may be seen also in APEC, with core member states at the November 1997 Vancouver Leaders' Meeting launching the Early Voluntary Sectoral Liberalization initiative – designed to maintain APEC's trade liberalization momentum – at the time of the last major membership expansion: Vietnam, Peru and the Russian Federation. Often, deepening is stimulated by a desire to address some of the problems that the new members bring to the organization. For example, it is no coincidence that proposals to modify ASEAN's principle of avoidance of mutual criticism and intervention – Anwar Ibrahim's 'constructive intervention'[37] and Surin Pitsuwan's 'flexible engagement' – came in response to the real difficulties and criticisms being faced by the organization as a result of Myanmar's and Cambodia's impending membership.[38] In relation to Myanmar's membership, ASEAN faced pressure from the US and the EU over its human rights situation, while being criticized for failing to achieve results from its policy of 'constructive engagement'. Cambodia posed further problems when in the lead up to its accession to ASEAN it moved towards civil war after the Hun Sen *coup*. ASEAN's deferral of Cambodian membership was in turn criticized by Hun Sen as inconsistent with the organization's willingness to invoke non-interference in the case of Myanmar.[39] Often a compromise answer that is found for organizations wishing to widen and deepen simultaneously is a 'tiered' approach, where those members wishing to move to a higher level of association do so, on the expectation that those members opting out will eventually join them. This is the philosophy behind the 'ASEAN−*x*' principle. However, this strategy can lead to permanent tiering if members in the lower tier fail to move to the higher tier, entailing a fracturing of the organization.

6. Conclusions

Membership expansion in regional organizations in the Asia–Pacific is important and complex enough to be examined as a discrete type of organizational change. This chapter's analysis reveals that adding new members is not a straightforward process, but entails far-reaching implications for the new members, the organizations and their incumbent members. Moreover, concentrating on the processes of membership expansion provides some fascinating comparisons between these regional organizations, and how they see themselves. Expansion has

been shown to be both a type of organizational change and also a driver of change; as much as these forces can be separated, expansion is part of the insistent process of change occurring in the Asia–Pacific's regional institutions.

Notes

1. Joseph S. Nye Jr, 'Regional Institutions', in Richard A. Falk and Saul H. Mendlovitz (eds), *Regional Politics and World Order*, San Fransisco: W.H. Freeman, 1973, p. 80.
2. Robert O Keohane, 'Multilateralism: An Agenda for Research', *International Journal*, Vol. 65, Autumn 1990, p. 751.
3. Michael Wesley, 'The Politics of Exclusion: Australia, Turkey and Definitions of Regionalism', *Pacific Review*, Vol. 10, No. 4, 1997.
4. Mancur Olson Jr, *The Logic of Collective Action*, Cambridge, MA: Harvard University Press, 1965, p. 48.
5. James M. Buchanan and Gordon Tullock, *The Calculus of Consent*, Ann Arbor: University of Michigan Press, 1965, p. 112.
6. Ibid.
7. Private communication with Professor Nancy Viviani, Chief, Social Development Division, ESCAP 1983–85.
8. Barry Buzan, *People, States, and Fear*, New York: Harvester Wheatsheaf, 1991, p. 193.
9. Olson, *Logic of Collective Action*, p. 38.
10. Ibid.
11. See Yoichi Funabashi, *Asia Pacific Fusion*, Washington, DC: Institute for International Economics, 1995, pp. 74–5.
12. Jonathon Friedland, 'Freshmen at the Feast', *Far Eastern Economic Review*, Vol. 155, 14 May 1992, p. 55.
13. Dick Wilson, *A Bank for Half the World*, Manila: Asian Development Bank, 1987, p. 80.
14. See for example Chon Shi-yong, 'Kim Calls for Merger of East Asia, ASEAN', *The Korea Herald*, 23 October 1999.
15. See 'Shunned', *Economist*, Vol. 350, 27 February 1999.
16. Emanuel Adler, 'Imagined (Security) Communities: Cognitive Regions in International Relations', *Millennium*, Vol. 26, No. 2, 1997, p. 262.
17. Foreign Minister Ohn Gyaw of Myanmar argued at the November 1996 ASEAN Summit: 'ASEAN is a forum where there shouldn't be any interference in internal affairs, there was no suggestion or advice that "If you want to join ASEAN you have to do this or that".' Quoted in John McBeth, 'Burma road: Asean sidesteps issue of Rangoon's membership', *Far Eastern Economic Review*, Vol. 159, 12 December 1996, p. 18.
18. This consideration is derived from Christopher Preston, *Enlargement and Integration in the European Union*, London: Routledge, 1997, pp. 18–22.
19. *Economist*, 1 March 1997.
20. Olson, *Logic of Collective Action*, p. 38.
21. This is more obvious in the ARF, where ASEAN's agenda-setting role is guaranteed, than in APEC; however, the early agreement that every second year

an ASEAN country will host APEC provides significant agenda-setting powers to the organization whose members chair all of APEC's major meetings in alternate years.

22. Wilson, *A Bank for Half the World*, p. 159.
23. Lee Lai To, 'ASEAN and the South China Sea Conflicts', *Pacific Review*, Vol. 8, No. 3, 1995, p. 542.
24. Buchanan and Tullock, *The Calculus of Consent*, p. 112.
25. R.H. Coase, 'The Nature of the Firm', *Economica*, Vol. 4, 1937, pp. 386–405.
26. Joint Statement, APEC Fourth Ministerial Meeting, Bangkok, 10–11 September 1998, emphasis added.
27. Asian Development Bank Charter, Article 33(3).
28. Wilson, *A Bank for Half the World*, p. 272.
29. Michael Vatikiotis and Bertil Lintner, 'Pariah no more: ASEAN edges towards closer ties with Rangoon', *Far Eastern Economic Review*, Vol. 157, 3 March 1994 p. 27.
30. Michael Vatikiotis and Paul Handley, 'Anxious neighbours: ASEAN members break silence on refugee issue', *Far Eastern Economic Review*, Vol. 155, 26 March 1992, pp. 27–8.
31. Murray Hiebert and Michael Vatikiotis, 'Conflict of interests: Asean's stance on Cambodia sparks debate on Burma', *Far Eastern Economic Review*, Vol. 160, 24 July 1997, pp. 18–19.
32. Geoffrey Garrett and George Tsebelis, 'An Institutional Critique of Intergovernmentalism', *International Organization*, Vol. 50, No. 2, Spring 1996, pp. 269–99.
33. Quoted in 'Par for the course', *The Economist*, Vol. 337, 16 December 1995.
34. See for example Ben Dolven, 'New handicap', *Far Eastern Economic Review*, Vol. 162, No. 19, 13 May 1999 p. 21.
35. Funabashi, *Asia Pacific Fusion*, p. 142.
36. Preston, *Enlargement and Integration in the European Union*, p. 8.
37. *Straits Times*, 15 July 1997.
38. See for example Rodney Tasker, 'Dysfunctional family: Thailand's Surin says Asean needs to grow up and talk', *Far Eastern Economic Review*, Vol. 161, No. 30, 23 July 1998, p. 20; and Nayan Chanda and Shada Islam, 'In the bunker: Southeast Asian foreign ministers are discomfited by a new take on an old principle', *Far Eastern Economic Review*, Vol. 161, No. 32, 6 August, 1998, pp. 24–5.
39. Hiebert and Vatikiotis, 'Conflict of interests', pp. 18–19.

7
The Nature of Change

Michael Wesley

Earlier chapters of this volume have established that the ADB, ASEAN, APEC and the ARF have all experienced change. This chapter examines how change has occurred, or, in other words, what sort of change has been experienced by each of these Asia–Pacific regional institutions. In what follows I make use of an analytical framework concerning the nature of change imported from evolutionary biology to the social sciences to explore the types of change undergone by the regional organizations of the Asia–Pacific.

An ongoing dispute in the social sciences over the nature of institutional change pits those who argue that incremental change and adaptation are the norm against those who argue that institutional change is episodic, the product of punctuated equilibria. The present chapter applies these categories to changes to Asia–Pacific regional organizations, to establish the nature of the change processes that occur here. Rather than compare the data from Asia–Pacific organizations with incremental or episodic ideal types, the scheme used here places these alternative models of change processes at either end of a continuum, seeking to characterize where along this spectrum change processes occur in these regional organizations. This represents to some extent a modification of the original controversy over the nature of change, which tends to see the alternatives as an either/or choice. The implication of putting them at either end of a spectrum of change processes is that change is probably rarely accurately described by one or the other model. Rather more likely is that the periods of stasis and inertia identified by episodic change models exhibit greater or lesser degrees of gradual change; while the constant evolution seen by the incremental model is probably punctuated to a greater or lesser extent by some periods of change and innovation that are more intense than

others. It is the extent of these degrees of variance that will be used to plot the general characteristics of change in regional organizations along the incremental–episodic continuum.

This chapter has four sections. The first introduces and explains the models of incremental and episodic change, and the change continuum that stretches between them. The next section tests elements of the incremental model to assess the extent to which change in Asia–Pacific institutions occurs towards the incremental end of the spectrum. Section 3 repeats this process for the episodic model. The conclusion reviews the results of these tests and assesses where the nature of change in Asia–Pacific regional organizations falls on the continuum of change types. It also draws some conclusions from this study about what this perspective allows us to infer about the nature of Asia–Pacific institutions.

1. Types of change

The incremental change model draws on theories which see institutions as structures of routinized interaction that allow agents to cope with uncertainties and incompleteness of knowledge.[1] The institution owes its existence to and relates directly to the issue or situation for which it has been constructed; it is a direct reflection of the preferences of the agents that have constructed it and continue to utilize it.[2] The explanatory focus on agency results in a vision of institutions as fairly flexible and responsive to changes in state preferences and dynamics of interaction. Change occurs in institutions as the inevitable alterations in the relative values of different political and economic 'commodities' are reflected in changed incentives and interactions between states.[3] As the 'founding concern' of an institution changes in salience or nature, or as participating states develop other concerns, they will change the institution to address the new circumstances. These changes will necessarily be incremental, because large changes in the concern of the institution, or new shared concerns of a very different type from the original issues, will require the construction of an entirely different institution. In this way, change is fairly constant, small scale in nature, and cumulative. Change is likely to be consistent with prevailing norms and values of the participating states. These norms and values are in themselves evolving, and are partly the drivers of institutional evolution. The model of incremental change argues that change is path-dependent, meaning that each subsequent evolution is dependent on choices that have been made previously; as the institution evolves, it is unable to return to options rejected previously.[4]

Alternative theories of change through 'punctuated equilibrium' have developed as a reaction to the Darwinian orthodoxy in evolutionary biology. Some biologists have argued that genetic mutations occur suddenly and infrequently in geographically isolated groups, which then establish their dominance over the ancestral species through the process of natural selection. Change in the biological world, they argue, is extremely rare; species maintain a stable genetic makeup for many generations before evolutionary changes occur.[5] This debate, as well as the term 'punctuated equilibrium', as initially applied to the world of political science by Stephen Krasner, has generated a sub-field of scholarship on the nature of change in domestic institutions.[6] Much of this theorizing can be modified and applied to regional organizations.

Models of episodic change see institutions as powerful and to some extent autonomous of the preferences of individual agents; they most often play a major role in shaping agents' expectations and framing their actions. Change is difficult and costly, and the institution more often acts to influence agents' perceptions of the context or issue rather than passively following changes in states' perceptions of the context or issue. The influence of the institution on state perceptions and preferences thus tends to reproduce the institution and the justifications for its existence. Consequently, for long periods institutions do not undergo change. This inertia can also arise from several factors. First, institutions embody *high start-up costs* and sunk costs. Agents have an incentive to fully utilize those sunk costs, and are often reluctant to bear the additional costs necessary to change the institution or establish a new one. Second, *learning effects* privilege those groups and behaviours that are favoured by and conform to the existing institutional structures, while encouraging others to conform in order to benefit from prevailing conditions and structures. Third, *cooperation effects* provide advantages of greater possibilities for collaboration with other groups or individuals who are making similar use of the existing institutional structures. Fourth, *adaptive expectations* breed judgements of the effectiveness of existing institutional forms over other alternatives.[7] Fifth, *routinization incentives* provide greater assurance of acceptable outcomes to those who follow established procedures than to those who are inclined to innovate.[8] Sixth, *competency traps* breed familiarity with existing rules and training concentrated on developing the capabilities to make full use of those rules. As competence and familiarity with the existing structures grow, so do the disincentives to innovate.[9]

Change can only be delivered to these institutions by crisis. Crisis occurs when the conditions to which the institutions are intended to

apply alter to such an extent that they reveal in a spectacular manner the inadequacy of existing institutional mechanisms. Accepted institutions and the 'consensual foundations of normative structures' can no longer serve to frame regional interaction without profound structural change.[10] Significant crises can prompt wide-ranging critiques of collective ends and institutional structures, and lead to proposals for significant changes to institutions. When such proposals are acted upon, the institutional changes they entail are extensive in scope and degree and often serve to challenge pre-crisis norms and break with established procedures and customs.[11] Such change, when it occurs, is very rare. Once it has taken place, the causes of inertia reassert themselves, and a long period of constancy ensues, which can only be punctuated by another crisis of institutional inadequacy.[12]

It is unlikely that change to regional institutions will follow exactly either of these models. The type of change will probably fall somewhere between the two, exhibiting features of both. Whether it possesses more features of one model than the other will determine where it falls on this spectrum. The categories that will be applied to instances of change in Asia–Pacific regional organizations will attempt to make this assessment. Evidence supporting the case for incremental change will be compared with evidence supporting the case for episodic change. The episodic model will be tested against the extent of institutional constancy between periods of change. The presence or absence of the causes of inertia will also be tested for. Crises will be assessed according to whether they challenge the institutional adequacy of regional organizations, and changes according to their extent and scope and to whether they break with established norms and practices.

2. Evidence of incremental change

It is hard not to examine the regional organizations of the Asia–Pacific from a perspective other than that of the agency of their member states. With the possible exception of the ADB, these institutions are grounded on the sovereign inviolability and independence of the member states. Michael Antolik states this case most strongly in the case of ASEAN: 'ASEAN is neither actor nor confederation, but a consultative process',[13] but this could equally apply to APEC or the ARF. The regional norms that inform these organizations arise from and are directly grounded in national imperatives: for example the norm of regional resilience derives from the goal of national resilience. These considerations – where the state and its concerns are in all senses prior

to the institutions – suggest a fertile ground for the operation of the incremental model of change in these organizations.

ASEAN's norm of non-confrontation, and processes of consultation and consensus reflect a conservative attitude towards rapid change in that organization. The circumstances of the organization's founding have prompted shared beliefs among ASEAN members that the limitation of competition has mutual benefits, that existing governments are probably preferable to alternative regimes that may arise in that state, and that common problems have the potential to become volatile through unilateralism, competitive responses, or intervention by outside powers.[14] More importantly, the emphasis placed on regional community and cooperation has dictated that ASEAN has always proceeded according to the lowest common denominator. Even innovations such as the 'ASEAN−*x*' decision-making principle do not seem to have prompted radical proposals for change.

These consensual considerations have been imported into APEC and the ARF. The Canberra Declaration stated that APEC's operational procedures would be incremental and consensual, and its subsequent programmes have stressed their consensual or voluntary nature.[15] While flexibility was outlined as a basic principle of APEC in the Seoul Declaration: 'APEC will retain the flexibility to evolve in the line with changes in regional economic circumstances and the global economic environment and in response to policy challenges facing the Asia–Pacific region', considerations of community-building and consensus seem to have placed boundaries on how extensive changes can be. The Osaka Action Agenda introduced 'flexibility' in its other sense into APEC, with consequences similar to the 'ASEAN−*x*' principle; yet again this does not seem to have played a role in promoting perceptions of the value of radical change.

ASEAN's philosophy towards change has been implanted in the ARF as well. The second ARF meeting in August 1995 institutionalized the adoption of the 'ASEAN way' and the norm of non-confrontation in that body. For most of its existence, the programme of change in the ARF has been mapped out by the Concept Paper produced by the ASEAN Senior Officials' Meeting and adopted also at the Second ARF Meeting in May 1995. The Concept Paper stated clearly that the ARF should develop according to 'a gradual evolutionary approach', and outlined a three-stage process of change, moving through the promotion of confidence-building measures; the development of preventive diplomacy mechanisms; and the development of conflict resolution mechanisms. Yet even this measured process of change has been

retarded by caution and consensus, and the programme has for some time been stalled at the stage of finding an acceptable definition for 'preventive diplomacy'.[16]

The evidence favouring incremental change is further strengthened if we turn our attention to some of the most common stimuli for change in those institutions. The first is rising expectations within the Asia–Pacific, reflecting steady improvements in prosperity, stability and education. At various times opinions have expressed frustration with the minimalism of Asia–Pacific regional organizations, and their constant reference to the lowest common denominator. Much of ASEAN's existence has been dogged by criticisms of its lack of substantive achievements beyond perpetuating its own existence. Such concerns channelled into the First ASEAN Summit, in Bali in 1976, and contributed to the organizational changes made there.[17] Many have asked similar questions about APEC's capacity to deliver trade liberalization through the Individual Action Plans that had not already been committed to by member states under other unilateral or multilateral commitments.[18] Questions have also been raised about the ARF's relevance to the most pressing security problems of the region; these have to some extent prompted its consideration of the South China Sea disputes, and, with recent North Korean accession to membership, could soon include discussions on the Korean Peninsula.

Second, the urge for incremental innovation is enhanced by annual rounds of meetings and the desire to keep member states engaged and committed to the organization. This is a major driver of APEC's expanding portfolio of meetings and activities. It is significant that the APEC Leaders' Meetings were inaugurated in the year following the 1992 Bangkok Meeting, when the United States, Japan and Canada failed to send ministerial delegations.[19] Similarly, the adoption of regular Leaders' Meetings by ASEAN and APEC have brought with them the need for each summit to result in a package of 'announceables' – new measures that leaders can gain credit for among their constituencies. Such packages are also intended to sell the relevance of the institution to domestic opinion in its various member states. Bureaucracies' constant need to find new initiatives is tempered by their awareness that they must eventually deliver on the 'announceables'. This consideration, plus the limited amount of time senior officials have to negotiate each new package before the next summit, has a strong influence on making each package fairly incremental.[20] Tables 7.1 and 7.2 document the institutional changes announced at annual ASEAN Ministerial Meetings and Summits and APEC Leaders' Meetings. With a few notable

Table 7.1 New measures announced at ASEAN Summits and Ministerial Meetings*

Meeting and year	*New measures announced*
First AMM, 1967	• Setting up of AMMs • Standing committee • Ad hoc and permanent committees • National secretariats
Second AMM, 1968	• Establishment of various permanent committees
Third AMM, 1969	• Further standing committees • Establishment of the ASEAN Fund • Agreement for Promotion of Cooperation in Mass Media & Cultural Activities
Fourth AMM, 1971	• Commerce and Services Agreement
Special FMM, 1971	• Inauguration of ZOPFAN
Fifth AMM, 1972	• Review of organizational and procedural framework • Establishment and rationalization of standing committees • Agreement on Aircraft in Distress and Rescues
Sixth AMM, 1973	• Coordination Committee on the Reconstruction & Rehabilitation of Indochina • Special Committee of ASEAN Central Banks and Monetary Authorities • Special Committee of ASEAN Secretaries-General on a Secretariat
Seventh AMM, 1974	• ASEAN Products Display Centre in Bangkok
Eighth AMM, 1975	• ASEAN Trade Negotiation Body • Agreement on Facilitation of Shipping Rescues
First ASEAN Summit, 1976	• Treaty of Amity and Cooperation • ASEAN High Council for Dispute Resolution (never activated) • Economic Cooperation Agreement of Priority Assistance to ASEAN States • Agreement on Large-Scale Industrial Joint Ventures • Agreement on Preferential Trading Arrangements • Establishment of ASEAN Secretariat & appointment of Secretary-General
Ninth AMM, 1976	• Declaration of Principles on the Combat of Narcotic Drugs • Declaration on Mutual Assistance for Natural Disasters
Second ASEAN Summit, 1977	• ASEAN Reciprocal Currency ('Swap') Agreement (signed earlier) • ASEAN Submarine Cable System • ASEAN Regional Satellite System
Eleventh AMM, 1978	• ASEAN Cultural Fund • Regional Coordination of Rice Reserves

Table 7.1 (*Continued*)

Meeting and year	*New measures announced*
	• ASEAN Network of Development Education Centres
Twelfth AMM 1979	• Coordinated Position on Indochinese Refugees
13th AMM, 1980	• Declaration on Collaboration in Health
14th AMM, 1981	• Basic Agreement on ASEAN Industrial Complementation • ASEAN Food Handling Bureau • ASEAN Food Security Reserve Board • Plan of Action on Science and Technology Development • ASEAN Environment programme • Guidelines for Relations with Dialogue Partners • ASEAN Trade Promotion Centre in Rotterdam • Agreement on ASEAN Promotion Centre on Trade, Investment, and Tourism • Agreement on ASEAN Development Planning Centre • Regional Plant Quarantining Institute
15th AMM, 1982	• Jakarta Consensus on ASEAN Tropical Forestry • Declaration on Specific Animal Diseases Free Zone • Declaration to Eradicate Foot and Mouth Disease • Routine Weather Reports from Aircraft in Flight and Regional Climate Atlas
16th AMM, 1983	• ASEAN Emergency Petroleum Sharing Scheme • Extension of Preferential Trade Area Ceilings and Tariff Cuts • ASEAN Customs Code of Conduct • Ministerial Understanding on Plant Quarantine • Standardization of Import and Quarantine Regulations • ASEAN Youth Programme
17th AMM, 1984	• Extensions to Industrial Joint Ventures Scheme • Accession of Brunei
18th AMM, 1985	• Agreement on Recognition of ASEAN Domestic Driving Licenzes • Agreement on Conservation of Nature and Natural Resources • ASEAN–Pacific Human Resources Development Scheme
19th AMM, 1986	• MoU on Cooperation in the Legal Field • ASEAN Energy Cooperation Agreement • ASEAN Petroleum Security Agreement • ASEAN Science and Technology Trust Fund • ASEAN Institute of Forestry Management • Agreement on Development & Management of Living Marine Resources

Table 7.1 (*Continued*)

Meeting and year	*New measures announced*
20th AMM, 1987	• Agreement on Preferential Short-Listing of ASEAN Contractors • Extension of ASEAN 'Swap' Arrangements • ASEAN Tourist Information Centre • Energy Management and Training Research Centre • Poultry Disease and Training Research Centre
Third ASEAN Summit, 1987	• Enhancement of PTA by reducing Exclusion Lists • ASEAN Reinsurance Corporation • Extension of Industrial Joint Venture Scheme • Inter-ASEAN Brokers Telegraph System, Bulk Pool System, & Shipping Services
21st AMM, 1988	• Agreement on Promotion and Protection of Investment in ASEAN • ASEAN Grain Post-Harvest Programme
22nd AMM, 1989	• MoU on Brand-to-Brand Complementation in the Automobile Industry • ASEAN Data Bank of Commodities
23rd AMM, 1990	• Annual Compilations of the ASEAN Macroeconomic Outlook • ASEAN Social Development Fund
24th AMM, 1991	• Establishment of the ASEAN Cooperation Unit within the Secretariat
Fourth ASEAN Summit, 1992	• Establisment of ASEAN Free Trade Area overseen by Ministerial Council • Regularization of ASEAN Summits every three years • Streamlining, resourcing, and open staffing of the ASEAN Secretariat • Redesignation of ASEAN Secretary-General • Reformulation of Economic Committees into SEOM
25th AMM, 1992	• Protocol Amending the ASEAN Secretariat
26th AMM, 1993	• ASEAN Task Force on AIDS
27th AMM, 1994	• Establishment of the ASEAN Regional Forum • ASEAN Plan of Action for Children • Relations established with ASEAN-ISIS • ASEAN Fund Agreement
28th AMM, 1995	• Joint Approaches to Forest & Agricultural Product Promotion • Regional Programme on the Prevention and Control of HIV/AIDS • ASEAN Programme on Transboundary Polution • Accession of Vietnam to Membership • Signing of SEANWFZ by all 10 Southeast Asian states
Fifth ASEAN Summit, 1995	• Programme to expand ASEAN to all Southeast Asian states

Table 7.1 (*Continued*)

Meeting and year	*New measures announced*
	• Acceleration of AFTA timetables • ASEAN on Intellectual Property Cooperation • ASEAN Plan of Action on Infrastructure Development • ASEAN Plan of Action in Transport and Communications • ASEAN Plan of Action on Trade and Investment in Industrial Minerals • Medium-Term Programme of Action on Energy Cooperation • Action Plan for SME Development • General Dispute Settlement Mechanism for disputes over economic agreements
29th AMM, 1996	• Basic Agreement on ASEAN Industrial Cooperation • ASEAN Common Time Zone • Framework for Elevating Functional Cooperation to a Higher Plane • ASEAN University Network • ASEAN Regional Mechanism for Family and Child Development • ASEANWEB Internet Site
First Informal Summit, 1996	• ASEAN Foundation • Basic Framework for ASEAN–Mekong Basin Development Cooperation
30th AMM, 1997	• ASEAN Regional Centre for Biodiversity Conservation • Declaration on Transnational Crime • Accession of Laos and Myanmar
Second Informal Summit, 1997	• Adoption of ASEAN 'Vision 2020' • ASEAN Framework Agreement on Services
31st AMM, 1998	• Regional Cooperation on Nuclear Safety and Nuclear Waste Management • ASEAN Macroeconomic and Financial Surveillance Mechanism • Framework Agreement on Facilitation of Goods in Transit • Framework Agreement on Multimodal Transport • Agreement on Mutual Recognition of Commercial Inspection Certificates • Plan of Action on ASEAN Cooperation in Tourism • Regional Haze Action Plan • MoU on Regional Development and Poverty Eradication

Table 7.1 (*Continued*)

Meeting and year	*New measures announced*
	• ASEAN Science and Technology Information Network • Joint Declaration on a Drug-Free ASEAN • Plan of Action on Social Safety Nets
Sixth ASEAN Summit, 1998	• ASEAN Investment Area • Hanoi Plan of Action: – Advance implementation of AFTA and extend Inclusion Lists – Short-term Measures to Enhance ASEAN Investment Climate – Framework Agreement on Facilitation of Goods in Transit – ASEAN Tax Training Institute & Insurance Training and Research Institute – ASEAN Reinsurance Corporation – Harmonized Tariff Nomenclature – Agreement on MRAs – ASEAN Food Security Information System – Regional Trademark and Patents Filing System – Trans-ASEAN Transport Network – ASEAN Power Grid – ASEAN Multi-media Centre
32nd AMM, 1999	• ASEAN Foreign Ministers' Retreats • ASEAN Centre for Energy • Criteria and Indicators for Sustainable Forest Management • ASEAN Network of Water Resource Agencies • ASEAN Centre for Combating Transnational Crime • ASEAN Human Resource Development Fund • Working Group for the ASEAN Human Rights Mechanism
Third Informal Summit, 1999	• Regularization of ASEAN+3 Summits • 'e-ASEAN' Task Force
33rd AMM, 2000	• Rotating ASEAN Trade Fair • Framework Agreement on Access to Genetic and Biological Resources • Joint Declaration on a Socially Cohesive and Caring ASEAN • ASEAN Declaration on Cultural Heritage

***** Measures may have been concluded at meetings other than the Summits or AMMs within the same year (e.g. AEMMs), but announced in Summit or AMM Joint Communiqués. Joint Committees with dialogue partners are not included.

Table 7.2 New measures announced at APEC Ministerial Meetings and Summits

Meeting and year	*New measures announced*
First Ministerial, 1989	• Setting up subsequent annual Ministerial Meetings • Feasibility studies on: – Cooperative human resource development – Exchange of scientific, technological and industrial information – Enhance comparability of FDI statistics – Collaborative research and development projects – Infrastructure cooperation: telecommunications, maritime transport, aviation – Sectoral cooperation in energy, resources, fisheries, environment, trade promotion, tourism – A 'clearing house mechanism' for the exchange of information on scientific, technological and industrial indicators, policies and developments – Networks among educational and related institutions – Regional industrial/technical parks • Project to review data on regional trade flows and developments • Project to examine mechanisms to facilitate identification of trade, investment and technology transfer opportunities • Review differences in regional customs practices and procedures • Formation of a regional association of trade promotion organizations • Establishment of a regional programme of subcontracting and multisourcing
Second Ministerial, 1989	Work Projects: Review of trade and investment data Trade promotion programmes for exchange of trade and industrial information; trade and economic missions; facilitation of trade promotion seminars, trade fairs and training courses Establishment of an investment and technology information network Facilitating exchange of information on establishment and management of technoparks Asia–Pacific Multilateral Human Resource Development Initiative

		Coordination of agencies for Regional Energy Cooperation
		Dialogue on Marine Resource Conservation
		Prototype project on telecommunications standardization
Third Ministerial, 1991	Work Projects:	Regional Fisheries Management Plan
		Regional transportation surveys and plan
		Data collection, training, and inventory of regional tourism
	• Regularization of annual Ministerial and Senior Officials' Meetings	
	• Establishment of ongoing working groups for each work project	
Fourth Ministerial, 1992	• Establishment of an APEC Secretariat	
	• Establishment of the APEC Fund based on annual member contributions	
	• Establishment of the Eminent Persons' Group	
	• Establishment of the APEC Electronic Database	
	• Study on the harmonization of regional customs procedures and practices	
	• Report on the administrative aspects of market access	
	• Preparation of a guidebook on investment regulatory procedures	
	• Preparation of the First Asia–Pacific Trade Fair (1994)	
First APEC Summit, 1993	• Establishment of annual APEC Finance Ministers' Meetings	
	• Establishment of annual Small and Medium Business Enterprise Ministers' Meetings	
	• Establishment of the Pacific Business Forum	
	• Establishment of the APEC Education Programme	
	• Establishment of APEC Business Volunteer Programme	
	• Development of an APEC Investment Code	
	• Development of policy dialogue and action plan on energy conservation environmental conservation and economic growth	
	• Establishment of a Technology Transfer Exchange Centre	
Second APEC Summit, 1994	• Announcement of plan for free and open trade and investment in the Asia–Pacific by 2020	
	• Regional commitment to a standstill on any increases in regional protection	
	• Commitment to open regionalism as a model for trade liberalization	
	• Acceleration of trade and investment facilitation programmes	
	• Establishment of APEC Study Centres in member countries	

Table 7.2 (*Continued*)

Meeting and year	*New measures announced*
	• Study of an APEC Voluntary Dispute Mediation Service
Sixth Ministerial, 1994	• Establishment of the Asia–Pacific Business Network (APB-Net)
	• Establishment of regular Trade Ministers', Small and Medium Enterprise Ministers', and Transport Ministers' Meetings
Third APEC Summit, 1995	• Osaka Action Agenda of principles guiding regional liberalization
	• Addition of economic and technical cooperation pillar alongside the trade liberalization and trade facilitation pillars
Seventh Ministerial, 1995	• Establishment of the Partners for Progress programme of Ecotech
	• Establishment of an Asia–Pacific Energy Research Centre
	• Establishment of regular Ministerial Meetings on Telecommunications and
	• Information Industry
	• Establishment of the APEC Business Advisory Council (ABAC)
	• Iauguration of regular Telecommunications Ministers' Meetings
Fourth APEC Summit, 1996	• Inauguration of the Individual Action Plans process of trade liberalization and Collective Action Plan for trade facilitation
	• Harmonization of tariff nomenclature and customs clearance procedures
Eighth Ministerial, 1996	• Trial of an APEC Business Travel Card
	• Establishment of APEC Centre for Technology Exchange and Training for SMEs (ACTETSME), Asia–Pacific Energy Research Centre (APERC), APEC Labour Market Information (LMI) System, Trade and Investment Data Database (TIDDB) System, Asia–Pacific Information Infrastructure (APII)
	• Framework for Strengthening Economic Cooperation and Development in APEC
	• Inauguration of regular Human Resource Ministers' and Energy Ministers' Meetings
Fifth APEC Summit, 1997	• Development of an APEC-wide work programme to assess the full impacts of trade liberalization
	• Sustainable cities programme of action

	• Vancouver Framework for Enhanced Public–Private Partnerships for Infrastructure Development
	• Agreement to enhance cooperation among Export Credit Agencies and Export Financing Institutions
	• Work programme on electronic commerce
	• APEC Agenda for Science and Technology Industry Cooperation
Ninth Ministerial, 1997	• Announcement of Early Voluntary Sectoral Liberalization (EVSL) initiative
	• Development of the Blueprint for Customs Modernization
	• Establishment of APEC Internet sites for business information and assistance
	• Development of model mutual recognition arrangements
	• Development of non-binding elements of transparency in government procurement
	• Development of Ocean Research Network for the Pacific, the Sustainable Development Training and Information Network, the Ocean Model and Information System for the APEC Region, the APEC Virtual Centre for Environmental Technology Exchange, and the Education-Network (Edu-Net) under the APEC Study Centres Consortium
Sixth APEC Summit, 1998	• APEC Agenda for Science and Technology Industry Cooperation
	• Kuala Lumpur Action Plan on Skills Development in APEC
	• Framework for the Integration of Women in APEC
	• Natural Gas Initiative
	• Asia–Pacific Information Infrastructure
	• APEC Framework for Capacity Building Initiatives on Emergency Preparedness
	• Integrated Plan of Action for SME Development
	• APEC Blueprint for Action on Electronic Commerce
Tenth Ministerial, 1998	• Economic Governance Capacity Building Initiative
	• Dialogues on APEC Energy Supply and Demand, IPR administration systems and the Business Residency Handbook
	• Development of an APEC Directory of Professional Services
	• APEC Agenda for Science and Technology Industry Cooperation into the 21st Century
Seventh APEC Summit, 1999	• APEC Principles to Enhance Competition and Regulatory Reform
Eleventh Ministerial, 1999	• Development of an APEC Food System

exceptions – which will be discussed in the next section – the majority of these new measures are either largely functional in nature, and are often variations on existing mechanisms or practices within the organization. Very few constitute radical departures from past practices or existing regional norms.

Third, internal or external reviews of organizational structures and processes have served as the initiators of change. The ADB has seen regular reviews of its organization and activities, as well as on specific aspects of its work and lending programmes.[21] ASEAN also has a long record of experience with internal and external reviews. As early as April 1972 a report submitted by a UN Study Team on ASEAN cooperation contained a recommendation that led to the setting up of the ASEAN Secretariat.[22] The UN Environmental Programme supplied the impetus for the regularization of ASEAN cooperation on the environment from 1978.[23] ASEAN has also initiated internal reviews: the ASEAN Task Force presented its report in 1984;[24] the Eminent Persons' Group on the functioning of the Secretariat was established in 1990; and in 1999 the Special Directors-General Working Group to review the role and functions of the ASEAN Secretariat. APEC's use of reviews has also been extensive. The three reports of its Eminent Persons' Group (1993, 1994, 1995) were important stimulants to the development of that institution, even though many of the more radical recommendations in the reports were not adopted. In 1999, a review of the management of the APEC process took place by senior officials from Malaysia, New Zealand and Brunei.

A fourth mechanism of adaptation and change used by Asia–Pacific regional organizations is second-track dialogue. Many of the ideas underlying APEC can be attributed to the Pacific Economic Cooperation Council (PECC), a regional tripartite grouping of academics, businesspeople and government officials founded in September 1980. ASEAN has gradually come to realize the value of the work of the network of Institutes of Strategic and International Studies (ASEAN-ISIS) from ASEAN countries that meet annually to discuss aspects of ASEAN's challenges, functions and capacities. Founded in September 1984, ASEAN-ISIS has gradually assumed a more clearly acknowledged and appreciated role in prompting some ASEAN innovations since 1994.[25] The ARF has similarly come to value the deliberations of the Conference for Security Cooperation in the Asia–Pacific (CSCAP), operational since 1994. The Sixth ARF Ministerial Meeting in July 1999 endorsed a closer formal link between the ARF and CSCAP and for the transmission of the results and recommendations of CSCAP and its committees directly to the Chair of the ARF.

The histories of ASEAN, APEC and the ARF contain strong evidence of incremental change. The three decades of ASEAN's existence have seen the gradual accretion of ASEAN capacities, sectors of functional co-operation, and common policies towards the world outside of Southeast Asia. From the Bangkok Declaration's advocacy of political, economic and cultural cooperation, ASEAN states have added mechanisms of cooperation on the environment, health, social security and disaster relief. From the beginning of the third Indochina War, the process of developing a common attitude to relations with third countries has also evolved. The ASEAN Economic Ministers' consideration of guidelines for relations with dialogue partners slowly expanded to increasingly extensive comment on international issues and crisis points at successive ASEAN Ministerials. Similarly in the security field, the slow process of modifying ASEAN's absolute rejection of multilateral security cooperation began in 1976 with ASEAN's secret annual meetings of intelligence agencies[26] and continued through the 1992 Singapore Summit agreement to periodic meetings between ASEAN senior military officials, annual meetings of ASEAN Defence Ministry representatives, and the 1996 inauguration of ASEAN Seminars on Joint Defence Planning.[27]

The other tendency that builds support for the case for incremental change is the reluctance of ASEAN to put to use radical departures in institutional mechanisms it has established. An example is the ASEAN High Council for Dispute Resolution, established in the 1976 Treaty of Amity and Cooperation, but never operationalized. It remains to be seen whether the ASEAN Troika, established in 1999, will ever be put to use in the way that is suggested by the statement declaring it. Further evidence of incrementalism is provided by sentiments that are scattered through the history of ASEAN Joint Communiqués: 'While emphasising [its] efforts to further strengthen intra-ASEAN cooperation, [ASEAN reaffirms] its resolve to utilise the appropriate existing mechanism and not establish new institutions . . .'[28]

Such gradual accretions and cautious sentiments are strongly present in the much shorter life-spans of APEC and the ARF. Both organizations saw significant evolution with the production of documents that defined their future development, but thereafter have for the most part settled into the painstaking realization of these road maps. In the case of APEC the document is the Bogor timetable for trade liberalization and the accompanying Osaka Action Agenda on its implementation. Innovations since Osaka, such as the ill-fated Early Voluntary Sectoral Liberalization (EVSL), have for the most part been variations on the central theme.[29] For the ARF, the central document has been the 1995

Concept Paper, charting the organizational evolution of that organization. Given the history of difficulties in reaching an agreement on a definition of preventive diplomacy, it is not unreasonable to think of the ARF Concept Paper as an inhibitor of change rather than a driver, if one takes into account the time and decision-making resources that have been occupied with trying to reach an acceptable definition.

3. Evidence of episodic change

Much of the evidence of the conservative approach to change in Asia–Pacific institutions that we have reviewed in examining the case for incremental change could also be used to make a case for episodic change. In this case, the conservative culture could be seen as inertia rather than cautious adaptation. Experimental research in psychology, which concludes that people are generally less risk-accepting when they are winning but more so when they perceive themselves to be losing,[30] would suggest a strong disinclination to meddle with 'winning formulas' in the Asia–Pacific during times of rising prosperity and continuing stability. The common point made in relation to ASEAN could well characterize the Asia–Pacific more generally during certain periods: 'In foreign policy as in domestic policy ASEAN élites have a strong predilection for the *status quo*. The ASEAN leaderships are essentially conservative with respect to the modalities of change. A key word in their political lexicon is "stability".'[31] Those who have pointed out the declining relevance of regional organizations in the Asia–Pacific to the changing realities and challenges confronting regional states would deny that useful adaptation occurred at all between periods of crisis.[32]

There is some evidence of the existence of the factors leading to institutional inertia in Asia–Pacific regional organizations. The post-colonial states in the region with a tendency to be protective of their sovereignty and independence have borne what they regard as significant political costs in setting up the regional organizations of which they are members. Almost all of ASEAN's members have abandoned or suspended irredentist territorial claims in becoming members of the organization and accepting its norms. These costs have a retarding effect on change by making members less inclined to accept further political costs that would be involved in moving away from organizational norms of consensus and non-intervention. These norms also provide regional states with a measure of 'risk-free participation' in these organizations, generating a variety of cooperation effect benefits for regional élites: diplomatic solidarity, market access, broad political influence. Strong learning effects also tend to

operate, with longstanding leaders exercising a marked restraining influence on those proposing significant change. These have occurred periodically within ASEAN, from President Suharto's 1987 're-education' of Philippines Foreign Minister Manglapus after the latter's proposal of a collective ASEAN statement of support for US bases,[33] to the cold reception of Thai Foreign Minister Surin's 1998 proposal for 'flexible engagement' within ASEAN.[34] Finally, the strong socialization of ministries and their personnel to the procedures of the organizations for which they have carriage carries a strong suggestion of the development of competency traps.

The episodic change model requires that periods of crisis be examined for evidence of shortfalls or inadequacies in institutional capacities and subsequent rapid and extensive changes to regional organizations to address these shortfalls. Five periods of crisis can be discerned since 1965 in the Asia–Pacific, clustering either related or unrelated events of serious concern to some regional countries: 1969–71; 1975; 1978–80; 1989–93; and 1997–1998. Each of these will be examined for evidence of the operation of episodic change.

The period between 1969 and 1971 clustered three unrelated developments: the retreat of British strategic policy east of Suez; the Nixon doctrine advocating self-reliance in defence matters for Asian states; and the demise of the gold standard and the subsequent Smithsonian agreements heralding the beginning of the era of floating exchange rates and a change in the functions of the IMF. The British east of Suez announcement and the Nixon doctrine certainly challenged the structure of regional security, sending ripples of uncertainty through regional states as to how they would manage their security affairs. The non-Communist states of Southeast Asia shared a concern that the withdrawal of the interest and presence of these more benign great powers would open the door for the interventions of more malevolent interests. While ASEAN was and remains forthrightly not a security organization, these developments seemed to call into question ASEAN's method of promoting regional peace and stability in the Bangkok Declaration 'through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter'. ASEAN's institutional response was to convene a special Foreign Ministers' meeting to launch the Declaration of Southeast Asia as a Zone of Peace, Freedom and Neutrality. By adopting ZOPFAN, ASEAN committed itself to the promotion of a norm of non-interference in Southeast Asia, erecting the principle as a tripwire against the aggressive designs of outside powers against the region. Significantly, the Kuala Lumpur Declaration quoted

from the principles of the earlier Bangkok Declaration. It also did not go so far as to challenge the delicate consensus that allowed the Bangkok Declaration to state that all foreign bases in the region were 'temporary and remain only with the concurrence of the countries concerned' while allowing the Philippines, Thailand, Singapore and Malaysia to preserve their bases and military cooperation arrangements with outside states. These considerations suggest that ZOPFAN cannot be considered as an institutional change of episodic scope or extent, nor as one that challenged basic regional norms.

The other major crises between 1969 and 1971 were economic: specifically the US decision to end its commitment to convert US dollars into gold; as well as the collapse of the subsequent Smithsonian arrangements which tried to resurrect the system of managed exchange rates. This passage of events led to dramatic convulsions in the international financial system. In Asia, it damaged a number of economies in the short term, especially for those holding external reserves in currencies which depreciated sharply. As the adverse impact on Asian countries' debt service obligations flowed through, their terms of trade rapidly worsened. Here was a situation that challenged the development commitments of the ADB, as well as some of the successes it had chalked up since beginning operations in 1965. The institutional capacity of the Bank to respond to the financial needs of the distressed economies was stretched, even though this did not constitute a direct challenge to the adequacy of the ADB as an institution promoting development. The ADB responded in October 1971 by voting for the first expansion in its capital reserves, increasing its ordinary capital stock by 150 per cent, and also its soft loan funds.[35] While the sums and percentages involved in this instance are impressive, such an increase in the capacity of a pre-existing institutional activity also fails to meet the criteria of episodic change.

The second period came in 1975, with Communist victories in Vietnam, Laos and Cambodia, bringing a resolution of the second Indochina War with a defeat of the non-Communist cause. Two further unsettling but unrelated developments were the independence of East Timor and the subsequent Indonesian invasion, and the independence of Papua New Guinea.[36] On the one hand, the developments in Indochina brought peace to Southeast Asia for the first time since the beginning of the Pacific phase of World War II; on the other, what seemed like a consolidated bloc of Communist power had been established in Southeast Asia. These realizations seemed also to catalyse the growing sense of frustration that ASEAN had not achieved very much for an organization of its life span, and that it lacked the ability to

respond to crises.[37]Following a proposal by Indonesian Foreign Minister Adam Malik at the May 1974 Ministerial Meeting, work began on the preparation of the inaugural ASEAN Summit. The prospect of the Summit gave an added urgency to senior officials' development of various ASEAN draft agreements that had been in preparation for a number of years.

The outcome was the February 1976 Bali Summit, which resulted in a number of significant departures. The Declaration of ASEAN Concord (DAC) initiated the ASEAN Industrial Joint Ventures (AIJV) programme, the first real attempt at economic integration in Southeast Asia on a regional basis. It also established ASEAN summits as an institution to be held on an as-needed basis, and brought to a close the long negotiations on establishing an ASEAN secretariat. The Treaty of Amity and Cooperation (TAC) encoded what would become the enduring norms of regional behaviour: mutual respect for independence, sovereignty and territorial integrity; freedom from external interference; settlement of disputes by peaceful means; renunciation of the threat or use of force; and the establishment of effective regional cooperation (Article 2). The TAC norms were to become important in intraregional relations as well as in ASEAN's relations with states outside its membership. The TAC also established an ASEAN High Council for Dispute Resolution and provisions for its composition, operating principles and jurisdiction (Articles 14–17).

The provisions of the DAC and the TAC certainly count as a flurry of activity in ASEAN terms. Whether they constitute far-reaching changes that challenge existing regional norms is another question. The AIJV programme qualifies as such a change, in that it seemed to challenge the strong tendencies of the ASEAN five to opt for autarkic development.[38] The subsequent history of the AIJV scheme, however, shows that while it was a challenge to these regional tendencies, it failed to supplant them. The scheme failed to gain the momentum or move in the direction it was intended, generating considerable acrimony over some states' AIJVs, such as Singapore's proposed diesel motor factory. For this reason, it is difficult to place the AIJV scheme in the category of episodic change.

Both the establishment of ASEAN summits and the TAC norms of regional behaviour were extensions of existing structures and norms. The Summits sit well with the ASEAN structure outline in Article Three of the Bangkok Declaration, while the TAC principles build on ZOPFAN and the Bangkok Declaration. The establishment of the Secretariat was a departure, establishing a corporate identity for the regional organization, as well as hinting at the increasingly active body that has emerged

in the 1990s. However, as the Secretariat developed it was placed under several constraints that prevented it from developing an independent role at the centre of the regional organization. Staffing and resources were kept at deliberately low levels, and the Secretary-General was designated as Secretary-General of the ASEAN Secretariat, rather than of the organization as a whole. The ASEAN High Council had the potential to challenge core regional norms, including those enumerated in Article 2 of the TAC, but has never been activated despite periodic stirrings.[39] Several of the outcomes of the Bali Summit, then, were potentially of extensive scope and had the ability to challenge regional norms. However, the failure to activate these departures leaves them short of the required characteristics of episodic change.

The third period of crisis falls in the two years following the start of the third Indochina War in 1978 with the Vietnamese invasion of Cambodia, signalling to many non-Communist interests the unravelling of a logic of unremitting Communist subversion and expansion. The Vietnamese invasion destroyed the slow and partial process of rapprochement that had been under way in Southeast Asia since the fall of Saigon. As an invasion by one Southeast Asian state against another, it represented a direct challenge to the norms established in ZOPFAN and the TAC, and thereby an indirect challenge to the ASEAN approach to ensuring regional stability. Yet ASEAN's organizational response was negligible. Formally, no new institutional mechanisms were established, beyond the Coordinated Position on Indochinese Refugees announced at the Twelfth ASEAN Ministerial Meeting in 1979. However, two informal departures should be noted. First, ASEAN's response to the Vietnamese invasion solidified an existing tendency in economic bargaining into the 'frontline state principle', where the collective ASEAN position on a threatening external issue is determined by the need to support the position and interests of the ASEAN state most directly challenged. In this case, members like Indonesia inclined to be more conciliatory to Vietnam were required to line up behind an ASEAN position determined by Thailand's implacable hostility to Vietnamese forces in Cambodia. The second informal principle was ASEAN's active caucusing at the United Nations in support of its position, a strategy able to apply considerable pressure to Vietnam and its allies. Yet despite the challenge posed by the beginning of the third Indochina War to regional norms and ASEAN's adequacy, these developments cannot fulfil the requirements of episodic change.

The fourth period of crisis occurred between 1989 and 1993, and saw the resolution of the third Indochina War, the end of the cold war, the

limited withdrawal of the superpowers from various bases in the Asia–Pacific region, and the intensification and building of a 'new regionalism' in various places around the world. Originating in a global-level alteration of power relations and the structure of the international system, the end of the cold war had profound implications for every region. Despite the persistence of two cold war conflicts – the Korean Peninsula and the issue of Taiwan – the Asia–Pacific was no less affected. One effect was the decoupling of regional security interests from the global security structure. Another was the complete or partial withdrawal of superpower bases and forces in the region.[40] A major development was the resolution of the third Indochina War with UN-monitored elections in May 1993, thus bringing to an end the competitive interventions into Cambodia. A more subtle challenge, first observed by Armitav Acharya, was the removal of two opposing types of constraints: constraints to the emergence of regional conflicts; and constraints to further development of regionalism.[41] The war in Cambodia had not only provided an overriding rationale for the ASEAN states to suppress various intramural conflicts, it had provided a convenient excuse for the organization not to move ahead with various of its principles of regionalism, such as ZOPFAN's requirement that the ASEAN states should refrain from alliances with external powers.[42] All of these challenges posed deep questions for ASEAN.

The period between 1989 and 1994 remains the most frenetic period of building and innovation of regional organizations in the Asia–Pacific. The catalogue itself rivals any region in the world: the creation of APEC in 1989; the Singapore Summit developments and the announcement of the ASEAN Free Trade Area in 1992; the APEC Leaders Summits in 1993; the inauguration of the ASEAN Regional Forum in 1994. The creation of APEC saw an institutional expression of regional membership dictated by the trade and investment flows that had emerged in the 1980s. The Singapore Summit in January 1992 regularized ASEAN Leaders' Summits and established the 'ASEAN−*x*' flexibility principle in cases of economic cooperation. It also saw the signing of the agreement on the Common Effective Preferential Tariff (CEPT) Scheme for AFTA, a major departure in economic cooperation for ASEAN. Previous Preferential Trading Arrangements had placed to onus on members to nominate tariff lines that would carry lower duties; the CEPT scheme started from the presumption of a general movement towards free trade and placed the onus on members to nominate and justify tariff lines to be exempted from the free trade trend. It also established specific machinery within the ASEAN Secretariat to oversee the liberalization process.

Here was a major challenge to established Southeast Asian tendencies towards economic nationalism and preferences for economic minimalism. The APEC Leaders' Summits and the 1994 Bogor Declaration established a similar scheme for the Asia–Pacific, albeit with the different modalities of the Individual Action Plans (IAPs) process. The ASEAN Regional Forum represented a relative leap in ASEAN's halting progress towards multilateral security discussions, as well as the inauguration of a regional security dialogue.

The several institutional creations and innovations instigated during this period are of the extent and scope to be placed towards the episodic end of the change continuum. While none of them directly challenged the deep regional norms of consensus, non-intervention and state autonomy, they did represent significant departures from other regional norms and expectations. The creation of APEC achieved two institutional innovations. The first was the uniting of Northeast and Southeast Asia for the first time outside the boundaries of the ADB, inaugurating the ongoing search for representation, balance and commitment between these two subregions: one of small and middle powers; the other of great powers and their preoccupations. The second was the institutional tying of the United States to the Asia–Pacific region on terms not of American design or initiative. This has seen APEC become the forum within which much of the working out of the Western Pacific's post-cold war relationship with the US has occurred.

AFTA can be considered as ASEAN's first genuine attempt to establish a free trade area after the débâcle of the previous PTA scheme, which had failed to have any impact on intra-ASEAN trade after over a decade of operation. The provisions of AFTA also introduced into ASEAN the first real inroads into national economic policy-making autonomy by requiring states to justify exclusions from the CEPT. The role of the Secretariat in collecting AFTA-relevant information, and the requirement that states cooperate in providing relevant information to the Secretariat can be seen as the beginnings of an infringement on the non-intervention norms of ASEAN.[43] The ARF, apart from being the first truly multilateralized security discussion in the region, also attempted to extend ASEAN's security norms, as established in ZOPFAN and the TAC, into the broader region.[44] In doing so, it has also encountered the challenges of integrating the security interests and concerns of small, middle and great powers and the sole superpower into a single institutional context. The challenges of 1989–93, then, can be seen as inaugurating the first series of episodic changes in Asia–Pacific regional organizations.

The fifth period of crisis came with the Asian financial crisis of 1997 and 1998, which saw a devastating withdrawal of investment capital from most Asian economies as well as rapid devaluations in currencies and stock markets across the region. At the most general level, the financial crisis was a profound attack on the emerging regional self-perception as the 'Asian tiger economies', the 'engine of world economic growth', as well as premises that economic growth and steadily rising prosperity would continue in the Asia–Pacific for the foreseeable future.[45] More specifically, the crisis challenged specific institutions and regional norms. The abrupt flight of investment capital without any advanced warning called into question the ADB's newly assumed role as a regional private investment facilitator.[46] The crisis struck at sacred regional and national norms, such as national resilience and development and the primacy of political and social stability. As the IMF imposed intrusive conditions on its rescue packages, sovereign independence and non-intervention were directly challenged. Neither did any of the regional organizations stimulate a collective response to the crisis: ASEAN's long history of collective lobbying at the UN over the Cambodian conflict was not replicated in either Thailand's or Indonesia's negotiations with the IMF.[47] APEC, despite counting both affected and unaffected economies among its members, eschewed a regional response in favour of a combination of global and national remedies.[48]

The institutional changes in response to the crisis began with the convening of a special meeting of the recently formed Executive Meeting of East Asian and Pacific Central Banks (EMEAP) and ASEAN Finance and Central Bank Deputies in Manila in November 1997. The result was the 'Manila Framework' package of responses to the crisis. A crucial institutional innovation was the establishment of a regional economic monitoring mechanism to analyse capital flows and maintain joint surveillance of the operation of ASEAN economies' banking systems and macroeconomic indicators in order to provide an early warning mechanism of coming financial turmoil.[49] This in itself saw for the first time inter-organizational cooperation in the Asia–Pacific, with the ADB, the ASEAN Finance Ministries, and the ASEAN Secretariat collaborating on the project. Initially housed within the ADB, it was slated to be moved to the ASEAN Secretariat once operational. The ASEAN Finance Ministers also established a 'peer surveillance scheme' modelled on the G7 design to monitor the macroeconomic policy settings and financial sector regulation and transparency of member economies. In July 1998, ASEAN established an ASEAN Investment Area (AIA) as a counterpart to AFTA to facilitate cooperation, facilitation and liberalization

among ASEAN economies to establish a 'common investment area'. At the Leaders' Summit in Hanoi in December 1998, ASEAN launched its 'Hanoi Action Plan', which included a package of measures to further encourage manufacturing investment in Southeast Asia. Possibly the greatest institutional development was the regularization of the 'ASEAN+3' summits and meetings at the Hanoi Summit. This solidifying institutional link between the ASEAN states, China, Japan and the Republic of Korea, is partly a reaction to the crisis and its aftermath, particularly to the floating of the concept of an 'Asian Monetary Fund' by Japan and its subsequent sinking by the US.[50]

Several of these changes may be counted as lying towards the episodic end of the spectrum, although at the time of writing they have yet to be proven as enduring or meaningful. Mechanisms such as the Peer Surveillance Scheme and the Regional Economic Monitoring Unit have already experienced difficulties with persuading several ASEAN member states to provide them with the necessary financial data to make them effective.[51] Such reluctance could consign these innovations to the fate of the AIJVs and the ASEAN High Council, of never being fully operationalized. The AIA, as a counterpart to AFTA, cannot really be considered an institutional departure. The real potential change, however, could be the ASEAN+3 arrangement. If this group solidifies into a regional organization, possibly supplanting ASEAN itself, it will represent an episodic change in regional organizations. It is likely also to require ongoing major changes to organizational structures and norms to make it operational. Aggregrating the Northeast Asian great powers and the Southeast Asian small and middle powers will raise issues of equality and representation, leadership and loyalty. ASEAN's delicate arrangement of 'balanced disparity'[52] will no longer be able to allay suspicions of hegemonism and demands for leadership within such an organization of extremes. Much also depends on how the US reacts to the arrangement, given its implacable hostility to a similar arrangement proposed under the 'East Asia Caucus Group' concept in 1990. American antagonism may force both Southeast Asian and Northeast Asian states to reconsider their bilateral security linkages with the US, perhaps profoundly changing the security structure of the region. For these and other reasons, the ASEAN+3 innovation may prove in time to have been episodic in scope and extent.

One final consideration should conclude the case for incremental change. It is conceivable that episodic change can result not from crisis but from inter-organizational competition. Two types of such competition can be seen in the Asia-Pacific: competition between institutions

with similar functions; and competition between different regional organizations. The first is best illustrated by the case of the ADB. For much of its existence, the ADB has been a competitor with the World Bank for access to donor funding and for an image as a development institution that is relevant to the needs of its members, while at the same time seeking to avoid appearing to duplicate the World Bank's activities. Apparent innovations or superiorities in the World Bank's activities thus become strong drivers of change in the ADB. This occurred in the early 1980s when the adoption of pool-based lending by the World Bank highlighted inadequacies in flexibility and higher nominal lending rates in the ADB's system. This caused the ADB to initiate several studies, after which it adopted the pool-based system in October 1985.[53]

Competition between regional organizations has been a driver of change in ASEAN and APEC. The creation of APEC generated fears within ASEAN of being swamped by the larger institution, leading to innovations such as the creation of the ASEAN Free Trade Area in a bid to preserve ASEAN's cohesion and relevance.[54] On the other hand, APEC has evolved partly in competition with regional institutions in other regions. Its adoption of the practice of annual Leaders' Summits was partly a response to deepening integration in Europe and North America and the resulting obduracy of the former in the context of multilateral trade negotiations.[55] Its development of a comprehensive intraregional trade liberalization agenda at Bogor in 1994 should also be viewed in the context of the completions of the single European market and the finalization of the North American Free Trade Agreement. Both of these dynamics have driven change that can be considered as lying towards the episodic end of the spectrum.

4. Conclusions

The task remains to consider all the evidence mustered on each side of the incremental–episodic divide and determine which form of change more generally characterizes processes within Asia–Pacific regional organizations. While neither extreme model of change is an appropriate description, the evidence does suggest that change is more incremental than episodic in nature. This adjudication is based on several factors. First, while extensive changes have occurred, particularly in the 1990s, the periods in between cannot really be considered as passages of institutional inertia. While change has been minor and reinforcing of regional norms, it has occurred. The long histories of the ADB and

ASEAN bear witness to a steady expansion of organizational roles and competences, and the steady evolution of stronger and more mature regional organizations. Undergirding this process has been the steady development of regional consciousness, 'a belief that a commonality (if not a community) exists and should be fostered'.[56]

The second reason for favouring the incremental model has been the difficulty of establishing the results of truly episodic change in the Asia–Pacific regional organizations. Many proposed changes have been abandoned or never activated. Doubts remain about the viability of many of the episodic changes that remain on the books: AFTA's CEPT and APEC's IAPs have been subject to a number of concerns over whether members will remain true to their liberalization commitments.[57] However, it should not be forgotten that a number of established and emerging organizational changes have fallen towards the episodic end of the spectrum, preventing us from finding completely in favour of incremental change.

The consideration of the nature of change in Asia–Pacific regional organizations provides us with a perspective on those organizations and their member states that emphasizes the cautious, conservative nature of their approach to regional relations. In contrast to Europe, Asia–Pacific states generally seem to have lower expectations of regional organizations and what they can achieve. They also seem less prepared to expend time, money, or sovereignty in their construction, expansion and maintenance, and are less inclined to invest national expectations in those institutions. This perspective tends to reinforce rather than challenge majority opinion on the nature of Asia–Pacific regional organizations. Thought should be given to whether these expectations themselves are slowly changing, with the rise of the 'new regionalism' as a general global trend.[58] Our survey shows that truly episodic change in the Asia–Pacific occurred in the 1990s, some of it delivered by inter-organizational competition. If the development of other regional organizations spurs this dynamic further in the Asia–Pacific, the nature of change itself may change towards the episodic end of the spectrum.

Notes

1. For example, Robert O. Keohane, *After Hegemony*, Princeton: Princeton University Press, 1984; Robert Axelrod and Robert O. Keohane, 'Achieving Cooperation Under Anarchy: Strategies and Institutions', *World Politics*, Vol. 38, No. 1, October 1985, pp. 226–54.
2. Arthur A. Stein, 'Coordination and Collaboration: Regimes in an Anarchic World', *International Organization*, Vol. 36, No. 2, spring 1982, pp. 299–324;

Lisa L. Martin, 'Interests, Power, and Multilateralism', *International Organization*, Vol. 46, No. 4, 1992, pp. 765–792.

3. This is an extrapolation of the central argument of Douglass C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press, 1990, to regional organizations.
4. George Modelski and Kazimierz Poznanski, 'Evolutionary Paradigms in the Social Sciences', *International Studies Quarterly*, Vol. 40, 1996, pp. 315–19.
5. Stephen Jay Gould and Niles Eldridge, 'Punctuated Equilibria: The Tempo and Mode of Evolution Reconsidered', *Paleobiology*, Vol. 3, 1977.
6. Stephen D. Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, January 1984, pp. 223–46.
7. North, *Institutions, Institutional Change, and Economic Performance*, p. 94.
8. Charles E. Lindblom, 'The Science of Muddling Through', Douglass C. North, *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University press, 1990.
9. James G. March and Johan Olsen, 'The Institutional Dynamics of International Political Orders', *International Organization*, Vol. 52, No. 4, Autumn 1998, p. 964.
10. Jürgen Habermas, *Legitimation Crisis*, Cambridge: Polity Press, 1992, p. 3.
11. Andrew P. Cortell and Susan Peterson, 'Altered States: Explaining Domestic Institutional Change', *British Journal of Political Science*, Vol. 29, 1999, p. 182.
12. Other models of episodic change as applied to regional organizations include Dorette Corby, 'Dialectical Functionalism: Stagnation as a Booster of European Integration', *International Organization*, Vol. 42, No. 2, Spring 1995, pp. 253–84; and Andrew Moravcsik, 'Negotiating the Single European Act', *International Organization*, Vol. 45, No. 1, Winter 1991, pp. 19–56.
13. Michael Antolik, *ASEAN and the Diplomacy of Accommodation*, Armonck, NY: M.E. Sharpe, 1990, p. 10.
14. Ibid., p. 7.
15. In fact, it was the prospect of the Early Voluntary Sectoral Liberalization initiative moving away from voluntarism that contributed to the rupture and ultimate failure of that initiative.
16. Desmond Ball and Armitav Acharya (eds), *The Next Stage: Preventive Diplomacy and Security Cooperation in the Asia–Pacific Region*, Canberra Papers on Strategy and Defence No. 131, Canberra: Australian National University, 1999.
17. Arnfinn Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, Basingstoke: Macmillan – now Palgrave Macmillan, 1982, pp. 52–4
18. Ross Garnaut, 'APEC Ideas and Reality: History and Prospects', paper presented to the 25th Pacific Trade and Development Conference, Osaka, 16–18 July 1999.
19. Yoichi Funabashi, *Asia–Pacific Fusion*, Washington: Institute for International Economics, 1996, p. 77.
20. While it was not until the 1992 Singapore Summit that ASEAN undertook to have summits every three years, the practice of Informal Leaders' Summits inaugurated at Jakarta in 1996 has seen annual ASEAN Leaders' Summits since 1995.
21. Nihal Kappagoda, *The Asian Development Bank*, London: Intermediate Technology Publications, 1995, pp. 136–8.

22. Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, p. 82.
23. Manuel F. Montes and Francisco A. Magno, 'Trade and Environmental Diplomacy: Strategic Options for ASEAN', *Pacific Affairs*, Vol. 70, Fall 1997, p. 361.
24. Susumu Awanohara, 'Platitudes, Pious Hopes and Mediocrity', *Far Eastern Economic Review*, 15 March 1984.
25. See the Joint Communique of the 27th ASEAN Ministerial Meeting, Bangkok, 22–23 July 1994.
26. Amitav Acharya, 'The Association of Southeast Asian Nations: "Security Community" or "Defence Community"?', *Pacific Affairs*, Vol. 64, Summer 1991, p. 166.
27. David B.H. Denoon and Evelyn Colbert, 'Challenges for the Association of Southeast Asian Nations (ASEAN)', *Pacific Affairs*, Vol. 71, No. 4, Winter 1998/99, p. 512.
28. Joint Communiqué of the 18th ASEAN Ministerial Meeting, Kuala Lumpur, 9 July 1985, para. 64.
29. In fact, the Osaka Declaration stated clearly that EVSL would proceed according to the modalities established for the general liberalization process in APEC.
30. Amos Tversky and Daniel Kahneman, 'Advances in Prospect Theory: Cumulative Representation of Uncertainty', *Journal of Risk and Uncertainty*, Vol. 5, 1992, p. 278.
31. Donald E. Weatherbee, 'The Philippines and ASEAN: Options for Aquino', *Asian Survey*, Vol. 27, December 1987, p. 1226.
32. See for example recent criticism of ASEAN's relevance to the contemporary region by Thai Foreign Minister Surin and Philippines Foreign Minister Siazon in Rodney Tasker and Rodney Hiebert, 'Dysfunctional Family', *Far Eastern Economic Review*, 23 July 1998.
33. Leszek Buszynski, 'The Philippines, ASEAN and the Future of the American Bases', *The World Today*, Vol. 44, May 1988, p. 84.
34. Nayan Chanda and Shada Islam, 'In the Bunker: Southeast Asian Foreign Ministers are Discomfited by a New Take on an Old Principle', *Far Eastern Economic Review*, Vol. 161, No. 32, 6 August 1998.
35. Dick Wilson, *A Bank for Half the World*, Manila: ADB, 1987, p. 57.
36. Antolik, *ASEAN and the Diplomacy of Accommodation*, p. 48, adds the two latter events to the unsettling period of 1975.
37. Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, pp. 84–6.
38. Amado Castro, 'ASEAN Economic Cooperation', in Alison Broinowski (ed.), *Understanding ASEAN*, London: Macmillan, 1982.
39. See Mely Caballero-Anthony, 'Mechanisms of Dispute Settlement: The ASEAN Experience', *Contemporary Southeast Asia*, Vol. 20, No. 1, April 1998, pp. 38–66.
40. The withdrawal was complete for the Soviet Union, ending its naval basing in Cam Ranh Bay; and for the US in the Philippines with the lapsing of the basing agreements to Clark Field and Subic Bay. US drawdowns were less drastic in Northeast Asia, stopping at the US commitment to maintain 100 000 US troops in the region.
41. Armitav Acharya, 'A New Regional Order in South-East Asia: ASEAN in the Post-Cold War Era', *Adelphi Paper No. 279*, London, Brassey's, 1993, p. 75.

42. Ibid., p. 55.
43. Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA), Article 7 (3).
44. Michael Leifer, 'The ASEAN Regional Forum: Extending ASEAN's Model for Regional Security', *Adelphi Paper No. 302*, London: Brassey's, 1996.
45. Shalendra D Sharma, 'Asia's Economic Crisis and the IMF', *Survival*, Vol. 40, No. 2, Summer 1998, pp. 27–52.
46. See for example 'Help Yourselves', *The Economist*, 4 May 1996.
47. Michael Wesley, 'The Asian Crisis and the Adequacy of Regional Institutions', *Contemporary Southeast Asia*, Vol. 21, No. 1, 1999, pp. 54–73.
48. See the APEC Leaders' Declaration, 'Connecting the APEC Community', Vancouver, 25 November 1997.
49. Joint Meeting of Asian Finance and Central Bank Deputies, Agreed Summary of Discussions, Manila, 18–19 November 1997.
50. See Ross Garnaut, 'APEC Ideas and Reality: History and Prospects', paper presented at the 25th Pacific Trade and Development Conference, Osaka, 16–18 July 1999.
51. See Salil Tripathi, 'Nothing Doing', *Far Eastern Economic Review*, 17 September 1998, p. 45.
52. Donald K. Emmerson, 'ASEAN as an International Regime', *Journal of International Affairs*, Vol. 41, Summer/Fall 1987, pp. 1–16.
53. Wilson, *A Bank for Half the World*, p. 227.
54. See for example the Joint Communiqués of the ASEAN Ministerial Meetings in the early 1990s, and especially of the Fifth ASEAN Summit in Singapore in 1992.
55. Funabashi, *Asia-Pacific Fusion*; Paul Keating, *Engagement: Australia Faces the Asia-Pacific*, Sydney: Pan Macmillan, 2000, pp. 84–94.
56. Antolik, *ASEAN and the Diplomacy of Accommodation*, p. 10.
57. See for example Peter Lloyd, 'APEC and Trade Liberalisation', paper presented to the Third Annual Conference on International Trade Education and Research: Globalisation and the Australian Economy, Melbourne: 7–8 December 1998.
58. See Louise Fawcett and Andrew Hurrell (eds), *Regionalism in World Politics*, Oxford: Oxfrod University Press, 1995.

8
The Conditions of Change

Julie Shannon

In several other chapters in this volume, change within Asia–Pacific organizations has been considered in terms of its nature along a continuum between incremental and episodic movements and in its direction as it operates within the paradigm of regionalism. These perspectives raise further questions concerning the underlying conditions that have stimulated such changes and how these conditions correlate to the nature, direction and scale of subsequent change. In response, this chapter explores how environmental conditions have operated either alone or in combination to bring about thresholds for change within regional organizations. It is also an enquiry into why, despite policy reforms, these institutions continue to be perceived as ineffectual in managing issues of regional concern.

In discrediting existing institutional structures and procedures, environmental conditions can be seen at times to present 'windows of opportunity' for structural and policy reform. Such a concept has previously been applied to domestic institutions, but pertains here to regional organizations in the Asia–Pacific and as a framework to explain how variables affect the ways in which such opportunities are perceived and acted upon. The type and scope of the environmental trigger determines whether, and how widely, a window of opportunity opens, and consequently the extent of the possibility for reform. Conditions restricted to certain narrow issue areas or which are limited in scope give rise to 'micro windows' of opportunity. Larger-scale or systemic changes tend to produce 'macro windows' with more profound policy innovations across a range of issue areas. The opening of such policy windows crucially hinges on perceptions of policy shortfall or institutional inadequacy, which are in turn dependent upon the perceived identity and stated function of the institution. How institutions are formed and how

they continue to define the conditions for their change through this identity therefore become key issues for this study. While environmental conditions may provide the scope and opportunity for reform, there are numerous sets of variables that affect whether such a condition is exploited. The interaction between environmental conditions, factors such as institutional role, identity, capacity, perceived inadequacies and resulting policy changes is accordingly complex and variable across organizations.

This chapter is divided into four sections. First, the theoretical basis for the formation and evolution of institutions through concepts of adequacy is examined, drawing upon a number of strands of institutionalist theory. Second, a framework is developed, informed by these perspectives, to understand how environmental conditions operate to provide either a macro or a micro window of opportunity for change. The remaining two sections consider each of these paradigms in turn, alongside the causal mechanisms that interact to allow both macro and micro windows of opportunity for change to occur and how these have manifested across and between Asia–Pacific regional organizations.

1. Theoretical perspectives on institutions and change

How change and the conditions of change can be interpreted depends upon the theoretical lens through which these regional institutions are viewed. The definition of an institution adopted by this project is one that encompasses a broad notion of change across a number of analytical levels. Institutions to date have been understood as 'legal arrangements, routines, procedures, conventions, norms, and organizational forms that shape and form [regional] interaction'.[1] This definition is informed by traditions within rational-choice, historical and sociological institutionalism as well as constructivist analysis in political science.[2] Whilst there has been considerable debate as to which model provides the most appropriate analysis, each can be used to critique institutional formation and evolution within ASEAN, the ARF, APEC and the ADB under specific conditions. It is argued in this section that a synthesis of these perspectives is the most effective approach in analysing the formation, evolution and conditions for change within these regional organizations.

The separation of 'institution' from 'organization' is vital for this study of institutional change. Institutions can be seen to provide underlying formal and informal rules, whereas organizations are the development of strategies that work within, and sometimes shape, institutions.[3]

The institutional framework fundamentally influences what organizations come into existence and how they evolve. Institutions in turn are influenced by the operations of organizations. In the process of carrying out strategies, organizations work within institutional constraints and are consequently key players in effecting institutional change.[4] This study must therefore consider the regional organizations, the institutional framework within which they operate, and the environmental conditions and actors, both internal and external to these organizations, which impact upon this process.

Neoclassical paradigms within rational-choice theory understand institutions as motivated towards increasing efficiency, or Pareto-optimal conditions, where the institutional context is taken as fixed, given and exogenous. Here, institutions are viewed as an 'ex-ante bargain the objective of which is to enhance various forms of cooperation and to facilitate the enforcement of agreements'.[5] However, such perspectives do not account for the influence of institutional features on the preference formation of institutions. Within this school, Shepsle's early concept of 'structure-induced equilibrium' formed one attempt to account for change influenced by procedure and individuals within institutions, where structure and procedure combine with preferences to produce outcomes.[6] This approach elaborates temporally subsequent effects of structure and procedure, but fails to acknowledge temporally prior causes. In ascribing a role for history, and also culture, in the preference formation of institutions, the economist North has brought a sociological perspective to rational-choice institutionalism. In North's analysis, institutions not only constrain the pursuit of preferences by inducing path-dependent development, they also indirectly shape them by conditioning human interaction and experiences.[7] Such an analysis involves a considerably more complex consideration of institutions and their potential impact on the course of political and economic development.

Historical institutionalist perspectives use a definition of institution that entails both formal organizations and informal rules that structure institutional development and preference formation. This approach emphasizes the historical context within which institutions evolve, taking preference formation as endogenous to interaction. A historical institutionalist approach is taken, for example, in Hall's analysis of economic policy development in Britain and France as dependent upon the political and policy histories within these countries.[8] Thelen and Steinmo's use of this model in comparative political analysis focuses on the influence that a variety of institutional factors

can have over policy choices. In their analysis, institutions do not respond rationally to shifting patterns of incentives, but are path-dependent structures that reflect present and historically entrenched social relations.[9]

The field of sociology has also been concerned with the development of institutions as part of society. In general, some aspects of a sociological approach view institutions as systems of meaning that can affect an actor's behaviour, depending on how they are manipulated. Institutions are also understood to be a result of a mutually adaptive process between themselves and their environment.[10] Given that the environment of political institutions is not stable, institutional adaptation is seen to be more frequently incremental rather than instantaneous.[11] Within sociology, Berger and Luckmann have, for example, been concerned with how the members within an institution perceive situations within their structure and how this affects the decision-making process.[12] Max Weber's analysis is more concerned with the way in which cultural values infuse the process of institutional formation and development. In March and Olsen's work, the actions of institutions are not governed by a 'logic of consequentiality' which is determined by a fixed set of preferences. Rather, they are guided by a 'logic of appropriateness': a collection of 'interrelated rules and routines that define appropriate actions in terms of relations between roles and situations'. As such, this work emphasizes the normative basis of institutions.[13] Institutional theory in this area has been criticized for its broad definition of institutions, which does not differentiate them from any other form of social organization or structure.[14] Within sociological institutionalism, the social and cognitive features of institutions, rather than the structural and constraining features, are emphasized.[15]

A constructivist approach provides a growing theoretical position that accounts for the social construction of political structure and brings to attention the divergent stands of rational-choice, sociological and historical institutionalist theories of agents.[16] Theories that take the identities and interests of institutions as given cannot allow for how these may be altered by regimes over time. Constructivist perspectives account for this by emphasizing a process of interaction between agents and structures whereby one is dependent upon the other for its construction. Alexander Wendt argues:

> An institution is a relatively stable set or structure of identities and interests. Such structures are often codified in formal rules and

> norms, but these have motivational force only in virtue of actors' socialisation to and participation in collective knowledge. Institutions are fundamentally cognitive entities that do not exist apart from actors' ideas about how the world works.[17]

Here, the institutional structure is also understood to exist fundamentally through shared norms. Since identities and interests are mutually constitutive, they have the potential to transform each other, and therefore the ability to transform the structure of institutions. So constructed, identities and interests can be understood as dependent variables endogenous to interaction.[18] While rationalist approaches are important to explain changing policy preferences with alterations in external conditions, a constructivist approach is important to explain internal changes to actors' goals. A constructivist perspective can be applied to the 'density of interactions' argument where actors may switch from a rationalist means–ends logic to a situation where preferences are open to change by persuasion and communication.[19]

Viewing these regional organizations from a constructivist perspective that permits aspects of the above theories to be discussed provides the broadest scope within which to enquire into their construction and thus the conditions for institutional change. In so doing, this chapter also identifies the conditions under which the actors and mechanisms that engender change operate, how this varies across countries, and across institutions.[20] Within the regional institutions examined in this chapter, a careful delineation of how conditions impact across time according to different institutional arrangements is also necessary.

As changes in the organizational environment occur, they expose inadequacies in existing institutional structures or sometimes create the need for new structures. A high perception of inadequacy can lead to the dismantlement of an institution or the creation of other institutions that eventually take over the agenda of existing ones. For Cortell and Petersen, every environmental trigger creates the opportunity for structural change if it 'discredits existing institutions or raises concerns about the adequacy of the policy-making process'.[21] Institutions can therefore be seen to come into being and evolve through perceptions of inadequacies within the environment, of which they form part. Irrespective of the tendency to misinterpret or misconstrue events, perceptions are still vital in determining institutional response.[22]

Once formed, questions concerning the relationship between levels of perceived institutional inadequacy, altering environmental conditions and policy responses are raised. Environmental conditions are constantly in flux while institutions are affected in their response by structural features and other factors and cannot respond instantaneously to these alterations: institutions cannot exist in a perfect state of dynamic equilibrium with their environment. By definition, then, institutions must exist in a state of 'perpetual inadequacy' in the sense that there will always be perceived inadequacies between institutions and the altering environment. What adjustments to make as a result of these inadequacies, and when, depends on the institution's role – its perceived identity. As an institution is defined, so too is its role. This in turn sets up the criteria for its success and failure. Therefore the institution defines the very conditions for its change, and these revolve around perceptions of inadequacy and the stated or perceived institutional role.

Necessarily, the 'effective' institution is not one that strives to achieve adequacy within its own criteria but one that exists most comfortably within a 'state of inadequacy'. Since institutions exist only at the behest of perceived inadequacies, they continue to function to maintain their *raison d'être* only in so far as inadequacies continue to be perceived. By extension, an institution that fulfils all inadequacies would cease to define itself as such and be indistinguishable from society: the dialogue of society/institution could no longer exist. What this perspective demonstrates is that the challenge for the regional organizations is not to strive to maintain a perfect symbiosis between alterations in the environment and appropriate institutional response. Instead, it is necessary to maintain a sophistication of structure and policies that acknowledges the limits of institutional capacity by use of a clearly defined role.

The space between changes in the social environment and the decision from within an institution to adjust accordingly or not is crucial in examining the nature of different conditions and how they interact to produce a threshold for institutional change. These conditions for change can be understood to operate as both exogenous and endogenous to the institution.[23] How this space is exploited in terms of perceptions of inadequacy from different perspectives, in terms of the role of actors both external and internal to the policy-making process, in negotiating of institutional capacity and structure, and in the impact of the conditions themselves on this process become the vital indicators in determining the thresholds for institutional change. These concerns are integrated with a framework for empirical analysis in the following section.

2. Windows of opportunity: understanding change in regional institutions

This section integrates the above concepts of institutional adequacy and identity into a framework that accounts for the nature and scope of the conditions that have coalesced to form thresholds for change within regional organizations. These conditions are considered at the global, regional and national levels, as well as within the institutional and organizational levels. They are understood to operate endogenously and exogenously and as varying coalitions of actors that form thresholds for change. A general model that provides a definitive list of the generic conditions – be they crises or longer-term factors – that lead to institutional change is not formulated. Rather, it is understood that 'contemporary, similar and linked transformations do not belong to a single model that is reproduced across all [institutions] and which imposes on all a strictly identical form of rupture'.[24] The framework utilized here illuminates how the conditions for change are related to shifts in the policy and objectives of these regional organizations and how they are to be divided.

The framework considers the conditions for change at levels of analysis as long-run and short-term factors, and as necessary or permissive for change. These conditions provide the potential to open a window of opportunity, the scale of which depends on the nature of these conditions, and the perceptions of inadequacy that they expose. Whether this window is then exploited depends upon mediating variables such as political calculations, the position of policy-makers within the organizations, and institutional structure, role and capacity. The relationship between environmental conditions and institutional change is infinitely complex and a mapping of this process essentially rhizomatic. This framework negotiates this fact by constructing categories that are inherently flexible and are informed by, as well as informing, perspectives on institutional theory from appropriate fields of study.

Once conditions are such that an institutional inadequacy has been perceived, an opportunity for reform is presented that varies according to the nature of the conditions. Cortell and Petersen use the concept of a 'window of opportunity' to explain how the conditions for structural change operate in domestic institutions.[25] In this framework, conditions at the international and domestic levels, as both crises and incremental pressures, create windows of opportunity that provide policy-makers within institutions with the potential to transform existing structures. The type and scope of the environmental trigger determines whether, and

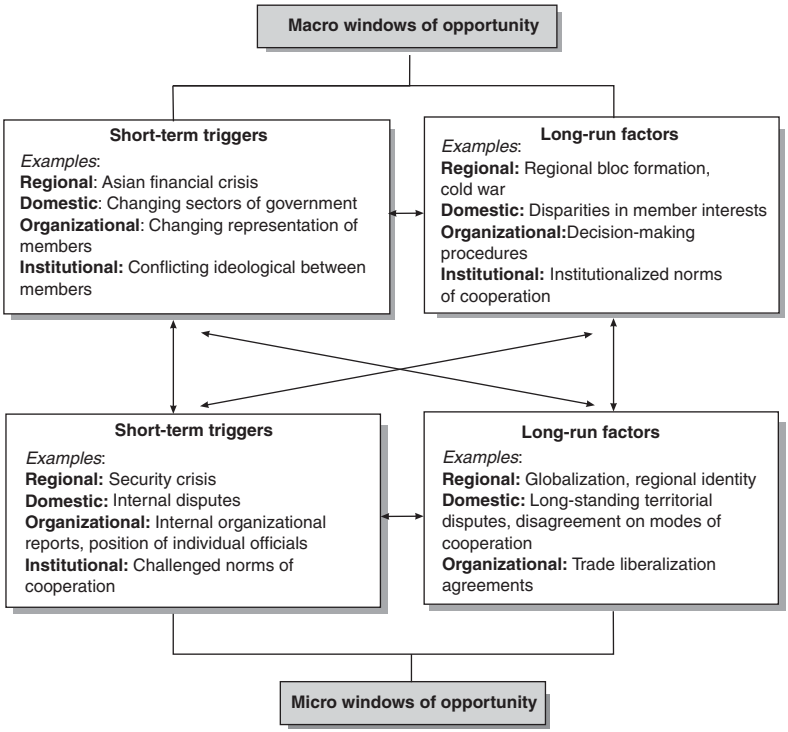


Figure 8.1 The relationship between environmental conditions and windows of opportunity

how widely, a window opens, and therefore, the extent of the opportunity for change. The concept of macro and micro 'windows of opportunity' is adapted here in the context of regional organizations, and the conditions extended to include institutional and organizational factors. Figure 8.1 demonstrates how the conditions for change at the four levels of analysis are divided and related to the scale of the opportunity window. No singular condition can exist in a vacuum, but necessarily impacts upon the wider environment and other conditions for change. Therefore, while these conditions are classified according to the categories above, they may not be confined in their impact to a single category. In other words, a micro window of opportunity at the domestic level may have the potential to impact upon macro-scale conditions at the regional and institutional level. As an example, the domestic crisis in Indonesia over the secession of East Timor, while confined to a single issue of national

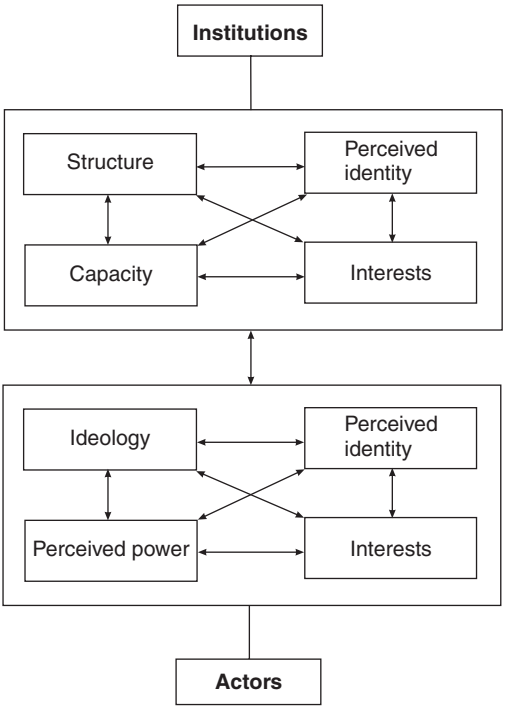


Figure 8.2 Vatiable in exploiting a window of opportunity

autonomy, developed into both a regional security concern and a challenge to ASEAN norms of non-intervention.

However large the opportunity for reform may be, it must also be negotiated with institutional perceptions, preferences and calculations.[26] In the previous section, it was argued that while changes in the environment are constant, perceptions of institutional inadequacy or policy shortfall are first necessary to provide a window of opportunity. The environmental conditions must involve significant 'costs' to the institution and to the actors within the institutional sphere to create such a perception. These costs include: failure to fulfil the explicit mandates of the institution; perceptions of competitive decline; threats to security and where the costs of maintaining an institutional structure significantly outweigh those of reform. Whether an institution can be deemed 'inadequate' in appropriately managing a situation depends on what role that institution is perceived or expected to play and by whom this perception is generated. Which perception holds power to execute

change or not must then also depend on the relative power of the actor that sanctions that aspect of the institution's identity:

> Groups and individuals are not merely spectators as conditions change to favour or penalise them in the political balance of power, but rather strategic actors capable of acting on 'openings' provided by such shifting contextual conditions in order to defend or enhance their own positions.[27]

From a historical institutionalist perspective, these actors simultaneously shape or constrain political strategies and are the outcome of these actions.[28] These actors are subject to institutional constraints that include institutional preferences, ideology, resource capacity and structure. By limiting the viability of certain positions and influencing resource availability, institutions can create their own path-dependencies and conditions for change.[29] Avoiding a form of institutional determinism, policy can be understood as 'the resolution of vectors resulting from interests and resources'.[30] The interrelationship between these variables is shown in Figure 8.2.

3. Macro windows of opportunity

When dramatic and wide-ranging developments on the political and social scene combine to give officials significant political autonomy across a wide range of issue areas, then a macro window of opportunity for reform may occur. These conditions incur significant costs for the institution and its environment, causing a demand for change. The size of the window is therefore related to the degree and scope of societal demands for change and also the autonomy of élites to effect policy. Reform in a macro window would mean profound policy innovations or substantial reinforcement of previous policy.[31]

At the global level, the cold war and the rise of economic regionalism as longer-run macro windows have played a decisive role in the shaping of the Asia–Pacific. Each of these conditions has caused the region to begin to identify itself as such and to focus on the institutional mechanisms that were necessary to complement this. Both ASEAN and the ADB evolved in this context. In light of the theoretical discussion above, the existence of previous institutional structures and role of key players in this process must not be overlooked. At the regional level, for example, it has been argued that US strategic interests in the region during the cold war provided stimulus for economic expansion while

simultaneously legitimizing state structures and the specific institutionalized patterns they assumed.[32]

ASEAN was created in 1967, as an economic grouping concerned with trade and cooperation on regional issues but also as a product of shared threat perceptions.[33] Conditions at the time included the impending withdrawal of British security forces from the region and concerns over the regional implications of great power rivalries as a result of the cold war. After a three-year period of confrontation the states of Indonesia, Malaysia and the Philippines came together with Singapore and Thailand to form the region's first multilateral political grouping. A fundamental aim of the ASEAN Declaration of 1967 was to ensure the stability and security of member states from 'external interference in any form or manifestation'.[34] The grouping defined security in comprehensive terms, involving social, economic, political and military factors. In so doing, it aimed to promote economic development and thus political stability, domestic stability and internal security that would allow the grouping more autonomy from external powers.[35]

The ADB originally developed in response to the need to depoliticize aid and to focus specifically on the needs of the Asian region. The cold war provided the institutional context for the Bank's programme development, which initially began with a focus on large-scale agricultural schemes to support the 'Green Revolution' and infrastructure projects. With the impact of the public debt crisis in Latin America in the 1980s, the institution embarked on the promotion of a private sector role in economic development.

The end of the cold war gave rise to new perceptions about regional groupings and expanded the potential membership of regional organizations to include members such as Vietnam, China, Taiwan and the US and Canada. It also provided impetus for a number of new institutions. The ARF was formed under the perception that regional institutions were inadequate to deal with security issues. Regional comparisons were made to security forums, such as the Conference on Security and Cooperation in Europe, by Canada and Australia, and later Japan and the US. While ASEAN was initially unenthusiastic about the proposals, mounting pressure from these states forced ASEAN to either facilitate the process or risk being marginalized as a grouping.[36]

APEC evolved with a vision of facilitating trade and investment in its member economies in the context of increased economic interaction within East Asia and across the Atlantic. In its formation, concerns over American isolationism, protectionism and the move towards a global trading system composed of economic trade blocs has been considered

a key determinant.[37] During the 1980s an unprecedented economic shift took place, in which international trade in the East and Southeast Asian region increased at about twice the rate of Europe and North America, and where intra-Asian trade and investment emerged as the most rapidly expanding dimension of Asia's economic relations.[38] The ending of the cold war and the unique configuration of state leaders at the time,[39] combined with these longer-run concerns, provided a sufficient macro window-opening opportunity to act on previous concepts for such a grouping. However, the APEC governments made their commitment at a time when the momentum for free trade was faltering elsewhere in the world. The General Agreement on Tariffs and Trade Uruguay Round of world trade talks was in the balance and the American Congress was reticent about the acceptance of the North American Free Trade Agreement. In this respect, APEC could be considered a regional response to a global failure.

As shorter-term triggers, crises can be seen as 'watersheds' in institutional development that lead to the establishment of new institutional forms, powers and precedents.[40] Occurring infrequently, institutional change stimulated by crises tends to be followed by periods of stasis or path-dependent change rather than continuing innovative reform. In examining domestic government policy-making, Keeler identifies three distinct causal mechanisms linking crises to a window-opening process: first, the *crisis-mandate mechanism*, which in discrediting current ideas allows an unusually large mandate for new leaders to reform policy; second, the *urgency mechanism*, where swift action is required to avoid further difficulties; and third, the *fear mechanism*, where inaction may endanger lives, and cause social unrest and political instability.[41]

At a regional level, organizations in the Asia–Pacific have experienced several periods of crisis, as identified in Chapter 7. The region-wide financial crisis of 1997 provides and example of how a short-term trigger can dramatically expose institutional failings and call into question the wider role and function of institutions. The scale of the crisis was such that all the regional organizations of this study were affected at all almost levels of analysis. Having exceptionally high telegenic effects, the impacts of the crises caused concern across a broad section of society. This provided potential scope for substantial reform by policy officials within the regional organizations.

Within APEC, institutional structures inhibited group actions in dealing with the crisis. The political and economic experiences of its diverse membership create considerable difference in opinion over the way in which the organization should proceed, and APEC's evolution is therefore

determined by the way such divergent practices are accommodated and negotiated.[42] APEC consists of three essentially overlapping processes: trade and investment liberalization, economic and technical cooperation, and a sustainable development agenda. It is the first process that has been both the defining feature of APEC and its most evident failure. In the aim of facilitating trade liberalization, APEC can be seen as founded on clear rational-choice objectives.[43] Yet in its organizational structure, based on cooperation and consensus, the institution is demonstrably path-dependent and tied to the norms and social practices of its members. The Kuching Consensus formally institutionalized these norms into the organization's *modus operandi*, and in stating that 'APEC should proceed gradually and pragmatically, especially in its institutionalization' defined the expected nature of change within the organization. It is this voluntarist approach, in contrast to one where direct political and economic leverage may be more expedient, that has been highlighted as instrumental in the lack of success of the liberalization agenda. Conflicting interests have meant many members oppose mandatory implementation schedules, preferring instead to focus on technical cooperation.[44] This rift has been intensified by the 1997 financial crisis: 'when confronted by its first major test, APEC has been revealed to be ineffectual at best and completely irrelevant at worst'.[45]

Applying Keeler's categories to APEC's response to the financial crisis, it appears that while the fear and urgency mechanisms were sizeable enough to provide stimulus for reform, the crisis-mandate mechanism was hindered by lack of coherent direction from the divergent concerns of its members.[46] Since the crisis, APEC has continued on an economic reform agenda, with increased commitments to transparency and regulation, and amid protectionist pressure from members concerned with the risk of deepening their own domestic social inequalities. Furthermore, the sustainable development agenda, which may be used to address these issues, is the least developed arm of APEC. This process has been characterized by a number of small-scale capacity-building projects and statements of principle. One official states: 'The problem is that not much thought is given to developing the capacity to manage the downside of reform.'[47] While these tensions remain, and while the agenda of summit meetings is used increasingly to discuss regional political crises, APEC shows little prospect of providing the kind of mechanisms required to manage the effects of the 1997 economic downturn or any future financial crisis. This demonstrates that as an isolated condition, even a large-scale window does not necessarily provide enough opportunity for reform.

Within ASEAN states, the crisis had devastating economic and social consequences. Again, this caused potential for reform through the crisis-mandate, fear and urgency mechanisms. However, even in crisis an institution may not be able to respond to change given that previous policy choices can foreclose other options.[48] In fact, the role of ASEAN throughout the crisis has been seen as largely irrelevant. The grouping lacked the resources to restore financial stability and the mechanisms to support a collective approach to international lending organizations. The grouping also lacked a common perception of how to manage the economic crisis.[49] Instead, member states had to negotiate with the International Monetary Fund and their creditors individually.[50] The external economic crisis therefore led to an internal organizational crisis. Given the tendency for foreign investors to view ASEAN as an investment bloc, members sought to disassociate from their neighbours in order to appear more attractive to investors.[51]

Domestic conditions of ASEAN member states also contributed to this disunity. President Suharto of Indonesia was seen as a key figure in directing the grouping. After months of public demonstrations and international criticism over the handling of the financial crisis, Suharto was forced to resign from office in May 1998. Indonesia consequently became inwardly focused on domestic issues, leaving ASEAN lacking in direct leadership.[52] Other representatives were similarly concerned with their domestic economic and social crises.

Within ASEAN, institutional structures meant that it was not until August 1997 that an indication of response was made in a statement by ASEAN Deputy Secretary-General Dr Suthad Setboonsarng. This indicated that the ASEAN Swap Arrangement was being renegotiated to boost the pool of funds available to members with foreign exchange problems. ASEAN ministers managed informal discussion on the sidelines of the First ASEM Summit in September 1997, but finance ministers did not meet until the scheduled November summit to discuss regional implications and responses. The 'Manila Framework' was established at the meeting to analyse capital flows and maintain joint surveillance of ASEAN banking systems to provide an early-warning mechanism regarding financial turmoil.[53] Despite interpretations that this represented a 'desire to enhance regional policy-making capabilities' – unthinkable before the crisis[54] – the framework has been discredited due to the unwillingness of ASEAN states to share sensitive economic information.[55]

The ASEAN summit in Hanoi in December 1998 saw efforts by ASEAN to give a new boost to economic cooperation by bringing

forward the implementation timetable of the ASEAN Free Trade Area, to help restore stability by encouraging the use of ASEAN currencies for payment of traded goods and services[56] and launching an ASEAN Investment Area (AIA). Again, these policies can be seen as path-dependent rather than as a reforming of policy: the AIA was a result of decisions made in the Fifth ASEAN Summit and follows the 1992 Framework Agreement on enhancing ASEAN economic cooperation.[57] The above proposals also occurred not only in the context of the financial crisis, but also in the longer-run context of a climate of increasing regional and subregional cooperative initiatives such as the Greater Mekong Subregion (GMS) development project,[58] the Executives' Meeting of East Asia–Pacific Central Banks[59] and the ASEAN Free Trade Area.[60]

While ASEAN has had a larger crisis-mandate mechanism and thus more success in responding to the regional collapse than APEC, none of these actions have aided in reversing the negative perceptions of ASEAN's limitations. This could result in very real political consequences. At the 33rd ASEAN Ministerial Meeting, Singapore Foreign Minister Shanmugam Jayakumar warned that the continuing international perception of ASEAN as ineffective, even with Southeast Asia's economic rebound since the 1997 crisis, risked marginalizing the group in the new global economy.[61] Reports from outside the region have continued to reinforce this perception.[62]

Evidently, a macro window of opportunity does not always provide enough impetus for institutional change. Entrenched norms and the positions of policy officials within and interest groups external to the organization can also prevent structural reform. This may lead to circumventing policy restrictions by introducing new institutional forms that override or, alternatively, complement the institution. ASEAN and Japanese calls for an Asian Monetary Fund (AMF), similar in function to the IMF, were among the first set of proposals for a sustained regional response to the crisis.

The AMF proposal was vigorously opposed by the US, which saw it as a way for countries to escape the strict conditions that were part of the IMF rescue packages, and that the AMF would duplicate the role of existing institutions.[63] Instead, the New Miyazawa Initiative was launched independently by Japan in October 1998. This consisted of US$30 million in Japanese bilateral aid to assist restructuring in the private sector, stimulate the economy and strengthen the social safety net in countries affected by the crisis. The package was essentially a redirection of the funds originally proposed by Japan under the auspices of the AMF.

Recently, the AMF proposal has re-emerged for discussion within the ASEAN + context. In May 2000, as an interim move towards establishing the AMF, ASEAN+3 finance ministers agreed to extend a currency swap arrangement to all 13 member countries – previously it had only covered Thailand, Malaysia, the Philippines, Indonesia and Singapore. Despite the ASEAN+3 agreement 'there remains opposition from China – concerned about issues of financial sovereignty – as well as from other Southeast Asian countries wary of the expansion of Japanese economic power'.[64] The currency-swap mechanism also represents failure on the part of APEC to address a mechanism to protect member economies as they become increasingly integrated.

In the cases discussed above, it is evident that episodic institutional change as a result of crises has rarely transpired without the concurrence of pressure as a result of the opening of micro windows. These have been seen to occur most often as longer-run factors that form nodes of concentration around specific issue areas and require a larger trigger to enable reform to be pushed through organizational mechanisms. Similarly, there has been little to demonstrate that a crisis of the magnitude of the 1997 financial collapse has fundamentally altered the institutional trajectory of these organizations involved in intraregional trade. There still remain perceptions of failure concerning all these organizations by numerous actors. Reforms have been either in line with previous policy and an institutional evolutionary path (although occasionally accelerated), or mostly cosmetic. This puts forward a strong case for the theoretical underpinning of these institutions as being heavily path-dependent and reliant on norms of cooperation that inhibit overarching change. Associated with this perspective is change that is more incremental and issue-specific in nature. What also needs to be considered is how crises can have a longer-term impact on issues such as norms of cooperation and issues of transparency and sovereignty. Again, these issues are associated with incremental change that has occurred through the opening of micro policy windows.

4. Micro windows of opportunity

Micro windows tend occur with more limited, issue-specific conditions. Policy officials have only limited autonomy and are restricted to a specific task environment. Changes in policy are inclined towards more incremental modes of adaptation in these circumstances. They are also particularly associated with changes in norms and values that evolve slowly over time. Indeed, deep cultural layers, it has been argued, only

incrementally provide change.[65] However, radical challenges, especially via small continuous modifications, can have an impact on people's perceptions and even social and political identity. For theorists such as Norgaard this means that policy can be the root cause of political action and institutional change.[66]

In the Asia–Pacific, institution-building can be seen as process-oriented rather than an outcome of structural changes in the international system. This involves 'an attempt to contrive and construct a regional identity through he development of long-term habits of consultations'.[67] Joint projects facilitated by regional organizations and characterized by increasing interdependence and a development of common interests may lead to a shared identity. These projects would include the joint economic and technical cooperation projects and working groups of ASEAN, APEC and the ADB.

Security cooperation has played an equally complex role in regional identity-building. There are competing perspectives concerning the conditions that have stimulated ASEAN's decision-making on security issues in the post-cold war era. From a rational-choice perspective, it has been argued that, as an international actor, ASEAN has constituted a 'community of convenience based on functional considerations, rather than a community of shared visions'.[68] Constructivist approaches have posited the existence, or at least emergence, of a regional community among the ASEAN states.[69] These accounts of ASEAN cooperation stress the importance of ASEAN norms in the decision-making process and have been consistently emphasized in the rhetoric of key political figures in the region.[70] The emergence of security communities in other regions has also provided a longer-run window for change. These are 'transnational regions comprised of sovereign states whose people maintain dependable expectations of peaceful change'.[71] The potential and developing programmes of ASEAN and the ARF could be viewed as a 'nascent security community' in this way.[72]

Parts of the international system have witnessed the beginnings of a shift away from absolute sovereignty as its central organizing principle.[73] This has had an impact at the level of state as the basic unit of interaction within the regional institutions. It has also challenged institutional structures of cooperation. In the case of the EU, sovereignty concerns have led to incremental changes.[74] Sovereignty and non-intervention have been difficult to confront given the ASEAN mode of decision-making. However, the changing structure of the international system and domestic political upheaval as a result of the financial crisis have placed these in question.[75] The crisis highlighted that fact that

principles of non-discrimination and transparency were important for ASEAN, APEC and the ARF. The principles of consultation and consensus as the basis of decision-making in these groupings provides an example of how cultural norms have influenced institutional procedures. According to Nischalke, the mode of decision-making is characterized by informality, and forms consensus that accommodates the different viewpoints of all parties. This has already been noted it the context of ASEAN:

> The yardstick for norm observance is not the pursuit of 'one ASEAN foreign policy', but, firstly, evidence of a process of consultation and consensus-building and, secondly, policy outcomes that take into account previous ASEAN positions and the vital interests of other members.[76]

Global conditions also have an impact on the internal dynamics of member states in regional institutions and can provide micro windows of opportunity for policy change. While states may provide impetus for reform, they may also obstruct it. Since announcing a policy of 'constructive engagement' with Myanmar in the 24th Ministerial Meeting in July 1991, ASEAN has faced increasing international pressure from the EU and the US. In 1997, Myanmar was admitted into the grouping, and this has seriously affected interregional dialogue and ASEAN–EU Joint Cooperation Committee was postponed three times from November 1997 to meet finally in May 1999. Myanmar delegates were banned from talking during the meeting. Within ASEAN, the concepts of 'constructive intervention', 'flexible engagement' and 'enhanced interaction', mean that the interpretation and understanding of the principle of non-interference is being broadened. Thailand was the originator of these proposals and the intentions behind them can be related to a number of micro issues including: friction in relations between Thailand and the US and EU over the policy of constructive engagement; an attempt to gain international recognition of Thailand's diplomatic credentials as a democratic state; the security situation along the Thai–Myanmar border; pressure from domestic media and human rights groups; and as an announcement of Thailand's ambition to assume a more prominent role in ASEAN.[77] Here, a number of overlapping micro windows can be seen to have stimulated the proposal associated with the interests of an individual member state. The Philippines was alone in supporting the proposal. Other members rejected the proposal on the grounds that these issues should be dealt with bilaterally (Malaysia), that it was not

sufficiently detailed (Indonesia), and from fear that the practice might undermine regional security (Malaysia, Singapore, Brunei Darussalam, Laos, Vietnam and Myanmar).

Dynamics between states affected by the global balance of power have also impacted on the ADB. Unlike the consensual decision-making process of ASEAN, ADB voting is weighted according to a member's contributions. Japan and the US, for example, together hold 26 per cent of the Bank's shares and are therefore the most influential members. Japan has always been the largest contributor to the Bank; however, the US demands equal voting power. A compromise is reached through 'soft loans' funding, while the presidential position is always held by Japan. Members' interests are very much involved in the Bank's procedure, which entails the 'build–own–operate–transfer' model of infrastructure development.[78] This gives donor countries leverage to achieve their individual goals above other members. In its internal policy-making the Bank's decisions also tend to be heavily structured by US and Japanese interests, which do not necessarily converge.[79] One ADB policy official has noted that voting is a tactical play between these two members, while another has identified voting patterns weighted along regional lines that exclude the US.[80]

Another agent in the opening of micro windows can be at the level of individuals. A paradigm shift in policy can be highly politicized, dependent upon the policy official's position within the institution, command of resources and relative power over other officials.[81] The policy trajectories of ASEAN and the ADB in particular have been marked by the roles played by key figures within the organizations. Indonesia's relative power in ASEAN has weakened significantly since the fall of President Suharto[82] and former Thai Foreign Minister Surin Pitsuwan proved a powerful figure in pushing for reform.[83] As the ASEAN Chair for 1999–2000, and the originator of the flexible engagement proposal, Surin proposed a number of policy reforms based on his personal views. International and regional pressures were placed on ASEAN to respond to member conflicts after it failed to form a joint position on the extreme human rights abuses carried out during the secession of East Timor the previous year. The Troika mechanism was established to act as a crisis response mechanism to cope with perceptions of rising political and social insecurity. The Troika represents a compromise between the establishment of an ASEAN High Council and inaction, although its effectiveness remains to be seen.[84] The proposal was supported by the Philippines and Singapore, both of which advocate a strengthening of institutional capacity.[85] Surin also had the ASEAN Human Resource

Development Fund accepted to alleviate poverty, a refinement of the earlier proposal for a 'social safety net' for the disadvantaged.

In the ADB, President Tadao Chino has fundamentally influenced the policy nature of the organization. On 30 October 1964, as officer of the Economic Commission for Asia and the Far East, he submitted a paper that paved the way for the formation of the ADB. The paper also included reference to the kind of social safety nets that now characterize the ADB's recent change in policy. A few years before this, the then ADB President, Mitsuo Sato, was presented with recommendations for alleviating poverty and promoting environmentally sound sustainable development as the future direction of the Bank's activities.[86] For reasons to do with the economic conditions of the region, institutionalized norms and individual agency, this action generated a micro window of opportunity upon which the ADB did not capitalize.

Despite personal power of some actors to enact change, other actors in multilateral institutions can prevent change occurring due to their own objectives – which may be institutionally, nationally, or personally based. The ADB still continues to place a heavy emphasis on infrastructure programmes. The Troika mechanism is unlikely to be put into use. Within the ARF the move from 'confidence-building' to 'preventive diplomacy' outlined in the original Concept Paper, despite being raised at numerous ministerial meetings, has yet to be agreed on. Within APEC, members and individuals concerned with the impacts of trade liberalization and the agenda of key actors have had an impact on slowing the change process, obfuscating the window of opportunity.

Micro windows can also result from internal organizational features that themselves provide mechanisms for change. Perhaps the most radical reform in a regional organization since the financial crisis has occurred in the ADB's recent policy shift towards an overarching goal of poverty reduction. Changes include: undertaking poverty analyses of individual countries; allowing discussion at forums where governments, NGOs, community-based organizations, the private sector and the donor community will be represented; providing mechanisms for reviewing performance which will link performance to the allocation of funds; and providing social safety nets for the disadvantaged.[87] While ADB Vice-President Peter Sullivan attributes this change to the financial crisis, there has been a long history of criticism from within and external to the organization concerning the effectiveness of its policies. The 1994 internal Schulz Report on project quality found that 40 per cent of Bank projects were less than successful or outright failures.[88] Incremental changes in the Bank's policies began to occur around this

period, with the scaling down of the number of large infrastructure projects.[89] The proliferation of these new programmes has not integrated well with the ADB's structural capacity. Policy issues and working styles have led to a congestion of goals within the Bank, leaving policy officials ill equipped to manage the various conditionalities attached by the donor governments. For example, the draft Asian Development Fund aimed at poverty reduction in fact contained few projects specifically designed to meet this objective.[90] Meanwhile, internal reports continue to highlight the marked failure rate of the Bank's projects.[91]

Due to perceptions of competitive decline the functioning of an organization can also create a window of opportunity for reform in other organizations with an overlapping agenda. These organizations also form part of the environmental conditions that may stimulate change. Institutional isomorphic change can occur due to three factors: first, coercion arising from political pressures or shared expectations about legitimate modes of action; second, organizations tend to imitate existing forms when goals are unclear; and third, normative pressures coming from professional associations and methods of recruitment.[92]

The acceleration of AFTA can be seen as an effort to maintain institutional credibility and control over free trade issues within ASEAN as in part due to fears of being sidelined by APEC's trade liberalization agenda.[93] All three mechanisms of isomorphic institutional change are demonstrated here. In 1994 the ASEAN ministers adopted the acceleration of the AFTA timeframe,[94] although it was only at the Sixth ASEAN Summit in Hanoi 1998 that ASEAN ministers adopted measures to accelerate the region's economic integration and the completion of AFTA even faster.[95] ASEAN vigorously reviewed its institutional mechanism at the 1992 Fourth ASEAN Summit and made many attempts to streamline the process. However, this was not with the aim of deepening regional integration and most of the cooperation programmes were implemented individually. This has been seen as reflecting a lack of political basis for supporting integration within the organization.[96]

With the development of the APEC agenda, a certain amount of institutional interdependence has occurred, reinforcing broader generalized liberalization, as ASEAN countries are members of APEC. ASEAN members have actively implemented the Bogor Declaration, committing APEC members to liberalization of trade and investment beyond the General Agreement on Tariffs and Trade.[97] In general, regional economic integration initiatives have commonly failed due to weakness and insufficiency of legal coordination of associated

arrangements and institutions.[98] ASEAN and APEC require increased harmonization of frameworks for liberalization in order to succeed. This is hampered by competing national priorities. Indeed the emergence of 'fast-track' bilateral FTAs, such as that between Singapore and New Zealand, is a response to this multilateral failure. Bilateral arrangements can thus be seen as a subset of regional arrangements, where the number of actors is minimized to maximize resource output. In turn, the existence of such agreements may create pressures for other states within regional institutions that want to gain access to the benefits of a successful bilateral FTA. This may generate pressure on the regional institution to overcome the obstacles and implement region-wide FTAs. In the context of ASEAN, the Singaporean government's policy to 'run faster' has placed pressure on other members states (such as Malaysia) to speed up the implementation of the ASEAN Free Trade Area (AFTA).[99]

Concerns about institutional redundancy also stem from the competition that the ADB faces from the World Bank. The 'Comprehensive Development Framework' announced by the World Bank was seen by the ADB as an effort to subordinate it and other regional development banks to the World Bank. When the World Bank president proposed moving the East Asia–Pacific Division to Singapore in 1999, ADB officials drew similar conclusions. During the financial crisis, the ADB was assigned a supporting role to the International Monetary Fund.[100] In both instances, the ADB has attempted to stress its prime relevance to the region by changing its policies of project implementation to more accurately reflect the needs of its immediate region. The new policy initiatives undertaken by the ADB in capacity-building programmes within the Greater Mekong Subregion (GMS) since 1997 are reflective of these changes. In other words, in order to meet new challenges to its *raison d'être*, the ADB has had to change its internal operations to best address regional issues and capacity shortfalls.

Micro windows occurring around specific issue areas have required focus on the role of individual actors and states and the dynamics between them. Organizational features have played a similarly important role to those at the macro level in enacting policy change, but the role of organizational mechanisms in providing a condition for change is more evident at this scale. So too is the role of norms and values in affecting policy outcomes. These norms may be affected by changes at the global level as they interact with regional institutions, states and individuals. A certain amount of overlap between organizations provides a further micro-scale condition for change.

5. Conclusion

This chapter has highlighted many of the conditions of change experienced by the regional organizations of ASEAN, APEC, the ADB and the ARF. Global/regional-level conditions have included long-run factors such as the prevailing security climate and short-term triggers such as the Asian financial crisis. Domestic circumstances have included the agendas of member states within the organizations and internal domestic crises causing a lack of engagement in the regional organizations. Individual states have also pursued national objectives outside of the organizational structures, or inhibited organizational reform. The roles of individual preferences and ideology and the position of policy-makers have also been considered as potential conditions for reform. Organizational factors have included structural capacity, internal review mechanisms and decision-making procedures. Institutional features have included norms of cooperation and consensus.

Of these levels of analysis some have stimulated a corresponding policy change in institutions, while others have not. Most policy alterations have required the opening of a number of correlated windows across these levels of analysis, while some have been sufficient alone. Some policy decisions have foreclosed others, while some have catalysed a series of reforms. Positive examples of exploiting a window of opportunity include establishment the ASEAN Human Resource Development Fund accepted to alleviate poverty, a shift in ADB programmes towards a poverty reduction focus, and the numerous joint technical cooperation initiatives in APEC. Negative examples include the floundering of APEC's trade liberalization agenda, the continuing intra-ASEAN disputes despite ARF attempts at constructive engagement, and the high failure rate of many of the ADB's development programmes.

Through the concept of institutional adequacy, macro and micro windows of opportunity have been located and the surrounding conditions and the resulting alterations in policy explored. From a rational-choice perspective, dysfunctional behaviour in an institution is an anomaly. This leads to the notion that institutional failure as a result of external conditions could have been resisted using available resources, but was not due to institutional or cognitive constraints. However, as highlighted in the latter half of this chapter, institutional and cognitive factors do influence institutional change at both the macro and micro levels. Accordingly, this chapter has utilized a synthesis of rational-choice, historical, sociological and constructivist perspectives on institutional

change to account for a variety of other factors involved in this process and how they have coalesced to bring about change.

Regional institutions exist in a space defined by member states. But, as this chapter has shown, such institutions operate and evolve in ways not solely dependent on their members' perceptions or agendas. Thus, in examining windows of opportunity, it is possible to state that in overcoming inadequacies regional institutions partially develop a 'life' of their own and are able to construct agendas reflective of their regional scope. How this tension between domestic policies and regional practices will played out in the post-crisis Asia–Pacific will be of vital importance to the region's future.

Notes

1. Asbjorn Sonne Norgaard, 'Rediscovering Reasonable Rationality in Institutional Analysis', *European Journal of Political Research*, Vol. 29, January 1996, p. 39.
2. At least seven different strands to institutional theory can be identified. The main approaches most pertinent to this study have been selected for discussion in this section. See G. Peters, *Institutional Theory in Political Science: The 'New Institutionalism'*, Pinter Press, New York, 1999.
3. D. North, *Institutions, Institutional Change and Economic Performance*, Melbourne: Cambridge University Press, 1990, pp. 4–5.
4. Ibid.
5. K. Shepsle, 'Studying Institutions: some lessons from the rational choice approach', *Journal of Theoretical Politics*, Vol. 1, No. 2, 1989, p. 139.
6. Ibid. Shepsle acknowledges this gap but holds that rational-choice theory 'promises to drive a wedge between political thought and political theory, making the latter both a syntheses of its earlier roots and a genuinely scientific enterprise'.
7. See North, *Institutions*.
8. P. Hall, *Governing the Economy: the Politics of State Intervention in Britain and France*, New York: Oxford University Press, 1986.
9. K. Thelen and S. Steinmo, 'Historical Institutionalism in Comparative Politics', in *Structuring Politics: Historical Institutionalism in Comparative Analysis*, Cambridge: Cambridge University Press, 1992, pp. 1–32. See also S. Krasner, 'Sovereignty: An Institutional Perspective', *Comparative Political Studies*, Vol. 21, No. 1, April 1988, pp. 66–94.
10. J.G. March, and J.P. Olsen, *Rediscovering Institutions: the organizational basis of politics*, New York: Macmillan – now Palgrave Macmillan, 1989, p. 166.
11. Ibid., p. 55.
12. P.L. Berger and T. Luckmann, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*, New York: Doubleday Anchor.
13. March and Olsen, p. 55. The work of March and Olsen has been categorized differently by various theorists. Norgaard, for example, classifies their work within the school of sociological institutionalism, whereas others place their analyses within the normative institutionalist framework. (See for example Peters, *Institutional Theory*, p. 98).

14. Ibid., p 106.
15. M. Finnemore, 'Norms, Culture and World Politics: Insights from Sociology's Institutionalism', *International Organization*, Vol. 50, No. 2, 1996, p. 326.
16. R.B. Hall, 'Collective Identity and Epochal Changes', in Y. Yamamoto (ed.), *Globalism, Regionalism and Nationalism: Asia in Search of Its Role in the 21st Century*, Oxford, UK: Blackwell, 1999, p. 48.
17. A. Wendt, 'Anarchy is What States Make of It: The Social Construction of Power Politics', *International Organization*, Vol. 46, No. 2, 1992, p. 399.
18. This approach is also akin to the postmodern perspective of Richard Ashley, for whom the sovereign state is an 'ongoing accomplishment of practices, not a once and for all creation of norms that somehow exist apart from practice'. See R. Ashley, 'Untying the Sovereign State: A Double Reading of the Anarchy Problematique', *Millennium*, Vol. 17,1998, pp. 227–62. Much work within the constructivist field can also be attributed to the theorists Hedley Bull and John Ruggie.
19. J. Checkel, 'The Constructivist Turn in International Relations Theory' (review article), *World Politics*, Vol. 50, January 1998, p. 346.
20. See Checkel, 'Constructivist Turn', p. 325. See L. Martin and B. Simmons, 'Theories and Empirical Studies of International Institutions', *International Organization*, Vol. 52, No. 4, Autumn 1998, p. 746 for calls to research on how conditions induce path-dependency within institutions, and Finnemore, 'Norms, Culture and World Politics', pp. 325–47 for questions concerning the relationship between formal organization and culture.
21 A. Cortell and S. Petersen, 'Altered States: Explaining Domestic Institutional Change', *British Journal of Political Science*, Vol. 29, 1999, p. 185.
22. See Keeler, 'Opening the Window for Reform: Mandates, Crises, and Extraordinary Policy-Making', *Comparative Political Studies*, Vol. 25, No. 4, January 1993, p. 437.
23. Similarly, Stephen Krasner argues that an adequate explanation of institutional change must account for structures and environmental perspectives. See Krasner, 'Sovereignty', p. 80.
24. See the early archaeological approach utilized by M. Foucault, 'Change and Transformations', *The Archaeology of Knowledge*, London: Routledge, 1972, p. 175. Foucault's analysis refers to the nature of discourse, but can here be used to apply to a constructivist approach to institutions.
25. Cortell and Petersen, 'Altered States'.
26. Ibid., p. 187.
27. Thelen and Steinmo, 'Historical Institutionalism', p. 17.
28. Ibid., p. 10.
29. Krasner, 'Sovereignty', pp. 68–9.
30. S. Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', (review article), *Comparative Politics*, January 1984, p. 227.
31. See Keeler, 'Opening the Window', pp. 434–6.
32. See M. Beeson, 'Reshaping Regional Institutions: APEC and the IMF in East Asia', *The Pacific Review*, Vol. 12, No. 1, 1999, pp. 1–24.
33. See A. Acharya, 'The Association of Southeast Asian Nations: "Security Community or Defence Community"?', *Pacific Affairs*, Vol. 64, No. 2, Summer 1991, pp. 159–78.
34. The ASEAN Declaration, Bangkok, 8 August 1967, http://www.aseansec.org.

35. S. Narine, 'ASEAN and the Management of Regional Security', *Pacific Affairs*, Vol. 71, No. 2, Summer 1998, p. 196.
36. S. Narine, 'ASEAN the ARF: the limits of the "ASEAN Way"', *Asian Survey*, Vol. 37, October 1997, p. 964.
37. See Beeson, 'Reshaping Regional Institutions', p. 14.
38. M. Rudner, 'APEC: the Challenges of Asia–Pacific Economic Cooperation', *Modern Asian Studies*, Vol. 29, No. 2, p. 405.
39. See P. Keating, *Engagement: Australia Faces the Asia–Pacific*, Sydney: Macmillan, 2000 for an account of the role of individual leaders in negotiating the establishment of APEC.
40. Krasner, 'Approaches to the State', p. 235.
41. Keeler, 'Opening the Window'.
42. Ibid., p. 13.
43. See for example the perspective of C. F. Bergston, 'APEC and World Trade: a Force for Worldwide Liberalisation', *Foreign Affairs*, Vol. 73, No. 3, pp. 20–26.
44. Malaysia and Japan have insisted that liberalization goals be non-binding, while the US has demanded that all economic sectors be opened to foreign trade and investment.
45. Beeson, 'Reshaping Regional Institutions', p. 18.
46. For a discussion of the conflicts within APEC over its decision-making procedures see Lee Kuan Yew, Speech to the Asia Society, Sydney, 22 November 2000; and N. Gallant and S. Richard, 'APEC's dilemmas: institution-building around the Pacific Rim', *Pacific Affairs*, Vol. 70, No. 2, Summer 1997, pp. 203–19.
47. M. Pangestu, trade policy coordinator for the Pacific Economic Cooperation Council, quoted in N. Edwards, 'APEC struggles to bridge rich–poor divide', *Reuters Press*, 8 June 2001.
48. Norgaard, 'Rediscovering Reasonable Rationality', p. 148.
49. Only Malaysia suggested approaching the West as a unified bloc. See S. Narine, 'ASEAN into the Twenty-First Century: Problems and Prospects', *The Pacific Review*, Vol. 12, No. 3, 1999, p. 372.
50. H. Dennon and E. Colbert, 'Challenges for the Association of Southeast Asian Nations (ASEAN)', *Pacific Affairs*, Vol. 71, No. 4, Winter 1998–99, p. 521.
51. J. Funston, 'Challenges Facing ASEAN in a more complex age', *Contemporary Southeast Asia*, Vol. 21, No. 2, August 1999, p. 205.
52. A. Acharya, 'Realism, Institutionalism and the Asian Economic Crisis', *Contemporary Southeast Asia*, Vol. 21, No. 1, April 1999, p. 1. See also 'Out of Depth', *Far Eastern Economic Review*, 19 February 1998, p. 25.
53. Manila Framework, established at the ASEAN Finance and Central Bank Deputies meeting, Manila 18–19 November 1997.
54. R. Higgot, 'The Asian Economic Crisis: A Study in the Politics of Resentment', *New Political Economy*, Vol. 3, No. 3, 1998, p. 342.
55. S. Tripathi, 'Nothing Doing', *Far Eastern Economic Review*, 20 November 28 December 1995, pp. 18–20. Cited in S. Narine, 'ASEAN and the Management of Regional Security', p. 373.
56. See Para. 13: Hanoi Declaration, 16 December 1998.
57. Singapore, 28 January 1992.
58. Initiated in 1992.
59. In 1991, 11 regional central banks formed a network known as EMEAP. The grouping was initially concerned with network-building and information

exchange at the Deputy Governor level. In 1996, in light of increased regional interdependence, the first Governors' meeting was held and two working groups as well as a study group established to find ways of 'strengthening cooperation to enhance financial stability and market developments in the region'.

60. Established at the Fourth ASEAN Summit, Singapore, 27–28 January 1992.
61. Singapore Foreign Minister Shanmugam Jayakumar, statement at the 33rd ASEAN Ministerial Meeting, Bangkok, 26 July 2000.
62. W. Arnold, 'Southeast Asia Losing Ground in New Economy, Report Says', *New York Times*, 7 September 2000.
63. N. Thomas, 'ASEAN+3: Is an East Asian C/community possible?', paper presented at the Australian Political Science Association conference, Canberra, October 2000. Forthcoming in *Journal of International and Area Studies*, 2002.
64. Thomas, 'ASEAN+3'. See also Higgot, 'Asian Economic Crisis', p. 342 for analysis of the origins of AMF proposals.
65. See North, *Institutions*, p. 45.
66. Norgaard, 'Rediscovering Reasonable Rationality'.
67. Acharya, 'Ideas, Identity Building and the ASEAN Way: From the "ASEAN way" to "Asia Pacific way"?' *Pacific Review*, Vol. 10, No. 3, 1997.
68. See T.I. Nischalke, 'Insights from ASEAN's Foreign Policy Co-operation: The "ASEAN Way", a Real Spirit or a Phantom?' *Contemporary Southeast Asia*, Vol. 22, No. 1, April 2000, p. 89.
69. See Acharya, 'Ideas, Identity and Institution-Building' pp. 328–9; N. Busse, 'Constructivism and Southeast Asian Security', *Pacific Review*, Vol. 12, No. 1, 1999, pp. 39–60.
70. See, for example, the Opening Statement by Surin Pitsuwan, Foreign Minister of Thailand and the Keynote Address by Prime Minister Goh of Singapore at the 32nd ASEAN Ministerial Meeting, Singapore, 23 July 1999. The grouping is also being referred to as a community rather than a discrete organization by external actors; former US President Clinton, for example, has described ASEAN as a community 'of shared interests, shared goals, and a shared commitment to mutually beneficial cooperation'.
71. E. Adler and M. Barnett (eds), 'Introduction', *Security Communities*, Cambridge: Cambridge University Press, 1998. Examples from other regions could include the European Union, The Organization for Cooperation and Security in Europe and the North Atlantic Treaty Organization.
72. Acharya, 'Collective Identity and Conflict Management in Southeast Asia', in Adler and Barnett, *Security Communities*, p. 198–227.
73. Within an institutional context, UN Secretary-General Kofi Annan called for a new definition of 'national interest', which would 'induce states to find greater unity in the pursuit of common goals and values. In the context of many of the challenges facing humanity today, the collective interest is the national interest.' K. Annan, 'Two Concepts of Sovereignty', *The Economist*, 18 September 1999.
74. A. Moravcsik, 'Negotiating the Single European Act: State interests and conventional statecraft in the European Community', *International Organization*, Vol. 45, No. 1, Winter 1991, p. 27.
75. Narine, 'ASEAN and the Management of Regional Security'.
76. Nischalke, 'Insights', p. 89.

77. See J. Haacke, 'The Concept of Flexible Engagement and the Practice of Enhanced Interaction: Intramural challenges to the ASEAN way', *The Pacific Review*, Vol. 12, No. 4, 1999, pp. 581–611.
78. W. Permpongsacheron, 'ADB: Honest Broker for Whom?' presentation at Accounting for Development conference, 23–24 June 2000, University of Sydney.
79. In May 1992 the *Far Eastern Economic Review* published a report highlighting an increasing Japanese influence in the organization, evidenced by minor policy preferences and working styles.
80. Personal interview with John Lockhart, Executive Director for Australia, Asian Development Bank, 24 June 2000 and with a senior policy official, Asian Development Bank, 12 October 1999, respectively.
81. Hall, *Governing the Economy*.
82. 'ASEAN must dump non-intervention policy and work out its problems', Thailand, *Agence France-Presse*, Thursday, 22 June.
83. B. Cheesman, 'ASEAN the big loser as go-getting Surin moves on', *Australian Financial Review*, Monday, 31 July 2000.
84. The High Council forms part of the provisions on pacific settlement of disputes in the 1976 Treaty of Amity and Cooperation in Southeast Asia, Indonesia, 24 February 1976, Articles 14 and 15, http://www.aseansec.org.
85. See 'Breaking the taboos', Editorial, *The South China Morning Post*, Wednesday, 26 July 2000.
86. Environmental Defence Fund, 'EDF Meets With Asian Development Bank: Head Urges Reforms', News Release, 3 May 1994, http://www.edf.org/pubs/NewsReleases/1994/May/b_adb.html.
87. 'ADB Poverty Reduction Strategy Aims To Rid Region Of Extreme Poverty', News Release No. 106/99, 9 November 1999.
88. The report recommended that the Bank do a one-time 'spring cleaning' of bad projects, and install an independent appeals panel to act as a check on ill-designed future projects. Environmental Defence Fund, 'EDF Meeks …'.
89. John Lockhart, 'ADB – Promoting Good Governance', presentation at Accounting for Development conference, 23–24 June 2000, University of Sydney.
90. Asian Development Bank, 'Draft ADF VIII Donors' Report', Manila, March 2000, p. 20.
91. See, for example, Operations Evaluation Office, 'Report on the Results and Impact of ADF Operation', Manila, March 2000, appendix 1, p. 1. The report found that within the Bank's environmental programme, only 36 per cent of projects are rated 'generally successful', the Social Infrastructure Sector has achieved a 33 per cent success rate and the Finance Sector a 15.2 per cent rating.
92. Krasner, 'Sovereignty', p. 85.
93. See M. Vatikiotis, 'Running to stay in front', *Far Eastern Economic Review*, 14 September 1995, Vol. 158, No. 37, pp. 60–62.
94. It was agreed that the original six countries would advance the implementation of AFTA by one year from 2002 to 2003. They also agreed to achieve a minimum of 90 per cent of their total tariff lines with tariffs of 0–5 per cent by the year 2002, which would account for 90 per cent of total intra-ASEAN trade.

95. See Statement on Bold Measures, Annex 1.
96. Previously, the concept of a free trade area within ASEAN was rejected and the Preferential Trading Arrangement and ASEAN Industrial Projects and Joint Ventures adopted. See L. Thanadsillapakul, 'Open Regionalism and Deeper Integration: the implementation of the ASEAN Investment Area and the ASEAN Free Trade Area', *Internet Journal of the Centre for Energy, Petroleum and Mineral Law and Policy*, Vols 6–16a, http://www.dundee.ac.uk/cepmlp/journal/.
97. Signed at the Second APEC Leaders' Meeting, Bogor, Indonesia, 1994.
98. Thanadsillapakul, 'Open Regionalism'.
99. Singapore has concluded an FTA with New Zealand and announced negotiations with Japan, Australia, and the United States, Canada and Mexico. Malaysia has warned that ASEAN is being undermined by members undertaking FTAs outside the region, and would weaken the planned ASEAN Free Trade Area (AFTA, 'Free trade agreements threaten to undermine ASEAN', *Agence-France Presse*, 22 November 2000.
100. S. Tripathi, 'ADB policy shift hurts poorer member-states', *Southeast Asian Science Policy Network in Global Change*, Manila, 17 September 1998.

9
The Dynamics of Change

Steve Bates

The recent resurgence of regionalism is not Asia-specific, but part of a worldwide phenomenon. In the 1950s and 1960s the phenomenon of regionalism was particularly pronounced not only in Europe but also in Africa, the Americas and Asia and the Pacific. These early efforts were followed by a period of stagnation in region formation in the 1970s. In the 1980s and 1990s, however, there was a dramatic renewal of interest in regionalism, that shows every sign of continuing into the twenty-first century. This chapter examines how and why change to regional structures such as ASEAN, APEC, the ASEAN Regional Forum and the Asian Development Bank is occurring.

1. The driving forces of regionalism

In his 1996 study of the resurgence of regionalism in the 1980s and 1990s, Bates established that this worldwide resurgence was the result of the interplay between global, regional, subregional and domestic forces.[1] From an examination of the extensive literature on regionalism and of the empirical developments in three case studies – the European Single Market, the North American Free Trade Area and APEC, he identified five driving forces or explanations that together accounted for the resurgence of regionalism in the 1980s and 1990s. These were:

1. The 'retreat and defend' explanation that the re-emergence of regionalism, particularly in its economic manifestations, is a response by states to the undermining of the liberal international trading regime and the associated rise in protectionism, particularly in the US. It is thus a *retreat* from multilateralism to regionalism and a *defence* of national interests in that context.

2. The 'advance and compete' explanation whereby regionalism is a type of economic alliance that states enter into to enhance their economic and political security in relation to members and non-members of the alliance or more particularly to boost their competitive position in the global economy. It is thus an *advance* to regionalism to enhance domestic economic efficiency and to enable firms to *compete* internationally.
3. The 'rivals all' explanation whereby regionalism is the result of a defensive interaction among rival firms and rival states. A move to regionalism occurs because states and firms, seeing the prospect of their rivals advantaged by regionalism, move to construct and consolidate their own economic spheres of influence.
4. The 'domestic and the region' explanation that the re-emergence of institutionalized regional economic integration is the result of efforts by states to offset the decline in their ability to regulate the economy and ensure domestic political control and social stability as a result of increasing economic interdependence.
5. The 'ideas and learning' explanation that the regionalism is the result of cognitive change, that is, changes in the ideas and beliefs of policy-makers and élites that have made them more favourably disposed towards regionalism.

Together these five explanations provide a useful framework for understanding the dynamics of change in regional institutions in East Asia and the Pacific.

2. 'Retreat and defend' explanations

The first main explanation, characterized here as 'retreat and defend', derives from liberal institutionalist thought. It sees the re-emergence of regionalism as a response to the undermining of the liberal international trading regime and the associated rise in protectionism, particularly in the US. It is thus a *retreat* from multilateralism to regionalism and a *defence* of national interests in that context. More specifically, regionalism is the consequence of efforts by states to find alternative arrangements that would maintain and enhance the functional regional integration that had occurred under the umbrella of the multilateral trading system and that is now threatened by the inability of the major economic powers to agree on reforms needed to ensure that system's survival.

Regionalism is seen by some supporters of free trade as way of checking the rise of protectionist forces domestically – by acting either as an

external discipline or as an incentive to bring out those forces in favour of free trade – at a time when this could no longer be done by global liberalization. It is thus both a holding position – an attempt to hold on to at the regional level the gains previously made at the global level but now under threat – and an attempt to achieve further advances in liberalization at a regional level in the hope that these can be extended to the global level at a later date.[2]

For others, regionalism, rather than a reaction to the undermining of the multilateral trading system, is an attempt by states and vested interests within those states to escape the discipline of the liberal international trading order and increase their protection against outsiders.

This first explanation is of course a contemporary form of the classical free trade versus protection argument, in a circumstance where the established liberal trading regime is under threat. In this, contention centres on the role of the US as hegemon,[3] shifts in the ideological values and interests of states (particularly the US),[4] and the problems of managing GATT/WTO constructively. [5]

From the first joint statement it is apparent that the principal motive for the first APEC meeting was concern about the stalemate in the Uruguay Round of multilateral trade talks and the concomitant shift by key players such as the US and the EC away from multilateralism to unilateralism, bilateralism and regionalism.[6] Yet whereas the decision of the Mexican and Canadian governments to seek an FTA with the US was clearly an attempt to find an alternative arrangement that would guarantee access to the markets of their most important trading partners, the decision to establish APEC for most of the states involved was more an attempt to maintain and improve the multilateral trading system rather than to create an alternative to it. They hoped that APEC would increase their bargaining position in the Uruguay Round and thus force the EC to compromise further. They also hoped that by including the US in APEC they might be able to exert greater influence over the direction of US trade policy. APEC, they believed, could provide much-needed support to the multilateralists in the US in their battle over control of US trade policy with the unilateralists and bilateralists.

The increasing economic significance of the region relative to the North Atlantic had given rise to the desire to see that significance reflected in international economic fora.[7] It was felt that the shift in the centre of gravity of world production was not reflected in international economic institutions, where the interests of the developed countries of the Atlantic region prevailed to the detriment of the states of the Pacific in particular and of global free trade in general.[8] A Pacific intergovernmental regional

economic arrangement, it was argued, would ensure that the common interests of the states of the region were given due weight in international economic fora.

The US decision to join with the other Asia–Pacific economies in the establishment of APEC, as with its previous decision to create CUSFTA and its subsequent decision to form NAFTA, also reflected a desire to bolster the multilateral trading system. Like the other Asia–Pacific economies, the US believed that APEC would increase pressure on the EC in the Uruguay Round negotiations and thus help bring these negotiations to a more successful and rapid conclusion.[9]

The ASEAN states were also preoccupied by the deadlock in the Uruguay Round of multilateral trade negotiations and saw the maintenance and extension of the open multilateral trading system as the best way to ensure that Southeast Asia remained an attractive destination for foreign direct investment and that the economic growth they believed to be essential to both regional and national political stability was sustained.

The growing importance of manufacturing in the ASEAN economies had led to a significant shift in the nature of regional economic integration from the vertical integration of the 1960s and 1970s to horizontal economic integration.[10] By 1985 manufacturing accounted for at least 20 per cent of GDP in all the ASEAN states, with the exception of Indonesia. The export orientation of this increase in manufacturing production no doubt increased the awareness of the Asian NIEs and more particularly of the ASEAN states that their economic futures depended on the maintenance and strengthening of the GATT and the need to hold open export markets in developed countries.[11] This helped break down the North–South divide, one of the impediments to intergovernmental regional economic cooperation in the 1970s, and enabled the developing countries to make common cause with the developed countries of the region in defence of the GATT.

Yet APEC was more than just a device to rescue the rules-based multilateral trading system. The Asia–Pacific states believed that the remarkable growth in pan-Pacific trade and investment had also been underpinned by the stable regional security environment in East Asia that was the result of the US military presence in Japan and the Philippines.

With the increasing likelihood of a reduction in the US military presence in the region following the end of the cold war, the Asia–Pacific economies perceived economic interdependence and the resulting regional economic dynamism to be under threat.[12] They believed that

APEC would ensure that the US remained economically and militarily engaged in the region, provide some protection against rising US protectionist sentiment which was threatening their access to the US market, and prevent other regional military and/or economic powers such as Japan and China from dominating the region.[13]

The initial Australian proposal had excluded both the US and Canada. The US, however, took little time in informing Australia that it wanted to be included. At the same time it was apparent that some Western Pacific states were reluctant to join a regional economic cooperation organization that excluded the US.

Japan in particular insisted that the US be included. Japan no doubt was concerned that the exclusion of the US would only strengthen the protectionist forces there and increase the pressure being exerted by the US on Japan to reduce its trade surplus with the US. Japanese policy-makers were also concerned that a regional body that excluded the US might bring about a US military withdrawal from Asia and undermine the US–Japan Security Treaty.[14]

The ASEAN states, with the notable exception of Malaysia, also supported the inclusion of the US.[15] The US was a significant market for their manufactured exports and the ASEAN states no doubt felt that the inclusion of the US could enhance the security of their access to that market which was under threat as a result of rising protectionism in the US.[16] They were also concerned about the growing Japanese domination of their economies, probably judging that the presence of the US in a regional economic body would provide a useful counter to Japanese economic hegemony in East Asia. The significant decline in East–West tensions during the late 1980s had done much to allay concern that a regional economic body that included the US could be wrongly perceived as a pro-American military alliance and thus only heighten security tensions in the region. Indeed some ASEAN members were now expressing fears that the reduced Soviet threat in the Pacific could result in a corresponding diminution in the US military presence in the region, thereby creating a power vacuum which might easily be filled by Japan and/or China.[17]

For some states APEC was more than just a means of bolstering support for the Uruguay Round and the multilateral trading system in general or of ensuring that the US remained engaged in the Asia. They saw APEC as providing a fallback position should the Uruguay Round fail. From the start Australia had seen APEC as a vehicle for regional trade liberalization. However, most of the East Asian APEC members were initially opposed to regional trade liberalization, fearing that it

would only reinforce the trend to regionalism elsewhere and thus ultimately undermine the multilateral trading system even further.

Malaysia disagreed with the more widely held view that the best way to deal with rising US protectionism was to unite with it against the Europeans in a pan-Pacific grouping. Instead it wanted to increase the voice of East Asia in international fora through an East Asian regional grouping that included Japan and excluded the US. Malaysia was concerned that the predominance of the US and the EC in international economic decision-making, if left unchecked, would lead to the establishment of new rules that served the interests of the US and the EC but were indifferent to the concerns of others.[18] It believed that by speaking with one voice the states of East Asia could help provide the necessary balance to ensure the maintenance of an open global trading and economic system and prevent the marginalization of Asia and Africa.[19] This view that East Asia had different interests to the US and its economic allies in North America was also instrumental in the establishment of ASEM.

3. 'Advance and compete' explanations

The second main explanation, characterized here as 'advance and compete', derives from neorealist or neo-Marxist thought. Here regionalism is a type of alliance that states enter into to enhance their economic and political security, and more particularly to boost their competitive position in the global economy. States see institutionalized regional economic integration as a means of securing and enhancing access to the markets of important trading partners in their region, and of increasing their bargaining position in international fora and thus securing and enhancing their access to markets in other regions. In the more competitive international economic environment of the 1980s states looked more favourably on the claims of integration economists that regional economic integration would increase the efficiency and international competitiveness of domestic firms, increase economic growth and reduce unemployment.

In this somewhat nationalist and neomercantilist perspective, regionalism is a heightened response to the growing competitive nature of the international environment in the 1970s and 1980s due to the decline in US hegemony, the decline in economic growth, increasing international economic interdependence, changes in the mode of production, a decrease in common values and interests, and a shift in ideas on the nature of comparative advantage.

The connection between the first driving force, 'retreat and defend' (that is, a retreat to a regional trading system as the global trading system falters), and the second, 'advance and compete' (the displacement of national ambitions to the regional sphere), is clear. This kind of regionalism is both defensive and competitive.[20] The related arguments to the advance and compete explanation include those well-known ones about market size,[21] competitive regionalism,[22] nationalist aspirations as to power and influence[23] and the fear of dominance.[24] The different forms of regionalism in East Asia and the Pacific, be it APEC, AFTA, the EAEC/ASEAN+3 or ASEM, and the ARF, were all responses of one kind or another to the growing competitive nature of the international environment in the 1970s and 1980s and in particular to the idea that regionalism could maintain and even enhance a country's economic and political security and boost its international competitiveness.

The smaller Western Pacific economies believed that APEC would enhance their economic security by constraining the political and economic power of the dominant regional powers, Japan and the US, and giving them a greater say in decisions affecting their economic welfare. More particularly it would help ensure that Japan and the US did not settle their bilateral dispute at the expense of other regional states. Without some kind of institutional structure that facilitated consultations on issues of common concern and prevented the adoption of beggar-thy-neighbour polices, they feared that economic interdependence could increase rather than diminish the risk of conflict.

The US also recognized the utility of APEC in maintaining its own economic and political security. With the end of the cold war and the growing economic strength of the East Asian economies, the US sensed that its influence in the region was waning. It felt that a multilateral forum such as APEC would enable it to preserve its strategic role as balancer in the region and thus prevent the region from falling under the sway of another power.[25] The US appeared to be concerned about the impact of the decline in its economic dominance on its influence in the region, and in particular on its previous strategy of relying on bilateral relationships with individual states in the region to maximize its influence.[26] The US was aware that a new regional order was taking shape and was determined 'to play a crucial role in designing its architecture'.[27] The US also saw APEC as a means of increasing pressure on some of the East Asian economies to grant US exporters better access to their markets.

The Asia–Pacific economies also saw regionalism as a means of enhancing their competitive position in the global economy. They were convinced that membership of regional economic fora would enable

national firms to boost their competitive position in world markets by providing them with increased economies of scale, greater opportunities for specialization, more efficient allocation of resources and increased competition. It would ensure the success of their efforts to reduce their dependence on commodity exports and increase their manufacturing exports and would help attract the foreign investment needed to restructure and modernize their manufacturing base. Australia, New Zealand, Canada and the US hoped that APEC would help them consolidate their ties with the dynamic East Asian economies and thus ensure that their economies also benefited from that economic dynamism.

The desire of the ASEAN states to maintain and enhance their economic and political security was also an important factor in the reinvigoration of ASEAN just as it had been in the decision to establish ASEAN. In 1967 the five founding members had clearly seen ASEAN as a way to reduce the risk of interstate conflict among themselves, and the potential regional hegemon, Indonesia, believed that its membership of a regional economic and political arrangement would reassure other states in the region that it would not use its power to subjugate them. The founding members had also seen ASEAN as a means of increasing regional solidarity and cohesiveness, thereby reducing the ability of outside powers to interfere in their internal affairs.

The ASEAN states believed that the formation of a single ASEAN integrated market by way of an ASEAN Free Trade Area and the widening of ASEAN membership to include all the states of Southeast Asia would increase ASEAN cohesiveness, enhance their attractiveness as destinations for foreign investment, and balance the rising economic and political power of China. ASEAN has also sought to increase its bargaining position and attractiveness to foreign investment through the ASEAN+3 and AFTA–CER linkages.

ASEAN states were concerned that ASEAN cohesion was under threat from the growing importance for individual member states of extra-ASEAN economic ties and the stagnation of intra-ASEAN trade. This was leading to a growing divergence of interests and increasing competition for foreign markets and investment among member states. There was a risk that this competition might increase political tension between member states and revive unresolved territorial disputes.

ASEAN member states were also concerned by the growing economic and political power of China in post-cold war Asia. They wished to limit the ability of China to play one ASEAN country off against another. By widening ASEAN to include the Indochinese states and Myanmar they

hoped to not only reduce the ability of China to adopt a divide and rule strategy, but also increase the region's economic weight and attractiveness to foreign investment. The ASEAN−10 have a total population of 500 million – half that of China, and a combined GDP of US$735 billion and total trade of US$720 billion.

Deepening ASEAN through AFTA would have a similar effect. It would boost ASEAN cohesion by increasing intra-ASEAN trade and reducing the ability of foreign investors to play one state off against another. The gains in efficiency and productivity that would arise from AFTA through greater economies of scale, increased specialization and more intense competition would increase the international competitiveness of ASEAN-produced goods and make each of the ASEAN member states a more attractive destination for foreign investment needed to restructure their economies and reduce their dependence on the export of commodities. The economic growth that AFTA would engender would restore domestic confidence in the ability of the ruling élites to manage the economy and thus ensure their continued rule and national political stability in a time of economic transformation.

The ASEAN states have also strengthened their cooperation on security matters. In 1992 they adopted the ASEAN Declaration on the South China Sea in response to the threat of Chinese intervention in the South China Sea against ASEAN members. More recently they have established the ASEAN Ministerial Troika to deal more rapidly with issues threatening peace and stability.

The East Asian states have increasingly come to see the need for some form of East Asian regionalism, be it EAEC or ASEAN+3, as a way of maintaining and enhancing their political and economic security by ensuring the continuation of East Asian economic interdependence and the resulting regional economic dynamism. The shift by Japan and the Asian NIEs of some labour-intensive production to Southeast Asia had led to increased East Asian economic interdependence. The region has thus become more self-sufficient in both trade and investment and its dependence on the US market has lessened.[28] However, this growing regional economic interdependence brought with it new concerns and fears and new sources of conflict, and a need for new mechanisms of management and harmonization which would foster the positive aspects of interdependence and lessen the negative aspects.[29]

One particular concern was that with the formation and consolidation of regional free trade in North America and Europe and fears that these might become more closed to outsiders, Japan and the other Asian NIEs might choose to invest more in Europe and North America and less

in Southeast Asia.[30] Japan's strategy of utilizing the cheaper labour of ASEAN in order to maintain its international competitiveness had significantly reduced ASEAN's economic bargaining power in relation to Japan.[31] ASEAN member states feared that Japan could decide to move its labour-intensive production to more competitive locations, thus forcing the ASEAN states to compete with states elsewhere in order to maintain their attractiveness to Japanese capital.

Malaysia was no doubt aware that the achievement of its objective of transforming Malaysia into a developed country by 2020 was dependent on the continued flow of Japanese, Taiwanese and South Korean capital into Malaysia. It wished to anchor Japan in East Asia and saw an East Asian regional trade grouping as a way to do this.[32]

Regional states saw political stability as a condition of regional economic interdependence and were concerned that unresolved political tensions in the region could spill over into the economic arena, thereby threatening regional economic interdependence and economic growth. Some states felt that the US-centred 'hub and spoke' regional security system was no longer appropriate and that regional states should play a greater role in the resolution of political tensions rather than relying on the US.

APEC was prevented from taking on such a role by China's refusal to discuss political and security matters in a body that had both Taiwan and Hong Kong as members. The ASEAN states had allowed ASEAN to partly fulfil this need for political and security discussions through meetings with its dialogue partners at its post-ministerial conferences. Early attempts to establish a regional security cooperation forum initially met resistance from various states. The US was reluctant to abandon its bilateral approach to security relations in the Asia–Pacific, and ASEAN members were concerned that a separate regional security forum would reduce the importance of ASEAN and, in particular, the post-ministerial conferences, to both members and non-member states. It was only in 1994 that a separate regional security body, the ASEAN Regional Forum, was established to promote confidence-building, preventive diplomacy and conflict resolution in the region.

4. 'Rivals all' explanations

The third main explanation, characterized as 'rivals all', argues that regionalism comes about as a defensive response among rival firms and rival states, whereby both firms and states come to see their welfare from a regional rather than a purely national perspective, resulting in a

subsequent strengthening of regional identity and consciousness. In the first place a move to regionalism occurs because increasing competition drives firms into regional arrangements.[33] In the second case, states, seeing the prospect of their rivals advantaged, move to construct and consolidate their own economic spheres of influence. Inherent in this explanation is the idea that interregional rivalry and competition are more powerful motives for regionalism than either the undermining of the global trading system of the first explanation or the advancement of national interests of the second. It will be seen already that this third powerful explanation of state interaction producing regionalism does not contend with explanations one and two – it may simply reinforce these explanations at the strategic level among scholars and policy-makers. It is also apparent from the case studies that the new regionalism was to some extent also the result of a kind of interactive chain reaction, with regionalism in one area provoking an extension of regionalism in another. In this way the spiral of anxiety about competitive regionalism resembles in some respects the spiral of competitive security reactions in international relations.

Bates has shown that an important factor in the global resurgence of regionalism in the 1980s and 1990s was the development of a sense of regional identity. Intraregional rivalry was still present but subordinated to the need for intraregional cooperation in face of interregional rivalry. The increase in economic interdependence among the states of the Asia–Pacific region, the growing importance of the region in the global economy and the establishment and consolidation of regional trading arrangements in Europe and North America have led to an awareness among the states located in these regions of belonging to a regional entity with its own interests to defend.[34]

Unlike in North America and Europe, there is still considerable disagreement amongst the states in the Asia–Pacific as to what constitutes the region. Is it Southeast Asia? Is it a region called East Asia, composed of Southeast and Northeast Asia? Is it the Western Pacific, made up of East Asia and Australia and New Zealand? Or is it the Asia–Pacific, taking in both rims of the Pacific Ocean?

Australia had originally perceived the region to be the Western Pacific. It argued that as a result of the increase in the Western Pacific's share of world trade and world production, the region was underrepresented in international economic fora. There was a need, Australia argued, for a stronger Western Pacific voice to ensure that the interests of the region were not overshadowed in the Uruguay Round of multilateral trade negotiations by the world's economic giants, the US and the EC. Following the

invitation to the US and Canada to join APEC, however, the Asia–Pacific soon replaced the Western Pacific in Australian official discourse.

Malaysia has steadfastly opposed the attempt to define the region as the Asia–Pacific and has advanced its own proposals for an East Asian region that excludes not only the US and Canada but also Australia and New Zealand.[35] The emergence of a sense of East Asian identity, consciousness and pride was partly the result of the desire by other East and Southeast Asian states to emulate the economic success of Japan. The adoption of a Japanese model of economic development by these states has led to the emergence of shared values and practices and of a belief that there is something distinct about East Asia which sets it apart from Europe and North America. More recently, the differences between the Asian APEC members and the US over the best way to achieve the goal of regional free trade has led to the assertion that there is a distinct Asian approach to regional trade and investment liberalization and facilitation.[36] Whereas the Asian members are said to prefer to agree on principles first, and then let things evolve and grow gradually, with minimum government intervention or direction, the US approach is to start with legally binding commitments.

This nascent East Asian identity was further strengthened by the Asian financial crisis. The crisis, while severely affecting states in East Asia, had little impact on the US, Canadian, Australian and New Zealand economies. And the views held by East Asian states as to the causes of and solutions to the crisis differed markedly from those of the non-East Asian Pacific states. In particular, there was a shared perception among the East Asian states that the solutions imposed by the International Monetary Fund had not been adapted to local conditions and had only aggravated the financial crisis, at least in the initial stages.

Japan's view of what constitutes the region is a rather ambiguous one that has changed considerably over time.[37] This is due partly to the ongoing debate within Japan about its place in the world.[38] Because of its dependence on the US security guarantee and market, Japan has actively pursued Asia–Pacific regionalism as a way of anchoring the US in the region. Its initial ambivalence to Malaysia's proposal reflected both US opposition to the proposal and its own concerns that the exclusion of the US from the EAEC could encourage protectionism and isolationism in the US polity. Yet at the same time it has seen a need to foster economic and political ties with East Asia to increase its leverage *vis-à-vis* the US and the EC and as fallback position should both the US and the EC become more protectionist. It has become supportive of East Asian regionalism in the wake of the Asian financial crisis.

Yet despite this disagreement about what constituted the region, states in the Asia–Pacific were becoming increasingly interested in regionalism. This increased interest was clearly a response to the upsurge in regionalism both outside the Asia–Pacific – in Europe and North America – and within – the establishment and consolidation of APEC and the rise of East Asian regionalism.

The establishment and more particularly the consolidation of APEC, the widening and deepening of ASEAN, the Malaysian EAEC proposal and the establishment of ASEAN+3 were all partly motivated by the desire to offset the benefits that states in other regions were said to derive from their membership of regional economic groupings such as the EC and NAFTA. They were the result of efforts by Western Pacific states to strengthen their bargaining position *vis-à-vis* the other regions and to stem investment and trade diversion to other regions.

The Western Pacific states feared that the establishment of the EC single market and NAFTA and their mooted extension to Eastern Europe and Latin America respectively would divert trade and investment from the Western Pacific by giving exporters from Eastern Europe, Mexico and the other Latin American states a competitive advantage over their own in terms of access to the EC and US markets.[39]

The collapse of Communism in Eastern Europe in late 1989 and early 1990 had increased the fears of the ASEAN states that trade, investment and development aid would be diverted from the ASEAN states to Eastern Europe in order to ensure the survival of the fledgling non-Communist governments there.[40]

These fears were redoubled by the move to establish NAFTA. Japan and the North Asian NIEs were particularly worried that, with the introduction of more restrictive rules of origin, NAFTA might evolve into an exclusionary bloc.[41] The ASEAN states were concerned that the NAFTA rules of origin might also curtail the transfer of labour-intensive production from Northeast Asia to Southeast Asia that had been a feature of the late 1980s and had been a significant factor in the region's high growth rate over that period.[42] Since many of these labour-intensive products were destined for the North American market, Northeast Asian and US producers might prefer to shift their operations to North America instead so as to remove any uncertainty concerning the access of these products to the North American market.[43]

There was a growing perception within regional élites that a larger integrated ASEAN market was essential if firms were able to compete on equal footing with their Indian, Chinese, Eastern European and Mexican rivals.[44] Increasingly national interests were seen as being inseparable from

regional interests, as both firms and states became aware that, with their comparative advantage in labour-intensive production now exhausted, the national market was no longer sufficient to provide the economies of scale required for the move to more capital-intensive production.

These concerns about the specific effects of NAFTA and about investment, trade and aid diversion in general no doubt strengthened the position of those policy-makers within the ASEAN states who wanted to make their countries more attractive as foreign investment locations by removing trade and investment barriers.[45] They made ASEAN governments more willing to undertake trade and investment liberalization at a regional level and were thus a significant factor in the decisions to give both APEC and ASEAN a firmer institutional basis and in moves to liberalize trade and investment both within APEC and ASEAN. A stronger, more formalized APEC and the establishment of AFTA, they believed, could reduce any diversion effects NAFTA might have on Pacific trade and investment flows.

Although Malaysia also called for closer economic cooperation among the ASEAN members, it argued that by itself that would not be enough.[46] If Europe and the US were to become more inward-looking, even an ASEAN which included Indochina, Mahathir maintained, would be 'unlikely to prise open the rich markets on which their economies depend'.[47] It was only by working together with the East Asian states, he argued, that ASEAN could have a bigger say in trade negotiation internationally.[48] Given that the potential for growth in East Asia was much higher than in either the EC or NAFTA, Mahathir reasoned, both these blocs would have to think twice before they took any action which might lead them to miss out on the chance to benefit from that growth.[49]

The widening and deepening of ASEAN, the growing interest in East Asian regionalism and the establishment of ASEM were all in part reactions by East Asian states to the formation and consolidation of APEC. The decision in 1992 to establish AFTA and subsequent decisions to reduce the period for its implementation were in part a response to the establishment and consolidation of APEC and to the fear that APEC might undermine ASEAN.[50] Some ASEAN states had originally opposed the establishment of APEC. Their principal concern was that APEC would undermine the identity and cohesion of ASEAN and weaken substantially the collective bargaining power of its members *vis-à-vis* the outside world.[51]

With the decline in East–West tensions and the growing concern about the future of the GATT, it was apparent that geo-economic

considerations were becoming as important as, if not more so than, geostrategic considerations. Although ASEAN had originally been established to facilitate economic cooperation among its members, its achievements in this area had been quite disappointing. The dynamic growth that ASEAN states were experiencing owed little to ASEAN and had increased the economic interdependence between individual ASEAN states and states outside ASEAN rather than within ASEAN itself.[52] Joining a larger economic cooperation grouping, it was feared, could further undermine ASEAN solidarity and effectively deprive that regional organization of the opportunity to enhance economic cooperation among its members now that its political rationale had declined. ASEAN states believed that AFTA would increase the cohesiveness of ASEAN by strengthening the economic bonds between the member states and increase the relevance of ASEAN in the eyes of its members and outside states.

Malaysia's proposal for East Asian regional cooperation was also clearly a response to what Malaysia saw as unwelcome developments in the APEC process, namely a shift in the nature of APEC from an informal consultative forum to a more formal institutionalized negotiating body. It no doubt saw the EAEG as both an alternative to APEC – which Mahathir attacked for being a tool of the US – and a means of forestalling APEC's development.[53] Malaysia believed that the EAEG, through its exclusion of the US and other Western nations in the region, would ensure that the views of the developing countries of Asia were heard.

The ASEM was also clearly a reaction by the European Union to the formation of APEC and an attempt to drive a wedge between the US and Asia and to counterbalance what they saw as a privileged relationship between the US and East Asia. It was also an attempt by East Asian states to increase their bargaining power in international fora, particularly *vis-à-vis* the US and Europe, and to counter the formation of NAFTA.

The consolidation of APEC and the moves by Australia and New Zealand to link their own bilateral free trade agreement more closely to the ASEAN FTA were in part a reaction to the Malaysian move to establish the EAEG/EAEC. Many APEC members feared that the exclusion by Malaysia of the US from membership of the EAEG – renamed the East Asian Economic Caucus (EAEC) – would further encourage those in the US calling for a more isolationist foreign policy. East Asian states such as South Korea and Indonesia were also fearful that a grouping that excluded the US would be dominated by Japan.

Malaysia's exclusion of Australia from the EAEC has also heightened Australia's concern about its own exclusion from such arrangements

and encouraged it to make new proposals to further strengthen APEC so as to make it the primary regional institution. Thus Keating's proposals for regular APEC leaders' summits and for an integrated regional marketplace were a response to both the establishment of NAFTA and Malaysian moves to establish the EAEC.

Malaysia's EAEC proposal also augmented US concerns about its diminishing influence in East Asia and its possible exclusion from that region's new post-cold war economic and political arrangements. As a result the US administration under both Bush and Clinton became more supportive of proposals to consolidate APEC. The Bush administration called for the establishment of a permanent secretariat along the lines of the OECD.[54] The Clinton Administration adopted the Australian proposal for APEC leaders' summits and organized the first such meeting in Seattle in November 1993. It also gave strong support to the proposal for regional free trade in the lead-up to the Bogor APEC Leaders' Summit and saw the US drop its opposition to the establishment of a pan-Pacific multilateral security organization. The US also showed greater willingness to compromise on the methodology of regional trade liberalization and thus facilitated the adoption by APEC of the goal of regional free trade by 2020 at the Bogor APEC Leaders' Summit in 1994.

5. 'Domestic and the region' explanations

The fourth main explanation, characterized by 'domestic and the region', is that the re-emergence of regionalism is a reaction to the costs of increasing economic interdependence. Thus states act to offset the decline in their ability to regulate the economy and ensure domestic political control and social stability. Because of the closer geographical, historical, strategic and cultural links between contiguous states it is argued that there is a greater likelihood that agreement can be reached on common principles of economic management at a regional level than at a global level.[55]

It is here that regionalism intersects with the debate in economics concerning the role of the state in the economy. Some, such as Hayek and Olson, have seen regionalism in the form of economic federations as a way to halt the increasing socialization of the economy and to curb the power of vested interests and reduce protectionist pressures.[56] Others have seen regionalism in the form of the joint exercise of certain regulatory powers with other states at the regional level as a way for states to offset the decline in their ability to regulate their national

economies brought about by growing global and regional economic interdependence, floating exchange rates and the removal of barriers to trade and capital flows.[57]

The view of pan-Pacific regionalism held by the Asia–Pacific states is generally more in accordance with that of Hayek and Olson that regionalism can be used to reduce government interference in the economy and to undermine distributional coalitions that favour protectionist policies. States saw APEC trade facilitation and liberalization as a way to hasten the pace of deregulation rather than as a means of reasserting government control of the market. The shift in the economic paradigm from Keynesianism to economic liberalism and the corresponding shift in the direction of economic policy from import substitution to export-oriented industrialization had made governments less concerned with maintaining strong regulatory control of the economy. Indeed, many governments of an economic liberal persuasion saw regional trade agreements as a way of giving up certain regulatory powers and of ensuring that no future government could regain them.

At the same time, as can be seen by the considerable opposition to the institutionalization of APEC and the adoption of the concerted unilateralism approach to trade liberalization, some APEC members, in particular the developing countries of ASEAN, were fearful that any formal cession of sovereignty to a regional authority would only increase the ability of Japan and the US to interfere in their affairs. If anything, they hoped that by reducing the ability of governments to regulate imports of goods and capital, APEC would limit the increased opportunity that this growing economic interdependence had given the US and Japan to influence their policies. It would also prevent governments from shifting the adjustment costs of growing interdependence – largely the result of shifting comparative advantage – through increased protectionist measures on to their trading partners.

The Asian financial crisis has modified the way the East Asian states view regionalism in East and Southeast Asia. The recent moves to consolidate both ASEAN and ASEAN+3 were clearly the result of a desire by East Asian states to prevent the recurrence of similar crises and to offset any decline in their ability to regulate their national economies brought about by growing global and regional economic interdependence. The Asian financial crisis has consolidated consultation among ASEAN members on financial and macroeconomic policy and led to the establishment in March 1999 of the ASEAN Surveillance Process, an early warning system and regional economic surveillance exercise based on peer review. There has been agreement to conduct ASEAN regional

trade as much as possible in local currencies and there have been proposals to establish a single ASEAN currency. ASEAN members have decided to develop regional support mechanisms and to establish a social safety net.

The crisis has also convinced East Asian states of the need for financial regulation at the regional level in the absence of an effective international financial regulatory regime.[58] The ASEAN+3 group has agreed to hold regular meetings of finance ministers and bank governors, and Japan has proposed the establishment of an Asian Monetary Fund.

6. The influence of ideas and learning

So far these four kinds of explanations can be seen as mutually reinforcing tendencies to regionalism. The fifth explanation, characterized as 'ideas and learning', is analytically different, being one of process. It explains how shifts in ideas and norms (such as those in these arguments) change the social and political context for policy-making on regionalism. This explanation about ideas and learning sees the re-emergence of regionalism as the result of cognitive change, that is, changes in the ideas and beliefs of policy-makers and élites that have made them more favourably disposed towards regionalism. Of particular importance are changes in élite attitudes to the following overlapping issues: the role of government in the economy and in the shaping of comparative advantage;[59] whether regionalism fosters or constrains protectionist forces;[60] whether it diminishes or augments the risk of war;[61] whether it enhances or reduces a state's economic security and/or sovereignty;[62] and finally whether it will by necessity lead to eventual political union.[63] What appears to have happened is the emergence of a dominant discourse of regionalism founded on the four main explanations and taken up through élite learning, leadership of ideas, and consequent institutionalization of these ideas in regionalist thought and practice.[64]

The shift in the dominant economic paradigm from Keynesianism to economic liberalism has made policy-makers more favourably disposed towards institutionalized regional economic integration. There is a logical coherence between the basic conviction of economic liberals that a return to economic growth would require less government involvement in the economy and a greater reliance on market forces, and the long-standing arguments of integration economists that FTAs, by eliminating government regulation of trade between states, would boost economic growth through increasing economies of scale, greater

opportunities for specialization, a more efficient allocation of resources and increasing competition between firms. This shift in the dominant economic paradigm, together with the patent success of the export-oriented growth strategies in East Asia, reduced concerns held by states about the loss of economic sovereignty that would result from membership of an FTA, and led to the abandonment of import substitution industrialization strategies, thereby overcoming two significant obstacles to institutionalized regional economic integration.

This was true not only of the developed countries – Australia, New Zealand, Canada, the US and Japan – but also of the developing countries of ASEAN. The success of previous experiments with export-oriented growth both at home and elsewhere in East Asia had increased the willingness of governments to listen to the advocates of export-oriented growth and deregulation.[65] At the same time the growing economic problems experienced by states that continued to pursue import substitution had weakened the influence of the proponents of opposing policies. As a result policy-makers became more concerned about maintaining and enhancing their access to export markets. They were thus more willing to accept regional agreements that would limit their ability to regulate the import of goods and capital if as a result of similar actions by other states their own access to foreign markets and capital was enhanced.

This change in the attitude of states towards regionalism was reinforced by the realization that the economic space required to support an internationally competitive and innovative industrial structure was now beyond that of most states. States have also become aware of the link between economic strength and political power. Economic prosperity and industrial competitiveness are seen much more than in the past as vital to the maintenance and expansion of a state's influence in international politics. By joining a larger regional market a state could increase its economic prosperity and its political leverage.

States have also learnt the value of regional economic agreements in reducing economic uncertainty and in increasing national economic security and welfare. They are less inclined than in the past to fear the loss of formal economic sovereignty that such agreements entail. Indeed, one of the most important cognitive changes concerns the original belief that the national interest can be best safeguarded by the unflinching defence of national sovereignty.

There appears to be a growing realization on the part of Southeast Asian states that their national interests could in some cases be better assured by the surrender of some of their national sovereignty. The Asian financial crisis has taught them the value of closer regional consultation

and coordination on financial and macroeconomic policies and led to the establishment of the ASEAN Surveillance Process, whereby member states agree to submit their policies to peer review.

Recent events in Myanmar, Cambodia and East Timor have led some ASEAN members, most notably Thailand and the Philippines, to question one of ASEAN's founding principles, that of non-interference in each others' internal affairs, in cases where events in one member state could have repercussions for other states' internal political or economic security or could result in intervention by non-ASEAN states in an ASEAN state's internal affairs. Others, however, have resisted change in this direction.

The resurgence of regionalism in East Asia and the Pacific is also the result of the adoption by policy-makers of certain ideas favourable to regionalism due to the lobbying and influence of epistemic communities and/or existing regional institutions. In the case of APEC the growing acceptance by states of the need for APEC, particularly by those who in the past had been most opposed to the idea – the developing countries of ASEAN – can be attributed in part to the growth of a pro-regional cooperation network in the states concerned and to the increasing ability of that network to influence government policy.

The prior existence of non-governmental regional economic cooperation bodies such as PECC, PAFTAD and PBEC helped allay the fears of the ASEAN states with regard to pan-Pacific regionalism. Such bodies played a key role in the socialization of political élites, particularly in the ASEAN states, by facilitating the spread of the idea of Pacific economic cooperation and by providing opportunities for enhanced mutual understanding and personal acquaintance.[66] They also played a part in bringing about a convergence of perceptions on economic policy issues among the Asia–Pacific states, a convergence which, as we have already noted above, many see as a factor in the establishment of the APEC process.[67]

Within ASEAN, a network of think tanks had developed to provide governments with advice on political and economic policy.[68] Their researchers were regular participants in PECC and met frequently with each other and with researchers from European think tanks to discuss ways regionalism could be promoted. The ASEAN think tanks played an important role in consolidation of ASEAN, and in particular the establishment of AFTA. They also were key players in the development of the regional security framework at both the government (first-track) and non-government (second-track) levels.[69]

7. Conclusion

The Asia–Pacific region is in a state of flux and the shape and nature of regionalism in the area is still unclear. In the early 1990s, ASEAN regained momentum and began transforming itself into a free trade area. Whether it continues to evolve into a political union or federation as the EU is doing or into some more unusual arrangement or whether it stagnates once more or is subsumed into a larger regional body remains to be seen. As for APEC, its momentum has been halted at least for the moment. It could resume its transformation into a free trade area as foreshadowed in the Bogor Declaration. Or it could revert to being simply a consultative forum for the Asia–Pacific in the same way that ASEM is a consultative forum for Eurasia. East Asian regionalism has gathered pace. Yet it is still not certain whether it will evolve into more than a consultative forum – a free trade area, a common market or perhaps even a political federation – or whether it too will stagnate as the different interests of its members overshadow the sense of common purpose that has arisen out of the Asian financial crisis. It is also unclear what role, if any, India will play in regionalism in the Asia–Pacific and Asia. One thing remains certain about regional institutions in the Asia–Pacific: their rapid rate of change over the past decade makes predicting their future a difficult task indeed.

Notes

1. Stephen Edward Bates, 'The New Regionalism: Comparing the Development of the EC Single Integrated Market, NAFTA and APEC', PhD Dissertation, Australian National University, May 1996.
2. This divergence from the orthodox liberal view of regionalism became the dominant view in the 1990s. Regionalism was seen as a building block rather than a stumbling block. Some scholars made a distinction between a new form of non-discriminatory regionalism – open regionalism – and the more orthodox forms of regionalism.
3. The argument here is that the undermining of the liberal trading regime (and hence the rise of institutionalized regional economic integration in the 1980s) is the result of declining US hegemony. See Bates, 'The New Regionalism', pp. 76–9.
4. The argument here is that the undermining of the liberal trading regime (and hence the rise of institutionalized regional economic integration in the 1980s) is the result of a decline in common ideological commitment by key economies to liberal economic values, and of diverging interests. See in particular the arguments of Gilpin and Keohane as outlined in Bates, 'The New Regionalism', pp. 83–97.

   The specific argument relating to the US is that the erosion of the liberal trading regime is due to a decline in US willingness to uphold GATT either

because a shift in US comparative advantage has meant that GATT as presently constituted is no longer in its interests or because after the end of the cold war the US is no longer willing to accept free-riding by others. It is further argued that both the shift in US comparative advantage and the end of the cold war have brought about a decline of the free trade coalition in the US.

5. The argument here is that global trade liberalization is becoming harder to achieve as a result of the increase in the number of members whose agreement is required and of the increasing importance of non-tariff barriers. In other words, there is a need for even greater mutuality of interest than in past. This is easier to achieve at the regional level where there are few participants and there is more likelihood of homogeneity of interests. See in particular the arguments of Triffin and Cooper in Bates, 'The New Regionalism', pp. 66–8.
6. Joint Statement, First APEC Ministerial Meeting, Canberra, 6–7 November 1989 (Department of Foreign Affairs and Trade (Australia) p. 9.
7. According to Peter Drysdale ('Growing Pains: New Grouping Could Calm US–Asia Friction', *Far Eastern Economic Review*, 16 November 1989, pp. 14, 19), between 1965 and 1988 the Asia–Pacific region had increased its share of world trade from 30 per cent to 38 per cent. Even more significant was the fact that the volume of trans-Pacific trade had surpassed trans-Atlantic trade for the first time in 1984. See Andrew Elek, 'The Evolution of Asia Pacific Economic Cooperation', *Backgrounder*, Vol. 1, No. 17, 1990, p. 4.
8. Bob Hawke, 'Asian Pacific Cooperation: Towards 2000', *Australian Foreign Affairs Record*, November 1984, p. 1212.; Gareth Evans, 'Asia–Pacific: The Australian View', *Australian Foreign Affairs Record*, Vol. 60, No. 10, 1989, p. 280; Alan Oxley, 'GATT and a New Round of Trade Negotiations: Australian Views', *Australian Foreign Affairs Record*, October 1985, p. 997. It was argued that the natural defenders of the multilateral trading system were the dynamic trans-Pacific economies and not the more stagnant trans-Atlantic economies and yet negotiating power in multilateral trade negotiations was concentrated in the Atlantic and not the Pacific. This argument takes up that of Peter Drysdale and Hugh Patrick, *An Asia Pacific Regional Economic Organization: An Exploratory Concept Paper*, Washington, DC: Library of Congress, 1979, p. 13.
9. See 'US rejects "trading entity" role for APEC', *Australian*, 20 August 1993, p. 5; 'We'll turn to APEC if you kill GATT, US tells Europe', *Australian*, 17 November 1993, p. 1.
10. Department of Foreign Affairs and Trade (Australia), *Asia Pacific Economic Cooperation: Preliminary Submission to the Joint Committee on Foreign Affairs, Defence and Trade*, 1989, p. 6; Kamal Salih, *The Future of Economic Cooperation in the Asia Pacific Region: The View From an ASEAN Perspective*, Kuala Lumpur: Malaysian Institute for Economic Research, 1989, pp. 3–4.
11. According to Djisman Simandjuntak ('Trade Frictions and Patterns Among the Pacific–Asian Nations', in Robert A. Scalapino, Seizaburo Sato, Jusuf Wanandi and Sung-Joo Han (eds), *Regional Dynamics: Security, Political, and Economic Issues in the Asia–Pacific Region*, Jakarta: CSIS, 1990, p. 329), the increase in the concern of the ASEAN countries with regard to the Uruguay Round and the GATT in general was in part due to their rising dependence on the export of manufactures to the US market.

12. Foreshadowing one of the principal factors in the establishment of APEC a decade later, Drysdale and Patrick, *An Asia Pacific Regional Economic Organization* pp. 12–14, maintained that the establishment of a regional institution was essential to ensure that the phenomenal economic growth in the region would not be adversely effected by an erosion of the global institutions such as the GATT or by growing tensions in the US–Japan economic and political alliance and changes in the strategic and political balance in the North and Southeast Asia, which had underpinned that growth in the past.
13. It would also provide a robust structure that would preserve and enhance regional economic interdependence if and when the US security umbrella was withdrawn.
14. Masatoshi Inouchi and Takashi Terada, 'Asia Pacific Economic Cooperation and Australia–Japan Relations: A Japanese Perspective', *Pacific Economic Paper No. 224*, Canberra: Australia–Japan Research Centre, 1993, p. 14.
15. Interview with Richard Woolcott, May 1992; interview with John Richardson, April 1992.
16. Salih, *The Future of Economic Cooperation in the Asia Pacific Region*, pp. 8–9; Muthiah Alagappa, 'US–ASEAN Security Relations: Challenges and Prospects', *East–West Centre Reprint Series, International Relations Program, No. 4*, Honolulu: East–West Centre, 1989, pp. 25–31.
17. See Alagappa, 'US–ASEAN Security Relations', p. 13. Malaysian Prime Minister Mahathir, however, dismissed these concerns. He argued that he did not see a major role for the US as a balancing force in the region and that in any case a US withdrawal from the region was inevitable. See 'Mahathir sets his own course for stability', *Australian*, 26 April 1993, p. 13.
18. Malaysia had been angered by recent moves within the EC to boycott tropical timber and the campaigns in the US against the consumption of palm oil.
19. '"Need for larger East Asian grouping"', *Business Times*, 10 April 1991.
20. The concept of enhancing security is defensive in the sense of conserving relative position and power in the international system, and competitive in the sense of striving to improve one's position both commercially and diplomatically.
21. The argument here is that states, desperate for new ways to promote growth, reduce unemployment and boost economic competitiveness, were attracted by arguments that by increasing the size of the market (economies of scale) closer economic integration would boost growth and international competitiveness and increase their attractiveness as a site for foreign investment. A variant of this argument is specifically concerned with the necessity to promote new technologies. Thus, as a result of the widespread belief that new technologies can be an important source of economic growth and that their application can boost the competitiveness of other industries, a state may pursue institutionalized regional economic integration if it believes that its own market and investment capabilities are not sufficient for it undertake the development of such technology.
22. The argument here is that states may pursue institutionalized regional economic integration for defensive reasons; that is, to offset the competitive advantages that other states are thought to have gained by joining a regional grouping.

23. The argument here is that states may pursue institutionalized regional economic integration to increase their political and economic influence *vis-à-vis* non-members, particularly if they feel that that influence has declined.
24. The argument here is that states may pursue institutionalized regional economic integration to constrain the political and economic power of a dominant regional power. This argument applies particularly to smaller states. Conversely, a potential regional hegemon may elect to join a regional economic arrangement in order to reassure other states in the region that it will not use its power to subjugate them. In a region in which there are two or more powerful states, these states may pursue institutionalized regional economic integration in order to reduce the risk of interstate conflict between themselves.
25. This motive for US participation is evident in the testimony of the Acting Deputy Assistant Secretary of Defence Rear Admiral Wright (1990) before the Subcommittee on Asia Pacific Affairs of the House of Representatives Committee on Foreign Affairs. US Secretary of State James Baker ('A New Pacific Partnership: Framework for the Future', *Department of State Bulletin*, August 1989, p. 64) linked the US decision to participate in a new framework for regional economic cooperation to the determination of the US to remain a Pacific power.
26. See for example Rear Admiral Timothy Wright, *Statement Before the House Subcommittee on Asian and Pacific Affairs*, Washington, DC: US Government Printing Office, 1990, pp. 5–7, who argued that 'the ground is shifting beneath American security strategy (in East Asia)'.
27. Baker, 'A New Pacific Partnership', p. 64.
28. In 1989 for the first time Japan's trade with East Asia was greater than its trade with the US. Intra-East Asian trade grew from 33 per cent in 1980 to 42 per cent in 1991. The annual growth rate of intra-East Asian trade has increased from 8.6 per cent in the early 1980s to 20.7 per cent in the early 1990s. By 1997 ASEAN exports to East Asia represented 25 per cent of total ASREAN exports and exceeded ASEAN exports to either the US or the EU. In 1985 the US accounted for one-third of total East Asian exports. This had shrunk to one-fifth in 1991. In 1991 Japanese exports to East Asia were worth US$107 billion compared to US exports to East Asia of only US$60 billion. Japanese investment in the region was twice that of the US while Japanese aid was three times that of the US. Japan, the East Asian NIES and Singapore accounted for 60 per cent of foreign direct investment in the remaining ASEAN countries. See *Business Week*, 11 November 1991, p. 29.
29. Noordin Sopiee, 'ASEAN and APEC – Time for More Action', *New Straits Times*, 29 July 1990.
30. Mahathir bin Mohamad, 'Cooperation and Competition in the Pacific', *Foreign Affairs Malaysia*, June 1991, p. 74. According to *Business Times* (13 January 1992, pp. 1, 2, 8), there had been a marked slowdown in investment flows from the Asian NIES and Japan to ASEAN since the latter half of 1990. It noted a dramatic increase in investment flows from these countries to China and Vietnam.
31. Lee Poh Ping, 'Reflections on the Pacific Community Concept', *Asia Pacific Community*, Spring 1990.
32. Noordin Sopiee, 'Isis: Proposed grouping is to counter trading blocs', *Business Times*, 16 January 1991. According to Sopiee, despite the sixfold increase in

Japanese investment in the 1980s, Japan still invested less in East Asia than elsewhere. Between 1986 and 1989 it invested US$19.8 billion in East Asia but US$21.1 billion in the EC and US$33.6 billion in the US. In 1989 Asia received only 4.7 per cent of Japanese long-term capital outflows and only 2.2 per cent of Japanese direct foreign investment.

33. There are two main arguments here. The first is that recent changes in the mode of production that favour production at a regional level over production at a global level are driving firms into regional arrangements. The second is that for firms in oligopolistic industries institutionalized regional economic integration is a way of protecting their market shares from outside competitors.
34. Department of Foreign Affairs and Trade (Australia), *Asia Pacific Economic Cooperation: Preliminary Submission to the Joint Committee on Foreign Affairs, Defence and Trade*, 1989, pp. 5–6. The 1980s had seen an increase in regional economic interdependence. According to Drysdale, 'Growing Pains', pp. 14, 19, Asia–Pacific intraregional trade had grown from 50 per cent in 1965 to 64 per cent in 1988.
35. The US has vehemently opposed Malaysia's view of the region and argues that the states of East Asia should focus their efforts on APEC. It believes East Asian regionalism would undermine trans-Pacific economic interdependence by cutting East Asia off from its major trading partner and encouraging economic rivalry between the US and Japan. Yet it has no such problems with North American regionalism, which it has actively encouraged. For the US the Asia–Pacific is just one of the regions it belongs to and not necessarily the most important. As well as its global interests, the US has strong interests in the North America, Latin America and the North Atlantic.
36. Suhadi Mangkusuwondo, 'An Indonesian View of APEC', *Indonesian Quarterly*, Vol. 22, No. 4, 1994, pp. 294–95.
37. According to Takashi Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, New York: St Martin's Press – now Palgrave Macmillan 1993, p. 134, the Ministries of Finance, Foreign Affairs, and International Trade had initially found the EAEC/EAEG proposal attractive but became less supportive when it became apparent that the US was strongly opposed.
38. The debate over the merits of the EAEC proposal in Japan has coincided with the new Asianist push. It is in some ways yet another episode in the debates between the different political factions over the direction of Japanese foreign policy. According to Sheiichiiro Saito, 'Pitfalls of the New Asianism', *Japan Echo*, Vol. 19, 1992, pp. 3–4, ever since the Meiji era the basic cleavage has been between the Asianists, who see Japan as a country in Asia and those who see Japan as distinct from Asia and Japan's interests as better served by closer ties with the West.
39. See Joint Declaration of the Eighth ASEAN–EC Ministerial Meeting held in Kuching, Malaysia, 16–17 February 1989, Jakarta: ASEAN Secretariat, 1991, p. 55. Salih, *The Future of Economic Cooperation in the Asia Pacific Region*, p. 11 and Jusuf Wanandi, *Asia Pacific Economic Cooperation: Ideas About Substance*, Jakarta: CSIS, 1990, p. 3. A proposal by President Bush in September 1992 to develop a strategic network of free trade agreements with selected states in Latin America, Eastern Europe and the Western Pacific further alarmed the states of the Western Pacific. The proposal increased support among Western

Pacific states for Keating's proposal for an APEC leaders' summit and redoubled Australia's determination to press for some form of regional trade liberalization through initiatives such as Keating's proposal for an integrated regional market in February 1993.

40. See Joint Declaration of the Eighth ASEAN–EC Ministerial Meeting held in Kuching, Malaysia, 16–17 February, Jakarta: ASEAN Secretariat 1991, p. 61; Wanandi, *Asia Pacific Economic Cooperation*, p. 3.
41. See 'Round and round: Japan fails to kick-start Gatt talks', *Far Eastern Economic Review*, 7 May 1992, p. 70. The fears of the Western Pacific countries were considerably augmented by statements from US Administration officials that NAFTA would not only increase the competitiveness of US firms *vis-à-vis* their Asian counterparts by allowing them to take advantage of the lower labour costs in Mexico; it would also prevent Asian firms from using Mexico as a back entry into the US market. See 'New kid on the bloc', *Far Eastern Economic Review*, 27 August 1992, pp. 50–51.
42. See *International Herald Tribune*, 8/9 December 1990, p. 13, 'ASEAN has accepted trade bloc plan: PM', *Star*, 3 March 1991; and 'Malaysia seeks Common Market of Asian Nations', *Asian Wall Street Journal*, 12 December 1990.
43. See statements by Mahathir to this effect in 'PM: Grouping will aid East Asia's growth', *New Straits Times*, 5 February 1991; 'Singapore Supports Malaysian Trade Plan', *Asian Wall Street Journal*, 14 January 1991; 'EAEG will boost world trade: PM', *Business Times*, 4 March 1991, 'Malaysia fears the threat from Mexico', *Star*, 20 July 1991; Mahathir, 'Cooperation and Competition in the Pacific', p. 74; 'Developments in EC market: ASEAN concern real: Mahathir', *Business Times*, 17 February 1991; and 'ASEAN has accepted trade bloc plan: PM', *Star*, 3 March 1991.
44. Indonesia was particularly worried about the increased competition from China, Vietnam and India for investment and export markets. See Mangkusuwondo, 'Japan businesses baulk at trade liberalization', *Australian*, 8 November 1994, p. 2.
45. In July 1992 Indonesia announced a new set of economic measures aimed at increasing the country's attractiveness as a foreign investment destination. (See 'Biting the bullet: Indonesian technocrats urge faster pace of economic reform', *Far Eastern Economic Review*, 23 July 1992.)
46. Mohamed Ariff, *The Malaysian Economy: Pacific Connections*, Singapore: Oxford University Press, 1991 argues that ASEAN's past success in extracting concessions from the major powers had more to do with external conditions than with any inherent bargaining power. In the context of the cold war the major outside powers had been anxious to shore up ASEAN because of the perceived economic and strategic importance of the region as a buffer against Communism. With the end of the cold war and the shift from a bipolar to a multipolar international order these powers no longer felt the same need to prop up ASEAN.
47. Mahathir, 'Cooperation and Competition in the Pacific', p. 76.
48. Ibid. p. 77.
49. 'PM: Grouping will aid East Asia's growth', *New Straits Times*, 5 February 1991.
50. Hadi Soesastro, 'APEC and the Asia Pacific: An ASEAN Perspective', *Indonesian Quarterly*, Vol. 22, No. 4, 1994, p. 342.

51. See Joint Statement, First APEC Ministerial Meeting, Canberra, 6–7 November 1989, Department of Foreign Affairs and Trade (Australia), pp. 35–9.
52. Hadi Soesastro, *The ASEAN Free Trade Area and the Future of Asian Dynamism*, Jakarta: CSIS, 1991, pp. 2–3; Djisman Simandjuntak, 'Reinventing ASEAN: Between Globalism, Regionalism, and Nationalism', *Indonesian Quarterly*, Vol. 19, No. 2, 1991, p. 185; Mochtar Kusumaatmadja, 'ASEAN and the Pacific in the 1990s', *Indonesian Quarterly*, Vol. 19, No. 2, 1991, pp. 138–39. According to Simandjuntak, between 1983 and 1989 intra-ASEAN exports had fallen from 21.8 per cent to 16.3 per cent of total exports and intra-ASEAN imports from 25.6 per cent to 18.7 per cent.
53. Mahathir, 'Cooperation and Competition in the Pacific', p. 52. According to Mahathir, APEC would not be allowed to adopt anything that was not in the interests of the US and could become 'a vehicle to perpetuate existing asymmetries and policies that place (the smaller, less developed Pacific states) at a disadvantage'.
54. See 'The disappointed idealist', *Far Eastern Economic Review*, 25 July 1991, pp. 54–5.
55. This is also clearly linked to the 'ideas and learning' explanation, and particularly the argument that institutionalized regional economic integration can increase a state's economic security and can enhance the comparative advantage of its firms. See below.
56. Friedrich Hayek, 'The Economic Conditions of Interstate Federalism', in *Individualism and Economic Order*, London: Routledge and Kegan Paul, 1949, pp. 255–7, 265; Mancur Olson, *The Rise and Decline of Nations*, New Haven: Yale University Press, 1982, p. 131.
57. See Richard Cooper, *The Economics of Interdependence: Economic Policy in the Atlantic Community*, New York: McGraw-Hill, 1968. In the late 1960s Cooper drew attention to the problems arising from ever-increasing economic interdependence among the members of the Atlantic Community and to the ways in which these problems were limiting integration in that Community. Cooper argued that the ability of governments to successfully manage their national economies was being undermined not only by economic interdependence but by the fact that the decision-making domains of business were increasingly going beyond the jurisdictions of governments. Yet those same governments were not prepared to accept the infringement of sovereignty that would be implied by the joint determination of economic policies and objectives in the regional community. Nor were these governments willing to provide other members with the substantial amounts of credit that would be required to overcome the prolonged balance of payments deficits that unmanaged economic interdependence would bring about from time to time.
58. At the Manila ASEAN + 3 Summit South Korean President Kim Dae Jung declared that the fact that a foreign currency crisis that began in one country in the region had global repercussions and a grave effect on the neighbouring states of East Asia emphasized the urgent need for closer cooperation among the states of the region.
59. There are two seemingly contradictory shifts here, one resulting in less government intervention and the other in increased government intervention. In reality they are complementary since both stress the importance of

market forces. The first is a shift in the dominant paradigm of domestic economic policy from Keynesian regulation to the deregulation of neoliberal economics. This shift has made policy-makers more inclined to embrace institutionalized regional economic integration for two reasons. First, they believe that such integration will enhance the role of market forces in the economy by boosting competition and efficiency, by reducing structural rigidities, and by hastening industrial restructuring. Second, as a result of this reduced emphasis on state intervention in the market, states are more inclined to accept the loss of certain instruments of economic sovereignty in order to realize the goals of economic ideology and hence less resistant to institutionalized regional economic integration than in the past.

The second shift concerns the role of government in the shaping of a country's comparative advantage. It is a shift in international trade theory from a conception of comparative advantage, where natural endowments and market forces are the determining factors and state intervention is seen as counterproductive, to a conception of comparative advantage where government intervention can be used to create competitive advantage in certain industries, particularly high-technology industries. Given that the high costs of research and development in these industries are often beyond the means of an individual state and that market size is a crucial factor in the decision of firms to invest in the development of high technology, states have come to see institutionalized regional economic integration as a means of enhancing their comparative advantage.

60. As we have seen at the end of Chapter 8, there are several contending arguments here. The shift away from Keynesian-inspired economic policies to neoliberal economic policies in the 1980s made policy-makers more receptive to the argument that institutionalized regional economic integration is a means of reducing the power of distributional coalitions and hence of promoting free trade and of increasing economic growth. Some governments of a neoliberal persuasion saw institutionalized regional economic integration as a way of ensuring that successive governments would be prevented by international obligations from increasing state intervention in the market.
61. This debate between the neofunctionalists and the realists is explored in Bates, 'The New Regionalism', Ch. 2.
62. The argument here is that institutionalized regional economic integration, though it necessarily implies some loss of formal sovereignty over economic policy-making, actually enhances economic security by constraining the ability of any member state to make decisions of economic policy that are detrimental to the interests of the exporting firms of other member states. Thus institutionalized regional economic integration could be seen as the result of a realization on the part of certain states that their national interests could in some cases be better assured by the surrender of some of their national sovereignty in order that certain policy decisions are made together with other states within the same region. There is also the realization on the part of policy-makers and élites – already mentioned above – that the state is too small an area in which to pursue certain policies such as industrial policy and Keynesian reflation. Thus institutionalized regional economic integration can be seen as the result of changing perceptions of élites and

policy-makers concerning the possibility of implementing certain policies at the level of the individual state.

63. The argument that under certain circumstances institutionalized regional economic integration would inevitably lead to political union was made by Haas and other neofunctionalists in the 1950s and early 1960s. The slow-down in the integration process in the EC in the 1960s, however, led many scholars and policy-makers to conclude that this was not the case. The recent renewal of the integration momentum in Europe has brought many scholars to reconsider the link between economic integration and political union.
64. There is also the argument that institutionalized regional economic integration is the result of the adoption by policy-makers of certain ideas favourable to regionalism due to the lobbying and influence of epistemic communities and/or existing regional institutions.
65. The success of prior deregulation both domestically and elsewhere was a significant factor in overcoming Indonesia's past opposition to regional trade liberalization in APEC and ASEAN. See 'Australia, Asia & APEC: Aiming for consensus', *Australian,* 14 November 1994, p. 3. In an address to a meeting of APEC trade ministers in Jakarta in October 1994, President Suharto declared that '[e]xperience so far shows that by individually liberalising trade and investment, we attain higher economic growth compared to the average economic growth in other parts of the world. We are therefore determined to continue and intensify the efforts to facilitate trade whether among ourselves or between ourselves and other parts of the world'.
66. Jusuf Wanandi, *The Role of PECC in the 1990s and Pacific Institutions*, Jakarta: CSIS, 1989, pp. 1–2; and Wanandi, *Asia Pacific Economic Cooperation*, p. 7; Hadi Soesastro, 'Prospects for Pacific–Asian Regional Trade Structures', in Scalapino, Sato, Wanandi and Han (eds), *Regional Dynamics*, pp. 377–9; Stuart Harris, 'Economic Cooperation and Trading Blocs', *Foreign Affairs Record*, Vol. 60, No. 3, 1989, p. 64.
67. Stuart Harris, *Policy Networks and Economic Cooperation: Policy Coordination in the Asia Pacific Region*, Working Paper 1994/4, Department of International Relations, Canberra: ANU, 1994, p. 19.
68. Among the more important were the Centre for Strategic and International Studies (CSIS) in Jakarta, the Institute for Strategic and International Studies (ISIS)–Malaysia in Kuala Lumpur, the Institute for Strategic and International Studies (ISIS)–Thailand, in Bangkok, The Institute for South East Asian Studies (ISEAS and Singapore Institute of International Affairs (SIIA) in Singapore and the Institute for Strategic and Development Studies (ISDS)in Manila. In 1984 an ASEAN-wide network of think tanks, known as ASEAN Institutes for Strategic and International Studies (ISIS), was established.
69. See Chapter 3 in this volume.

10
The Direction of Change

Michael Wesley

This chapter examines whether the changes that occur in Asia–Pacific regional organizations are predominantly advances or retreats in regionalism, or whether they represent a tidal pattern of advances and retreats. Regionalism is used here as a measure of the extent to which membership of regional organizations and identification with the Asia–Pacific region informs the policy calculations of Asia–Pacific states. Low levels of regionalization characterize a situation where states seldom refer to regional commitments, solidarity or norms in formulating foreign and domestic policy; high levels of regionalization exist where regional membership is a strong and regular consideration in policy-making. Enquiring into the direction of change in Asia–Pacific regional organizations provides not only a specific commentary on the development of these organizations; it permits a look at the widely observed process of the 'regionalization of world politics' or the development of the 'new regionalism' from an Asia–Pacific perspective. If world politics is regionalizing at a faster pace after the end of the cold war,[1] such a trend should appear in the Asia–Pacific region. Furthermore, it should allow the Asia–Pacific to be compared against the rapid advances in regionalization elsewhere, such as in Europe in the years following the conclusion of the Single European Act.

This chapter is divided into six parts. The first sets up a framework that allows change in Asia–Pacific regional organizations to be isolated and its direction determined. The framework distinguishes four aspects of regional organizations along which change can be detected and its direction determined: scope; authority; capability; and diffusion. The next four sections consider each of these in turn in relation to Asia–Pacific regional organizations, seeking to characterize the change processes that occur in these aspects as either advances, retreats, or tidal

movements of regionalization. The conclusion draws these results together to comment on Asia–Pacific regional organizations, and on how Asia–Pacific regionalization relates to the general process of the regionalization of world politics.

1. Determining the direction of regionalization

In using regionalization as a determinant of the direction of change in regional organizations, this chapter draws on the approach of studies of regime growth or decay which use rates of compliance or non-compliance with regime norms as empirical measures.[2] Modifying this for the present task, advances in regionalization see regional organizations commanding higher rates of compliance from member states on a broader range of issue areas plus a greater willingness of states to identify with the region and to characterize their responses to problems in terms of regional membership. Retreats in regionalization see the opposite: regional states looking to other identifications and either resorting to more independent action or acting through non-regional organizations to address policy challenges where they had previously adopted a regional approach. Tidal movements see trends in both directions – either simultaneously in different issue areas or sequentially within issue areas.

Judging the direction of regionalization first requires isolating those aspects of regional organizations in which changes in regionalization can be measured. Here this enquiry revisits Schubert's model for measuring organizational growth and state participation in Asian regionalism.[3] Adopting Schubert's classification, however, does not include subscribing to his underlying functionalist theory. The measures of regionalization's advance or retreat in this chapter in no way assume that putative organizational growth equates with effective integration or the slow surrender of sovereignty. In fact, the willingness of Asia–Pacific states to comply with the cooperation structures they have constructed is a crucial variable that is tested for in what follows.

Schubert establishes four aspects of regionalization against which advances or retreats can be measured. *Scope* refers to the functional 'footprint' of a regional organization. This registers the number of issue areas or policy domains that are addressed by a regional organization. A regional organization that expands the areas of cooperation of its members from trade to security, health, environmental preservation, communications and so on provides evidence of advancing regionalization. Conversely, the breakdown of cooperation in certain issue areas

denotes a retreat. Distinguishing between general issue areas and sub-issue areas gives these measures a greater precision, allowing the tracking of these sorts of changes within functionally specific regional organizations.

However, a distinction needs to be drawn between declaratory regional cooperation and effective regional collective commitment. A true measure of the scope of cooperation needs to gauge the extent to which declared cooperation in new issue areas actually impacts upon policy-making in member states. For this reason, a second aspect of regionalization needs to be introduced in which advances or retreats can be measured. *Authority* refers to the extent to which member states are willing to be bound by regional norms and group decisions. The measure of regional authority draws on both of Weber's constitutive components of authority: power and legitimacy.[4] The former gauges the instrumentalist calculations of states of whether it is in their interests to comply with regional norms and decisions; the latter refers to normative processes of the internalization of regional perspectives and identifications that inform state decision-making and self-definitions.

The third aspect of regionalization is that of *capability*, referring to increases or reductions in the resources and staff numbers of regional organizations. These measures provide another means of verifying advances or retreats in the scope and authority of regionalization by using changes in organizational capabilities to infer either greater or fewer demands on the regional organization. Assuming that states are reluctant to grant more resources and capabilities to supranational structures than they need to, increases in budgets and staff levels can be relied on as an indication that more policy action is being coordinated at the regional level.

Finally, *diffusion* tracks the rate of creation or demise of regional organizations in the Asia–Pacific. Growing numbers of independent, functionally specific regional organizations are usually evidence of advancing regionalism. However, diffusion rates are modified by the adaptability and flexibility of existing regional organizations, and how effective they are at expanding the scope of their cooperation. Assuming that the construction of new institutions is costly, regional organizations that are able to expand their activities into new issue areas can reduce the incentive to create new, functionally specific organizations. The presence or absence of diffusion, therefore, cannot be read as directly proportional to the direction of regionalization, but should be considered in connection with changes in the scope of existing institutions. Diffusion rates, therefore, are a partial measure of advances and retreats in regionalization by tracking changes in the

geopolitical ambit of regional cooperation, and the rise of new areas of cooperative endeavour outside the ambit of existing regional organizations.

2. Scope

Each of the Asia–Pacific regional organizations examined in this study shows evidence of advances in the scope of regionalization. The differences between the organizations occur in the range of issue areas through which expansion occurs. At the lower end of expansions in scope lies the ADB. The ADB has never expanded beyond its general role as a development institution, but its scope of activities and approaches within that role has diversified over time. The ADB began as an institution dispersing large project loans to its developing member states. As circumstances changed, the ADB began to move into programme and sector loans, allowing its development assistance greater flexibility and giving itself the ability to finance smaller projects. Further liberalization came as the ADB became increasingly involved in private sector lending, without government guarantees. From 1982, it also began to move away from its role as sole financier of projects, entering into co-financing operations with private banks in order to increase its funding leverage.[5]

The three decades of ASEAN's development have seen that organization increase the scope of its regional coordination initiatives and activities over a much broader range. The original functional footprint of ASEAN – at least in the form of the aspirations of the Bangkok Declaration – was cast widely: economic, social and cultural development; regional stability; technical, scientific and administrative endeavour; education; agriculture; transport; and communications were all nominated for closer regional cooperation. By the end of the 1970s, the scope of ASEAN's declared cooperation had expanded to include mass media, commerce and services, regional security, air and sea rescue, development aid, central banks and monetary authorities, trade negotiations and liberalization, industrial joint ventures, combating drug trafficking, infrastructure, currency swap arrangements, food reserves and refugee policies. The 1980s added health, food-handling and security, environmental conservation, tourism, plant and animal disease and quarantine, climate monitoring, energy, human resource development, legal cooperation, marine resources, reinsurance and investment. Expansion of scope continued in the 1990s: pollution; nuclear weapons and waste, small and medium enterprises,

transnational crime, social security, tax and insurance training, human rights policy and e-commerce. As a raw measure of ASEAN's expanding scope, the number of ministerial and officials' meetings grew from 30 in 1970 to 446 in 1997. In 1999 ASEAN inaugurated the practice of 'Ministerial Retreats' to free annual foreign ministers' meetings from the often deadening hand of formal discussion agendas prepared and pre-approved by senior officials.[6]

At a similar range of expansions in scope to the ADB, APEC has remained concentrated on economic and trade issues, but its scope has expanded to include allied fields in a manner reminiscent of a limited neofunctionalist logic. At its founding meeting in 1989, APEC established its competence to promote cooperation in the fields of trade –promotion, human resource development, scientific and industrial research, investment facilitation, telecommunications harmonization, maritime management, transport, aviation, energy, resources, fisheries, the environment, tourism and education. In the subsequent decade, it has expanded its interest to trade and investment liberalization, small and medium enterprises, sustainable development, business promotion, development promotion, labour markets, export credit and financing, e-commerce, marine resources, cities management, women's integration into economic processes, emergency preparedness, competition and regulatory reform, and food.

The ARF has maintained its concentration on security – broadly defined – but has broadened its scope of consideration to different aspects within the general security issue area. From the time of the second ARF in 1995, the organization has been committed to the recognition 'that the concept of comprehensive security includes not only military aspects but also political, economic, social and other issues.'[7] The ARF's original ambit of aspirations was set at confidence-building, preventive diplomacy, and 'the elaboration of approaches to conflicts', broadly interpreted as conflict resolution. In the years since 1995, the ARF has expanded the scope of its consideration of security issues at the ministerial, official and expert levels to include peacekeeping, non-proliferation, disaster relief, search and rescue coordination, demining, military medicine and transnational crime.

While each of these regional organizations has expanded the scope of its operations, it is obvious even from these lists of issue areas that these expansions have not been all of a kind. The ADB, APEC and the ARF have remained confined to their original general issue areas of concern, but expanded the scope of their activities to other sub-issues or policy approaches within those general issue areas. The only

regional organization to have expanded across a range of general issue areas – trade, industry, environment, health, law and order – has been ASEAN. The significance of this difference will be examined in later sections of this chapter. The remainder of this section will explore other variations in the types of scope expansion that have occurred.

One type of expansion in scope that the above lists do not make apparent is advances in the comprehensiveness with which regional cooperation covers an issue area or sub-issue area. The best example of this has been ASEAN's history of attempts to construct a meaningful preferential trading/free trade area. From the very beginning, ASEAN has been plagued in this task by diverging perceptions on the value of such an arrangement. As early as 1968, a 'Singapore–Philippines axis' had formed to advocate the construction of a comprehensive ASEAN free trade area, but faced adamant opposition from the other members, led most vociferously by Indonesia.[8] The compromise programme, the ASEAN Preferential Trading Arrangements (APTA), was launched in 1977. Within APTA, trade liberalization would occur through a process of ASEAN economies nominating those sectors and products on which they would cut tariffs. The result was a system in which trade was liberalized for products that were rarely traded within ASEAN.[9] The poor coverage of the free trade issue area by the APTA arrangements led to serious problems with the effectiveness of the scheme. By Ravenhill's calculations, intra-ASEAN trade in each year between 1970 and 1990 dropped below the level of intra-ASEAN trade that existed at the time of the organization's founding in 1967.[10]

Subsequent attempts were made to enhance the scope of free trade in ASEAN. The Third ASEAN Summit in 1987 agreed to a number of measures to improve the sectoral coverage of APTA, including the progressive reduction of the number of items in members countries' exclusion lists, the deepening of the margin of preference for existing APTA sectors, the relaxation of the ASEAN-content requirements in Rules of Origin; and the standstill and rollback of non-tariff barriers.[11] The launch of the ASEAN Free Trade Area in 1993 saw a different approach achieve much greater issue coverage. The Common Effective Preferential Tariff (CEPT) was intended to 'apply to all manufactured products, including capital goods, processed agricultural products, and those products falling outside the definition of agricultural products . . . '.[12] The CEPT scheme transferred the onus from nominating sectors that would be liberalized to justifying those that would not be, thereby automatically achieving a greater scope of products to be

included in the free trade area. As a consequence of this greater coverage, intra-ASEAN trade had grown to 22.7 per cent by the first half of 1997, up from 19.2 per cent in 1990.[13]

Another form of broadening is that which occurs but often remains unofficial and only partially acknowledged. Once more, ASEAN provides the best example, with the slow development of its security consultation procedures. From its earliest days, ASEAN has refused to construct a formal multilateral alliance structure, because of sensitivities over the need to remain non-aligned and neutral, and because of the different threat perceptions of its various members.[14] However, ASEAN was from the outset deeply concerned with regional security and stability. Its initial security cooperation combined two approaches to stabilizing the region. First, it committed all members to what Liefer has termed 'collective internal security', discouraging subversion among members and establishing a common consensus on the dangers of internal political disorder in any of the region's members.[15] Second, by signing the ZOPFAN Treaty in 1971, all members pledged to refrain from external threats or adventurism, thereby removing incentives for external powers to intervene in the region. The 1971 Kuala Lumpur Declaration dispelled the myth that ASEAN was non-political, and thereafter saw the regular consideration of security issues at ASEAN ministerials.[16] Cooperation on security issues has continued to extend to other sub-issue areas since. Search and rescue coordination was first broached in 1972. In 1976 ASEAN inaugurated secret annual meetings of intelligence agencies.[17] Between 1981 and 1983 consideration was given to coordination of animal and plant quarantine and emergency energy-sharing arrangements. The 1992 Singapore Summit agreed to periodic meetings between ASEAN senior military officials and annual meetings of ASEAN Defence Ministry representatives. ASEAN seminars on joint defence planning were inaugurated in 1996, and 1997 saw the beginnings of collective consideration of transnational crime.[18]

Another expansion may be under way in the ambit of legitimate arenas of involvement for regional organizations. More specifically, there are indications that some regional states wish certain domestic structures and developments to join regional issues as the legitimate areas of regional concern and comment. This would represent a significant expansion of scope for Asia–Pacific regional organizations, which have been based firmly on the principles of non-intervention in and restraint from commenting on the internal affairs of other regional states. If anything, regional states have used regional membership to justify various forms of authoritarianism. President Marcos of the

Philippines pointed out that martial law was unremarkable among ASEAN members and in the developing world generally, and received occasional support from other ASEAN leaders.[19]

The acceptance of the non-interference limitation on the scope of ASEAN concerns began to be challenged by the accession of Myanmar in 1997. Responding to Western criticism of their decision to allow Myanmar to join, ASEAN leaders formulated the policy of 'constructive engagement', arguing that their decision to accept Myanmar as a member would allow them to moderate the regime's excesses through socialization. This amounted to an implicit commitment to domestic transformation, however limited. This commitment was further extended – again, implicitly – by ASEAN's decision to defer Cambodia's accession following the July 1997 *coup*. This decision was criticized by Cambodian Prime Minister Hun Sen for being inconsistent with both the ASEAN principle of non-interference and the principle of constructive engagement. These developments, plus the onset of the haze crisis and the Asian financial contagion in 1997, led to two separate proposals for greater ASEAN attention to events within member countries: the then Deputy Prime Minister of Malaysia, Anwar Ibrahim, called for 'constructive intervention' and Thai Foreign Minister Surin Pitsuwan for 'flexible engagement'. At its annual ministerial meeting in July 1998, ASEAN ventually adopted a policy of 'enhanced interaction'. While 'constructive engagement' has been limited to 'private and high-level bilateral exchanges'[20] and 'enhanced interaction' is confined to issues with clear cross-border effects while respecting the principle of non-interference, these developments represent a significant broadening of the scope of ASEAN's concern from strictly intraregional to limited intrastate considerations.

Once again, moves to extend the scope of regional organizations' competence to domestic affairs have so far been confined to ASEAN. It remains too early to tell whether such an extension will occur in the other organizations, although the rigidly consensual and functional nature of APEC and the ARF holds out little hope for such developments.

The question remains why ASEAN alone has expanded across various issue areas while the other Asia–Pacific organizations' expansions of scope have remained limited to their original general issue areas. The expansions in scope of the ADB's, APEC's and the ARF's areas of interest have reflected their status as functionally specific regional organizations. Calls have been made for APEC to broach Asia–Pacific security

issues, such as former Australian Prime Minister Keating's advocacy of a broader focus for APEC Leaders' Summits:

> Over time, the APEC leaders' meeting needs to take on more of an umbrella role, however informal or off-line this may initially be, to deal with regional security. It is the only regional organization with the structure, standing and membership to address such issues effectively. It has the participation of key leaders.[21]

Indeed, security discussions such as an international response to the post-independence vote riots in East Timor occurred on the fringes of the 1999 APEC Summit. However, there has been strong resistance from elsewhere in APEC to its consideration of non-economic issues. This is partly attributable to the sensitivities over sovereignty in an organization counting both China and Taiwan as members. It also reflects ASEAN members' concerns not to let ASEAN become overshadowed by the broader grouping. The ADB has also remained confined to its development role, with no serious suggestion being made that it expand to a broader ambit of concern. This partly reflects the concern of development banks to be perceived by donors and clients alike as non-political institutions. Finally, the ARF has been preoccupied with dealing with the enormous task of its original mandate – the security of the Asia–Pacific region. In addition to this, surmounting the obstacle of its self-imposed evolutionary development plan mapped out in the 1995 Concept Paper is likely to absorb the institution for some time to come. All of this leaves ASEAN to respond to emerging issues of subregional concern by expanding into new issue areas or regional cooperation.

The expansions in the scope of Asia–Pacific regional organizations' activities have also been subject to certain 'path-dependent' constraints and considerations imposed as a consequence of past organizational choices:

> Current institutional structures may be a product of some peculiar historical conjuncture rather than contemporaneous factors. Moreover, once an historical choice is made, it both precludes and facilitates alternative future choices. Political change follows a branching model. Once a particular fork is chosen, it is very difficult to get back on the rejected path.[22]

The particular historical choice, first made by ASEAN, was the adoption of the *musjawarah–mufakat* (consultation and consensus) model

of decision-making. This model has been imported into APEC, committed since its first meeting to 'focus on those economic areas where there is scope to advance common interests and achieve mutual benefits',[23] as well as the ARF, where 'Decisions of the ARF shall be made through consensus after careful and extensive consultations among all participants.'[24] According to Jorgensen-Dahl, this model has implications for both the cause and effect of regional integration within ASEAN, and by implication for APEC and the ARF as well.[25] As a cause, consensus and consultation often lead members to propose items that have a good chance of being accepted by consensus. Ambitious or contentious proposals either fail to gain acceptance, or are withdrawn in the course of consultations in order to preserve the harmony of the organization. As an effect, consensus and consultation have bred a culture of low expectations of organizational capabilities among member states, and a limitation on the willingness of members to resort to regional action for certain policy issues, even if the organization has enunciated an ostensible commitment to regional cooperation on that issue.

On the other hand, there is some emerging evidence that the broadening scope of organizational interests and commitment may develop into a dynamic force for further change. One effect of broadening the scope of organizational activity is to draw more government departments of each member state into processes of cooperation, thereby bringing different aspirations and energies into the regionalization process. In both ASEAN and APEC, broadening scope has begun to challenge the dominance of foreign ministries in formulating regional policy. Often the minimalist view of institutions is most strongly held in the foreign ministries, while other departments of government are less patient with the minimalist approach to regional cooperation, and less willing to channel their regional advice to government through the foreign ministries. These issues in turn raise the general need to explore the link between scope and authority, or the extent to which declaratory expansions in scope are actually matched by regional states' willingness to be bound by and act according to regional positions.

3. Authority

Authority, or the extent to which member states are willing to be bound by regional organizations' norms and group decisions, is a difficult aspect of regionalization to measure definitively. The contentious nature of this measurement can be seen in relation to APEC. For some

observers, APEC's authority in ensuring members remained bound to free trade principles was demonstrated during the Asian financial crisis:

> when the Asian financial crisis came in 1997, with its pressures for governments to close up and look inwards, the significant thing was that APEC's free trade goals and aspirations remained in place. The plot line of the region's story did not take a sudden turn. That was a striking achievement.[26]

For others, APEC has not even been able to summon the authority to compel member economies to make trade liberalization commitments beyond those they had already agreed to unilaterally, within the WTO, or within other regional trade agreements.[27] In fact, it can be stated at the outset that Asia–Pacific regional organizations are generally less able authoritatively to bind their members to group decisions than other regional organizations in other parts of the world, such as the European Union or the North American Free Trade Agreement. Therefore, this section will investigate less the extent to which regional organizations' decisions are binding on their members, and concentrate on whether regional norms and identifications are more or less able to influence the policy-making of regional states over time.

The development of ASEAN provides once again a strong example of the growth of authority of a regional organization in providing a guiding structure for member state behaviour that has been progressively internalized by member states over time. According to Antolik, ASEAN's discovery of the most appropriate framework for regional cooperation was based on the failures of the ASA and Maphilindo, which were based on altruism and cultural affinities respectively: 'rather, self-restraint rooted in a fear of consequences [of regional aggression laid] a more stable foundation'.[28] ASEAN's earliest use was 'as a face-saving and non-contentious instrument of war-termination diplomacy' among Southeast Asian states recently in conflict and still harbouring deep mutual suspicions.[29] Over time, ASEAN's authority has developed from requiring non-aggression and self-restraint to group solidarity and the progressive internalization of an 'ASEAN perspective':

> 'ASEAN' refers to the successful consultative process that these states have used in managing tensions among themselves and dealing with the external environment. This process began with the ASEAN

> membership treaty, which these states used as an indirect non-aggression pact and has since been enhanced by the 'spirit of ASEAN' which represents a record of good faith and good neighbourliness.[30]

The building of trust through consultation and self-restraint has progressively reduced the egoism of the ASEAN member states and the gradual identification of national security with regional stability: 'With its consensus-building approach [ASEAN] reduced the atomisation of the region and the potency of its quarrels, fostering instead the conviction that ASEAN's unity and the well being of its members are inextricably connected.'[31] The development of the ZOPFAN and the Treaty of Amity Cooperation provide evidence of the slow hardening of authoritative boundaries on acceptable regional conduct in Southeast Asia.

Moving beyond regional solidarity towards collective action, however, has been a much more halting process. Liefer's observation in 1990, that the challenge for ASEAN was to 'institutionalise the founding view that regional cooperation can serve disparate national interests',[32] still remains pertinent. The beginnings of the growth of authority to command collective action are present in ASEAN, in its members' growing willingness to search for mutually advantageous solutions to common problems.[33] Yet divergent perceptions remain the strongest constraints on collective action among ASEAN members. Most recently, the paucity of collective ASEAN action to assist members wracked by the Asian financial crisis[34] attests to the organization's inability to direct members authoritatively to undertake collective action, as well as the limitations on any automatic disposition among members to turn to regional solutions when in crisis. Neither does ASEAN's or the ARF's declared competence to deal with certain issue areas seem to translate into an actual willingness of member states to activate those competences. Despite ASEAN's adoption of a High Council for Dispute Resolution in the 1976 Treaty of Amity and Cooperation, and the ARF's stated interest in confidence-building and dispute resolution, Southeast Asian states have failed to turn to regional mechanisms to solve intramural disputes. Neither of these organizations was used to resolve the Sabah dispute between the Philippines and Malaysia, while in 1995 Malaysia and Singapore referred their dispute over the island of Pedra Branca to the International Court of Justice and in 1996 Malaysia and Indonesia referred their disputes over Sipidan and Ligitan to the same body.[35] Neither has either organization been able to contain intramural tensions over the Spratly Islands,[36] despite the ARF's attempts to formulate a South China Sea code of conduct.

The only regional mechanism that suggests the beginnings of a supranational authority to compel member states' compliance is AFTA. The treaty establishing AFTA is clear about the legally binding nature of the AFTA commitments, while Article 7(3) establishes the authority of the ASEAN Secretariat to monitor their compliance with their AFTA commitments and requires member states to 'cooperate with the ASEAN Secretariat in the performance of its duties'. Even taking into account the broad escape clause listed under the 'General Exceptions' of Article 9, this represents a supranational authority to compel action that goes beyond ASEAN's history of functional cooperation. However, it is unlikely that such supranationalism will develop further if it risks the cohesion of ASEAN as a whole, because the benefits that ASEAN members derive from the organization makes them reluctatnt to do anything that will jeopardize its existence.[37]

Even the limited nature of AFTA supranationalism is beyond the authority of both APEC and the ARF. From the outset, APEC has retained its belief that 'cooperation should involve a commitment to open dialogue and consensus, with equal respect for the views of all participants'.[38] The Osaka Action Agenda, in adopting 'flexibility' as one of the fundamental principles guiding its liberalization process, admitted the Japanese principle that member economies would be able to decide which sectors they would quarantine from the APEC liberalization process, either temporarily or more permanently.[39] Japan's insistence on the principle of voluntarism during the ill-fated EVSL episode shows how fundamental this principle is. Similarly, the ARF, although committed to 'be a forum for open dialogue and consultation on regional political and security issues, to discuss and reconcile the differing views between ARF participants in order to reduce the risk to security', has been able to consider only those security issues that members have specifically agreed to discuss. Despite issuing an opinion on the South Asian nuclear tests over India's objections, the ARF has been constrained by China's unwillingness to discuss various pressing issues – at first the South China Sea, and still the Taiwan issue – in line with former Foreign Minister Qian's warning that the ARF 'should not make decisions nor take common action on a certain country, a certain region, a certain question'.[40]

A factor that has provided a great deal of impetus to the growth of the authority of regional organization through the slow internalization of regional identification has been the advantages that regional states have gained from pursuing certain foreign policy goals collectively. Membership of regional organizations has provided Asia–Pacific states

with a greater influence on certain global issues. The resort to regional platforms for foreign policy promotion has clustered around three issue areas in the Asia–Pacific: the political-security approach to the third Indochina War; certain economic and trade disputes and campaigns; and defence of human rights performance. ASEAN became an important vehicle for Southeast Asian states to mobilize global support for their for political-security objectives relating to the Vietnamese occupation of Cambodia, by mobilizing large condemnatory majorities in the UN General Assembly. Regional states have used ASEAN and APEC to magnify their influence in international economic diplomacy.[41] ASEAN has proved consistently that collective action was able to secure favourable outcomes in trade disputes with third parties: against Japan in the 1974 rubber dispute; Australia in the 1978 airlines dispute, and the US during the 1980s on a variety of issues relating to commodities and textiles trade and greater access to the American market through the General System of Preferences.[42] APEC has proved an effective vehicle for influencing outcomes in the WTO: the inauguration of Leaders' Summits at Seattle in 1993 has been given partial responsibility for scaring the EU into concluding the Uruguay Round,[43] while the use of APEC to build support for the 1996 WTO Information Technology Agreement (ITA) was taken as evidence of that organization's usefulness in pushing certain sectoral trade initiatives at the global level.[44] During the early 1990s, the beginnings of a collective regional position on human rights *vis-à-vis* the rest of the world were beginning to appear. During a time of mounting Western criticism of various Asia–Pacific regimes' human rights standards, 'an emergent ASEAN voice . . . tended to settle on several themes which comprise[d] the Singapore school's contribution to human rights discourse'.[45] The emergence and consolidation of liberal democracy in several Southeast Asian states, however, has seen this emerging consensus on human rights disappear again.

Three considerations have provided impetus to Asia–Pacific states' adoption of regional positions. The first is the emergence of collective challenges, or issues likely to impact on the members of a regional organization in similar ways, but which do not dispose them towards competition or mutual suspicion. Here, a realization of similar predicaments seems to be followed by agreement that a collective position will carry more weight than individual stances, and that the collective effort can pay off to the advantage of each individual. Second is the process of socialization, where third parties, in interacting with the regional organization as a corporate entity, encourage member states to adopt regional perspectives on various matters. Here, the ASEAN dialogue

partners/post-ministerial conferences (PMCs) have played an important role. These began with the EEC's preference for dealing with ASEAN as a corporate actor, dialogues and disputes with Japan and Australia, and various development aid schemes funded on a joint ASEAN basis rather than being channelled to individual countries. By the time of the 1976 Bali Summit, ASEAN had begun to adopt common negotiating stances on a range of contemporary issues of bilateral interest to ASEAN and its dialogue partners. Over time, the practice of the PMCs has necessitated further development of corporate positions. In the early years of the process, there were few enough dialogue partners that ASEAN was able to appoint, on a rotating basis, one ASEAN member to coordinate dialogue relations with each dialogue partner, with the Secretariat handling the UNDP.[46] With the growth in the number of dialogue partners in the 1990s, however, the practice was adopted of granting each dialogue partner a bilateral meeting with ASEAN, usually represented by the foreign minister of the current ASEAN Chair and either ministers or senior officials from the other ASEAN states. Third, the success of corporate positions has encouraged the internalization of regional positions and the continued use of collective diplomacy on those issues, although it has not as yet sponsored the adoption of authoritative collective positions on other issues.

A variation on the authority of collective positions is ASEAN's adoption of the 'front-line state' principle in some of its collective efforts. This principle provides that the members of the organization will support the position of the member most affected by a certain problem. It had its origins in various ASEAN trade disputes with outside parties, where the ASEAN position would support that of the member most affected. This, for example, was the principle informing the decision of ASEAN to support Singapore in its dispute with Australia on airline stopovers.[47] Most famously, however, the front-line state principle was adopted in relation to the Vietnamese invasion of Cambodia, with the ASEAN states providing support for Thailand's stance on the issue. While the operation of the front-line state principle on certain issues provides evidence of the internalization of the authority of regional membership, it does carry with it certain dangers. First, adherence to the position of a front-line state can cause frustration among other members that are convinced that a different approach to a problem should be tried. This was often Indonesia's reaction to the ASEAN position towards Vietnam during the 1980s.[48] Second, it can give the other members the impression that they have been exploited when the front-line state changes its stance on the issue without consulting the

other member states. Such feelings of resentment were widespread in ASEAN following Thai Prime Minister Chatichai Choonhaven's 1989 policy reversal on Indochina, seeking to turn it from 'a battlefield into a marketplace'.

While, on a range of issues, Asia–Pacific regional organizations' stated cooperation has not been matched by actual coordination, the authority of regional institutions, norms and identifications has grown over time. This seems to have been a result of the realization that some challenges are shared and non-competitive, as well as of socialization and the slow development of trust and the steady success of certain collective endeavours. The slow progress of this growth in authority is attributed by former long-serving Indonesian Foreign Minister Ali Alatas to the relative novelty of regional interaction:

> the countries of Southeast Asia, because of centuries of colonialism, hardly knew one another. Until independence was regained, their views of the world and of each other were mostly obtained through the prism of their respective metropolitan countries.[49]

Such regional identification in the Asia–Pacific, however, seems to have remained confined to governments and élites. While no Asia–Pacific equivalent of the *Eurobarometer* exists, there is little to suggest that there is a strong popular identification with the region. This concern has not escaped regional organizations, with both ASEAN and APEC making recent efforts to increase popular engagement with the institutions themselves.[50]

4. Capability

Organizational capability, or the resources and staff made available to regional organizations by their member states, provides an interesting indicator of the direction of change in Asia–Pacific institutions. Usually states are reluctant to see increases in the capabilities or cost of international organizations, being jealous on the one hand of their sovereignty and independence *vis-à-vis* the organization, and on the other hand being keen to minimize their budgetary outlays. Growth in staff numbers and budgets, therefore, most often need to be argued for in terms of more demands on the organization, a good measure of advancing regionalization. While a useful measure, capability is also hard to gauge in some Asia–Pacific regional organizations, where administrative details and budgets are not publicly available, and where a range of

political factors and suspicions can constrain often-needed expansions in organizational capabilities.

ASEAN, APEC and the ARF all start from a very low baseline in organizational capacities, each of them having begun their existence with their member states committed to organizational minimalism. None of them possessed a secretariat at the outset, and all participation and preparation were expected to be self-funded by each member state out of its foreign affairs budget. The pattern originated in an early battle over the form of Southeast Asian regionalism. Discussions between Malaya, the Philippines and Thailand over the setting up of the ASA polarized the former two, which argued for a treaty-based, centralized and bureaucratized organization, against Thailand, which wanted a diffuse, informal organization with minimal administrative machinery.[51] The Thai model finally prevailed on the argument that a minimalist model would reassure and attract neutral or non-aligned regional countries, and this model and its rationale were later imported into ASEAN's starting design, and from ASEAN into the ARF. APEC began its existence committed to a model of cooperation 'based on the non-formal consultative exchanges of views among Asia–Pacific economies', with member states agreeing 'that it was premature at this stage to decide upon any particular structure for a Ministerial-level forum (or its necessary support mechanism)'.[52] This tentative start can partly be attributed to the need to reassure ASEAN members that their own organization would not be swamped by the larger grouping. The most significant factor in early organizational minimalism, however, was almost undoubtedly Asia–Pacific states' jealously of their sovereignty and their reluctance to endanger this by creating powerful supranational regional institutions with various degrees of independent initiative.

Both ASEAN and APEC, however, soon found that it was imperative that they establish a central secretariat. Suggestions that ASEAN establish a secretariat came as early as a 1968 proposal by the Foreign Minister of the Philippines Ramos, as well as in the form of a recommendation by a UN-sponsored review of the organization.[53] By the time of the Sixth ASEAN Ministerial Meeting in April 1973, agreement was reached on the necessity of a secretariat, and a special committee was set up to provide recommendations on establishing one. It is significant that the ASEAN Secretariat was announced in the 1976 Declaration of ASEAN Concord, a document concerned with the effectiveness of ASEAN and calling for regular reviews of the organization's structure. The desire to 'further [strengthen] APEC's role and [enhance]

its efficiency in promoting regional economic cooperation' also provided the impetus for the Third APEC Ministerial Meeting in Seoul 'to consider . . . the possibility of establishing a mechanism on a permanent basis to provide support and coordination for APEC activities at various levels; ways to finance APEC activities, including a procedure for apportionment of expenses; and other organizational matters'.[54] Senior officials under the chairmanship of Thailand were instructed to review APEC's activity and provide recommendations for consideration by the Fourth Ministerial Meeting. The APEC Secretariat was founded the following year in the Bangkok Declaration, which justified the decision to establish an APEC secretariat and an APEC fund by arguing that 'the rapidly growing activities of APEC since its inception have increased the need for an effective support mechanism to facilitate and coordinate APEC activities'.[55]

Since its founding, the ASEAN Secretariat has grown steadily in terms of capabilities. When it began performing its tasks in June 1976, it consisted of seven staff positions in addition to the Secretary-General. This had grown to 14 staff in addition to the Secretary-General in 1992. The rate of growth in staff numbers changed in 1993, when the ASEAN Secretariat was professionalized and inaugurated open recruiting. By 1999, it numbered 50 professional staff and 100 local support staff in addition to the Secretary-General and Deputy Secretary-General. Other significant changes also attest to the growing capabilities of the ASEAN Secretariat. In July 1989, the post of Deputy Secretary-General was added to provide greater authoritative direction to the function of the Secretariat. In 1992, the Secretary-General's position was changed from that of Secretary-General of the ASEAN Secretariat to one of Secretary-General of ASEAN, signalling the capacity of the office to act on behalf of the organization as a whole. The 1990s has also seen a rapid expansion in ASEAN's operational budget from US$1.9 million in 1990 to US$7 million in 1999.[56]

The ADB, although never committed to the same institutional minimalism as the other Asia–Pacific institutions, has seen a steady growth in capabilities. Similarly to the other institutions, this increase in capabilities has largely been necessitated by the vast increase in the Bank's lending and activities.[57] The organization had 187 staff in 1967. This grew to 1147 in 1980, 1668 in 1990 and 1973 in 1999. The effectiveness of the Bank was also enhanced by a series of internal reorganizations intended to provide greater geographic, functional and technical specialization to its lending activities. The steady growth in capabilities also saw a steady growth in the Bank's internal administrative expenditure, from

US$2.453 million in 1967 to US$42.619 million in 1980, and from US$117.276 million in 1990 to US$198.5 million in 1999.[58]

Unlike ASEAN and the ADB, APEC and the ARF have not returned significant growth in organizational capabilities. Following its founding in 1992, the APEC Secretariat has been constrained in its staff numbers both by its recruitment system and by the limited role the Secretariat continues to play. Each of its 23 professional staff is drawn from the different member states' foreign or trade ministries, while the Executive Director is similarly an ambassadorial-level post drawn from a member country. The functions of the Secretariat remain limited to facilitating communication, providing publicity for APEC, and a limited amount of research. As a consequence, the number of non-professional support staff has lagged at a similar level to its professional staff. The approved APEC budget has climbed slowly, from US$2 million in 1992 to US$5.9 million in 2000.[59]

The ARF remains a process without a central secretariat of its own. Its central coordination is provided by the ASEAN Secretariat and the ASEAN Standing Committee, with the annual Chair of the Standing Committee also serving as the Chair of the ARF. This situation is unlikely to change as long as ASEAN wishes to preserve its agenda-controlling role within the ARF.

There seem to be a number of factors in addition to the parsimony of member states that constrain capacity growth. There is the continuing suspicion of supranational structures in the region, and a preference for proceeding according to common aspirations, 'which individual . . . states could work towards by pursuing a common approach'.[60] Growing capacity and professionalization of a regional organization both increase the capacity of the organization to exercise more independent initiative, as well as making the Secretariat itself into a force for further change in this direction by giving its staff a vested interest in promoting the relevance and power of the organization. Such developments are not attractive to governments jealous of their sovereignty and independence, and sensitive to outside criticism or interference. Another major fear of the growth of organizational capacity and supranational authority is that such a structure may be seized by powerful states and used to dominate the region. Emmerson argues that ASEAN's diffuse structure is necessary to preserve the 'balanced disparity' that allows all regional states to participate without fear of domination. Balanced disparity refers to a situation where no regional state is dominant in both wealth and size: each Southeast Asian state is strong in one but not the other aspect of power, and thus none can dominate.[61] The formula

Table 10.1 Southeast Asia's 'balanced disparity' in power indicators

Country	*GNP per capita (US$)*	*GNP rank*	*Area rank*	*Land area (sq. km)*
Singapore	32 940	1	10	632
Brunei	15 800	2	9	5 270
Malaysia	4 680	3	4	329 000
Thailand	2 800	4	3	511 000
Philippines	1 220	5	6	298 000
Indonesia	1 110	6	1	1 812 000
Myanmar	<750*	7 (?)	2	658 000
Laos	400	8	7	231 000
Vietnam	320	9	5	325 000
Cambodia	300	10	8	177 000

Note: *No reliable figures.
Source: World Bank, *World Development Report 1998/99*, OUP, 1999.

seems to have endured ASEAN's expansions in the 1990s (see Table 10.1). Formalizing the organization or changing its capabilities could upset such a balance, a factor that may militate against too great an advance in organizational capacities.

The Asia–Pacific regional organizations thus present a spectrum of rates of growth in capacities. The ADB, presenting no real threat of supranational domination of the region and valuing effectiveness in its domain of activities highly, sits at the higher end of the spectrum. It is joined, though to a lesser extent, by ASEAN, which is constrained by suspicions of supranationalism and dominance, but driven by expansions in scope of its activities and shortfalls in its abilities to meet emerging challenges effectively. At the other end of the spectrum lies APEC, constrained by a severely limited role for the Secretariat, and the ARF, which possesses no real independent organizational capacity at all. The differences between ASEAN on the one hand and APEC and the ARF on the other, in terms of expansions in scope and capacity, seem to relate to different expectations of their functional specialization. It remains to be seen why this is, in an examination of rates of diffusion in Asia–Pacific regionalization.

5. Diffusion

Rates of diffusion, or the creation or discontinuation of separate regional organizations, can also reflect advances or retreats in the

willingness of regional states to address common challenges through collective action. Diffusion is, however, modified by the capacity of existing multifunctional regional organizations like ASEAN to expand their own activities to address new areas of collective concern. Preserving the assumption that states are keen to minimize the number of supranational institutions and their own budgetary outlays, it is reasonable to search for reasons why new institutions have been founded when they have, and the consequences this has for regionalism in the Asia–Pacific.

Between 1950 and 1980, the region returned a steady rate of diffusion of regional intergovernmental organizations. Beginning with the Colombo Plan, regional states established a number of functionally specific organizations at a fairly steady rate, from the Asian–African Legal Consultative Committee, the Asian Productivity Organization, the Asian Coconut Community, and the Regional Institute for Higher Education. The 1960s saw the attempts to establish multifunctional subregional associations in ASA and Maphilindo. With the successful founding of ASEAN in 1967 and its consolidation after 1970, the rate of diffusion began to slow appreciably. This is unsurprising, given ASEAN's steady expansion in the scope of its activities. The 1970s and 1980s saw some tidal movement, with both the creation of regional organizations such as the Southeast Asian Central Banks' Association (SEACEN) in 1972, as well as the discontinuation of others such as the Asian and Pacific Council (ASPAC) in 1973 and the Southeast Asian Treaty Organization (SEATO) in 1977.[62] The 1970s also saw the absorption of some regional organizations, such as the Anglo-Malaysian Defence Arrangement, into new, broader groupings, such as the Five Power Defence Agreement (FPDA). Most of the 1980s saw a significant slowing in the rate of diffusion of organizations in the Asia–Pacific, again partly reflecting ASEAN's own expansions in its scope of activities.

The rate of diffusion picked up appreciably in the late 1980s and the 1990s, with the establishment of a number of significant regional organizations. The trend began with the founding of APEC in 1989, an organization that had been proposed in the 1950s and continuously discussed since at least the late 1960s. In 1991, the Executives' Meeting of East Asia–Pacific Central Banks (EMEAP) was formed. It was followed by the establishment of the East Asia Economic Caucus (EAEC) in 1992, formally as a caucus group within APEC, but carrying within it the seeds of a much more autonomous grouping. The ARF came into being in 1994. The same year saw the founding of the Korean Peninsula Energy Development Organization (KEDO) as a mechanism for dispute and

proliferation management, as well as the basis for further discussions between the two Koreas, China and the US. The Asia–Europe Meetings (ASEM) were inaugurated in 1996, and slated to be reconvened every two years.

The rate of diffusion seen in the 1990s provides some evidence of the 'regionalization of world politics' that has been announced by some observers following the end of the cold war. It is important to consider why this decade saw the establishment of so many intergovernmental organizations outside the scope of those already existing in the region. Some of the causes of this advancing regionalism in the Asia–Pacific are already well documented.[63] They include the disentanglement of regional issues from global rivalries. The end of the cold war also saw the withdrawal of interest and presence – completely for one superpower and partially for another. Wealth plus strategic uncertainty plus the end of indigenous insurgencies had the effect of spurring what many saw as a mini-arms race in Southeast Asia by the 1980s, exhibiting 'a strong element of competition and emulation in ASEAN [states'] procurement plans'.[64] These trends raised the need for regional structures to cope with regional problems. Finally, advancing regionalism elsewhere, and fears for the multilateral trading system drove the construction economic regionalism in the Asia–Pacific.

The fact that new institutions were founded, however, reflects the change that had occurred in the relevant geopolitical boundaries of the region by the late 1980s. During that decade, and especially following the conclusion of the Plaza Accord a triangular trade, manufacturing and investment structure had developed, linking Japan, the East and Southeast Asian Newly Industrialising Countries (NICs), and the US.[65] At the same time, the confirmation of the regional scope of the economic dynamism of the NICs placed a range of Western Pacific economies in the same or similar position *vis-à-vis* the global economy. New players, formerly cut off from the region by cold war rivalries, had entered the regional system, with major impacts on regional dynamics. Regional powers, such as China, had begun reformulating their policy on a regional scale in a manner that would have large potential effects on the regional system. All of these trends had the cumulative effect of breaking down what had formerly been barriers in the region, specifically the cold war divisions and the Southeast Asia–Northeast Asia divide. The trends of advancing regionalization also had the effect of changing the US relation to the Western Pacific from that of a directing superpower to much closer to an ordinary participant in the various regional forums.

These changes in the geopolitical ambit of the region were beyond the capacity of existing regional organizations or bilateral arrangements to cope with. The new expanses of regional interdependence had to be recognized in regional organizations with a wider membership, a membership that drove the consolidation and popularization of the term 'Asia–Pacific' as the regional identifier. At the same time, interregional dialogues such as ASEM began to reflect the broader regional ambit, being established alongside enduring interregional dialogues such as the ASEAN–EU Joint Cooperation Committee. At the same time, however, the traditional suspicion of supranational structures and the concerns of ASEAN about being swamped by larger organizations have kept the new regional institutions confined to a narrow, functional focus.

The new multiplicity of regional organizations has had two effects on regionalization in the Asia–Pacific. The first is what Crone calls the 'Pacific Ratchet Effect', or a sense of competition between the institutions for the loyalty of member states.[66] In this situation, diffusion, or the creation of new regional organizations, has driven expansions in the scope of activities of existing regional organizations, a case of different types of advances in regionalization driving each other forward. A good example of the ratchet effect is the development of AFTA shortly after the founding of APEC, as a way of preserving and asserting ASEAN's economic integration from the broader process of APEC liberalization and facilitation. The second effect, argues Buszynski, is the development of a different type of 'new regionalism' in the Asia–Pacific:

> In the new regionalism, overlapping linkages are established with other organizations and groups of states which endow it with a complex and multilevel character. The new regionalism is a product of the demands of the state as well as non-state actors, such as business groups and NGOs, whose needs have expanded well beyond the constraints of the sovereign state. The new regionalism is a recognition of the inadequacy not only of the sovereign state but of past efforts at regionalism which have been limited in nature and function, incapable of satisfying the enhanced political and economic demands of the post-Cold War era.[67]

For both of these reasons, the accelerated diffusion of regional organizations in the Asia–Pacific in the 1990s has significant implications for the advance regionalism and the shape of regionalism in the Asia–Pacific into the future.

6. Conclusion

The weight of the evidence examined in this chapter suggests that the direction of change in regional organizations has been in the form of advances in regionalism. Over time, Asia–Pacific states have shown an increasing willingness to refer to regional membership in responding to policy challenges, and have progressively internalized regional self-identities and norms. These advances, however, have not been uniform for all aspects of regionalism, nor have they been equally pronounced in each of the regional organizations. While all the regional organizations considered here have expanded the scope of their activities and concerns, only ASEAN has expanded beyond a single functional issue area. Similarly, ASEAN leads the other organizations in the development and internalization of regional authority among its member states. In terms of expansions in organizational capabilities, the ADB and ASEAN have seen marked advances, APEC a partial advance, and the ARF no change. Finally, diffusion has been a strong characteristic of advancing regionalism in the Asia–Pacific in the 1990s.

This evidence suggests that the Asia–Pacific is indeed a contributor to the widely observed global trend towards a greater regionalization of international politics. All the advances examined have accelerated somewhat in the 1990s, for a variety of reasons, including an element of socialization and competition with other cases of advancing regionalism. However, it is not the case that these advances have been as great in the Asia–Pacific as in other regions, especially Europe. The accelerated integration and the progressive strengthening of supranational institutions and authority in the EU, as delivered by the Single European Act and the Maastricht and Amsterdam Treaties, have not been matched in the Asia–Pacific. It remains to be seen whether interregional socialization and competition, as well as intraregional dynamics such as the ratchet effect, can drive advances in Asia–Pacific regionalism past enduring suspicions towards this level of regional association.

Notes

1. Andrew Hurrell, 'Explaining the Resurgence of Regionalism in World Politics', *Review of International Studies*, Vol. 21, 1995, pp. 331–58.
2. See for example Ernst B. Haas, 'Regime Decay: Conflict Management and International Organizations, 1945–1981', *International Organization*, Vol. 37, No. 2, Spring 1983, pp. 189–235.

3. James N. Schubert, 'Toward a "Working Peace System" in Asia: Organizational Growth and State Participation in Asian Regionalism', *International Organization*, Vol. 32, No. 2, Spring 1978, pp. 425–62.
4. Max Weber, *From Max Weber: Essays in Sociology*, ed. H.H. Gerth and C. Wright Mills, London: Routledge and Kegan Paul, 1977, pp. 294–5.
5. Dick Wilson, *A Bank for Half the World*, Manila: ADB, 1987, pp. 245–9.
6. A senior official of the Foreign Ministry of Singapore, which inaugurated the Retreats, was quoted as saying they would provide foreign ministers with the 'opportunity to discuss, very candidly and realistically, long-term issues and challenges facing ASEAN [in the course of] impromptu, free-flowing and subjective discussions'. Quoted in 'ASEAN To Change the Shape of Annual Ministers' Talks', *Jakarta Post*, 17 July 1999.
7. Chairman's Statement, Second ASEAN Regional Forum, Brunei Darussalam, 1 August 1995.
8. Donald E. Weatherbee, 'The Philippines and ASEAN: options for Aquino', *Asian Survey,* Vol. 27, pp. 1223–39 1987.
9. The celebrated example was Indonesia's elimination of tariffs on all snow-plough imports.
10. John Ravenhill, 'Economic Cooperation in ASEAN: Changing Incentives', *Asian Survey*, Vol. 35, 1995, p. 851.
11. Manila Declaration, Third ASEAN Summit, Manila, 15 December 1987.
12. Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA, Singapore, 28 January 1992), Article 3.
13. Figures based on Ravenhill, 'Economic Cooperation', p. 851, and ASEAN Secretariat figures, http://www.aseansec.org/cer/info.htm
14. Armitav Acharya, 'A New Regional Order in South-East Asia: ASEAN in the Post-Cold War Era', *Adelphi Paper No. 279*, London: Brassey's, 1993, p. 53.
15. Michael Liefer, *ASEAN and the Security of Southeast Asia*, London: Routledge, 1990, p. 3.
16. Arnfinn Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, Basingstoke:Macmillan – now Palgrave Macmillan, 1982, p. 82.
17. Amitav Acharya, 'The Association of Southeast Asian Nations: "Security Community" or "Defence Community"?', *Pacific Affairs*, Vol. 64, Summer 1991, p. 166.
18. David B.H. Denoon and Evelyn Colbert, 'Challenges for the Association of Southeast Asian Nations (ASEAN)', *Pacific Affairs*, Vol. 71, No. 4, Winter 1998/99, p. 512.
19. Michael Antolik, *ASEAN and the Diplomacy of Accommodation*, Armonk: M.E. Sharpe, 1990, pp. 82–3.
20. Jeannie Henderson, 'Reassessing ASEAN', *Adelphi Paper No. 328*, London: Brassey's, 1999, p. 38.
21. Paul Keating, *Engagement: Australia Faces the Asia–Pacific*, Sydney: Pan Macmillan, 1999, pp. 291–2.
22. Stephen D. Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, January 1984, p. 225.
23. Joint Statement, First APEC Ministerial Meeting, Canberra, 6–7 November 1989.
24. Chairman's Statement, Second ASEAN Regional Forum, Brunei Darussalam, 1 August 1995.

25. Jorgensen-Dahl, *Regional Organization*, pp. 168–9.
26. Keating, *Engagement*, p. 122.
27. See Peter Lloyd, 'APEC and Trade Liberalisation', paper presented to the Third Annual Conference on International Trade Education and Research: Globalisation and the Australian Economy, Melbourne, 7–8 December 1998.
28. Antolik, *ASEAN and the Diplomacy of Accommodation*, p. 15.
29. Ibid., pp. 8–9.
30. Ibid., p. 5.
31. Evelyn Colbert, 'Regional Cooperation and the Tilt to the West', *Proceedings of the Academy of Political Science*, Vol. 36, No. 1, 1986, p. 51.
32. Liefer, *ASEAN and the Security of Southeast Asia*, p. xvi.
33. Jorgensen-Dahl, *Regional Organization*, pp. 143–4.
34. Michael Wesley, 'The Asian Crisis and the Adequacy of Regional Institutions', *Contemporary Southeast Asia*, Vol. 21, No. 1, 1999, pp. 54–73.
35. Shaun Narine, 'ASEAN and the Management of Regional Security', *Pacific Affairs*, Vol. 71, No. 2, Summer 1998.
36. See for instance Ranjan Roy, 'Spratley Islands Threaten Regional Peace', *The Jakarta Post*, 17 July 1999.
37. Richard Stubbs, 'Subregional Security Cooperation in ASEAN: Military and Economic Imperatives and Political Obstacles', *Asian Survey*, Vol. 32, 1992, p. 407.
38. Joint Statement, First APEC Ministerial Meeting, Canberra, 6–7 November 1989.
39. The fascinating story of the bureaucratic origins of Japan's insistence on including the flexibility principle in the Osaka Action Agenda is told in Tatsushi Ogita and Daisuke Takoh, 'The Making of the Osaka Action Agenda and Japan's Individual Action Plan', *IDE APEC Study Centre Working Paper Series 96/97 No. 7*, Tokyo: Institute for Developing Economies, 1997.
40. Cited in Akiko Fukushima, 'The ASEAN Regional Forum', this volume, Chapter 5.
41. Manuel F. Montes and Francisco A. Magno, 'Trade and Environmental Diplomacy: Strategic Options for ASEAN', *Pacific Affairs*, Vol. 70, Fall 1997, p. 352.
42. Sueo Sudo, 'The Road to Becoming a Regional Leader: Japanese Attempts in Southeast Asia, 1975–1980', *Pacific Affairs*, Vol. 61, Spring 1988, p. 511; Leszek Buszynski, 'ASEAN: A Changing Regional Role', *Asian Survey*, 27 July 1987, p. 777.
43. Yoichi Funabashi, *Asia–Pacific Fusion: Japan's Role in APEC*, Washington: Institute for International Economics, 1995, p. 134.
44. Michael Wesley, 'The Politics of Early Voluntary Sectoral Liberalisation in Australia', *IDE–APEC Study Centre Working Paper Series 2000*, Japan External Trade Organization, February 2000, p. 53.
45. Stephen A. Douglas and Sara U. Douglas, 'Economic Implications of the U.S.–ASEAN Discourse on Human Rights', *Pacific Affairs*, Vol. 69, Spring 1996, p. 77.
46. B.A. Hamzah, 'Dialogue Partners', in Kernial S Sandhu et al. (eds), *The ASEAN Reader*, Singapore: ISEAS, 1992, p. 70.
47. Sheldon W. Simon, 'ASEAN's Strategic Situation in the 1980s', *Pacific Affairs*, Vol. 60, Spring 1987, p. 34.

48. Buszynski, 'ASEAN: A Changing Regional Role', p. 766.
49. Ali Alatas, 'Zone of Peace Grows in Global Neighbourhood', *The World Today*, Vol. 52, March 1996, p. 75.
50. See for example ASEAN's 'Vision 2020' adopted at the 1997 Kuala Lumpur Summit, and the 1999 Auckland APEC Leaders' Declaration.
51. Jorgensen-Dahl, *Regional Organization*, pp. 21–2.
52. Chairman's Summary Statement, First APEC Ministerial Meeting, Canberra, 6–7 November 1989.
53. Jorgensen-Dahl, *Regional Organization*, p. 184.
54. Joint Statement, Third APEC Ministerial Meeting, Seoul, Korea, 12–14 November 1991.
55. Bangkok Declaration on Asia–Pacific Economic Cooperation (APEC) Institutional Arrangements, 11 September 1992.
56. All figures provided on request by the ASEAN Secretariat.
57. Wilson, *A Bank for Half the World*, p. 109.
58. Figures not in constant prices. *Asian Development Bank Yearbook*, various years.
59. These figures are budget approvals for subsequent years announced in ministerial meetings statements.
60. Liefer, *ASEAN and the Security of Southeast Asia*, p. 67.
61. Donald K. Emmerson, 'ASEAN as an International Regime', *Journal of International Affairs*, Vol. 41, Summer/Fall 1987, pp. 1–16.
62. ASPAC ceased to hold formal meetings in 1973 after the withdrawal of certain member states following their recognition of the People's Republic of China and withdrawal of recognition for the Republic of China; however, certain of ASPAC's subsidiary bodies continue to survive independently of ASPAC. SEATO was formally dissolved in June 1977.
63. See for example Norman D. Palmer, *The New Regionalism in Asia and the Pacific*, Lexington: Lexington Books, 1991; Robert A. Scalapino, Seizaburo Sato, Jusuf Wanandi and Sung-Joo Han (eds), *Regional Dynamics: Security, Political, and Economic Issues in the Asia–Pacific Region*, Jakarta: CSIS, 1990; Robert S. Ross (ed.), *East Asia in Transition: Toward a New Regional Order*, Singapore: ISEAS, 1995.
64. Malcolm Chalmers, 'Openness and Security Policy in South East Asia', *Survival*, Vol. 38, Autumn 1996, p. 84.
65. Mitchell Bernard and John Ravenhill, 'Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialisation of East Asia', *World Politics*, Vol. 47, No. 2, January 1995, pp. 171–209.
66. Donald Crone, 'ASEAN and the Diplomacy of Accommodation', *Pacific Affairs*, Vol. 65, Spring 1992, p. 80.
67. Leszek Buszynski, 'ASEAN's New Challenges', *Pacific Affairs*, Vol. 70, No. 4, Winter, 1997–98, pp. 555–6.

11
Conclusion

Michael Wesley

The task remains to harvest and arrange the rich insights and conclusions of the previous nine chapters, and to draw from them implications concerning the Asia–Pacific and its regional organizations. Taken together, the preceding studies offer such a broad array of conclusions that constructing a single simple account of change in Asia–Pacific regional organizations risks obscuring or excluding much of the valuable detail on offer. Therefore, this conclusion has two intentions. First, it will assemble a general portrait of what change looks like in these regional organizations. Second, it will use this general portrait to speculate on whether Asia–Pacific regional organizations possess the capacity to change enough to allow them to contribute to meeting the serious challenges faced by the region now and in the future.

1. A portrait of change in Asia–Pacific regional organizations

According to Immanuel Kant, innate within the structure of human cognition and understanding is an expectation of change, a tendency for humans to look for alterations in space or form across time.[1] Institutions – including regional organizations – are sets of human-made shared understandings and undertakings relating to specific aspects of human existence and governance. They therefore implicitly carry with them an expectation of progress and improvement: for most institutions and systems of political thought, expectations of change carry with them expectations of progress, if not perfectability. Change remains a constant issue for regional organizations, challenging them to remain effective and relevant to the inevitably changing conditions around them. Change is an internal reality, ever possible, often proposed, needing to

be harnessed or resisted as one's interests and conceptions of appropriateness dictate. Change is a constant fact for regional organizations, as an intended or unintended outcome that needs to be rationalized, justified, or consolidated.

By virtue of what they are, and according to the studies in this volume, regional organizations in the Asia–Pacific are constantly the subject of proposals for change, and continually undergoing incremental change. However, while change is ever present, the likelihood of any particular change occurring is far from inevitable. Change proposals themselves go through a rigorous process of natural selection: the history of change processes in each of the Asia–Pacific regional organizations reviewed in this volume also reveals long casualty lists of proposed changes, as well as changes that have been proposed and endorsed, but never adopted in practice. Perhaps the most important theoretical observation about the nature of institutional change provided by the studies in this volume is that, *contra* intentional or directional models of change proposed by Haas, North, and others,[2] change in Asia–Pacific regional organizations is rarely a rational process of problem–response.

Rather, change to Asia–Pacific institutions is a process that is strongly influenced by competition between member states over power and influence and the distribution of the benefits of institutional alterations. The setting and thwarting of change agendas provides and preserves both tangible and intangible leadership benefits for member states situated differently within the region and the organization. For those not at the forefront of proposing or resisting change, the decision of whether to resist or support change can be difficult; and for those choosing to resist a change for which momentum is building, a decision must be made about when to endorse the change in order to have some chance of influencing the change agenda. On the other hand, a powerful strategy used by those opposed to change is to push change too far and too fast, with the intended object of diluting and destabilizing the organization. The most prominent example of this in the Asia–Pacific, documented by a number of the studies in this volume, is Malaysian Prime Minister Mahathir's support for a rapid membership expansion in APEC, in the interests of destabilizing and diluting that organization, seen as a competitor with his preferred design for a regional organization, the EAEC.

In order to assemble a simple portrait of change in Asia–Pacific regional organizations, it is necessary to impose a rather arbitrary periodization, separating the process into four stages: preliminaries,

agendas, processes and outcomes. The intention at each stage is to identify the central concerns impacting on the process of organizational change, and to discuss some of the complementary and competing relationships between these considerations at each stage.

Preliminaries

Taken together, the studies in this volume conclude that the stimuli or precursors of organizational change can be either demand-driven or supply-driven. Collected within demand-driven change are the various alterations, crises or challenges within the global, regional, or institutional policy context of each of the organizations, which in turn impose changed demands on or criticisms of the organization from either constituencies or external commentators. Demand-driven stimuli can also come in the shape of opportunities opened up by a changing context, inviting the organization to expand its scope of operations or its capacity. Demand-driven change can also occur within regional states, in the form of advancing development and prosperity, urbanization and literacy. This is a much slower but more insistent precursor of change. There is evidence that such changes are promoting a slow de-élitization of Asia–Pacific regional organizations – forcing each of them to appeal to broader popular constituencies and pointing to a growing influence of civil society organizations in organizational judgements. However, it is important not to overstate such society-level changes. For one thing, such changes affect different member states differently. For example, a split has occurred at times in recent years between the more reformist democracies in ASEAN and the more conservative non-democracies.

Supply-driven precursors of change collect together all those stimuli for change originating within internal reviews and criticisms of the organization's competence, innovations by competitor organizations, and changing ideas of regionalism driven by broad movements such as the 'new regionalism' in the late 1980s and early 1990s. An important supply side precursor emerging from the study of Asia–Pacific institutions is the maturity of the organization itself – several studies found the older organizations, ASEAN and the ADB, more inclined to broader change than the newer. This suggests that the longer an organization exists, the more intensive certain processes become for its member states: greater comfort and familiarity with the organization, its processes, and partner member states; mounting frustration with certain aspects of the organization and greater awareness of comparisons with other organizations; and a greater comfort with experimenting with organizational change. Once again, ASEAN offers the best confirmation of this model: the most

reformist members during the 1990s have been the original members minus Indonesia, whereas those most inclined to resist change are the newer members. In this instance, as well as in a number of demand-driven precursors of change, the central dynamic of advocacy versus resistance to change appears to be the differential effect of such changes on the organizations' member states, promoting different calculations about the utility of organizational change. A tentative conclusion concerning the precursors of change, then, is that alterations or challenges that affect members in broadly the same way will be more conducive to change.

Agendas

The next stage of the change portrait centres on whether the preliminary motivations towards change are transformed into programmes for organizational reform. There are a number of sites at which such formulations are commonly made. One of these is the organization's secretariat, traditionally the promoter of programmatic change in most organizations, with internal incentives to enhance the importance and resources of the organization of which it forms the core. In the Asia–Pacific regional organizations, however, secretariats play a variable role: strong within the ADB; of growing influence in ASEAN; and negligible in APEC; while the ARF has no secretariat. Given these differential attributes, second-track diplomacy has assumed a strong change-promoting role in these organizations, almost to compensate for the lack of influential central bureaucracies. The ARF is underpinned by a vigorous CSCAP, APEC by PECC and ABAC, and ASEAN by ASEAN-ISIS, each of which has played vital catalysing roles in promoting change models at various points in each organization's history. The formulators of change agendas within member states tend to be drawn from the policy élites: despite the societal-level changes referred to above, there still does not appear to be a significant regionalist constituency in any of the region's states, dedicated to the promotion of regional integration for its own sake. Yet within policy élites, constituencies do exist, committed to the greater vigour, relevance and salience of regional associations to the state's foreign policies than other, non-regional associations and strategies.

Once again, vigorous contest can attend the formulation of agendas for change. Different interests can interpret the precursors for change in different ways, leading to varying prescriptions for organizational reform. Our studies of the histories of the Asia–Pacific institutions also show at various times the importance of transitions of national leadership and contests over regional leadership that are perhaps

inevitable in these élite-driven organizations. At times there have been deep disagreements over the composition and purpose of regional association – such as that between the proponents of an East Asian regionalsim versus the supporters of a broader Asia–Pacific regionalism in the early 1990s – that have driven very different agendas of organizational innovation and reform. The final shape of the various agendas for reform seems to have been strongly determined by the possibility of accommodation between these different visions; and the ability of one agenda to survive relatively unchanged appears to be related to how complementary or mutually permissive the visions of change and distributions of benefits are.

Mechanisms

The mechanisms of change are a combination of different interests and agents acting on the emerging agendas for change. A powerful determinant of these mechanisms in Asia–Pacific regional organizations is the accepted and entrenched decision-making processes in each of the organizations that several of the preceding chapters argue have imbued the entire process of change with a strong logic of path-dependence. Each of the organizations under study remains strongly committed to decision-making by consensus, including the ADB, despite its formal decision-making procedures centred on majority weighted voting. The commitment to consensus means – certainly for ASEAN, APEC and the ARF – that the possibilities for change are immediately constrained. The change agenda must be negotiated into a form acceptable, or at least inoffensive, to the interests of all.

Different mechanisms of change are employed by the different agents of change: state-driven change proceeds by a different process of negotiation and compromise than change initiated by secretariats. This difference is particularly obvious if state-led reactions to competition with other organizations are compared with secretariat-led reactions in Asia–Pacific organizations. Perhaps the best example of state-led reactions was ASEAN's response to the rise of APEC in the form of the rapid proposal and agreement on a substantial organizational departure in the form of the ASEAN Free Trade Area, a process attended by a particular logic of compromise, aspiration, and later negotiation between member state élites. Compare this with the ADB's competition with the World Bank over several decades, resulting in a secretariat-driven process of incremental change to lending practices and approaches to development funding. Another mechanism of change identified by a number of chapters is that supplied by the dynamic of expanding

organizational scope: as different policy élites enter the process of regional organization, at times displacing foreign ministries from their central role, they are able to promote different considerations, expectations and dynamics to the centre of the organization. Attending all of these dynamics is the Asia–Pacific's own historical legacy of sensitivities and suspicions about regional leadership. These collect together on the one hand wariness about Japanese and Chinese visions of and attempts at regional hegemony, and on the other an impatience on the part of the great powers with the central agenda-setting role played by the small and medium powers of Southeast Asia. Various post-colonial sensitivities also endure concerning regional designs proposed by 'non-Asian' interests.

Outcomes

Such mechanisms, therefore, can create wide variation between the agendas for change and its outcomes in terms of organizational forms. Demands for change can be altered profoundly by the processes of compromise and competition; a seemingly radical proposal for 'flexible engagement' within ASEAN is almost inevitably watered down into 'enhanced interaction'. The other major consideration when comparing agendas with outcomes is the gap that often occurs in the Asia–Pacific between announced intentions and actual practice, such as the seeming radical move of creating an ASEAN High Council for Dispute Resolution and its stillbirth in actuality. Outcomes, in terms of actual and meaningful change, are therefore dependent on the commitment of member states to endorse change, to provide the means for bringing it about, and to commit to complying with change. Secretariat-driven change depends for its outcomes on whether the organization has the resources and the freedom to use them to meet the new commitments. For change to be an actual organizational outcome, then, a process of consolidation appears most necessary, as the reforms are incorporated into the procedures and expectations of the organization and its member states.

The portrait of change in Asia–Pacific regional organizations that we have been able to assemble from the conclusions of the studies in this volume is less an elegant model for predicting when and how change occurs than a series of observations about the likely considerations and forces attending each stage of the change process. The process of change itself seems to defy all attempts to compose it into a simple model; rather it emerges as a chaotic dynamic of chance and compromise, a blend of circumstance and design.

2. Asia–Pacific regional organizations and the challenge of relevance

The chapters of this volume present accounts of the Asia–Pacific regional organizations as evolving as the region changed around them. On the other hand, many of them have developed formidable lists of contemporary changes occurring in the Asia–Pacific, challenging its regional organizations to remain relevant now and into the future. It remains to consider, in the light of what we have learnt about the processes of change in these institutions, whether they will be able to adapt to retain their relevance to the regional environment, or whether they have largely exhausted the possibilities for change inherent in their original designs. On the other hand, it needs to be asked whether these challenges can legitimately be considered the responsibility of these regional organizations, which perhaps would be better served by consolidating and performing effectively the tasks they have set themselves over the past three decades.

The answers to these questions depend on one's understanding of the nature and purposes of regional organization. A reading of the defining documents of ASEAN in particular suggests two strong philosophies of regionalism in the Asia–Pacific: first, that a reduction in rivalry and a promotion of solidarity between regional states will have net positive benefits for all; and subsequently that problems that are shared and regional in scope, and that fall within the functional remit of the organization, should at the least be met by collective consideration, and ideally by a regional collective response, if that is not objected to by any of the member states. The maximalist view permitted by these philosophies of regionalism sees regional organization as a mechanism of governance and distribution, through which the governments of member states attempt to respond to the policy challenges and issues within the regional context; the minimalist view would expect least collective consideration of these issues. According to this reading, it is not unreasonable to expect Asia–Pacific regional organizations to remain relevant to the changing regional context.

The challenges that most urgently demand organizational response would seem to be those that expose or question claimed areas of policy competence by the organizations or suggest allied areas of responsibility. It would seem that the most urgent within these would be areas where valued regional norms are at stake: regional resilience; development; non-alignment; non-intervention. All of these norms have been challenged since the Asian crisis of 1997–98, and the subsequent East

Timor crisis in 1999.[3] As documented in many of the chapters, the records of the regional organizations in responding to these challenges are mixed. The contemporary period of profound challenge has brought with it much less change in extent or depth than the period immediately after the end of the cold war.

A number of formidable inhibitors to change have emerged in the contemporary period. The causes of these problems are themselves often beyond the policy competence of regional organization: economic globalization; the ascendancy of neoliberal economic doctrines in institutions such as the IMF; the crisis of government in many of the region's states. In the absence of a problem-solving response, the region has resorted to a recommitment to regional solidarity, such as that promulgated at the Hanoi ASEAN Leaders' Summit in December 1998. Another set of difficulties lies in the varied responses that have emerged to the current problems. On the one hand, the challenges of the post-Asian crisis period have been so varied and so urgent that they have spawned a range of ideas about the appropriate regionalist response, from the need for East Asian currency integration to the need to make coordinated sectoral liberalization the centrepiece of Asia–Pacific solidarity. On the other hand, the very urgency of the challenges that have stimulated these reform proposals has given rise to extreme caution, diversion of attention to domestic issues, high risk aversion, and even greater competitiveness among regional states. In the midst of these varied responses, no consolidated plan of regional response has emerged and been able to win the conviction of the various organizations' members.

The chapters in this volume have also all drawn attention to the determining influence of past choices and compromises made by each of the regional organizations to their current and future possibilities for reform. A major consideration informing the possibilities for future change is the strong belief in an 'Asian' style of regionalism and diplomacy, prioritizing conservatism, solidarity and consensus. Already in the late 1990s, many of the battle lines between frustration with minimalist expectations versus determination to preserve organizational structures and practices had formed around these values. Another major obstacle may be the change agendas already adopted: APEC's Bogor goals, ASEAN's AFTA goals and 'Vision 2020', and the ARF's three-stage development programme. Each of these is in a different stage of crisis, torpor, or deep questioning about the willingness of member states to follow them through, a situation which in itself has been used to illustrate the problems facing these organizations. On the one hand, these

pre-existing agendas pose difficult questions concerning what must be done about them: in the light of diplomatic and bureaucratic agendas that have solidified around them, is the challenge to revitalize them and see them through, or can they be abandoned for more relevant programmes without damaging the credibility of the organization? On the other hand, will they have the effect of making many in the region suspicious of ambitious programmes of reform and change?

The consideration of the need for consolidation of organizational change in the above portrait of change suggested the importance of periods of consolidation after major changes. This may pose yet another inhibiting factor to change. The early 1990s saw the greatest period of change yet in the Asia–Pacific, combining both deep changes in existing organizations and the launch of significant new organizations in difficult policy areas. There is much to support the view that there has been insufficient time for these changes to be consolidated and accepted into the calculations and practices of regional states. On the one hand, new members have been accepted into the older organizations, diluting their willingness to experiment with change; on the other hand, the newer organizations have had only a limited amount of time to expand their own organizational structures and logics. Contemplating extensive change so soon after these earlier developments may put the organizations themselves at risk. In addition to all these factors are the continuing sensitivities about the leadership and sponsorship of regional designs discussed above.

3. Conclusion: change and the future of Asia–Pacific regional organizations

Consideration of all of these issues suggests the conclusion that change of the kind that will enable regional organizations to better respond to the Asia–Pacific's emerging challenges is possible, but unlikely in the short term. The causes for pessimism are many: in addition to those discussed above, it could be argued that rarely if at all has the region been confronted by challenges that are at the same time profound and so diverse that they are unable to provide a unifying regionalist focus. However, there are also reasons for optimism. Asia–Pacific regional organizations have proved both flexible and continually the subjects of change; there is little reason to argue that the period of this flexibility has now been exhausted. The changes of the early 1990s, even if they are still in the process of consolidation, demonstrate that the region's states are willing to experiment with major departures in institutional

form. Perhaps the most optimistic sign for the future of vigorous and relevant regional organizations in the Asia–Pacific, however, is the continued existence and strengthening of regionalism: the identification of states with the region and the commitment to regional solidarity. The prospects for medium- to long-term change to the Asia–Pacific's regional organizations – whether those existing now or new forms such as an East Asian association – are strong for as long as there is a convergence of views that a regional solution to any given problem is possible, preferred and worth pursuing.

Notes

1. Immanuel Kant, *Critique of Pure Reason*, trans. F. Max Muller, New York: Anchor Books, 1966.
2. See Ernst Haas, *When Knowledge is Power: Three Models of Change in International Organizations*, Berkeley: University of California Press, 1990; Lisa Martin, 'Power, Interests and Multilateralism', *International Organization*, Vol. 46, No. 4, 1992; and Douglass C. North, *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University Press, 1990.
3. The perception has been fairly widespread in the region: a poll of Asian executives conducted in mid-1999 found that 82.9 per cent thought that ASEAN was ineffective in responding to the Asian financial crisis; see *Far Eastern Economic Review*, 13 May 1999, p. 35.

Index