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Sigrid Koller, Bakk. phil

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1. Introduction

1.1 Objectives

International organizations (IOs) shape the world on every imaginable issue they face today, be it environmental, financial or humanitarian. As most of the international organizations were formed in the 1940's and 1950's in the western hemisphere, western states still dominate those institutions, even if the scope of member states has expanded significantly since then. As the decision-making process often leaves out emerging economies and the power structure often only reflects the world order of the past, the legitimacy and even the longevity of those organizations is called into question in recent years. (Bergan 2011, Betz 2008, Weisbrot et al. 2009) Specifically, financial institutions like the International Monetary Fund have to deal with the allegation that they are doing more bad than good in the process of supposedly helping poorer countries with money to develop their infrastructure and economy. Many people think that in this process, they actually are contributing to destroying the economies they are trying to help.¹ The World Trade Organization also is said to be actually only helping western countries to keep their wealth while exploiting emerging economies. (Wilkinson 2008) In recent years, emerging economies started demanding to be heard and desired to take part in decision-making processes in those organizations more actively. In the economic sphere, emerging economies have challenged the West considerably in more and more spheres in recent years. Additionally, the recent economic crisis and the European debt crisis has weakened the power of western countries. This paper takes a close look at the question of whether emerging economies are able to translate their economic success into political leverage in IOs, specifically exploring the role of the Republic of Korea and the People's Republic of China. Various authors (Mahbubani 2008, Drezner 2007, Weisman 2006) suggest that only if rising powers can be incorporated into the framework of IOs, the future of those institutions, and therefore the system that was built up over six decades, can survive.

Another important aim of this paper is to find out if it is already too late to revamp existing international organizations. The surge of regionalism, especially in Asia, could be a sign for the decline of the authority of international organizations in Asia. Therefore, the paper

¹ Various NGO's and other nonstate actors dedicate their work to hold IOs accountable for their actions, for example by organizing antiglobalization campaigns. Also see: Vines, David; Gilbert, Christopher L. [Eds] (2003): *The IMF and Its Critics: Reform of Global Financial Architecture*, New York: Cambridge University Press.

will dwell on the question if emerging economies have already given up trying to gain a voice in existing institutions as they build their own initiatives. To give an example, in the last decade new organizations like the Shanghai Cooperation Organization (SCO), covering in parts the security and economic sphere as well as the Chiang Mai Initiative (CMI) covering the financial sphere, have emerged in Asia. (Henning 2002, Bailes; Dunay 2007, Troitskiy 2007) Additionally, there is even talk about an “East Asia Community” forming. (Shoji 2009) The paper will discuss if those organizations are either built up to challenge established organizations, if they are kind of an “exit strategy” for participating countries, or if they are used as an alternative for IOs.

The hypothesis in this paper states that since Asian countries are highly suspicious of Japanese intentions in Asia, it would be a difficult task to build up a security organization in the East Asian region. Therefore, IOs concerned with the security realm would still play a role in the region in the future. In the economic and financial sphere, however, it could be possible for Asian states to set up their own structures and leave western countries on the outside. This paper tries to find out if these assumptions are true by employing theories of power, authority and regionalism to analyze whether a true process of shifting power has occurred. Additionally, by finding out if afore mentioned assumptions are true, conclusions can be drawn on the future of IOs and on how to manage emerging economies in the future. Also, with these findings, foreign relations can be adapted accordingly. Most importantly, finding out what place the Republic of Korea and the People’s Republic of China want to play in international affairs can give an insight into possible future developments in the region.

1.2 Key Research Questions

The overarching theme of this thesis is “Power”. For this purpose, the theoretical concept of Michael Barnett, Martha Finnemore and Raymond Duvall is being used. Barnett, Finnemore and Duvall developed a new kind of approach to power in international politics and identified four different forms: compulsory power, institutional power, structural and productive power. These forms of power join the most used and recognized concepts in international politics and have the advantage of avoiding competition.

The leading question in this paper is about the economic shift of power in the world and if it has already translated into international organizations. The question is if the economical shift of power from the West to the East already includes the shift of political and military power, as well. Furthermore, the question of an allegedly “waning power” status of IOs is being explored. Additionally, the question whether China and South Korea even want to challenge the global system and the U.S. as a superpower is being explored. As new regional organizations in Asia emerge, new questions arise. Do these organizations, in this paper being the Shanghai Cooperation organization and the Chiang Mai Initiative, pose a threat to established IOs? This idea presupposes that regional organizations are a challenge to the work and existence of established IOs. The next aim is to find out if regionalism is already a manifestation and a translation of the new economic power of East Asian² states. The paper also considers the involvement of the Republic of Korea and the People’s Republic of China in those new organizations. Finally, the question will be touched upon as to how they might shape or perhaps boycott decisions made by IOs in favor of their own newfound structure in Asia.

Regarding the power structure within IOs, the question lingers if those organizations can be shaped and run by their member states and if so, if western states have lost their power to guide those organizations. This paper also explores if the Republic of Korea and the People’s Republic of China gain bargaining power because of their rising economic status and if so, how far they can go in this regard. Last but not least, it will be discussed if there is any chance of a longstanding cooperation in Asia that could join Japan, China and South Korea together and act as a powerful weight, alongside the EU and the U.S.

² For the purpose of this paper, East Asia encompasses the People’s Republic of China (referred to as China), the Republic of Korea (referred to as South Korea) and Japan.

1.3 Methodology

In this paper, the power of international organizations as well as regional organizations shall be worked out. By defining the power of IOs as well as regional organizations, conclusions can be drawn whether or not regional organizations are a “threat” to the work and existence of IOs. Within this work, the role of the World Trade Organization and the International Monetary Fund on the international level will be explored. The aim is to detect a shift of power in the behavior of China and South Korea in the WTO and the IMF approximately in the last decade. In the IMF, this kind of extra influence should include financial help, involvement in decision-making processes, and the siding of South Korea and China with other countries. Within the WTO, voting preferences and recent bilateral agreements that stand in opposition to the work of the WTO should be explored. To measure the power of regional organizations, the perception of these organizations in the West will be explored, as well as the involvement of those organizations on the international level. In the end, these suppositions should lead to a conclusion.

How is this achieved? This paper touches on the model of content analysis, sometimes also termed text analysis, and hermeneutics. First, the aim of content analysis should be explored: Traditionally, content analysis analyses numerous amounts of texts. (Früh 2001: 27) As this method has its constraints, the work fails to find all the answers. In any case, text analysis aims to reduce complex matters as it tries to find characteristics that will lead to conclusions. The information outside of these characteristics, however, gets lost. Be that as it may, the main interest lies in the content that is communicated. The research question is the criteria for selection and how conclusions are drawn. As there is so much information available, only the relevant content should be captured.

To begin with, the search for clues starts with the hypothesis stated in the thesis. Does the hypothesis stand the arguments in the texts? In this paper, the hypothesis used is a so-called “enclosed hypothesis”. A first step towards understanding the matter is the structural characters of the texts. Those characters mark the grounds for interpretation. (Früh 2001: 65) To find answers, content analysis relies on theoretical arguments. Therefore, the present state of research should always be involved in answering the hypothesis. The main basis for interpretation is always the content of the text. (Mayring 2010: 50-51) Through this process, conclusions can be drawn and new information can be found. (Früh 2001: 39) There are a

few ways to conclude a text analysis. Some might analyze the text and its impact on the recipient. This latter idea implies the question of: What does the communicator want to transport through his/her saying? Alternatively, the diagnostic approach tries to understand the origin of the text. How is the relationship between the communicator and the message? What does the author try to achieve? Still another approach is the prognostic one. Here, one tries to find answers through messages and their impact on the recipient. This approach can also be interpretative. How does the reader react to this message?

As this method has its limits, it needs to be accompanied by additional external criteria. Therefore, additional information about the recipient and communicator is needed. (Früh 2001: 42) Since every analyzer interprets texts firstly from his/her own perspective and his/her own experience, it is nearly impossible to stay objective or neutral in analyzing texts. To limit this impact as far as possible, the analyzer has to try to understand the author or even the recipients of the texts.

Another method of analyzing texts would be the hermeneutical text interpretation. Hereby, the text will be analyzed by where it was written, who wrote it, when and in what society. How is the text written and, are there judgmental statements? A first step is to describe the text in formal and descriptive parameters. Then, the first impression is given. After that, first conclusions can be drawn. (Früh 2001: 48) Passages that are unclear should be supplemented by other texts in order to understand the original. Special aspects of the material can be filtered out in order to fit the criteria decided beforehand. (Mayring 2010: 65) Through the hermeneutical text interpretation, the coherence and subjective impression is documented as the analyzer wants to find out “coded messages”. (Früh 2001: 64) Like content analysis, the aim is to find passages that fit to the hypothesis and then to find additional material for further understanding. Another important tool is structuring, where the material is filtered into certain aspects. Through previously decided criteria one can find those certain aspects that then can lead to conclusions about the material. (Mayring 2010: 65) Although this analysis tries to incorporate all the material, the aim is to find the essence.

This work tries to touch upon these criteria in order to come to some conclusions.

1.4 Chapter Outline

The second chapter builds up the theoretical basis of the paper and begins by introducing

different sources of power and authority to discuss in the next chapters. Introducing those sources of power and authority helps to understand the inner workings of IOs better. To round out part two, the power of IOs is explored in the last section. Through the “classification of the world”, “the diffusion of norms” and “the fixing of meanings” IOs are able to shape the world according to their aims. A first step towards understanding the workings of the East Asian region is offered in the next section by introducing the concept of regionalism and regionalization, as well as how globalization plays into that process. The third chapter considers the various aspects of power mechanisms in the East Asian region. In order to understand why regional cooperation is so difficult in the region, historical implications, the alliance with the U.S., and South Korea, as well as relations with Japan, are explored. Additionally, the role of ASEAN and the Asian Financial Crisis in regards to their relations in the region and how they might have helped regional initiatives, is discussed. The fourth chapter explores two regional organizations that came about in East Asia in the last decade. One is called the Chiang Mai Initiative, a financial cooperation consisting of the countries of ASEAN, South Korea, China and Japan, operating with an IMF-link. The other regional organization is the Shanghai Cooperation organization that is dominated by China and Russia and which leaves out South Korea and Japan. The aim here is to find out if those regional organizations are aiming to replace IOs, if they strengthen regional cooperation, and if they have helped to make historical implications take the backseat when trying to set up regional initiatives. Finally, the last chapter then explores the work of the IMF and the WTO, how those organizations have had to change due to shifting power relations, and if South Korea and China have gained or are even wanting to gain more power within those institutions since their economies are on the rise. With all the findings in mind, the concluding chapter returns and aims to answer the research questions that have been formulated in the first part of this paper.

2. Theoretical Basis

2.1 Sources of Power

Despite power being omnipresent in daily life and politics especially, a clear-cut definition is difficult to establish. While there are many explanations they are mostly very broad. This is because “power works in various forms and has various expressions that cannot be captured by a single formulation.” (Barnett; Duvall 2005: 2) The discipline of power in international politics is mostly tending toward the realist view of power, stating the “ability of one state to use material resources to get another state to do what it otherwise would not do.” (Ibid.) For this study that concept would limit the outcome as it sometimes ignores power relations within international organizations (IOs) and states that want to influence those organizations. Even though power is at the heart of many international negotiations, recent tradition underestimates the importance of power in international politics.

This chapter is concerned with dwelling on these questions: Why is it that some actors have more power than others and can exercise this power against the intentions of others? Also, it will be touched upon what enables states to produce outcomes that are very different from the outcome other states want to create when taking the same actions. Furthermore, it will be discussed what constrains actors in their ability to generate favored outcomes. Following are the four forms of power in international politics identified by Michael Barnett and Raymond Duvall. By identifying four different forms of power, constraints in examining institutions or international relations are almost absent. In the sections that follow, it will be explored how these different forms of power interact and how they are connecting. Barnett and Duvall wanted to combine the most famous and most used approaches of international politics. Combining these four forms of power, the different schools avoid competing. As a result, compulsory power resembles the realist approach whereas critical theorists tend to focus on structural and productive power. (Barnett; Duvall 2005: 4) Through this approach, Barnett and Duvall hope to help smooth out the rivalry between disciplines of international relations and give room to the most popular approaches, thus encouraging discussion. (Ibid.)

2.1.1 Compulsory Power

Compulsory power basically “refers to relations of interaction that allow one actor to

have direct control over another.” (Barnett; Duvall 2005: 3) This is achieved, for example, by the use of threats, such as if one country threatens another to change its policies, or face certain dire consequences. (Ibid.) In the classical tradition, this concept of power is very popular and Max Weber’s definition also falls into this category. He defines power as the “probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability exists.” (Barnett; Duvall 2005: 13; quoted after Max Weber 1947: 52) While the weaker actor accepts its inferior position, it obeys because of the legitimacy and authority of the superior actor. As a result, the weaker actor even admires the superiority of the powerful one. Following Weber’s argument, the stability of authority requires legitimacy and organisation, while power is the diffuse “chance”. (Müller 2007: 122) As authority needs to be justifiable, the “faith in legitimacy” is required from the weaker actor. (Weber WuG 1921: 16, 19, 122 f.) Drawing from Weber, Barnett and Finnemore describe IOs as “rational-legal bureaucracies”. (Barnett; Finnemore 2005: 162) Weber credits “organisation” and “administration” for the stability of authoritative structures. The administration acts as an intermediate between the citizen and the state and fulfils the orders of the state. (Heins 1990: 58; Müller 2007: 123) For the purpose of this paper, IOs act as intermediates between states, and their objectives fulfil the requirements national states fail to fulfil on their own. Weber imagines an authority that goes against the will of the ruled to be impossible, because the expense of resources would render such a situation unreasonable. This argument begs the question: To what extent do IOs still have legitimacy so that their intervention into national affairs of weaker states is even possible?.

Another definition credited as most influential for scholars of international relations by Barnett and Duvall is Robert Dahl’s: He states that “power is best understood as the ability of A to get B to do what B otherwise would not do.” (Barnett; Duvall 2005: 13; quoted after Robert Dahl 1957: 202-03) IOs, especially financial institutions, tend to use this concept to persuade and convince member countries by offering monetary incentives to implement the favored policies of the institutions. (Betz 2007: 319-20) Dahl’s concept requires *intentionality* on the part of Actor A. A wants to alter B’s behavior in a particular way. If B alters its behavior “under the mistaken impression that A wants it to”, it would not count as power because there was no intent on the part of A. (Barnett; Duvall 2005: 13) A second requirement is a *conflict* of desires. B has to feel “compelled to alter its behavior.” Despite its own intentions, B has to abandon its own aspirations and follow the wishes of Actor A. The third

and most apparent requirement deals with *resources* each actor has in their bag of tricks. A has resources at its disposal “that lead B to alter its actions.” (Ibid.) However, there is another possible line of argument demonstrated by Bachrach and Baratz. Surprisingly, they even detect power in the action of B altering its behavior without A’s intent. As plausible evidence, they cite the example of victims of “collateral damage” of bombing campaigns. Victims certainly feel the power of A, even if it was not the intent of A to create such damage. (Barnett; Duvall 2005: 14; quoted after Bachrach and Baratz 1962: 952) Here, power is perceived as the “production of effects” and is best understood “from the perspective of the recipient, not the deliverer, of the direct action.” (Barnett; Duvall 2005: 14) Powerful states can use their material resources to “advance [their] interests in direct opposition to the interests of another state.” (Ibid.) They can “coordinate the actions of lesser powers so that they align with their interests.” (Barnett; Duvall 2005: 14; quoted after Gilpin 2002) Multinational corporations have also adopted this approach and can “shape foreign economic policies of small states and global economic policies.” (Ibid.) How, then, do IOs exhibit compulsory power? The World Bank for example can influence the developing policies of borrowing states. The United Nations High Commissioner for Refugees (UNHCR) can influence the lives of refugees, as mentioned later in this paper (see “Classification of the World”).

Compulsory power not only includes material resources, but also symbolic and normative resources, for example demonstrated by the work of the UNHCR. This organization basically only has influential power, but because of its *expert* and *moral authority* [see 2.2.3 and 2.2.4], the organization is considered to be *an authority* and *in authority* [see 2.2.5], essentially representing power. In recent years, the rise of “civil society” and its demands puts multinational corporations and governments alike into place. A prominent example is the signing of the land mine treaty that was achieved by various transnational activists who basically “shamed” Clinton into signing it. (Barnett; Duvall 2005: 15, quoted after Price 1998) IOs can use their expert, moral, delegated and rational-legal authority as a resource “to compel state and non-state actors to change their behavior.” (Barnett; Duvall 2005: 15; see 2.2 Authority in this text) Another form of power IOs display on a regular basis is institutional power, described in the next section.

2.1.2 Institutional Power

Institutional power describes control through indirect ways, “such as when states design IOs in ways that work to their long-term advantage and to the disadvantage of others.” (Barnett; Duvall 2005: 3) Barnett and Duvall focus on “formal and informal institutions that mediate between A and B.” (Barnett; Duvall 2005a : 51) The rules and procedures of those organizations “guides, steers, and constrains the actions (or nonactions) and conditions of existence of others.” (Ibid.) Consequently, A cannot “possess” the resources, but the institution constrains and shapes the behavior of B, with A taking a supposedly back seat. Even if institutions were established at a point where certain effects were not intended, they certainly can effect and shape the future choices of actors. Barnett and Duvall view “Long-standing institutions” as “frozen configurations of privilege and bias that can continue to shape the future choices of actors.” (Barnett; Duvall 2005a: 52) Institutions can even shape the agenda-setting process” as to eliminate points of conflict. Therefore, some decisions cannot be made because of limited opportunities.” (Ibid.)

IOs were mostly created to “achieve mutually acceptable, even Pareto-superior, outcomes”. (Barnett; Duvall 2005a: 52) Even this, respectable intention, creates “winners” and “losers”, “to the extent that the ability to use the institution and, accordingly, collective rewards – material and normative – are unevenly distributed long into the future and beyond the intentions of the creators.” (Ibid.) The aim of this paper is to find out if this supposition rings true for the organizations analyzed here.

2.1.3 Structural Power

Structural power is often overlooked and put on the same level as institutional power. There is a difference, however, as “institutional power focuses on differential constraints on action”. In contrast, “structural power concerns the determination of social capacities and interests.” (Barnett; Duvall 2005a: 53) Structural power concerns internal relations of structural positions, such as the structural position A “exists only by virtue of its relation to structural position B.” (Ibid., see Bhaskar 1979; and Isaac 1987) Barnett and Duvall cite master-slave and capital-labor relations as “classic examples”. The capitalist world-economy directs “social positions of capital and labor” and dictates the “respective differential abilities to alter their circumstances and fortunes.” (Barnett; Duvall 2005: 3) Seen in this way, the positions that are “mutually constituted are directly or internally related; that is, the social

relational capacities, subjectivities, and interests of actors are directly shaped by the social positions that they occupy.” (Ibid.) The “fates and conditions” are shaped in two ways, then: One, different structural positions generate different advantages and capacities. Again, the example of master-slave relations exemplifies this shape. Two, the social structure also shapes the self-understanding and the subjective interests of actors. Those structures lead to different interests of actors and “asymmetric privileges” that leave actors willing to “accept their role in the existing order of things.” (Barnett; Duvall 2005a: 53; quoted after Lukes 1975, 24)

Structural power can “work to constrain some actors from recognizing their own domination.” (Barnett; Duvall 2005a: 53) This self-understanding reproduces the structures, and actors are left unable to resist the “differential capacities and privileges of structure.” Structural power works invisibly too, in that it also shapes the behavior of actors even when A does not exercise control over B. (Barnett; Duvall 2005a: 53; see Benton 1981) Barnett and Duvall follow Lukes, Gramsci, Gill and Law’s arguments that “while power exists in coercion and institutional arrangements, to understand the workings of the global capitalist economy requires recognition of global production relations as constitutive structure.” (Barnett; Duvall 2005a: 54; quoted after Gill and Law 1989) In essence, then, the “structure of global capitalism substantially determines the capacities and resources of actors.” (Barnett; Duvall 2005a: 54; quoted after Rupert and Smith 2002) The actors’ outlook, ideology, interests etc. are pre-shaped in this sense. Therefore, this system helps to reproduce the “interests of the capitalists and their fellow travelers at the direct expense of the objective (but not, then, recognized) interests of the world’s producing classes”. (Barnett; Duvall 2005a: 54) This is why the work goes into the reproduction of the system, rather than the transformation of the system, the structure, and its relations of domination. (Barnett; Duvall 2005a: 54)

Structural power draws many similarities to the World-systems theory. In World-system theory, the positions that states are identified with such as core, semi periphery and periphery, generate how they behave in the world system and what interests they have. (Barnett; Duvall 2005a: 54; see Wallerstein 1996) Constructivists also identify with the concept of structural power. Role structures determine the privileges and capacities of actors. (Barnett; Duvall 2005a: 54; Wendt and Duvall 1989) The point of Boli and Thomas is most interesting, since they argue that “there is a world authority structure, a set of fundamental principles, that constitutes who are the actors of world politics, what are their identities, what are their expressive purposes, and what are their differential capacities.” (Barnett; Duvall 2005a: 55)

According to this view, the world authority structure is “organized around rational-legal values” that “privileges the voices of international nongovernmental organizations.” (Barnett; Duvall 2005a: 55; Boli and Thomas 1999) Striking a similar chord is productive power, explored in the next section.

2.1.4 Productive Power

Productive and structural power overlap in a few aspects. Productive power is also concerned with social processes that are “not controlled by specific actors, but that are affected only through the meaningful practices of actors.” (Barnett; Duvall 2005a: 55) Both examine “how the social capacities of actors are socially produced, and how these processes shape actors’ self-understandings and perceived interests.” (Ibid.) Productive power can determine “whose knowledge matters” and “what constitutes legitimate knowledge.” (Barnett; Duvall 2005: 3-4)

The difference to structural power is that productive power works with “more generalized and diffuse social processes” instead of “direct structural relations.” This is in line with Foucault’s argument of power as a “productive process”, where power is only productive when raising “social forces.” (Sarasin 2005: 147; quoted after Foucault 1976: 267) The dynamic of power is all-embracing. Power contains knowledge, institutions, discourse as well as architecture, Foucault’s favorite example being the panopticon.³ Generally speaking, productive power also examines the social relations within structures and the systems of knowledge and therefore “looks beyond (or is post-) structures”. (Barnett; Duvall 2005a: 55) Foucault sees power as permanently changing and moving through its own dynamic. Power is all over the place because it arises anywhere. (Sarasin 2005: 151; quoted after Foucault 1976: 114) Structural power concerns the struggle of the less powerful against the powerful actors. Productive power examines the “boundaries of all social identity”, examines the capacities and inclinations for action for the weak and the powerful alike, “as well as the myriad social subjects that are not constituted in binary hierarchical relationships.” (Barnett; Duvall 2005a: 56) Following this argument actors are constrained to determine their own fate because of their social relations to others. Conversely, social relations to the “right” actors could also enhance the fate of weaker actors. Foucault, then, understands resistance not in a revolutionary sense, but in the sense that weaker actors want to change their fate, but not the

³ In this context a panopticon describes a prison where the inspector can see the prisoners at all times, without being seen himself.

system itself.

Power and authority are often put on the same level, but there are some differences. The next section tries to explore what these differences are and why they matter.

2.2 Authority

“International organizations are bureaucracies, and bureaucracies are a distinctive social form that exercises authority in particular ways. Perhaps most influential and least noticed are the ways in which IOs use their authority to both regulate and constitute the world.” (Barnett; Finnemore 2004: 9)

IOs are regularly seen as “byproducts of state action”, hence their “independence” is often overlooked by scholars and theories of international politics alike. (Barnett; Finnemore 2004: vii) As a result, the “power structure” of IOs is regularly neglected because IOs are created by states. However, IOs are intentionally given some autonomy because states themselves “are neither able nor willing to perform the IOs mission themselves.” (Barnett; Finnemore 2004: 5) This explains why the independent power of IOs is often overlooked and scholars only explore how states act through those organizations. Even if IOs are given some autonomy, it is true that more powerful states can direct the organization in some ways, since IOs are “almost always designed to give states, particularly powerful ones, a great deal of control.” (Ibid.: 4) Nevertheless, IOs can make the most of a seemingly meager autonomy as they can encourage states to act according to their view.

Barnett and Finnemore claim that the power of IOs “lies in their ability to present themselves as impersonal and neutral – as exercising power but instead serving others”. (Barnett; Finnemore 2005: 175; quoted after Fisher 1997 and Shore; Wright 1997) Meanwhile, Betz argues that the power of IOs is limited by the international economic system. In his point of view, evidence suggests that there is a kind of resistance if recommended measures affect state autonomy or the autonomy of the private sector. Bilateral agencies as well as civil society form competition to IOs. Consequently, the influence of IOs is restricted and the shortcomings in quota and voting structure take away the credibility of them. (Betz 2007: 316) Hurrell views institutions as a buffer between weak and powerful states. While powerful states could not intervene into national affairs of weaker states directly, the “buffer” of IOs makes this intervention possible. As far as he is concerned, institutions legitimize the “ever-deeper” intrusions into sovereign states. (Hurrell 2005: 56) Betz claims

that the influence of international financial organizations is limited with industrial nations but is still relevant in the case of developing nations. (Betz 2007: 322-3) Barnett and Finnemore are in accordance with Nye and Keohane, who view IOs as policy networks. (Barnett; Finnemore 2005: 182; quoted after Keohane and Nye 2001)

The following are the four kinds of authority recognized by Michael Barnett and Martha Finnemore. These two scholars look upon IOs as bureaucracies. As far as they are concerned, they view bureaucracy as “a distinctive social form of authority with its own internal logic and behavioral proclivities.” (Barnett; Finnemore 2004: 3) Authority gives an IO “autonomy vis-à-vis states, individuals, and other international actors”, at least to some degree. (Ibid.: 5, 25) Through their regulated agenda, institutions reinforce “practices of reciprocity”. Member states conform to the rules of powerful institutions so that other member states, and states that want to join such institutions, conform to those rules as well. Consequently, the behavior of other state becomes more predictable. (Keohane 1998: 86) In analyzing authority structures it is easier to understand how IOs develop a sphere of their own and how they become “experts” and respected organizations with concrete expertise on which even state authorities rely.

2.2.1 Rational-legal Authority

Bureaucracies are an authority and are defined by Barnett and Finnemore as a “rational-legal authority in their domain of action.” (Barnett; Finnemore 2004: 20) As an authority, a bureaucracy is able to use their resources to get actors to do what it wants from them. Actors who enable the bureaucracy assign power and legitimize the actions of it. As far as Weber is concerned, there is little chance that a once established bureaucracy can be broken up. The “ruled” are already depending on the organization and its “permanent output” of its efficient bureaucratic administration. (Müller 2007: 142) This is a point worth dwelling on and could explain the persistence of established bureaucratic organizations and why already archaic structures like the World Bank or the IMF still exist and still are funded by states. Weber calls this the “objective indispensability” of the administration. (Müller 2007: 143; quoted after Weber 1972: 570) The mere feeling of authority makes individuals “defer to those in authority.” People, as well as states, tend to “alter their behavior in ways that are consistent with the directions laid out by that authority.” (Ibid.) The power of authority lies not only in the ability to get people to do what they would not otherwise do, but also to tell them what is the right thing to do. Of course, authority is exposed to change. There could be competition

between a few authoritative voices and authority is not always obeyed by people or, in most cases of this paper, states.

Consequently, to be powerful and authoritative, the actions must have value and a social purpose and above all must be seen as impartial and technocratic. (Barnett; Finnemore 2004: 21) The organization has to act impersonal and neutral in order to exercise power that appears to be serving others. In this view, the organization is seen as “perfect” when it acts impersonal, and when love, hate and every other personal, even irrational feeling or consideration is eliminated through the transaction of official functions. (Müller 2007: 141; quoted after Weber 1972: 563) The administration has to be impersonal, operating without hate and passion, without prestige of the person. (Müller 2007: 140; quoted after Weber 1972: 129) Following this argument, it could explain why some decisions seem to be lacking compassion completely. Some decisions seem to be derived from reality entirely and ignore the opinion of the people. The outcome for the population is overlooked. For any international organization to appear neutral and to not look to be depending on powerful state members is crucial to its credibility, especially for financial organizations like the IMF. Still, this is not possible since, as Barnett and Finnemore put it: “Bureaucracies always serve some social purpose or set of cultural values.” (Barnett; Finnemore 2004: 21) In some cases, even a neutral standpoint is missing, but IOs still have to find one to preserve credibility and impartiality. Rational-legal authority is not enough to explain the behavior of IOs, hence there are other ways for IOs to gain legitimacy, authority and influence, described in the next sections.

2.2.2 Delegated Authority

The authority of IOs is basically delegated authority from states. States delegate tasks which they cannot perform themselves. For example, member states have delegated to the IMF the authority “to act on certain domains regarding international financial matters.” (Barnett; Finnemore 2004: 22) Keohane compares the capability of institutions to reduce costs of “making and enforcing agreements” for individual states to “transaction costs” in the economic world. (Keohane 1998: 86) Hence an IOs’ authority represents “the collective will” of its members. Conversely, member states also have the authority to delegate tasks to IOs. Seen in that light, it appears that IOs cannot act on their own and states dictate the course for them. Indeed they possess authority, but seemingly little autonomy. Nevertheless, to make an

IO work, it *must* be an autonomous actor. (Ibid.) This runs counter to International relations theories, which claim that states guide the tasks of IOs and that IOs lack the necessary autonomy to work on their own. Barnett and Finnemore argue in a similar vein, as commonly it is claimed that sovereignty is the only basis for authority, which would refuse organizations to possess authority. (Barnett; Finnemore 2004: 5) This explanation, however, fails to grasp the whole picture.

How would IOs work against state interests then, as proven in a few situations?⁴ IOs need to be autonomous to reach decisions without considering state interests. Otherwise, their work would be impossible. As IOs are obliged to work in favor of their delegators, however, they can use their authority by preserving the appearance “that they are faithful servants to their mandates and masters.” (Barnett; Finnemore 2004: 22) A lot of work of an IO also flows into balancing the interests of their “state masters”, who often have different interpretations of the existing rules and procedures. Accordingly, IOs can exercise authority by offering their own response to certain interests of member states while appearing impartial. While they are doing this, they have to “present themselves as acting not autonomously but at the behest of their principals.” (Barnett; Finnemore 2004: 23) This is possible through their *moral* and *expert authority*, discussed in the sections that follow.

2.2.3 Moral Authority

Most of the IOs speak out on behalf of certain principles and on behalf of the international community. The UNHCR serves as an example of “moral authority”, since the organization is primarily concerned with protecting refugees and gained the reputation of a responsible organization in general. The United Nations also serves as an example of moral authority. Since every member state has the same voting power in the U.N., mandates of the organization are recognized to be fair and respected by the world community. Even if the U.N. lacks material resources to execute decisions, going against mandates could damage a country’s reputation for a long time. A case in point is the invasion of Iraq by the U.S. without

⁴ To point out a few situations where IOs work against state interests, Barnett and Finnemore listed 5 types of IOs’ autonomous relations with states. For instance, Part 4 describes how IOs may act against state interests, when acting “contrary to the preferences of weak states, [...], and often frustrate the will of strong states.” IOs may also work together with NGOs or form alliances with publics, other IOs, “and other states to protect policies from powerful states that oppose them.” Through those alliances, IOs can force powerful states to “initiate policies or establish agendas” that run against state interests of powerful states. These processes are often “oblique”. Direct confrontation with dominant states, however, is avoided when possible. (Barnett; Finnemore 2004: 27-8)

a U.N. Security Council mandate. The war was even breaching the U.N. charter and deemed “illegal” by Kofi Annan in 2004.⁵ The U.S. public also highly values the work of the council. A poll⁶ conducted just before the invading of Iraq found that 67% of Americans surveyed “responded that it was necessary for the U.S. to get approval from the U.N. Security Council to invade Iraq.” (Fang 2008: 304) The American public favors multilateralism instead of unilateral action, and the U.N. Security council is just the right forum for the U.S. to work along with the international community in a multilateral way. Similarly, Russia and China see the U.N. as an “independent authority” that is able to counter American unilateral action. (Schottenhammer 2006: 22-3)

Hence, moral authority alone endows IOs with some autonomy although many organizations are obliged to member states due to funding issues. As IOs are supposed to be moral they should refrain from engaging in battles with governments. They channel much of their energy into demonstrating their neutrality, objectivity and impartiality and serving all of the countries, including the less powerful ones. Moral authority can be used to support their preferred interests and carve out some kind of autonomy, as the organization can sometimes go against the wishes of member states. (Barnett; Finnemore 2004: 23) Another source of authority is *expert authority*, which is also gained through immaterial sources.

2.2.4 Expert Authority

Expertise often gives IOs authority. IOs work daily on specialized matters ranging from human right issues to economic welfare. Because of their work, they tend to accumulate outstanding expertise and hence states ask their advice when running into special problems. The information is up to date and theoretically well-founded. Because of their knowledge, expertise and experience, IOs possess authority and trust. Weber attributes bureaucracy to “authority by knowledge” and strict orientation on predictable rules. Hence, the predictability of success is a given. (Müller 2007: 141; quoted after Weber 1972: 129) As a result, states tend to trust or depend on IOs in delicate matters. Even IO officials believe that they work for the sake of public good and therefore channel their knowledge “in ways that would improve society.” (Barnett; Finnemore 2004: 24) Betz claims that the “expert” information constitutes a unique comparative advantage. (Betz 2007: 334) The granting of loans ensures obtaining

⁵ MacAskill, Ewen; Borger, Julian (2004): “Iraq war was illegal and breached UN charter, says Annan“, The Guardian, September 16th, 2004. (<http://www.guardian.co.uk/world/2004/sep/16/iraq.iraq> accessed on July 19th, 2011)

⁶ The poll was conducted between January 21 and 26, 2003.

information, for example by the IMF, about countries which otherwise would refrain from issuing reports about their economic situation. (Betz 2007: 335) This expertise can appear “depoliticized” as knowledge is “objective” and “numbers can speak for themselves”. Consequently, the advice of experts from IOs seems to be “unaffected by partisan squabbles”. (Barnett; Finnemore 2004: 24) Nevertheless, experts may view the world differently from the people who are affected by their decisions. This is because the organization's professional training, norms, and occupational culture influence how such experts view the world. (Ibid.) Since the staff of IOs is often composed of people from the western world, especially in higher positions, the cultural background of those people subconsciously influences their decisions. Decisions of people with a different cultural background can have damaging impact on the lives of people whom those decisions affect, even if involuntarily.

Financial organizations serve as a special example of expert authority. Those organizations apparently lost their say in industrial countries in the 1970's (IMF) and the 1950's respectively (World Bank). (Betz 2007: 322) However, even if industrial nations do not need financial help anymore, they still are dependent on those organizations when it comes to their “expert authority”. This falls under the category of compulsory power. Every country has to monitor their fiscal policy which is then also interpreted by the IMF. Those reports are quite a great source of authority and enable the organization to advise politicians on certain fiscal policies. Following Weber's argument, this goes to show that the “ruler” has great interest in holding on to its authority, cultivating and reviving the faith in its legitimacy continuously. (Müller 2007: 127; quoted after Weber 1972: 122, 123) As a result, information equals power. In developing countries, the influence of financial organizations is still present and influencing the countries directly, since they need to accept “material resources” that then can alter the weaker countries' economic policies. How IOs become an authority that can implement such measures throughout the world is explored in the next section.

2.2.5 “In Authority” and “An Authority”

The four types of authority described above make IOs authoritative in two ways: by putting them “in authority” or by making them “an authority” or a mix of the two. (Barnett; Finnemore 2004: 25) The framework of an organization given to it by member states alone puts the organization “in authority”. Authority derives from the institutional role the organization occupies. Experience, credentials, training and education make an organization

“an authority.” Sometimes, the organization is first “in authority” and over time, with experience and training, becomes “an authority.” Of the four types, rational-legal and delegate authority put the organization “in authority”. Expert authority makes the organization “an authority” and moral authority tends to serve both purposes. At times, those four types compete and create a dilemma for IO staff. For example, state demands can run counter to the moral claims or expertise of an organization. (Barnett; Finnemore 2004: 26)

Beginning research, the impression was that states are able to shape IO behavior. After all, states created IOs, therefore IOs act as “principal agents” for states and perform actions that the state wants it to perform. In the process of forming an IO, however, the organization takes on a life of its own and acts on its own. It becomes a bureaucracy. As Barnett and Finnemore eloquently state: “The notion that IOs simply do what states want quickly runs afoul of the many instances in which IOs develop their own ideas and pursue their own agendas.” (Barnett; Finnemore 2004: 2) International Relations scholars especially view an IO as an instrument for powerful states. The fact that member states erect IOs for the purpose of them doing the things the state cannot or does not want to carry out is evidence enough that member states expect an IO to exercise some autonomy. (Barnett; Finnemore 2004: 27) Even if states hope that IOs do not overrun their purpose, IOs sometimes extend their zone and work against state interests or transform them. The degree and kind of relation between IOs and its member states can be determined by a few types of autonomous relations of IOs with states. A variation in those relations can help us understand better how IOs can act on their own. Of utmost importance is that states know that they have to endow an IO with enough autonomy in order for the organization to further the state’s interests. IOs act on policy issues that are of no interest to states which give the IOs “wide latitude for autonomous action.” (Barnett; Finnemore 2004: 28) Therefore, IOs can alter policy directions of states to “pursue its own distinctive interests.” (Ibid.) IOs can even go as far as to flat out run against state interests, which of course does not affect dominant states directly but can affect weak states to a great extent. IOs work on changing the “broader normative environment and states’ perceptions of their own preferences” so they can fit with IO preferences. (Ibid.) These five types of relationships give a new picture of how they use their autonomy. IOs can create the world they want in contrast to state demands and search for their own allies, perhaps using the public and NGOs. IOs can even go as far as changing the political, ethical and other values of states. The fact of recognizing that IOs can work autonomously follows that they can exercise

power.

Having said all that, however, it is true that states influence IOs somehow, especially financial organizations. The question is only how, when and to what degree states influence organizations. As Barnett and Finnemore explored IO behavior, they credited the influence of states. They found out that “states are a central fact of life for each of these IOs⁷” and that “state support is a crucial component of IO authority”. (Barnett; Finnemore 2004: 12) The question is now, what do IOs do to bring states in line with their attempted goals? The next section tries to find an answer.

2.3 The Power of International Organizations

In this part, the practicability of the concept of power and authority for IOs is being explored. While power and authority can be applied to a lot of spheres, this part focuses on the applicability for international institutions. It will be discussed how those institutions achieve their autonomy, how they act on their own and how they play states off against each other to achieve their goals. Also, it will be considered why the international community respects those organizations and takes their recommendations without any objections and without questioning their intentions. Finally, it will be determined why states do not object to the idea of giving otherwise confidential information to those institutions and even uses their findings and analysis of this information for their national purposes (and simultaneously claiming the information to be their own). An explanation can be found in the three ways for IOs to achieve that, defined by Barnett and Finnemore: the classification of the world, the fixing of meanings and the diffusion of norms. All of these mechanisms can have regulative and constitutive effects.

2.3.1 Classification of the World

IOs were established to help states solve problems as they could not solve them on their own. This is one easily defined feature of IOs. The other purpose of IOs is to define many problems the world faces and to determine which ones should be solved. The best example is

⁷ Barnett and Finnemore researched incidents where states influenced organizations at the International Monetary Fund, the United Nations Human Rights Commission and the Peacekeeping Missions of the United Nations.

the classification of “human rights”. Human rights were not always seen as important. They only became of political importance once an education process started, and since then, genocides are not seen as a conflict or a civil war that one country has to solve on its own, but as an international matter. (Barnett; Finnemore 2004: 31) Barnett and Finnemore eloquently put this practice into perspective:

“Problems are not part of objective reality but are subjectively defined and constituted within social experience. Authorities help to create that subjective reality and to define what are the problems that require solutions.” (Barnett; Finnemore 2004: 32)

This follows that a source of power for IOs is the classification and organization of knowledge. An International Organization decides which information is more important than the other and which information should be passed on to the outside world. This is in line with the argument of Weber, who states that the heart of bureaucratic power is control based on knowledge. (Barnett; Finnemore 2004: 29; see Müller 2007: 141; quoted after Weber 1972: 129) Bureaucrats have information and others do not. Therefore, those bureaucrats can dictate “what information other actors must collect and reveal”, so they can control outcomes. (Ibid.) Granted, this is not the only source of power. Bureaucratic power not only derives from the information it possesses, but also from the ability to “construct information in ways that give it meaning.” (Ibid.) This is why nowadays, information of a poverty-stricken Africa is perceived as a “development problem“. Eighty years ago the situation might have been the same, but the “interpretation changes as meanings change”. (Barnett; Finnemore 2004: 30) Another example is the killing of dissidents which eighty years ago might have been looked upon as “state law enforcement” but nowadays, is a major human rights violation. This perception is socially constructed and often achieved by bureaucracies. (Ibid.) How do IOs achieve this change in perception? First, IOs have different ways of exercising power depending on their situation. For example, the IMF can use monetary incentives to “shape the behavior of another actor”. Others tend to emphasize their rules and “deploy knowledge in order to change incentives and regulate behavior”. (Ibid.) It is especially true that the IMF’s categorization of economies and which economy is “on the right track” has great impact on countries. Economies failing to meet the right standard are cut from access to IMF funds or financing at reasonable rates. The United Nations High Commissioner for Refugees (UNHCR) classifies which group of people are refugees, and which group of people are merely migrants. This distinction therefore can decide their fate. With the ability to extend or discard a group’s refugee status, the UNHCR holds a great deal of power. Also, the

classification of conflicts as civil wars or genocides triggers a different set of responses by international actors and IOs. (Barnett; Finnemore 2004: 32)

In a way, bureaucracies can construct reality as they can decide which information is to be collected and which information is of importance. They can set the agenda to impose topics that they want to discuss and not others. They can even decide which actors participate in the decision-making progress and which do not. This is how IO staff can “regulate” behavior into ways that are “consistent with their preferences and with existing rules and mandates”. (Barnett, Finnemore 2004: 31) Seen in this way, IOs can control the actions states take. Certainly, these examples show rather extremely how a “classification process” is a great source of power. Another source of power, the fixing of meanings, follows in the next section.

2.3.2 The Fixing of Meanings

Another important source of power for IOs is to “fix meanings in ways that orient action and establish boundaries for acceptable action.” (Barnett, Finnemore 2004: 32) Organizations achieve this through various analyses, for example through the “World Economic Outlook” and other corresponding reports where the established view of developing and financial scholars is expressed. (Betz 2007: 336; quoted after Mallaby 2004: 71) Through this process, IOs establish “meanings” for international actors. They define what “development” is, and also redefine this meaning when insufficient. They determine for example “who gets to do the developing (usually states or IOs), and who is to be developed (usually local groups).” (Barnett; Finnemore 2004: 32) As a result, the reports and analysis of financial organizations are the basis for political decisions. Of course, the analysis of the World Bank or the IMF is also published in international financial journals. Even agencies base their decisions on benchmarks of financial institutions. Recommended programs of international institutions are adopted, but slightly readjusted so as to fit with social policies of the countries in question. To be sure, governments mostly just want to add a certain personal feature as not to leave the field only to institutions. (Betz 2007: 336)

Why do states adopt those policies without questioning them? The success is accomplished through “framing”, which roughly specifies metaphors, “symbolic representations, and cognitive cues used to render or cast behavior and events in an evaluative mode and to suggest alternative modes of action.” (Barnett; Finnemore 2004: 33) IOs can use those frames to “dictate” the direction of action being taken. This can explain why

“landmines” were redefined from being “a pedestrian piece of military hardware into an illegal source of large-scale human rights violations.” (Ibid.) Betz illustrates this with another prominent example: The definition of the term “good governance” was first introduced by the World Bank in 1992. In a critical report about Africa, this term was coined with regard to transparency in the action of governments, rule of law, accountability of governments and participation. (Betz 2007: 335; quoted after World Bank 1992) Consequently, IOs accomplished this transformation by using the media to mobilize public opinion and appeals to the laws of war. A “constitutive” effect of IOs is the ability to shape social reality. They have a decided advantage over states or Non-governmental organizations (NGOs) in the way that their conferred authority gives them the power to define problems or morality and dictate the rules for a social situation. As a result, “IOs are able to use their authority, knowledge, and rules to regulate and constitute the world that subsequently requires regulation.” (Barnett, Finnemore 2004: 31) A third attribute by which IOs are able to define problems is by the diffusion of norms, following in the next section.

2.3.3 Diffusion of Norms

When IOs have achieved to “fix the meanings” and “classify the world” according to their wishes, what remains for the organizations is to spread their “defined” belief system, create international norms and also to enforce those global values and norms. Barnett and Finnemore call the staff of IOs the “missionaries of our time”. (Barnett; Finnemore 2004: 33) Through the process of spreading their beliefs, IOs “legitimate and facilitate” their intervention into national affairs. Because of their authority, they are able to decide who gets to solve a problem and what the suitable solution is. Peace building operations are a good example of showing the intervention of IOs into national affairs and through that process, the diffusion of norms occurs. When trying to develop stable, legitimate states, the organization establishes a professional police which renders a professional judiciary and penal system necessary also. Consequently, this approach requires lawyers and law schools. A seemingly small intervention becomes a reform to transform non-western societies into western societies. (Barnett; Finnemore 2004: 34) Acharya, however, argues that local actors do not remain “passive targets”. (Acharya 2009: 7) He stresses the role of local actors, and not those of external actors, in “producing norm diffusion”. (Acharya 2009: 14) Foreign ideas get “localized” and then developed into “congruence with local beliefs and practices”. (Acharya 2009: 15) If universal norms fit into the concept of local norms, they are more likely to

succeed. Also, success in diffusing local norms can be achieved when the local norm has already been contested from within. Acharya gives the example of the anti-footbinding campaign in China⁸, that succeeded because it fit into the concept of the national reform movement. The campaign against female circumcision in Kenya, however, failed because it was perceived “as an integral part of local culture and identity.” (Acharya 2009: 16) As far as the diffusion of norms is concerned, when is an actor compelled to change existing norms? Acharya states that war or a great economic crisis are acts that call for change. Another change can be brought upon by “shifts in the distribution of power or the great powers’ interests and interactions [that] can also generate pressures for normative change.” (Acharya 2009: 16) While those norms are embedded into societies, that does not mean that local norms are replaced. Localization is easier to achieve, because new ideas can be embedded “without admitting to cultural or knowledge inferiority or compromising its existing identity”. (Acharya 2009: 17) Of course, sometimes outer pressure like pressure to open the economy, for example, forces countries to adapt to international norms. Adaptation, however, is not as long-lasting as localization. Therefore, “norm diffusion is the result of adaptive behavior in which local practices are made consistent with an external idea. Localization, by contrast, describes a process in which external ideas are adapted to meet local practices.” (Acharya 2009: 19) Localization is a “dynamic and continuous process”. (Acharya 2009: 21) Therefore, prior unsuccessful ventures into localizing norms can be successful at a later point of time. Which of the above standpoints is proving true in this paper remains to be seen.

2.4 Regionalism

In order to answer the question of the shift of power and if regional organizations want to counter the influence of IOs, definitional clarity is a prerequisite. Therefore, the definition of a region, regionalism and regionalization is needed. It will be discussed what constitutes a region, which country belongs to a region and which country does not, and how this is determined. It might be the cultural factor, the geographical factor, the economic or yet the historical factor that determines what a region is. Also, it will be discussed how regionalism or

⁸ In China, it was custom to bind the feet of young girls to prevent them from growing in order to achieve a patriarchal ideal of beauty. This custom was reserved to girls of the upper classes in the Tang (618-906) and Song Dynasty (960-1280) but later was practiced by all classes of society up until the late 19th and the beginning of the 20th century. After the fall of the Qing dynasty in 1911, various anti-footbinding campaigns were carried out. Whereas before such campaigns only achieved little success, the campaigns of the Republic of China were successful because of the numerous cultural and political changes that took place during that time. (Griessler 2006: 195-197)

regionalization work and if regionalization or regionalism are already evidence of a shift of power. Furthermore, the question is raised if this is evidence that countries want to counter IOs. Another aim is to find out what the purpose of building up regional organizations is. This chapter tries to touch on these questions in that it first tries to define what constitutes a region. The next section tries to define regionalism and regionalization.

2.4.1 What Constitutes a Region?

There are many definitions of what constitutes a region. While some state that it is geographical proximity that “makes” a region, others find that political culture or “religious, ethnic, national, ideological and other ideational symbols and values give shape and meaning to societal affinities and solidarities on the one hand and conflicts of interest and perception on the other”. (Camilleri 2003: 3) The argument of “geographical proximity” is easily contested and demonstrated by the U.S. Even though the U.S. is geographically distant to the East Asian region, the country is in fact “geopolitically integral to it”. (Camilleri 2003: 5) That leads to the next definition of a region: Power and its distribution all over the world also play a role in constituting a region. Dominant powers can influence regions. Through economic or organizational power, military capabilities, or physical proximity and demographic weight, states “are able to exercise systematic leverage over regional affairs.” (Camilleri 2003: 16) This point is again demonstrated by the U.S., who has influenced and shaped the East Asian region for decades already. Other scholars argue that economical interdependence is a prerequisite to constitute a region. But as Camilleri points out, interaction between countries has “quantitative and qualitative dimensions”. (Camilleri 2003: 6) This indicates that while economic interdependence is a form of interaction, it does not necessarily lead to more cooperation. Other exchanges are needed in order to find a regional identity, common symbols and values. Regional identity and a common outlook on key issues are a prerequisite for a successful regional integration. (Beeson 2007: 6) Serving as an example, while there is a large amount of economical interdependence in East Asia, the countries in that region still find it difficult to work together in other spheres.

The most common feature is that states “make” a region. States and their internal and external relationships define how the region works. Thereby, external influences could be policies of states, as well as transnational corporations, financial markets, international governmental institutions or non-governmental organizations. Camilleri argues that while states are important, it seems to be a mixture of states and their geographical, demographical

as well as historical, political and socio-cultural influences that define a region. (Camilleri 2003: 5) Deutsch stresses the importance of communication. He states that “the experiences associated with past wars and the awareness of conflicting interests and perspectives can help to forge among elites but also among the wider public a sense of community, that is a readiness to seek common ground and new forms of collaboration.” (Camilleri 2003: 7; quoted after Deutsch 1957) Conflicts can work as a catalyst for regional cooperation, like the Western European integration after the Second World War. Conversely, conflicts can promote “regional segmentation, be it ideological, economic or strategic, with entire regions or sub-regions sharply divided into opposing blocs or spheres of influence”. (Camilleri 2003: 21) In Asia, conflicts had the effect of dividing the region, as well as creating a rift that is hard to overcome. The countries of the region lack the “awareness of conflicting interests and perspectives” and politicians in the region exploit past experiences for their political advantages.⁹ Still, disagreements did not hold off other regions to create their regional initiatives. In a security community “the imperative to co-operate has achieved primacy over conflictual tendencies.” (Camilleri 2003: 8) These communities are characterized “by a high degree of trust, common aspirations, low probability of armed conflict, and clear differentiation between life within and outside the community.” (Camilleri 2003: 8) The question lingers if a security community is unattainable for states who do not possess all of these prerequisites, such as in East Asia. Is it impossible for them to carve out some kind of security community? To clear up how and in which way this would be possible is another aim of this paper.

2.4.2 Regionalism and Regionalization

Regional trade agreements and other regional initiatives are on the rise, especially in East Asia. The logical question to ask is: Why is there such a new buzz for regional initiatives? One reason seems to be the stalling of the WTO’s Doha round.¹⁰ The uneasy feeling of being left out of trading advantages leads countries to pursue bilateral trade agreements. Other factors are “the enlargement of the EU and growing Pan-American moves to increase free trade arrangements, such as expanding the North American Free Trade Agreement (NAFTA) into the proposed Free Trade Area of the Americas (FTAA).” (Sohn; Lee 2005: 171) Sohn and Lee also give credit to the Asian Financial Crisis which prompted the region to pursue

⁹ Recent attempts to create a common history of Japan, Korea and China are, for example, the efforts to write a joint history textbook in 2005, touched upon later in this paper.

¹⁰ The stalling of the Doha round will be touched upon later in this paper.

regional agreements in order to protect themselves from future crises. (Sohn; Lee 2005: 172) This section will touch upon a few definitions of regionalism as well as regionalization.

Regionalization can be seen either as an exit strategy because IOs fail to cater to the needs of particular regions and states, or it acts as a substitute for them. Still another explanation is that regionalization is built up to serve globalization. Winters defines regionalism economically as being “loosely as any policy designed to reduce trade barriers between a subset of countries, regardless of whether those countries are actually contiguous or even close to each other”. (Winters 1999: 8) Beeson states that while the effort for regionalism is intentionally made by states or other actors, regionalization describes the outcome of this “political process of collaboration.” (Beeson 2007: 5) In another paper by Beeson, together with Yoshimatsu, they argue that regionalization “is taken to refer to the empirical manifestation of trans-border economic integration and is principally driven by the private sector.” (Beeson et al. 2006: 4) This rings especially true for East Asia, where regional integration was largely driven by corporate restructuring and investment in the region. Yet another explanation of Frost states that regionalization is “a manifestation of globalization”. Asia “regionalized” through “revolutions in information, telecommunications, and transportation technology.” (Frost 2008: 14) Camilleri describes it that way:

“Whereas regionalization refers to the diverse flows and processes, be they economic, technological, or socio-cultural, that bind together the constituent entities of any given region, regionalism describes the tendency of a region and its constituents to preserve or expand the benefits of regional interaction by developing institutions and mechanisms of various kinds that set, monitor and enforce the standards of interaction.” (Camilleri 2003: 12)

Though rather stilted, Camilleri emphasizes the same as the others before: While regionalism is prompted by political factors as politicians seek to institutionalize cooperation, regionalization is the outcome of private sector developments. How globalization plays into the urge for regionalism and regionalization is explored in the next section.

2.4.3 Regionalism and Globalization

Globalization also plays a factor in regionalization processes. In the era of globalization, “regional cooperation offers potential benefits to states and businesses in an increasingly competitive international environment.” (Beeson et al. 2006: 5) In Asia, regionalism expresses itself especially in bilateral agreements. (Frost 2008: 15) Bilateral agreements are favored and give the countries advantages over other institutional mechanisms. For that reason, the

question if globalization reinforces regionalization processes becomes all the more prominent. As Beeson states, “for some areas of the world, regional cooperation offered a way of warding off the possible negative impacts of global processes and providing a degree of insulation for regional polities and economies.” (Beeson 2007: 5) Even if globalization processes were absent, regions would still fail to be immune to international processes. Financial markets make it impossible for regions and states to escape global developments. Therefore, some regional initiatives try to protect themselves against globalizing processes and try “to counter the homogenizing tendencies that accompany cultural globalization.” (Camilleri 2003: 11) Another interpretation also credits regionalism with stimulating globalization as regions try to adapt their economic policies in order to fit global requirements. (Ibid.)

In this section the question whether or not regional initiatives are a threat to already established multilateral institutions is being explored. Guerrieri and Falautano, citing a few authors, argue that regional trade agreements can actually get member countries “to implement trade reforms to favour multilateral liberalisation (Summers, 1991; Whalley, 1996; Francois, 1997), enable progress on issues too complex or sensitive for multilateral negotiations (Lawrence, 1996), or reduce the number of actors in multilateral negotiations, making collective action easier (Krugman, 1993).” (Guerrieri and Falautano 2000: 17) Winters argues that the benefits of liberalization do not stop when new regional organizations are created. She argues that multilateral organizations may also reduce disadvantages, if there even are any, for countries left out of regional organizations. (Winters 1999: 37) Other scholars like Krugman, Bhagwati and Panagariya (1996) feel that regional trade agreements could lead to countries becoming “more resistant to trade liberalization since they could see the regional agreement as a powerful device for erecting trade barriers.” (Guerrieri and Falautano 2000: 18) According to Levy (1996), countries might also “divert resources and political capital from their multilateral actions”, leading to resistant “support for a multilateral agreement.” (Guerrieri and Falautano 2000: 18) Finally, according to Bond and Syropoulos (1996), multilateral liberalization could become a difficult undertaking because regional initiatives weaken multilateral enforcement. (Ibid.) Winters concludes that it is premature to draw conclusions about the possibility of a regional bloc being an effective mechanism to mitigate the influence of multilateral institutions. There is only the European Union that is “large enough and long-lived enough to have had identifiable consequences on the world trading system itself”. It is “more or less impossible to sort out what is generic and what

specific among the lessons it teaches”. Winters concludes that the only “unambiguous lesson is that the creation of one regional bloc does not necessarily lead to the immediate breakdown of the trading system.” (Winters 1999: 34)

In conclusion, this paper tries to find the answer to the question of if regional agreements “threaten” established IOs by looking at these definitions. The next chapter will explore the historical implications that shaped East Asia and how those implications dampen regional cooperation. The fourth chapter introduces two regional organizations in East Asia. The last chapter will then explore IOs and tries to clear the question if the WTO and the IMF have lost credibility and their right to exist due to the economic shift of power in the world.

3. Power Relations in East Asia and the Asia-Pacific Region

3.1 Shift of Power?

There are many ways to determine a shift of power. A shift of power in the world can, for example, be visible in overall world production. One way to see this is by looking globally at proportions of the Gross Domestic Product (GDP), the world industry production, levels of foreign direct investment and foreign trade. Between 1980 and 2007, the proportion of the G 7¹¹ on world production fell from 55,1% to 39,5%. In 2007, the proportion of Asia on world production was 28%. (Boris; Schmalz 2009: 629) This, however, has not yet translated into the proper representation in IOs. The question remains if East Asian nations even desire to use their new-gained status in the world to boost their image in IOs. Additionally, the little representation of East Asian nations in IOs could signify that an economic shift of power fails to translate into leverage in the field of political influence. For institutions like the G7, the shift in world production and wealth questioned the aim of the organization itself. Therefore, the G7 nations have had to include emerging economies in order to negate the risk of lost credibility and status. At the same time, there are those scholars whom argue that the newly initiated occurrence of regional organizations could also be due to the lack of presence of emerging nations in IOs.

Nevertheless, the new “Material power” of emerging nations does not necessarily entail political power. Structural relations, many of whom have already been in place for decades,

¹¹ The Group of seven leading industrial countries are: Canada, France, Germany, Italy, Japan, United Kingdom, United States. Taken from the WTO website:
http://www.wto.org/english/thewto_e/glossary_e/g7_e.htm, accessed on Sept. 5th, 2011

are not likely to change in a period of just a few years. The power of the U.S., although waning economically, is still highly influential. With its military bases all over the world and its astronomically high military expenses, the U.S. signals that it is not a country to be meddled with. Other countries do not even attempt to compete. According to the concept of compulsory power, weaker actors admire the power of the “superior” actor and accept their inferior position. When looking at the proportions of military spending on a global scale, the military power of the U.S. is both accepted and feared. While China is often cited as a country that could compete with the U.S. in a few years, their share of world military expenses suggests otherwise. In 2010, the world share of military expenses of the U.S. was 42,8% compared to China’s 7,3%. Accordingly, the U.S.’ military expenses accounted for 698 \$b in 2010. In terms of spending, this is close to six times more than that of China, who ranks second with an estimated amount of 119 \$b. To put this into perspective, the U.S. spent more than the following top ten spending countries combined.¹² (SIPRI 2011) Schmalz stated in 2010 that the U.S., with its military bases all over the world, possesses an unmatched “global violent monopoly”. (Schmalz 2010: 496) Granted, the official estimates of China’s military expenditures do not match the “real” expenditures and it is a rough task to measure due to the lack of transparency. Despite this, China still does not pose a threat to the U.S. While China estimated its military expenses at \$78,6 billion in 2010, the U.S. Department of Defense estimates the “real” expenditures as somewhere around \$160 billion.¹³ Some analysts even suggest the monetary amount of military spending to be, in fact, ten times higher than actually stated, but even if the numbers rank that high, China is not in the position and not even willing to compete with the military might of the U.S. The main concern for the Communist party is economic growth and a war or other various conflicts that would involve high military expenditures would only dampen economic growth and wealth for the Chinese people.

In order to answer the questions of my thesis, it is necessary to explore the relations between those countries located in the East Asia region. What did the economic shift of power do to the relations of the region? As Camilleri puts it: “We must turn to history to see what

¹² The top ten military spenders in 2010 were: 1. USA 698 \$b; 2. China, estimated at 119\$b; 3. UK 59,6 \$b; 4. France, 59,3 \$b; 5. Russia, estimated at 58,7\$b; 6. Japan 54,5 \$b; 7. Saudi Arabia 45,2 \$b (this figure also contains public order and safety expenses, therefore this figure might be slightly overestimated); 8. Germany, estimated at 45,2 \$b; 9. India 41,3 \$b; 10. Italy, estimated at 37 \$b (Background paper on SIPRI military expenditure data, 2010; <http://www.sipri.org/research/armaments/milex>, accessed on May 24th, 2011.)

¹³ Ibid.; Office of the Secretary of Defense: Annual Report to Congress: Military and Security Developments involving the People’s republic of China 2010, p. 41, <http://china.usc.edu/ShowArticle.aspx?articleID=2425>, accessed on Sept. 19th, 2011.

continuities or discontinuities in cultural, political and economic experience have emerged, and how these have shaped over time the perceptions of amity and enmity and practices of cooperation, competition and conflict.” (Camilleri 2003: 3) In order to understand newly emerging developments in the region, it is necessary to know what drives the region. How strong or weak are inter-country relations? How and on what issues do they work together? The first section of this chapter discusses China’s rise and the implications for its neighbors. Due to the country’s economic growth, relations had to be readjusted and, accordingly, some countries even readjusted their foreign policy. China’s relations with ASEAN, Japan, and the U.S. are discussed below. Specifically, the role of Japan is a first step towards understanding the mechanisms of the region, some of which will be touched on later in the fifth chapter. The second section attempts to explore the role of South Korea, especially relations with Japan, China and the U.S. In the concluding part of the chapter, the question is explored whether the Asian Financial Crisis brought the region closer together and gave way for new developments. It may have been this financial blow that brought the states closer together and enabled them to work jointly on issues that could have had the potential to endanger the region in the event of future crises.

3.2 The Rise of China and the Implications for its Neighboring Countries

China serves as a textbook example of a shift of power in world production, foreign direct investments and foreign currency reserves. This section discusses the reactions that this economic power shift entailed. The responses of their neighbors, especially South Korea and Japan, whom have held an alliance with the U.S. for decades already, are particularly interesting. The following sections attempt to shed light on when and why specific countries, at times, side with China and at other times, align with the U.S. Also, the point at which Japan and South Korea stopped aligning themselves too close with China is being explored. Another aim of this section is to find out what position China wants to occupy in the world. Through understanding the relations in the region, power centers can be determined. Therefore, this section also aims to find power centers in East Asia, and what countries adhere to those power centers. Additionally, this section also aims to find China’s allies and their influence in arranging a more powerful position for China in IOs.

Historically, over centuries, China has held the status of “superpower” in Asia. Beginning with the opium wars and the forced opening of China’s market for the West, China had to

grow into a new role and adapt to a new status in the world. In this new world order, China's place was only marginal. This piqued in a kind of withdrawal from the world, where from the 1950's until the 1970's China was an enclosed entity. Since the reform and opening process beginning in December of 1978 under Deng Xiaoping, the situation is turning again and China has found a new self-confidence. (Griessler 2006: 50) China's main goal in Asia is now to regain its "super power" status. Nowadays, China cannot risk an unfavorable reputation. For that reason China is careful not to make any rash movements that would upset its neighbors, and therefore stresses the importance of a peaceful rise in power. China desires to be accepted in international forums and hopes to gain acceptance from the world community. Up until the 1990's, China had emphasized bilateralism due to the constraints that come with membership in multilateral forums. (Schmidt et al. 2009: 27) Presently, international cooperation is seen as a means to gaining an equal voice in the world, but even when China stresses the "desire for regional peace, prosperity and stability", Hernandez and neighboring countries think that the real intention of Chinese politicians is to seek "insurance to protect against an uncertain future". (Hernandez 2009: 3) Shoji suggests that China is met with a "mixture of optimism and cautiousness" by its neighbors. (Shoji 2009: 177) To sooth tensions that might arise, China is now primarily concerned with taking on a more responsible role in Asia. Consequently, China has solved a number of border disputes that had become a stumbling block to positive relations with neighboring countries. Another goal of China's foreign policy is to reduce Taiwan's informal influence and to also be viewed as a positive influence so that in the event of a conflict, countries would be inclined to support China and not the U.S. (Kurlantzick 2008: 202) The unity of the country, as well as economic growth, is a point of legitimacy for the Communist Party. Therefore, losing Taiwan means losing legitimacy and that is why the "one China policy" is of high importance. (Griessler 2006: 51; 54)

One of the additional aims of this chapter is to explore the change in attitude of neighboring countries towards China. Also, how the countries cope with the remaining suspicion regarding China's rise will be discussed. ASEAN nations are mostly "pursuing cooperative approaches" due to the fact that China's rise has substantial "implications for the stability and prosperity of the region." (Tsunekawa 2009: 16)

3.2.1 ASEAN's Strategic Thinking Towards China

As ASEAN member states are fairly suspicious of China's intentions, they have already started to provide for the future in the event that "China's peaceful rise changes after China has fully risen". (Hernandez 2009: 4) In looking at the history of China in the region, it becomes clear that "suspicion" is the predominant response to China's foreign policy. Due to the fact that the Chinese Communist Party supported "domestic communist insurgencies in core ASEAN¹⁴ countries including Indonesia, Malaysia, the Philippines, Thailand and Singapore, as well as the South China Sea disputes involving Malaysia, the Philippines, Brunei and Vietnam", the relations of China with other ASEAN countries were tense, to say the least. (Hernandez 2009: 3) Economic ties with ASEAN changed the perception of China as a threat to Southeast Asian nations. With this, China could kill two birds with one stone. While trade with ASEAN nations was "effective in keeping its economy forward", foreign relations became smooth at the same time. (Shoji 2009: 166) Still, recent military exercises conducted by China and Russia under the umbrella of the SCO does not help in reassuring neighboring countries. Ironically, with the rise of China and the economic decline of Japan, ASEAN states expect more involvement of Japan in the region in order to balance the influence of China. (Shoji 2009: 183-184) The amount of support for China differs throughout the five major ASEAN nations. While Singapore's foreign policy is always pragmatic, Malaysia's relationship with China has become "one of the closest and most stable between an ASEAN country and China." (Tsunekawa 2009: 17) Thai policy makers appreciate China's economic rise and view it as "an opportunity for economic cooperation". They also view China's growth as a vehicle for integration into the regional community. (Tsunekawa 2009: 18) As far as Indonesia is concerned, the relations with China are still somewhat ambivalent. While Indonesia wants to enjoy the economic benefits of cooperation with China, the country is still concerned over the long-term intentions of China in the region. (Tsunekawa 2009: 19)

To underline the peaceful intentions of the country, China signed on to the ASEAN Treaty of Amity and Cooperation in 2003, "which commits to mutual respect among signatory countries with regard to sovereignty and equality".¹⁵ (Kurlantzick 2008: 197) This treaty

¹⁴ The ten members of ASEAN are: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. (<http://www.asean.org/74.htm>, accessed on May 5th, 2011)

¹⁵ Members of the treaty, which was first signed in February of 1976, are: Brunei Darussalam, Cambodia, Republic of Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Republic of Singapore, Thailand and Vietnam. Members outside of Southeast Asia are: Papua New Guinea 1989, China 2003, India 2003, Japan 2004, Pakistan 2004, Republic of Korea 2004 and The Russian Federation 2004., In: „Treaty of Amity and Cooperation in Southeast Asia“, www.aseansec.org/TAC-KnowledgeKit.pdf, accessed

created a “Code of Conduct” on the South China Sea. Furthermore, through the ASEAN Treaty, China was also able to solve land disputes with Laos and Vietnam and, additionally, disputes over maritime borders were resolved. (Kurlantzick 2008: 197) An agreement to establish a China-ASEAN Free Trade Area (CAFTA) was also established. (Hernandez 2009: 4) China’s new multilateral strategy has paid off as evident by the fact that at ASEAN meetings, members first take into account how Beijing will react to a decision. According to the template used by Barnett and Finnemore, China appears to exercise all forms of power described by the two scholars. China exercises control through indirect ways, which is institutional power. As well, China also exercises compulsory power, where weaker actors accept their inferior position. China, in return, gains legitimacy through economic success and its sheer size. Structural power concerns the placement of China in direct relation to the other South East Asian nations. The relations shape the capacities, subjectivities and interests of participating nations. China seems to have a more advantageous structural position in contrast to other South East Asian nations. Productive power, then, concerns how the social capacities are socially produced. Due to the fact that China brought South East Asian nations to behave in such a way, China “produced” a self-understanding where they first think of China, instead of themselves. Since China is such a great influence in the region “Japan, Australia, New Zealand and India are taking steps to cooperate with ASEAN so as to ensure that the region’s future will not be dominated by Beijing.” (Hernandez 2009: 4) ASEAN states are “still wary about the growing clout of China.” (Shoji 2009: 183) Therefore, getting the U.S. involved in the region is also on top of the agenda for ASEAN countries. Since 2005, China and South Korea have also meet in the East Asia Summit. This summit is viewed by Hernandez “ ‘as a manifestation of its member states’ insurance policy (or hedging strategy) in the event that China’s full rise might have negative implications for the core national interests of regional states.” (Hernandez 2009: 4) Hernandez concludes that while neighboring states fear the rise of China, in some way, they also seize “whatever opportunities are presented by a rising China, be they economic, political, diplomatic or cultural.” (Hernandez 2009: 5) Shoji argues this point with a poll conducted by the Japanese Foreign Ministry in February and March 2008. The poll, which was conducted in six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), shows that while Japan had great influence during the Cold War, China was quick to catch up. One of the questions in the poll asked,

on May 30th, 2011.

“which country was an important partner for ASEAN”. China was ahead in Malaysia, Singapore and Thailand, while Japan ranked first in Indonesia, the Philippines and Vietnam. (Shoji 2009: 183, citing ¹⁶) The rivalry between China and Japan gaining influence in ASEAN nations is still very much alive.

In conclusion, while the countries of ASEAN admire China’s economic rise, they also attempt to protect themselves from a China that may not always offer peaceful intentions. ASEAN sticks to the formula of reaping the advantages of a great China, while aforementioned arguments point to the fact that they are still unsure about the intentions of the country and try to secure themselves against a powerful China by bringing other great powers to the table.

3.2.2 China and Japan

To understand the relations of other countries in the region with Japan, it is necessary to explore historical events in the last century that shaped and continue to shape the animosities against the country. The hostilities and sometimes flat-out hate for Japan in Asia is mostly rooted in the expansionist aspirations at the end of the 19th and beginning of the 20th Century. Japan colonized/occupied (every side uses different terms to describe the situation) Taiwan and Korea and initiated a war with China. After World War II, Japan was put under the guard of the U.S. to reassure Japan’s neighbors that the country was being kept in check. Moreover, the intention of the U.S. was to use Japan as a counterpart to the “communist threat” that lingered in the region at the time. Even though it is very unlikely that Japan will become aggressive again, neighboring countries are not convinced, as they cannot forgive Japan’s leaders for never apologizing for the wars and aggression they initiated. In Asia, many cite the “Warsaw Genuflection” of Willy Brandt as a fitting gesture for apologizing for a deathly regime. In Japan, war heroes were not shunned as they were in Germany, and a “denazification” like in Germany did not occur. This resulted in the notion throughout Asia that up until and through World War II, the Japanese never really felt remorse for their actions and the resulting consequences in the region. Since this conflict was never solved properly, nowadays, seemingly little things like history textbook controversies or visits to the Yasukuni

¹⁶ Ministry of Foreign Affairs in Japan: “Opinion Poll on Japan in Six ASEAN Countries (summary of results”, May 1st, 2008, http://www.mofa.go.jp/announce/announce/2008/5/1179528_1010.html, accessed on June 7th, 2011.

shrine¹⁷, which glorifies war heroes, spark protests all over the region.

Although the two countries are economically more and more intertwined, historical problems still hinder proper collaboration. China is Japan's number one trading partner, whereas in China, Japan ranks fourth as an export and first as an import partner.¹⁸ Apart from historical problems, the two countries strive for leadership in the region. Both are hugely suspicious of one another; hence regional cooperation is nearly impossible. China and Japan only reestablished bilateral relations in 1972, after being blocked to do so by the U.S. when Communist China was established in 1949. (Tsunekawa 2009: 10) In 1978, the two countries concluded the "Japan-China Treaty of Peace and Friendship", which intends to promote "perpetual peace and friendship on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence." Furthermore, they confirmed "to settle all disputes by peaceful means and shall refrain from the use or threat of force." (Tsunekawa 2009: 11) After this agreement, the two countries enjoyed "amicable relations" until the early 1980's, when the textbook controversy and the visits to the Yasukuni shrines enraged Chinese and Korean people alike. At the same time, the thriving economy of China prompted Japanese business and political circles to promote the "China threat"¹⁹ theory. Meanwhile, military exercises against Taiwan, nuclear tests and a newly erupted dispute over the Senkaku/Diaoyu islands further weakened the relations in the last decades. (Tsunekawa 2009: 14)

In China, the Communist Party owes much of its legitimacy to its „enemy“ Japan. Since this hatred is the party line, the Communist Party cannot, to a point, afford to normalize relations. Keeping in line with Barnett and Finnemore's concept of compulsory power, the faith in legitimacy is required to keep power. The Communist Party is guarded in affronting the government of Japan too much; they keep their people quiet when necessary, but also let them voice their anger at the appropriate time. Here Weber's concept can be applied, that is

¹⁷ For more information on the Yasukuni shrine controversy see: Yongwook, Ryu (2007): „The Yasukuni Controversy: Divergent Perspectives from the Japanese Political Elite“, In: Asian Survey, Vol. 47, No. 5 (September/October 2007), p. 705-726

¹⁸ WTO trade profiles 2011 <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN,JP,KR>, accessed on Sept. 29th, 2011

¹⁹ The most prominent argument of the "China threat" theory is that China's rise can not possibly be peaceful. China's significant military build-up will lead to China trying to set herself up as a hegemonic power not only in Asia but all over the world and challenge the US. Also, China's economic rise is a challenge for other countries by stealing other country's people's jobs and a threat to other country's economies. (Al-Rodhan 2007)

the “holding on to its authority” by “cultivating and reviving the faith in its legitimacy continuously”. (Müller 2007: 127; quoted after Weber 1972: 122, 123) By readjusting the hatred for Japan every other time²⁰, the legitimacy can be kept alive while trading relations remain smooth. Thereby, economic growth is assured and this helps to reaffirm another legitimacy source: power through economic success. (Griessler 2007: 51) During the administration of Junichiro Koizumi, who was inaugurated in April of 2001, the bilateral relations reached an all-time low with his “persistent visits to Yasukuni Shrine and the approval by the Japanese government of a controversial nationalistic history textbook.” (Tsunekawa 2009: 14-15) According to Tsunekawa, the “future stability of East Asia will depend heavily on the relationship between Japan and China.” If these two countries refrain from establishing amicable relations, a peaceful environment in East Asia is unlikely. (Tsunekawa 2009: 10)

In conclusion, China and Japan have a long way to go in putting history behind them. To achieve this aim, the official sides need to work more closely together and put a stop to the national tendencies of exploitation for their own political purposes. Due to the fact that the relations of the two countries have longstanding implications for neighboring countries, the two also have a responsibility to achieve friendly terms and prevent the hindering of cooperation in important matters that bear consequences for the whole Asian region.

3.2.3 China and the United States

Since the end of the Cold War, U.S.-China relations have come a long way. Economically, the two countries are more and more interconnected and dependent on one another. China holds \$3 trillion in foreign exchange reserves and is also the number one importing country in the U.S.^{21,22} Still, suspicion lingers among certain official circles. Politically, it is important to give the impression of holding a strong stance in China, as well as in the U.S. Whereas China is trying to act as a responsible partner and only criticizing the U.S. very carefully when necessary, U.S. official circles are at times still struggling with China’s economic power.

²⁰ Debates over how China is using anti-Japanese sentiments to legitimate its own regime are not further explored here. To provide one example: China was opposing to Japan’s gaining a permanent seat on the UN Security Council in 2005. Since China is a permanent member it can veto decisions made on the council. See: Bowring, Philip (April 12, 2005): “UN power play drives China protests” In: <http://www.nytimes.com/2005/04/11/opinion/11iht-edbowring.html>, accessed on Sept. 14th, 2011.

²¹ <http://blogs.ft.com/beyond-brics/2011/04/15/london-headlines-231/#axzz1ZKX1NyPg>, accessed on Sept. 29th, 2011

²² WTO trade profiles 2011 <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN,JP,KR,US>, accessed on Sept. 29th, 2011

Only in recent years has the U.S. strayed away from the military aspect of the “China threat” theory that exists in some circles in the U.S. and, arguably, this has contributed to the economic success of China. Whereas in years prior annual reports of the U.S. Department of Defense warned of China’s military up building, in 2010 the threat was presented realistically. The Chinese build up their military, but to the extent to protect their own country, as any other country would. Also, the paper stresses the cooperation of the military of the two countries in order to reduce mistrust, enhance mutual understanding and broaden cooperation.²³ Now the U.S. is attempting to welcome China’s new place in the world and its wish to become a responsible power. The U.S. is encouraging China to play a greater role in APEC (Asia-Pacific Economic Cooperation) to strengthen economic cooperation in the Asia-Pacific. The U.S. also welcomes China to contribute to “future global financial stability and economic growth”. Furthermore, even if China is not a member of the OECD (Organization for Economic Co-operation and Development), the U.S. is encouraging China to also participate in discussions about global issues, like anti-bribery. Nowadays, the U.S. avoids viewing China as a threat, but instead looks at China’s prosperity as a vehicle for the U.S. to share in China’s success. Chinese companies are going global and foreign direct investment in China is also on the rise, especially concerning energy and national resources. As well, the U.S. argues that if China wants to be successful, the country must adhere to global standards. Consequently, the rise of China has the potential to benefit companies all over the world. (Hormats 2011) U.S. Secretary of State Hillary Clinton said in January of 2011 that “A thriving America is good for China and a thriving China is good for America.” (Eckert 2011) In the same speech Clinton urged China to take up greater responsibilities in the world on issues like “global recession, nuclear proliferation, terrorism, [and] piracy on the high seas”. Such problems affect all the countries in the world and China should participate in countering them. Clinton also urged China to appreciate the Yuan, but China stressed that they will only “satisfy the demands” if they are in China’s interest. (Ibid.) According to the concept of structural power, the structure of global capitalism determines the capacities and the resources of those involved. Due to the fact that China’s economy is thriving, the U.S. must accept China’s unwillingness to appreciate the Yuan. The U.S. can make demands, but China can choose to ignore them. The social relational capacities, subjectivities and interests of actors are directly shaped by the

²³Office of the Secretary of Defense: Annual Report to Congress: Military and Security Developments involving the People’s republic of China 2010, p. 41,

<http://china.usc.edu/ShowArticle.aspx?articleID=2425>, accessed on Sept. 19th, 2011

social positions they occupy. Since China's position in the world economy is now very strong, China can determine its own fate. Compulsory power could also apply here, since it describes the concept of the weaker actor admiring the power of the "superior" actor. Concerning the U.S.-China relation, this concept would apply to both countries. China accepts its inferior position regarding military and to some extent its political power and the U.S. must accept its inferior position regarding economic power.

China is deeply dependent on the world market because of the country's export oriented growth system. Therefore, China has no desire to challenge U.S. power, as it is content with its status quo. Of course, the country wants adaptations in institutions to more realistically reflect the economic power of each country, but, all in all, U.S. hegemony is a comfortable way to keep growing. In the next decades a "war" over resources will likely end in confrontations, but those are only presumptions. Even if U.S. power is reduced after the debacle in Iraq and Afghanistan, U.S. military power still outgrows any other possible "great power". China's military is building up, but, in contrast to the U.S., it is rather moderate. China has been specifically building up the coastal region, which again reflects the need to protect commodities.

3.3 South Korea as a "Middle power" and Balancer in the region

South Korea's standing in the world is mostly shaped from its position in Asia and is related to the concept of structural power. As well, South Korea's place in the world is defined through its neighbors. The country is squeezed between three major powers, China, Japan and Russia, and is oftentimes ignored or has fallen victim to the whims of foreign interests. Additionally, South Korea is important for the strategy of the U.S. in East Asia and dependent on the U.S. as a protective power. Since China is a large trading partner of the country, South Korea is more vulnerable than bigger powers to trade sanctions, as proved by the " 'garlic battle' in 2000 (in which Seoul applied high tariffs to Chinese garlic imports and Beijing retaliated by banning the import of South Korean polyethylene and mobile phones)". (Chung 2009: 474) Hence, South Korea is unable to employ the "hedging strategy" adopted by Japan or the U.S. Due to this structural position, South Korea oftentimes feels overrun and therefore prefers international forums where its standing is almost equal to other "big players". As South Korea is geopolitically and strategically very important for the strategy of the "big players" in the region, some authors suggest that South Korea can use this position to

influence “alliance politics in Northeast Asia.” (Kim 2008: 127) With that said, while South Korea wants to “serve as a bridge between Asia and the rest of the world”, it will not do so “at the cost of the bilateral relationship with the United States”. (Lee 2008: 244-245)

In the sections that follow South Korea’s relations with China, Japan and the U.S., its protective power, will be explored in an effort to understand the difficulties the country faces in finding a place in the region.

3.3.1 South Korea and China

China’s relations with South Korea are slightly ambivalent. They share the same distrust of Japan and attempt to try to work together regarding North Korea, but the recent “Koguryo controversy”²⁴ illustrates that relations lack real depth and understanding. Yet again there is a territorial dispute over a rock which is located near the Jeju islands and northeast of Shanghai. (Chung 2009: 483) The whole region is highly interconnected, and China and South Korea are no exception, specifically in an economic sense. China is South Korea’s number one trading partner. In China, on the other hand, South Korea ranks fifth as an exporting country and third as an importing country.²⁵ A first step towards understanding the relations of the two countries is again to look at historical events that shaped the relations for years to come.

After the Korean War (1950-1953) an official channel of relations between China and the Republic of Korea was absent. During the Cold War period, South Korea strategically relied on the U.S. for security and worked with the anticommunist coalition around the world. It was important to be recognized internationally as the “only legitimate country on the Korean peninsula, and triumphing over North Korea politically, economically, and socially”. (Lee 2008: 225) Regionalism was not on top of the agenda for South Korea, but since the Cold War has ended, the country has been measuring its options. When China obtained a seat in the United Nations and reapplied relations with the U.S. and Japan, channels were open to improve relations with Beijing. Economic cooperation was poised at the top of the agenda, especially with Russia and China. South Korea also signified an intention to “deepen multilateral cooperation”, especially in regard to North Korea. (Lee 2008: 226) South Korea’s wish, albeit somehow concealed, was to “break out on its heavy reliance exclusively on the

²⁴ This issue will be touched upon in more depth in chapter 5. The controversy centers around the question of history ownership. Some Chinese historians claim that the Koguryo kingdom is part of China’s history, which triggered severe diplomatical frictions in the relations of the two countries.

²⁵ WTO trade profiles 2011 <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN,JP,KR,US>, accessed on Sept. 29th, 2011

U.S.” and also work together with China on issues of security. (Chung 2008: 162; Kim Young-sam in a press briefing on March 29, 1994) The goal was to “maintain a certain balance of its own between the U.S. and China”. (Chung 2008: 163)

Dealing with North Korea has brought China and South Korea closer together, even necessitating a “strategic cooperative partnership” in 2008. (Chung 2009: 481) South Korea was particularly hopeful for peace on the peninsula if relations with Beijing could proceed smoother into the future. Additionally, South Korea wanted to capitalize on China’s economic rise, as the country was searching for export markets. (Chung 2008: 157) While this partnership could be viewed as a vehicle for engagement, the practice of China to extradite North Korean refugees back to their country, where they are most likely severely punished, leaves South Korea with the perception that China does not value this partnership. (Chung 2009: 472) Also, there are those that fear that China does not prioritize the nuclear issue. The goal is now to preserve trust and not allow for historical issues to gain the upper hand in the relation. Balancing between the requirements of the U.S. alliance with the economic dependence on China will be the most important task for South Korea in the years to come.

The rise of China has had serious implications for the foreign policy of South Korea. South Korea is dependent on the U.S. for its security, but regarding investments and trade, the country is more and more dependent on China. Unlike Japan, South Korea, for many years, was not concerned that China posed a security threat to the region. South Korea perceived China very favorably for a long time and did continue trade with China even after the Tiananmen incident, when many countries shunned China. (Chung 2008: 160) Since the Koguryo controversy, the seemingly amiable relationship is in danger of crumbling. China can prove its “peaceful rise” when solving historical debates accordingly.

3.3.2 South Korea and Japan

As already explored previously in China’s relations with Japan, the relations between South Korea and Japan are particularly rocky. While economically the two countries are very much interconnected, with Japan ranking under the top five trading partners in South Korea and South Korea ranking fourth as an exporting country in Japan²⁶, history shatters any projects that are undertaken. Issues, such as the question of ownership of Dokdo/Takeshima²⁷

²⁶ WTO trade profiles 2011 <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN,JP,KR,US>, accessed on Sept. 29th, 2011

²⁷ Dokdo/Takeshima are a group of islets located in the East Sea/Sea of Japan between Korea and Japan. The issue over territorial ownership of those islets is going on for decades already.

or whether to refer to the “Sea of Japan”, as such, or the “East Sea”, keep tensions alive. Another point of contention, which keeps the two countries from a stable relationship, is the issue of “Comfort Women”. It was during the 1990’s that the first “Comfort Women” came forward and made public the sexual and physical abuse they suffered under the Japanese military during the 1930’s and 1940’s. Revisionists in Japan very vocally called into question the existence of “Comfort Women” and the claims they made.²⁸ Issues such as this make proper collaboration all the more difficult.

A first step towards understanding the dynamics between the two countries is to explore the history of the 20th century in the region. Japan occupied/colonized Korea from 1910 to 1945 and the after effects of that occupation/colonization still play into politics today. The two countries normalized relations as recently as 1965, but Japan failed “to show the remorse sought by the Korean nation”. (Rozman 2008: 179) While Japan granted financial assistance packages to South Korea at the end of the 1960’s, little other correspondence, which could have the potential to build up regional cooperation, such as summits or political or cultural exchanges, have occurred. Also, some suggest that financial assistance was only offered due to pressure from the U.S., whom wanted Japan to “ensure the security of the South” through supplying capital and technology to enable South Korea to enjoy an economic rise and, as a result, compete with North Korea. (Rozman 2008: 182) In order to keep in check the Soviet expansionism, the U.S. was eager to strengthen regional security in East Asia. Through the help of the U.S., South Korea was reliant on Japan, but still highly suspicious of the intentions of Japan in international matters. The first official visit to Japan of a Korean head of state, Chun Doo-hwan, was only made in 1984. (Rozman 2008: 183-184)

Since there is a triangular relation between Japan, the U.S. and South Korea, it makes sense for South Korea to pursue favorable relations with Japan. Seoul would “be rewarded by Tokyo” with economic help and a better regional political position and security leverage. Last but not least, Seoul would also fare better with the U.S. Regarding North Korea and better relations between the three can also bring about positive results. After all, if Japan engages the North alone, the North gains leverage with the South. (Rozman 2008: 197) Managing relations with Japan, however, will always be a tough task due to the varying directions of incoming presidents in South Korea, Japan and the U.S. Whereas Clinton tried to facilitate

²⁸ More on the Comfort Women issue: <http://www.independent.co.uk/news/world/asia/koreas-comfort-women-the-slaves-revolt-814763.html>, accessed on Sept. 29th, 2011

triangularity, the Bush administration “mitigated against it”. (Rozman 2008: 198) Kim Dae-jung showed great foresight regarding Japan, but Roh allowed relations to again stagnate. The same goes for Japan, where revisionist presidents have destroyed former harmonizing relations by being insensitive towards South Koreans. The countries must strive hard to better cooperate with one another and solve historical disputes in order to make regionalism possible.

3.3.3 South Korea and the U.S.

South Korea holds an alliance with the U.S. and is an important strategic factor for the security policy in the region. After the Korean War (1950-1953), South Korea and the U.S. signed a mutual defense treaty in 1953, which implied a defense guarantee and permanent troop presence. U.S. military bases all over the country currently help to maintain stability and security and many still believe that the “alliance is crucial for peace and prosperity in the Korean Peninsula.” (Kim 2008: 136) In recent years, the perceptions of North Korea as a threat are changing in the U.S. and this has put the alliance between South Korea and the U.S. to the test. Additionally, the economic dependence on China may change the relations of the U.S. and South Korea. To sum up, South Korea, as a middle power wedged between two “great power players”, “has no other choice but to work hard to be on good terms with both the United States and China”. (Chung 2008: 170)

The whole point of the security alliance was lost with the end of the Cold War. Since then, an attack by North Korea has become highly unlikely. Also, the possibility of China or Russia backing North Korea in a war against the South is nearly nonexistent. (Bandow 2010: 5) Kim states that “the common perception that North Korea represented a serious security threat was the glue that bound the alliance [between South Korea and the U.S.] together.” (Kim 2008: 135) In recent years, the alliance has become strained due to disagreements between the policies taken by South Korea and the U.S. When Kim Dae-jung announced his “Sunshine policy”²⁹, the country gained more support from China than the U.S. After 9.11, Washington classified North Korea as a “rogue state” along with Iran, which worried the citizens of South Korea that perhaps the U.S. would potentially make rash decisions that would endanger the South Korean people. Meanwhile, the U.S. perceives the security alliance

²⁹ The Sunshine Policy was Kim Dae-jung’s take on “engaging and assisting North Korea without requiring a quid pro quo“. On the road to reunification, Kim Dae-jung wanted to build consensus between the four major powers in Northeast Asia in order to gain support for the reunification of Korea. While China supported this policy, Washington was not too „happy“ about it. (Chung 2008: 164-165)

with South Korea as “outdated, unnecessary and dangerous”. Those opposed to the alliance state that it only holds risks for the U.S. and that South Korea is now able to defend itself alone in the event of a conflict. In contrast, South Korea is still very insecure and highly dependent on U.S. troop presence. While South Korea prefers U.S. troop presence to preserve peace on the peninsula, the country is building up its own military to actively participate in international missions. (Bandow 2010: 2) The recent sinking of the Cheonan³⁰ suggests that South Korea should “focus its military build-up on its own defense rather than regional or global missions.” (Bandow 2010: 7) Kim suggests a strengthening of the relationship by basing the alliance “not only on common threats but also on common values and interests.” (Kim 2008: 137) He also suggests an institutionalization of the relationship to manage the mechanisms of the alliance more effectively. (Ibid.)

While the alliance between South Korea and the U.S. generally stands on strong legs, recent developments question the unequal positions on both sides. While South Korea feels that its position in the alliance is unequal and that South Korea is dictated by U.S. policy, the country is not prepared to defend itself alone. As far as the U.S. is concerned, it feels that the alliance is outdated and more responsibility should be given to South Korean troops. For the future, the alliance has to be adapted to the new circumstances in order to function properly and remain amiable.

3.4 Did the Asian Financial Crisis Bring East Asia Closer Together?

Only when the Asian Financial Crisis swept through the region did a common goal become aroused. The crisis had serious consequences for the major powers in the region and for future institution building. While China fared well during the crisis and seems to have come out as the “winner”, gaining a positive reputation, “Japan suffered the greatest damage to its regional leadership ambitions and overall standing as a result of the crisis and its aftermath.” (Beeson 2007: 204)

As China was “relatively untouched by the crisis”, the country promptly “adopted a series of proactive policies to rescue ASEAN”. (Shoji 2009: 167) China did not depreciate its currency and therefore prevented an even more severe outcome of the Asian Financial Crisis. Despite this action being in China’s own interest, China gained the reputation of a

³⁰ On March 26, 2010, a Chinese-made torpedo fired by a North Korean submarine sank a 1,200-ton corvette, the Cheonan. This incident put the US-ROK alliance to the test when the proper response was debated. (Bandow 2010: 2)

“responsible great power” in the region and hence helped to “alleviate the perception of the China threat since the mid-1990s.” (Schmidt et al. 2009: 25; Tsunekawa 2009: 9) This reaction was greatly appreciated in the region and the policies taken by the Chinese government are thought to have contributed to the recovery of the East Asian economy. (Shoji 2009: 167) Despite the fact that the contributions of China, in coping with the crisis, were not that huge, the “high-profile gestures taken by China were highly impressive to ASEAN”. (Shoji 2009: 167) China also gained profit out of the disappointment with the IMF’s conditionalities imposed on the region. (Shoji 2009: 167) Disappointment with the “insensitive role played by the IMF” and the U.S. damaged their image for years to come. (Beeson 2007: 209) Since then, China recovered its reputation and has been able to emerge as a partner ASEAN is able to trust. Beeson describes the situation in that

“whereas the U.S. became associated with heavy-handed, opportunistic interventionism in the wake of the crises as it used the IMF to force the pace of economic reform in the region, China began to be seen as a force of stability rather than a threat.” (Beeson 2009: 30)

Shoji even suggests that the response of China to the Asian Financial crisis was a “turning point for China, shifting its image from a threat to a contributor”. (Shoji 2009: 169) Japan’s policies, on the other hand, were thought to be rather “sluggish and ambivalent”. (Shoji 2009: 168) The disappointment with Japan was largely due to the failure of setting up an Asian monetary fund in 1997. Japan could not resist the large opposition from the U.S. and China. While the U.S. opposed the fund because they wanted to “maintain the IMF-centered financial order”, China was against the idea of a bolstered leadership role of Japan in the region. (Shoji 2009: 168) Furthermore, Japan’s crippled market could not absorb all the exports from ASEAN to ease the crisis as expected. As a result, the disappointment of ASEAN nations was great and it was concluded that Japan would be unable to manage the crisis as “a regional leader”. (Shoji 2009: 168) Japan partly reestablished its position as a regional leader when it succeeded in helping to set up the Chiang Mai Initiative in 2000. (Shoji 2009: 169) Beeson suggests that the Asian Financial Crisis was a “catalyst for consolidating and formalizing” the ASEAN+3 grouping. Any doubts that had been stated before had flown out the window when it was clear that “some sort of grouping with which to address more narrowly conceived East Asian concerns” was needed. (Beeson 2007: 233)

This point is further explored in the next chapter through the discussion of the origination of certain regional organizations, as well as why they came about in the first place.

4. Regionalism in East Asia

4.1 Cooperation Problems Between China, South Korea and Japan

Why is there allegedly no chance of a regional security cooperation in East Asia? Trying to find an answer is trifling. The most important factor appears to be historical implications that, as discussed in the previous chapter, take the upper hand in the debate. Additionally, nationalism is a very strong factor, as well as colonialism, which has left many countries with a strong feeling of distrust in relation to outside influences. Therefore, Asian countries, in this respect, particularly China, like to stress non-intervention, which runs against the notion of working together in the area of security. Moreover, the constant power play between Japan and China keeps the region instable. These points make cooperation far from being an easy procedure. These points make cooperation far from being an easy procedure.

Despite the successes of economic cooperation in the region, cooperation in the areas of politics and security is still an “utopian” aim to achieve. Whereas in Japan, the “China threat” theory is persisting, the main concern in China is the strengthened alliance of Japan with the U.S. and their increased military capabilities. On top of this comes the issue of history ownership, different interpretations about history, resurgent nationalism and a rivalry between Japan and China over future leadership of the region. Lee suggests that the U.S. keeps upcoming regionalism in check by only maintaining bilateral relations. Regional initiatives are not welcomed or supported, “as evidenced by objections to Malaysian Prime Minister Mahathir’s notion of an East Asian Economic Caucus (EAEC)³¹ in the early 1990’s and Japan’s proposal for the establishment of an AMF in the late 1990’s.” (Lee 2008: 227) Many countries in the region point out that security cooperation would be possible only if Asia shifts to other security approaches and away from the monopoly of the U.S. (Ibid.) Another obstacle to regional cooperation is the various approaches regarding North Korea. While China approves of South Korea’s engagement policy, Japan is still pursuing the U.S.’s hard line policy of the Bush II era.

³¹ EAEC stands for East Asian Economic Caucus. This idea was promoted by Mahathir bin Mohamad, Malaysia’s former prime minister in 1990. This organization should operate “within the wider APEC grouping as a way of giving APEC’s Asian members the opportunity to develop distinctive perspectives that more accurately reflected their particular circumstances and historical experiences.” (Beeson 2009: 76) Mahathir encouraged Japan “to take the lead in driving the development of EAEC“. Japan, not wanting to „jeopardize its pivotal relationship with the USA“, was unprepared to take on that role. In the end, Australia and the US, both members of APEC, “saw the emergence of EAEC as a direct threat to APEC in particular and to ‘western’ influence in the region more generally, and consequently did everything they could to discourage it.” (Beeson 2009: 77)

The most important relations of the region remain those of China and Japan. Only if these two countries can succeed in solving their disputes is it possible for South Korea to also work together in building up regional initiatives. Since 2006, the bilateral relations between China and Japan “significantly ameliorated”. (Shoji 2009: 181) The two countries are aware that they “should collaborate in areas that may be complicated by their national interests”. (Shoji 2009: 182) The idea of an “East Asia Community” is again put on the table, however, such a community could only focus “on areas where participants are able to easily cooperate without strong objections, avoiding any confrontation among national interests, particularly nontraditional security, even covering energy and food security.” (Shoji 2009: 182) Since Japan has to maneuver its foreign policy with historical implications in mind, such an endeavor is all the more notable. How such a community would play out with all the confounding factors is one of high interest.

In order to understand why historical implications make regional cooperation so difficult, the next section tries to discuss the interaction of common values and a common history and how the lack thereof in East Asia paralyzes many attempted regional initiatives.

4.2 The Lack of Regional Identity

As many institutional approaches have failed to materialize in East Asia, some propose that the region fails a “regional identity” that is needed in order to work together. In the article “Under construction. Identity Politics and Constructivism in Northeast Asia” the authors Agyeo-wool Jung, Se-hi Park, and Jae-eun Shin point out that East Asia “lacks a common value among the constituent nations”. (Jung et al. 2011: 84) In order to form a regional identity, “there are three prerequisites: a common threat, a common interest, and a common value”. (Jung et al. 2011: 84; quoted after Nah 2009: 260-263) These dimensions can form a common identity and overarch among different nations. The best example of such a regional community would be the European Union or the North American Free Trade Agreement.

In keeping with the idea of regional identities, it is important to acknowledge that a regional identity consists also of a national identity and national identities have two layers: “Not only does a nation create its own identity through diplomatic encounters with other nations, but also builds upon stories about the national past”. (Jung et al. 2011: 84; quoted after Gries 2005) Disputes over history ownership can threaten a national identity, its self-understanding and its place in the region. The history of a nation characterizes its economic

and military agenda and historical “facts” shape the identity of a nation. Hence “stealing” history from a nation follows a conflict over identity and existence. If the history is pulled away from a country, the inherent meaning of being a “Korean” or a “Chinese” will be altered. Jung, Park and Shin argue that “without reconciliation over historical disputes, regional identity is difficult to be established”. (Jung et al. 2011: 85) Since Korea, Japan and China interpret history very differently from one another, the historical memories differ immensely. China and Korea both remain a victim of Japanese actions; even if it is subconsciously done by Japanese people. The Japanese, on the other hand, also have the feeling of being a victim, as they were the first country attacked with atomic bombs and, to this day, are still living with the ramifications. The public itself can also sometimes spark disputes. For example, the voicing of anger over atrocities committed by the Japanese in the colonial/occupation period is a common topic of contention.

Unfortunately, sometimes governments themselves ignite disputes over history. The Chinese government’s Northeast Project serves as an example, as it sparked protests throughout Korea. The Northeast Project is an especially delicate issue, as it concerns the very problem of history ownership. Simply stated, China “claimed that Goguryeo, an ancient kingdom that ruled over northern Korean peninsula and much of Manchuria, was a part of Chinese history”. (Jung et al. 2011: 86) Making matters worse, “South Koreans soon discovered that China’s Ministry of Foreign Affairs (MFA) had deleted Koguryo from a summary of Korean history on its website” (Gries 2005: 3) Koguryo is a particularly important part of history for South Koreans. Hence, in taking that part of history away from South Koreans, the result was an additional taking of their national pride. Disputes over history ownership make regionalization almost impossible and restrains cooperation in economic, military and political aspects. (Jung et al. 2011: 86) Jung, Park and Shin suggest the creation of a collective memory. This could be achieved, for example, through a regional history textbook. Wang states that “if textbooks and other narratives of history can become a source of conflict between different countries, then, conversely, their revision through joint writing can promote reconciliation and conflict resolution.” (Wang 2009: 106) In 2005, the three countries published their first common textbook with the title: “Future Opening History”. It sold over 2 million copies. (Jung et al. 2011: 86) This book was only “a comparative historical narration of the three countries rather than a single, united account of the regional history.” (Jung et al. 2011: 86) Within the book, a historical breakthrough was

made in that Japanese historians admitted to the “validity” of Nanjing Massacre³². The use of “Comfort Women” and the accounts of testing of biological weapons on humans by the Japanese army were also debated in more depth than ever before. (Wang 2009: 110) All three governments should support such projects more eagerly as they “will be the key to the convergence of different national identities into one regional identity.” (Jung et al. 2011: 87) Jung, Park and Shin also propose social interactions between citizens of the three countries, as well as sister city relations. Exposure to “the other” will lead to a better overall understanding. Only through such endeavors can a regional, collective memory of history be achieved, which then leads to a regional identity with common value. Without that, regional integration will remain strained.

Although this outlook sounds optimistic and also practicable, authors like Lee disagree with this “easy approach”. Roh Moo-hyun (South Korean president from 2003-2008) also promoted social and cultural exchanges as a way to establish a regional “peace regime” and “economic community”. Lee argues that “intensifying economic and social interdependence, people-to-people exchanges, and transboundary environmental problems alone have not generated the necessary conditions for a regional community.” (Lee 2008: 243) Lee urges for “more traditional” approaches in the political and military sectors, since these demand “a strong commitment and the will to achieve political breakthroughs” of the leaders of the region. (Ibid.) Despite economic cooperation that blossomed over the years and “increased hopes for a more integrated community”, progress in the political and security realm have been meager. Lee points out that the “functionalist” approach of social and cultural exchanges has its limits, and the ongoing historical issues and territorial disputes are a confirmation of that sentiment. (Lee 2008: 244) He sees a future in bi-multilateral cooperation and institutional design of regional cooperation efforts. Multilateral mechanisms which “complement existing bilateral relations and alliances” will be essential in moving towards regional understanding and collaboration.

The next section presents a few approaches of community building that already exist in the region.

³² The Nanjing massacre refers to the Japanese invasion into China in 1937. The city of Nanjing was the stage for mass murder and war rape over a period of six weeks. Japanese revisionists deny the validity of the accounts. When working on the joint textbook, Japanese participants did not question the validity of the massacre, but disputes over the number of victims arose. In the end, three different numbers were used in the textbook. (Wang 2009: 113)

4.3 Models of Regional Cooperation

Although this paper only focuses on two regional organizations, the Shanghai Cooperation Organization and the Chiang Mai Initiative, regionalism is on the rise in East Asia. Many of the regional initiatives that came about in the last decades were initiated by ASEAN or the U.S. This section will introduce a few of these organizations and the impact on the relations in the region.

The rift between Japan and China is the primary reason why some proposed regional organizations never materialized and, in addition, why organizations such as the Chiang Mai Initiative still operate under an IMF-link. (see 5.4) Due to China's new take on multilateral organizations, the region is reassured and believes that the country wants to have a "peaceful rise" and play a more constructive role in the region. (Kurlantzick 2008: 198) Still, there are "major concerns" regarding Japan-China relations. One concern is that ASEAN, in the event of a conflict, would have to side with either Japan or China resulting in a weakening of "ASEAN's cohesiveness". (Tsunekawa 2009: 10) It has been ASEAN, however, that brought the three East-Asian nations together through the initiative of installing the ASEAN+3 framework. As Beeson suggests, the institutionalization of the ASEAN+3 network in itself was the outcome of the Asian Financial Crisis. This would serve as evidence that conflicts can work as a catalyst for regional cooperation, as Camilleri argues. (Camilleri 2003: 21) The ASEAN+3 heads of government first convened in 1997 on the sidelines of the ASEAN summit in Kuala Lumpur. It was only at a subsequent meeting in 1998 the "APT [ASEAN+3] process began to be institutionalized." Beeson argues, "It was the Asian crisis that provided the decisive catalyst for the development of the APT process." (Beeson 2009: 78) Henning believes that through cooperation the countries of Asia "could transform international trade, monetary, and financial relations" if they manage to overcome remaining conflicts. He also postulates that economic cooperation could improve political relations. (Henning 2002: 1) Since Japan is currently the largest trading partner of China and tensions are high, some observers doubt this notion. The same applies to South Korea. Since South Korea normalized trade relations with Japan in the 1970's, trading has reached all time highs, but when political conflicts arise, the painful history of the occupation/colonization of Korea still triggers feelings of hatred and brings people on the street to protest against Japan. Mahbubani, who is far more optimistic, describes ASEAN and its branches³³ as a "diplomatic superpower" and a

³³ The most known branches of ASEAN are amongst others the ASEAN Regional Forum (ARF), ASEAN

“peacemaker of the region”, because only in ASEAN forums can the three North East Asian nations, Korea, China and Japan, negotiate peacefully. (Mahbubani 2008: 97-98) The thriving of the ASEAN+3 process can also be attributed to the “relaxed attitude” of the U.S. to the grouping. Since the U.S. previously opposed many regional groupings such as the East Asian Economic Caucus, the thriving of this new approach seems surprising. As the U.S. is preoccupied with its war on terror and generally neglecting East Asia, Japan has leverage to take on a constructive role in the organization. It may also be possible that the U.S. does not view the organization as a “threat to their vital interests and is unlikely to amount to much.” (Beeson 2009: 78)

Another regional approach is the institution of the Six-Party talks that started in 2003 to end North Korea’s nuclear program. Participating countries are North and South Korea, China, Russia, Japan and the U.S. North Korea is a threat to every neighbor in the region and even China has a hard time attempting to control Kim Jong Il’s aspirations. The institution of the Six-Party Talks actually improved North East Asian relations and created a North East Asian security mechanism “despite historical and structural sources of fissure between China, Japan and South Korea, and despite the inclusion of the U.S. and Russia in this proposed regional security mechanism.” (Hernandez 2009: 4) Even if some believe that China intends to prevent North Korea from approaching the U.S. directly, China actually views multilateral cooperation as an instrument for solving international problems and supports the Six-Party talks. (Schneider 2006: 99) South Korea prefers the talks “as a lasting institution not only for dealing with future uncertainty about North Korea but also for advancing a regional security agenda in Northeast Asia.” (Rozman 2008: 195) While North Korea left the talks in 2009, the five other participating countries still hold talks in order to bring North Korea back to the negotiating table. This suggests that the talks greatly strengthened regional cooperation and also served as a mechanism to build trust and confidence in the region.

While regional cooperation is on the rise, Japan, China and South Korea do not agree with how the architecture of such a regional cooperation should work. Every country favors different approaches. China developed the Shanghai Cooperation Organization as a regional approach, in Japan Foreign Minister Aso Taro proposed an “arc of freedom and prosperity”, while South Korea preferred the Six-Party Talks. Rozman argues that none of these three

economic ministers (AEM) and ASEAN+3. <http://www.aseansec.org/index2008.html>, accessed on May 24th, 2011.

approaches toward regionalism “is apt to gain dominance in the next decade”. (Rozman 2008: 195) It is of great interest to see which one of those approaches will succeed in the end.

4.4 The Shanghai Cooperation Organization

In 2001, one form of regional integration was established in the form of the Shanghai Cooperation organization (SCO). This organization was formed by China, Russia, Kirghistan, Tajikistan and Kazakhstan in the mid-1990’s and aimed at greater cooperation in the region. The organization intentionally leaves out “western” powers, which also implies leaving out South Korea. Since the SCO approved of Iran as an observer country and started joint military exercises in the region, the U.S. looks suspiciously on the aims of the organization. Meanwhile, politicians of the region insist that the aim is to work together on issues such as security, energy and, in addition, terrorism. The focus on terrorist threats was considered a particular problem in the region long before September 11. Beeson notes that the organization is significant as

“it contains in China and Russia two of the world’s most important strategic actors, who are acting increasingly cooperatively to balance American power, but it also offers China an opportunity to entrench its political influence in a region of pivotal importance as a source of future energy supplies.” (Beeson 2009: 90)

Put together, the members of the organization collectively possess about “17,5 percent of the proven oil reserves, 47-50 percent of known natural gas reserves and some 45 percent of the world’s population.” (Bailes; Dunay 2007: 3-4) As this initiative is still in its beginning stages, how the SCO will shape regional cooperation in the future and if this organization works as a model for future regional cooperation, remains to be seen. The next sections touches upon these critical questions.

4.4.1 The Aims of the SCO

Formed in the mid-1990’s and originally called the “Shanghai Five”, the organization renamed itself into the Shanghai Cooperation Organization (SCO) after adding Uzbekistan in 2001. The aims of the organization as taken from the website of the SCO are:

“The main goals of the SCO are strengthening mutual confidence and good-neighbourly relations among the member countries; promoting effective cooperation in politics, trade and economy, science and technology, culture as well as education, energy, transportation, tourism, environmental protection and other fields; making joint efforts to maintain and ensure peace, security and stability in the region, moving towards the establishment of a new, democratic, just and rational political and economic

international order.”³⁴

Initially, the Shanghai Cooperation Organization was designed to enhance trade with member countries, act as a forum for border demilitarization, enhance the relations of China and Russia and realize joint policy goals, as well as emphasize the leading role of the two powers in the region. (CSSCI 2010) The cooperation between China and Russia was especially fragile in the beginning. Russia mainly joined the organization to ensure influence in the region. Yet, Russia quickly became skeptical of China’s involvement, accusing the country of an alleged hidden agenda and using the SCO as a tool to control the region. (Ibid.) China, on the other hand, feared Russia’s western influence and felt that it fought a lonely fight to promote the organization and solve the problems of the region. A large part of the tensions between Russia and China was in regards to border and disarmament disputes. Tensions on the borders of China with Russia, Kazakhstan, Kyrgyzstan and Tajikistan became a multilateral issue in the 1990’s. Therefore, the five countries signed the “Shanghai agreement on Confidence Building in the Military Field in the Border Area, followed in 1997 by the Agreement on Mutual Reduction of Military Forces in the Border Areas.” (Bailes; Dunay 2007: 4) Additionally, “relations were further stabilized by a series of bilateral agreements on frontier delineation, trade and cooperation”. (Ibid.) Through those measures, the organization successfully solved “century-old border problems between China and the former Soviet states”. Guang even goes as far as to suggest that this approach could also be used to solve all the other border problems China has with India and Japan. (Guang 2007: 46-47) Since all of the member countries have their own struggles with separatist groups, extreme Islamic rebel groups and terror organizations, the SCO signed the “Shanghai Convention on Combating Terrorism, Separatism and Extremism” as early as June 15, 2001, which was also the founding date of the Cooperation. (SCO 2001) Since the organization is based on the principles of non-interference, like ASEAN and other organizations in the region³⁵, there was no resulting joint military. Furthermore, Russia and China failed to work

³⁴ “Brief introduction to the Shanghai cooperation organization“, In: <http://www.sectSCO.org/EN/brief.asp>, accessed on August 16th, 2011.

³⁵ Non-interference is prominently termed as being a feature of the “ASEAN Way” by western scholars. Acharya describes the ASEAN Way as “to be known for its informality, preference for consensus over majority voting, avoidance of legalistic procedures, preference for non-binding resolutions and tendency to avoid contentious bilateral issues in multilateral discussions.” (Acharya 2009: 79) Acharya attributes the preference for non-intervention to the intervention of global superpowers into national affairs during the Cold War. Regional organizations were seen as “an important arena for developing principles of conduct because of their initial lack of representation at global institutions such as the United Nations”. Foreign policy was hence conducted through regional organizations. Also, third world countries found that global institutions could not prevent intervention into national affairs. Therefore, non-intervention was all the more important.

together properly when it came to sharing information about terrorists, which limited the function of the agreement. (CSSI 2010) As western military operations in the region increased and plans are put into place to institutionalize those operations through NATO (North Atlantic Treaty Organization) structures, China's response was to transform the SCO in 2002 "from a forum of border demilitarization and trade promotion into a regional security structure capable of conducting joint anti-terrorist operations." (Denison 2002)

Russia's initial goal was to enhance relations with former Soviet nations and secure its traditional influence, although its expectations for joining were proportionally low. Since the break-up of the Soviet Union, Russia's relations with "authoritarian Central Asian leaders has offered Russia the most comfort and continuity that could reasonably have been expected". The SCO serves now as a "supplementary and consolidator" of the status-quo. (Bailes; Dunay 2007: 10) Another factor for Russia was the rise of China. Through the SCO Russia can now cooperate with China in an institutional framework and at the same time control China's aspirations in Central Asia. As a framework, the SCO helped to adjust Russia's and China's varying approaches of correspondence within the Central Asian region. As the motivations of China and Russia differ significantly, conflicts and contradictions can be cleared up in an institutional framework. (Moziyas 2009) Additionally, many analysts believe that Russia intended to compete with the U.S. and the NATO by founding the SCO. By being a member of the SCO, Russia signals to western countries and organizations that there is an alternative to "substantive rapprochement with the West". Most importantly, economic cooperation with the SCO makes "long-term prospects of Russian gas supplies to Europe" uncertain, resulting in a nervous EU. (Troitskiy 2007: 33)

For China, working together with Russia serves multiple purposes. Through the SCO, China can reach Central Asian nations and secure energy resources without affronting Russia. As a result, China avoids any military confrontations on its borders and allows "its economic strengths [to] do their own work at minimum strategic cost". Furthermore, with the SCO, China can secure economic influence and, through long-term agreements, reserve for itself the energy in the region. Lastly, China can prove itself as being capable of establishing a regional organization independent from the West. (Bailes; Dunay 2007: 13) For Central Asian nations, the framework of the SCO makes it possible to "avoid having to choose between their two dominant (and nuclear-armed) neighbours." (Bailes; Dunay 2007: 15) Economic

(Acharya 2009: 25)

institutionalization became a focus only later on, in 2005. This is mostly due to the resistance of Russia and Central Asian nations, as a free trade area would imply fierce trade competition from China. Also, “over-close SCO integration” might imply that Central Asian nations would have to give up “cooperation with Western customers and Western-inspired pipeline schemes”. (Bailes; Dunay 2007: 17) Nevertheless, the established plan is to build “a zone favourable for the free movement of products, capital, technology and services” by 2020. (Bailes; Dunay 2007: 26) A common denominator for all of the participating countries is the rejection of any hegemonic aspirations of any one country, which would cause interference in national affairs.

How the Shanghai Cooperation Organization is perceived in the U.S. and how it reacts to such opinions is explored in the next section.

4.4.2 The SCO and the U.S.

As the organization is often seen as a tool to counter hegemonial tendencies of the U.S., this section tries to find answers to the validity of this claim. The U.S. first ignored the organization but, over the last few years, a drastic and telling attitude change has taken place. In China, the attitude change is perceived to have gone from “brushing aside”/“ignoring” the organization, to “doubting” the goals of the organization, and now “attaching importance” to the organization.³⁶ This perceived new respect implies that the U.S. must adapt to a new competitive situation, which prior, was absent in a place like Central Asia. Evidence suggests that suspicions have been rising at a steadier rate since the organization was founded, just three months prior to 9.11. Due to the events of 9.11, the U.S. consequently established security relations with Central Asian nations, such as Tajikistan, Kyrgyzstan, Kazakhstan and Uzbekistan. At that time, the U.S. still maintained bases in Uzbekistan and Kyrgyzstan. This was mutually beneficial, as the U.S. could use the bases, airfields and already in place infrastructure, which was located in the proximity of Afghanistan. There is no question that Central Asian states benefited as well, as th countries hoped to improve their image through the provision of resources and obtain support in their own “battle to suppress Islamist rebel groups”. (Denison 2002) Additionally, Central Asian states received monetary compensation and, in fear of a growing China, hoped to install security relations with the U.S. to outweigh China’s pressure. China, on the other hand, distrusted the continued western influence in the

³⁶ 漠视, 怀疑, 重视

region, especially on its borders. The main concern for China became the containment of U.S. influence in the region. As there was no timetable for the security presence of U.S. troops in these countries, their operations in the region were perceived “as an extension of their military reach” (Denison 2002) and China doubted the immediate withdrawal of U.S. troops even after an end of the war with Afghanistan.

The first time the SCO flexed their muscles was in 2005, when the organization demanded a troop withdrawal of U.S. forces from Uzbekistan. (Zhao 2010: 33) This is, according to Chinese analysts, the turning point for the perception of the organization in the U.S. (Zhao 2010, CSSI 2010, Qi 2010) After the demand of troop withdrawal, the SCO was not a project anymore, but instead an organization that could not be dismissed. After all, the goals of the organization had become a threat to the strategy of the U.S. in Central Asia. Regardless of whether or not the U.S. believed in the longevity of the organization, cooperation was required. (Qi 2010) A primary cause for the sudden risky strategy of the SCO was the “Colour revolutions”³⁷. These revolutions swept through Central Asia and were believed to be funded by the U.S. in an effort to bring democracy, and therefore unrest, to the region. The ultimate result would be the scoring of allies to work against the goals of China and Russia. This interference was perceived as a severe affront, as the member countries of the SCO supported the U.S. in its war against terrorism and cooperated with the U.S. strategy. The SCO never attempted to provoke the U.S. with military power or economic means. According to Qi, the organization is aware of its range of power. They refrain from building up a military, as they are well aware of not being able to counter problems of energy, natural resources, human trafficking, drug smuggling, terrorism or trade, alone. (Qi 2010) The members of the SCO intentionally avoid positioning the organization “as either a collective defence or collective security institution”, despite holding security and anti-terrorist exercises. (Bailes; Dunay 2007: 36)

However, those joint military exercises very well serve the purpose of showing one’s strength. In 2005, when the frictions with the U.S. grew to an all time high, China and Russia carried out a joint military exercise observed by other SCO states. The forces used “were unusual and apparently excessive for a counter-insurgency operation”. They tested “long-

³⁷ The term “Color revolution“ defines revolutions which were mostly nonviolent and occurred in former Soviet and Balkan states. The movements used colors or flowers as a symbol. The goal was to overthrow authoritative or corrupt regimes and promote democracy. In the texts regarding the SCO the tulip revolution in Kyrgyzstan in 2005 and the riot in Andijon (Usbekistan) are mostly mentioned.

range bombers, command posts and airbases, the neutralization of anti-aircraft defences and achievement of air superiority, enforcement of a maritime blockade, simulation of an amphibious landing and control of sea areas among others”. (Bailes et al. 2007: 22-23) Though the exercise was carried out under the guise of being related to playing out a scenario of “terrorism, separatism and extremism”,

“the fact that the exercise took place so soon after the SCO’s Astana summit, at which the organization made its clearest ever protest against U.S. involvement in Central Asian affairs, indicates that the signals it conveyed about Chinese-Russian capacity and resolve were not aimed exclusively at potential non-state adversaries.” (Bailes et al. 2007: 23)

Mate, however, suggests that it is difficult to argue that the organization is specifically aimed against western influences when most of the member states are also members of NATO and are involved in security missions along with the U.S. and NATO. (Mate 2009: 15) He argues that while this exercise could be perceived as being aimed at the U.S., this was only a bilateral exercise conducted by China and Russia. Other multilateral military exercises were all aimed at fighting a “probable terrorist and separatist threat”. (Mate 2009: 19) He also states that due to the fact that every single member country has been a victim of terrorist and separatist attacks in recent years, the focus on fighting terrorism, separatism and extremism is believable. (Mate 2009: 17) The U.S., in contrast, perceives the growing power of the SCO as a threat to security strategy and accuses the SCO of having a hidden agenda of wanting to minimize the influence of the U.S. in the region. The U.S. does openly state these beliefs, and Chinese authors are quick to defend those accusations by stressing the peaceful nature of the organization and above said insufficient economic and military power. (Qi 2010) As there are currently ongoing military maneuvers on the part of both China and Russia, the pleas of a peaceful organization do not calm the U.S. The U.S. wants to prevent the SCO from becoming an instrument with the sole purpose of serving Russia and China alone. Contrary to the pleadings of China’s peaceful intentions, they yet hold off granting the U.S. observing status in the SCO. The fear of Daniel Drezner is that China and India might create their own organizations which leaves the “U.S. on the outside looking in”. (Drezner 2007: 2) If the U.S. is not welcome inside existing IOs, this might prove true in the formation of future organizations. The SCO, with India as an observer country, has all the ingredients the U.S. is prepared to fear. One of the biggest fears is that China and India will join together and leave the U.S. out. To prevent any further alienation, the U.S. has no choice but to leave some leverage to these two countries in IOs, thereby alienating Europe, whose countries have a

strong voice in human rights and democracy promotion. As Drezner puts it, the issue is a delicate one: “keep the United States’ old friends close and its new friends closer.” (Drezner 2007: 7) Mate concludes that while Russia and China would want to balance against the U.S., they are unable to do so without consent from the other member countries. Up until now, the Central Asian states like prefer to resist such endeavors and instead attempt to “hedge their bets between Russia-China and the West”. In the end, he argues that the U.S. should not overreact to the military exercises, as his study suggests that there is no reason to fear that the SCO is anti-western. In order to prevent the SCO from ever becoming an organization aimed at hedging against the West, Mate suggests that western states should entertain positive relations with Central Asian states and prevent presenting themselves as a possible security threat. (Mate 2009: 21)

So, thus far, what do the conclusions drawn above imply for international organizations? The question remains if the Shanghai Cooperation Organization tries to replace IOs or their influence in the region. The next section tries to explore that question as well as looking into the future aims of the organization.

4.4.3 Does the SCO Aim to Replace Established International Organizations?

The Shanghai Cooperation Organization charter from June 2002 firmly states that the SCO is “not directed against other States and international organisations.” It even stresses the need to work together with other states and IOs on “the most topical international issues”.³⁸ Russia, particularly, “has often taken the lead in rejecting the idea that the SCO may be directed against any rival state or group of states”. (Bailes et al. 2007: 36) How this fits with the argument of many authors, that Russia is in fact the one to push for the organization as a tool for countering western influence, is discussed briefly below.

After analyzing texts of various Chinese authors, the general stand is that the organization does not desire to replace any other organization and that it is also aware that it does not possess the means to do so. (Qi 2010, Qiu 2007, Zhao 2010) Qi stresses that the military and economic power would not be adequate enough to challenge the U.S. (Qi 2010) Even if the economic and military power was present, the organization would avoid using that power, as it would contribute to increasing tensions in the region. Generally, China intends on

³⁸ Charter of the Shanghai Cooperation Organization: <http://www.sectSCO.org/EN/show.asp?id=69>, accessed on Oct. 12th, 2011

maintaining peace and stability, especially on its borders, and focus on its economy. The organization cannot face the problems of the region alone and needs outside help from entities such as U.S. (Qi 2010) Some evidence suggests that the organization is primarily focused on combating “separatists” and “terrorists” in their own countries and little on “balancing against the West”. (Mate 2009: 3) Additionally, China’s foreign policy aims to prevent a direct confrontation with the U.S. (Schottenhammer 2006; Weigelin-Schwiedrzik et al. 2006) National security can no longer be achieved unilaterally through military or economic force. Therefore, China desires to work together, in the forum of multilateral organizations, on issues of security. Guang attributes this new faith in multilateral organizations to a new Chinese diplomacy. Traditionally, Chinese diplomacy focused on bilateral relations, but due to the success of the SCO, Guang argues that China has more “confidence in participating in and, in some cases, even initiating multilateral processes”. (Guang 2007: 48) China wants to seek a multipolar world order where it works together with the EU and Russia, with China acting as one of the five poles (the five poles being the U.S., Russia, Europe, Japan and China) (Jiang 2008: 31) Working together with the EU and Russia would be beneficial in preventing American troops from encircling China’s borders. (Schottenhammer 2006: 35) Notwithstanding, China has to engage in parallel strategic relations with the U.S., as well as the EU, so as to prevent a one sided power influence and to also affirm its own regional position. (Weigelin-Schwiedrzik et.al 2006: 54) President Hu Jintao confirmed this policy line when introducing four measures that would stimulate world harmony. He addressed this matter in a speech given on the 60th anniversary of the United Nations on September 16, 2005. One of the measures stated was to create a new security of mutual trust, mutual benefit, equality and collaboration and establish a fair and effective collective security mechanism. A provoking SCO would run counter to the claims of President Hu Jintao. (Jiang 2008: 33) Kurlantzick finds that China’s new take on multilateral organizations, engagement in the world and its more constructive role in the region, makes the insistence on the “peaceful rise” more believable. (Kurlantzick 2008: 198) As well, from 1990 to 2007, China has participated in U.N. peacekeeping operations and has sent 7,500 men on 22 Peacekeeping missions around the world. Prerequisite for partaking in these missions is the resolution of the U.N. security council and the approval of the country in question. (Schmidt et al. 2009: 29) The intention to build up the organization in order to counter U.S. influence is more an idea originating with Russia, but even if Russia wanted to realize this aim, the organization would suffer if it

“developed in a way that prevented them from playing their own ‘balancing’ games and from seeking both common cause, and profitable deals, with the USA and its allies (or other players such as Japan) when it suits them”. (Bailes et al. 2007: 28) Additionally, most of the other various regional organizations, such as APEC or the Six-Party talks, have the U.S. as a participating member.

As it appears, the SCO refrains from stating their wish to replace other institutions. The next section explores the accomplishments of the organization in relation to regionalism in the area. It also discusses if the organization is a fitting instrument for bringing the countries closer together.

4.4.4 Does the SCO Strengthen Regionalism?

Various aspects point to the fact that the Shanghai Cooperation Organization strengthened regional cooperation. Specifically, China put much effort into presenting itself as a peaceful nation with the intention of working together with other states to achieve regional security and peace.

Chinese authors stress that the organization wants to establish peace in the region and in no way has intentions of endangering the stability by provoking other nations or IOs. The underlying tenor is that the SCO wants to be a stabilizing factor, hopes to work together with other organizations in spreading peace and even desires to unite with other countries and organizations over similar goals and work together to achieve the fulfillment of said goals. Such goals could include prosecuting drug smuggling or human trafficking along with the U.S. Considering China’s history before 1945³⁹, it is not surprising that the country generally stresses a “peaceful rise”, nonintervention and sovereignty. China’s foreign policy after 1989 was to seek strategic partnerships with multiple countries, as well as bilateral relationships. China also sought to take on a more active part in regional cooperation with Asia Pacific countries, ASEAN members and Central Asian nations. Since then, China has established diplomatic relations with more than 40 countries, the first being Israel in January of 1992. (Jiang 2008) This was all achieved with stability and security in mind, as those are the pillars of the Communist Party. In that sense it is also not surprising that China does not use the gigantic foreign exchange reserves to invest extensively, so as not to upset the U.S. or the EU.

³⁹ The country experienced five civil wars which cost the lives of millions of people and five foreign interventions until 1945. (Armanski 2010) Among those are the first and second Sino-japanese War (the first from 1894-95, the second from 1937-45) and the Japanese intervention into Manchuria in 1931.

Foreign investments are designed not to irritate other states. China wants to gain worldwide influence and become a “regional superpower” through respect and creating “strategic partnerships” with important countries and also former “enemies”. The country wishes to have a voice in world politics. (Schottenhammer 2006: 10; 36) As well, China has sought to become a member, or seek observer status, in as many organizations as possible. China is, amongst others, a permanent observer in the Organization of American states (OAS), the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), the Latin American Integration Association (ALADI) and so on. (Jiang 2008: 35) Of course, this goes to illustrate the growing influence China hopes to have in Latin America.

Regarding regionalism, Bailes and Dunay argue that the SCO is formed by states with “more or less autocratic forms of government” and the organization itself lacks “transparency” and a “significant means of democratic control.” Therefore, the organization “could prove just as fragile as individual regimes, as and when the latter face more serious challenge from both pro-democracy and pro-autonomy forces at home”. (Bailes; Dunay 2007: 9) Of course, those are only assumptions. What can be said thus far is that the SCO strengthened regionalism in that it “consolidated the results [of historical forces and shifting power balances] and created channels that did not exist before for addressing and dispersing, or at least easing, intra-regional state-to-state tensions through dialogue.” (Bailes; Dunay 2007: 21) The greatest strength of the organization is that it has built up trust throughout the region. This is also achieved by cultural cooperation that the SCO initiated. The members of the SCO cooperate “in such fields as culture, disaster relief, education, tourism and media”. (Guang 2007: 49) As the organization not only works together in the economic and security sphere, the conclusion can be drawn that the SCO builds regionalism as it weds “quantitative and qualitative dimensions”. (Camilleri 2003: 6) Common symbols and values are necessary in order to find a regional identity. As regional identity and a common outlook on key issues are a prerequisite for a successful regional integration, the SCO seems to be going in the right direction. (Beeson 2007: 6)

However, there seems to be truth in the argument of Winters, within she states that it is premature to draw conclusions about the possibility of a regional bloc to mitigate the influence of multilateral institutions. Since the SCO in this form has existed for just over a decade, possible future outcomes can only be speculated upon. As it seems, China established the organization for security, as well as economic reasons, and to enlarge its sphere of

influence. The organization has done a great deal to bring the region together in that it solved century-old border disputes, built up trust and made possible regular exchange. As it seems, the institution is primarily focused on combating terrorism, separatism and extremism that lingers in the region, and refrains from “taking over” other institutions.

4.5 The Chiang Mai Initiative (CMI)

After the Asian Financial Crisis in 1997 Asian countries promoted the installment of a regional security network in order to prevent future financial breakdowns. Japan was quick to propose an “Asian monetary fund as a framework for promoting financial cooperation and policy coordination in the region.” (Park 2002: 121) This proposal gained restrained reactions from the IMF, the U.S. and the EU, although the proposal was welcomed in a number of East Asian countries. Subsequently, in May 2000, the finance ministers of ASEAN+3 (+3 represented by China, Japan and Korea) agreed to set up “a system of swap arrangements within the ASEAN+3 countries.” (Park 2002: 121) In contrast to the proposal of an Asian monetary fund, this agreement was welcomed by both the IMF and the U.S. The general stance was that some form of regional security mechanism was needed in order to prevent future crises. How the organization works and what this cooperation entails for the region is discussed in this chapter. Most importantly, this section dwells on the question of whether or not the organization is designed to counter the IMF. Additionally, it touches upon whether or not Asian states will avoid future IMF help and the consequences of such actions. Furthermore, the question of whether or not the organization is a sign of rapprochement in the region is explored. This chapter first investigates how this organization came into existence and it tries to touch upon the question of whether or not this organization has led to increased cooperation in the region. A further section explores the question of whether or not the organization can bring about better collaboration in the region when there is an IMF-link.

4.5.1 The Aim of the CMI

The primary aim of the Chiang Mai Initiative is financial security in the region. Therefore, collaboration flowing over to the political sphere is somehow unlikely. Despite this, many authors suggest that even a minimal amount of collaboration and institutionalized mechanisms, as well as meetings in forums and general communication, can lead to better collaboration in other spheres. First, we must look upon the work of the CMI and how the organization came into existence.

ASEAN had already utilized a system of swap arrangements since 1977. Members were able to exchange local currency for U.S. dollars on a short-term basis to facilitate temporary liquidity problems.⁴⁰ Each member contributed a portion of their reserves and swaps could be used for 1, 2, or 3 months and were renewable for an additional 3 months. These swap arrangements were used only five times in small amounts by Indonesia in 1979, Malaysia in 1980, Thailand in 1980 and the Philippines in 1981 and 1992. (Henning 2002: 14) This swap agreement, however, was not used in the course of the Asian Financial Crisis, which led to the questioning of this mechanism altogether. In an attempt to prevent “an extreme crisis or systemic failure in a country and subsequent regional contagion such as occurred in the recent Asian financial crisis”, a new kind of swap agreements was envisioned by the ASEAN+3 countries. In this agreement, countries that had problems of balance of payments could receive help from the CMI. The CMI would then provide liquidity support. (Ibid.) If an exchange rate crisis occurs, a country can “swap one currency for another and reverse the transaction in the future when the crisis had passed.” (Beeson 2009: 84) The project was named after the city where the finance ministers established the agreement, Chiang Mai, located in Thailand. The aims of the Chiang Mai Initiative were agreed upon these lines (this list is taken from Rana 2002: 8):

- An expanded ASEAN Swap Arrangement that would include all ASEAN countries and a network of bilateral swap and repurchase agreement facilities among ASEAN countries, PRC, Japan, and Korea.
- Use of the ASEAN+3 framework to promote the exchange of consistent and timely data and information on capital flows.
- Establishment of a regional financing arrangement to supplement existing international facilities.
- Establishment of an appropriate mechanism (early warning system) that could enhance the ability to provide sufficient and timely financial stability in the East Asian region.

Being that Asian countries blamed volatile capital flows for the Asian Financial Crisis, the countries of the region were particularly interested in monitoring such flows among other

⁴⁰ Quite simply, swap agreements are “short-term reciprocal lines of credit“ between participating banks. Doing a swap transaction is for example when a country borrows foreign currency in order to purchase its own currency in the foreign exchange market. In theory, the demand for the country’s currency and its foreign exchange value are increased. Then, the country’s banks can also provide its own currency to foreign central banks through swap arrangements. Another way to explain is that a country “can borrow a foreign currency from one of the other [participating] ones in order to buy its own domestic currency on the open market. Swap arrangements allow participating institutions to effect changes on their exchange rates, while still allowing their currencies to trade according to market factors.“ <http://financial-dictionary.thefreedictionary.com/Swap+Arrangement>, accessed on May 24th, 2011.

countries in the area. (Henning 2002: 12) In addition, the finance ministers agreed “to establish a network of research and training institutions to strengthen the human capital of official in the financial, banking, and fiscal areas throughout the region.” (Ibid.) Japan, China and South Korea were eager to offer expertise in this realm. The financial ministers of ASEAN+3 approved to initially stock the fund with \$1 billion. (Park 2002: 122) It was agreed that countries can borrow the maximum of twice their contribution and swaps can be drawn for up to six months, with an extension for another six months. (Henning 2002: 15) Since many Asian economies are export oriented, the countries of ASEAN+3 hold significant amounts of foreign exchange reserves. Henning noted in 2002 that “by dedicating a moderate portion of total foreign exchange reserve holdings in the region to financial stabilization, say 10 to 20 percent, these countries could mobilize more resources than would be available to many of them from the multilateral financial institutions and Group of Ten countries.” (Henning: 2002: 13) Since then, the foreign exchange reserves have grown in astronomic proportions and China holds now \$2,850bn.⁴¹

The following section touches upon how the organization works and if it is a truly regional establishment.

4.5.2 Is the CMI a Regional Organization?

In actuality, the Chiang Mai Initiative, although created in Asia, works in accordance with the aims of the IMF. Although the organization appeared to be a breakthrough in setting the region free from the influence of the U.S., the achievement of setting up an organization in a pure “Asian”, rather than “Asia-Pacific” form, has produced “changes [that] have not been as dramatic or far-reaching as might have been expected”. (Beeson 2009: 84) The organization works under the umbrella of the IMF and initially only 10 percent of the funds were not subject to IMF conditionality. At this time, if the then Malaysian Prime Minister, Mahathir Mohamad, who was a “longstanding critic of the IMF”, had not protested the “IMF-link” and delayed negotiations, even the 10 percent would have been subject to IMF conditionality. (Henning 2002: 17) Shortly after, in May 2005, at the 8th ASEAN+3 finance ministers meeting in Istanbul, there was an agreement made on increasing the “size of swaps which could be withdrawn without the IMF-supported program” to 20 percent.⁴² Furthermore,

⁴¹ <http://www.ft.com/cms/s/0/12d8558c-1d5c-11e0-a163-00144feab49a.html#axzz1LTKXzwXw>, accessed on May 5th, 2011

⁴² Ibid.

Malaysia agreed to the link only on the condition of a monitoring or surveillance system that allows the organization to function independently. (Park; Wang 2005: 96) Beeson detects “a good deal of nervousness on the part of those countries that would be expected to provide the bulk of the funds [which would be Japan and China] to underwrite any swap arrangements about making an open-ended commitment to their impoverished neighbors.” (Beeson 2009: 85) Ravenhill declares the arrangements to be merely symbolically. He also points out that the IMF-link is owing to Japan and China, who “have been keen to maintain links with existing IMF-determined conditionality.” (Beeson 2009: 85; quoted after Ravenhill 2002: 167-95) This also goes to show that there are deeply rooted suspicions of institutions led by great powers, even if these great powers are Asian. (Acharya 2009: 81) Park and Wang also note that China and Japan believed that the IMF-link enhanced the credibility of the organization. (Park; Wang 2005: 96)

The question remains, what does the IMF-link entail? The CMI is a kind of henchman to the IMF, helping the IMF to collect economic information on East Asian countries and also working in sync to prevent a future financial crisis. Therefore, if a country wants to draw “most of the funds through the swaps, the borrower must have completed, or be nearing completion on, an agreement with the IMF.” (Henning 2002: 17) As a result, countries must take on policy reforms in order to take out funds from the CMI. Hence, the IMF still determines the “policy conditionality for most of the swaps.” (Ibid.) Ironically, whereas U.S. influence is looked upon suspiciously in the region, East Asian states do not mind the financial realm being subject to U.S. intervention. Only the Japan-China swap, which was signed in March of 2002, does not include the IMF-link. (Henning 2002: 20) Furthermore, China and Japan do not swap U.S. dollars, but instead swap Yen for Renminbi. (Henning 2002: 19) Additionally, China and South Korea swap Won for Renminbi. (Park; Wang 2005: 95) Swaps amongst other countries are done using U.S. dollars.

As it seems, the Chiang Mai Initiative is not at all a threat to the work of the IMF and is even welcomed by both Japan and China. Some evidence suggests that regionalization actually helps strengthen global institutions. Specifically, this fund is helping regionalization and the IMF eagerly supports this undertaking. Dominique Strauss-Kahn, former IMF managing director even credited the CMI as “an important complement to IMF financing”. (Politi 2010) Now, the question must be considered: If the organization is dependent on the IMF, can it be seen as a tool for strengthening the region? The next section attempts to explore

the “Asian” attributes, if any, of the organization.

4.5.3 A Vehicle for Further Cooperation?

As it is hoped that a financial crisis would only turn up occasionally, the Chiang Mai Initiative would be infrequently used. This points to the fact that such an organization can scarcely be viewed as a vehicle for increased cooperation in the region, such as an “Asian EU”. Also, the likability of the arrangement to prevent a future crisis, or to be of help in a future crisis, is called into question due to the relatively small amounts of swaps. A further problem is demonstrated by the likely inability of the fund to borrow if more countries apply for help. Since creditors can opt out of the arrangements, the security for countries to draw a swap is insufficient. Moreover, if a second country applies for a swap, the first country is unable to renew a swap. (Henning 2002: 15) So, what purpose does the organization even serve? Evidence suggests that the organization strengthens regionalization in Asia and also ASEAN as an organization itself. Additionally, the organization makes financial cooperation more transparent than bilateral swap agreements. In addition, ASEAN has even set up its own surveillance process, which has the potential to “provide a foundation for more productive regional dialogues in the future.” (Henning 2002: 15) However, this notion is doubted by Beeson, who views the “peer review” process as “unlikely to generate confidence in the region’s capacity for self-regulation.” (Beeson 2009: 85) Also, according to Beeson, the IMF-link demonstrates that there is still the preference “for limited interference in domestic affairs”, as is the ASEAN way. (Ibid.)

However, as Asian markets are highly interdependent, they have little choice but to cooperate to some degree. As there is much intraregional investment, the countries are mutually vulnerable to financial contagion. Nevertheless, disagreements sometimes still hinder decision-making processes and thus, that is why the question continues to linger on how “this process will operate or develop.” (Beeson 2009: 85) In view of the fact that the “technical and bureaucratic competence” is rather uneven in the region, it is still unclear as to how an overall surveillance process would function assuming functionality is even possible. This is clear example as to why the IMF-link is of vital importance as a level of security. An even greater doubt, however, is the lack of faith in Japan’s “ability to internationalize the yen and make the region as a whole less reliant on the U.S. dollar.” (Beeson 2009: 85) Also, the IMF-link could be rendered unnecessary if the funds provided by the member countries

actually have the power to prevent a crisis. Thus far, the organization cannot prevent a crisis on its own with “only” 2 billion Dollars.⁴³ Only if the fund were to be greatly enlarged, would the organization be able to work on its own. (Park; Wang 2005: 95)

Some view the involvement of the IMF as a sign that the CMI is not a real regional organization. (Rana 2002) In this sense, the organization does not want to take over and is no rival of the IMF. According to Barnett and Finnemore’s concept of the diffusion of norms, the IMF established itself as an organization where its belief system and its norms enforced already previously accepted and practiced global values and standards. Even if Asian nations had intended to set up an independent organization, perhaps it was impossible due to the overwhelming norms the IMF had already established over the years. Through the diffusion of norms, IOs can legitimize interventions in national affairs. Consequently, this concept would explain why countries in Asia were unable to set up an independent fund on their own. According to Barnett and Finnemore, the more powerful institution decides both the issue of who solves the problems and who decides the suitable solution. In this case, the IMF decided what is best for Asia and comes out as a winner, as now the CMI does some of the work the IMF was originally intended to do. In fact, the IMF welcomed regional financial cooperation and hoped to work together with the newly formed organization. Horst Köhler, the then managing director of the IMF, viewed the Chiang Mai Initiative in 2000 as a vehicle to enhance regional cooperation in Asia. The initiative should “be made to fit well into a strategy of addressing economic issues of importance to the region, as well as of providing broad international support for countries in need.”⁴⁴ He looked forward to working jointly with the cooperation and coordinating assistance with the organization. Additionally, he was enthused to be helping an organization that avoided opposition to the IMF, and instead, worked together for the “good of all”. The Joint Ministerial Statement issued in 2000 of the ASEAN+3 Finance Ministers Meeting directly states that “In order to strengthen our self-help and support mechanisms in East Asia through the ASEAN+3 framework, we recognized a need to establish a regional financing arrangement to supplement the existing international facilities.”⁴⁵ Some member countries opposed the linkage to the IMF and “have proposed a

⁴³ On the 8th ASEAN+3 finance ministers’ meeting, the finance ministers agreed to double the SWAP arrangement from 1 billion dollar to 2 billion dollar. In: „The joint ministerial statement of the 8th ASEAN+3 finance ministers’ meeting. Istanbul, Turkey, 4 May 2005“, <http://www.asean.org/17448.htm>, accessed on August 2nd, 2011.

⁴⁴ <http://www.imf.org/external/np/sec/pr/2005/pr05199.htm>, accessed on Nov. 18, 2010

⁴⁵ “The Joint Ministerial Statement of the ASEAN + 3 Finance Ministers Meeting“, 6 May 2000, Chiang Mai, Thailand. <http://www.aseansec.org/635.htm>, accessed on May 10th, 2011

gradual increase of the 10 percent automatic draw down to abolish the IMF linkage after a period of transition.” (Park 2002: 123) Since then, the automatic draw was increased to 20 percent, an amount that is still insufficient.

According to these quotes, the CMI views itself as a “supplement” to the IMF. As well, the IMF itself believes that the CMI “avoids opposition to the IMF”. The next section explores the question of the possibility of the organization gaining more confidence and the ability to break free and form a “real” regional organization. Alternatively, the question is raised: Is the institutionalized process a vehicle for founding still another “real regional financial organization”.

4.5.4 Independence Despite IMF-link?

Initially, the IMF was against the idea of an Asian monetary fund because it feared displacement that could “undercut its ability to secure policy adjustments from borrowing countries.” Only when the ASEAN+3 countries “promoted the CMI not as an alternative to the IMF, but rather as a complement to financial multilateralism”, were the U.S., Europe and the IMF were reassured. (Henning 2002: 2) Henning argues that due to the fact that Asian states lost trust in the IMF after the Asian financial crisis, they accumulated large amounts of foreign exchange reserves. These exchange reserves can unsettle markets, therefore using such exchange rates in a fund is the best route. Advocates for the CMI argue that “by giving greater confidence of access to a safety net, [...] the mobilization of the region’s reserves in a crisis could enable countries to reduce reserve holdings.” (Henning 2002: 6) Since then, the international community is “publicly neutral with respect to the CMI” as long as it is complementing the work of the IMF. (Henning 2002: 2) After the Asian Financial Crisis, Washington was in favor of “regional facilities” that could prevent future crises. Since the CMI did not pose a threat to the IMF, the path was open to create the CMI. The role of Japan should also not be underestimated. Behind the scenes, “the Japanese Ministry of Finance (MOF) undertook informal negotiations to gain explicit support from the United States.” (Beeson et al. 2006: 11). Beeson and Yoshimatsu not only give credit to the Japanese MOF because of its successful lobbying in Washington, but they also attribute the Japanese MOF with the creation of “feasible surveillance mechanisms in East Asia”. (Beeson et al. 2006: 11) This suggests that Japan is very much interested in some kind of regional mechanism, but fails the confidence to promote a “real regional” institution, as Japan was called off when

promoting the Asian Monetary Fund. In addition, Japan has no desire to risk its alliance with the U.S.

Still, critics fear worst-case scenarios in which regional organizations separate from the multilateral idea by “reject[ing] global standards, disburse[ing] funds too generously, and thus magnify[ing] moral hazard[s] and delay[ing] needed policy adjustments.” (Henning 2002: 3) Henning believes that these fears are unfounded and concludes that the CMI “is considerably more sensitive to multilateral institutions, the IMF in particular, than are comparable arrangements.” (Henning 2002: 3) He prefers a mix of regionalism in cooperation with multilateralism. Since the IMF has such diverse members from all over the world and its size is remarkable, Henning concludes that while these are “sources of strength, [many members] are also causes of weakness.” (Henning 2002: 8) Since “small groups of countries are able to block access to IMF resources“ and the U.S. can block important IMF decisions, alone decision-making is a long process and and programs “are not always flexibly adapted to local circumstances.” (Ibid.) Accordingly, a regional financial cooperation can speed up decision making and can help to bring financial assistance more quickly to the forefront. He also believes that the West “should support regional financial cooperation in East Asia and encourage its evolution in ways that are compatible with multilateral institutions.” (Henning 2002: 3) For multilateral institutions, it is the uncertainty of access to resources that gives way to regional financial cooperations. All the more, regional cooperations can then supplement IMF resources, where their quota, and hence their borrowing capacity, may be constrained. (Henning 2002: 8) Also, regional cooperations can help the IMF monitor the region and “can supplement surveillance and early-warning exercises based in the IMF.“ (Ibid.) Due to the fact that regional cooperations share regional markets, they have more up-to-date information and also “a stronger material interest in corrective action.” (Henning 2002: 9)

While organizations such as the CMI do not lead to tangible results or, for example, when the success of the organization has yet to be seen, Pascha suggests, the symbolic sign of setting up a regional organization can be enough to boost the profile of a region in IOs. (Pascha 2007: 444) Beeson believes that there are signs that the effort of financial integration in East Asia is not in vain. Since the Asian Financial Crisis, the finance ministers of the region have met on numerous accounts and have created institutionalized networks. Furthermore, outside factors may dictate the future more than others. Since recent events in the American economy, with its “non-transparent economic practices and relationships”, East Asian

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countries might reassess the U.S. “status as a source of economic stability”. (Beeson 2009: 86-87) Park and Wang believe that in the long run, the CMI can break free from the IMF linkage. This would result in the borrowers having to “adhere to sound and macroeconomic and financial policies by imposing conditionalities” from the CMI. For that reason, the tradition of non-interference in the region, a “policy coordination mechanism”, is still a thing of the future. (Park; Wang 2005: 96) In some countries, the overall welcome of the CMI is lukewarm. Park notes that “Singapore and Brunei have shown little enthusiasm from the beginning for promoting the CMI”, as they believe in the bilateral swap agreements as being a “one-way arrangement” where they would have to provide large amounts of liquidity. (Park 2002: 124) Japan brought in Singapore when it offered to negotiate a BSA “that uses local currencies rather than the U.S. Dollar.” A similar BSA agreement was negotiated with China. Indonesia is largely preoccupied with “resolving domestic economic issues and managing its huge foreign debts”, therefore not particularly involved in the organization. (Park 2002: 124) Still, the CMI gives Asian countries the opportunity to draw out twice, or even five times, their IMF quota. (Henning 2002: 22-24)

In conclusion, the organization helped to bring the countries of the region closer together in a working relationship, which is an accomplishment, even if it is only in the realm of financial cooperation. A crisis initially prompted the launching of the organization and the ongoing economic crisis may bring the region even closer together. Breaking free from the IMF-link will be an arduous undertaking; being that many countries of the region are allied with the U.S. This is especially true of Japan’s standing, which is crucial. While Japan wants to take on a more responsible role, the country is held back by the U.S. Furthermore, a general lack of faith in the power of Japan on an international level, and in the region, is a major stumbling block for a “real regional financial” integration.

5. International Organizations: The WTO and the IMF

5.1 The Power of States and International Organizations

Now that the conceptualizations of power and authority, as well as the relations and power centers of Asia are established, this section attempts to determine the allocation of power. If an organization is seen as its own construct, the analysis is different than if one was to view it as being shaped by its various member states. It seems difficult to measure a shift of power within IOs when it is assumed that IOs are bureaucracies and states cannot shape their

behavior. If it is the organization on its own, how then can a shift of power away from one country to another be determined? If this analysis would prove true, then there is nothing to determine, as the organization works on its own. Taking these thoughts into account, there is reason to suspect that countries can influence IOs in some ways, even if it can initially be overlooked on the surface. Searching for those instances where countries are able to influence institutions, be it whichever way, is the direction to follow.

Barnett and Finnemore believe that member states “may initiate change with calls for reform, and they may block (or slow) it, but IOs themselves play a large role in determining the character and content of that change”. (Barnett; Finnemore 2004: 158) IOs are dependent on resources provided by member states. Given the complex nature of IOs, their working field and their objective, there must be some form of shuffling or intervention from various countries. Accordingly, IOs tend to cater to the powerful states that provide the most resources. As most of the IOs are designed so that economically powerful states have the most influence, IOs sacrifice their impartiality and nondiscriminatory principles to secure needed resources. (Barnett; Finnemore 2004: 168-169) Case in point being financial bailouts of the IMF. Bailouts are often only guaranteed to states that are of interest to powerful member states. When this occurs, the legitimacy of the organization falls into dispute. Certainly, these are strong examples of IOs serving the interests of powerful states and not acting in the interest of the general public, whom they are supposed to be serving. Recently, and at a higher frequency, the “medicine” prescribed to borrower governments was brought into question by activist groups and the population of affected states. This should not come as a surprise as IOs have taken on more and more affairs and have become increasingly involved in the domestic affairs of states. (Barnett; Finnemore 2004: 169) In recent years, the criticism brought upon IOs from Non-government Organizations (NGOs) and protest groups from the left and the right alike, have not fallen on deaf ears. The requested transparency and involvement of the local population is being implemented to preserve legitimacy. This approach not only revamps their image, but also helps them to rethink their policies and again become substantively legitimate. In other words, they are enhancing their expert authority. (Barnett; Finnemore 2004: 169) The IMF and the World Bank have now come to the realization that “consent of the governed is essential to their legitimacy and have used participation as a surrogate for consent”. (Barnett; Finnemore 2004: 170) Even if transparency of implemented programs increases through website postings which highlights ongoing progress in recent years, the

transparency of internal decision-making processes still leaves much to be desired. Many member states do not allow the implementation of procedures that would “meet basic standards of procedural legitimacy”; meaning, IOs will continuously face legitimacy problems in the future. (Barnett; Finnemore 2004: 170) IOs have mostly outgrown the founding fathers intended scope of action, but the accountability factor has not grown with it. Who is to be held accountable when the organization fails? Does the answer lie in placing the blame on the organization itself or the member states that allowed the organization to act in such a way? It is of great importance to adapt this factor to the new situation so as to reestablish the legitimacy of the organization. Without accountability, the organization can act without being sanctioned. The absence of accountability is troublesome as it “matters because of the presumption that its absence means that those in power have the capacity to act without regard for those who authorize their actions and for those whose lives are affected by those actions”. (Barnett; Finnemore 2004: 171)

One of the aims of this chapter is to introduce the World Trade Organization and the International Monetary Fund. The first section attempts to find an answer to the question whether or not IOs really are influenced by the more powerful “western states”. In the following section, the WTO and the various problems it has encountered, as related to facing a shift of economic power in world production and trade, are touched upon. Finally, in the last section, the IMF and its problems of holding on to its right to exist are examined. The aim is to shed light on if and how the organizations are affected by a shift in economic power and what changes these shifts prompted in the organizations.

5.2 Are International Organizations in Favor of “Western States”?

Barnett and Finnemore believe that international organizations work in favor of liberalism and a liberal global order, as most of these organizations were founded in the western world. (Barnett; Finnemore 2005: 162) Taking the post World War II order into account, it is not surprising that the institutions modeled in the 1940’s are thought to be led by the U.S. After all, international institutions like the IMF, the WTO and the World Bank “were crucial for the consolidation of U.S. hegemony during the post-World War II period.” (Chorev, Babb 2009: 461) Hurrell argues in the same manner in that he criticizes the conditionality requirements imposed on countries willing to join an IO. Given that western scholars, politicians and advisers defined those requirements, they carry some kind of,

admittedly also unintentional, moral, national and religious input. Hurrell thinks of conditionality as a hidden instrument to shape “how other societies are organized.” (Hurrell 2005: 39) Hence, it can be said that organizations have “western rules”. The organization decides what defines human rights, when an intervention into national politics is necessary and what economic course to take.

The concept of liberalism is the belief in progress and of managing conflicts and this is in line with the goals of an IO. International institutions mostly want to promote commerce and interdependence between states. The values are typically “western” as they stand for freedom, autonomy and liberty. (Barnett; Finnemore 2005: 165-66) However, in order to enjoy the mutual “gains” guaranteed by those institutions, developing states must carefully balance such gains by simultaneously keeping the strong states engaged, yet also constrained. The developing states must accept “painful concessions” to the special interests of the stronger powers. Holding on to sovereignty becomes a balancing act that requires important endeavour. (Hurrell 2005: 47) Hurrell criticizes that while there are many discussions on topics such as human rights or other international issues, the extremely intrusive legal order of IOs is not on the agenda. (Hurrell 2005: 36) In contrast, Betz claims that since the 1990’s, the influence of Bretton woods institutions is stagnating. (Betz 2007: 317) Despite the large amounts of criticism directed at international financial organizations, most of the programs do not even reach their goals. 40 percent of the programs of the IMF were canceled in the 1980’s, and more demanding long-term programs even had a 56 percent dropout rate. This indicates that between 1973 and 1997 less than half of the recommended programs were completely funded. (Betz 2007: 324; quoted after Remmer 1986 and Mussa; Savastano 1999) Even if Betz uses this argument as a way to emphasize that the power of the IMF is not entirely sound, it still implies that half of the initiated programs were completed, which nonetheless is enough for intrusions.

In the next section, the WTO and the IMF and the question of whether or not they are “liberal” and ruled by western states will be discussed. This section will also touch upon the question of whether developing countries have the means to influence the organization. Finally, the attempt is made to find out if the economic shift of power prompted any changes in the organization.

5.3 The World Trade Organization

The World Trade Organization (WTO), as well as the International Monetary Fund (IMF), along with the World Bank, all emerged in the post World War II order led by the United States. Members who joined the organization first were able to decide the rules, which Robert Keohane calls the “first mover advantages”. (Wilkinson 2008: 6; quoted after Keohane 2002: 253) Therefore, the rules served “the needs of the dominant actors”. In this case, new markets for industrial products were created, while the agricultural and clothing sector remained protected. (Wilkinson 2008: 6) At first the predecessor of the WTO, the General Agreement on Tariffs and Trade (GATT), was established in 1947. After the devastating war the agreement was designed to reduce trade barriers in manufactured goods. Free trade was intended to help improve living conditions all over the world and to bring wealth to all people. Trade barriers had contributed to the Great Depression and so the “primary mission of the GATT was to reduce or eliminate the border barriers”. (Ostry 2005: 459) China signed the GATT in 1948 but left one year later. The country rejoined the organization only in 2001, after 8 years of negotiations. Korea had desired to join the organization as early as the 1950’s, but only became a member in 1967. Wilkinson attributes the willingness of so many countries to join an organization that, in his view, only benefited the industrial nations, to the fact that they could manifest their new sovereign status, and were eager to do so, by being a member of an IO. (Wilkinson 2008: 10)

The World Trade Organization is of particular interest as the organization is not built on monetary incentives, but instead operates mostly on commitments given to it by member states. Unlike the IMF, the WTO cannot use monetary incentives to compel other states to comply. The WTO uses its “expert authority” through years of experience attending to matters of trade. Compared to the IMF, the WTO is designed to be more “democratic”, with every member given the same vote. Rules formally apply to every member, although sometimes there are exceptions, especially for developing countries. At the same time, because the organization is not dependent on financial resources, it is relatively neutral and can restrain member countries that want to influence the organization. The organization is “member-driven” and decisions are reached by consensus of all participants. This is why the WTO is generally considered to be able to survive the shifting power structures lying ahead, whereas the IMF, with its anachronistic voting structure, will have a hard time adapting to the new “world order”. (Chorev, Babb 2009)

Even if the WTO receives much, if not as much criticism as the IMF for its measures, the WTO structure gives developing countries a form leverage. Within the WTO, developing countries have a voice, as their vote is the same as that of developed countries. However, because of these features, it is much more difficult to detect a shift of power. Power cannot be executed through money, but only through bargaining power. Therefore, it is problematic to find out how those states, which feel underrepresented, would try to change the organization. It will be of particular interest to determine if they use their bargaining power when voting or if they hold up negotiations in order to achieve the outcome they desire. Additionally, how and if these states find allies in the organization to achieve a greater voice is to be touched upon in the subsequent sections. Finally, the question is explored of whether or not developing countries, when feeling underrepresented, exit the organization entirely and pursue their own ideas in regional organizations.

5.3.1 Bargaining Power Within the WTO

The World Trade Organization is a member-driven, consensus-based organization and, on the surface, highly democratic. Decisions are agreed upon by all countries involved, which lends to the impression that every country has the same, equal voice. If a new country wishes to join the organization, two thirds of the member countries have to accept the new member. Ministers meet up every two years to discuss certain issues and ambassadors and delegations meet up regularly in Geneva. Since the membership numbers have risen significantly since the founding of the organization, from 23 to 153⁴⁶, the decision-making process has become an arduous undertaking. To make the process easier, the “Green Room” was invented. It is here where the most powerful states retreat to negotiate amongst themselves and agree upon certain points. In the beginning, the “major” members retreated alone and made decisions for everybody else. They were called the “Quad” or the “Quadrilaterals”, consisting of Canada, the European Union, the U.S. and Japan. Since the Doha Round, which began in 2001, the organization has also sought to represent developing countries and at times includes Brazil and India, as well as Australia, as a representative of the Cairns Group⁴⁷, into the negotiations of the Green Room. Other developing countries can set up coalitions with negotiating

⁴⁶ http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm, accessed on August 11th, 2011.

⁴⁷ The Cairns Group represents Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Uruguay. http://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm, accessed on August 11th, 2011.

member. Coalitions are, for example, the “Cotton 4” or the G-20.^{48 49}

Nevertheless, emerging countries are excluded from one of the most important processes that take place within the WTO. Decisions that are made in the Green Room cannot be disputed afterwards and member countries only have the choice to agree upon the arrangements. This raises questions about the “democratic process” within the organization. If a few countries make the decisions for all, can the organization still be considered democratic? Since the idea behind the WTO is to bring wealth to everybody, the organization carries social norms that can hardly be dismissed. Since the last round, however, developing countries have felt left out and the social values and social purposes seem to be lost. The organization appears to take the side of the developed states and is therefore not impartial, which is required to remain powerful. (Barnett; Finnemore 2004: 21) For a long time now, NGOs have criticized the process in that it leaves out developing countries. Advocates of the Green Room state that coalitions are built upon interests and not upon the economic power of member states. Therefore, they believe there is nothing wrong with the setup, as developing countries can be well represented by developed countries. Other voices declare the unfairness of the whole organization, since the U.S. does not abide by the rules. A 2005 ruling declares that U.S. cotton subsidies are against WTO law. Despite this ruling, however, the U.S. continues “its generous payments to politically powerful cotton farmers” and pays Brazil not to implement countervailing measures.(Beattie 2011; Bergan 2011)

One incident that has really put the organization to the test is the Doha Round. Due to serious resistance to proposed trading changes, the Round has been stalling for a decade. Is this seemingly purposeful delay a manifestation of the power of emerging economies? The next section attempts to answer this question.

5.3.2 The Doha Round

The Doha Round is used to carve out a recent example of how the WTO and its members are changing their behavior within the WTO. The Doha Round, which commenced in 2001, is the first round in which developing countries can start to rebel against the decision-making

⁴⁸ The „Cotton 4“ consist of Benin, Burkina Faso, Chad and Mali, http://www.wto.org/english/tratop_e/agric_e/cotton_subcommittee_e.htm, accessed on August 11th, 2011.

⁴⁹ The Group of 20 consist of: Argentina, Australia, Brazil, Canada, China, European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi-Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, United States of America, http://www.g20.org/about_what_is_g20.aspx, accessed on Nov. 4th, 2011.

process. Firstly, developing countries only agreed to negotiate if the focus of the negotiations would be development. (Gallagher 2008: 62) The Doha rounds' plan was very ambitious. Basically, protectionist barriers would cease to exist and developing countries would gain free access to western markets. Since the launching of the round, negotiations have frequently stalled as developing states retreat due to the effects of proposed measures only "further constrain[ing] their policy space."⁵⁰ (Gallagher 2008: 62) Soon, the gap between the ideas of the developing countries versus the ideas of the developed countries became unbridgeable. While the "rich" countries avoided making concessions, developing countries resisted giving in. However, it was not only the developing countries holding up the rounds. The U.S. and the EU, the first wanting a reduction in fishery subsidies, the other calling for a "freeze of import tariffs while the deal is worked out", brought negotiations to frequent halts as other countries opposed their advances. (Beattie 2011) Developed countries soon made it clear that they were unprepared to make any concessions without getting something in return. In the meantime, negotiations have already continued on for ten years, and there is no end in sight. Still, the WTO is not ready to declare the negotiations dead, as Beattie writes in her article. (Ibid.) Since the Doha round failed, bilateral or regional agreements become increasingly popular, especially in the East Asian region. Although the East Asian region has its own organization to boost trade, the Asia Pacific Economic Cooperation (APEC), this organization has never threatened the work of the WTO and has not carved out a place of its own. This is in line with the argument of Acharya, who states that adaptation is not as long lasting as localization. Here it seems that an organization was pushed upon the region from the outside and, in this particular case, the outside force was the U.S. However, since the organization was unfitting for the region, it was not "localized" and therefore unsuccessful. As APEC and the WTO could not push effectively for trade liberalization in the region, they "did more than anything else to undermine confidence in multilateralism and heighten interest in bilateral agreements." (Beeson 2009: 50)

The question remains, what are the main goals of the round and why did negotiations stall? The negotiations regarding goods trade collapsed in 2006. Average tariffs would have been reduced by at least 30 percent and this would have signified enormous losses of government revenue. Losses for developing countries would approximately amount to 63,4

⁵⁰ In this case, Gallagher defines policy space as the "flexibility under trade rules that provides nation states with adequate room to maneuver to deploy effective policies to spur economic development." (Gallagher 2008: 63)

million dollars. Since developing countries rely on tariff revenue for government revenue and expenditure, they would be limited in their ability to foster new industries. Lacking tariff revenue would also mean that they would have limited means to conduct an industrial policy or social policy in their respective countries. To put this into perspective, Gallagher gives the example of least developing countries that “rely on tariffs for more than one quarter of their tax revenue.” (Gallagher 2008: 77) Particularly, countries with “little diversification in their economies” rely highly on tariff revenues; in a few cases up to 40 percent of all tax revenue. (Gallagher 2008: 77; quoting after South Centre 2004) Liberalization in the service sector includes the liberalization of the financial market. Developing nations, such as Brazil and India, were open to the idea, given that some kind of safeguard mechanism was inserted, which developed nations disapproved of. (Gallagher 2008: 77) Using subsidies and countervailing measures to correct market failures expired in 2000. Renegotiating these measures has been unsuccessful up until now. (Gallagher 2008: 77-78) The goal of the round was to open markets for developing and least-developed countries so that those countries can also enjoy the benefits of the system. China, despite its economic success, is still a developing country in many ways. Therefore, opening the markets of developed countries would greatly benefit China, and trade imbalances would grow all the more. The trade deficit of the EU and the U.S. with China grew to 200 and 250 billion dollars from 2001 to 2009. (Mattoo et al. 2011: 4) China is dubbed the “Elephant in the Green Room” by Mattoo et al. The blame for the stalling of the round is placed on increasing Chinese imports. The planned benefits of the round would further help China to enlarge their potential markets. Essentially, it is “fear of competition from a dominant China” that keeps the round from moving forward. (Mattoo et al. 2011: 1) In contrast, as stated by Kim, South Korea is seen as “a strong guardian of the WTO system and an active supporter and participant in the on-going round of trade talks”. (Kim 2005: 212-213) Kim attributes a large chunk of Korea’s recovery after the Asian Financial crisis to the membership in the WTO, for the reason that the recovery was trade-driven.

If talks failed, it would be a great blow for the ideals of the organization and the first round that did not end successfully. Beattie writes that many officials, albeit privately, admitted that the round will never conclude. The compromise is now to negotiate minimal packages, proposed as the “early harvest”, so at the very least, some lesser-developed countries can receive assistance. Nevertheless, even such smaller versions of negotiations

stand no chance as the U.S. wants to reap benefits for its own economy in turn for concessions on their part. (Bergan 2011) Since the Doha round has come to no conclusion, western countries try to sneak in bilateral contracts with developing countries that, in fact, further put the developing country at a disadvantage. (Ibid.) Bergan concludes that if the WTO is unable to help the least developed countries as part of the development agenda, the “relevance” and the “multilateral trading system” of the organization “must be questioned”. This stands in line with Barnett and Finnemore’s argument that if an organization wants to be powerful, the actions must have a social value and a social purpose. They also must be seen as impartial and technocratic to function. (Barnett; Finnemore 2004: 21) The WTO failed to appear impartial and therefore the social value of the organization is under question. Acting neutral is crucial for an authority. Barnett and Finnemore argue that it is not entirely possible to act truly neutral, as “bureaucracies always serve some social purpose or set of cultural values.” (Barnett; Finnemore 2004: 21) In the last few years, however, the organization did not even attempt to look neutral in the eyes of many least developed countries, calling the moral authority of the organization into question. Though the organization itself is kept in a state of deadlock by some of the contracting parties, a reform of the organization could help to bring it back on track. The Doha round was called the “Doha Development Round” intentionally. It is essential that there be a narrowing of the gap between developed and developing countries.

As it is, Duncan Green proposes to kill off the Doha round, which has greatly weakened the organization, in order to save the WTO. (Green 2011) The Doha round was launched during circumstances that no longer apply. Since then, emerging economies, such as China, have made their way without free tariffs. Green argues that the problems faced today need to be discussed more fervently, like fluctuating food prices. Pascal Lamy, the WTO’s director general, argues similarly in that he says that the world and trading relationships have changed a great deal since 2001. For emerging economies, it is no longer vital to gain access into western markets. (Larry; Heather 2011) Since the trading round ran into so much resistance, why is it that countries stay in the organization or try so desperately to become a member? China serves as an example that gained great benefits from joining the WTO, albeit at the disadvantage of other developing countries. In the next section, a discussion of how the accession of China in the WTO changed the organization will be presented.

5.3.3 China's Accession as a Problem for Developing Countries

Since the Uruguay Round in 1994, where the WTO was established, developing countries feel overrun by developed states. They feel that the benefits of the system only reach the western world, whereas the South is left out. Gallagher argues that on the contrary, economic estimates show that the developing world has benefited from the Uruguay round. He acknowledges, however, that there have been winners and losers. (Gallagher 2008: 73) Particularly, least-developed countries were left out and left worse off than other developing countries. (Ibid.) China entered the WTO only in 2001 and covers now most of the textile market, which left the poorest members of the WTO in an even worse situation. Nations that had previously demanded the liberalization of textiles and apparel were now left out due to China's rise. The gains from the Uruguay round aimed at developing countries were now mostly reaped by China. (Gallagher 2008: 74) Entrance into the organization, however, was and is actually risky for China, since the country subjects its people to the irregularities WTO membership entails, like unemployment. Meaning that within China, social stability is under question. Since nowadays the Communist Party gains legitimacy through social stability, the Party itself is called into doubt if WTO membership fails. (Griessler 2006: 52) As the social gap in China is now growing wider and wider, unemployed and dissatisfied people are the greatest threat for the rule of the Communist Party. A positive side of the membership of China in the WTO is the exposure to the Dispute Settlement System⁵¹ that serves as a catalyzer for installing ever more "internationally-accepted rules and standards". Through this, China is becoming "more integrated in the world economy." (Wang; Wang 2005: 60)

Wang and Wang view China's role in the WTO as a protector of developing countries and believe that China "will be able to present its trade philosophy to the international trade forum." (Wang; Wang 2005: 60) Since China entered the WTO, at least in part as a developing country, Wang and Wang see China as playing a key role in "representing the interests of the developing countries in the organization." (Wang; Wang 2005: 68) Drezner claims that U.S. trade negotiators are now "clamoring for greater participation from China in the hope that Beijing will moderate the views of more militant developing countries" in the Doha round negotiations. (Drezner 2007: 5) Depending on which side of the fence countries

⁵¹ The dispute settlement system of the WTO should ensure that if a member country believes that a fellow-member country is violating any trade rules, it will "use the multilateral system of settling disputes instead of taking action unilaterally." This system should ensure that all the member countries abide by the rules and if not, trade sanctions can be imposed. http://www.wto.org/english/thewto_e/whatis_e/tif_e/displ_e.htm, accessed on August 11th, 2011.

stand, they view China either as an advocate for developing countries or as an aide to help reason with developing countries. Jiang pursues the same argument in that he writes, “China is in a position to advocate its own sovereignty and that of other developing countries in the U.N. and other international forums.” (Jiang 2008: 32) Wang and Wang point out, however, that although China entered the WTO at least in part as a developing country, under the protocol of the WTO, China was given developing country member status on only a few occasions. (Wang; Wang 2005: 71) In the view of Wang and Wang, China is an influential member due to the country’s standing in the U.N.; China being one of the five Permanent Standing Members of the Security Council. They believe the WTO constitutes the “economic United Nations”. (Wang; Wang 2005: 60) Another point made by Wang and Wang is that China can “solidify its international image as a world power” as a member of the WTO. (Wang; Wang 2005: 66) Upon China’s accession, the WTO’s Director General stated that, “China’s membership is also a major step towards fully developing the organization into a truly global trading regime.” (Wang; Wang 2005: 71) With the accession of China, the organization now represents nearly ninety percent of the world’s population, whereas before the WTO only represented “slightly more than two-thirds of the world’s population.” (Wang; Wang 2005: 71) As well, dealing with Taiwan through the WTO reduces much of the pressure and Wang and Wang have hope that China will be able to solve political problems with Taiwan through the organization’s measures. (Wang; Wang 2005: 66) Still, China is concerned with trade protectionism against developing countries on the behalf of other developing countries. Even more unsettling is the concern over the enforcement of the dispute settlement mechanism. It still is unsure if decisions concerning developed countries, like the U.S. and the EU, can be enforced properly, or, to put it bluntly, if said countries will abide by those decisions. (Wang; Wang 2005: 66)

5.3.4 Regional Trade Agreements and the WTO

As prior sections determined, regional trade agreements are on the rise. One reason for regional trade agreements is the failing of the negotiations of the Doha round. As these regional trade agreements would typically be considered to be impairing the aims of the organization, it is of particular interest to explore the legal conditions the WTO established for such agreements.

The WTO actually offers legal support for regional agreements that would otherwise run

counter to the principles of non-discrimination. To meet with the challenges of regional trade agreements, the General Agreement on Tariffs and Trade (GATT) first offered “a series of mechanisms for ensuring the maintenance and creation of regional integration agreements otherwise incompatible with the most favoured nation (MFN) obligations of Article I.” (Guerrieri; Falautano 2000: 18) To be compatible with the GATT/WTO rules, regional initiatives need to eliminate “internal barriers and general liberalization applied to all sectors [...] to avoid limited sectoral approaches and to enlarge their scope”. Additionally, regional initiatives “should not involve raising barriers against third countries.” The time of creation of the free-trade area must be given in order of “transparency”. Finally, “the procedures must be codified for notifying the relevant multilateral bodies [...] of the signature of regional agreements.” (Guerrieri; Falautano 2000: 19) The WTO website states, “As of 15 May 2011, some 489 RTAs, counting goods and services notifications separately, have been notified to the GATT/WTO.”⁵² Two hundred and two of those regional trade agreements are currently in force. Not all of the members are WTO members and this agreement has already been in place since 1976.⁵³ Regarding regional trade agreements, South Korea is somehow concerned and wants to ensure that regional agreements are in accordance with WTO rules. (Kim 2005: 206) South Korea was unwary entering regional trading agreements because it was suspicious of “exclusive trading blocs that could undermine the multilateral trading system”. (Kim 2005: 208) In the last few years, however, South Korea changed its view and RTAs “are increasingly seen as an effective way of maintaining export markets and for inducing foreign direct investment into Korea”. (Kim 2005: 208-209) The change in attitude can also be attributed to Japan pursuing Free Trading agreements on its own and the fear of being “left out of any RTAs altogether”. (Kim 2005: 209) In general, the failure of the WTO to achieve the aims of the Doha round contributed to the process of regionalism. Specifically, East Asian countries that are “largely dependent on world trade do not want to be left to the mercy of multilateral trade talks, and have pursued FTAs [Free Trade Agreements] with like-minded economies”. (Sohn et al. 2005: 171)

Regardless of the standards set by the WTO regarding regional trade agreements, many of those initiatives resist this understanding. As a clear definition of the clauses is absent, what is to be done in case of a violation is unclear. The system “to ensure basic compatibility between

⁵² http://www.wto.org/english/tratop_e/region_e/region_e.htm, accessed on Sept. 9th, 2011

⁵³ <http://rtais.wto.org/UI/PublicShowRTAIDCard.aspx?rtaid=140&lang=1&redirect=1>, accessed on Sept. 9th, 2011

regional arrangements and multilateral liberalisation seem very incomplete, ambiguous and difficult to apply.” (Guerrieri; Falautano 2000: 20) Not only are the regulations conflicting, the interpretations of the regulations also differ. The question of whether or not regional integration movements are building blocks or stumbling blocks remains unanswered. While regional agreements could be viewed as a threat to IOs, such as the WTO, according to Rana, they are “increasingly seen as building blocks rather than stumbling blocks for an integrating world”. (Rana 2002: 5) It is clear, however, that most regional initiatives do not satisfy “the two conditions of liberalisation of trade in all products and not raising external barriers.” (Guerrieri, Falautano 2000: 20) It remains to be seen what these developments hold for the future.

5.4 The International Monetary Fund

Defining power within the International Monetary Fund (IMF) is relatively easy, as power comes from funds given to it by member governments. Voting power is defined by the funds a country contributes, the country’s GDP and other economically related numbers. The IMF is an interesting case to examine, as it lost much of its credibility in Asia in how it handled the Asian Financial Crisis in 1997. Particularly, South Korea was subject to IMF conditionalities that had severe consequences for the Korean society. Following this argument, it is interesting to explore how the IMF still exercises power in Asia. In the next sections, the formation, the aims and the future of the IMF will be discussed. It touches upon the handling of emerging powers in the IMF structure, the adaptation of the IMF to the new world order and its reactions to criticism. Also, to be discussed is if the organization is willing to change or if it has already become a “frozen configuration” so that the structures do not allow the organization to adapt further.

5.4.1 The Aim of the IMF

The IMF was established in 1944 when the power structure was hugely different from the structure that exists today. The fund was established to help countries after World War II and was particularly designed “to control the spread of international economic crises through a special stabilization fund providing loans to countries suffering from balance-of-payments deficits.” (Chorev, Babb 2009: 464) To operate efficiently, the fund had to have access to economic resources and thus give wealthy countries the “right” to make and revise rules. (Chorev, Babb 2009: 464; quoted after Pfeffer, Salancik 1977) Since the change of voting

structure in 2006⁵⁴, this “right” also flows to new emerging powerful states in Asia, which is difficult to accept in Europe and the U.S. For the reason that the fund is responsible for the handling of large amounts of money given to it by member states, the fund is beholden to its member governments. The U.S. is historically the greatest financier of the IMF, which likely makes the fund more accountable to the U.S. than to other countries. The U.S. is also the country with the greatest quota portion of 17 percent, even after the change of voting structure. Therefore, the U.S. can veto any decision, “because an 85 percent vote is required for many IMF matters, including amending bylaws and changing the quota shares.” (Weisman 2006) The Fund is designed by a system of shareholder control and weighted voting structures that nowadays reflect only the world order of the past. If the voting structure would reflect the real power structure, Europe would have to abandon a few quota shares that would shift to new economically powerful emerging states like those in Asia. Since European states are unprepared to make these concessions, the voting structure remains unfair. What is even more difficult for the organization to explain is why the EU, with its ever more “common policy on foreign affairs and security”, should have 25 votes whereas other, economically more important countries, have only one. (Drezner 2007: 6) Since European countries hold veto power and privileged positions in “many key postwar institutions”, “they can resist U.S.-led changes.” (Ibid.) Ironically, least developed countries support the resistance of European states for change due to the fear of losing the little share they currently possess in powerful institutions. The Bush administration certainly failed to help in obtaining the trust of countries on the periphery. They questioned the motives of the U.S. in favoring amendments and thought of them as an excuse to “free itself from the strictures of preexisting multilateral arrangements.” (Ibid.) Therefore, amending those institutions becomes an even more difficult task. Betz criticizes that although the West wants China to engage constructively in issues of global governance, the meager voting power China possesses in the IMF or invitations to the G8 summits are insufficient. (Betz 2008: 6) An even better argument for endowing China with a little more bargaining power would be the advantages for the West. U.S. policy members have “encouraged China to become a responsible stakeholder in the international system, so

⁵⁴ The voting and quota share of a member country determine the possibilities a member country has to influence the IMF. In 2006, emerging economies were granted greater quota and voting shares. Another change was agreed upon in 2008, and yet another in 2010, to even better represent emerging economies. The new quota shares of those economies, however, will still be “too modest to have major influence on how the IMF operates or the sense of legitimacy which it generates around the world“, since European countries still do not want to give away much of their share. http://www.brookings.edu/opinions/2008/0409_imf_linn.aspx, accessed on August 11th, 2011.

that the management of the differences between the two countries can be negotiated in a more stable framework of shared political, economic, and security interests.” (Roett et al. 2008: 9-10)

In terms of the IMF’s institutional power, according to Barnett and Finnemore, it can be viewed as a “frozen configuration”. When the organization was formed, the founders did not intend the concessions that are demanded nowadays. Due to the organizations long-standing existence, this effect came into being over the years. However, because the organization has now been operating for decades already, reforming it is perhaps too painful a process, as the institutional power may be too powerful in and of itself. As a result of the IMF’s institutional power, decisions that would be made quickly in other forums cannot even be made because of “limited opportunities” that have formed over the years. Following Barnett and Finnemore’s argument, structural power is responsible for the inability of the IMF to transform itself. The “powerful actors” in the organization are working for the “reproduction” of the system and do not work in favor of the “producing classes”. The IMF is particularly unfair in structure since rules only apply to members who take on credits of the fund. Countries that are mere members of the fund only have to deliver annual reports on the shape of their economy. Countries who desire help have to implement serious policies that often change national mechanisms. Since the 1980’s and 1990’s, the IMF intrudes in ever more fields of national politics, which is the foundation of harsh criticism. The topic becomes even more sensitive considering that the last time a western country sought help from the fund was in the 1970’s. Since then, only countries that were vulnerable to IMF conditionalities had to rely on the fund. This perception might change when the IMF helps out European countries in their current debt crisis. Nevertheless, more and more countries attempt to seek help outside of the fund. They seek help from institutions with less conditionalities, taking on credits without having to erode its own national mechanisms. So, does the fund even hold relevance anymore? The next section raises this question and attempts to find an answer.

5.4.2 The IMF Tries to Hold on to Authority

As much as the International Monetary Fund is criticized, it was just recently given new financial resources from all member states to counter the economic crisis of 2008. Weisbrot does not believe that the “new resources” will

“[...]reverse the trend of governments avoiding, whenever possible, the Fund’s lending and influence,

they will help to re-establish an unreformed IMF as a major power in economic and decision-making in low-and-middle income countries, with little or no voice for these countries in the IMF's decision-making." (Weisbrot 2009: 4)

Weisbrot suggests that the IMF will only exist to collect information on countries and to assist governments in the future. Due to the fact that the IMF's "medicine" for states in debt has at times had devastating repercussions, countries try to avoid getting IMF help and only finance the organization. Therefore, even if the IMF has a legitimacy crisis, it will continue to exist and maintain its authority. Even if the organization lost much credibility, this signals that there is still faith in the work of the organization. As well, the European debt crisis might help the organization to reclaim some of its authority and legitimacy. Following Barnett and Finnemore's concept of compulsory power, the IMF has material resources on hand and therefore still has power. Barnett and Finnemore's concept also stresses that in order to gain compulsory power, weaker actors must accept their inferior position and also admire the "superior" actor. Also, the IMF was very successful in establishing itself as an "expert authority". Looking at the grants South Korea and China pumped into the organization after the financial crisis in 2008, it seems evident that faith and admiration still exists.

However, due to the Asian financial crisis and how the IMF handled bailouts, does it still have enough credibility in Asia? Following the Asian financial crisis, Asian states lost their faith in IMF bailouts when strict policy prescriptions took its toll on civil society. Layoffs were so common that the IMF was "cynically referred to an acronym, 'I'm Fired', by the local media." (Jin-seo 2010) At the time, the IMF was criticized immensely for its approach in South Korea. Despite this, in 2008, the organization was granted quite a large sum by Asian states such as South Korea. How is this possible? According to the Korean finance minister, Yoon Jeung-hyun, who met with then IMF managing director Dominique Strauss-Kahn and other officials during a visit to Washington in April of 2010, Korea and the IMF are now "on an equal platform" and cooperation is necessary. Still, Yoon Jeung-hyun reminded them of the image problem the IMF still maintained in South Korea and urged the fund to "try to improve the image by more actively listening to the voices of emerging nations." (Jin-seo 2010) Following Barnett and Finnemore's way of thinking, the IMF continues to be organized all over the world, is still reported to every year, still issues recommendations on economic approaches worldwide and is still regarded as an "expert authority". Seemingly, the expert authority structure does not wane despite large blunders in South Korea. In the case of the IMF, the fund can rely both on its "expert authority" but also on monetary incentives. If

countries negotiate a deal with the fund, they are sure to receive financial help when implementing certain measures. Those countries must generally trust the IMF on its expertise, as the fund has decades of experience dealing with countries and their balance of payments problems. In recent years and especially after the Asian financial crisis, the fund has received a great deal of criticism for its recommended measures. It is believed that the organization took to heart the criticism which followed the Asian financial crisis and changed some of its policies, for example reducing “the number of structural conditions⁵⁵ attached to its lending.” (Weisbrot et al. 2009: 8) This would explain why once again there is faith in how the organization approaches crises. Still, Weisbrot criticizes that the IMF once again recommends procyclical and other “inappropriate” policies that “could unnecessarily exacerbate economic downturns in a number of countries”.⁵⁶ (ibid 3) Procyclical policies were the exact problem that contributed to the vulnerability of South Korea after the Asian financial crisis.

As Weber insists, authority against the will of the ruled is impossible and it must follow that the “ruled” of the IMF are still willing to adhere to the IMF. Weber also stresses the interest of the “ruler” to hold on to its authority by continuously cultivating and reviving the faith in its legitimacy. (Müller 2007: 127; quoted after Weber 1972: 122, 123) If the IMF is interested in holding on to its authority, the organization is aware that it has to adapt to a few changes. A statement by Clay Lowery, the assistant secretary for international affairs at the Department of the Treasury, emphasized Washington’s position at a meeting in Singapore in the fall of 2006: “We came to the view awhile ago that if we do not take action to recognize the growing role of emerging economies, the IMF will become less relevant and we will all be worse off.” (Drezner 2007: 5) Timothy Adams, the undersecretary for international affairs at the Department of the Treasury, emphasized that by reforming the voting structure of the IMF, Washington hoped to give China a “bigger voice” and a “greater sense of responsibility for the institution’s mission.” (Weisman 2006) The reform of the voting structure in 2006, and again in 2008 and 2010 were a step into the right direction, but it still does not reflect the actual power relations of the world today. The organization is still very much antiquated and does not know how to approach this new situation. The world-systems theory could explain this imbalance: How states are identified by one another is how they behave. Since the West

⁵⁵ Structural conditions are those conditions that are mostly criticized since they deeply changed national economics. Such conditions were for example privatizations, pension or labor market reforms. Those policies deeply impacted lower and middle-income wage earners. (Weisbrot et al. 2009: 8)

⁵⁶ Currently, the IMF has signed agreements for lending for countries such as Hungary, Georgia, Latvia, Serbia and Belarus. (Weisbrot et al. 2009: 4)

has been very successful and many states desired to follow their example, they gained some kind of authority that still appeals to many emerging countries. How states were seen by other states determines how they behaved in the world community. It seems that the success of Asian states in the last decades is not yet enough to take on a leading role in world matters. The social structure in the world shapes the self-understanding of countries. Different structural positions also generate different advantages and capacities. It seems Asian states have not quite figured out how to use their economic success to their advantage in world matters.

One of the aims of the next section is to explore why there were so many problems with the conditionalities on IMF borrowing, especially when the granting of IMF loans was and is a sphere where member countries are able to interfere into the work of the organization.

5.4.3 Conditionalities and IMF Borrowing

In theory, states that apply for credits are to be treated equally, but, in reality, some are treated “more equal” than others. Specifically, countries with a higher GDP receive more support from other countries when it comes to being granted a loan, as they are more important to the world economy. When wanting to obtain a loan from the IMF, “a country's real GDP growth, government consumption, the government's budget deficit, the change in international reserves, and the current account balance do not significantly influence the number of conditions.” (Dreher, Jensen 2007: 115) Axel Dreher and Nathan Jensen proved that borrowing country's voting patterns in the U.N. General Assembly determined to what conditionalities loans were granted. Dreher and Vaubel (2004) analyzed 206 IMF letters of intent from 38 countries between April 1997 and February 2003. (Dreher, Jensen 2007: 110) If countries voted with the U.S. in the U.N. General Assembly they “systematically received IMF loans with fewer conditions.” (Dreher, Jensen 2007: 121) Evidence suggests that countries also receive loans with fewer conditionalities prior to elections if they are closer allies with the U.S. and “the more often a country voted in line with the United States in the U.N. General Assembly.” (Dreher, Jensen 2007: 116) With a little help from the U.S., the IMF “helps the political survival of incumbents.” (Dreher, Jensen 2007: 110) This proves that the U.S. uses the fund to “enforce its own political agenda.” (Dreher, Jensen 2007: 107) This also presupposes that the U.S. government is in fact using the IMF for their own purposes and shaping the world order according to their wishes. Generally, closeness with all of the G7

countries guarantees fewer conditions for countries wishing to obtain a loan. (Dreher, Jensen 2007: 119)

Now that the power structures transform themselves, the IMF has to find a new position. In the post World War II order, the structure seemed to be clear, the West was powerful and the South was not. As the South comes on stage, the structural positions in the world change. How does “A” behave towards “B” when “B” gains the same influences “A” has already enjoyed? It seems that the West is still unsure of how to cope with this new situation. As Mahbubani views it, the hesitation on part of the EU to change anything or to give up power or protectionism in favor of the “South” is basically fear of a new world where the EU no longer has a say. Mahbubani fears that the U.S. could also become as unconfident as the EU and retreat into its “fortresses”. (Mahbubani 2008: 52) What is interesting is that the very objective of organizations like the IMF was to erase poverty and raise economic power all over the world so that all could enjoy wealth. Now that the South is in the process of enjoying this wealth, the organizations retreat and the U.S. and the EU are afraid of takeovers of western businesses by Asian firms. Taking structural power into account, the changing economic order of the world leaves Asian states wanting more out of their new social structure. Their social structure is different from the social structure they occupied in the 1940’s and 1950’s respectively, but as their structure changes their advantages do not change. This is also why the IMF feels as antiquated as it appears now. Chorev and Babb argue that whereas the actors within the WTO want to change the system of the organization to gain advantages, actors that feel marginalized within the IMF structure tend to exit the system and are not interested in changing the organization. Foucault sees resistance as a way for weaker states to change their fate, but not as revolutionary. (Sarasin 2005: 153-154) Is the resistance of actors to turn to the IMF for help revolutionary then? The refinancing of the institution would suggest that it is not revolutionary, but since Asian states are unwilling to get help in critical times and turn to other canals for financial help, it would suggest otherwise. Still, Asian states are in on the refinancing. Maybe this turn of events suggests that Asian states want to enjoy the privileges of the organization as well, but not the obligations that only borrowing states “enjoy”. What these developments entail for the future will be explored in the next section.

5.4.4 The Future of the IMF in a Changing World

Only this year was the IMF subject to a few transforming events when Dominique Strauss-Kahn resigned amid scandal in May of 2011. Traditionally, the IMF managing director is from Europe, but this time around emerging states quickly stated their wish to also be kept in mind in the selection process for the managing director position. Their argument: Deciding on the position only on the grounds of nationality calls the legitimacy of the fund into question. The position of managing director should be decided on merits through the process of a transparent competition. Furthermore, the representation of emerging economies should also be reflected in such a position. When Strauss-Kahn took office, emerging economies were reassured informally that the next candidate would not be decided on its traditional approach but rather on merits.⁵⁷ Therefore, a debate about potential candidates from emerging economies was soon opened. Potential candidates were the financial minister of Singapore, Tharman Shanmugaratnam, former Indian Worldbank Manager, Montek Singh Ahluwalia, and the governor of Mexico's central bank, Agustin Carstens. Also, the South-African financial minister, Trevor Manuel, and former minister of economic affairs in Turkey, Kemal Dervis were considered.⁵⁸ In the end, Christine Lagarde, another European, sealed the deal. She was first backed up by Europe and then later even by China and Russia. Only in the end did she gain support from the U.S. It seems that the IMF not only newly legitimized its procedures, but that it also gained an even broader front with Russia and China. Now, the question lingers, why did China back a candidate from Europe so easily? An argument, put forward by German chancellor Angela Merkel, was that the Eurozone is particularly weak nowadays and needs special attention. Moreover, Strauss-Kahn's term was still running when he resigned and that is why the next candidate, in Merkel's view, should also be European. Merkel acknowledged that in the "foreseeable future", emerging economies should also be given a chance, but for now a European candidate is more fitting.⁵⁹ It remains to be seen if emerging economies will be given a chance next time around.

In conclusion, the IMF failed to adapt fully to the new structures of the world today. It restructured and reformed some mechanisms but failed to reform others. However, due to its decade-long existence, its expert authority and data on so many issues, an alternative

⁵⁷ "Schwellenländer wollen IWF-Chefsessel besetzen", "Emerging economies want to take boss's seat on IMF", <http://www.sueddeutsche.de/geld/nach-ruecktritt-von-strauss-kahn-schwellenlaender-wollen-iwf-chefsessel-besetzen-1.1099436>, accessed on June 29th 2011.

⁵⁸ Ibid.

⁵⁹ Ibid.

organization is hard to imagine. What can already be said is that emerging economies are unafraid to voice their opinions and also flex their muscles when necessary. To set up another institution to counter the IMF is not their intention. Apparently, emerging states try to demand a reform from within and make sure that their voices are heard. Additionally, due to the European debt crisis, Asian states seem more stable, which adds to their importance within the organization. It is essential to include emerging economies better into the framework of the IMF, because

“If the fast-growing economies of Asia and Latin America feel disenfranchised from the I.M.F. — there is still a strong undercurrent of hostility in Asia over the fund’s handling of the 1997-98 Asian financial crisis — it will be difficult for the I.M.F. to raise money to deal with Europe and potentially Japan [its huge debts make a future IMF program in Japan in the next decade very likely] and to credibly do its work in emerging markets now and in the future.” (Rogoff 2011)

6. Conclusion

The findings of this paper suggest that in order for international organizations to survive, they have to incorporate emerging economies more actively in the future. If they leave their voting structure and decision-making processes unchanged, the credibility of the organizations will suffer. As it is, being a member of an IO is still an advantage for many countries that would otherwise suffer from being discriminated against on the world market. Therefore, it is not too late to revamp the system.

Regarding South Korea and China, as they enjoyed economic success for the last decades, they have not yet succeeded in translating their success into political leverage in international organizations. The current European debt crisis might change that even if it seems that they prefer to leave the field to the U.S., as their economies grow comfortably while the U.S. takes the lead in most of the international decisions. It appears that power structures that existed for decades cannot be changed in just a few years. While the economic power of the U.S. is waning, the political and military power of the U.S. is still unmatched. Even if the U.S. does not possess the WTO and the IMF, it still influences many decisions made in those organizations. As South Korea is dependent on the U.S. as a protective power, it is not interested in challenging the U.S. or straining foreign relations. In addition, China cannot risk causing trouble in foreign relations, as the U.S. is deeply important as an export market and as a provider of foreign direct investments. Nevertheless, the two countries strive for fair representation and sometimes try to challenge the power of the U.S. in decisions that also affect them. These findings suggest that it is unnecessary for the U.S. to further the “China threat” theory. The U.S. must continue to cultivate foreign relations, especially with Central Asian nations in order to prevent the deepening of anti-western tendencies in the region. As it is, the U.S. under president Obama is in favor of multilateralism and therefore welcomes other great powers to take responsibilities in the international field.

Regarding East Asia, Japan still is and will be a stumbling block for regionalism if the countries continue to avoid building up a common value orientation. The first “success” of building a common history came with the writing of a joint history textbook in 2005 and this was a step in the right direction, nevertheless, there is still a lot of work to be done. South Korea, China and Japan seem to only work together under the auspices of foreign influences.

While in the 1970's and 1980's regional organizations in Asia were built up under the guide of the U.S., in the 1990's and after 2000, regional organizations were initiated, among others, by ASEAN. Also, bilateral agreements have been on the rise since that time. While it is highly unlikely for South Korea, China and Japan to work together on their own, they do work together with ASEAN. ASEAN as an institution helps to build regionalism and also brings the three countries closer together. Working together in the institutions of ASEAN might help the countries to overcome at least some of their animosities. All in all, evidence suggests that regional organizations do not challenge existing international institutions. Regarding the Chiang Mai Initiative, it even strengthens the work of the IMF as it helps the institution to collect data on financial developments in the region.

Recent developments with the current European debt crisis, at the very least on a minimal level, point towards some shift of power to China. Europe is turning to China for financial help while the U.S. offers only moral support. As China has the upper hand in this scenario, it can demand to participate more in financial institutions, especially the IMF. Still, as Europe is a very important export market for China, China cannot go too far and has to remain modest in its demands. If presently, they are unsuccessful in gaining a greater voice in international institutions, analysts suggest that over time they will gain more power.⁶⁰ However, if Europe acknowledges some of the demands, the way is paved for China to become accepted as a powerful country alongside the U.S. and Europe. Consequently, it will be even more difficult for South Korea to balance between the U.S. and China in the future. As Schottenhammer stated, China desires to become a "regional superpower" through respect and the creation of strategic partnerships with important countries. (Schottenhammer 2006: 10; 36) The European debt crisis might give them the opportunity to do just that. The future, therefore, will be multilateral. In order to find a more congruent answer to a power shift, however, the relevance of NGOs and the emergence of civil society must also be taken into account for further research.

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Appendix

List of Abbreviations

AEM	ASEAN Economic Ministers
ASEAN+3	ASEAN plus South Korea, China and Japan
ALADI	Latin American Integration Association
APEC	Asia-Pacific Economic Cooperation AMF – Asian Monetary Fund
APT	ASEAN plus three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BSA	Bilateral Swap Agreement
CAFTA	China-ASEAN Free Trade Area
CMI	Chiang Mai Initiative
EAEC	East Asian Economic Caucus
ECLAC	UN Economic Commission for Latin America and the Caribbean
EU	European Union
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
G 7	Group of seven: Canada, France, Germany, Italy, Japan, United Kingdom, United States.
G 20	Group of 20: Argentina, Australia, Brazil, Canada, China, European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi-Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, United States of America
IMF	International Monetary Fund
IO	International Organization
MFA	(Chinese) Ministry of Foreign Affairs
MFN	Most Favored Nation
MOF	(Japanese) Ministry of Finance
NAFTA	North American Free Trade Agreement

NGO	Non-governmental Organization
NATO	North Atlantic Treaty Organization
OAS	Organization of American States
OECD	Organization for Economic Co-operation and Development
ROK	Republic of Korea
RTA	Regional Trade Agreement
SCO	Shanghai Cooperation Organization
UN	United Nations
U.S.	United States (of America)
WTO	World Trade Organization

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Abstract

This paper explores the question of whether or not the power shift in economic strength and world production from the western world to Asia, – especially South Korea and China – among others, has also translated into power dynamics in international organizations, in this paper being the World Trade Organization and the International Monetary Fund. As international organizations manage financial affairs, international conflicts and world trade, having a voice within these organizations is of utmost importance. While international organizations have lost some of their legitimacy due to a few unfortunate decisions in recent years and are said to only exist for the advantage of western states, they still enjoy a great deal of trust. States that would allegedly be disadvantaged in these organizations, still want to become members.

This paper argues that if international organizations adapt their structures to the new world order and give emerging economies a greater voice within their organizations, they most likely can survive the challenges lying ahead. It is also argued that the recent surge of regionalism does not hurt the existence of international organizations and, at times, even strengthens the work of such institutions. This specific question leads to the main interest of this research: The role of South Korea and China in coping with these developments. As for China and South Korea, the current situation shows that while they want to gain an equal voice in international institutions, they are content with the U.S. as a leading power, especially in regard to their military strength. Although they voice their disagreements when necessary, they are careful not to strain relations with the U.S., as South Korea is deeply dependent on the U.S. as a protective power and China is greatly dependent on the U.S. for export markets and as a receiver of foreign direct investments. Despite this, recent developments, especially the European debt crisis, signal that China is in the process of succeeding in establishing itself as an important power alongside the U.S. and the EU. As well, this points to the fact that in the near future emerging economies will be “more” able to gain a greater voice within international organizations. This is also in line with U.S. president Obama’s foreign policy, which welcomes China as a responsible stakeholder in a multilateral world. Consequently, it will be even more difficult for South Korea to balance between the U.S. and China in the future.

Abstract German

Diese Arbeit beschäftigt sich mit der Frage, ob die Machtverschiebung wirtschaftlicher Stärke und der Weltproduktion vom Westen nach Asien, - speziell nach China und Südkorea – unter anderen, auch Auswirkungen auf Machtdynamiken in internationalen Organisationen nach sich zieht. Da sich internationale Organisationen (in dieser Arbeit die Welthandelsorganisation und der internationale Währungsfonds) mit Fragen des Welthandels und internationaler Konflikte, sowie mit finanziellen Angelegenheiten beschäftigen, ist es überaus wichtig, eine Stimme in diesen Organisationen zu besitzen, um sich Gehör zu verschaffen. Während internationale Organisationen in den letzten Jahren einiges an Legitimität einbüßen mussten und ihnen nachgesagt wird, dass sie nur zum Vorteil des Westens arbeiten, genießen sie durchaus noch Vertrauen, sodass Staaten, die angeblich in diesen Organisationen benachteiligt würden, nach wie vor Mitglieder darin werden wollen.

In dieser Arbeit wird versucht aufzuzeigen, dass internationale Organisationen die Herausforderungen der Zukunft bewältigen können, wenn sie ihre Strukturen an die neue Weltordnung anpassen und aufstrebenden Staaten mehr Entscheidungsrechte einräumen. Darüber hinaus wird argumentiert, dass jüngste Bestrebungen von Staaten in Bezug auf Regionalismus die Bedeutung von internationalen Organisationen nicht gefährden, sondern manchmal sogar stärken. Dieser Punkt führt zum Hauptinteresse dieser Arbeit: wie die ostasiatischen Länder China und Südkorea mit derartigen Entwicklungen umgehen. Obwohl beide Staaten gegenwärtig eine gleichwertige Stimme in internationalen Organisationen anstreben, akzeptieren sie die USA als führende Macht, vor allem was deren militärische Stärke betrifft. Auch wenn Vertreter und Vertreterinnen von China und Südkorea Unstimmigkeiten zum Ausdruck bringen, sind sie sehr vorsichtig, die Beziehungen zu den USA unangemessen zu belasten, da sie auf der Suche nach Exportmärkten und als Empfänger von Direktinvestitionen zutiefst abhängig von den USA sind. Außerdem benötigt Südkorea die USA als militärische Schutzmacht. Dennoch weisen jüngste Entwicklungen (speziell die Krise der Eurozone) darauf hin, dass China im Prozess ist, sich als wichtige Macht neben den USA und der EU zu positionieren. Dies signalisiert, dass aufstrebende Wirtschaftsmächte in naher Zukunft „vehementer“ als früher imstande sind, in Aushandlungsprozessen ihr politisches Gewicht in internationalen Organisationen als legitim zu vertreten. Dies steht im

Einklang mit der Außenpolitik von US-Präsident Obama, der China als verantwortlichen Akteur in einer multilateralen Welt willkommen heißt. Infolgedessen wird es für Südkorea in Zukunft noch schwieriger, ein Gleichgewicht zwischen den Beziehungen zu den USA und China zu wahren.

Curriculum Vitae

Name: Sigrid Koller

Geburtsdatum: 26.05.1985

Schul- und Hochschulausbildung

1999-2003 ORG Englische Fräulein mit Schwerpunkt Musik, Krems an der Donau

10/2003-02/2009 Studium der Sinologie (Bakk.), Universität Wien

seit 03/2009 Master Wirtschaft und Gesellschaft Ostasiens, Universität Wien

Auslandsaufenthalte

09/2006- 02/2008 Studienjahr am Beijing Institute of Technology

03-06/2008 Studiensemester an der People's University of China

08/2009 Sommerkurs für koreanische Sprache und Kultur an der Dongguk
Universität in Gyeongju