

***Security, Trade and Regionalism:
Implications for EU-US-Asia Relations***

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The globalisation of national security has lagged behind the globalisation of the national economy: states continue to define security threats largely in regional terms and seek regional solutions, whereas states increasingly approach issues of political economy as global in scope and solution. This disjunction between the regionalisation of national security and globalisation of national economic welfare creates a potential barrier to interstate cooperation, particularly if 'national security' has two interdependent components: the economic and the military-strategic. Among the northern tier of industrial states, there are a wide variety of fora that cope with common threats to economic stability ranging from the IMF and World Bank to the OECD to the G-8. There is not a similar set of inclusive fora for addressing threats to system-wide military-strategic instability. Rather, there is a disjointed and oftentimes discordant system of security institutions, many of which are anchored by the United States and indirectly bind the fates of Europe and Asia together. The interests that Asia and Europe share in common have been largely mediated by the United States; there is a common perception that the relationship between Asia and Europe is strictly mercantile rather than strategic; Europe plays at best a peripheral role in Asian affairs and Asia plays virtually no role at all in European affairs.

The end of the cold war combined with a renewed interest in regional solutions to the problems of economic growth and stability despite the growing globalisation of the international economy have made the United States less capable and willing to serve as the pivotal state in the postwar economic and security order. Yet the regional parochialism of both the leading European and Asian states makes trilateral solutions to common problems difficult to forge and sustain. Over the postwar period, the progressive globalisation of the international economy took place within a permissive context: despite the constraints of geographic space and the politics of the cold war, commercial and monetary transactions between East and West, and Occident and Orient nonetheless occurred. The postwar security order did not provide a

similarly permissive context. Instead it reinforced a regional conceptualisation of security: first, European security was underwritten by NATO and Warsaw Pact, both of which defined security regionally and in terms of security from the other; second, Asian security was unwritten by unilateral American security guarantees formalised within bilateral relationships (Japan, Philippines, S. Korea, and Taiwan) against a common set of threats; and third, no community of interest evolved between the Atlantic and Pacific security areas other than that given to it by the United States.

The fluidity of the post cold war international system and the globalisation of national economies have complicated the task of building a stable security order capable of coping with a global rather than European state system. Armed conflicts have erupted along the southern perimeter of Europe, but are dwarfed those percolating along the Asian periphery: there has been a substantial increase in regional upheavals, caused by new ideological or religious confrontations, ethnic clashes, or lack of economic and democratic progress. A crucial element in these events has been the availability of military equipments, some of a highly sophisticated kind. Weapons of mass destruction have proliferated at an alarming pace, notably the recent testing of atomic weapons by Pakistan and India, the likely Chinese transfer of sensitive nuclear codes to Iraq and Iran, and China's successful penetration of American weapons laboratories over the last decade. Proliferation of advanced weapons technologies also occurred either directly through overt or covert sale of such material from countries with nuclear and biological warfare capabilities or indirectly through the transfer of technology considered to be of "dual use" for industrial and military purposes. These developments have challenged the nonproliferation norms that helped sustain the 'long postwar peace' in the European state system, although some progress has been made towards abolishing nuclear testing and banning chemical and biological weapons.

At the same time it can be argued that the global reach and deadly force of conventional weapons---a by-product of the revolution in military affairs---has changed central focus of the global security: states no longer enjoy the luxury of drawing a sharp distinction between

domestic and foreign affairs. That distinction has lost its meaning and relevance. States are embedded in an international system that is increasingly viewed as organisable, cooperative, and interdependent. National problems are now assumed to require a multilateral rather than unilateral solution. This shift in orientation has been driven by the changes that have taken place in the content of security as well as the security dilemma itself: states must adopt a broad, systemic definition of security, rather than the narrowly egotistic definition of security that has informed the security calculus of states in the modern era.ⁱ

How are these problems to be ameliorated or rectified? Will the US continue to act as the major international policeman and will the EU, or for that matter Japan, take a growing stake in how other countries govern or misgovern themselves. What reliance can or should be placed on international organisations to deal with international conflicts? The answers to these questions are heavily dependent upon the interpretation given to the changes that have occurred in the international system, the emergent balances of power (global and regional), the mix of dependence and independence shaping relations between the United States, the EU and Japan, the emerging structure of trade in the international system, and the barriers to the emergence of a common identity and a convergence of interests within the northern tier of industrialised states.

Changes in the International System

The international system has undergone any number of seismic and cosmetic changes since 1989. The dissolution of the Warsaw Pact and the collapse of the Soviet Union changed the dynamic of the contemporary international system. Many now claim that the Pacific Basin rather than the Atlantic Community which represents the future of the international system. The demise of Soviet power 'opened' up the competition for power in the international system: it created not only a power vacuum in Europe, but altered the dynamic of Sino-American relations. A second important change has been the emergence of the European Union as a discrete actor in

ⁱ A fuller account of these changes are found in James Sperling and Emil Kirchner, The Recasting of the European Order: Security Architectures and Economic Co-operation, (Manchester: Manchester University Press, 1997).

international politics, particularly in the critical issue areas of trade and macroeconomic policy.

What kind of international system *does* the United States, the EU states, and Japan inhabit? One answer to that question may be located in the polarity and distribution of capabilities in the international system.

A generally accepted formula exists for determining both polarity and the concentration of power in the international system:

$$CON_t = \frac{1}{N_t} \sum_{i=1}^{N_t} (S_{it})^2 - 1/N_t + 1 - 1/N_t$$

Where CON_t is the level of systemic concentration at time t ; N is the number of major powers in the system; and S_{it} represents the aggregate share of major power resources possessed by major-power i in year t . The value for CON_t falls between one (a monopoly of power by one state) and zero (n states with an equal share of power).ⁱⁱ There is also an established set of decision rules which classify international systems or regional subsystems as unipolar, bipolar, or multipolar. A unipolar system exists where one state controls over 50% of the relevant power capabilities; a bipolar system exists where two states control at least 50% of the relevant power capabilities and no third state controls 25%; and a multipolar system exists where three or more states control at least 5% of the relevant power capabilities, no single state controls 50% or more, and no two states have a 25% share each.ⁱⁱⁱ

ⁱⁱ See Edward D. Mansfield, "The concentration of capabilities and international trade," *International Organization* 46, no. 3 (Summer 1992): 737-8; and Diana Richards, "A chaotic model of power concentration in the international system," *International Studies Quarterly*, 37, no. 1 (March 1993): 61.

ⁱⁱⁱ Defining structure in terms of the number of actors and the distribution of material capabilities within the international system is found in Glenn H. Snyder and Paul Diesing, **Conflict Among Nations: Bargaining, Decision Making, and System Structure in International Crises** (Princeton: Princeton University Press, 1977), 419. These rules for classifying international systems are found in studies by William R. Thompson, *On Global War: Historical-Structural Approaches to World Politics* (Columbia: University of South Carolina Press, 1988), 209-10; Edward D. Mansfield, "Concentration, Polarity, and the Distribution of Power," *International Studies Quarterly* 37, no. 1 (March 1993): 113, fn. 12; and Randall Schweller, **Deadly Imbalances: Tripolarity and Hitler's Strategy of World Conquest** (New

In determining the polarity and concentration of power in the post-cold war international system, the indicators of power are derived from a set of indicators that parallel those employed in the correlates of war project. The indicators were slightly modified, however, to give greater weight to the economic and non-military elements of power.^{iv} The adoption of a slightly different set of indicators from those employed in the correlates of war project reflects three considerations: first, correlates of war data are not yet available for the 1990s; second, a measure of power which is heavily biased towards economic variables will accommodate the postulated change in the nature of power, particularly in the northern hemisphere; third, it partially captures the greater productivity and wealth of the advanced industrial states as compared to China (and Russia).^v

Three hypothetical international systems are presented in table one as benchmarks for assessing the polarity and concentration levels of the post cold war European state system (see table 1). Each international system represents three categories of polarity---unipolar, bipolar, and multipolar---with corresponding measures of power concentration (CON) and power

York: Columbia University Press, 1998).

^{iv} For 1995 and 1997, five equally weight indicators of national power were employed that better reflect the instruments of (civilian) power in the European system: total population; gross domestic product (purchasing power parity); military capability (military expenditure and military personnel); gross domestic capital formation; and the depth of financial markets (stock market capitalisation and share of the global top 500 firms in 1997). The correlates of war indicators, which formed the basis for the data employed here, are found in Charles Lewis Taylor and Joachim Amm, **National Capability Data, Annual Series, 1950-1988** (Correlates of War Project, University of Michigan, 9 April 1993). Data for 1995 and 1997 were drawn from the World Bank, **World Bank Development Report 1997** (Washington, DC: World Bank, 1997) and **World Bank Development Report 1999** (Washington, DC: World Bank, 1999); SIPRI, **SIPRI Yearbook 1996: Armaments, Disarmament and International Security** (Oxford: Oxford University Press, 1996); IISS, **The Military Balance 1998/99** (London: IISS, 1999); International Monetary Fund, **International Financial Statistics** (September 1997 and April 1999), and Financial Times, **FT 500** (January 1998).

^v A methodological justification for changing the indicator in response to contextual change (from a militarised to a relatively demilitarised context of state action) is found in Gary Goertz, **Contexts of International Politics** (Cambridge: Cambridge University Press, 1994), 52ff.

resource share of five states (A-E).

Table 1: Systemic Concentration in Unipolar, Bipolar, and Multipolar Systems

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>CON</i>
Unipolarity	.600	.100	.100	.100	.100	.500
Bipolarity	.350	.350	.100	.100	.100	.306
Multipolarity	.240	.240	.240	.180	.100	.138

The polarity and concentration of capabilities varies considerably in the international system, depending upon how Europe is defined. It makes military strategic sense to treat the European states as discrete and independent actors: neither the WEU nor the EU have the competency to dispose the collective military resources of the EU states; the EU states lack a unified command and control structure; and the redundancy of task and absence of significant military capabilities (e.g., airlift) makes a simple aggregation of EU military resources or budgetary expenditure potentially misleading. But it also makes sense to treat the EU as a single unified actor: the completion of the Single Market Program, the launching of EMU, and the competency of the Commission for international trade and the European Central Bank for monetary policy, all suggest that the power and resources of the EU states are effectively aggregated by the pooling of sovereignty in the EU.

We have calculated the polarity and concentration of power in the post-cold war international system employing both definitions of actor. The first heavily discounts the role played by the EU in international affairs and treats the member-states as discrete, independent actors. Consequently, there are seven potential poles of power in the international system: Britain, China, France, Germany, Japan, Russia, and the United States. The results indicate that the United States and China are polar powers, Japan is a near candidate for polar status, and Germany, along with the other European states, are clearly middle powers (see table 2a). The concentration of capabilities is consistent with a bipolar system and with an international system with a low incidence of major power warfare.^{vi}

^{vi} Edward Mansfield finds that CON values above .295 minimizes the frequency of major power

Table 2a: Global Concentration of Power, 1995

Britain	China	France	Germany	Japan	Russia	United States	CON
.064	.231	.069	.078	.165	.042	.352	.302

A second calculation of polarity and concentration of capabilities treats the EU as a discrete actor in the international system (see table 2b). When capabilities of the EU states are aggregated, the distribution of capabilities in the contemporary international system still approximates bipolarity. Yet it is the United States and the EU which emerge as the polar powers and the Atlantic Community retains its centrality. It is also true, however, that both China and Japan are positioned to emerge as polar powers. The potential for a relative decline in the power capabilities of the EU and the United States promises the emergence of a multipolar system on a global scale: the international system will no longer be driven by the interests and quarrels of the European powers. Moreover the level of concentration of capabilities could transform the international system from one where the incidence of great power warfare is rare to one where it is prevalent.^{vii}

Table 2b: Global Concentration of Power, 1997

China	European Union	Japan	Russia	United States	CON
.2164	.2793	.1369	.0512	.3163	.240

A structural account of the post-cold war international system, while comforting in its prediction of a stable and peaceful international system, can not be allowed to obscure the real potential for conflict along the perimeter of the major powers, particularly the EU and China, or the pivotal role Japan plays in the international system. Arguably, Japan is as important a player as China in the contemporary international system. China still possesses a limited ability to

war. See his **Power, Trade, and War** (Princeton: Princeton University Press, 1994), p. 100, fn. 22.

^{vii} The level of concentration in the contemporary international system is similar to that in 1830, a period relatively free of war in 19th century Europe. See Edward D. Mansfield, **Power, Trade, and War** (Princeton: Princeton University Press, 1994), pp. 89ff and table 6.1.

shape the external environment, a limitation reflected in China's exclusion from many important international fora, particularly in the areas of trade, finance, and money. Japan, constrained by habit of mind and its constitution from playing a more active and important military role in shaping its external security environment, must be considered by virtue of its economic performance a leading state in the international economy and key player in international institutions. Moreover, Japan, unlike China, remains a satisfied, status quo power—a modifier not easily applied to China in view of its contested territorial claims in the South China Sea—and thus remains a more attractive and dependable partner for either the United States or the EU.

Implications and Challenges of Post-Cold War Changes in Security---Europe

From the perspective of national policy-makers in North America or Europe, the world has experienced fundamental changes since 1989. The Warsaw Pact has dissolved and NATO has lost its post-war *raison d'être*. The Soviet Union has fragmented into a large number of independent republics, some of which are tenuously connected to Russia by pre-existing economic ties and a paper confederation. The nations of north central and eastern Europe are not only undergoing a political and economic transformation simultaneously, but many of these states seek membership in the western clubs, particularly NATO, WEU and the EU. Germany is united and has gained a new centrality, both geographically and politically in the 'new' Europe.

The second important category of change in the post-cold war period can be found in the shift in the allocation of resources between military and welfare programmes and in the issues of economic capacity and commercial competitiveness. It can be suggested that the end of the cold war, in redirecting attention to the underlying importance of economic capacity, has changed the perception of power [and consequently its redistribution]. Whereas cold war Europe was characterised by political-military bipolarity dominated by the United States and the Soviet Union, post-cold war Europe is characterised by an economic multipolarity conjoined by a military bipolarity that has been eclipsed, for the time being, by the economic and environmental security concerns of the states occupying the European security space. While it is true that the primacy of military security, the residual preoccupation with nuclear war and the concern with

national survival, remain the paramount concerns of the major European powers, it is also the case that a perceptible shift has taken place in the relative importance of military security and economic welfare that favours the latter.

A further category of post-cold war change is located in the resolution of the debate about state preferences. Robert Powell argued quite convincingly that preferences are not immutable, but are linked quite closely to the external constraints facing a state; and that those constraints are linked to the level of amity and enmity in the international system.^{viii} Where there are high levels of enmity, co-operation is unlikely: states are compelled to focus on relative gains, since an unequal absolute gain derived from co-operation today could lead to military defeat tomorrow. Where there are high levels of amity, on the other hand, co-operation is more likely: states are free to focus on absolute gains, since a state's relative loss today is unlikely to be employed against it tomorrow and lead to defeat on the battlefield. The implications of Powell's argument are of significance for the institutional architecture and likely patterns of co-operation in the post-cold war European security space. Greater amity in Europe is producing greater co-operation in economic, political and military affairs—the collective response to the war in Kosovo is a good example of that development. The fear of relative gains has been replaced with a concern for ensuring cooperative outcomes that deliver an optimum level of absolute gains for all.

The new-found amity in the European security space has transformed the two security dilemmas that confronted states historically. The first elaborated by Robert Jervis, locates the security dilemma in the unhappy circumstances that “many of the means by which a state tries to increase its security decrease the security of others”.^{ix} A second security dilemma facing decision-makers is the division of national resources devoted to economic welfare and to military

^{viii} Robert Powell, “Absolute and Relative Gains in International Relations Theory”, American Political Science Review, vol 85, no. 4 (December 1991), pp. 1303-20.

^{ix} Robert Jervis, “Co-operation under the Security Dilemma”, World Politics, vol. 30, no. 2, (January 1978), pp. 167-214.

security, or more colloquially, the competition between guns and butter.^x Variations in preferences between societies reflect, for example, changes in elite preferences or domestic political coalitions, changes in the geopolitical context of a state or in the technology of war, or an increase (or decrease) of a state's economic capacity.

The security dilemma identified by Jervis has become inverted with the end of the cold war. The charter members of the western clubs fear the negative consequences of political and economic insecurity in the east. Consequently, any measures taken by the nations of the east that enhance national security, defined broadly in its military or economic dimensions, are viewed as a positive contribution to European security. It also provides the incentive and possibility for the nations of western Europe to cooperate with its eastern neighbours even at the risk of being exploited: free riding by the central and eastern Europeans poses a lesser threat to the NATO states than does the re-emergence of authoritarian regimes or economic collapse that could shatter the fragile post-cold war peace. The perception of a security threat has dwindled as well. The threat once posed to the west has become not only hypothetical but improbable as well. The military threat to the west is limited to a residual concern over Russian intentions in its former internal empire and the 'near abroad', and that residual concern is strongest in the United States and the weakest amongst the states of western Europe.

The distribution of the national product between guns and butter has also been largely resolved with the end of the cold war. Preferences, capabilities, and the procurement of military security have all been changed; and that change has been fundamental in the east. There has been a shift in preferences in post-cold war Europe: the sharp decline in the absolute level of real defence expenditures and in the share of central government expenditures devoted to defence indicates that there is now a decided preference for welfare expenditures. For the states of central and eastern Europe, this shift in preferences reflects the combined effect of new political elites

^x See Robert Powell, "Guns, Butter, Anarchy", American Political Science Review, vol 87, no. 1 (March 1993), p. 116.

organising the transition to democracy and the market economy, a less threatening geopolitical context (namely, the end of the Soviet imperium and the disintegration of the Soviet Union itself), and greater co-operation between the west and east enabling (and requiring) that shift to take place.

The increased demand for non-defence goods in the east suggests that a new dilemma over the division of the national product now faces the west. Whereas security during the cold war was defined primarily in terms of military security and the shadow of war loomed over the European continent, security in post-cold war Europe is defined increasingly in economic terms and the shadow of war has been displaced by the threat of political and economic chaos in central and eastern Europe. The military instrument is an inappropriate policy instrument to meet this new threat, although it could be used to alleviate its symptoms—as in the case of Kosovo where civil war and mass migration threaten European stability. The most effective instruments in the diplomatic toolboxes of the western democracies are economic and financial: the extension of free trade agreements, a stable and calculable macroeconomic environment, financial aid and technical assistance to ease the transition to the market economy, and financial support to redress the environmental degradation and ease the debt overhang inherited from fifty years of economic mismanagement.

If indeed the currency of military power has been devalued, particularly in relations amongst the wealthy states of the European security space, what are the implications for commercial competitiveness and economic capacity? Will the absence of a stark military threat to the West make the consolidation of Europe's economic capacity and growing unity in foreign policy purpose translate into a more stable Atlantic area or an Atlantic area fraught with conflicts over burden-sharing, risk-sharing, and corrosive competition? Do the growing commercial attractions of the Pacific Basin foreshadow a redirection of American security policy and a downgrading of its relationship with Europe? All these points impinge upon and are affected by global developments and will therefore be reconsidered after an examination of the linkage between the end of the cold war and global stability, which will also involve consideration of the

role of international organisations in the prevention and resolution of conflicts.

Implications and Challenges of Post-Cold War Changes in Security—Asia

Whereas the end of the cold war initiated the recasting of the European security order as well as a redefinition of interest and identity, it has not had a palpable affect on the security arrangements in the Asia-Pacific. Some argue that the impact has yet to come and it will foster a definition of interests and identity independent of the ideological constraints attending the post-war period;^{xi} and others anticipate a power vacuum that could lead to a renewed great power competition in Asia.^{xii}

Arguably the absence of a palpable impact on the security and economic arrangements in the Asia-Pacific can be traced not to a lag in the impact of the cold war's war end in 1989, but to an adjustment of the emerging and emergent balances of power in the Asia Pacific to the winding down of the Asian cold war beginning in the late 1960s. Moreover, the cold war never had the immediacy in the Asia-Pacific that it had in Europe. The cold war had two dimensions: the settlement at Yalta which codified the division of Europe between the Soviet Union and the (Anglo-)American empire; and the consequent ideological competition between the Soviet Union and the United States that coloured the foreign policy attitudes of the United States and was employed as a litmus test to distinguish friend from foe.

The Yalta settlement contributed to what John Lewis Gaddis has called the 'long peace,' because it serviced the interests of both the United States and the Soviet Union. Yalta prevented either state from establishing hegemony over the European continent and provided each power with an extended defense perimeter. The Yalta settlement, and the eventual policy of

^{xi} Amitav Acharya, "A New Regional Order in South-East Asia: ASEAN in the Post-Cold War Era," *Adelphi Paper 279* (Oxford: Oxford University Press for the IISS, 1993), p. 8; Paul Dibb, "Towards a New Balance of Power in Asia," *Adelphi Paper 295* (Oxford: Oxford University Press for IISS, 1995), p. 6.

^{xii} Denny Roy, "Assessing the Asia-Pacific 'Power Vacuum'," *Survival*, vol. 37, no. 3 (Autumn 1995), pp. 45-60; and David Shambaugh, "China's security policy in the post-Cold War era," *Survival*, vol. 34, no. 2 (Summer 1992), pp. 88-106.

containment that flowed from it, was only relevant in the American foreign policy calculus insofar as it identified Japan as a potential prize in the superpower competition.^{xiii} Japan, like Europe, constituted an 'intrinsic interest' of the United States;^{xiv} the other states of the Asia-Pacific were largely peripheral to core American security and commercial interests. American interventions along the Pacific Rim were largely derived from the more important task of securing Japan and reassuring America's European allies. Thus, when the cold war 'ended' in 1989, it resolved the conflict embedded in the Yalta agreement, an agreement that was at best peripheral to the balances of power and interests in the Asia-Pacific.

The second element of the Cold War was the ideological idiom in which the cold war was conducted by the United States and the Soviet Union. The injection of ideology into the foreign policy prism of the two superpowers eventually became the paradigm informing the foreign policy calculations of the Asia-Pacific states whether they were aligned with the United States or the Soviet Union or were a part of the non-aligned movement. However even the ideological dimension of the cold war was eclipsed in the Asia-Pacific by the geopolitical exigency which produced the Sino-American rapprochement that balanced the Soviet Union in Asia and enabled the United States to extract itself from the Vietnam War.

Thus, the two core elements of the cold war which passed in 1989 were specific to the European security space and were largely irrelevant in the Asia Pacific. Consequently, the absence of a radical change in the regional subsystems of the Asia-Pacific international system should not come as a surprise. The critical difference between the European and Asia-Pacific security spaces is located in the contextual role played by the cold war in defining the international politics of both regions. The cold war provided an international context that acted

^{xiii} George Kennan, quoted in John Lewis Gaddis, **Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy** (Oxford: Oxford University Press, 1982), p. 30.

^{xiv} Richard K. Betts, "Wealth, Power, and Instability: East Asia and the United States after the Cold War," **International Security**, vol. 18, no. 1 (Winter 1993/94), pp. 34-77.

as a barrier to change in the European security space: the cold war limited the foreign policy options available to the central and eastern European states.^{xv} The cold war neither posed a significant barrier to the choices facing the states of the Asia-Pacific nor did it fundamentally affect how states interpreted or acted upon underlying structural conditions shaping regional or subregional balances of power and interest. The changes that took place in the European security space did not set in motion a changed systemic context that unleashed the demand for the institutionalisation of security or economic relationships in the Asia-Pacific. Whereas the European security space experienced a demand for institutional invention (the European Bank for Reconstruction and Development), innovation (the North Atlantic Cooperation Council and the PHARE program) and adaptation (the enlargement of NATO, the WEU, and the European Union), there has not been a parallel development in the Asia-Pacific. And where there has been some institutional innovation (e.g., the ASEAN Post Ministerial Conference), invention (APEC and the ASEAN Regional Forum), and adaptation (the expansion of tasks undertaken by the Pacific Forum), the motivations for change and the diplomatic ground-work leading to those changes either were preceded by or were independent of the end of the cold war in Europe.

The end of the cold war has had an indirect impact on the Asia-Pacific: the collapse of Soviet power and the internal difficulties of the Russian Federation have not only weakened the balancing role played by the Russia in northeast Asia, but provided Japan with leverage in its dealings with Russia derived from Japan's financial wherewithal and Russia's need for finance. Russia is no longer able to serve as a credible guarantor of its client states in Asia, particularly Vietnam, which removes a significant barrier to a China pressing its territorial claims in southeast Asia. The 'peace dividend' promised by the end of the cold war conjoined to American budgetary difficulties have contributed to the demand and deliverance of a much reduced defense posture by the United States in both the Atlantic and Pacific security spaces. The rationale for the Sino-American tactical alliance against the Soviet Union has been

^{xv} Goertz, *Contexts of International Politics*, pp. 101-03.

displaced by the more compelling rationale for a return to a Sino-Russian alliance to confront an American hegemon.^{xvi} The end of the European cold war was not an unmixed blessing for the Asia-Pacific.

A second set of developments largely independent of the end of the cold war have exerted as great an influence on the direction of the regional balances of power in Asia; viz., the extraordinary rates of economic growth experienced by the nations along the Pacific Rim. While the experience of the 'Asia tigers' is well documented, even if its underlying explanation remains contested and their 'lessons' belied by the Asian financial crisis, the more important development is the rapid growth of the Chinese economy. China is now positioned to become a regional hegemon and global economic actor on a par with the United States and the EU by the end of the first quarter of the 21st century.^{xvii} The relative change in economic power in the Pacific, particularly when viewed as an economic bloc comprising Japan, China, and the 'Asian tigers,' supports the contention that the global economic center of gravity is moving (or has moved) to Asia—the combined resources of Japan and China now exceed those of the United States.^{xviii}

The Asia-Pacific security system differs from its European counterpart in three major respects. First, the security dilemma is still operative: unilateral efforts to enhance national security are inevitably perceived as disturbing unfavourably the balance of regional power.

^{xvi} Theo Sommer, "Theo Sommer über Rußland und China: Partner, die nach dem Westen schießen," *Die Zeit*, 2 May 1997; Peggy Falkenheim Meyer, "Russia's Post-Cold War Security Policy in Northeast Asia," *Pacific Affairs*, vol. 67 (1994/95), pp. 495-512.

^{xvii} The end destination of China remains contested between those who anticipate the political-economic collapse of China and those who do not. For the first view, see Jack A. Goldstone, "The Coming Chinese Collapse," *Foreign Policy*, no. 99 (1995), pp. 35-53 and Richard Hornik, "Bursting China's Bubble," *Foreign Affairs*, vol. 73 (1994), pp. 28-42; and for the second, see Yasheng Huang, "Why China Will Not Collapse," *Foreign Policy*, no. 99 (1995), pp. 54-68 and Zulu Hu and Moshin S. Khan, "Why is China Growing so Fast?" *Economic Issues 8* (Washington, DC: IMF, 1997).

^{xviii} The American share is 31.63% and the Sino-Japanese share is 35.33%.

Southeast Asian states in particular are currently engaged in growing military acquisition budgets, which have either a relatively benign (rising national income) and malign (an arms race) source. Second, the Asia-Pacific retains a military definition of security despite the commercial content of those states' diplomacy with North America and Europe. Within the Pacific Basin, the content of diplomacy is fully flavoured with commercial concerns, but the security agenda of these states is driven by territorial disputes and an ingrained fear of Chinese expansion. And third, there is a weak web of international or regional institutions that mediate conflicts and provide a forum for reaching common solutions to common problems.

The United States as the Main Provider of International Security

Can the US, as the main security actor and virtual guarantor of international stability, provide or afford such a state of global readiness (deployment of troops, equipment and financial resources) and avoid a situation of "overstretch"? The US portrays itself as a global actor, but has nonetheless declared that it is only prepared to "fight and win, in concert with regional allies, two major regional conflicts, nearly simultaneously".^{xix} Is this intention matched by capacity and commitment? For how long will the US be willing to maintain such a commitment, and how will the US react if there should be more than two such international crises at the same time? Will seek its allies to carry share both the risks and burdens of international governance?

The United States remains the only state in the contemporary international system with a global reach militarily, economically, and diplomatically. There is general agreement that the US is the only country in the world that has the resources, speed and efficiency to reach out to many corners of the globe.^{xx} Central to the United States' ability to leverage its force structure is its airlift and sealift capability, which makes possible rapid transportation of troops and their equipment to distant theatres.^{xxi} This is backed-up by the reconnaissance strike force: a

^{xix}. W. Perry, "Defense in an Age of Hope", p. 73.

^{xx}. Ibid, pp. 72/73

^{xxi}. US air and sealift capacity is based on pre-positioned equipment afloat and ashore in the Arabian Gulf region, Indian Ocean, Korea, and Europe. Carrier battle groups give the US highly

combination of stealth aircraft, precision-guided munitions, and advanced surveillance technology^{xxii}, which proved so effective in the operation of Desert Storm. All this gives the US almost immediate, self-reliant, self-sustaining presence tailored to and trained for the crisis scenarios they are likely to face.^{xxiii}

The American resource and industrial base as well as its unsurpassed military capabilities enable the United States to reach out in all corners of the globe with speed and efficiency. Yet American resources are not unlimited and the will to fight anywhere in the world is by no means a foregone conclusion. Besides the option to decide case by case whether to engage in an international conflict, the United States has additional choices.

First, it could rely on a programme to develop a ballistic missile defence system that could be deployed to protect the continental United States from limited attacks, should a strategic threat to the nation arise from intercontinental ballistic missiles in the hands of rogue states or terrorists, and the extent to which regional balance of power is an appropriate option against such attacks. Second, it can help to promote regional security arrangements, particularly in the context of peacekeeping and peace enforcement. It can do that through either taking itself a lead role or involve client states. For example, the US hosted the first-ever Defence Ministerial Meeting of the Americas in 199x. Thirty-four democracies of the Western hemisphere (except Cuba) were invited to join in building a zone of stability in a region once destabilised by cold war tensions. In the Asia-Pacific region, the United States security presence is anchored in northeastern Asia by its bilateral security relationships with Japan and Korea; by its policy of constructive engagement with China—a policy whose fragility was demonstrated by the adverse reaction to the bombing of the Chinese embassy in Serbia and the growing resentments and

mobile deterrent forces ready for deployment anywhere in the world. See W. Perry, “Defense in an Age of Hope”, p. 74.

^{xxii} . The US military obtains this information from national sensors, the Global Positioning system and tactical sensors.

^{xxiii} This capability was employed in Liberia, Jordan and Qatar.

hostilities aimed at China within the United States that stem from a variety of sources; and by its participation in the ASEAN Regional Forum which is the only pan-Pacific institution dedicated to common security concerns.

The United States, unlike Japan or the EU states, does not enjoy the luxury of a regional definition of interest. Rather, the United States is pulled in three directions: southward towards Central and Latin America; westward by the vibrant and unstable Pacific community, epitomised in the Asia-Pacific Economic Community (APEC); and eastward towards a Europe with which the political elite generally shares a common set of values, institutions, history and culture. The emergence of the United States as the only actor with a global reach, in combination with a global set of interests, has resurrected debate about the proper use and disposition of American resources, diplomatic and military. Moreover, it has also disinterred the Nixon-Kissinger strategy of identifying and grooming regional actors that will serve the American (and systemic) interest of regional stability and security. Needless to say, the likely candidates for such a role in the northern tier of industrialised states include Japan and the EU, both of which remain hesitant to act (militarily or diplomatically) outside their immediate regional area or narrow commercial interest.

Summary

Disagreements as how to respond to these challenges have more often than not outweighed consensus or compromises among the US, the EU, and Japan on the instruments required to combat the conflicts and threats that emerged after 1989. Among the instruments to be considered are preventive diplomacy, coercive diplomacy and direct intervention through either military or humanitarian forces, or a combination of the two. For example, coercive diplomacy has been practised with regard to North Korea and Iraq. Most widespread within American and West European official circles is a stress on preventive diplomacy with particular emphasis on democratisation and marketisation—processes seen to provide for capacity building in emerging states. This “idealist” assumption that such efforts will create reliable partners in trade and diplomacy and less likely to threaten peace, is challenged by the realists as either naive,

ineffective or leading to an over-extension of capacity and resources by the G-7 states, an outcome that would have detrimental consequences for stability and security itself.^{xxiv}

Concretely, this also poses important dilemmas for the EU. Whilst there are no indications that support for democracy is or will become a categorical imperative trumping competing goals despite the outcome, but rather will remain a red thread running throughout the complex tapestry of western foreign policy.^{xxv} The exact weight given to that criterion is difficult to measure: for example, to what extent should the EU put democracy and human rights at the centre of the partnership agreement which it is now negotiating with Algeria; or should the EU revoke Burma's tariff privileges in protest against its alleged use of forced labour? Alternatively, is the American approach towards Cuba (the Helms -Burton Act) correct or is the EU guilty of putting commercial interests above human rights considerations?

The process of democratisation is long and hard, especially for countries where political progress is hostage to economic disadvantage. Poverty, underdevelopment, and stagnation are not alibis for tyranny, but they are obstacles to freedom.^{xxvi} On the other hand, the link between economic reform and political liberalisation is heavily resisted by developing countries: China cites the success of the Asian Tigers (apparently with the tacit consent of the West) as a model where economic development took place prior to political liberalisation. Even if that choice is a distasteful one, existing international conflicts demonstrate that preventive or even coercive diplomacy might not always be appropriate. As pointed out earlier, when dealing with an irrational or desperate adversary, only the actual use of force seems to ensure an adequate remedy. This requires readiness to fight in many theatres at once. Most importantly, it compels

^{xxiv}. See for example, Michael Mandelbaum, "Foreign Policy as Social Work", Foreign Affairs, January/February 1996, pp. 16-32, and Henry Kissinger, "Beware: A Threat Abroad", Newsweek, June 17, 1996, p. 42.

^{xxv}. See S. Talbott, "Democracy and National Interest", Foreign Affairs, Vol. 75, no. 6, (November/December 1996), p. 52.

^{xxvi}. Ibid, p. 55.

the western powers to maintain strong, ready, forward-deployed, conventional armed forces. Paradoxically enough, whereas the European peace dividend has been recouped with a reduction of conventional forces, developments in the Asia-Pacific require an increase in conventional forces and a greater efforts towards institutionalising international politics.

Regionalism or Regionalisation of Trade in the Global Economy?

Trade has entered the security calculus of the northern tier of industrialised nations in three respects. First, free trade is considered a mechanism for creating the environmental conditions for a stable and prosperous pan-European security order (e.g., helping to stabilise the economic and political conditions in CEE states); and to mitigate historical animosities in the Asia-Pacific. Trade generates an externality which heavily discounted by some and highly valued by others: high levels of trade contributes to amity in interstate relations; states are less willing to go to war.^{xxvii} The second security concern involves the sale or transfer of military or dual-use technologies—this concern is best illustrated by the transfer of dual-use technology to China. The third security concern linked to trade has been located in the vulnerability arising from too great a dependence upon foreign suppliers of critical raw materials, intermediate goods, or finished goods.^{xxviii} Trade vulnerability, the fear of market domination by foreign suppliers in critical sectors of the real economy, and the potential loss of technological dominance remains a salient security concern for the European Union, the United States, and Japan.

What role *does* trade play in the security calculi of the Atlantic and Asia-Pacific states? In the Atlantic context, trade poses a danger to the security order if it encourages the progressive disassociation or even fragmentation of the two pillars of the Atlantic economy. The creation or perception of a Fortress Europe could be accompanied, where it to occur, would certainly

^{xxvii} . Will Hutton, “Relaunching Western Economics: The Case for Regulating Financial Markets”, Foreign Affairs, vol. 75, no. 6, Nov./Dec. 1996, p. 8.

^{xxviii} . See Wayne Sandholtz, et. al (eds), The Highest Stakes: The Economic Foundations of the Next Security System (Oxford: Oxford University Press, 1992); and Robert O. Keohane and Joseph P. Nye, Power and Interdependence: World Politics in Transition, (Boston: Little, Brown and Company, 1977).

degrade the security relationship not only between the US and Europe, but within Europe itself. In other words, the shifting of interstate competition from the military realm to the economic realm, of substituting the shadow of a hot war with the shadow of a trade war, may have the paradoxical effect of making co-operation more difficult in the economic realm (like between North America and the EU) just as co-operation is facilitated in the military realm. Unlike the institutionalised patterns of cooperation that dominate the Atlantic area, cooperation in the Asia Pacific is likely to remain contingent and hostage to short-term and proximate calculations of interest and opportunity. This pattern of cooperation (and conflict) is likely to persist owing to the continuing viability of traditional security calculus in the Asia-Pacific, a disassociation between trade policy and strategic interests, and absence of institutional fora that lengthen the shadow of the future in the calculation of interest.

Trends in the Direction of Trade and Investment

The potential fragmentation of the international economy along these potential geoeconomic fault lines in the post-cold war world may be the result of regionalism, where political agency creates a preferential trading area for a group of politically privileged partners; or regionalisation, the integration of national economies owing to 'natural locational phenomenon leading to closer economic ties within a region,'^{xxix} or some combination of the two. There is a large body of economic theory that anticipates the regionalisation of the global economy. Regionalisation is held to be driven by a large number of variables traditionally ignored by mainstream economists, including geographic propinquity, per capita GNP, and 'close ties of sentiment and interest arising out of ethnological, or cultural, or historical political

^{xxix}. This distinction is drawn from Detlef Lorenz, 'Economic Geography and the Political Economy of Regionalization: The Example of Western Europe, *American Economic Review*, vol. 82, no. 2 (May 1992), p. 85. See also Richard E. Baldwin, *Towards an Integrated Europe* (London: CEPR, 1994), chapter 3; and Alexis Jacquemin and André Sapir, 'Europe Post-1992: Internal and External Liberalization,' *American Economic Review*, vol. 81, no. 2 (May 1991), pp. 168-69.

affiliations.^{xxx} Paul Krugman has focused on two overlooked economic variables---economies of scale and transportation costs---that may not only drive regionalisation, but suggest that the transition to the market and the opening of the eastern and central European markets to competition from EU (and North American) goods may permanently place those nations in an inferior position within the EU in terms of technological sophistication, range of products produced, and national income.^{xxxi}

The proliferation of bilateral and regional trading arrangements within Europe compete with the multilateral framework embodied in the GATT and WTO frameworks that bind Europe, North America and increasing northeast and southeast Asia. Bilateral threats to the multilateral trading system are evident in the trading policies of a large number of industrialised countries. In the recent past, the Americans, Japanese, and Europeans have fashioned voluntary export restraint agreements (VERs) and orderly marketing agreements (OMAs) with each other to manage politically sensitive trade (e.g., the automotive and steel sectors) or have imposed them on others (e.g., the Europe Agreement provisions in textiles and agriculture). Other forms of bilateralism include the SII (Structural Impediment Initiative) between Japan and the US, the objective of which was the opening of the Japanese market to American goods in specific sectors of the economy; and the Market Access Fact Finding talks (MAFF) which were designed to explore ways of increasing American exports to the Germany. Likewise, the series of free trade agreements between the EU and EFTA represent further bilateral exceptions to the spirit of multilateralism embodied in the GATT. Will we therefore witness the formation of trade blocs?

^{xxx}. See Andreas Predöhl, *Aussenwirtschaft*, 2nd edition, (Gottingen: Vandenhoeck and Ruprecht, 1971); Paul Krugman, *Geography and Trade* (Cambridge: MIT Press, 1991); and Jacob Viner, *The Customs Union Issue* (New York: Carnegie Endowment for International Peace, 1950), p. 18-19.

^{xxxi}. If Paul Krugman and Richard Baldwin are correct, the anticipated investment boom driven by economic growth in central and eastern Europe is as likely to occur in Germany and Austria as in the nations in transition. See Krugman, *Geography and Trade*, pp. 96-98; and Richard E. Baldwin, *Towards an Integrated Europe* (London: Centre for Economic Policy Research, 1994), pp. 134-135.

Will regional trade divert political attention from multilateral priorities? It should be first noted that regionalism is officially sanctioned by Article XXIV of the GATT. Regional trading arrangements do not necessarily undermine WTO efforts to maximise free trade on a global basis, or that there is a conflict between regional liberalisation and the progressive multilateral liberalisation of global trade. Michael Mussa, for example, has warned the foreign policy community to avoid embracing “hysterical multilateralism”; and there appears to be a consensus that regional solutions are not necessarily opposed to global free trade and may actually support progress towards that objective.^{xxxii} markets might in fact be opened faster by voluntary action at the regional level than through difficult multilateral negotiations, although APEC has neither exhibited that logic nor produced those results. Regional trade arrangements may also function as “stepping stones” rather than as barriers to a much stronger multilateral trading system. A WTO report, which supports this view, notes that comparing trade within regions before and after the completion of regional trade agreements does not support the conclusion that world trade has been increasingly regionalised in the past quarter century (see table 2.4). As can be seen from this table, intraregional trade declined somewhat between 1928 and 1948, then rose dramatically until the early 1970s, but only grew marginally thereafter in western Europe, while declining slightly in North America. Only in Asia did intraregional trade grow significantly in those years, reflecting primarily a large shift of direct investment, especially Japanese, into manufacturing facilities in Asia.^{xxxiii} Japan’s total trade (exports plus imports) with the rest of Asia rose by more than 23 per cent, or \$66.4 billion, from 1992 to 1994 alone, more than the increase in Japan’s trade with any other area, in both absolute and relative terms.^{xxxiv}

Table 5: Share of Intraregional Trade in Total Trade, 1928-93

^{xxxii} Michael Mussa, “Making the Practical Case for Free Trade”, American Economic Review, vol. 83, no. 2 (May 1993), p. 375; and Trade Liberalisation is Linked to Global Prosperity”, IMF Survey, vol. 24, no. 10 (22 May 1995), p. 157-158.

^{xxxiii} See Martin Wolf, “Japan Looks to Asia”, Financial Times, June 11, 1996, p. 14.

^{xxxiv} “International Trade, Trends and Statistics”, WTO, Geneva, 1995, p. 166

(exports plus imports as a percentage of merchandise trade)

	1928	1948	1973	1993
Western Europe	50.7	41.8	67.7	69.9
CEE and FSU	19.0	46.4	58.8	19.7
North America*	25.0	27.1	35.1	33.0
Latin America	11.1	20.0	27.9	19.4
Asia	45.5	38.9	41.6	49.7
World	38.7	32.9	49.3	50.4

*Mexico is included in Latin America

Source: WTO report on "Regionalism and the World Trading System", 1995, cited in Charles Carlisle, "Is the World Ready for Free Trade", *Foreign Affairs*, Vol. 75, no. 6 (Nov.-Dec. 1996), p. 119.

At a minimum, regionalism has not been a barrier to a substantial growth in world trade since 1980 (see table 3). While the cumulative impact of these regional agreements remain uncertain (resolving the question of whether a regional trade agreement creates or diverts trade is problematic), regionalism in the real sector of the economy will become less important, particularly as national economic growth is increasingly driven a service sector increasingly independent of national regulation and least susceptible to protectionism.

European Union: The structure of trade of the EU countries indicates a closure of the European market---an increasingly larger proportion of trade is carried on within the European market than outside of it. The CEE states are overwhelmingly dependent upon the western European market, not only as the primary source of supply but as the primary destination of their exports. If intra-EU trade is not excluded from the calculation, 74.31% of exports and 70.33% of imports of the EU member states are European in destination or origin; 9.18% of exports and 11.29% of imports are destined or originate in the western hemisphere; and 11.10% and 10.06% of imports are destined or originate in Asia. If intra-EU trade is excluded, a very different picture emerges: 31.10% of exports and 30.47% of imports are destined or originate in Asia; 25.71% of exports and 28.14% of imports are destined or originate in the western hemisphere; and 31.10% of exports and 30.47% of imports destined or originate in non-EU Europe (see table 6a and 6b). If the EU is to be treated as a unitary actor, therefore, it would appear that the

European stake in Asia is equal to its stake in both Europe and the Western Hemisphere. Despite that geographic balance in the trading position of the EU, the EU retains a largely Atlantic orientation in its commercial diplomacy and definition of interest which reflects the parochialism the EU's military-strategic outlook.

Table 6a Regional Concentration of EU Trade, 1997 (including intra-EU trade, in percent)

	Exports	Imports
Asia	11.10	10.06
Western Hemisphere	9.18	11.12
Europe	74.31	70.3

Source: International Monetary Fund, **Direction of Trade Statistics Yearbook, 1998** (Washington, DC: 1999), authors' own calculations

Table 6b Regional Concentration of EU Trade, 1997 (excluding intra-EU trade, in per cent)

	Exports	Imports
Asia	31.10	40.47
Western Hemisphere	25.71	28.14
Europe	28.49	26.03

Source: International Monetary Fund, **Direction of Trade Statistics Yearbook, 1998** (Washington, DC: IMF, 1999).

Despite the sustained growth in world trade in the 1990s, the EU's competitiveness advisory group found that Europe has been "performing below its full potential" in global trade.^{xxxv} This short-fall shows up in two ways: first, merchandise trade with non-EU countries has fallen from 22.6 per cent of EU GNP in 1983 to 18.6 per cent in 1996; and second, over the past seven years the EU's share of total world exports has fallen from 21% to 16.5%. The EU remains the world's largest exporter, although the total Asian share of world trade has increased from 12.8 per cent to 18.9 per cent (see table 4).

Table 4 Share of World Export Trade (in per cent)

	1990	1995	1997
EU	21.0	19.4	16.5
US	16.4	15.4	12.4
Japan	12.0	12.0	7.6
Others	40.6	53.2	67.3

^{xxxv} . Quoted in the Financial Times, 12 December 1996.

Source: For 1990 and 1995, report of EU's competitiveness advisory group, quoted in the Financial Times, 12 December 1996; for 1997, International Monetary Fund, **Direction of Trade Statistics Yearbook 1998** (Washington, DC: IMF, 1999); authors' own calculation..

One reason for the suboptimal EU performance in the early 1990s is linked to the inability of EU firms to penetrate the south-east Asian economy, then the fastest growing export market in the world. The EU share of exports to this region was 11.8% compared to 14.4 per cent for the US, and 29.6 per cent for Japan. The EU still relies on its historical markets for manufactures in Africa, central and eastern Europe, and the Middle East, all of which are small markets that had low and even negative growth rates. Other factors reducing the EU's profile in international trade include a reluctance by EU states to invest directly in south-east Asia,^{xxxvi} and an inability or reluctance to take advantage of opportunities to develop infrastructure in China, India, Indonesia and other emerging markets.

EU parochialism is reinforced by the present preoccupation with the enlargement question and the integration of the other central and eastern European countries into the European economy as full members in accordance with the Europe Agreements. The EU preoccupation with its European frontier, in conjunction with the high level of intra-EU trade, would appear to support those who argue that the European economy has steadily progressed towards the creation of a closed trading bloc.^{xxxvii} Yet even if the EU is treated as a unitary actor, and thereby intra-EU trade is removed from consideration, the EU remains a relatively open economy compared to the United States and Japan,^{xxxviii} and its trading interests are essentially

^{xxxvi} EU direct investment in the region was "negligible", while Japan's share of investment there jumped from 12 per cent in 1991 to 18.8 per cent in 1994. See Financial Times, 12 December 1996.

^{xxxvii} See Bank of England, "The advent of trading blocs", Bank of England Quarterly Bulletin, vol. 30, no. 3 (August 1990), pp. 372-373

^{xxxviii} The Euro-area (the EU states participating in monetary union) is relatively more open than either Japan or the United States in terms of exports and imports as a GDP (see table).

Imports and Exports as Share of GDP (1997)

divided in equal measure between Europe, Asia, and the Americas.

The United States: The structure of American trade tells a slightly different story. The EU is the most important single trading partner of the United States (20.8% of exports and 18.10% of imports), but the Western Hemisphere is the most important market for American goods (42.38% of exports and 35.14% of imports). Japan, while the most contentious trading partner of the United States, is less important than the EU: only 9.55% of US exports are destined for Japan and 13.82% of American imports originate in Japan. Yet on a regional basis, Asia is the second most important trading region after the Western Hemisphere for the United States (see table 7).

Table 7 The Regional Concentration of United States Trade, 1997 (in percent)

	Exports	Imports
Asia	28.11	38.37
Europe	23.73	20.87
Western Hemisphere	41.38	35.14

The potential for a corrosive cleavage in the Atlantic economy stemming from varied levels of trade concentration is only likely if the trading world evolves into a European bloc anchored by the EU and Pacific bloc anchored by the US and Japan (or China). In this case, a broadly defined Pacific Rim (Asia and the Americas) would supply the United States 69.59% of its exports and 73.51% of its imports. The construction of a bipolar trading system is unlikely as it would violate the security and economic interests of the United States as well as the EU and its member-states, particularly the UK and the Netherlands.

China and Japan: The two Asian powers, China and Japan, have regionalised structures of trade. Asia takes 36.43% of China's exports and provides 57.92% of China's imports; the Western Hemisphere takes 31.88% of its exports and provides 19.74% of its imports.^{xxxix} If a

	Exports	Imports
Euro-land	19.93%	12.32%
United States	8.47	11.08
Japan	10.04	8.08

^{xxxix} In this section, the trade of China is derived from the net exports and imports of the

broad definition of the Pacific Rim is adopted, 68.31% of Chinese exports are taken by and 76.85% of Chinese imports come from Pacific Rim states. Although trade with this area is critical to China's continued economic growth (and ability to finance its military capabilities which will service its broader military and diplomatic objectives in Asia), the European Union is a not unimportant market for China, particularly for a country where exports account for 33.95% of nominal GDP (see table 8).

Table 8 Regional Concentration of Chinese Trade, 1997 (in percent)

	Exports	Imports
Asia	36.43	57.92
Western Hemisphere	31.88	18.93
Europe	23.18	19.74

Source: International Monetary Fund, *Direction of Trade Statistics Yearbook* (Washington, DC: IMF, 1998), authors' own calculations.

Japan has a trading profile that is more regionally concentrated than that of China: Asia takes 54.86% of Japanese exports and 53.52% of its imports; and the Western Hemisphere takes 32.83% of Japanese exports and 26.06% of its imports (see table 9). The Pacific Rim accounts for 87.69% of Japanese exports and 79.58% of its imports. Asia is the primary market for Japanese imports and exports, with the Western Hemisphere serving as the second most important market. (In that regional market, however, the United States takes 85.65% of Japanese exports and 87.71% of Japanese imports.) Europe (and the EU specifically) plays a less important role in the Japanese trade ledger. And that role is diminished further by the limited (albeit critical) role trade plays in the Japanese economy----exports only account for 10.04% of nominal Japanese GDP. The more significant point, for the purposes of this discussion, is the surprising asymmetry in the Asian-EU trading relationship: Asia is as important a market for the EU as the EU is for China and Japan. It also poses a puzzle: Why has European diplomacy heavily discounted the importance of Asia for European welfare and security?

Table 9 Regional Concentration of Japanese Trade, 1997 (in percent)

	Exports	Imports
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People's Republic of China and Hong Kong (i.e., intra-Chinese trade is excluded).

Asia	54.86	53.52
Europe	17.54	17.09
Western Hemisphere	32.83	26.06

Source: International Monetary Fund, **Direction of Trade Statistics Yearbook** (Washington, DC: IMF, 1998), authors' own calculations.

Asia-EU-US: The contemporary pattern of trade does not necessarily augur well for the continued openness of the international trading system. The structural characteristics of trade on both the import and export ledgers suggest at least a tripartite cleavage in the international trading system formed by a European bloc, an American bloc, and an Asian bloc. The prospects for an American bloc have improved with the relative success of the North American Free Trade Agreement (NAFTA) signed by the Canada, Mexico, and the United States; the progress towards a South American free trade area anchored by Mercusor; and the rhetorical commitment by the United States and echoed throughout the Americas to an American free trade area by 2005. The prospects for a self-contained Asian bloc appear less favourable, but have improved with the success of ASEAN and its extension to Vietnam, the sustained economic growth of China, Taiwan and South Korea, and the role of Japan as the world's number two trading and economic power.^{x1}

The pattern of trade within and between these putative blocs does not foreordain the creation of exclusionary and antagonistic trading blocs, particularly in the case of Asia. But the potential does exist for a European bloc in opposition to an Asian-Pacific bloc, one possible outcome of the American enthusiasm for the Asia Pacific Economic Cooperation (APEC) forum. Agreement has been reached in principle to transform APEC into a pan-Pacific free trade area by 2020, a development that could redirect American attention and aspirations in the areas of trade

^{x1} Bobrow, et. al. have found that the trade concentration ratios of individual APEC member-states is widely dispersed within the region and works against the emergence of an exclusionary bloc within that wider grouping. See Davis Bobrow, Steve Chan, and Simon Reich, "Trade, Power and APEC: Hirschman Revisited," **International Interactions**, vol. 24, no. 3 (1997), pp. 187-223.

and investment to Asia at the expense of Europe, perhaps extending into the sphere of military security as well.^{xli}

Yet it is the European bloc which remains the most fully formed and institutionally elaborated of the three identifiable regions. It has at its core the European Union which now encompasses all of the nations of western Europe with the exceptions of Norway, Switzerland, Malta, and Cyprus; it anticipates the near-term membership of three Visegrad nations (the Czech Republic, Poland, and Hungary) as well as Slovenia and Estonia, and the eventual membership of the other Europe Agreement states (including Bulgaria, Romania, Slovakia, Lithuania, and Latvia); it will undoubtedly form a customs union (as in the case of Turkey) with the peripheral states of a widened European Union; and it may eventually conclude a free trade agreement with the CIS (or Russian Republic). The European bloc may also be buttressed along the southern periphery by the establishment of a free trade area encompassing the littoral states of the Mediterranean Sea as well as the successful creation of a free trade area encompassing the member-states of the Black Sea Cooperation Council.^{xlii} Taken together, a European bloc could encompass the economic space extending from Ireland to Siberia along an east-west axis and the arctic circle beyond the Mediterranean Sea along a north-south axis.

The potential for the fragmentation of the Atlantic economy into two potentially hostile trading blocs, with the risk of renting the diplomatic and military fabric which has sustained the postwar order, has renewed interest in an Atlantic Free Trade Area (AFTA). This solution to the political problem of regionalism and the process of regionalisation has been long favoured by the UK and has also found favour in Germany. An Atlantic free trade area could increase trade by

^{xli}. See statements of Treasury Secretary Robert E. Rubin, Los Angeles World Affairs Council, 13 April 1995, *Treasury News*, RR-205, p. 2; and of Treasury Undersecretary Lawrence H. Summers, American Business Council, 21 September 1994, *Treasury News*, LB-1098, pp. 9-11.

^{xlii}. The EU announced the intention of forming a free trade area with the littoral states of the Mediterranean by 2010 in June 1995. See 'Europäischer Rat in Cannes,' 26/27 June 1995, *Bulletin des Presse- und Informationsamtes der Bundesregierung*, Nr. 62 (8 August 1995), p. 613.

20 percent, according to one estimate, within five years.^{xliii} The prospect of an Atlantic free trade area could have two auxiliary effects: first, it could expand the zone of free trade to include central and southern America—a development that could conceivably open those markets to Europe at the American expense; and second, it could serve as a bridge for linking free trade in the Pacific Rim with free trade in the Atlantic area. However, it could have the opposite effect of making the United States choose between the Atlantic and Pacific Rim; or could increase political pressure for greater protection within the EU and United States that provokes counter measures by south Asian and east Asian states co-ordinating their trade policies under Japanese or Chinese leadership.

A second element of contributing to our understanding of the web of interdependence and independence between Asia, Europe and North America is derived from the structure of direct foreign investment (DFI). The role of capital (and capital flows) are increasingly treated as a structural element of the international system, either as a structural constraint on state economic policy or as a channel for the discrete exercise of power.^{xliv} The importance of DFI to a national economy varies, and the focus is usually placed upon the ability of the creditor state to exploit an asymmetry in an investment position. Rather than focusing on the potential for an exploitable asymmetry, our focus on the structure of DFI is intended to illuminate whether investment reinforces the existing structure of trade.

Trends in the Structure of DFI

The DFI positions of Japan, EU, and the United States reveal a different set of

^{xliii} . See Clyde V. Prestowitz, Lawrence Chimerine and Andrew Szamosszegi, “The Case for a Transatlantic Free Trade Zone”, in Open for Business: Creating a transatlantic Marketplace, Bruce Stokes, ed., (New York: Council on Foreign relations Press), 1996, p. 22.

^{xliv} On capital mobility forming a structural constraint on state autonomy, see David Andrews, “Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations,” *International Studies Quarterly* 38, no. 2 (June 1994): 193-218; and on the discrete use of monetary power, see Jonathan Kirshner, *Currency and Coercion: The Political Economy of International Monetary Power* (Princeton: Princeton University Press, 1995), 115-70.

interdependencies.^{xlv} First, the United States has been the primary destination for EU and Japanese investment: 39.97% of EU and 34.57% of Japanese DFI (stock) has been in the United States. Second, Japan and the EU invest very little in each other's economy: only 1.61% of EU DFI is in Japan, while 9% of Japanese DFI is in the EU countries. And third, Europe is the most important destination of American capital: 41.45% of American DFI is in the EU states compared with a 5.54% share for Japan, a figure that lags well behind the American position in the much smaller Canadian and Mexican economies. The American direct foreign investment position in the EU and Japan is the inverse of its trading position, and works to support an Atlantic rather than Pacific orientation in the definition of its economic and strategic interests. The investment positions of EU and Japan, however, only reinforce the importance of the United States for both actors and does little to reinforce interdependencies that contribute to heightened cooperation and a common definition of interest.

Summary

Regionalism in trade (and investment) is offset by the emerging plurilateralism of the international trading system, manifested by Quad talks between Japan, EU, the US and Canada. This informal institutional mechanism reflects a structural characteristic of the international economy: no trade agreement that can lay any pretense to being global or meaningful can occur without prior agreement between these major trading states. The successful conclusion of the Uruguay Round was made possible by the Blair House agreement between the US and the EU on agricultural export and production subsidies; and by the agreement within the Quad framework prior to the Tokyo G-7 summit on the depth and breath of tariff cuts on industrial products.

While it is tempting to exaggerate both the emergence and the dangers of regionalism and regionalisation in the trade (and increasingly monetary) sector of the international economy, those dangers are probably exaggerated.^{xlvi} The WTO's built-in agenda sets out an ambitious

^{xlv} DFI data is drawn from UNCTAD, **World Investment Report, 1995: Transnational Corporations and Competitiveness** (New York: UN, 1995).

^{xlvi} Carlisle, 'Is the World Ready for Free Trade,' p.123

programme calling for major negotiations. Compared with previous successfully completed rounds of trade talks in the almost half-century since GATT's founding, the current agenda is much more ambitious than those preceding it. The agenda includes financial services, telecommunications, agriculture, and maritime transport. Progress on these issues is expected to be slow between now and 2000. Agriculture nearly brought the Uruguay Round to the brink of failure, and the new discussions promise to be difficult.

The existing structure of trade and investment poses a danger to the security order only if it encourages the progressive disassociation or even fragmentation of the two pillars of the Atlantic economy. The creation or perception of a Fortress Europe, a concept now safely interred, in combination with the belief that the American future is located in the Pacific Rim, could be accompanied by a Pacific reorientation of the United States. Such a development, were it to occur, would certainly degrade the security relationship not only between the US and Europe, but within Europe itself. Yet the self-interest of the major players in the Atlantic area—the United States, Germany, France and the United Kingdom—provides some reassurance that the regionalisation of the European economy will reinforce rather than undermine multilateralism.

Problem of Constructing a Cooperative Trilateral World

The question then arises: Why is the level of multilateralisation of the economic and military dimensions of security so underdeveloped in the Asia Pacific as compared to Europe? There are any number of explanations, the most prominent of which focus on the asymmetry in the evolution of the European and Asian nation-state;^{xlvii} the context of international politics in

^{xlvii} Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security*, vol. 18, no. 1 (Winter 1993/94), pp. 5-33; and Wolfram F. Hanrieder, "Dissoving International Politics," *American Political Science Review*, vol. 75, no. 3 (September 1978), pp. 1276-87. For a dissenting view, see Haruhiro Fukui, "The Changing State in the Changing World," in *Proceedings of the International Symposium of Special Research Project on the New International System* (Tsukuba: University of Tsukuba, 1996).

the Asia Pacific that compels states to focus on relative rather than absolute gains in the calculation of state policy; and cultural barriers to the creation of collective identity formation and the consequent impairment of international cooperation and institution building.

The European nation-state and the Asian nation-state are at different stages of evolution: the European state is increasingly characterized by an erosion of sovereignty and growing economic interdependence and by the need of national authorities to consolidate and sustain internal power by increasing external cooperation. The progressive erosion of national sovereignty in Europe is the result of two tendencies, the voluntary transfer of sovereignty to international or supranational institutions to resolve outstanding conflicts between states (e.g., the European Coal and Steel Community which was the first step towards mollifying the historic enmity between France and Germany); and the progressive involuntary loss of sovereignty to the market and the subsequent efforts to recapture that sovereignty via membership in international institutions that facilitate multilateral governance and joint problem solving. With the exceptions of Australia, New Zealand, and Japan, the 'domestication of international politics' has not progressed very far in the Asia-Pacific. Consequently, the need for international institutions to resolve outstanding political-military conflicts or the dilemmas of interdependence within the Asia-Pacific have not been perceived as necessary or useful by the states of the region.

A second explanation for the absence of a high degree of institutionalisation of interstate relations in the Asia Pacific may be located in the context informing the calculus of state action. State preferences are linked quite closely to the external constraints facing a state; and that those constraints are linked to the level of amity and enmity in the international system.^{xlviii} Where there are high levels of enmity, cooperation is unlikely: states are compelled to focus on relative gains, since an unequal absolute gain derived from cooperation today could precipitate an unwanted change in the international hierarchy and lead to defeat on the (economic or

^{xlviii} Powell, "Absolute and Relative Gains," see also Arnold Wolfers, **Discord and Collaboration** (Baltimore: Johns Hopkins University Press, 1962).

military) battlefield tomorrow. Where there are high levels of amity, on the other hand, cooperation is more likely: states are free to focus on absolute gains, since a state's relative loss today is unlikely to be employed against it tomorrow and lead to defeat on the (economic or military) battlefield. The implications of Powell's argument are of significance for the institutional architecture and likely patterns of cooperation in the post-cold war Asia-Pacific security space.

Unlike the European security space where the security dilemma has been generally resolved, in the Asia-Pacific the security dilemma continues unabated. The states of the Asia-Pacific remain fixated with issues of territorial integrity and face acute territorial challenges; states, with the notable exceptions of Australia, New Zealand, and Japan, remain unencumbered by norms against the use of the military instrument to resolve outstanding disputes among one another; and states remain challenged in many cases by internal threats to legitimacy. Whereas amity has become the contextual hall-mark of interstate relations in the 'new Europe,' enmity remains the hallmark of a large number of bilateral relationships in the Asia-Pacific. In the Asia-Pacific trust still remains suspicion asleep. This external context, therefore, should lead us to expect barriers to cooperation between the nations of the Asia-Pacific,^{xlix} and the continued (and rational) preoccupation with relative gains drives states to be less concerned with ensuring optimum outcomes within the region and more concerned with ensuring that cooperation does not lead to a disadvantageous change in the hierarchy of regional power. States in the Asia Pacific remain 'defensively positional'----states are more concerned with their relative power position (however defined) than assuring cooperative outcomes that maximize the absolute gain from cooperation.¹ Thus, the context of state action is not as supportive of the institutionalisation of cooperation in the Asia-Pacific as it is in the Europe.

^{xlix} An important exception to this generalization is Australasia, where the states of the region face a much more benign external context.

¹ Joseph Grieco, *Cooperation Among Nations: Europe, America and Non-tariff Barriers to Trade* (Ithaca: Cornell University Press, 1990).

A final explanation for the relatively low level of institutionalized cooperation in the Asia Pacific is the absence of an emergent collective identity in Asia, a factor that bears directly on the debate generated by Samuel Huntington's hypothesis that the root cause of future international conflicts will be located in a clash of civilizations.^{li} Alexander Wendt argues that one solution to the problem of collective action---a motor propelling the institutionalized cooperation in the European security space---is located in the process of collective identity formation which has arguably occurred in Europe and is at an embryonic state in the Asia Pacific. In Europe there is an increasing identification of the self-interest of the nation-state with the collective interest of Europe (at least within the context of the European Union); in Europe this tendency is manifested in the development of 'cooperative federalism' within the European political space occupied by the European Union.^{liii} This same process is underdeveloped in the Asia-Pacific: Asia lacks not only an effective system of collective security or defense on a par with NATO, but lacks the institutionalisation of economic cooperation approaching the level achieved by the European Union.

Wendt identifies three variables---structural contexts, systemic processes, and strategic practice---which, in combination with one another, promote collective identity formation and provide 'an important foundation for [multilateral institutions] by increasing the willingness to act on "generalized principles of conduct" and diffuse reciprocity.'^{liiii} Structural context closely parallels the problem of amity and enmity in the regional or international context of state action. In Wendt's formulation,^{liv} the structural context facing a state determines the extent to which

^{li} Samuel P. Huntington, **The Clash of Civilizations and the Remaking of World Order** (New York: Simon and Shuster, 1997).

^{liii} Emil J. Kirchner, **Decision-making in the European Community: The Council Presidency and European Integration** (Manchester: Manchester University Press, 1992).

^{liiii} Alexander Wendt, "Collective Identity Formation and the International State," **American Political Science Review**, vol. 88, no. 2 (June 1994), p. 386.

^{liv} Structural contexts 'consist of the shared understandings, expectations, and social knowledge embedded in international institutions and threat complexes, in terms of which states define

collective identities may emerge and the extent to which states are compelled to fall back onto egotistically self-interested calculations of interest. In other words, states in a hostile environment will be forced to make relative gains calculations; and states in a pacific environment will be able to make (cooperative) absolute gains calculations.

The systemic processes, which refer to the 'dynamics in the external context of state action,' are interdependence and the convergence of domestic values. Interdependence has two dimensions. The first measures the 'dynamic density' of economic relationships measured by trade and capital flows. The greater the dynamic density generated by trade and capital flows, the greater is the potential for collective identity formation. In the case of the Asia Pacific, there is a relatively low level of dynamic density as measured by intra-regional trade. Although Haruhiro Fukui and Shigeko Fukai note that the level of Asian intra-regional trade hovers around 45% for exports and around 40% for imports, levels comparable to the Americas but far lower than are obtained in Europe,^{iv} the levels of intra-regional trade for the four Asian sub-regions produce a much different picture. The levels of intra-regional trade range from a high of 22.25% (exports) for southeast Asia to a low of 4.38% for south Asia; and from a high of 22.49% (imports) for northeast Asia to a low of 3.68% for south Asia. The existing levels of economic interdependence are unlikely to forge a collective identity at the sub-regional level; trade remains heavily oriented towards the United States, Japan, and other industrialized states rather than towards each other.

Interdependence also measures the emergence of a 'common other' which alters the calculation of interest. A 'common other' would manifest itself in the creation of an Asian identity in opposition to Europe or North America. In this instance, there is increasing evidence that a 'common other' is emerging. Haruhiro Fukui, Kishore Mahbubani, and Yoichi Funabashi

(some of) their identities and interests.' Wendt, "Collective Identity Formation," p. 389.

^{iv} See Haruhiro Fukui and Shigeko N. Fukai, "The Role of the United States in Post-Cold War East Asian Security Affairs," *Journal of African and Asian Studies*, vol. 33, no. 1 (February 1998), p. 119.

find evidence that there is a common Asian identity, particularly in northeast Asia, rooted in Confucianism; Mahbubani and Funabashi also emphasize the cultural preference for consensus-building which may be differentiated from the institution building impulses of the Europeans.^{lvi} The debate on whether an Asian identity exists is heated and contested, but can not be unambiguously resolved here. However, it does suggest that Huntington's argument may be correct for the wrong reason: it is not that civilizations cause clashes but that they inhibit the creation of a common identity that impedes collective action.

The convergence of domestic values, the second aspect of systemic processes, is also lacking in the Asia Pacific. In the European security space there is a progressive convergence of domestic values: membership of the central and eastern European states in the European Union and NATO, for example, has been made contingent upon the twin processes of marketisation and democratization; and access to finance from the EBRD as well as the Structural Transformation Facility of the IMF is likewise contingent upon those processes. In Asia, there is a broad spectrum of governance systems ranging from Anglo-Saxon liberal democracies in Australia, New Zealand and India to communist systems in Vietnam, Laos, and China to military dictatorships in Thailand and Myanmar. There is even a differentiated embrace of democracy and civil liberties throughout democratic Asia as well. Moreover, there are no institutional mechanisms for enforcing the convergence of domestic values on a panregional basis. As compared to Europe, Asia is a highly heterogeneous security space and the prospects for a collective identity are correspondingly low.

Strategic practice, the final element contributing to collective identity formation, focuses attention on how 'an evolution of cooperation might lead to an evolution of community.'^{lvii} Sustained cooperation between states within an issue area or across a linked set of issue areas

^{lvi} See Fukui, "The Changing State," Kishore Mahbubani, "The Pacific Way," *Foreign Affairs*, vol. 74 (1995), pp. 100-11; and Yoshi Funabashi, "The Asianization of Asia," *Foreign Affairs*, vol. 72, (1993), pp. 72-85.

^{lvii} Wendt, "Collective Identity Formation," p. 390.

contributes to a greater empathy for the interests and constraints facing each state individually; and it can also lead over time to a change in how states identify their individual interests. The practice of cooperation will slowly transform the definition of interest which in turn will reflect a change in identity from the 'I' of the egotist state to the 'we' of community. This process, in the end, changes 'ideas about who "the self" of self-interested collective action is.'^{lviii} The practice of cooperation has led to a sense of community, captured in the early 1960s by the notion of both a European Community and an Atlantic Community, institutionalized in the European Union and NATO, respectively. The notion of a parallel Pacific Community is tentative at best and certainly in its infancy.^{lix} The practice of cooperation has been largely limited in the Asia-Pacific to ASEAN, which has not moved beyond intergovernmentalism in form and has been until recently limited in content to economic cooperation; to the Pacific Forum, which facilitates cooperation among the Australasian states on an informal intergovernmental basis; and APEC, the panPacific institution of cooperation, which has both an agenda restricted to economic affairs and limited powers of decision.

Conclusion

Recasting the European security order has been a painful and incomplete process; building a security order in the Asia-Pacific has not yet begun in earnest. The reconfiguration of Europe's strategic landscape represented an important contextual change that altered the security calculus of the states occupying the European security space. The events of the last decade have generated efforts to redefine, in both scope and content, the security threats facing the northern tier of industrialised states. This redefinition of security remains more relevant for Europe and North America, at least in the short to medium term. Although a number of international conflicts since 1989---the Gulf confrontation, civil wars in Somalia and in the Great Lakes

^{lviii} Wendt, "Collective Identity Formation," p. 391.

^{lix} Frank B. Gibney, "Creating a Pacific Community," *Foreign Affairs*, vol. 72 (1993), pp. 20-26; and Robert A. Manning and Laura Stern, "The Myth of the Pacific Community," *Foreign Affairs*, vol. 73 (1994), pp. 79-93.

region, and even within Europe (Bosnia and Kosovo)---point to the continued relevance of military security and the utility of the military force as an instrument of statecraft,^{lx} the security concerns of the European and North American states have been irrevocably broadened in terms of content and increasingly in geographic scope. Security now embraces not only the preoccupation with territorial integrity, defence and deterrence, but also include the non-military elements of security that range from macroeconomic stability and environmental degradation to human rights, terrorism, health and migration. 'Out of area' no longer establishes the boundaries of NATO security interests, but identifies the frontier beyond which NATO is most needed. The significance of these changes can be observed in ideological, geographical and institutional terms as well as in the changing currencies of power.

Looking beyond Europe to the Asia-Pacific, the end of the cold war has been met with a muted response. The two prominent characteristics of the cold war---the settlement at Yalta and the ideological contest between the United States and the Soviet Union---had no lasting impact on the international politics of the Asia Pacific and their disappearance has not had any direct consequences for it. The conclusion of the cold war in Europe had a largely indirect impact on the balances of power in the Asia-Pacific and was chiefly manifested in the weakening of the Russian Federation, the turning inward of the United States and a greater concern over the role that Japan (and China) would play in a Pacific with a diminished American presence. The broadening of the security agenda to include the economic dimension of security has likewise had a lesser impact on the security calculations of the Asia-Pacific states than it has had for the European states. However, it is also the case that the growing integration of the Asian states into the world economy and the rising, albeit limited interdependence of the Asia-Pacific states with one another, will force the Asia-Pacific states in time to cope with the economic dimensions of security, the dilemmas of cooperation it poses, and the need for institution building it suggests.

There are a web of trade, financial and increasingly monetary interdependencies between

^{lx} See Strobe Talbott, "Democracy and National Interest," pp. 47-63.

the three major regions of the world: Asia, Europe, and North America. Moreover, these interdependencies are well-managed (more or less) by a dense network of international institutions. Security interdependencies remain limited, particularly those between Asia and Europe. While some authors have outlined areas of common interests---economic and security interdependencies, offsetting American demands for burden-sharing, emergence of non-traditional security threats that require a global response—the conceivable military contingencies that are likely to erupt in the Asia-Pacific would either be addressed through French and British membership on the Security Council of the United Nations or multilateral defence treaties. Moreover, any wide scale military action in this region could only be undertaken in concert with the United States.

The other institutional relationships binding Europe and Asia are limited to the EU's observer status in the ASEAN Regional Forum, participation in the Korean Peninsula Energy Development Organisation, and the biannual Asia-Europe Meetings (ASEM). The deeper and more significant European responsibilities for security arrangements of the Asia-Pacific are borne by France and the United Kingdom, and those responsibilities are not mutual but interdependent. The bilateral and multilateral defense arrangements to which both France and the UK are signatories assure that there is some European role in the evolution of the Asian security order. But France and the UK have disparate interests in the Asia-Pacific; and neither can speak on behalf of the EU with any authority or consistency. Both states lack the necessary resources, material and diplomatic, to compete on a level playing field with the United States, Japan, or China.^{lxi} The greatest barrier to greater inter-regional security cooperation, however, is that the strategic interest of the EU in Asia remains mercantile rather than geopolitical: ASEM, for example, is viewed as a mechanism for ensuring that the United States remains committed to multilateralism.^{lxii}

^{lxi} Paul Stares and Nicolas Regaud, "Europe's Role in Asia-Pacific Security," *Survival*, vol. 39, no. 4 (Winter 1997-98), pp. 125-29.

^{lxii} Dong-Ik Shin and Gerald Segal, "Getting Serious about Asia-Europe Security Cooperation,"

The regionalisation of the global economy and security systems may well be the best path to a stable and prosperous international system. The United States must look to the Atlantic *and* Pacific for its security and welfare; the Europeans and Asians can afford the luxury of a regional definition of interest and identity. The continuing gap between the evolution of the international economy and the international security order remains unbridged. The dynamics of the international system preclude the effective coordination of the security interests of the United States, the European Union or the Asia-Pacific States----with or without institutions. Cooperation between these three poles of power will remain stymied by asymmetries of interest, mutual dependence, and identity.