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Thanks to All!

Who attended and participated in
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The conference program is available on our website
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From the Chair

EUSA at Twenty: A Successful Conference at Marina del Rey

THE CONFERENCE OF EUSA "at twenty" at Marina del Rey under the chair of Liesbet Hooghe was widely acknowledged to have been a very successful event with a rich and diverse program of panels, plenaries and workshops that elicited positive responses and lively debates. The broad range of proposals submitted to the program chair, Frank Schimmelfennig, under the six thematic streams of integration theory, institutions, economics and political economy, political sociology, law and public policy and external relations met with a lot of interest with paper givers and participants in general. Parallel running panels with equally attractive topics and debates frequently rendered the choice of attending one instead of another quite difficult. The "decentralized" form of program planning, introduced for the first time at this EUSA conference, therefore may be considered to reflect very well the multiple demands and interests of conference participants and their interest in studying the European Union from many different angles. The conference for the first time also offered the possibility of an exchange of information on teaching on the European Union at U.S. schools. It caused favorable reactions from teachers participating in the conference. A particularly memorable part of the conference was the prize awarding ceremony for Philippe Schmitter, with the different acknowledgments of his scholarly contributions to the research on the European Union.

As newly elected chair of EUSA together with the other new members of the executive committee I would like to thank Liesbet Hooghe and the other outgoing members of the executive committee for their excellent work in preparing and realizing the conference, thanks that are also conveyed to Joe Figliulo, the executive director of EUSA.

The conference was the highlight of the two years' work of the former chair and executive committee, but by no means its only achievement. One eminently important task has been the success in balancing the EUSA budget. It is on the basis of the successful work of the former executive committee chaired by Liesbet that its successor can hope to continue the successful work and engage in new activities.

Adrienne Héritier
Florence May 2009

EUSA Review Forum

European Echoes in Asian Regionalism

IN EUROPE, the EU seems to face an unprecedented set of challenges. Outside of Europe, however, the notion that the EU may serve as a model for projects elsewhere remains extremely widespread. In recent years, no region has seen more discussion of such "European echoes," among both policy-makers and scholars, than Asia. On the one hand, this attention seems surprising: Asia may well be the region where national-level heterogeneity in size, wealth, and domestic institutions make European imitations seem least likely. On the other hand, it is probably this heterogeneity—and the tensions it often carries—that encourages many Asian thinkers to look to the European model of cooperation and integration.

The contributors to this Forum include a Chinese political scientist, trained in Europe, who now works at a Japanese university (Min Shu); an economist who has lived, studied, taught, and worked on public policy in both Asia and the United States for many years (Ramkishen Rajan); a European who has studied and taught in the United States and has recently become interested in Asia (Katja Weber); and, lastly, your American-American Editor (Craig Parsons). Shu, Weber, and I all discuss the likelihood (or at least possibility) of European "echoes" in Asian regionalism, but from very different approaches. Rajan offers a much more concrete, near-term evaluation of the appeal of an Asian Currency Unit.

Craig Parsons, *EUSA Review* Editor

National Identity and Regional Integration: A Comparison between Europe and East Asia

Min Shu

REGIONAL COOPERATION AND INTEGRATION differ a lot between Europe and East Asia. In Europe, regional integration has followed an institutionalised path, featuring, *inter alia,* a supranational legal framework, a sophisticated structure of European institutions, a dedicated group of transnational bureaucrats, and successful functional cooperation across multiple policy areas. In East Asia, despite the recent Declaration on the Roadmap for an ASEAN Community, regional cooperation and integration have not yet produced substantial outcomes beyond a regional web of Free Trade Agreements. Instead, East Asian regionalism is characterised by multiple sub-regional cooperative schemes (ASEAN, APEC, SCO, the Six-Party Talk, etc.), the lack of a solid institutional and legal foundation, and the principle of non-interference.

However, when it comes to the roles of national identity, Europe and East Asia share some interesting similarities. Firstly, opinion polls conducted in the two regions show that strong national identity generally weakens individual support for regional integration. The more a person identifies herself as an aggressive nationalist, the less likely she is to embrace regional cooperative schemes. Secondly, regional integration is contingent on the political mobilisation of national identity in both Europe and East Asia. Nationalist sentiments were not only an important factor behind the defeated Constitutional and Lisbon Treaties, but also cast a shadow on some promising regional cooperative schemes in East Asia—the Sino-Japanese joint gas exploration in the East China Sea is a notable example. Thirdly, the political discourse of national identity varies from country to country. Yet, across Europe and East Asia, nationalist discourse often involves both a domestic and a regional dimension.

How does national identity interact with regional cooperation and integration in Europe and East Asia? To answer this question, the essay explores the impact of national identity on regional integration from a cross-regional perspective. Due to limited space, the analysis focuses on the mobilisation and discursive dimensions of national identity.

Political Mobilization of National Identity

After the ratification turmoil of the Maastricht Treaty, public attitudes to European integration started to take a different shape. With economic considerations on the decline (Eichenberg and Dalton 2007), national identity turned into a salient issue. Adding to its political mobilization has been the willingness of peripheral (and some mainstream) parties to cash in on public disillusion with European integration. Not only did identity politics find its way into small party groups in the European Parliament, it also substantially strengthened the No campaigns of the defeated referendums on the Constitutional Treaty in 2005 and on the Lisbon Treaty in 2008. Whether the growing salience of identity politics will determine the long-term trajectory of regional integration remains an open question. Nonetheless, national identity is bound to play a key role in the foreseeable future of European integration.

On the other side of the Eurasian continent, national identity has been an even more important issue in regional cooperation and integration. At about the same time that Europeans were debating the Constitutional Treaty around the French and Dutch referendums, anti-Japanese demonstrations took place across mainland China, Taiwan, North and South Korea and the Philippines. Their main target was a middle-school textbook which downplays the atrocities committed by the Japanese army during the Second World War. Events such as this seriously disrupted regional cooperation in East Asia. Unfortunately, mobilized national identity was also the main reason behind the Korean naval dispatch to the Dokdo/Takeshima islets in 2006, Vietnam's mass protests against China in 2007, and the military confrontation between Cambodia and Thailand in 2008.

Although the prospect of regional cooperation and integration has been overshadowed by nationalist sentiments in both Europe and East Asia, there is a crucial difference between the two regions. In Europe, most mainstream political parties are still reluctant to profit politically on nationalist feelings. It is the radical right-wing and extreme left-wing parties that are standing at the forefront of mobilising national identity with regard to regional integration. In the long run, the balance of their rhetorical power may decide whether European integration remains a de-politicised project of functional cooperation or becomes a wakened "giant" oriented towards politicized confrontation along "GAL-TAN" lines (green/alternative/libertarian versus traditional/authoritarian/nationalist).

In East Asia, by contrast, national identity is a central issue for political parties in the mainstream. Defending national identity is usually something both governing groups and oppositions find difficult to disagree with. From time to time, mobilized national identity is exploited by political forces which seek to enhance their own legitimacy. During the Korean-Japanese dispute on the Dokdo/Takeshima islets in 2006, for example, the main opposition party in South Korea—the Grand National Party (GNP)—refrained from usual criticism and offered complete support for a hard-line position. Its leader was quoted as saying, "There should be no compromise on the issue of territorial sovereignty. If the government handles the situation sternly and according to this principle, the GNP will fully cooperate" (cf. Midford 2008).

The political opportunity structure of national identity is closely related to its mobilization patterns. As European integration faces the challenges of identity politics due to mainstream ambivalence and inaction, regional cooperation in East Asia is struggling with explosive nationalist sentiments backed by the political mainstream.

Discursive Structure of National Identity

A close examination of the discursive structure of national identity reveals more about the comparative dynamics of regional integration in Europe and East Asia.

In Europe, the discourse of national identity takes three distinctive forms in relation to regional integration. In some cases, mobilized nationalist sentiments find resonance among those who are afraid of economic losses resulting from the inflow of immigrants and foreign products. Anti-immigration views and economic nationalism are the basic discursive formula of such political mobilization. In other cases, national identity is framed in terms of protecting cultural, religious or political tradition against the penetration of regional governance. One needs not to look further than the anti-abortion movement in Ireland or the British attachment to the Westminster to recognise such discursive impacts. In still others, national identity is related to the domestic models of social and economic institutions, with "social Europe" as a typical example during the French referendum on the Constitutional Treaty.

In all these discursive forms, national identity tends to be a self-reference tool of protecting well-defined domestic norms, values and lives from the external influences of European integration. Its discursive structure features a superior domestic dimension and an inferior regional dimension.

In East Asia, nationalist sentiments rarely resemble the European model. National identity finds more discursive power by referring to disputed territorial issues, the humiliation of colonisation and foreign invasion, or the historical animosity between neighbouring countries. Among the disputed territories, the Diaoyu/Senkaku Island, the Dokdo/Takeshima islets, the Paracel and Spratly Islands, and the Preah Vihear Temple are all sensitive topics capable of mobilizing aggressive nationalist identity. Furthermore, the historical animosity between neighbouring countries, together with the memories for a humiliated past, serves a vivid reference point for nationalist behaviour in most East Asian countries.

Considering the heightened nationalist sentiments, it is notable that anti-immigration mobilization is hardly an issue in East Asia. While politically salient, the nationalist discourse does not rely on privileged domestic values or dangerous external influences. More often than not, the unacceptable territorial claims by neighbouring countries or the improper recognition by former invaders gives the central meanings to mobilized national identity in East Asia. Here, what really matters is the behaviour of the regional other. Within such a discursive structure, the regional dimension appears more important than the domestic one.

Post-Functionalist vs. Pre-Functionalist?

In a recent article, Hooghe and Marks (2008) argue that as the EU turns away from a functional and bargaining logic, neofunctionalism and intergovernmentalism are giving way to what they call "a postfunctionalist theory of European integration." In their view, exclusive territorial identity and its politicization have led European integration into a postfunctional arena where functional cooperation is of less importance.

At a glance, territorial identity also plays an important role in the regional cooperation of East Asia. However, most East Asian countries, unlike their European counterparts, are still involved in the process of building a mature and modern state. Their economic development models are being defined; modern political infrastructure is being created; domestic culture and traditions are being re-assessed. Under such circumstances, it is quite difficult for a consensual domestic dimension to enter the discourse of national identity. Instead, nationalist sentiments put more emphasis on the behaviour of other regional countries.

The pattern of other-reference not only stands in contrast to the largely self-referring European national identity, but also makes it possible for the political mainstream to form a united front promoting nationalist sentiments in East Asia. With the backing of the mainstream, functional regional cooperation among East Asian countries has been long subordinate to the considerations of territorial unity and state sovereignty, both of which are essential to state-building. To account for the concurrent state-building and regional cooperation process in East Asia, a pre-functionalist perspective of regional integration may be indispensable.

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A Currency Unit for Asia?[1]

Ramkishen S. Rajan

ONE OF THE LESSONS Asian policymakers have taken away from the regional financial crisis of 1997-98 is the need for a greater degree of monetary and financial coordination. It is in this context that there has been active discussion in the region—more specifically the East Asian sub-region—about the possibility of an Asian Currency Unit (ACU) as a means of promoting a degree of explicit exchange rate stability (Kawai, 2006). In a general sense, the ACU would be a weighted average of regional currencies a la the European Currency Unit (ECU) which was created in March 1979 under the European Monetary System (EMS) and remained in operation until the launch of the Euro in January 1999.

At the micro-level the rationale for an ACU is to afford the opportunity for regional economic agents to invoice regional financial and trade transactions in the ACU, hence reducing the region's dependence on the US dollar (USD) and other external currencies. If successful, intra-regional intermediation of savings may be promoted, in the process possibly reducing the region's exposure to external shocks. At a macro-level, though, it would clearly be premature to consider harmonization of Asian exchange rate and monetary policies to a common currency basket at this stage (let alone a currency union based on the ACU) when neither the economic nor the political preconditions exist to do so. Attempting rigid policy coordination before the necessary preconditions are met would be like putting the cart before the horse; it is doomed to fail.

In reality, it is unlikely that the ACU will be used on a widespread basis for some time to come (Eichengreem 2006). The experience of Europe is instructive in this regard. The initial creation of the ECU did not lead to a widespread use of the unit. Even in the 1990s, until the actual creation of the euro, the vast majority of intra-European financial and trade transactions were not in ECUs but in USD primarily and other sovereign national European currencies. So it is not just the creation that is important; there has to be a coordinated agreement by regional bodies to start transacting in the new unit, failing which no one will want to take the first step. The ACU has a better chance for success (in terms of becoming a significant regional vehicle currency) if a larger set of countries is included in the basket. In this regard it is imperative that the ACU be broadened from the proposed APT countries to also include India, Australia and New Zealand, all of which have significant financial market depth (and all of which are members of the East Asian Summit). As Dayaratna-Banda and Whalley (2007) note:

> (W)here..(do)..India, Australia, and New Zealand (the latter two are in the Asia-Pacific grouping) stand in this? ASEAN has already entered into a framework agreement with India on a comprehensive economic partnership. China has entered into arrangements with India, New Zealand and Australia, and Japan also has regional arrangements with these countries. Some initial negotiations for a free trade area between ASEAN, Australia, and New Zealand have also begun. These three countries have increasingly more open economies, and their links with East Asia are likely to expand over time…. Including them in East Asian regional forums and arrangements expands the set of developed and fast growing economies with well-functioning economic and financial systems and markets... The possibility of ASEAN+6 monetary cooperation can thus not be ruled out (p.41).

It has been suggested that the ACU could be used as a means of enhancing internal exchange rate stability within the region if the regional central banks begin to stabilize their respective currencies to the regional unit (i.e. helping reduce the possibility of regional competitive devaluations). The notion of stabilization vis-à-vis an internal basket a la Europe's Exchange Rate Mechanism (ERM) is distinct from stabilization vis-à-vis an external unit which would require that the ACU in turn be pegged in some way to external currencies such as the USD or euro, or some weighted average thereof.

Of course, internal stability does not require an external anchor and in fact may exacerbate external currency stability if regional countries substitute the use of external currencies for the ACU, hence being less concerned about fluctuations of their currencies relative to the external currencies. Conversely, effective external stability requires internal stability in the sense that if regional central banks do not explicitly or implicitly manage their currencies to the ACU, it is irrelevant whether the ACU per se is managed against the external currencies, as the proposed ACU will remain purely a theoretical construct. Indeed, the stated aim of the Asian Development Bank (ADB) at this stage is for the ACU to serve mainly as a means of benchmarking the extent of currency movements/deviations. As the ADB president, Haruhiko Kuroda, noted:

> The ACU…could be used to monitor the stability of participating currencies and would tangibly demonstrate the need for greater exchange rate coordination. What Asia needs here is basically an exchange rate that is flexible toward the rest of the world but relatively stable within the region (Kuroda, 2005, p.5).

Needless to say, the long-term viability of internal stabilization in an era of open capital markets requires there be an enhancement of regional surveillance, a degree of policy coordination, and an augmentation of regional liquidity arrangements. Nonetheless, given the divergence in economic and institutional structures in the region, absent macroeconomic policy coordination and mechanisms for automatic intraregional fiscal transfers, any attempt at formal exchange rate coordination—let alone a full-fledged monetary union—is far too risky and premature and will likely be a failure, setting back prospects for other forms of economic integration. So while it may be premature to use the ACU as a nominal anchor for individual Asian currencies in the near-term, it could potentially have a role to play in Asian monetary cooperation in the future.

Note

[1]This article draws on previous work by the author. See Rajan (2009, chapter 11).

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Is the Grass Always Greener in Europe? The Triumph of Reason over Emotion

Katja Weber

DURING A RECENT RESEARCH TRIP to East Asia, it became readily apparent in numerous conversations with scholars, policy-makers and journalists that many East Asians greatly overestimate the importance of shared values in accounting for Europe's success in promoting peace, stability and prosperity in the aftermath of World War II. A high degree of homogeneity and a common European identity, I was told time and again, largely explain why it was possible for the Europeans to transcend their historical legacies and bring about institutions that would safeguard peace and promote wealth. This tendency on the part of Japanese, Koreans and Chinese to view Europe as much more homogeneous in the post-1945 period than it actually was (and to this day is) is unfortunate in that it leads to undesirable (sub-optimal) policy prescriptions for the region. This misperception leads many East Asians to zero in on their heterogeneity—to stress their differences rather than common ground—and becomes an excuse for not tackling historical legacies and actively promoting greater cooperation aside from the economic realm.[1]

Although "Europeans have had much to unite them over the centuries" (Christianity, Western values, etc.), as McCormick (2008, 23) reminds us, "they have had much more to divide them. Their common historical experiences have been rare, they speak many different languages, they have struggled with religious and social divisions…they have gone to war with each other with alarming frequency, and they have often redrawn their common frontiers in response to changes in political affiliation." Europe was always a mosaic of cultures with diverse political and linguistic traditions, and this is captured in the European Union (EU)'s motto: Unity in Diversity. As any European would readily admit, there are significant cultural differences between Swedes and Italians, Dutch and Portuguese, and even the French and the Germans.

An important factor for Europe's success in promoting peace, typically missed in Asian accounts, is that the Europeans allowed reason to triumph over emotion. Rational calculations and careful cost/benefit analyses made it possible for them to bury the hatchet and build cooperative arrangements that have served them well for many decades. The European Coal and Steel Community (ECSC) was a perfect example. Rather than to let wartime thinking stand in the way of postwar cooperation, French foreign minister Robert Schuman devised a plan to bring French and German coal and steel production under a common High Authority and thereby sought to assure that war between France and Germany would become materially impossible. Similarly, when confronted with the increased threat brought about by the outbreak of the Korean War, the Europeans carefully weighed their options and settled on policies that would maximize their returns. As can be seen in the drawn-out discussions concerning the creation of a European Army (Weber 2000), the Europeans did not part easily with their sovereignty. Once it had become clear that German rearmament was necessary, careful deliberations ensued among the Western powers as well as within France and Germany, eventually culminating in a proposal to give rise to a European Defense Community (EDC). And when the French failed to ratify the EDC Treaty, again, after careful cost/benefit calculations and additional guarantees on the part of the British, the Europeans reached agreement to proceed with German rearmament within the framework of the Western European Union (WEU) and agreed to West Germany's accession to NATO.

At the same time, the founding members of the ECSC deemed it beneficial to proceed with greater economic integration. Once more carefully weighing different proposals before them, the United Kingdom decided that her interests would be best served by staying out of a trade agreement that would require her to curtail her sovereignty significantly, while France, Germany, Italy and the Benelux countries elected to bind themselves in the Treaties of Rome, giving rise to the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Over time, membership in these institutions, adherence to certain principles, norms, and rules, allowed the Europeans to build trust and not only change interests, but also identities.

Even though scholars like Friedberg (1993/1994), Hemmer and Katzenstein (2002), and Kang (2003) have cautioned that comparing Europe and Asia may be like comparing apples and oranges (factors like democracy, equality and institutions which have helped to stabilize the European continent for numerous decades are either non-existent, much weaker, or of a fleeting nature in Asia), there are still valuable lessons to be learned from Europe. To be sure, the simple fact that international relations theorists have studied Europe for centuries is no justification for applying western concepts, theoretical frameworks, and ideas to the East. In fact, to superimpose Eurocentric ideas onto Asia can easily lead one to erroneous conclusions and dubious predictions. And yet, since many East Asians clearly appear to be misperceiving what led to peace and prosperity in Europe, an accurate understanding of Europe's success story would allow them to internalize valuable lessons from Europe. Or, put differently, if Chinese, Japanese, Taiwanese, North and South Koreans were to comprehend that rational calculations allowed the Europeans to transcend their divisive past and bring about institutions that, over time, changed interests and identities, East Asians could conduct their own cost/benefit analyses and promote greater cooperation in areas where they do see common ground aside from economics (non-traditional security threats, the environment, etc.) and thereby, incrementally, create trust.[2]

Europeans have come a long way since the dark days of the two World Wars. As John McCormick (2008: xiii) makes clear, "[t]he physical and psychological barriers that for so long reminded Europeans of their differences have come down, and while national and regional identities are still alive and well, Europeans are no longer willing to fight each other to assert those identities." Over the course of decades, Europeans have learned to identify with each other and their institutions rationally rather than emotionally (Green 2008, 16) and these lessons have served them well.

It is conceivable that Japan, for instance, could take a similarly rational (rather than emotional) approach to its domestic problems, come to terms with the loss of war, get rid off the Yushukan Museum that distorts history by portraying World War II as a war of liberation from Western imperialism, and stop visits by Japanese prime ministers to the controversial Yasukuni Shrine (Weber 2008). A careful cost/benefit analysis would readily yield the huge opportunity costs arising from the failure to cooperate more closely with its neighbors. At the same time, Japan's neighbors should conduct their own cost/benefit analyses. This would tell them that playing the history card only obfuscates progress and that they need to manage their superiority/inferiority complex. East Asians, rational calculations will yield, can no longer afford to remain "stuck" in history or to allow the requirements of shared values to stand in the way of greater cooperation.

In the end, there is no expectation that East Asians will duplicate Europe's success story every step of the way, but rather that a better understanding of the factors that led to European peace and prosperity is likely to increase the prospects for further cooperation in East Asia. Although I share Craig Parsons' cautious optimism concerning the possibility for future Asian integration, we arrive at this conclusion from significantly different conceptual perspectives. Whereas I attribute Europe's success to the triumph of reason over emotion which allowed for the creation of trust and, over time, a change in actors' interests and identities, his main focus centers on the ideological commitments of political elites to supranational governance. Contrary to the many pessimistic views regarding Asian integration, however, both of us at least are willing to entertain the idea that the grass does not have to be greener in Europe indefinitely or out of necessity.

Notes

[1] In the security realm, East Asian countries have largely relied on bilateral (hub-and-spoke) alliances with the U.S. and, only recently, become members of multilateral arrangements like the ASEAN Regional Forum, the Six-Party Talks, and the East Asia Summit—forums which most scholars write off as "paper tigers" or mere "talk shops."

[2] For an interesting discussion of a "rules-based (rather than values-based) approach" to transcend existing obstacles to cooperation in East Asia, see Tanaka with Liff, 91.

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EU History and the Possibility of Asian Imitations

Craig Parsons

In the growing literature on Asian regional integration, as well as in related policy circles, the notion of potential lessons from the EU experience is a common refrain. Some scholars have argued that at least some of the foundations for strong regional integration are present in East Asia, whether in growing intraregional trade (Frankel 1997; Plummer 2003), conditions for a "natural monetary grouping" (Williamson 1996), or even in broad social foundations, where "The pan-Asian culture and civilization is as real as the concept of pan-European culture and civilization" (Dutta 2002). Katja Weber's essay in this Forum suggests that a careful assessment of the costs and benefits of regional integration in Asia might lead to some imitation of the European path.

On the other hand, most of the comparative literature on integration in Europe and Asia is very pessimistic about Asian possibilities. Peter Katzenstein is representative in noting (1997: 3) that, "[T]he history of formal regional institutions in Asia is a history of failures so conspicuous, in comparison to Europe, that they beg for explanation." And there is no shortage of explanations. Which obstacles loom largest depends on which Asian countries we include, but most of this literature sees them as more heterogeneous than European countries in size, wealth, domestic institutions, trade orientation, and other features that might tend to underpin regional projects. Min Shu's essay here is closer to this side of the discussion.

I am no expert on Asia, but it seems to me that the pessimistic view is hard to avoid if we ask how likely it is that some part of Asia will imitate anything like the EU. Most of the structural bases for openness, intensive cooperation, and institution-building look at least somewhat weaker in Asia today than they did in postwar Europe. But in this little commentary, I'd like to point out a somewhat ironic line of argument that I developed with an economist co-author a few years ago (Parsons & Richardson 2004). As I see it, the EU itself was an unlikely outcome. It did not actually flow very tightly from a widely-perceived, favorable set of cost/

benefit incentives and constraints. Instead it resulted from the rather aggressive imposition of a certain institutional model over a great deal of contestation about costs and benefits. The notion that the EU was unlikely certainly doesn't make similar steps in Asia look more likely—but it may suggest a more sanguine view about the possibility of Asian steps. If EU history teaches us that big institutional projects can succeed despite disagreement about many relevant cost-benefit analyses, then the relatively higher cost-benefit obstacles to such projects in Asia may not be a crippling obstacle. The real question is whether some well-placed Asian elites will decide to pursue something similar. I would not argue that this is likely either—but the frequent references to the EU model in Asian discussions hint that at least some elites are thinking in this direction.

I'll develop this point by considering the three main views that theorists and historians have offered about the rise of the EU, and what they imply about the possibility of Asian parallels.

One common view of EU history was crafted by Andrew Moravcsik (1998) and historians like Alan Milward (1992), and rests on the aggregation of clear costs and benefits. These theorists begin from what they see as the clearly-perceived substantive interests of interest groups and policy-makers, mainly for and against market integration. They see the EU as the result of a fairly arithmetic translation of the content and intensity of interests into government positions and then into international bargains. The EU's elaborate institutions were required to pay off the losers and to make credible such long-term commitments to openness and cooperation.

The other classic view of EU history comes from institutionalist scholars in the tradition of Ernst Haas. This view shares quite a lot with Moravcsik's, since both see integration and institution-building as driven mainly by pluralistic societal interest-groups who follow clear cost/benefit analyses for economic advantage. (Haas 1958 was very explicit about these pluralistic liberal foundations, as were the scholars who most extensively updated Haas-style theorizing more recently: Sandholtz & Stone-Sweet 1998). The Haasian view is different, however, in arguing that another set of factors interacts with the simple rational-liberal aggregation of benefits and costs. Once new rules are created at a regional level, and especially once some power is delegated to new regional agents within regional institutions, these instruments of integration feed back on the aggregation of costs and benefits. European-level rules become targets for mobilization that entice new interest groups to mobilize; European-level agents craft new proposals and coalitions which interest groups and national governments alone were unlikely to produce. In this view, the process remains driven and bounded on the demand side by cost-benefit calculations of societal groups. But institutional feedback biases the supply of proposals and societal mobilization around them in the direction of more regional institution-building and delegated power.

If we hold either of these views of EU history, we are likely to dismiss any chance that Asia could get onto a similar path. Their shared liberal, rationalistic, bottom-up core—that regional projects bubble up broadly out of societal-level calculation of costs and benefits—immediately directs our attention to ways in which Asian societies are more heterogeneous and probably less likely to strike these kinds of bargains (whether with feedback from regional rules and agents or not). More disparate levels of wealth and development probably make for less overlap between interest-group benefits. More disparate national regimes and interest-intermediation processes surely decrease that overlap as well, and probably decrease transparency and make bargaining more difficult. Vastly disparate sizes of countries also make for much harder balancing problems in international bargaining.

In my view, however, neither of these well-known accounts maps very strongly on to what actually happened in Europe. At every step in the creation of the EU, there have been very few careful analyses of the costs and benefits of particular integrative steps. The actors who have stuck the most closely to clear assessments of costs and benefits for interest groups have tended either to oppose or abstain from decisions on EU institution-building. For example, Milward draws our attention to the fact that literally no one undertook any substantial study of the European coal and steel sectors in or around the proposal or negotiation of the European Coal and Steel Community (though Milward does not seem to perceive how this kind of point undercuts his whole line of argument about clear "national interests" in these steps; Milward 1984, 374). In France (the country I know best), the main business actors opposed the ECSC, were negatively neutral on the European Economic Community, and later took no position on the Maastricht Treaty and its single currency deal. In the French economic ministries—presumably the other set of people who might have given careful attention to cost-benefit calculations—opinions were split on all these steps, but with a preponderance of opposition to the final decisions on all of them (Parsons 2003).

These kinds of observations support a third view of EU history. In this version, the construction of the EU was led by a minority of national political elites who were ideologically committed to the development of supranational European institution-building. The early 1950s saw a new debate over the appropriate institutional format for European cooperation that cross-cut most existing lines of political parties and interest groups. Elections and coalition-building, however, continued to operate along other cleavages (largely right-left issues). Over time, elections that operated on these largely-unrelated left-right battles sometimes installed national leaders who favored supranational plans. Though no one in Europe was ever clearly elected with a mandate for supranational initiatives, these leaders' support on other issues gave them the autonomy to pursue that agenda. People like Robert Schuman, Guy Mollet, or François Mitterrand in France, or Konrad Adenauer and Helmut Kohl in Germany repeatedly imposed broad, grand institutional initiatives over the more technical complaints of most of their bureaucrats, interest groups, and many of their political allies.

Though I can only sketch these historical debates here, this third view might change how we should think about Asian possibilities. Just by acknowledging the possibility that the EU may have been built amid fundamental uncertainty and contestation over its costs and benefits, we are encouraged to look at Asia differently. This is certainly not to say that we can or should ignore the most obvious costs and benefits of Asian regional initiatives, as they are perceived by people on the ground. That is always the obvious place to start when we ask about what is likely in politics. But the most straightforward aggregation of such calculations is rarely decisive for what happens, and may not even indicate much about it. Nor do I mean to claim that I see Asian elites on the verge of producing an "Asian Union" movement that could be analogous to the elite networks behind the EU project. Nonetheless, the notion that the EU was not an obvious response to clear costs and benefits carries the ironic implication that Asian integration may be more imaginable than most people think.

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EUSA Economics Interest Section At-Large Contribution

Our Currency, Everyone's Problem

David Andrews

If little is to be gained by raising the question of exchange rates, then why did the incoming Secretary of Treasury choose to do so? The answer, it turns out, has to do with an important connection between the international trade and monetary agendas.

DURING CONFIRMATION HEARINGS for his nomination as U.S. Treasury Secretary, Timothy Geithner sparked a minor controversy. In his testimony to the Senate, Geithner was unusually critical—at least for a leading U.S. policy official—of Chinese exchange-rate policy, suggesting that Chinese authorities were manipulating the renminbi. Two months later, the Chinese central bank governor, Zhou Xiaochuan, issued a response of kinds. He suggested that the international community should introduce a new reserve currency, in order to allow surplus states (like China) to diversify their holdings. At about the same time, a UN panel of experts mooted a similar idea.

Remarkably, this is the closest that the world's major powers have come to seriously arguing about exchange rates during the past year and a half—that is to say, as the international financial crisis morphed into the deepest global economic recession since the 1930s. True, last fall Iceland faced a run on its currency; so have certain European states outside the eurozone since then. More recently, Swiss authorities took the unusual step of intervening to resist upward pressure on their currency, prompting dark talk of competitive devaluations. But, at least so far—that is to say, as of late March 2009—clashes over exchange rates have figured surprisingly little in global crisis discussions. This is especially remarkable when compared to the divisive arguments about exchange-rate policy that accompanied the much smaller economic crises of the 1970s, 1980s and 1990s.

At first blush, this is a good thing. Exchange-rate controversies among states with large economies tend to be intractable, and today's policy agenda is already overloaded. Should the external value of the dollar suddenly become a subject of serious contention among the major world powers, the ensuing scene is not likely to be edifying. So perhaps we should simply be grateful, and leave well enough alone.

But that begs the obvious question: if little is to be gained by raising the question of exchange rates, then why did the incoming Secretary of Treasury—in carefully chosen words, delivered as part of his written testimony—choose to do so? The answer, it turns out, has to do with an underappreciated connection between the international trade and monetary agendas.

Efforts like those of Mr. Geithner to "talk the dollar down" turn out to have a long and distinguished pedigree. Indeed, trade liberalization flourished in the 1970s and 1980s in part because the shift to a flexible exchange-rate regime allowed successive U.S. administrations to engage in such efforts, and thus to forestall periodic protectionist pressures in Congress. By allowing (and sometimes even encouraging) temporary and timely depreciations of the dollar, successive administrations helped keep the U.S. market open to foreign trade. Doing so allowed liberal international trading arrangements to be maintained and even expanded.

Understandably, such actions also fostered substantial controversy abroad. The United States' foreign partners resented the dollar's role, and especially the U.S. government's ability to shift the costs of economic adjustment onto them; and over the course of the past two decades, they therefore took steps to level the monetary playing field. Chief among these developments were the introduction of Economic and Monetary Union (EMU) in Europe and the more or less concurrent adoption of an explicitly defensive exchange-rate strategy in much of east Asia—the latter characterized by a willingness to stockpile dollar assets rather than to permit national currencies to rise in value.

During the run-up to the current economic crisis, the consequences of these two developments tended to be offsetting, at least insofar as global payments imbalances were concerned. The failure of east Asian currencies to appreciate significantly against the dollar contributed mightily to those imbalances; meanwhile EMU increased European tolerance of dollar depreciation, since this no longer disrupted relations within the Single Market to the same extent it once did. Europe therefore allowed itself to bear the brunt of international economic adjustment, relieving at least some of the strains on the U.S. current account.

This was never a sustainable arrangement. Yet precisely because monetary authorities in both Europe and Asia had become marginally less sensitive to movements in the dollar's exchange rate, promoting the necessary international economic coordination to resolve this problem became more difficult. In particular, U.S. authorities could no longer rely as completely as they had in days gone by on accommodating policy adjustments being adopted elsewhere in order to avoid undesired movements in the exchange rate of the dollar.

As a result, the practice of occasionally talking the dollar down is not working particularly well, and certainly not as well as it once did, as an instrument of U.S. foreign economic policy. Time once was that America's leading trade partners in both Europe and Asia were deeply and asymmetrically vulnerable to a downward shift in the dollar's exchange rate; and, once faced with such a prospect, they would generally agree to stimulate their domestic economies. Doing so tended to moderate the appreciation of their currencies against the dollar, thus protecting national export industries—just as their governments intended. At the same time it would increase their populations' appetites for U.S. imports, which in turn served Uncle Sam's purposes just fine. But times have since changed, with the incentives now greatly reduced for either Europe or Asia to alter domestic policies in this fashion in response to U.S. initiatives.

Geithner's description of Chinese exchange-rate practices as "manipulative" in his Senate testimony must be understood in this context, as it raised the stakes of resisting U.S. monetary policy leadership. Time will tell whether this tactic was wise or foolish. Presumably it was the first move in a playbook that contained more than one element. If so, much will depend on steps two and three.

The larger point is one of an eroded capacity for U.S. leadership in monetary matters. As former U.S. Treasury Secretary John Connally once put it, "It's our currency but it's your problem." Connally addressed himself to a foreign audience, but he might as well have been speaking to future U.S. governments. For the better part of three decades, periodically talking down the dollar suited the political needs of sitting administrations, while greatly annoying America's partners. With the introduction of the euro, and the shift in China's exchange-rate policy, the chickens have finally come home to roost: the U.S. is finding it increasingly difficult, if not impossible, to persuade others to follow its monetary policy lead.

It is this changed situation that accounts for the relative absence of emphasis on exchange rates, and in particular on the value of the dollar, in current global economic discourse. The Europeans tend not raise the issue, at least not nearly as vociferously as they have in times past, because they do not care about the dollar nearly as much as they once did; EMU allows them this luxury. The Chinese do not raise the issue, because to a large extent they already control the dollar's exchange rate with the yuan. And officials at the U.S. Treasury, despite desiring an orderly depreciation of the dollar against east Asian currencies, are normally reluctant to raise the issue either. Why? In part because they do not wish to draw attention to the fragility of the dollar's position, given existing international imbalances; but also because doing so is no longer as effective a policy measure as it once was.

Mr. Geithner's Senate testimony was therefore unusual, especially by the standard of recent years; but so far it has done little to bring about Treasury's preferred outcome. Instead, the world's leading economic powers feel at greater liberty than at any time since 1945 to pursue the monetary policies of their own choice, with scant regard to the policies behind the greenback.

There would be problems enough were the consequences of this development limited to currency markets. But they are not. Instead, to the extent that they are deprived of the ability to talk the dollar down, U.S. policymakers lack an important policy instrument once used to help stave off protectionist pressures at home. With those pressures fast mounting, this absence will be keenly felt.

In times past, using exchange-rate politics to influence U.S. domestic discussions of trade policy may not have been very pretty, but it was, at least on occasion, effective. After all, the chief alternatives available to the White House in seeking Congressional support for its trade agenda—among them accepting increased protectionism now, in exchange for promises of increased liberalization later—are not especially pretty either.

Hence the irony of the current situation. In changing their monetary policy frameworks, the last thing either the Europeans or the Chinese intended was to undermine the U.S. commitment to free trade. But that may well be the end effect—in which case our currency will have become everyone's problem.

Note

This article draws from the last chapter of David Andrew's most recent book, *Orderly Change: International Monetary Relations since Bretton Woods* (Cornell University Press, 2008).

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EUSA Economics Interest Section At-Large Contribution

The EU's Uphill Struggle for Competitiveness
Attilio Stajano

Book summary: Stajano, Attilio. *Research, Quality, Competitiveness: European Union Technology Policy for a Knowledge-Based Society*, 2nd ed. Springer, 2009. 543+xxv p. Hardcover. Forewords by Brian M. Murphy and Alberta Sbragia.

THIS BOOK, written by a former EU officer with extensive experience in industrial research, is not a scholarly monograph on political science, but rather a pragmatic description of the community R&D policy and its implications on competitiveness.

This book covers a gap in EU policy literature by addressing the intersection between research policy and industrial policy. It analyzes how the EU supports the competitiveness of domestic companies and the common objective of sustained (and sustainable) economic growth. It underscores the difficulty of the challenge that Europe is facing, and suggests—as a contribution to its solution—investments in education, training, lifelong learning, research, and infrastructure.

The evolution and revamping of the Lisbon Strategy is taking place in a decade when the EU is undergoing the major institutional changes of enlargement and treaty reform. The political Union, an idea waiting to happen for fifty years, might eventually come about by tying up the loose ends of the Nice Treaty with the ratification of the reformed Lisbon Treaty on EU. But both in implementing the Lisbon objectives and in pursuing institutional changes, member states are not harmonized, synchronized, or unanimous. Instead a vision of multi-speed Union is gaining ground. It manifests itself in the prioritization of national interests over shared values and in the development of institutional instruments such as the enhanced cooperation that are intended to circumvent the stumbling blocks introduced by reluctant members.

Can the whole of the EU find ways to successfully position herself in front of her competitors? Is there a way to prepare a bright future for the next generations of European citizens? Or is the time come to give way to new countries who can take the economic lead that was in the hands of the European people for centuries? The answers are likely to be pessimistic if the ongoing institutional transformation does not find a successful solution with the ratification of the Treaty on EU before the end of 2009. A strong and united Union, on the other hand, would be able to focus her action on building a better future for her citizens and strengthening her external action with the reinforced instruments of the full-time standing President and the high representative for foreign affairs and security policy. R&D can help overcome the fragmentation of a multi-speed EU: R&D policy can help creating a bottom-up process of cohesion across the components of a 'variable geometry' EU. Research programs have created a community of scientists, industrialists and researchers united in temporary and voluntary associations based on common development objectives. These associations have often defined the rules for integration on an industrial scale rather than just at the level of research. Working together and with the help of EU funding, some partnerships have been created from the bottom up and have contributed to the implementation of an EU-wide process of innovation and cohesion that has proven to be much more effective than any top-down action.

This is not to say that the proposed remedy based on education, lifelong learning, research, innovation, and infrastructures would solve all competitiveness problems for each of the EU member states. However, it might reduce the aggravation of a trend that has seen several EU countries (mainly those on the "garlic belt") lose positions in the World Economic Forum rankings and decline under the combined pressure of the most advanced countries in the Triad and of the emerging economies.

But even if the EU's best scenario may be to succeed in maintaining her current position, Europe shall continue to be relevant in proposing to the world a model of development and a system of values. The author is convinced that the European citizens, under the EU flag, can ensure that Europe continues to be one of the reference points in the word and inspire mankind with her values, her vision, her dream of a better future funded on solidarity, multicultural tolerance, peace, and prosperity.

This new edition is thoroughly revised and extended to incorporate updated and new material and data on the 7th R&D Framework Program, the Lisbon Agenda, the EU Reform Treaty, and the EU enlargement. An exhaustive introduction to the founding principles, institutions, and activities of the EU and an overview of the 15 new and candidate member states is also provided for the readers not familiar with these basics. The appendix and an accompanying website contain ancillary distance-learning material, extended readings, country-specific data, and other materials for producing course notes and visuals. The book will be useful for lecturers, students, politicians and civil servants who are interested in EU technology policy as well as for professionals who are involved in EU-funded R&D projects, who might be inspired in writing proposals with a better chance of being shortlisted for funding.

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Book Reviews

Ian Bache. *Europeanization and Multilevel Governance: Cohesion Policy in the European Union and Britain*. Lanham: Rowman & Littlefield, 2008.

THIS VOLUME IS A LOGICAL CONTINUATION of Bache's empirical engagement with EU regional policy and with the "Europeanization" of British politics, as well a systematization of his theoretical engagement with Europeanization and multilevel governance as concepts for "explaining governance change in Europe".

The points of reflection it offers are numerous. Bache's key question is whether EU cohesion policy (framed as an independent variable) has promoted multilevel governance (his dependent variable) in Europe and in Britain. At the core of his analysis is the capacity of the concepts adopted to explain governance change in European polities. This raises both a comparative question as well as a question concerning the purchase and limits of concepts, both as they stand and when they have been "cross-fertilized."

The starting point of the book is Bache's observation that while concepts like Europeanization and multilevel governance have gained currency in European integration studies, and have obvious connections when defining policy and institutional change as an outcome of the influence of EU policy rationales on state agency, "the relationship between them is relatively unexplored". This claim should really be nuanced, however, as significant studies do now exist that explicitly study this relationship. Bache hints, on the one hand, at the relative scarcity of comparative approaches to simultaneous analyses of Europeanization and multilevel governance. The comparative approach presented (chapter 5) is based on a categorization of European polities as being (to varying degrees) "simple" or "compound" with regard to the features of both state structures and policy processes. This categorization forms the basis for applying a "goodness-of-fit" analysis to selected countries. This however turns out to be the weakest chapter in the volume, adding very little either to conceptual development or to framing the British case-study, and dealing too scantily with both significant examples and scholarly contributions. Bache also hints, on the other hand, at the possible theoretical purchase to be achieved by a combination of non-rival conceptual frameworks. Accordingly, chapters 2-3 are a critical and thorough, albeit selective, review of debate and applications of Europeanisation and multilevel governance. In the case of the former, Bache claims to innovate conceptually by proposing a "revision" of the three-step approach to the analysis of Europeanization represented by Risse et al.'s goodness-of-fit approach and by advancing a "new definition" based on additional intervening variables (aimed in particular at overcoming its linearity in order to allow explanations in terms of "complex" circular causality).

As for multilevel governance, Bache's focus is on attempts at differentiating this notion in order to extend analysis beyond the traditional focus on regions and to explore other effects of Europeanisation on further internal dynamics of change in state polities (including the development of "horizontal" forms of regionalisation). Consequently, in the case-study of Britain, the focus is on the parallel development of regional tiers and of regional partnership and multilevel governance arrangements as a result of the relative impact of EU cohesion policy on British polities. Bache's conceptual strategy is based, again, on a revision and extension of the concept of multilevel governance by introducing a policy networks approach to analysing effects in terms of the distribution of power resources. The objective is to introduce a revision of "zero-sum" conceptions of multilevel governance as a power shift, in order to be able to account for further dimensions like metagovernance and "deep Europeanization." This however also highlights the limits of such conceptual extension in capturing significant dimensions of related processes. This becomes apparent, for instance, when the analysis falls short of addressing key potential implications of multilevel governance practices, such as processes of de-territorialization and re-territorialization and related spatial differentiation effects.

In the case of both Europeanization and Multi-level governance, Bache then keeps to an essentially "aggregative" conceptual attitude that builds on pre-defined, albeit "revised" and "extended" core assumptions. Yet

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systematically, and rather paradoxically in my view, he alludes to the capacity of his conceptual framework to account for other explanatory dimensions, like cognitive factors and learning dynamics contributing to so-called forms of "thick learning" and "deep institutionalization" – and this despite the fact that these dimensions are neither addressed in an explicit and consistent theoretical way, nor adequately referenced to existing interpretations of Europeanisation which have precisely emphasised and worked out these dimensions based upon neo-institutionalist theory.

As a whole, the volume can be hence best categorised as a monograph on the Europeanisation of British regionalism, backed by a skilful and well-informed exercise in conceptual syncretism, as well as by apparent but overstated claims for innovation. In this sense, however, it effectively gives expression to a diffusely perceived need for a more articulate relationship between conceptual frameworks that have dominated the renewal of European policy studies in recent years. There is still a long way to go in this direction because, for instance, a broader transdisciplinary concern with the socio-spatial dimensions of Europeanisation would be required to enrich the picture.

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P. Della Posta, **M. Uvalic**, and **A. Verdun** (eds.). *Globalization, Development and Integration: a European Perspective*. London: Palgrave, 2009.

There have been surprisingly few books on globalization and EU integration and so the publication of the present volume can be welcomed as a contribution to an underdeveloped area of EU studies. The core question to which the book addresses itself is stated by the editors in their Introduction; "is European integration a response to globalization?", and, following on from this, "how does European integration offer a strategy to deal with the challenges raised by globalization?" These are reasonable questions to ask (but perhaps not the best ones) and while not being of great originality they at least serve as a focal point for the book's 16 chapters and numerous other discussion pieces and concluding roundtable. However, the questions posed by the editors (not to mention the title of the book) require a sophisticated understanding of globalization to animate these rather tired questions and yield interesting and meaningful answers.

The editors have chosen to adopt Scholte's conceptualisation of globalization which emphasises the "increased economic, political and social relations between people across the planet" (p.3), and they make plain they this should be taken to mean that a focus on either economic, social, or political processes, by themselves, is not adequate. The problem for the editors is that virtually none of the contributors follow the editorial line, instead offering only a series of economic interpretations of globalization (and EU integration). The structure of the volume sags under the weight of this economic burden, with Part I being a case in point. "Globalization: the General Context" is the title given to Part I and as such one might reasonably expect chapters which explicate the different dimensions of globalization flagged up by the editors in their Introduction. The five chapters in this section instead all choose to focus on economic dimensions: market liberalization, growth, inequality, macroeconomic stability. Thus, the "general context" turns out to be a rather specific one and the book quickly jettisons the multidimensional approach promised in the Introduction.

Contra Scholte, the contributions in this volume tend to view globalization as a unitary and homogenous process. This leads to a predictable oversimplification of the relationship between the EU and globalization. For most contributors "EU integration is similar to globalization" (Verdun, p.207), one aspect of globalization (Angelini, p.247), or "institutionalized globalization on a European scale" (Hepburn, p.262). Verdun actually makes some original claims about the relationship between globalization and EU integration, although these are not taken up elsewhere in the volume. She raises the possibility of EU integration being a "trigger" for globalization (p. 207), and floats the possibility that EU integration developed before globalization "took hold of the planet" (p.213). These ideas call into question the usual causal priority and goes against the grain of Scholte's historical schema.

Part III of the book is devoted to "European Integration as a Response to Globalization" and contains the most interesting essays on offer here. These deal with a variety of concerns including the "European Social model," national interests, sub-state regions, and regional integration, and marks the point at which the book's concerns move beyond the narrowly economic. The chapter by Murray contains a more thought-out position on globalization, i.e. increasingly "porous polities, societies and economies due to transnational interdependence … and international linkages, uneven impact and differentiated processes" (Murray, p.274). The emphasis on "uneven impact and differentiated processes" stands out in a volume where globalization is often reduced to a linear process (flows of money, goods, ideas). Of course, the "uneven impact" can also be discerned within Europe itself, although discussion of this is largely absent here. The book will mainly be of interest to scholars who wish to explore the economic linkages between Europe and the rest of the world but will not find favour, I suspect, with scholars who wish to understand the nature and dynamics of globalization. I feel that the editors have missed a trick in not devoting more space to the issue of global governance. As Murray (p. 274) points out the EU has come to see globalization less as a threat and more and more as an opportunity to assert itself through regimes of global governance. Indeed, the EU views itself as the "guardian of global governance" (Murray, p.274). This is an important idea which could have given the book an innovative dimension had it been picked up and developed by the editors. Instead the book remains trapped in thinking about European integration as response to globalization. The debate has moved on, however, and the question of the EU's role in regimes global governance would have formed the basis of a more valuable contribution to the literature.

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