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The Contested Rescaling of Economic Governance in East Asia:

A special issue

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The special issue this article opens engages with an apparent conundrum that has often puzzled observers of East Asian politics – why, despite the region’s considerable economic integration, multilateral economic governance institutions remain largely underdeveloped. We argue that this ‘regionalism problématique’ has led to the neglect of prior and more important questions pertaining to how patterns of economic governance, beyond the national scale, are emerging in East Asia and why. In this special issue we shift analytic focus on to social and political struggles over the scale and instruments of economic governance in East Asia. The contributions identify and explain the emergence of a wide variety of regional modes of economic governance often neglected by the scholarship or erroneously viewed as stepping-stones towards ‘deeper’ multilateralism.

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Introduction

Observers of East Asia’s economic and political transformations over the past few decades are often puzzled by an apparent contradiction. On the one hand, considerable regionalisation – the intensification and deepening of economic, political and social ties – has taken place. In the two decades to 2012, intra-regional trade between the East Asia-15 group increased ten-fold to US$5.316 trillion,¹ and regional partners now account for 50 per cent of Asian countries’ trade and 48 per cent of their FDI inflows (ADB 2014). As a result, many regional production networks – transnationally organised manufacturing systems where production is spread across different countries linked through trade and investment ties – have emerged in the East Asia textiles, electronics, consumer goods and automotive industries (Yeung 2009). But on the other, East Asian regionalism – the construction of intergovernmental multilateral institutions to manage cross-border ties – remains relatively underdeveloped and weak (Breslin and Higgott 2000; Pempel 2005; Narine 2008). Attempts to institutionalise binding forms of cooperation within the region’s principal multilateral bodies (ASEAN, APEC and the East Asia Summit) have been generally unsuccessful. As Ravenhill (2009) has put it: intergovernmental regionalism in Asia is, to a large extent, ‘much ado about nothing’.

The special issue this article opens stems from our observation that the study of actual forms of economic governance in East Asia has been impeded by the dominance of this ‘regionalism problematique’. In essence, the literature has tended to focus on the strength of formal regional multilateral institutions, seeking to evaluate these institutions’ respective capacities to enforce cooperation and collective action on East Asian states. When these capacities have failed to materialise scholars have concluded either that there is something distinctive about East Asian states that makes them less willing to cede sovereignty to regional organisations than those in other regions (Acharya 2009; Katzenstein 1996; Narine

¹ The East Asia 15 group includes the 10 member-states of the Association of Southeast Asian Nations, the People’s Republic of China, Japan, the Republic of Korea, Taiwan and Hong Kong.
2008); or that Asian regionalism is still in its infancy and the capacity of multilateral institutions will grow as rising economic integration demands greater policy and regulatory coordination (Mattli 1999; Munakata 2006; Pomfret 2011).

However, observers have generally neglected analytically prior and more salient issues regarding the causal determinants of regional economic governance which animate the contributions to this collection. For us, the issue is not the comparative development of formal East Asian institutions, since this focus obscures the emergence of variegated modes of regional governance that do not take a formal multilateral form but, nonetheless, involve the rescaling of economic governance beyond the national level. These are uneven across East Asia and different economic sectors, reflecting fundamental shifts in the region’s political economy over recent decades (Hameiri and Jayasuriya 2011). For example, the Chiang Mai Initiative (CMI) currency swap arrangement of 2000, and its recent ‘multilateralisation’ through the development of a common regional liquidity pool, cannot be understood solely in terms of the proclivity of Asian governments to engage in regional cooperation. Rather, its establishment and subsequent expansion are closely related to changes in global financial governance – particularly financial liberalisation, the Asian (1998) and global (2008) financial crises, and the declining capacity of the IMF to underwrite currency stability in the region (Amyx 2008; Ciorciari 2011). Indeed, rather than pooling up sovereignty, the CMI works through the transformation of domestic governance structures in East Asia and their regional networking. Similarly, many economic regional governance initiatives in Asia are not top-down and state-led, but bottom-up and driven by business, including provincial state capital and societal interests: examples include most projects in the Greater Mekong Subregion (Glassman 2010), the Roundtable on Sustainable Palm Oil (Schouten and Glasbergen 2011), and the private governance arrangements in regional production networks for electronics (Ernst 2006). These developments indicate that scholars
must investigate how modes of economic governance creatively interface with the diverse forms of regionalism emerging in East Asia rather than simply measuring the functions of regional organisations against underlying patterns of economic interdependence between countries.

**Economic Governance and the Politics of Scale**

Explaining regional forms of economic governance in East Asia requires placing the *politics of scale* at the centre of inquiry. To be sure, the notion of scale is inherent, although underdeveloped, in all scholarly investigations of regionalism. While most scholars agree regions are socially and politically constructed (Pempel 2005; van Langenhove 2011), a region is nonetheless seen as having a necessary geographical limit defined by its spatial scale (Hettne and Söderbaum 2000; Payne and Gamble 1996). Thus, the existing literature on East Asian economic regionalism *implicitly* considers questions of scale when asking whether an issue is governed through national, or regional-level, institutions. However, scale in these studies is reduced to one of two binary constructs – either the national territory, or an agglomeration of the region’s constituent-states. Regionalism is thus evaluated simply as the extent to which the locus of economic governance is shifted from the former to the latter scale, or in a practical sense, from national governments to regional multilateral institutions. This, in essence, is what geographer John Agnew (1994) describes as International Relations’ ‘territorial trap’ – the tendency to view social, economic and political relations as being confined within a single, national or regional, territorial space.

In this collection, we instead analyse economic regionalism in East Asia by conceiving of regionalism as the *politically contested rescaling of economic governance between different spatial scales and attendant governance instruments*. We view patterns of regional economic governance as dynamic, shaped by struggles between coalitions of
political actors and societal groups over the scale, scope and functions of economic governance. This emerges out of the view, long accepted by political geographers, that whether a particular issue is managed at the local, sub-national, national, regional or global level, it is politically contested. This is because each scale involves different configurations of actors, resources and political opportunity structures; and shifting governance between spatial scales carries, not only economic distributional effects, but also privileges particular societal interests, normative agendas and values. Therefore, the scale at which any matter is governed is likely to be hotly contested by powerful interests in state and society seeking to advance their preferred social and political order (Hameiri and Jones 2013; Gough 2004). In this view, the national territorial space is no more natural than other spatial configurations and has to be constantly produced and reproduced through state action and societal contestation (Brenner and Elden 2009). Similarly, what governance instruments emerge to regulate economic activities is also conditioned by social and political conflict over scale, as all modes of economic governance privilege a certain spatial scale (and those actors powerful within it) over others.

Indeed, multilateralism, which is equated with regionalism in most scholarly accounts, also has distinct social foundations and is no more natural than other modes of regional governance. When it exists and functions as intended, it is a reflection of relatively complementary socio-political agendas among regional governments manifesting in a coherent ‘sovereignty regime’ – the rules and expectations shaping non-interference and intervention (Agnew 2009). During the Cold War, the internal and external communist threat provided a shared interest to East Asian elites, mainly in Southeast Asia, leading to the formation of ASEAN by the original non-communist five members. ASEAN’s non-interference norm reflected in no small part fledgling regimes’ fear of communist revolution in their countries, whereby the enemy within joined forces with communist allies without
(Jones 2012). And even as the communist threat began to wane, the ‘embedded mercantilism’ of many East Asian regimes, in which competitive export-focused, tradable sectors supported crony-dominated, non-tradable sectors, reinforced the Asia-Pacific Economic Cooperation’s (APEC) intergovernmentalism or the ASEAN Free Trade Agreement (Jayasuriya 2003; Nesadurai 2003). But the Asian crisis has undermined this accumulation strategy, leading to the greater transnationalisation of East Asian economies. This, in turn, has led to a far more uneven integration of East Asian subnational regions and sectors into regional and global economic flows, and to considerable elite fragmentation. These circumstances are simultaneously undermining multilateralism in East Asia and promoting various forms of experimentation in economic governance with which this special issue is especially concerned.

We therefore collectively ask: What factors shape the spatial scale of economic governance in Asia? How and why (if at all) is economic governance being rescaled between the sub-national, national and regional levels? And how have distinctive patterns of rescaling conditioned the forms of Asian economic regionalism observed today?

As our case studies show, many forms of ‘rescaling’ are evident in East Asia, apart from multilateralism, but are often not granted sufficient empirical or conceptual consideration by the literature (Hameiri 2013). Because we conceive of economic regionalism as the contested rescaling of economic governance, we are able to identify and explain modes of economic governance that fall outside the national/multilateral binary. Regional economic governance may take the form of regulatory regionalism, whereby ostensibly domestic institutions come to function as part of a regionally networked and coordinated regulatory regime, thus blurring the lines between national and regional governance instruments (Jayasuriya 2009). It might also take the form of multi-level governance, in which policymaking is pluralistic and dispersed across various spatial levels.
(through the sub- to the supra-national), and negotiated linkages between political actors intertwine to create governance arrangements (Stephenson 2013). It might further take the form of soft law regionalism, where intergovernmental organisations develop rules of conduct that are not considered legally binding, but nonetheless can promote regional cooperation by enumerating principles, sharing information and mediating negotiation (Abbott and Snidal 2000). These modes of regional governance are not mutually exclusive and may converge in particular instances. Scholars of East Asian politics are typically so convinced of the region’s states’ commitment to upholding strict forms of non-interference in each other’s domestic affairs that they simply never imagine that such governance arrangements could exist there, so they do not bother looking for them. By conceiving of regionalism as the rescaling of economic governance, we seek to explore how these myriad forms of regionalism have developed in East Asia, their distinctive social foundations and the social and political conflicts shaping their emergence and functioning.

**Structure of special issue**

Despite their differing empirical foci, each article in this collection engages directly with contestations over the scale and instruments of East Asian economic governance in a region that is increasingly economically integrated. Individually and collectively, these papers seek to explain the factors shaping the spatial scale of economic governance in Asia and the patterns of regional integration to which they give rise. Following this introduction, the first two papers address questions regarding the design and functioning of regional governance regimes in functional spheres. Shaun Breslin and Jeffrey Wilson begin by revisiting the seminal work of David Mitrany and examine its relevance in the Asian context. They argue that while many of Asia’s large multilateral institutions have delivered little more than summitry, a wide range of relatively effective functional cooperative arrangement are
growing – albeit unevenly – through lower-level and ‘bottom-up’ initiatives such as financial cooperation schemes, technical dialogues and free trade agreements. Breslin and Wilson thus conclude that there is no single ‘regional space’ in Asia, but rather a layering of regionalisms differentiated between issue-areas. Shahar Hameiri and Lee Jones then begin exploring these patterns of differentiation by examining the impressive growth of regional anti-money laundering initiatives since the 1990s. They argue that this takes the form of ‘regulatory regionalism’, whereby instead of sovereignty being pooled upwards into a supranational body, ostensibly domestic agencies take on regulatory capacities within a regional governance regime. However, their case study of Myanmar shows that far from this being a purely functional exercise, the form and actual functioning of regional anti-money laundering governance is determined by socio-political conflicts over the exercise of state power. The result is a regulatory framework actually aimed at undermining rivals of the ruling regime in Myanmar rather than tackling money laundering per se.

The two following papers explore political contestation within multi-scalar regionalism initiatives in East Asia. Natasha Hamilton-Hart provides a case-study of Southeast Asia’s burgeoning, yet environmentally destructive, palm oil industry. This highly regionalised industry is supported by a patchwork of enabling and regulatory governance institutions at multiple scales, creating a regional form of multilevel governance. Hamilton-Hart argues that the failure of this multilevel governance to adequately regulate against the industry’s worst excesses is not a case of governance failure, but a design feature shaped by the highly unequal distribution of power and wealth between different stakeholders. Czeslaw Tubilewicz and Kanishka Jayasuriya further explore the role of provincial state capital from China’s southwestern Yunnan Province in driving the internationalisation of the Yunnan subnational and Chinese state. They use the example of the Asian Development Bank-sponsored Greater Mekong Subregion economic integration program to argue that regulatory
regionalism increasingly occurs through the rescaling of subnational states, now involved in facilitating favourable conditions for the expansion of provincial state capitalist companies in neighbouring countries.

The closing two contributions turn attention to a more traditional form of regionalism – intergovernmental relations – to explore how the rescaling of economic governance interfaces with regionalism and states’ foreign economic policy strategies. Indeed, a key argument of this special issue is that the organisation of economic governance along multilateral lines requires explanation, and has distinctive socio-political bases, just as much as some of the more novel forms of governance we identify. In other words, the non-emergence of supranational scales and the privileging of the national scale, is a deliberate strategy to assist particular interests and agendas. Ruben Gonzalez-Vicente examines the Chinese government’s self-avowed doctrine of non-interference in the internal affairs of other states, and its impacts on China’s foreign economic relations. He argues that non-interference is, in fact, a conservative pro-business foreign policy, which emphasises the role of national governments and promotes executive-based bilateralism in economic governance. The final paper by Jeffrey Wilson examines attempts to institutionalise intergovernmental resource cooperation in Asia which, despite ambitious intentions, have failed to move beyond soft law forms that offer few meaningful benefits for resource security. Wilson connects the dominance of soft law institutional designs to governments’ ‘resource nationalist’ policy regimes which are, in turn, associated with the protection of powerful domestic interest groups including industrial capital, state elites and important popular constituencies.

**Key findings**

The contributions to this special issue ask oft-neglected questions regarding the relationship between the politics of scale and economic governance in Asia. Although far from exhaustive
in its coverage there are, nonetheless, four significant implications we have identified that are of broader relevance to this field of inquiry. These pertain to fundamental questions of what we study when we research economic regionalism in Asia and how we should understand its principal drivers.

First, economic regionalism in Asia must be understood as a politically contested process. Regional governance initiatives do not simply emerge as functional, or technocratic, responses to collective problems, nor can their success (or failure) be solely attributed to the strength (or weakness) of shared economic interests or their technical design, as neoliberal institutionalists often assume. Rather, they reflect struggles between the competing, at time irreconcilable, imperatives of key economic and political actors in the region. As the rescaling of economic governance to the regional level has uneven distributional outcomes and effects on the power of powerful interests in state and society, all regional governance initiatives invariably favour the interests of certain actors (both state and non-state) over others. Consequently, contestation between competing governance designs, and over the implementation of particular governance regimes, is commonplace in Asia, with actors and coalitions seeking to promote forms of regionalism that best reflect their interests. As the papers by Hameiri and Jones, and Hamilton-Hart both illustrate, ‘successful’ regional governance schemes in areas as diverse as anti-money laundering and palm oil sustainability are not only driven by actors pursuing specific political agendas, but are also far from neutral in their effects. And as Jeffrey Wilson demonstrates for resource security, influential political actors and societal groups can also veto regional governance initiatives entirely when they clash with core interests. The implication is that the form and outcomes of Asian economic regionalism must be understood as a consequence of political contestation between key actors in state and society.
Second, economic regionalism in Asia is not simply a matter of international politics, but concerns politics at multiple scales. To be sure, inter-state agreements and geopolitical dynamics certainly matter, and as Breslin and Wilson demonstrate are significant factors behind the comparative underdevelopment of East Asian multilateral regionalism. However, equally important are political dynamics (and the diverse array of actors) found at a range of other spatial scales. The domestic policy objectives of governments are key (as Gonzalez-Vicente argues in the case of China’s policy of ‘non-interference’), as are political dynamics occurring at the subnational level (as Tubilewicz and Jayasuriya show in the role of Yunnan province in driving subregional integration in the GMS area). Indeed, at these spatial scales non-state actors are often of prime importance, for example the role of business groups promoting ‘private’ forms of economic governance that empower corporate actors in the palm oil industry (Hamilton-Hart). Moreover, in cases where regionalism projects are primarily driven by state actors, this is often related to efforts to secure their position and authority within domestic politics (Wilson; Tubilewicz and Jayasuriya). In this sense, political contestation over economic regionalism in Asia should be understood as a multilevel struggle with complex interactions between political dynamics and actors occurring at different spatial scales. And furthermore, even the boundaries of these ‘scales’ and their interrelations are not a given, but are themselves contested and dynamic. Anti-money laundering regulation, for example, as Hameiri and Jones show, is at the same time global, regional, and domestic.

Third, there is not one, but many co-existing spaces of regional economic governance in East Asia. Clearly, there is no single and well-defined ‘Asian’ space into which regional governance projects neatly fit. Rather, economic regionalism manifests through a multiplicity of competing ‘Asias’ and multi-scalar governance instruments. At one end, some regional governance initiatives are built on the broad concept of the Asia-Pacific, itself a contested
concept, particularly evident in resource security (Wilson) and anti-money laundering (Hameiri and Jones) efforts. However, alternate conceptions of the regional space also include Southeast Asia (palm oil, Hamilton-Hart), subnational regions (the GMS, Tubilewicz and Jayasuriya) and even bilateralism with an otherwise regional focus (Chinese non-interventionism, Gonzalez-Vicente). To a large extent, the simultaneous existence of these different scales reflects contestation over competing designs for regionalism – as Hameiri and Jones argue, particular spatial concepts are favoured by powerful groups, who competitively seek to advance designs that best favour their interests. Indeed, in cases where differences between these interests prove intractable, economic governance can remain ‘scaled’ to the national level despite strong functional reasons to develop regional cooperation schemes (resource security, Jayasuriya). Importantly, this means that analyses of Asian regionalism must not only problematise precisely what constitutes the ‘Asian space’, but should also understand competition between different spatial concepts and attendant governance instruments as a consequence of contestation over whose interests and agendas regionalism will serve.

*Finally, East Asia is not in transition towards ‘deeper’ forms of regionalism manifesting in the emergence of powerful multilateral institutions.* What we are observing in Asia is not the formation of regional ‘building blocks’ (e.g. Rozman 2004), but fragmented and multi-scalar regional governance arrangements that reflect the fragmentation of East Asian elites and societies. The transnationalisation of East Asian economies means that the interests of different societal and economic elites within East Asian states are not necessarily complementary. It also means that elites have, in many cases, developed a stake in how other countries govern particular issues domestically and are seeking to directly or indirectly shape domestic governance environments in ways supportive of their interests. This is clearly reflected in Tubilewicz and Jayasuriya’s paper on Yunnan’s approach towards the GMS, but
also in Hamilton-Hart’s study of palm oil governance and Gonzalez-Vicente’s discussion of China’s supposed adherence to non-interference. However, ideologies of national development remain popular in the region, while elite fragmentation makes the formation of a new and widely accepted East Asian ‘sovereignty regime’ unlikely, if not impossible. The result is the complex and uneven terrain of regional economic governance documented in this special issue. This complexity is here to stay, since the underlying social and political conditions supporting regional integration à la the EU are simply not present in East Asia at this historical juncture and are unlikely to emerge in the foreseeable future. Therefore, scholars, practitioners, policymakers and businesses alike should not assume that simply because broader multilateral regional institutions are not emerging, nothing is happening, and should develop more nuanced ways of analysing and engaging in East Asia’s actual regionalisation processes.

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