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Regional Institutions in an Era of Globalization and Crisis

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During three decades of globalization, regional integration and institutions have flourished.[1] In the 1990s, Europe embarked on the Economic and Monetary Union, the United States and its neighbors ratified the North American Free Trade Agreement (NAFTA), and the largest economies of South America founded the Common Market of the South (MERCOSUR). Asia seemed to stand apart, producing a trio of regional institutions that were far more modest in scope than their counterparts elsewhere—Asia-Pacific Economic Cooperation (APEC), the Free Trade Area (AFTA) of the Association of Southeast Asian Nations (ASEAN), and the ASEAN Regional Forum (ARF). The Asian financial crisis at the end of the 1990s appeared to mark a turning point, however, exposing the region's vulnerabilities and the ineffectiveness of its institutions. The first decade of the new century produced three new institutional developments: region-wide economic arrangements, such as ASEAN Plus Three (APT), which were limited to Asian members; innovation in monetary and financial collaboration (APT's Chiang Mai Initiative and Asian Bond Market Initiative—ABMI), and a proliferation of bilateral and plurilateral preferential trade agreements (PTAs).[2]

Despite this apparent catching-up in Asian institution building, many saw a mismatch between high levels of regional economic interdependence and formal region-wide institutions that continued to lag other regions. An organization gap persisted in Northeast Asia, where multilateral security structures were absent and three of Asia's largest economies have failed to complete a free trade agreement that would deepen their existing economic links (Calder and Ye 2010). The wider gap between interdependence and institutions in Asia has "stubbornly refused to close, despite the recent proliferation of bilateral and minilateral PTAs and security dialogues" (Aggarwal and Koo 2008, 286, 288). The new Asian regionalism now confronts the aftershocks of the Great Recession of 2008–2009, a global economic crisis that hardly brushed the largest emerging economies in Asia and failed to set back the economic progress of the region. The crisis could increase incentives for defensive institution-building to safeguard against future shocks from the global economy; deeper regional economic integration may also provide the best prospects for high economic growth, as Asia's export markets in North America and Europe enter a period of sluggish growth.

This volume explains and evaluates the new Asian regionalism and its institutions in the context of other regions and their institutional architecture.[3] It is an opportune moment for such a reassessment, as the highly elaborated European regional model faces a sovereign debt crisis, and Asian economies seek more secure sources of growth among their immediate neighbors. The three sections of the volume investigate variation in regional institutions, comparing Asia to Europe, the Americas, and other regions. The first section outlines the key dimensions of institutional design and their implications for the performance of regional institutions, in Asia and elsewhere. A rigorous comparison is impossible without agreement on precisely defined features of the institutions that are to be compared. In the second section, the regional trajectories of Europe and the Americas are compared to Asia in an effort to explain their respective constellations of regional institutions. In light of these comparisons, in the third section and conclusion, Asia's regional institutions are evaluated: have they contributed to regional integration and cooperative outcomes? Will the region sustain a different model of institutionalization, convergent on the rest of the world, given changes in the regional and global environments?

The Design of Regional Institutions

Three key dimensions of institutional design vary across regional institutions: decision rules; commitment devices, such as legalization and enfranchisement; and membership rules. These design features reflect regional characteristics, the dynamics of regional economic integration, and the interests of cooperating governments. They also influence the effectiveness of these institutions in forging and implementing cooperative bargains to promote regional economic integration.

Depending on the elements of their design, institutions can contribute to at least three ends related to economic integration: *consolidating* existing liberalization gains, undertaken unilaterally or multilaterally; *deepening* integration, by expanding the scope of regional agreement, and particularly including the removal of barriers to exchange behind national borders; and *widening* economic integration, through the development of infrastructure or the incorporation of new members in existing or new regional regimes. Institutions with different decision rules, commitment devices, and membership rules will be more or less effective in the promotion of these ends.

Decision Rules: Winning Consent to Cooperative Agreements

Although the international legal regime posits the sovereign equality of states, any regional or global institution must contend with disparities in underlying bargaining power among its members. Decision rules reflect those disparities. A one country, one vote system, based on majoritarian decision rules, is unlikely to satisfy more powerful member states with significant outside options. One solution awards more powerful members greater influence over outcomes of particular interest to them through informal rules (Stone 2011). Another relies on consensus decision-making, which permits opposition from any member to defeat proposed actions or commitments.[4] Even institutions that adopt formal majoritarian or qualified majoritarian decision rules are likely to introduce other mechanisms to produce de facto consensual outcomes. Among regional groupings, the European Union (EU) has ventured further than any other in adopting decision-making by qualified majority. As Hix (chapter 2) points out, however, national governments in Europe have carefully hedged those outcomes by requiring a unanimity rule for delegation of additional authority to European institutions, by insuring equal representation on the EU's executive body, and by instituting checks and balances and high thresholds for decision.

Consensus decision rules guard against defection—from the organization or from its decision—on the part of discontented minorities. They also discourage backsliding, since cooperative commitments can only be modified through the same procedures. Consensus imposes a steep tradeoff between commitment and decisiveness, however. The prospect of an agreement that is difficult to change or one that will be effectively enforced may produce protracted bargaining and frequent failures of collective action (Fearon 1998). In the face of a crisis or a rapidly changing environment, institutions that strain for consensus may fail to produce timely changes of course. The disappointing record of Asian regional institutions during the Asian financial crisis has been attributed in part to the region's attachment to consensus decision-making.

Commitment Devices: Political Engagement, Legalization, and Enfranchisement

The history of regional agreements is littered with ambitious commitments that are not implemented. Particularly when new commitments deepen economic integration, extending regional collaboration into domains of domestic sensitivity that arouse political opposition, current or future governments may renege on those agreements or slight their implementation. To counter such temptations, regional institutions often contain embedded commitment mechanisms and instruments for monitoring and enforcement.

The mobilization of high-level *political commitment*, particularly at the launch of new institutions and new national undertakings, is one such device. Involvement of top political leaders signals possible costs to those within the government who fail to implement the new agreement and engages the reputation of leaders in the success of the regional enterprise. Regional commitments are also reinforced if national political institutions, such as legislatures and bureaucracies, are part of the process of ratification and implementation, rendering regional institutions truly intergovernmental rather than "inter-executive" (Dominguez, chapter 5; Martin 2000). Successful regional institutions that affect significant national policy domains are seldom purely technocratic; visible domestic political commitments are required to sustain them.

Legalization is another institutional instrument for bolstering commitment. Legalization is measured on three dimensions: precision of international commitments; obligation or the degree to which those commitments are legally binding; and delegation of authority to third parties, such as global or regional institutions, to interpret, monitor, and enforce those commitments (Goldstein, Kahler, Keohane, and Slaughter 2001). Delegated authority is often interpreted as a marker of whether regional institutions are strong or weak. The other dimensions of legalization can substitute for delegation, however. Precise and binding commitments, such as those in NAFTA, may produce high levels of compliance without substantial delegation of authority to regional institutions. Delegation risks the creation of institutional agents who will pursue their own interests rather than those of the contracting governments. Member states of the EU, for example, have designed additional institutions and rules to hedge against such drift away from their preferences (Hix, chapter 2). Elaborate institutions do not always signify substantial delegation. Despite a proliferation of regional courts, Erik Voeten (chapter 3) confirms that they are rarely used to resolve interstate disputes. In Latin America, delegation to supranational regional institutions has been most helpful in specialized domains; ambitious region-wide institutions have often failed to exercise the powers awarded them on paper (Domínguez, chapter 5).

Enfranchisement of non-governmental actors, such as corporations or citizens, also serves as a commitment mechanism in regional governance. Compliance constituencies, mobilizing outside the self-protective cartel of national governments, use courts and other dispute settlement mechanisms to reactivate the integration process, to interpret agreements, and to prevent backsliding by governments. As Voeten (chapter 3) describes, rules for enfranchisement in regional courts contribute directly to their effectiveness. Commitments by governments are rendered more credible by the ability of non-state actors to participate in enforcement.

Membership Rules and the Widening of Regional Institutions

Judith Kelley (chapter 4) describes two membership models that dominate the universe of regional institutions. The club model imposes strict admission criteria based on prior policy change and thereby awards leverage to existing members over the candidate member's policies. The convoy model is more permissive, basing membership on geographical proximity (ASEAN) or on ad hoc and flexible rules (APEC). Policy change is rarely required in advance of institutional membership. As regional institutions contemplate admission of new members, both models may have strengths. Convoy membership organizations rely on socialization to shape the behavior of members after they are admitted; Acharya (chapter 9) argues that socialization has succeeded in key Asian cases. The effectiveness of convoy membership rules appears to be greatest in the domain of security, where inclusiveness often has positive effects. The EU is a notable example of the club model of membership, in which a wider array of tools can be deployed before membership to change the policies of a national candidate (Kelley 2004 and chapter 4).

Manipulation of membership rules is an important means of introducing flexibility into regional institutions when some members wish to pursue new and more ambitious cooperative bargains (Kelley, chapter 4). New institutions may be spun off by the "cooperators," or the existing organization may adopt different categories of membership. If members agree on integration goals but disagree on timing, multi-speed integration will allow transitional periods for new members. If disagreement over the aims of integration is more profound, variable geometry or à la carte regionalism may be introduced. Under those membership rules, a single institution recognizes different "integration spaces." For example, some members of the EU have opted out of monetary union indefinitely (variable geometry); new members must fulfill policy requirements before adopting the Euro (multi-speed membership). A risk of fragmentation lies in such flexibility, undermining institutional goals of policy harmonization and economic integration.

Widening, which may produce a larger membership with more heterogeneous preferences, might also appear to undermine future deepening of regional cooperative bargains. That tradeoff is dependent on membership rules, however: regional organizations with club membership rules can wield those rules to exclude members who have not signaled their cooperative intent and harmonized their policy preferences with those of incumbent members. Institutional devices, such as the introduction of new decision rules, may also offset some of the effects of widening. In Europe, an extension of qualified majority voting served to enhance decision-making efficiency as membership grew. Finally, new members may be the most enthusiastic cooperators in certain policy domains. The EU's newest members in central and east Europe were eager to join its monetary union, despite demanding entry conditions. In Asia, India has backed regional agreements that liberalize trade in services and establish rules governing foreign direct investment, two areas of deeper integration that existing Asian trade agreements have often excluded (Debroy 2009).

The Distinctive Design of Asia Regional Institutions

Although Asian regional institutions have increased in number during the latest wave of regional institution building, they have remained, in the eyes of observers outside the region, "shallow" or "thin" (Haggard, chapter 8). The preceding review of the dimensions that define such institutions permits a more precise description of their common institutional design.

Although Asia's regional institutions are hardly uniform, certain characteristics define an "Asian way" of institution building. Decision rules emphasize building consensus, a process that emphasizes persuasion and deliberation rather than decisiveness. Regional arrangements are rarely legalized through precise and binding obligations, and governments are reluctant to delegate substantial authority to regional institutions. As a result, the monitoring and enforcement powers of most regional institutions are limited. The Asian Development Bank (ADB) is a rare regional example of consequential delegation to an Asian institution. ASEAN has a small secretariat whose operational autonomy has been carefully circumscribed by member governments. The leadership of APEC's secretariat, which is even smaller than ASEAN's, is seconded from member governments. Despite its economic importance, Asia has no regional courts (Voeten, chapter 3). Asian regional institutions are also exclusively intergovernmental: non-state actors, whether individuals, corporations, or non-governmental organizations (NGOs) are not formally enfranchised in regional institutions. Finally, Asian regional organizations have adopted a model of membership that produces heterogeneous convoys rather than homogeneous clubs. In all of these characteristics, Asian regional institutions emphasize preservation rather than pooling of sovereignty; regional institutions avoid intrusions into domestic politics and policy.[5]

Regional Comparisons: Europe, Latin America, and Asia

Whether this institutional syndrome is a complex that is distinctively Asia requires careful cross-regional comparison. Certainly, each of the enumerated features of Asian institutions can be found in other regions. Contemporary Europe has too often served as the benchmark for Asian institutions. As Kevin O'Rourke (chapter 6) describes, however, Europe of the 1950s and 1960s provides a more satisfactory benchmark for comparison. It was in those decades that Europe took the key decisions that directed its future away from free trade agreements—the most common regional economic arrangement in Asia and elsewhere—and toward the more elaborate institutions of today's EU. Jorge Domínguez (chapter 5) provides an equally illuminating comparison, juxtaposing Asia and the Americas. Like Asia, the Americas combine a major industrialized economy with middle-income developing countries. The Americas, however, have both a longer post-colonial history than Asia and a record of more institutional experiments. Three clusters of variables provide candidate explanations for contrasting institutional design in these three regions: structural characteristics of regional economies and their politics; regional dynamics that reinforce or undermine institution building over time; and contingencies, such as economic crises, that have inflected institutional development. Explanations for institutional variation provide a starting point for predictions of future regional trajectories, in particular whether the Asian way of institutional development will persist.

Regional Structure and the Pattern of Institutional Development

Three structural characteristics shape the configuration of regional institutions: determinants of convergence or divergence in national preferences; distribution of economic and military power; and relative openness of a region to the influence of extra-regional powers.

Heterogeneous Asia and Preferences for Regional Economic Cooperation

Although increasing economic integration in Asia points to growing national demand for cooperative regional arrangements, two other features of Asian politics—disparities in national income levels and heterogeneity of political regimes—serve as structural constraints on regional institution building. Functional, demand-driven models of institutional development would predict a higher level of institutionalization than currently exists in Asia. The level of economic integration in the region remains subject to dispute, depending on the measure employed (MacIntyre and Ravenhill, chapter 10). On several measures of regional economic integration, however, Asia approaches Europe and the Americas (ADB 2008, 40–43). Economic integration in this case, however, has not produced an interest-driven process of institutional creation. A top-down process of building regional institutions, directed by governments, has been offered passive support at best by domestic political and economic coalitions that support linkage to the international economy (MacIntyre and Ravenhill, chapter 10; Solingen 2009).

Other comparative indices of national preferences suggest greater heterogeneity in Asia. Asia displays a wider divide between its richest and poorest members than the Americas or Europe (ADB 2009, 30). Overall, Asia is less homogeneous in its domestic political institutions than other regions, which have been predominantly democratic (Europe and the Americas) or authoritarian (the Middle East and North Africa). More direct measures of preference convergence produce a mixed comparative assessment. Individual citizen's values (as measured in survey data) display variance that is roughly similar to that in the 27 members of the European Union, particularly attitudes toward protection of the environment and wealth accumulation (Hix, chapter 2). Surprisingly, identification with the region is also at similar levels in the two regions. Despite this evidence of popular preferences, "overall, the level of political, economic and ideological convergence is lower in East Asia than in Europe" (Hix, chapter 2).

Distribution of Economic and Military Power

In contrast to Europe and the Americas, Asia is home to a handful of countries that have much larger populations and economies than other countries in the region, a reasonable proxy for a multipolar regional distribution of power. The effects of power distribution on the design of regional institutions are contested, however.[6] On the one hand, great powers may provide supply-side benefits that promote cooperation: regional public goods and a focal point for coordination of national policies. After the Asian financial crisis, for example, Japan provided financial leadership in Asia through the New Miyazawa Initiative. In Europe, the German deutschmark served as the coordination anchor for the European Monetary System before the creation of a common European currency. On the other hand, larger countries have been less willing to delegate authority to regional institutions, and great power leadership that is perceived as overbearing may produce a backlash against the aspiring leader and its policies.[7]

A simple measure of power distribution may be less important for the configuration of regional institutions than the dynamic of power relations (the rapidity of shifts in economic and military power) and rivalries among the dominant regional powers. Regional cooperation in Asia may be disadvantaged by both the rapid readjustment of economic hierarchies over time (China's overtaking of Japan) and longstanding national rivalries. The former adds uncertainty to regional security relations and a bias toward free-riding by emerging powers in regional economic cooperation. The latter may produce liberalization through competition in the creation of exclusive bilateral and sub-regional arrangements. At the same time, rivalry among the most powerful states undermines efforts to construct more inclusive regional arrangements, since deeper economic integration may require sturdier institutions with greater delegated authority, based on consensus among the major economies. MacIntyre and Ravenhill (chapter 10) trace the recent surge in Asian preferential trading arrangements to political rivalry between China and Japan for regional leadership; United States backing of the Trans-Pacific Partnership adds another element to regional competition.[8]

Open Regionalism and the Influence of Outside Actors

Peter Katzenstein (2005) has described contemporary regionalism as "porous": infiltrated by the forces of globalization and the pervasive influence of the United States. Intervention by outside actors has had positive and negative effects on regional collaboration and institutionalization. During the Cold War, for example, the United States lent critical support to the building of European institutions and made clear to its close allies, such as Britain, that participation in the European project was favored. (O'Rourke, chapter 6) In Asia, on the other hand, the United States favored bilateral security and economic relations with its principal allies and trading partners; it offered weak support for regional multilateralism.

Although regions are no longer as permeable as they were during the Cold War, they vary in their vulnerability to the strategies of extra-regional powers.

In the Americas, for example, the United States has played an erratic and occasionally influential role in democracy promotion over time; it has had relatively little influence on regional economic institutions, apart from NAFTA. The production networks of Factory Asia, on the other hand, remain dependent on American and European export markets, although that dependence may decline over time.[9] Four Asian states also have military alliances with the United States; several others have informal, trans-Pacific defense relationships. Given the growing economic weight of the region, outside powers will be interested in Asia's institutional choices; they may also have the means to influence those choices.

Dynamic Processes and Institution Building Across Regions

Although structural variables have constrained regional collaboration and its institutional manifestations, regional institutions develop from dynamic processes that are (path) dependent on divergent historical starting points. Institutional trajectories over times are marked by political and economic feedback effects, distinctive links between security and economic integration, and differing weights assigned to global, regional, and sub-regional institutions. Contingencies—exogenous shocks from economic crises and the emergence of regional political entrepreneurs—have also had demonstrable if unpredictable effects on the building of regional institutions.

Historical Context and the Origins of Regional Institutions

Regional institutional design has been marked by global and domestic politics at the time of their foundation. Europe faced unfavorable initial conditions after World War II: high levels of insecurity after catastrophic interstate war and the emergence of Soviet power in central Europe coupled with a relatively closed international economy. Regionalism seemed to provide an essential response: liberalization of trade and investment through global negotiations would be slow; most of the initial work of lowering barriers to cross-border exchange had to occur at the regional level, reinforced by nascent European institutions (O'Rourke, chapter 6). Western Europe's status as the first industrial region also shaped institutional design. A spare free trade agreement could not accommodate the interventionist demands of agriculture and other national sectors; the linked bargains required at the foundation of European institutions pointed toward supranational institutions with substantial authority. For regional institutions founded in the Americas and Asia during the 1990s and 2000s, a different logic applied: the end of the Cold War and an open global economy offered many more options to political elites who embarked on programs of liberalization.

Feedback Effects and the Demand for Regional Institutions

Prescriptions for the sequencing of regional economic arrangements and institutions often resemble crude diagrams of the ascent of man: an inevitable and formulaic progression from free trade agreement to customs union to common market and common currency. The theoretical and empirical basis for these predictions is suspect. More compelling is a positive analysis of the regional spillovers and feedback loops produced by economic integration and its accompanying institutions, processes that may or may not reinforce both institution building and broaden the scope of cooperative bargains.

Based on the experience of Europe and other regions, Richard Baldwin has identified several feedback mechanisms of varying strength; their sequencing may produce more or less institutionalization in the course of expanding trade and investment (Baldwin 1993, 2011). These interest-based models assume that initial decisions for trade liberalization increase the political weight of export interests within national political economies and produce demands for more liberalization. Trade-dependent economic interests may also create a domino effect on applications for membership in an expanding Free Trade Association (FTA) or customs union because of the threat of trade discrimination. Another feedback mechanism links trade and exchange rate cooperation. Via the policy trilemma, national governments (and trade-dependent economic interests) become more attracted to stable exchange rates as economies become more open to international trade and capital controls are removed (Frieden 1991; Eichengreen 1996; Baldwin 2011). Institutional feedback, the ability of regional institutions to amplify and channel demands for integration into further institutional elaboration, is subject to more demanding conditions: regional institutions must possess both a mandate from national governments to further economic integration and delegated authority to carry out that mandate. Even without an explicit mandate, institutions may serve to create or dampen demands for further institutional development by their effectiveness or shortcomings.

These feedback effects, based on demands from export interests and strategies of regional institutions, had a powerful influence on the trajectory of regional institutions in Europe. Economic and institutional feedback effects created political support for widening the agenda of liberalization within the European Economic Community (EEC). A domino effect tipped governments against the European Free Trade Association (EFTA), as the larger and more dynamic EEC exerted its attraction on trading interests outside the Community (O'Rourke, Chapter 6). Similar effects also operated outside Europe. Latin American regional institutions were often born after an initial, unilateral round of liberalization by national governments. In certain cases, such as the Central America Free Trade Agreement (CAFTA) or MERCOSUR, liberalization then spurred regional cooperation by providing a costly signal of intent for trading partners as well as reflecting the growing political power of exporters. As Dominguez (chapter 5) points out, however, feedback effects in Latin America did not extend beyond trade liberalization to agreements for deeper economic integration or monetary union.

In Asia, the feedback link between trade expansion and regional institution building was even more tenuous. No regional core with a comprehensive and discriminatory trade arrangement emerged as equivalent to the EEC, serving to attract prospective members. A strong substitution effect undermined the link to regional institutions, since demands for further liberalization by exporters could be satisfied in global trade negotiations rather than regional FTAs. In any case, regional institution building in Asia seldom resulted from strong political pressure from organized business or other non-governmental actors (MacIntyre and Ravenhill, chapter 10; Nesadurai 2010).

In the domain of regional monetary and financial cooperation, the European model of demand-driven exchange rate cooperation, intensified by the removal of capital controls, applies only weakly, if at all, to other regions. Despite a decline in intra-MERCOSUR trade following the Brazilian and Argentine exchange rate crises (1999–2002), no progress was made toward regional economic policy coordination or exchange rate collaboration. As they had in trade governance, Asian governments once again chose a substitute for regional monetary cooperation: pegging to the dollar or to a basket of currencies. Recent regional financial cooperation in Asia has followed a path even more distant from predictions of a trade-based feedback dynamic. The shock of the Asian financial crisis and discontent with the response by global institutions produced the regional Chiang Mai Initiative (CMI), an instrument for offering financial support to members of ASEAN Plus Three (APT) during financial crises. Recent multilateralization of the CMI suggests that monetary and financial cooperation may produce spillovers to other areas of regional economic cooperation rather than the reverse, a pattern found in other monetary unions in the developing world.

At key moments, European economic integration was promoted by institutional feedback—actions taken by European institutions to promote economic integration (Baldwin 2011). Europe's initial conditions, which awarded it a panoply of influential regional institutions, also gave those institutions unique possibilities for deepening economic integration. That driver of regional institution-building was largely absent in other regions. Neither Asian nor Latin American regional institutions have possessed the delegated authority of the European Court of Justice or the European Commission, authority that allowed those institutions to strengthen regional economic cooperation. Despite MERCOSUR's relatively elaborate institutions, trade expansion produced little pressure to increase the scope of the customs union by including such areas as trade in services, competition policy, or coordination of social policy (Domínguez, chapter 5). The North American Free Trade Agreement (NAFTA) did not develop a more elaborate institutional architecture as regional trade expanded. Modest innovations, such as multilateralization of swap lines among the United States, Canada, and Mexico, were driven by concern over Mexican financial crises, not by NAFTA institutions.

The dynamics of regional integration and institutional development varied across regions. Europe's progression from trade liberalization and a common market to financial liberalization and monetary union may not be the only path to further institutional development; feedback mechanisms that have driven regional integration in Europe may not operate to the same effect elsewhere.[10] Two features of Latin America and Asia have distinguished their regional dynamics from those of Europe. Trade-dependent constituencies were less influential politically, particularly in Asia: this necessary correlate of trade expansion was weak or absent. The relative weakness of political demands may have resulted from reliance on potent substitutes for strengthened regional institutions. For example, unilateral liberalization, participation in global trade rounds, and bilateral exchange rate pegs offered functional substitutes in Asia for Europe's regional institutions. A central unanswered question is whether the Asian dynamic of institution building—including its reliance on such substitutes—will provide more substantial regional governance if a new agenda of deeper economic integration targets a wider array of sensitive domestic policies.

Economics and Security: Integration, Reinforcement, Separation

No region has directly managed core economic and security issues in a single regional institution. Nevertheless, the interrelated dynamics of economic integration and security provision have influenced the creation and strengthening of regional institutions. Conflict has affected economic exchange: negative effects of unresolved territorial disputes on levels of trade, for example, have been documented in Latin America (Simmons 2006). In other circumstances, careful linkage of peace building—the gradual winding down of regional rivalries—and economic integration has reinforced both economic and security dynamics in a cooperative direction. Regional institutions have built on an association between economic opening and a reduction of military tensions, reinforcing that linkage through the risk of economic loss if political or military conflict disrupts regional collaboration.

Although Europe does not have a single, multipurpose pan-regional organization, the region nevertheless *integrates* security and economic issues. As described earlier, initial security conditions in Europe favored regional institutions with substantial delegated authority. Even so, an early institutional effort to integrate defense policies and national militaries, the European Defense Community, failed. The region's key security provider became the North Atlantic Treaty Organization (NATO), a highly institutionalized alliance dominated by an extra-regional power; the alliance's membership overlapped substantially with membership in the European Economic Community. The EU has played a major indirect role in reinforcing regional security through its expansion into Eastern Europe. Regional security is also sustained by a network of regional institutions, such as the Council of Europe and Organization for Security and Cooperation in Europe (OSCE), that complement and coordinate with the EU (Kelley, chapter 4). Recent institutional changes in the EU, such as the appointment of a High Representative of the Union for Foreign Affairs and Security Policy and a planned European External Action Service, aim to give additional weight to the EU's Common Foreign and Security Policy.

The Americas display a second pattern of economic and security linkage, in which peace building and economic integration have *paralleled* one another in a mutually reinforcing relationship. The most successful regional economic institutions, particularly MERCOSUR and NAFTA, were preceded by resolution of longstanding security and political conflicts among their members (Domínguez, chapter 5). At the same time, regional institutions divided clearly between rules and forums governing intra- and interstate conflict and those dealing with regional economic integration. The Organization of American States (OAS) has had a longstanding role in dispute mediation and settlement. More recently, it became the principal institutional guarantor of democratic constitutionalism, authorizing regional intervention in the domestic affairs of its members. The OAS played no role, however, in regional or subregional agreements to liberalize trade and investment. On the other hand, until MERCOSUR limited membership to democracies through a treaty amendment in 1997, economic integration treaties had not included clauses that constrained the domestic political ordering or foreign policy behavior of their members (Domínguez 2007). Regional institutions dealt with both security and economic issues, but a clear division of labor existed.

Those regions and sub-regions without robust mechanisms for conflict prevention and resolution often found that insecurity created negative spillovers for economic integration, a third pattern of linkage between economics and security. In certain sub-regions of Latin America, such as Central America, as well as the Middle East, South Asia, and Africa, conflict *undermined or slowed* regional institution building and integration. In the Central American Common Market (CACM), regional insecurity and conflict were coupled with declining intraregional trade in the 1980s. Persistent militarized disputes hindered further development of existing regional institutions. Sustained peace was not required, however, to produce trade liberalization and expansion in this and other cases, such as the Andean Group (Dominguez, chapter 5).

For East and Southeast Asia, links between economics and security display a fourth pattern. Relations in these two domains run on *distinct tracks*, neither interfering with nor reinforcing one another. On the one hand, political conflict and militarized disputes are seldom allowed to inhibit mutual economic interests in expanding trade and investment. The most striking example of this agreed divorce between deep political conflict and rapidly growing interdependence is the relationship between China and Taiwan. In the rest of Northeast Asia, this separation has permitted the growth of trade, investment, and economic cooperation in the face of persistent territorial and political disputes. Regional governments avoid economic sanctions or economic statecraft aimed at changing the policies of a target state. ASEAN's unwillingness to endorse U.S. and EU sanctions against Myanmar is only one example of this preference for separating economic exchange from political relations. Regional economic institutions also reflect this separation, with few connections between institutions that deal with economic issues and those, like the ASEAN Regional Forum (ARF), that address security concerns.

Despite the economic benefits of a two-track approach to economics and security, Asian avoidance of linkage has not promoted political reconciliation or military confidence building of the kind that has either preceded or accompanied regional initiatives in Europe and Latin America. ASEAN may have created positive economic spillovers through creation of a code of state conduct (ASEAN's Treaty of Amity and Cooperation or TAC) and bolstering norms of cooperative behavior. Those economic benefits were unintentional, however, not the product of a regional or national strategy that linked security and economic cooperation.