

Europe and East Asia in Transition of World Order

Edited by **Yeonho Lee, Harald Bergbauer**



Europe and East Asia in Transition of World Order

Yeonho Lee, Harald Bergbauer



Institute of East and West Studies
Yonsei University



Institute of East and West Studies
Yonsei University

Europe and East Asia in Transition of World Order



This publication has been produced with the assistance of *BMW Korea* and *Yonsei-SERI EU Centre*. The contents of this publication are the sole responsibility of the *Institute of East and West Studies at Yonsei University*.

Europe and East Asia in Transition of World Order

Edited by

Yeonho Lee, Harald Bergbauer

**Institute of East and West Studies
Yonsei University**

Preface

This volume of “Europe and East Asia in Transition of World Order” is a product of the third Korean-German Conference between the Institute of East and West Studies of Yonsei University and the Munich School of Public Policy held in Seoul on 9 October. The panelists explored the conference themes against a backdrop of rising regionalism in both Europe and East Asia. The past World order was shaken through the 2008 global economic crisis, whose epicenter was located in the World financial capital, New York. The process and impact of the crisis had a global characteristic. Interestingly enough, the international community responded to the negative effect of the globalization with a regionalism. An ever closer integration was suggested in Europe while strong voices for a regionalization were raised not only by governments but also civil societies in East Asia. The World order seems to change from Globalization to Multi-regionalization. Today, Europe is faced with its economic problems. Differently, the main concern in East Asia is security issues. Therefore, all the participants in the conference discussed the North Korean issues and economic crisis in Europe. Then, we exchanged our view as to how to overcome the issues from a regional perspective. I would like to extend my deepest and sincerest thanks to the Yonsei-SERI EU Center and the BMW Group Korea for their financial support that made the conference and the publication of this monograph possible. Also, thanks to all the contributors who gave their keen insight and wisdom.

June 2014

Sangtu KO

Europe and East Asia in Transition of World Order

Copyright © 2014 by Institute of East and West Studies, Yonsei University

All right reserved.

No part of this book may be reproduced in any form, except for brief quotations for a review, without written permission of the Institute of East and West Studies, Yonsei University

Published for the Institute of East and West Studies by IMIKOREA

ISBN 978-89-965868-1-4

Printed in Seoul, Republic of Korea

CONTENTS

v	Preface	
ix	Contributors	
03	<i>The Rise and Fall of Authoritarian Regimes. Theoretical Considerations</i>	Harald Bergbauer
17	<i>The Logic of Authoritarianism: North Korea and Autocratic Regime Stability</i>	Andreas Wilhelm
31	<i>The Crisis of the Euro: Nature, Causes, Rescue Strategy and Consequences for Europe's Future Role in the World</i>	Dr. Rigmar Osterkamp
47	<i>Is the World of Finance Dominating National Economies and Politics?</i>	Heinz Steinmueller
53	<i>East European Countries after the Breakup of Communism and the Ongoing Challenge of European Integration</i>	Ralf Thomas Göllner
71	<i>Multilateral Cooperation and Regional Integration in East Asia: for cooperative integration or membership game?</i>	Seong-Woo Yi
91	<i>The North Korean Nuclear Issue and the Six-Party Talks: The Logic of Regime Failure</i>	Sangtu KO

CONTRIBUTORS

Harald BERGBAUER

Dr. Bergbauer is assistant professor at the Munich School of Political Science who teaches political theory and political systems at this institution as well as at the University of Armed Forces Munich. He deals primarily with the major political ideologies, such as liberalism, conservatism, and socialism, as well as with the political systems of Germany, the EU, and the US. With interest he also pursues the politics in the Far East (China, Korea, Japan). Currently he is working on a major study about liberalism and conservatism in post-war America. He published studies on Eric Voegelin, Russell Kirk, economics from a liberal-conservative angle, international relations in the light of Huntington and Roger Scruton, and edited books on *Culture Politics in the 20th Century* and, along with Young-Ryeol Park two volumes on *Ways of Cooperation between Asia and Europe*. E-Mail: bergbauer@hfpn.de

Ralf Thomas GÖLLNER

Dr. Göllner is assistant professor at the Hungaricum – Hungarian Institute and the Institute for Political Sciences of the University of Regensburg and visiting lecturer at the Munich School of Political Science. He received his Ph.D. at Ludwig-Maximilians-University in Munich, Germany. His teaching and research are primarily on Central Eastern Europe's development after transition with foci on regional (cross-border) cooperation and integration, democratization and Europeanization, elites in post-communist societies and national minorities. He co-published a *Gazetteer of Historical Hungary's former Territories* in two volumes, published a book on *Hungary's European Politics between 1990 and 1994* (both in German) and many articles especially on Hungary and Romania. E-Mail: Ralf.Goellner@politik.uni-r.de

Rigmar OSTERKAMP

Until 2007, Dr. Osterkamp was head of the Department for International Institutional Comparison at Ifo Institute for Economic Research, Munich. From 2007 to 2011 he

was Senior Lecturer for Economics at the University of Namibia. From 1975 until today – with some interruptions – he is serving as a lecturer for economics at Bavarian School of Public Policy. His main specializations are on international currency policy, particularly the Euro, development economics, health economics and social policy. Recent publications include: *The Global Organ Shortage* (together with R. Beard and D. Kaserman; Stanford University Press, 2013); *Should Income Grants in Poor Countries be Conditional or Unconditional?* (*Homo Oeconomicus* 31(1/2): 203–224, 2014). An earlier publication is on *Economic Problems of National Unification – Proceedings of a German-Korean Conference* (1994, Research Institute for National Unification (RINU), Seoul, and Ifo Institute, Munich; editors: W. Gerstenberger and R. Osterkamp). Currently, he is organizing a reader on behalf of the Bavarian School of Public Policy on *Basic Income Guarantee*. E-Mail: Rigm.osterkamp@gmx.de

Heinz STEINMUELLER

Prof. Dr. Heinz Steinmüller has retired from the Technical University of Munich and is at present a lecturer at the Bavarian School of Public Policy (HfP) in Munich. He studied economics and sociology at the University of Munich and started his academic work as assistant professor at the University of Munich and at the University of Cologne. He did research work for the German Research Foundation at the London School of Economics and Political Science and at the Centre for Environmental Studies, London. His preferred fields of research and academic teaching are micro- and macroeconomics, urban economics and social policy. E-Mail: steinmueller@hfpm.de

Andreas WILHELM

Dr. Wilhelm is assistant professor at the Institute for Political Sciences of the Friedrich-Alexander-University Erlangen-Nuremberg and visiting lecturer at the Bavarian School of Public Policy. His teaching and research are primarily on foreign policy and international relations as well as on the political systems of Pacific-Asia and the BRIC-states. Currently he is working on a major study about power and trust in the “anarchical society” and the transition of international order. He published books on *The ‘Nordpolitik’ of South Korea under Roh Tae Woo and its relations*

with China, Russia and Eastern Europe (1996), *Foreign Policy* (2006), and many articles, among others on Realism, Diplomacy, and International Institutions. E-Mail: adrwillhelm@aol.com

Seong-Woo Yi

Dr. Yi is a research fellow of the Jeju Peace Institute. He received his Ph. D. in international relation in University of North Texas in Denton, Texas. He worked at the Center for Dispute Resolution, Dankook University as a research professor (2005-2007).

His specialty is on the interstate cooperation with quantitative analysis methods. He is working on a research project, “Jeju Process” which is designed to create a multilateral cooperative entity in East Asia. He published a number of articles on human rights, international cooperation and conflicts on reputable Korean academic journals and a book, *“Why Do Nation-States Cooperate under Anarchy? Domestic Factors for Interstate Cooperation.”* He also edited a book, *“World Peace Index Study”* with colleague scholars. The book consists of a theoretical background of the index and the analyses of individual state behavior with the index.

Sangtu KO

Prof. Dr. Ko is professor of Area Studies at Yonsei University. He got his Ph. D. at Free University of Berlin in Germany. His teaching and research are primarily on European politics and international relations, particularly regional integration and national unification. Currently he is chair of Research Committee 42 “System Integration of Divided Nations” at the International Political Science Association. He published a book *Political Controversy in the Unified Germany* (2007), and many articles in *Issues and Studies*, *Journal of International and Area Studies*, *Korea Observer* among others. E-mail: stko@yonsei.ac.kr.

Europe and East Asia in Transition of World Order

The Rise and Fall of Authoritarian Regimes. Theoretical Considerations

Harald Bergbauer

The Face of the 20th Century

One of the major historians of Germany, Hans-Peter Schwarz, published at the turn from the 20th to the 21st century a voluminous treatise on “The Face of the Century. Monsters, Saviours, and Mediocrities”. In this book the author depicts a number of outstanding personalities on the international scene who have shaped the face of the last century; his intention to highlight the peculiarities of the politicians of the 20th century leads him, among others, to a comparison between the shape of the 19th and the 20th century. He writes, that even if the 19th century can be characterized as “one of the richest in the history of humankind”, it is the 20th century that created the “strong political individuals”¹ who have been more powerful and influential than most politicians of the 19th century. People like “Lenin, Hitler and Stalin, Churchill and Roosevelt, Mao Zedong and Deng Xiaoping” get spontaneously before people’s mental eyes if they talk about the “face of the century”².

Schwarz goes on to denominate the 20th century as a period which is marked by an “axial time”, a period of fundamental significance for the whole century. The author refers to the philosopher Karl Jaspers who in 1949 stated that the period of the 5th century B.C. was designated as an “axial time” which laid the cultural and spiritual foundations for the two following millennia. The appearance of Confucius and Lao-tse in China, of the Upanishads and Buddha in India, of Zoroaster in Persia, of the prophets in Israel and of philosophers like Plato and Aristotle in Old Greece created the understanding of God, world and society that would dominate the future in these respective cultures. Referring to that theoretical concept Schwarz maintains that also the 20th century has its own “axial time”. He states: “It is in these decades when in Russia, Italy, Germany, and China new tyrants seize power. And this happens almost simultaneously. In 1917 there revolt Lenin, Trotsky, and Stalin into world history.

1 Schwarz, Hans-Peter. 1998. “Das Gesicht des Jahrhunderts. Monster”. Retter, Mediokritäten, Berlin, p. 765.

2 Ibid., p. 16.

In 1919 Hitler paves his way to become “politician”, fascinating post-revolutionary Munich (...). In 1920 Mao Zedong comes across that group of young revolutionaries in Peking who join forces toward the Communist Party of China. In 1921 Mussolini launches the Fascist Party of Italy.”³ The period called “axial time” is of short duration. In the territory of Hitler and Mussolini it ends already in 1945, Stalin dies in 1953, and the rule of Mao Zedong, who seized power only in 1949, ends in 1976. Even if the history of the 20th century has not prevailingly been dominated by those revolutionary “monsters”, it is that “axial time of the totalitarian tyrants which marks the proper break of civilization compared to the 19th century”⁴. The political decisions they made had repercussions for “the face of the century”.

Democratic and Non-Democratic Regimes in the 20th Century

One of the main tasks of political science since its very beginning has been the classification of political regimes. The most important distinction today is between democratic regimes on the one side and non-democratic or authoritarian regimes on the other, as proposed after World War II by the reputed scientist Hans Kelsen.⁵

Democratic and Autocratic Regimes

According to a leading scholar in Germany in the area of political system transformation, Wolfgang Merkel, there are six criteria by which the character of political regimes are to be judged. These criteria are: (1) the legitimation of power, (2) the access to power, (3) the monopoly of power, (4) the structure of power, (5) the claim to power, and (6) the way of exercising power. The author states that it is a feature of democracies that they are open regarding the access to power, pluralistic in the structure of power, that their claim to power is limited, that the exercise of power is constitutional, and that they base their claim to power on the principle of popular sovereignty. The monopoly of power resides exclusively in the democratically and

constitutionally legitimized institutions.⁶ Autocratic regimes deviate from that pattern more or less intensively. If the deviation from the democratic features is only slightly or gradual, we are confronted with so called authoritarian regimes; if the features of democracies are downright reversed into its opposite, we are dealing with totalitarian regimes.

Authoritarian and Totalitarian Regimes

The differentiation between authoritarian and totalitarian systems exceeds the distinction between democracies and autocracies proposed by Kelsen. Both are, obviously, variations of autocratic regimes. The manifold of these autocratic regimes requires a demarcation between different kinds. The authoritarian regime designates the “soft” version of non-democratic regimes, the totalitarian regime however denotes the radical negation of the very idea of the democratic rule of the people. According to the leading scholar in this area, Juan Linz, there are three core features which constitute authoritarian regimes; these are (1) a limited political pluralism in comparison to the unlimited political pluralism in modern democracies and the monism of totalitarian regimes; (2) their legitimation is not based on an ideology encompassing all areas of life, but on the recourse of some specific values and mentalities such as patriotism, nationalism, inner or outer “national security” or socio-economic modernization; and 3. political participation is restricted and controlled, demobilizing the whole society; the political system renounces of the mobilization of the masses, a passive attitude of the population is absolutely sufficient – except at the beginning of the movement when the masses are needed to topple the ruling government and install a new regime.⁷

Even if North Korea is the most secretive and mysterious country on earth at the beginning of the 21st century, from which and upon which it is upmost difficult to get reliable information, it seems to me that the qualification of its regime as a totalitarian regime is more suitable than its determination as just authoritarian. Descriptions and analyses of the country as, for instance, made by scientists like Victor Cha in his recently published “The Impossible State”⁸, by Mr. Kindermann

3 Ibid., p. 772.

4 Ibid., p. 773.

5 The reduction of a manifold of political regimes to the pattern of the two main antagonists goes back to the study of Hans Kelsen who in his “General Theory of the State” of 1925 wrote that the decisive difference is that in democracies the laws are made by those people on whom they are applied, whereas in autocracies lawmaker and addressee of the law are separated; in: Allgemeine Staatslehre. 1925, “Enzyklopaedie der Rechts- und Staatswissenschaften”, Berlin, p. 330 ff.

6 Cfr. Merkel, Wolfgang. 2010, “Systemtransformation. Eine Einführung in die Theorie und Empirie der Transformationsforschung (System Transformation. An Introduction to the Theory and Empiricism of Transformation Research)”. 2. ed., Wiesbaden, p. 22 f.

7 Cfr. Linz, Juan J. 1997 “Autoritäre Regime, in: Nohlen, Dieter (ed.)”, Lexikon der Politik, vol. 1: Politische Theorie, Berlin, p. 32-35. This article is a short version of his treatise on “Totalitarian and Authoritarian Regimes”, Boulder, 2000 [1975] (Colorado), pp.

8 Cha, Victor. 2012 “The Impossible State. North Korea. Past and Future.”, New York.

in his historical account on “The Rise of Korea in World Politics”⁹, or by Stéphane Courtois et al. in his really shocking report in the “Black Book of Communism”¹⁰ suggest the assumption that North Korea is in many respects totalitarian and, as Victor Cha states, “the worst place on earth”¹¹. Before entering the issue of the rise and fall of authoritarian, or rather totalitarian regimes I will therefore first deal with the nature and the special characteristics of totalitarianism.

Totalitarian Regimes

The amount of literature on the topic of totalitarianism is huge both on the international scene and in Germany alone.¹² The reason for the spread internationally is the tremendous impact of totalitarian regimes in the 20th century. The reason for the spread in Germany is that Germany has been extraordinarily “privileged” by not only one, but two kinds of totalitarian regimes: From 1933-1945 Germany was ruled by the extreme right-wing National Socialism, and after World War II until 1990 the Eastern part was dominated by the left-wing Communist regime of the German Democratic Republic. The power and influence of non-democratic regimes in the course of the 20th century was so overwhelmingly strong that the well-known British historian Eric Hobsbawm coined the term of the “short 20th century” in order to designate the period from 1914 (outbreak of the World War I, and within the foundation of the Soviet Union) until 1991 (end of the Soviet Union), which is primarily marked by the rise, rule and fall of totalitarian regimes. The title of his respective book is “Age of Extremes”¹³.

9 Kindermann, Gottfried-Karl. 2005, "Der Aufstieg Koreas in der Weltpolitik (engl.: The Rise of Korea in World Politics). ", Munich.

10 Rigoulot, Pierre. 1998 "Nordkorea, Vietnam, Laos. Die Saat des Drachens (engl.: North Korea, Vietnam, Laos. The Seed of the Dragon). ", in "Schwarzbuch des Kommunismus. ", Unterdrückung. "Verbrechen und Terror (engl.: Black Book of Communism. Oppression, Crime, and Terror) ", 1998. ed. by. Stéphane Courtois et al., Munich, pp. 609-629.

11 Cha, Victor "The Impossible State.", l.c., p. 162.

12 A report worth reading on the emergence and the development of the debates on totalitarianism can be found in Steffen Kailitz "Der Streit um den Totalitarismusbegriff. Ein Spiegelbild der politischen Entwicklung (engl.: The Dispute about the Concept of Totalitarianism).", in "Prägestärkte des 20", 1997. Jahrhunderts. Demokratie, Extremismus, Totalitarismus (engl.: Shaping Powers of the 20th Century. Democracy, Extremism, Totalitarianism), ed. by Eckhard Jesse and Steffen Kailitz, Munich, pp. 219-250.

13 Hobsbawm, Eric. 1994. "Age of Extremes. The Short Twentieth Century 1914-1991", London.

What follows is a brief sketch of the most important interpretations of totalitarianism:

1. Hannah Arendt: In 1951 the philosopher Hannah Arendt published a treatise on “The Origins of Totalitarianism”¹⁴. Even if she addresses less the origins and more the elements of totalitarianism, and here especially almost exclusively the German National Socialism, the book marks the beginning of the so called “totalitarianism theory”. Totalitarian regimes are characterized, according to Arendt, by four features: (1) terror, (2) ideology, (3) forlornness (= desolation), and (4) the “radical evil”. The most important element is terror. Contrary to tyrannies of earlier centuries terror does not only consist in fear from the tyrant and the neighbours, the fellow citizens, and even the members of the own family; terror in totalitarian regimes is first arbitrary (everybody may be its victim) and second systematic (it doesn’t need a concrete cause to becoming active). The crucial fact of terror is not that it denies only personal freedom, but that it unites the plurality of humans to one single entity which enters as one unit the necessary process of nature and history.¹⁵ It is a more or less sophisticated ideology which entails the knowledge about nature’s and history’s course. The ideology claims to provide a total explanation of nature and history; their targets are unveiled and incorporated into the ideological system. Arendt mentions as third feature of totalitarian regimes the human forlornness. In the last centuries human beings became more and more isolated, they got the impression of being expelled from the common human world and felt that neither state, nor religion, nor class are reliable reference points for them. It is that forlornness which makes people susceptible for their participation in modern mass movements; they get fascinated for them because they feel like isolated atoms and abandoned individuals. The last feature of totalitarian regimes is, according to Arendt, the element of “radical evil”. This is revealed in the institution of the concentration camp, which is “the most consistent institution of total dominion”¹⁶. These camps “do not only serve the extinction of human beings and the humiliation of individuals, but they also foster the outrageous experiment, to abolish under scientifically exact conditions, the spontaneity as human behaviour and to transform humans into things”¹⁷. The factory-made death of humans extinguishes first men as juristic persons and second as moral persons; the possibility of martyrdom is in the same way excluded as the public in which or for which people could die.

14 Arendt, Hannah. 1951. "The Origins of Totalitarianism", New York.

15 Ibid., chapter 13: Ideology and Terror.

16 Ibid., chapter 12, p. 912.

17 Ibid., chapter 12, p. 908.

2. Carl J. Friedrich and Zbigniew K. Brzezinski: The second most important account of totalitarianism is the analysis made by Friedrich and Brzezinski, published in 1956 under the title "Totalitarian Dictatorship and Autocracy"¹⁸. The study has, along with the book of Arendt, the status of a classic of the subject. Of particular interest is the enumeration of features which are typical for totalitarian regimes. According to the authors all totalitarian dictatorships possess the following traits:

- (1) "an official ideology, consisting of an official body of doctrine covering all vital aspects of man's existence [...]; this ideology is characteristically focused and projected toward a perfect final state of mankind, that is to say, it contains a chiliastic claim, based upon a radical rejection of the existing society [...]"
- (2) "a single mass party led typically by one man, the "dictator", and consisting of a relatively small percentage of the total population [...], a hard core of them passionately and unquestioningly dedicated to the ideology and prepared to assist in every way in promoting its general acceptance [...]"
- (3) "a system of terroristic policy control, supporting but also supervising the party for its leaders, and characteristically directed not only against demonstrable 'enemies' of the regime, but against arbitrarily selected classes of the population [...]"
- (4) "a technologically conditioned near-complete monopoly of control, in the hands of the party and its subservient cadres, of all means of effective mass communication, such as the press, radio, motion pictures",
- (5) "a similarly technologically conditioned near-complete monopoly of control (in the same hands) of all means of effective armed combat";
- (6) "a central control and direction of the entire economy through the bureaucratic co-ordination of its formerly independent corporate entities, typically including most other associations and group activities"¹⁹.

The authors underline that in addition to these traits there might be other features and that there are obviously many significant variations of totalitarian regimes, in which the one or the other trait is more emphasized than in others; all existing totalitarian systems, however, display these six traits which constitute the very core of totalitarian regimes. Furthermore, the authors stress the historical "uniqueness" of totalitarianism²⁰; the oriental despot, the Greek tyrant, the Roman emperor, or the Renaissance dictator exhibit some of the traits mentioned above; but only on the

basis of modern mass democracy and modern technology is it possible for totalitarian regimes to being set up and flourish: "In short, four of the six traits are technologically conditioned"²¹; only in the technologically advanced societies of the 20th century the emergence and spread of totalitarian regimes is possible.

3. Juan J. Linz: As already mentioned, the non-democratic regimes must be subdivided in at least the two main categories of totalitarian and authoritarian regimes; in contrast to the authoritarian systems, whose most important traits have been mentioned already, the features of totalitarian regimes are (1) that "there is a monistic but not monolithic center of power, and whatever pluralism of institutions or groups exists derives its legitimacy from that center, is largely mediated by it, and is mostly a political creation [...] of the preexisting society"; there is (2) "an exclusive, autonomous, and more or less intellectually elaborate ideology with which the ruling group or leader, and the party serving the leaders, identify and which they use as a basis for policies to manipulation [...]; (3) in contrast to the rather passive attitude of the masses in authoritarian regimes it is characteristic for totalitarian systems that "citizen participation in and active mobilization for political and collective social tasks are encouraged, demanded, rewarded, and channelled through a single party and many monopolistic secondary groups."²² Passive obedience and apathy are not estimated by the rulers.

4. Variants of totalitarian regimes

The essence of totalitarian rule consists in the total dominion over the everyday life of its citizens, which includes control of their actions, their opinions, and thoughts. It is the intensity of power which determines the character of an autocratic regime. Ideologies obviously form an indispensable and crucial part of totalitarian regimes, but also the interplay of the single factors mentioned first by Arendt and second by Friedrich & Brzezinski is decisive. A closer look at the various types of totalitarian regimes reveals three different kinds²³:

(1) Communist-totalitarian systems: In totalitarian Communist regimes the access to power is completely closed down. The Communist party has exclusively the leading role. The power structure is monistic, the claim to power is maintained by a way of

¹⁸ Friedrich, Carl J. / Brzezinski, Zbigniew K. 1956. "Totalitarian Dictatorship and Autocracy", Cambridge (USA)

¹⁹ Ibid., pp. 9-10.

²⁰ Ibid., p. 10.

²¹ Ibid., p. 11.

²² Linz, Juan J.: Totalitarian and Authoritarian Regimes, l.c., p. 65-142, here p. 70.

²³ Merkel, Wolfgang: Systemtransformation, l.c., p. 52 f.

dominion which suppresses every kind of opposition or deviation. The proper shape of totalitarian Communist rule is the dictatorship of a leader who realizes his claim to power with the help of the party and the communist ideology. Typical Examples of this kind of rule are the Soviet Union under Stalin (1929-1953), the Peoples' Republic of China under Mao Zedong (1949-1976), Cambodia under Pol Pot (1975-1979), Romania under Ceausescu (1974-1990), and North Korea under Kim Il Sung (1948-1994) and his son Kim Jong-il (1994-2011). The decisive question is in what way the tradition of these two North Korean leaders is continued (or changed) by their successor Kim Jong-un since then.²⁴

(2) Fascist-totalitarian systems: Also in Fascist-totalitarian regimes the access to power is closed down, the power structure monistic, the claim to power total, and the way of exercising power usually terroristic. Even if the "Fascist movement", the "party" or the "leader" hold important power positions, they are always subordinate to the predominant leader. According to Ernst Nolte, a leading scientist in this area, there is a "Fascist minimum" which consists of the following traits: anti-Socialism, anti-Liberalism, leadership principle, corporatist ideology, party army, reactionary goal setting in connection with the modern means of mass mobilization, backup of the capitalist economic order along with the maintenance of the total claim in political issues.²⁵ The two most prominent examples are the Italian Fascism under Benito Mussolini (1922/26-1943/45) and the German National Socialism between 1938 and 1945 under Hitler.

(3) Theocratic-totalitarian system: The theocratic-totalitarian regime is the third kind of totalitarian systems. Theocratic regimes are especially in their Islamist variant totalitarian. These systems are not content to insuring their political rule by theocratic legitimation or physical repression, they claim to regulate the entire life of society, including the private sphere of their citizens. Religion is the instrument which guarantees the comprehensive control in Islamic fundamentalist societies. Position and reputation of the mullahs represent a kind of organizational system which resembles the Communist and Fascist party organizations. It is important to note that Islamist theocracy does not touch upon the capitalist order of the economy; a relevant sector of society is beyond control. Therefore the model of the theocratic-totalitarian system is developed in theory, but only partially realized in practice.²⁶ Countries which are close

to the "ideal type" (Max Weber) of a theocratic-totalitarian system are the mullah regime in Iran under Chomenei (1979-1989), who placed the sovereignty of God above the sovereignty of the people, the Islamist rule in Sudan under the leadership of Umar Hassan al Bashir (1989 ff.), and the Taliban regime in Afghanistan (1979 ff.) which still defends its theocratic dictatorship against influences from the West.

The Rise and Fall of Totalitarian Regimes

It is in the "short 20th century" (1917-1991) that totalitarian regimes emerged and shaped the course of history. Many of them were founded within the "age of extremes" (Hobsbawm) and collapsed also within that period. The following remarks highlight some reasons for the genesis and the decline of totalitarian regimes.

The genesis of totalitarian regimes

The origin of totalitarian regimes may have external or internal causes. A cause is external if the condition for the emergence of a new regime lies outside the borders of the respective country. This external cause is important especially for the time after World War I and World War II. In both cases the established international order broke up and affected the countries participating in the wars or residing close to them. The most prominent historical examples are the Communist regimes which were established after World War II in Eastern Europe, in China, and North Korea. The majority of these countries would not have taken over power without the help of the Soviet Union. Only on the basis of the powerful SU the establishment of anti-democratic regimes became possible.

More important than external causes are internal causes. Here the research aims at the specific historical, cultural, social and economic factors and their modifications which render possible the emergence of totalitarian regimes. Many dictatorships arose out of grave socio-economic crises; and here both an under-developed economy and the divergent social distribution of wealth and poverty play decisive roles. Even if the fact of historical discontent does not necessarily lead to a political upheaval, it fosters at any rate politicians who promise to set up more efficient and less unjust regimes. Another important factor concerns political crises and the missing capability of the ruling class to cope with unrest and turmoil in the society. The more democratic consciousness, democratic traditions and institutions prevail, the greater the

²⁴ Merkel, Wolfgang: Systemtransformation, I.c., p. 52.

²⁵ Nolte, Ernst: Three Faces of Fascism. Action Francaise, Italian Fascism, National Socialism, London 1966.

²⁶ Merkel, Wolfgang: Systemtransformation, I.c., p. 53.

probability to successfully handle and overcome political crises.

Sometimes totalitarian regimes come about by way of a radical break, sometimes there are historical continuities. It is a characteristic of Communist regimes that they favour radical revolutions and political ruptures.²⁷ In order to set up a completely new and better society the destruction and abolition of the old society is a necessary precondition. In contrast to the Communist model of a total new start are the Fascist and National Socialist regimes which build upon pre-existing societies. In both cases politically and economically influential circles helped pave the way towards a system change. Connected to the question of a continuous or discontinuous development is the question of the legality of the establishment of the new regime. Almost all Communist regimes favoured an illegal act of violence in the guise of a revolution; Italian Fascism and German National Socialism, however, seized power on a formally legal way. A last point of view worth mentioning is the attitude of the population. In the cases of Fascism and National Socialism the leaders succeeded to get the support of the masses; in the cases of Communism and, especially, various nationalist dictatorships the leadership got support only by minorities.

The decline of totalitarian regimes

The distinction between external and internal causes applies to both the emergence and the decline of totalitarian systems. The most important example for the decline and the ensuing extinction of a regime is its military defeat against a different state. This is true in the case of Fascist Italy and National Socialist Germany. Both were defeated at the end of the war, and only the defeat in the war destroyed the totalitarian regime; also in the case of Japan the end of the war signified the end of the third “Axis Power” of World War II (even if the political system in Japan was rather authoritarian than totalitarian).

The decline of regimes by way of internal causes is of greater interest; most regimes perish by internal causes. The most important internal factor for the dissolution of totalitarian regimes concerns crises within the dominions of dictators. Often economic imbalances or recessions instigate people to blame their governments and stimulate other citizens to revolt against them. The stability of a dictatorship often

27 I remind of a classical phrase of the “Communist Manifesto” of Marx and Engels which ends with the following, “revolutionizing” exhortation: “The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communist revolution. The proletarians have nothing to lose but their chains. They have a world to win. Proletarians of all countries, unite!” Communist Manifesto, Part IV (end).

depends on their capability to achieve social and economic improvements. This fact, however, does not mean that economic crises lead automatically to the decline of the system of rule. Often times Communist rulers stay in power despite economic failings (North Korea is just one example). Historical experience teaches that instruments of repression make opposing forces silence. If, however, these instruments of repression don’t work anymore than there is room for the erosion of the political system. Totalitarian regimes decay if their apparatus of repression is weak or committing errors, or when the elite of the regime is obviously not able to reform. If, however, the party permits economic reforms and succeeds to raise the general standard of living, then this contributes to the stabilization of the regime – even if its measures contradict the official ideology, as in the case of China.

Another important point of view regarding the decline and collapse of autocratic regimes relates to the distinction between a one-man-rule and the collective leadership at top of a political system. Even if a collective leadership will never be able to develop a charismatic rule in the shape of a personality cult, history shows that it proves more stable and durable than a one-man-rule. A change at the top of the political system can be realized without the danger of loss of power, and also in situations of political upheavals collective leaderships proved more flexible. The one-man-rule, on the other hand, has the advantage for the successive leader to blame the former ruler for errors or crimes which in future times will definitely be overcome. The politics in the SU after Stalin (1953) and in China after Mao Zedong (1976) are telling examples for this thesis.

Conclusion

In an article on different forms of totalitarianism a German scientist distinguishes three kinds: (1) terrorist-totalitarian systems, (2) bureaucratic-totalitarian systems, and (3) hierocratic-totalitarian systems. As examples of the terrorist-totalitarian regimes he enumerates the Soviet Union under Lenin and Stalin, the Peoples’ Republic of China under Mao Zedong, the Third Reich under Hitler, and North Korea under Kim Il Sung²⁸. The interesting thing in this enumeration is that the Third Reich, the SU, and China under Mao collapsed in the 20th century – all countries except North Korea

28 Friedrich, Wolfgang-Uwe: Formen des Totalitarismus. Zur Phänomenologie ideologischer Herrschaft im 20. Jahrhundert (Forms of Totalitarianism. Phenomenology of ideological Rule in the 20th Century), in: Prägestärken des 20. Jahrhunderts (Shaping Powers of the 20th Century), I.c., pp. 251-283.

which conserved its former shape under the successors Kim Jong-il and Kim Jong-un. North Korea is a totalitarian regime that is based on the *juche* ideology and which is characterized by the integration of Confucianism into a very particular mixture of nationalism and Communism, and by an extreme personality cult. The social community and its promotion are regarded as more precious as the life and well-being of the individuals, and the country is hermetically sealed from the outer world.

North Korea is not only a weird country which is extremely hard to understand, the greatest anachronism in the 21st century, it is in many respects outright horrific. The “Black Book of Communism”²⁹ reports about a state which has been modelled in the early 1950s according to the SU: agricultural reform for the purpose of the collectivization, Socialist unity party, ideological control, mass organizations, etc. Since its beginning North Korea fought a war against the entire capitalistic world, it rewarded supporters and friends and punished adversaries and foes. The authors report about systematic cleansing, executions, prisons and various concentration camps, the surveillance of the population, the daily propaganda (consisting of a mixture of Marxism-Leninism and Kim-mythology), but also about the economic backwardness, the malnourishment, the rigid social hierarchy, and the lack of every kind of personal freedom. All in all the number of political victims who were killed in the course of the last five decades amounts to about 3 million men and women – given a population of approximately 23 million people.³⁰

Despite these (and many other not mentioned) reports on North Korea my impression is that not only the various totalitarian regimes of the 20th century belong definitely to the past, but that also the North Korean regime will collapse within the next couple of years. My arguments are as follows:

(1) North Korea is located “at the heart of the most vibrant economic region of the world”. It has the globe’s second largest economy on its Northern border (China), the third largest economy across the sea (Japan), and the fifteenth largest economy on its Southern border (South Korea). It is improbable that a country with such powerful neighbours won’t be affected by the desire to follow their way.³¹

(2) One of the consequences of globalization is the loss of meaning of the national state.³² Transnational and international (personal, political, and economic) relations undermine the sovereignty of each single state. The total isolation and seclusion

of North Korea won’t be possible in the long run, given the dependency of it on economic goods and services by very successful neighbours.

(3) The 20th century was, among others, the century of the masses. During the reign of the totalitarian regimes they were playing minor roles backing up the ruling system; since the 1960s and 1970s, however, the masses gain new weight, now not as comedians, but as self-conscious actors with clear interests and targets.³³ Also in this respect I deem it impossible for the population in one of the most developed areas of the world to being permanently secluded from the rest of the world. The modern communication media (and the young age of Kim Jong-un³⁴) will admit ways of access of the masses to the outer world and thereby introduce the decline of the last totalitarian regime on earth.

29 Black Book of Communism. Oppression, Crime, and Terror, ed. by Stéphane Courtois et al., l.c.

30 Ibid., p. 609-629.

31 See Cha, Victor “The Impossible State”, l.c. p. 7

32 Howbawm, Eric “Age of Extremes”, l.c., chapter 19, p. 708-709.

33 Ibid., chapter 15, p. 566-568.

34 See “North Korea’s Leadership: Disneyland for Dictators”. Kim Jong Un stamps his own Style upon his fantasy Kingdom, in: The Economist (07/19/2012).

References

- Carl J, Friedrich. / Brzezinski, Zbigniew K. 1956. "Totalitarian Dictatorship and Autocracy", Cambridge (USA)
- Eric, Hobsbawm. 1994. "Age of Extremes. The Short Twentieth Century 1914-1991", London.
- Ernst, Nolte.: Three Faces of Fascism. Action Francaise, Italian Fascism, National Socialism, London 1966.
- Hannah, Arendt. 1951. "The Origins of Totalitarianism", New York.
- Hans-Peter, Schwarz. 1998. "Das Gesicht des Jahrhunderts. Monster". Retter, Mediokritäten, Berlin.
- Juan J, Cfr. Linz. 1997 "Autoritäre Regime, in: Nohlen, Dieter (ed.) ", Lexikon der Politik, vol. 1: Politische Theorie, Berlin.
- Wolfgang, Cfr. Merkel. 2010, "Systemtransformation. Eine Einführung in die Theorie und Empirie der Transformationsforschung (System Transformation. An Introduction to the Theory and Empiricism of Transformation Research). ", 2. ed., Wiesbaden.
- Wolfgang-Uwe, Friedrich.: Formen des Totalitarismus. Zur Phänomenologie ideologischer Herrschaft im 20. Jahrhundert (Forms of Totalitarianism. Phenomenology of ideological Rule in the 20th Century)
- "Prägekräfte des 20", 1997. Jahrhunderts. Demokratie, Extremismus, Totalitarismus (engl.: Shaping Powers of the 20th Century. Democracy, Extremism, Totalitarianism), ed. by Eckhard Jesse and Steffen Kailitz, Munich
- "North Korea's Leadership: Disneyland for Dictators". Kim Jong Un stamps his own Style upon his fantasy Kingdom, in: The Economist (07/19/2012).

The Logic of Authoritarianism: North Korea and Autocratic Regime Stability

Andreas Wilhelm

The political uprisings that swept across the Arab world over the past year led to a new and striking change of the global political order. The overthrow of autocrats in Tunisia, Egypt and Libya caused by a coalition of active reformers and ordinary citizens was echoed as the most significant challenge of authoritarian rule since the collapse of the Soviet Union. Is there a new chance of democracy-building leading to a more stable and peaceful world order? The actual tide of democratization in Arab countries hints to the fact that a possibility of political change can obviously be expected in regions where no broad tradition of democracy-building exists. Will there be a re-vitalization of democracy-building in countries governed under the authoritarian rule of personal leaders as Ben Ali, Muammar Ghaddafi or Hosni Mubarak? Or, in other words, will this process of democratization finally lead towards an order of global democracy, in line with assumptions formulated in the 1980s and 1990s? In the last two decades of the 20th century different trends and simultaneous movements of democratization in several countries, with initial parts in Southern Europe, Latin America, and in Asia, and with a new tide of political transition in Eastern Europe, the Soviet Union and sub-Saharan Africa, led to the assumption that democratization would unfold in different stages all over the world.¹

The Transition Paradigm: Bringing Authoritarianism Back In

It was optimistically believed that the dynamism of the third wave of democracy-building will end up in the political liberalization of countries formerly labeled as authoritarian or dictatorial states. The "rules of the democratic game" would alter into a more transitional period, with democratization tending to unfold in three stages: 1) the *opening*, "a period of democratic ferment and political liberalization in which cracks appear in the ruling dictatorial regime, with the most prominent fault line

¹ Huntington, Samuel P. 1991 "The Third Wave: Democratization in the Late Twentieth Century", Oklahoma.

being that between hardliners and softliners”,² 2) the *breakthrough*, tantamount “to the collapse of the regime and the rapid emergence of a new, democratic system, with the coming to power of a new government through national elections and the establishment of a democratic institutional structure”, and 3) the *consolidation*, “a slow but purposeful process in which democratic forms are transformed into democratic substance” through institutional reforms, the regularization of elections or the strengthening of civil society. In many countries it can yet be witnessed that the transitional period to democratization, with the path from opening and breakthrough to consolidation, has stagnated or goes backward (i.e. Thailand, South Africa etc).

The experience of the democratization process within the last ten years has shown that, even though there is determinative importance of elections being a key generator over time of further democratic reforms, numerous factors promoting democracy-building in Europe, Asia or Africa, will not necessarily lead to full democracy as a consequence. When it comes to democracy, generally, “anyone can do it”: Russians, Chinese, Cubans as well as North Koreans. Problems of democracy-building in Eastern Europe, Central Asia, Africa and East- and Southeast Asia nevertheless illustrate that countries considered as *transitional*, and with regimes attempting democratic reforms, often tend to be weak or unable to make headway on most of the transitional problems, from corruption, crime and elite transition to education, health, or public welfare generally.

As Thomas Carothers, and other scholars, for example Ghandi/Przeworski³, Geddes⁴, Hadenius/Teorell⁵ or Snyder⁶ have already mentioned, it is increasingly evident that the Third Wave of democracy had a strong *undemocratic undertow*. Despite the fact that an unprecedented number of countries experienced transitions to democracy during the last thirty years, a wide range of non-democratic regimes persisted across the globe. For example, entrenched totalitarian or post-totalitarian regimes kept a firm grip on power in North Korea, Cuba, China, Laos, and Vietnam. Longstanding monarchies endured in Saudi Arabia, Morocco, and Jordan. Personalistic

dictators survived in Libya, Zimbabwe, and Togo. And theocracies, ethnocracies, and military regimes remain in power in Iran, Syria, and Burma. Many countries across the world find themselves in a “gray-zone” between liberal democracy and full-blown authoritarianism. Instead of defining such regimes as a democracy with adjectives, as “illiberal democracy”,⁷ facade democracy, pseudo-democracy or semi-democracy,⁸ it will be more helpful to ask for the factors stabilizing autocratic regimes.

The focus on authoritarianism stresses two relevant aspects: first, to get beyond the limitation of a democracy bias taking into account that the decision by a regime’s political elites to follow the path toward democracy or placing an overwhelming emphasis on the electoral process will not necessarily lead to democratization; secondly, not to underappreciate the wide range of autocratic regimes in the world that not only lack the trappings of democracy, but are successful in their efforts to survive or even become an attractive counter-model to democracy-building. It requires that we tackle a key conceptual challenge: how to get beyond studying politics through the prism of democracy. At a time a) when autocratic regimes are successful in stabilizing their economies, as in China, Cambodia, or in Vietnam since the Doi Moi reforms, b) when authoritarian countries like Myanmar, Russia, and Egypt tend to have significant reforms, or, c) when countries, as in Syria, run the risk to collapse, it is of vital interest to ask whether this process of transition will unfold in a democratic system, or whether there is a certain logic of authoritarianism helping to stabilize the autocratic regime and to fend off any democratic challenge.

Authoritarianism continues to be a prevailing form of national governance in different regions. The first conclusion drawn from the transitional paradigm in the 1990s was that the process of democratization has to be understood as a constant and ubiquitous trend of political change leading to a democratic world order. It was believed that the course and nature of political change in many regions, swelling dramatically in the first half of the 1990s, has to be captured by a new concept and analytic model of democratic transition. The so-called “transitology” that had previously emerged in the academic field was extended into a universal paradigm for analyzing and understanding the process of democratization considering “any country

2 Carothers, Thomas 2002 "The End of the Transition Paradigm". *Journal of Democracy* 13: 5-21.

3 Gandhi, Jennifer/Przeworski, Adam 2007 "Authoritarian Institutions and the Survival of Autocrats". *Comparative Political Studies* 11: 1279-1301.

4 Geddes, Barbara 1999 "What Do We Know about Democratization after Twenty Years?". *Annual Review of Political Science* 2: 115-144.

5 Hadenius, Axel/Teorell, Jan 2007 "Pathway from Authoritarianism". *Journal of Democracy* 18:143-156.

6 Snyder, Richard 2006 "Beyond Electoral Authoritarianism: The Spectrum of Non-Democratic Regimes", in: *Electoral Authoritarianism. The Dynamics of Unfree Competition*, Hrsg. Andreas Schedler, 219-231. Boulder, Colorado

7 Zakaria, Fareed 1997 "The Rise of Illiberal Democracy". *Foreign Affairs* 76, 6: 22-43.

8 Case, William. 2004 "Democracy in Southeast Asia: what does it look like and what does it matter? ", in: Mark

Beeson (ed.), "Contemporary Southeast Asia: Regional Dynamics, National Differences". London, 75-96.

Case, William. 2005 "Southeast Asia's hybrid regimes: When do voters change them?". *Journal of East Asian Studies* 5: 2, 215-37.

moving *away* from dictatorial rule (...) a country in transition *toward* democracy”.⁹

Considering that some countries are en route to becoming relatively well-functioning democracies or “enjoy a positive dynamic of democratization”, many of them suffer from serious democratic deficits, including difficulties to unfold a political life that gives political space for opposition or helps overcoming problems like the poor representation of citizens’ interests, low levels of participation beyond voting, and uncertain legitimacy.¹⁰ Therefore, it will bring about a better understanding of political systems if we go forward in considering the dichotomy of democracies and autocracies by analyzing authoritarian regimes and not by neglecting the “dark zone” or, as Schedler puts it, the “foggy zone” (2002: 37) between liberal democracy and closed authoritarianism. Autocratic states are not a “closed shop”: neither can they only be lumped together with the catch-all category “closed regimes”, nor is there any visible process which will end up in an alliance or a closer network of autocratic regimes installing a “Concert of Authoritarianism” opposed to a “League (or Concert) of Democracies”.¹¹

Any efforts to understand the logic of authoritarianism should take into account that a variety of different autocratic regimes exists: totalitarian and post-totalitarian regimes, like Vietnam, Cuba, North Korea, or China, traditional monarchies in Saudi Arabia, Morocco or Qatar, military regimes like Myanmar/Burma or personalistic regimes and ethnocracies like Burundi, Turkmenistan, Syria or former Egypt. Thus, the category of “closed authoritarianism” fails to distinguish between different political settings. In many of these countries economic modernization is closely related to political control systems, the use of force, and the manipulation of ideas and informations to increase the regime’s legitimacy. Explaining the characteristics of authoritarian states therefore requires a better understanding of non-democratic regimes and a new conceptual approach that goes beyond the spectrum of democracy oriented definition.

Taken together, it will be helpful to think about authoritarianism in a manner that goes beyond the transition paradigm of the 1990s, particularly with due regard to the fact that “seemingly continual surprise and disappointment” expressed by Western politicians over the “very frequent falling short of democracy in ,transitional

countries’ should be replaced with realistic expectations about the likely patterns of political life in these countries”.¹² All too often a kind of democratic Romanticism prevails falling behind the political reality. To explore the logic of authoritarianism in North Korea and to assess the political development of the country, we will suggest an approach that is based on the central aspect of legitimacy. Legitimacy can be treated as a multidimensional concept traditionally used as a certain kind of approval accorded (or not) by citizens to their national political regime: “Legitimacy (...) refers to a particular kind of rule-following or obedience, distinguishable from purely self-interested or instrumental behaviour on the one hand, and from straightforward imposed or coercive rule on the other”.¹³ Despite the full complexity and the Janus-faced denotation of the concept referring both to those who seek legitimacy and those who decide whether to confer it, legitimacy is necessary for any political order. The issue of legitimacy, as suggested here, is an important key factor not only for democracies, but also for authoritarian countries. North Korea or other totalitarian and post-totalitarian states need to focus not only on repression and cooptation but also, to a certain extent, on legitimacy.¹⁴

North Korea’s Authoritarian Toolbox

At first sight, it might be surprising that a totalitarian regime, like North Korea, which is the most controlled and oppressed society in the world today and at the top of many of the global standardized ratings of political repression, requires legitimacy. Even though North Korea’s level of totalitarianism is unprecedented in contemporary history, the regime in Pyongyang requires stability through legitimacy. The authoritarian toolbox that North Korea’s leaders rely on to stay in power and to stabilize the country against internal and external threats consists of three essential mechanisms for producing legitimacy:

1. *Totalitarian Institutions and Restrictive Social Policies*: creating a country where

12 Carothers, Thomas 2002 “The End of the Transition Paradigm”. *Journal of Democracy* 13: 5-21.

13 Hurrell, Andrew 2007 “On Global Order. Power, Values, and the Constitution of International Society”, Oxford.

Beetham, David 2001 “Political Legitimacy”, in: Nash, Kate/Scott, Alan (ed.) *The Blackwell Companion to Political Sociology*, Malden, 107-116.

14 Gerschewski, Johannes/ Merkel, Wolfgang et al. 2013 “Warum überleben Diktaturen? (Why Do Dictatorships Survive?)”, in: Kailitz, Steffen/Köllner, Patrick (ed.): *Autokratien im Vergleich (Autocracies in Comparison)*, Baden-Baden, 106-132.

9 Carothers, Thomas 2002 “The End of the Transition Paradigm”. *Journal of Democracy* 13: 5-21.

10 Cho, Yun-jo 2005 “The Sources of Regime Stability in North Korea: Insights from Democratization Theory”. *Stanford Journal of East Asian Affairs* 5: 1, 90-99.

11 Ikenberry, John G./Slaughter, Anne-Marie 2007 “Forging a World of Liberty Under Law: U.S. National Security in the 21st Century”, Princeton: The Woodrow Wilson School of Public and International Affairs.

the elites are neutralized or co-opted, thereby developing relationships and networks of trust between Kim Jong Un's family, the mass party, the military and technically trained bureaucrats.¹⁵ By inserting the family into every organized institutional interaction, the political establishment near to Kim's leadership obstructs the development of different political thoughts or activities.

2. Ideology and Control of Information: To justify their hold on power, the Juche ideology provides a way of explaining the world and convincing the North Korean people that only the ideas of Juche are leading to a new human being. The regime in Pyongyang has to push Juche in order to establish Kim Jong Un at the center of a ubiquitous cult of personality.¹⁶ Hostility to South Korea, propaganda against the United States and Anti-Japanese sentiments are the means for producing external legitimacy. To consolidate his legitimacy through ideology, external threats and a "military-first policy", also known as the "Red Banner Spirit" introduced around 1995, can be seen as an essential factor for the leadership and succession strategy of Kim Jong Il and his son, Kim Jong Un. Thus, the new installed Kim Jong Un regime has continuously to employ the totalitarian ideology which has been incalculated into the North Korean people through every possible medium, like arts, education, monuments or epic Mass Games stadium shows.¹⁷ The resilience of the regime in North Korea depends on the Supreme Leader (*suryong*) system, with Kim Il Sung as the "sun of the nation" and the whole Kim family as "a kind of substitute and symbol for the family of the Korean nation".¹⁸

1. Repression and Co-optation: All of these tools require complete *control* or *repression* of the political, economic and social environment, encompassing control of informations and interactions between the political classes and institutions. Multiple internal security agencies are dealing with gathering informations, mobilizing fear and using intimidation, the use of force and perks and rewards to co-opt military

and political elites.¹⁹ In the case of North Korea a hierarchical process of producing legitimacy has been favored to serve as a tool of its survival. Like all authoritarian leaders in the Middle East or Central Asia, members of the Kim family, Kim Jong Un and his uncles or aunts, heavily rely on effective repression penetrating the society with security services, punishing disloyalty through torture, imprisonment, exile to gulags, or execution. Kim Jong Un plays the traditional repertoire as he obviously continues to use force and punishment for the persistence of North Korean authoritarianism.

In order to keep the North Korean regime legitimate and to secure power for himself Kim Jong Un therefore depends on

- an elaborate *network* of security and political mechanisms,
- *authority* constantly linked with North Korea's sovereignty, the cult of personality and the Juche ideology, and supported by the narrative of a regime mythology that will help to sustain the regime amidst a world order where other Marxist-Leninist regimes have collapsed and new instruments of a pragmatic authoritarianism seem to prevail, and
- *intra-elite consensus*, promoted by a robust security and state apparatus retaining the balance between the circle of military and security leaders, party officials, and bureaucrats. More important than the health of the economy has been the regime's ability to bribe elite supporters and to make betrayal extremely costly for political elites or security forces.

Every autocratic regime in North Korea, from Kim Il Sung to Kim Jong Il and Kim Jong Un, has to be a "strategic player" acting flexible to enhance the regime's legitimacy.²⁰ With the military as a "pillar" of socialism, the co-optation of the security and military elite by bestowing on it policy influence and prestige, and with the acquisition of nuclear weapons and missile technology, the regime in Pyongyang uses tools for cultivating the military's support and bolstering North Korea's deterrent against foreign adversaries. The on-going task of *producing legitimacy* suggests several implications for the future of North Korea under Kim Jong Un's leadership.

15 Lankov, Andrei 2006: The Natural Death of North Korean Stalinism. *Asia Policy*, 1, 95-121.

16 Martin, Bradley K. 2006 "Under the Loving Care of the Fatherly Leader: North Korea and the Kim Dynasty", New York.

17 Brownlee, Jason 2007 "Hereditary Succession in Modern Autocracies". *World Politics* 59: 595-628.
Byman, Daniel/Lind, Jennifer 2010 "Pyongyang's Survival Strategy. Tools of Authoritarian Control in North Korea". *International Security* 35: 1, 44-74.

18 Armstrong, Charles M. 2003 "The North Korean Revolution", 1940-1950, Ithaca, N.Y.
Frank, Rüdiger 2008 "The Future of Political Leadership in North Korea, PolicyForum Online 08-72A, 23.9.2008", Nautilus Institute.

19 Linz, Juan 2000 "Totalitarian and Authoritarian Regimes", London.

Silberstein, Benjamin K. 2010 "North Korea: Fading Totalitarianism in the "Hermit Kingdom", IFN Working Paper No. 836 (Research Institute of Industrial Economics, Stockholm).

20 Kim, Hong Nack 2012 "The Kim Jong-Un Regime's Survival Strategy and Prospects for the Future of North Korea". *International Journal of Korean Studies*, Vol. XVI, No. 2: 81-106.
Park, Kyung Ae/Snyder, Scott (ed.) 2012 "North Korea in Transition: Politics, Economy, and Society", Lanham.

Four different scenarios of regime stability can be outlined: a) the “Hermit Kingdom”-scenario, b) the “Chinese way”-scenario of a (frozen) post-totalitarian development, c) the “Muddling Through”-scenario, and d) the “Collapse”-scenario.

Fading Totalitarianism? North Korea’s Regime Stability

The “Hermit Kingdom”-Scenario

If we consider the defining list of Linz,²¹ Brzezinski and Friedrich,²² there are still some “traits” creating a totalitarian cluster within the Kim Jong Un regime: a) an official ideology, like the Juche ideology in North Korea, decisively focused and projected toward a perfect final state of North Korean mankind; b) a single mass party, led by the personal leader Kim Jong Un and his family completely intertwined with the bureaucratic government organization and the military; c) a system of terrorist police control selecting classes of the population and political elites arbitrarily, and directed against “enemies” of the regime; d) permanent mobilization of the masses through the manipulation of informations and ideas, and the effective control of all means of mass communication; and e) a complete and central control and direction of North Korea’s economy.

Every kind of political resistance or anger among the military elite will be prevented by reproducing legitimacy through the existing political infrastructure which will stunt the development of social or political critics and squelch any independent civil society. Any dissatisfaction with the regime in Pyongyang will be prevented because of an elaborate set of ideas and mass mobilization campaigns that create legitimacy and popular support. In this scenario the authoritarian strategies of legitimation will continuously support a “Hermit Kingdom” *co-opting* its supporters, *repressing* opponents of the regime, *confronting* neighbour countries by military threat, and manipulating foreign governments for domestic advantage. Foreign governments and their security policy, particularly of the United States, Japan, and South Korea will continuously be used as external threats to whip up xenophobic nationalism helping to legitimize the regime, and as a source of financial aid to secure the regime’s survival and to generate the currency needed to buy off the North Korean elites.

21 Linz, Juan 2000 "Totalitarian and Authoritarian Regimes", London.

22 Brzezinski, Zbigniew K./Friedrich, Karl J. 1956 "Totalitarian Dictatorship and Autocracy", Cambridge

A “Chinese-way” scenario

Since Kim Jong Un has followed his father as Supreme Commander of the country, the tone of the regime has changed slightly in regard of its economic modernization. To some part his goals concerning small economic reforms seem to be, at the very first glance, quite similar to the economic pathways of modernization China decided to implement in the 1980s. Obviously, Kim Jong Un may find it advantageous to give peasants and local farm workers the chance to sell a small amount of its collective goods or to use it for improving their own living. This could reflect conscious decision-making by Kim and the political elite to maintain military loyalty to the status quo and to Kim Jong Un as a dynastic successor to the nation’s original founder on the one hand, but, on the other, to combine it with a set of strategies employed to strengthen North Korea’s survival capabilities.

The re-production of legitimacy, particularly the regime’s authority, which is rooted in the traditional Confucian cultural base, the ideological indoctrination of the Juche ideology and a xenophobic nationalism referring to its emphasis on national pride and self-reliance, will produce the political-cultural norm of stable authoritarian governance and serve to enhance support for the regime. Having seen the success of economic systems in Europe Pyongyang might see a “Chinese way” of reforms a key structural variable. These political measures, if realized, could try to ensure the allegiance of the armed and security services as a whole and to prevent any faction within the elites from seizing power (*cooptation by modernization*). For Kim Jong Un as a young man who might wish to enjoy luxury items, acquiring hard currency and luxury goods will be not the only motivational factor. In a country that has been confronted with famine for many years, nuclear weapons and better living conditions will bring prestige to Kim’s regime opposing possible dissatisfaction of North Korea’s elites.

A “Muddling through”- scenario

Even though Kim Jong Il installed his brother-in-law Chang Song Taek and other relatives in sensitive positions, a very substantial part of the Pyongyang rulers have been members of the extended Kim family, descendants of former guerilla fighters and second-generation revolutionaries linked to the Kim dynasty by family or school ties. Thus, the elite is held together by a close network of “blood relations”, not the

less with people with whom both Kim Il Sung and Kim Jong Il carefully staffed key positions in the top security organs. For Kim Jong Un and his legitimacy it will become even more difficult to strengthen the “mainstay of Pyongyangs power”. The loyalty of the next generation (i.e. commanders in the military, elites of security agencies) could be less assured. To be the heir of Kim Il Sung, “the sun of the nation”, will remain an important ideological and rational basis for his government. The sun of Kim Il Sung, however, will have its problems to shed a brilliant light on his grandchildren. Over time a military-bureaucratic complex of officers and bureaucrats has developed that makes the strategy of co-optation more difficult (Cheong 2009). Intra-elite cooperation as well as co-optation has its drawbacks, and primarily seeks to limit opposition rather than address grievances.

Co-optation is based on the provision of private goods. If the funds for these goods will dry up, and if there is little left to tie them to the regime, some members of the political leadership, middle ranks of the military forces or of security agencies could try to abandon their communist masters in North Korea. The re-production of legitimacy could bring about continued dissent jeopardizing government patronage. This would reinforce the military’s support for the resilience of the regime and existing patronage networks between military elites and bureaucratic politics. Thus the consequences could be twofold: a regime facing the problem of dissatisfied elites will, on the one hand, lead to an incremental process of transformation, not at least to the possibility of the collapse of the North Korea system; on the other hand, as a consequence of internal turmoils and a loss of legitimacy there could be the risk of a power struggle trying to maintain a strong leadership and to use external threats and conflicts with the USA and South Korea to produce legitimacy guaranteeing the political surveillance and complete control of the country.

“Collapse”-scenario

This kind of a scenario will to large extent depend of a massive loss of legitimacy by the Kim Jong Un regime. Given its many deficiencies, including long-lasting starvation, far-reaching problems of co-optation between different groups of political and military elites, the declining role of Juche ideology, economic mismanagement, the weakening of the personality cult of the Kim family (*sultanism*), external influence of foreign countries, and ineffective measures of repression and control, all of it can contribute to a collapse of the North Korean regime. Nevertheless, this scenario of fundamental political change is to be considered the least likely scenario.

North Korea has not yet reached a post-totalitarian stage of political order. The regime’s fear that there could be a loss of its total monopoly and control will affect the nature and political behavior of Kim Jong Un’s government. Some of the changes in North Korea may not be visible for years. Political and military aggressiveness as well as new offers for political dialogue and cooperation will both be means for the North Korean government to fostering loyalty and producing legitimacy. With Kim Jong Un and his new leadership role, we are witnessing an autocratic system under the Kim Dynasty that could best be described as *authoritarianism 3.0*. Not only co-optation and repression but also legitimacy will have a deep influence on North Korea’s totalitarianism and its possible development into a (frozen) post-totalitarian regime within the next years.

Literature

- Armstrong, Charles M. 2003 "The North Korean Revolution", 1940-1950, Ithaca, N.Y.
- Beetham, David 1991 "The Legitimation of Power", Houndsmills.
- Beetham, David 2001 "Political Legitimacy", in: Nash, Kate/Scott, Alan (ed.) "The Blackwell Companion to Political Sociology", Malden, 107-116.
- Brownlee, Jason 2007 "Hereditary Succession in Modern Autocracies". *World Politics* 59:595-628.
- Brzezinski, Zbigniew K./Friedrich, Karl J. 1956 "Totalitarian Dictatorship and Autocracy", Cambridge
- Byman, Daniel/Lind, Jennifer 2010 "Pyongyang's Survival Strategy. Tools of Authoritarian Control in North Korea". *International Security* 35: 1, 44-74.
- Carothers, Thomas 2002 "The End of the Transition Paradigm". *Journal of Democracy* 13: 5 21.
- Case, William. 2004 "Democracy in Southeast Asia: what does it look like and what does it matter?", in: Mark Beeson (ed.), "Contemporary Southeast Asia: Regional Dynamics, National Differences" . London, 75-96.
- Case, William. 2005 "Southeast Asia's hybrid regimes: When do voters change them?". *Journal of East Asian Studies* 5: 2, 215-37.
- Cheong, Seong-chan 2009 "The Role of Key Institutions and Elite in Another North Korean Power Succession", in: *Vantage Point*, September, 46-57.
- Cho, Yun-jo 2005 "The Sources of Regime Stability in North Korea: Insights from Democratization Theory". *Stanford Journal of East Asian Affairs* 5: 1, 90-99.
- Frank, Rüdiger 2008 "The Future of Political Leadership in North Korea, PolicyForum Online 08-72A, 23.9.2008", Nautilus Institute.
- Gandhi, Jennifer/Przeworski, Adam 2007 "Authoritarian Institutions and the Survival of Autocrats". *Comparative Political Studies* 11: 1279-1301.
- Geddes, Barbara 1999 "What Do We Know about Democratization after Twenty Years?". *Annual Review of Political Science* 2: 115-144.
- Gerschewski, Johannes/ Merkel, Wolfgang et al. 2013 "Warum überleben Diktaturen? (Why Do Dictatorships Survive?)", in: Kailitz, Steffen/Köllner, Patrick (ed.) "Autokratien im Vergleich (Autocracies in Comparison) ", Baden-Baden, 106-132.
- Hadenius, Axel/Teorell, Jan 2007 "Pathway from Authoritarianism". *Journal of Democracy* 18:143-156.
- Hurrell, Andrew 2007 "On Global Order. Power, Values, and the Constitution of International Society", Oxford.
- Huntington, Samuel P. 1991 "The Third Wave: Democratization in the Late Twentieth Century", Oklahoma.
- Ikenberry, John G./Slaughter, Anne-Marie 2007 "Forging a World of Liberty Under Law: U.S. National Security in the 21st Century", Princeton: The Woodrow Wilson School of Public and International Affairs.
- Kim, Hong Nack 2012 "The Kim Jong-Un Regime's Survival Strategy and Prospects for the Future of North Korea". *International Journal of Korean Studies*, Vol. XVI, No. 2: 81-106.
- Lankov, Andrei 2006 "The Natural Death of North Korean Stalinism". *Asia Policy*, 1, 95-121.
- Linz, Juan 2000 "Totalitarian and Authoritarian Regimes", London.
- Martin, Bradley K. 2006 "Under the Loving Care of the Fatherly Leader: North Korea and the Kim Dynasty", New York.
- Park, Kyung Ae/Snyder, Scott (ed.) 2012 "North Korea in Transition: Politics, Economy, and Society", Lanham.
- Schedler, Andreas 2002 "Elections Without Democracy. The Menu of Manipulation". *Journal of Democracy* 13: 2, 36-50.
- Silberstein, Benjamin K. 2010 "North Korea: Fading Totalitarianism in the "Hermit Kingdom", IFN Working Paper No. 836" (Research Institute of Industrial Economics, Stockholm).
- Snyder, Richard 2006 "Beyond Electoral Authoritarianism: The Spectrum of Non-Democratic Regimes", in: *Electoral Authoritarianism. The Dynamics of Unfree Competition*, Hrsg. Andreas Schedler, 219-231. Boulder, Colorado
- Zakaria, Fareed 1997 "The Rise of Illiberal Democracy". *Foreign Affairs* 76, 6: 22-43.

The Crisis of the Euro: Nature, Causes, Rescue Strategy and Consequences for Europe's Future Role in the World

Dr. Rigmar Osterkamp

Crisis of the euro – or of euro-zone member countries?

Let me start by showing a map of the 27 countries belonging to the European Union (EU, Fig. 1). 17 countries of the 27 are euro countries, while 10 EU countries, thereof, notably, the United Kingdom, still have their individual currencies,

An important indicator for the strength or weakness of a currency is the development of its external value, for example vis-à-vis the US-Dollar or the Korean Won. Fig. 2 shows the development over the last 10 years. From 2002 to 2008 there was a relatively strong appreciation of the euro that was later replaced by a depreciation. A similar development occurred between the Chinese Yuan and the euro (Fig. 3). However, latest figures (September 2012) point again – despite all crisis talks – in the direction of an appreciation of the euro. Moreover, the euro today is still stronger than it was directly after its introduction in 1999.

The euro is also used for international payments between non-euro countries. While the Chinese currency is gaining ground as a global currency and the US Dollar is losing, the euro share in such payments seems to be relatively stable despite the crisis.¹

A third indicator for the soundness of a currency is inflation in the currency area. In this regard, as well, the euro did fairly well. Inflation fluctuated between 1 and 3 % and – at least so far – there is no upward trend. The president of the European Central Bank, the Italian Mario Draghi, is correct to proudly point to the fact that inflation in the euro zone was and is even lower than it regularly was in Germany under the then DM.

Thus, it seems justified to say that the euro as a currency is not endangered, not even weakened. It is still a strong and internationally reputable currency. But what is then the nature of the euro crisis?

What we indeed have is a crisis of some euro member states. Crisis-ridden is primarily Greece, but in trouble are also Spain, Portugal, Italy, Cyprus and Ireland. With the exception of Ireland, the problem countries belong to the southern periphery of the

¹ See European Central Bank, 2011.

European Union. There are differences of the problems between the countries, but they also share some problems. One is that GDP is on a severe decrease since some years and that unemployment is – in the range of 20 and 30% – very high.

The other common problem is that the countries are unable to stimulate their economy by a depreciation of their currency – at least as long as they belong to the euro zone – or by means of public deficit spending. The public sector, the private sector and the banks are already over-indebted (though in different degrees in the mentioned countries), and the international capital market asks for rather high interest rates for the prolongation of old (public or private sector) debt or the issuance of new debt. Additional public deficit spending is restricted by another reason as well: It is out-ruled by the rescue umbrellas and by the structural adjustment measures requested by the EU institutions for the countries in problems in exchange for their adjustment efforts.

Causes of the crisis: an economics perspective

How could it happen that the countries mentioned came into such a situation?² It may be surprising, but one decisive reason is the decrease of interest rates which the problem countries experienced when they joined the euro. Fig. 4 shows that in 1985, well before the establishment of the euro, interest rates (for 10-year government bonds) differed widely. They ranged between 7% (Germany) and 18% (Portugal). Before it became clear that also Greece would join the euro, the country had to pay interest rates of even more than 20%.

The euro has been established in steps. The Maastricht treaty of 1992 determined the conditions countries had to fulfill before they could introduce the euro. In 1996 it was decided that the euro will definitely come. In 1999 the exchange rates between the national currencies on one side and the future euro on the other were fixed. These exchange rates were termed to be “irrevocable”. In 2002 eventually (1 January), euro notes and coins have been issued. They replaced the notes and coins of the former national currencies. Fig. 4 shows that during the whole step-wise process of the introduction of the euro, interest rates decreased in all countries.³ And they decreased

to the low level that Germany was happy to enjoy. When, eventually, the euro notes and coins were issued the process of equalization of interest rates was practically complete. Only one interest rate remained. Capital markets considered – at least for some years – Greek, Portuguese or Italian government bonds to entail the same risk as German bonds.

The considerable decrease of interest rates in those countries which had formerly high interest rates triggered a huge spending boom, financed by credit. Public and private debt, consumer debt and debt issued by banks shot up. This led to rising wages and prices. In Spain and other countries a huge construction bubble unfolded. Imports increased, while exports decreased. International competitiveness – within the euro zone and within the EU, but also vis-à-vis non EU countries – was severely weakened. As a consequence, current-account deficits shot up. Fig. 5 shows the accumulation of current-account surplus and deficits at the end of 2011 in the euro zone.⁴ 11 of the 17 euro zone countries accumulated deficits, only 6 are in surplus or have a zero position. In some of the countries the accumulated deficit is huge. The figure also shows that Germany is the largest creditor of the euro zone.

If interest rates had stayed on a low level, the situation of the public and private sector would have been much less difficult. But the hope that interest rates would continue to be low did not materialize. As Fig. 4 shows, the situation was stable for around 6 years – between 2002 and 2008 – and then deteriorated in the sense that interest rates and the spread between them increased again. Level and spread even reached higher levels than before the euro.

Thus, the direct causes and characteristics of the crisis of some euro member countries are, as we have seen, decrease of national production, high and rising unemployment, credit-financed over-spending, over-indebtedness of public and private sectors, lost international competitiveness. The eventually rising interest rates constituted the last blow to the hope for a self-managed escape route out of the crisis.

But there are indirect or fundamentally underlying causes for the crisis as well. One is that the decision to establish a European currency primarily served a political purpose, namely to contribute to the unification of Europe. Economic considerations played a minor role only, if at all. A relevant point would have been to ask whether the future euro zone would be in line with what economists call an “optimal currency

² Nobel prize economist Milton Friedman provided an – unfortunately farsighted – critical assessment of the fate of the euro as early as 1997. A similar view was provided by Condogn, 1998, and by a number of German economists as well.

³ Only a selection of countries is shown in the figure.

⁴ More exactly, Fig. 5 shows the so-called Target balances. These net claims of national central banks towards the euro system reflect current-account balances and capital flight.

area”.⁵ The answer is: not very much. Wage level, inflation proneness, interest rates, labour market flexibility, competition and competitiveness – all was, and, unfortunately, is very different in the euro area. Moreover, an optimal currency area needs a number of adjustment possibilities in the case of external shocks, for example labour mobility over state borders. The latter is permitted in Europe but is not very effective due to language problems.

Another underlying reason for the crisis, especially in Greece, is the fact that Greece has been admitted to the euro zone without meeting the officially established preconditions of the Maastricht treaty. One can even say that Greece got admission to the euro by faking important figures, for example about the Greek public deficit. On the other hand, it is likewise true that Eurostat, the statistics body of the European Commission, was unable or unwilling to employ a critical look at the figures provided by Greece. Here again, we see the overwhelmingly political intention behind the euro. In favour of Greece’s admission it has even been argued that Greece is, after all, the “cradle of democracy”. Therefore, so the argument goes, Greece cannot only be left out of the euro zone, it must be in the euro founding group – whether the country meets the official preconditions or not.

A final and – in my view – very important fundamental reason for the persistence of the crisis and the difficulty to solve it is a famous word by the German Chancellor, Ms Angela Merkel. She said in 2011 in a Parliament speech in Berlin: “If the euro zone fails, the euro fails. And if the euro fails, Europe fails.” However, Europe, as organized in the European Union, existed even before the euro, and it had achieved important milestones: free flow of goods, capital and people, a common external customs tariff, an effective competition authority and a support system for underdeveloped countries and regions. This led many commentators to consider the quoted statement as dubious or false. It may have even contributed to the crisis by making the stronger countries susceptible to blackmail. At least, some politicians in the problem countries argued to their electorate in the sense of: There is no need for dramatic reform efforts on our side. In any case, we shall get the money that allows us to stay in the euro zone.

Causes of the crisis: a politicians’ perspective

Within the attempt to “save the euro”, it is fully recognized by European politicians and institutions that over-indebtedness and lack of competitiveness of the countries in trouble are two core problems which must be resolved. But one more problem is usually considered to be of the same order of importance: the “irrationality” of the capital markets that demand “unduly” and “irresponsibly” high interest rates for public and private bonds of the problem countries. “The markets must be impressed” is the perception of the European Central Bank to solve that problem. “And we shall do each and everything necessary to impress the markets – until they are prepared to accept reasonable interest rates for bonds of the problem countries” – so recently ECB’s president Mario Draghi.

It is quite understandable that the hitherto widely shared belief in an alleged “rationality” of the capital markets suffered a severe blow after the last international financial crisis. However, the pendulum of assessing the rationality of the financial markets may have swung back too far. The interest rates in the market for rescheduled or new debt of the problem countries may entail a not implausible risk premium for the case that these countries eventually become unable to serve their debt – despite all reaffirmation of the ECB and of European politicians.

It is quite clear that interest rates above a certain level start to be fatal for the debtor. However, it has become a widely accepted view that interest rates of 6 or 7% are already “deadly”. This view is of course shared by the debtor countries but it is also propagated by the ECB, by European politicians and by many media in Europe. Fig. 4, however, shows that interest rates have been much higher before the euro has been installed.⁶ Moreover, it must be seen that the actual market interest rate is only applied to rescheduled or new (additional) debt, not to the existing debt bonds.⁷ If it is higher than the average interest rate for all existing debt, it will increase the average rate, but only slowly.⁸

⁶ It must be admitted that also inflation was higher in many countries. That means that real interest rates have been lower than what is reflected in the nominal interest rates in Fig. 4. However, even real interest rates have been higher before the euro than after its introduction.

⁷ There also are government bonds which do not have a fixed but a flexible interest rate. The latter permanently reflects the current market interest rate. If all bonds issued were of that nature and were equally distributed over the 10 years, the current market interest rate would equal the average rate. That form of government bonds is, however, unusual.

⁸ If all debt were issued in the form of 10-year bonds, it would take 10 years to raise the average interest rate to the current (marginal) rate.

⁵ See Nobel prize economist Robert Mundell for his famous analysis in 1961.

The usual remedies according to textbook economics

The problems of Greece, Spain, Portugal, Italy and other countries of the euro zone are by no means unique. Such problems, having occurred historically again and again all over the world, old Europe included, are described in every textbook of economics. They also describe remedies usually recommended for such cases. These remedies comprise: depreciation of the currency, liberalization of markets and of regulations (“structural adjustment” as the IMF calls it), cancellation of international and/or national debt (often called a “hair-cut”), and fresh credit. According to textbooks, it is advisable to act in all four areas, while the depreciation is usually regarded to be of primary importance.

Unfortunately, within the euro area a normal currency devaluation (also called “external devaluation”) is not possible – except the country leaves the euro and introduces again its own national currency. However, the euro treaty does not foresee the possibility of an “exit”. Nevertheless, a country would be, of course, free to do so. But, and again unfortunately, it had to leave the European Union as well.

Even according to textbook wisdom, currency depreciation is not an easy step. But structural adjustment without depreciation is a nearly hopeless affair.⁹ In that case, a necessary part of structural adjustment had to be what is called “internal devaluation” instead of a normal or external devaluation. That means: deflation with all its dire consequences. Prices and wages must decrease in nominal (and real) terms in order to restore international competitiveness and the sustainability of public finances.

The strategy to save the euro

When a currency depreciation of the problem countries – i.e. their exit from the euro zone – is regarded as impossible or unwarranted, three possibilities remain: structural adjustment (including internal devaluation), debt hair-cut and fresh money. In the case of Greece, there was a hair-cut for the public debt and there was, in repeated installments, fresh money. Moreover, measures of structural adjustment have been made a precondition for the continuation of providing fresh money in all countries in trouble.

⁹ The country of Estonia, a member of the euro zone since 2011, is a rare exception. In 2008/09 the country was hit by the international financial crisis. It could have devalued its national currency in the normal way, but it did not. It reacted by a severe internal devaluation. With broad acceptance by the population, the government was able to decrease prices and wages, more or less in one stroke. International competitiveness was quickly restored.

It was clear from the outset that structural adjustment – including lowering wages and prices, opening-up of formerly sealed markets, liberalizing labour markets and redressing public deficits – is a very difficult undertaking, particularly when it has to be done without (external) currency devaluation. Moreover, it is also politically a very risky task for the governments of the countries in trouble. So, the game that has been played – and is being played – between the governments of the problem countries on the one hand and the European institutions on the other, is about “how much reform for how much rescue money”. For the European institutions there is one important problem in the game: neither the reform efforts nor the reform effects can be easily observed. So it is unavoidable, at least to a certain degree, that the provision of fresh money is based on confidence on the side of the European institutions and verbal affirmation of good will on the side of the problem countries.

After two years of repeated rescue programs it has become obvious that structural adjustment in Greece practically does not work, and that it works rather sluggishly in Spain and Portugal. In Greece, the unit labour costs have indeed decreased. But that may be mainly the result of the fact that least effective firms with high unit labour costs have left the market. A more relevant indicator is the GDP deflator which measures the overall price development in an economy. And this indicator does not yet show a significant sign of a price decrease in Greece that may indicate a development towards regaining ground in competitiveness.¹⁰

There are more instruments in the rescue arsenal, either already employed or discussed. In May 2012, 25 of the 27 EU member states signed a treaty, usually called Fiscal Compact. Its aim is to limit fiscal deficits to 3% of GDP, provided that the structural part of the deficit (taking current economic growth into consideration) is not higher than 1%. Given that the euro treaty of Maastricht (1992) had similar provisions but was not able to limit deficits, the question is whether the new treaty will be more effective.

The ECB already has massively bought government bonds of troubled countries in order to reduce interest rates. Recently the ECB has announced to widen that program in an “unlimited” way. “The markets will have no doubts any more about our determinedness” as Mario Draghi announced.

After the recent decision of the German Constitutional Court, the European Stability Mechanism (ESM) is about to take up its work soon. It is the follower of the tentative EFSF. Its task will be to lower the interest rates of government bonds by

¹⁰ There is one puzzle, however: the general price level did not decrease so far – but wages did. This does not easily fit.

buying those bonds, either directly from governments or on the secondary market. A precondition for such buying actions is that the government asks for such help of the ESM and, more important, that it agrees to a restructuring program. The question is, however, how tight will be the relation between rescue money and restructuring – given that decisions about help and adjustment efforts are finally of a political nature.

“Euro bonds” is a possible future rescue instrument. The commonly shared liability of all euro countries for the bonds issued by whatever individual country of the euro-zone would reduce the interest rate for countries in trouble – but would increase the interest rates for countries which previously had a higher reputation on the capital markets. Thus, this instrument is advocated by some countries and strongly opposed by others, exactly because it is a step into the direction of the euro zone as a “transfer union”.

A relatively new idea is what is mysteriously called “Banking Union”. This Banking Union would consist of a unified European banking supervision authority¹¹ and a bail-out fund for failed banks. Euro-wide (or even EU-wide) banking rules and supervision could care for a level playing field for all banks and could avoid undue regulatory competition (“race to the bottom”). It also could issue early warning signals about ailing banks. However, dubious is that the new authority also should be entrusted with running a bail-out, restructuring and insurance fund for failed banks in the euro area. The Banking Union is already agreed upon, but important details are open. Clear is that the ECB will be entrusted with the supervisory task and the bail-out fund.¹²

All ideas about how to “save the euro” face two legal restrictions – at least in principle. The Maastricht treaty of 1992 and the Lisbon treaty of 2009¹³ proscribe that countries or governments in trouble be bailed-out by other European countries, governments or institutions. The treaties also proscribe that the ECB undertake government financing.

The question is whether the past, ongoing and planned rescue actions – by the EFSF, the ECB, the future ESM and the Banking Union – obey to these two stipulations or are already breaching the treaty. Opinions in Europe are divided. But a majority apparently would say: Necessity knows no law.

Besides the mentioned legal restrictions against rescue actions there is a

political restriction: that is the consensus of the population. The population in the troubled countries protested from the beginning against restructuring measures. In Greece the protests even took violent forms. In countries which are still economically strong and bear the main burden of liability and guarantees for the rescue money, the consensus of the population to go on with rescue measures is dwindling.

The future of the euro zone

I see three different scenarios for the future of the euro zone.¹⁴ The first scenario is the best, but it is also highly optimistic and not very probable: The rescue money buys time for restructuring; the time is effectively used; competitiveness is, albeit slowly, restored; public finances get in order step by step; liability and guarantees provided by the strong countries are not called upon; rescue credits eventually are paid back.

The second scenario is rather pessimistic – and it must, unfortunately, be regarded to be more probable than the first one: Restructuring with internal devaluation turns out to be rather ineffective and meets rising protests; political decisions of the stronger countries “in favour of Europe” permit a continuation of rescue measures even without adequate restructuring efforts, let alone success; there is a second hair-cut for Greece; other countries continue to be under the rescue umbrella. The stronger countries are weakened by their rescue measures which meet rising resistance from the citizens. In order to shift (and to hide) the financial risk of rescue measures from the national budgets to the ECB, the latter steps in and undertakes a rising part of rescue actions; the euro area is flooded with central bank money. Later attempts by the ECB to stop inflationary pressure by reducing the money supply (what is called “sterilization” of the money) meet political resistance due to weakened growth prospects and higher unemployment as a consequence of such measures.

My third scenario is one of “reasonable optimism”: population and politicians of the weakest country, Greece, are fed up with restructuring and internal devaluation; populations and politicians in the stronger countries are tired to throw good money down the drain; Greece gets a generous help package (including a second hair-cut) for an exit and leaves the euro zone; most former rescue credits are finally lost, but Pandora’s box of ever more rescue commitments is sealed, at least for the case of Greece.

11 Interestingly, there *is* a European banking supervision authority, the EBA, based in London. But it is considered to be rather toothless.

12 A critical point is that ordinary monetary policy and bailing-out banks may bring the ECB into conflicts.

13 The Lisbon treaty serves as a substitute for the failed Constitution for Europe.

14 Several authors have tried to design scenarios for a possible future development of the euro. See, e.g.: Buiter et al., 2011; Deo, 2011; EEAG, 2011; Issing, 2011. My three scenarios partly overlap with, partly differ from the other scenarios.

Within this latter scenario two further developments are possible. The first one serves as the main justification for all rescue measures, the so-called “domino theory”. It is the fear that the exit of one country may lead the financial markets to speculate against other weak countries; may make rescue measures for them ever more costly; and may eventually lead to a total break-up of the euro zone.

This is a possible scenario – but only if the other weak countries make no progress in terms of regaining international competitiveness and bringing their public finances and their weak banks in order. But if they manage to do so – and this is the second possible development within the third scenario – it is difficult to see how a rational “speculator” would dare to bet against the currency of such a country. So, it seems to be quite possible that a core – or even quite large – euro-zone could eventually survive and flourish.

There is a number of very precious achievements of the European Union: a long period of peace in Central Europe, free movement of goods and services, free movement of capital, enterprises and people, an efficient competition policy, and quite a degree of solidarity of richer EU countries for the poorer (by equalization and investment funds). The euro is an achievement as well, but mainly of a symbolic nature. And it is only an achievement if countries do not suffer from being a member of the euro zone. It is the conviction of many citizens in Europe that none of the precious achievements had to be abandoned in a smaller euro zone.

Consequences of the crisis for Europe’s future role in the world

Which consequences for the future role of Europe in the world may follow from the three scenarios described above? Before we address this question, I would like to ask: How relevant is that question?¹⁵

Many persons in Europe, citizens and politicians alike, are convinced that the future role of Europe in the world is a decisive issue because the welfare of a people, as they believe, depends on being “on eye level” with world powers like the United States or China. Much support for “an ever deeper European Union”, rescue of the

euro included, stems from this conviction.¹⁶

Some people, however – and many economists belong to this group –, are not convinced. They argue that it is not states or governments which create wealth, jobs and innovation – but people and enterprises do. The important role of governments is to provide a framework of rules and relevant public goods which allow people and enterprises to unfold their productive capacities.

Nevertheless, there may be a grain of truth in the conviction that being part of a larger state or a union of states is helpful for creating or preserving wealth. The reason is that the international markets for important inputs to the production process, like oil or raw materials, are not fully competitive. Not only market power, but also political power and even military power plays a role in facilitating or impeding access of enterprises to such goods. That leads to the conclusion that it is advantageous for a country not to stand alone in the world.

However, most countries in the world are neither large nor do they belong to supranational institutions as the European Union is one. Quite a number of these relatively small and fully sovereign countries have managed to become wealthy, like Switzerland, Norway, Singapore or South Korea. Some other small countries are making very quick economic progress, like Turkey or Vietnam. That seems to indicate that long-term economic growth and wealth creation does not depend on being on eye level with global super powers.

It seems plausible to argue that the second scenario – protracted crises, continuing rescue measures and finally inflation – is the worst environment for competitive and innovative enterprises in the long-run. The best scenario for a strong economy of every European or euro-country would be the third one: A smaller euro area with the option for exit countries to join later again, after external devaluation and other restructuring measures have restored the competitiveness of their enterprises.

It is my conviction that Europe will be internationally weakest when it cannot stop to concentrate on solving protracted crises. By contrast, it will be internationally strongest when it solves its problems by applying solidarity towards its weaker members without hurting its own rules and treaties.

16 The vice-president of the European Commission, Michel Barnier, recently said: “Only by harmonizing ever more policy areas in Europe will it be possible to stand up against Europe’s great competitors, like China or the U.S. If this cannot be achieved, we will be reduced to the market outlet for these powers in ten years time.” (according to *Süddeutsche Zeitung*, 31 August 2012)

15 See e.g. Brakman et al., 2006.

27 European Union countries, thereof:

- 17 European Union countries with Euro
- 10 European Union countries without Euro



Fig. 1

Chinese Yuan per 1 Euro 2002 – 2012 (1st August)

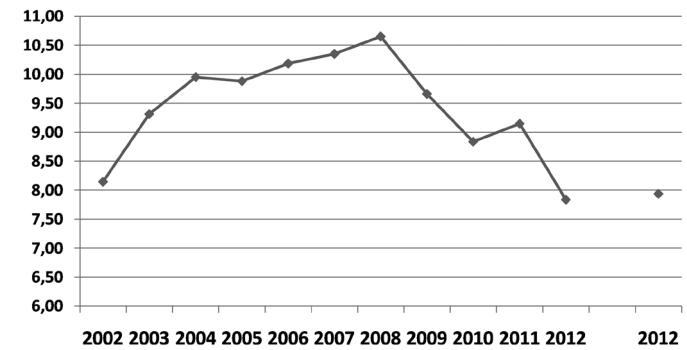


Fig. 3; Source: X-Rates.com

Euro Exchange Rates 2002 – 2012 (1st September) Units of foreign currency per 1 Euro

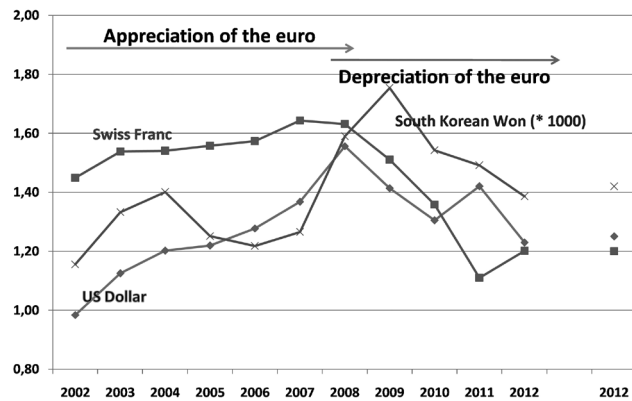


Fig. 2; Source: X-Rates.com

Interest rates for 10-year government bonds, 1985 – 2012, 6 Euro countries

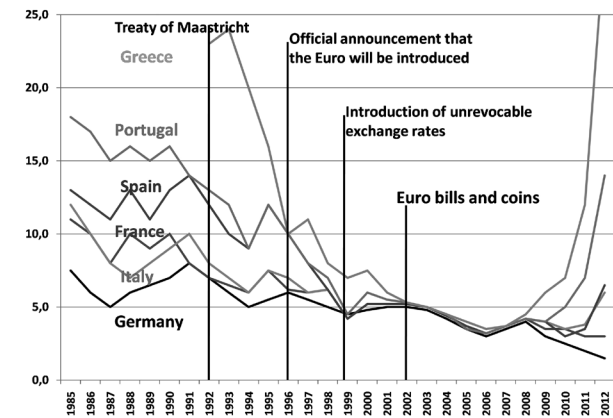
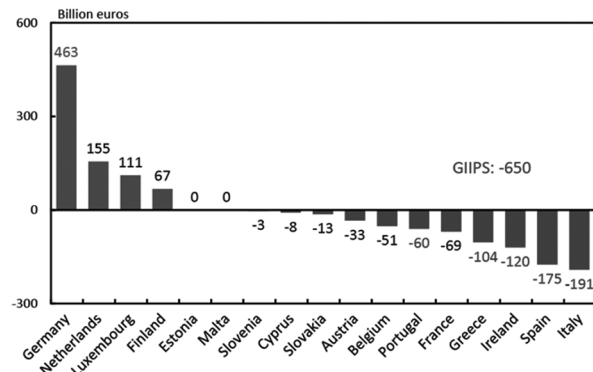


Fig. 4; Source: CESifo, Munich

Cumulated current account balances* since introduction of Euro

as per end of 2011



* More exactly: TARGET balances, i.e., net claims of national central banks towards the Euro system

Fig. 5; Source: CESifo, Munich

References

- Baldwin, R., Ch. Wyplosz 2004. *The Economics of European Integration*. New York: McGraw Hill.
- Buiter, W.H., E. Rahbari 2011, "The future of the euro area: Fiscal union, break-up or blundering? Towards a you-break-it, you-own-it Europe", *Citi Group Research Paper*;
- Brakman, S., H. Garretsen, C. van Marrewijk, A. van Witteloostuijn 2006, *Nations and firms in the global economy*, Cambridge: Cambridge University Press.
- Condogn, T. 1998, "A Maoist leap forward? The single currency and European political union", *The Selsdon Group Policy Paper*.
- Deo, St., P. Donovan, L. Hatheway 2011, "Euro break-up: the consequences", *UBS Investment Research*.
- European Central Bank 2012, *The international role of the euro*, (July); Frankfurt a.M.: ECB.
- European Economic Advisory Group (EEAG), 2011, *The EEAG Report on the European Economy*, Munich: CESifo.
- Friedman, M. 1997, "Why Europe can't afford the euro", *The Times*, (19 September).
- Issing, O. 2011, "Slithering to the wrong kind of union", *Financial Times* (8 August).
- Mundell, R. A. 1961, "A Theory of Optimum Currency Areas", *American Economic Review* 51 (4): 657–665.
- Sinn, H.-W. 2010, *Casino Capitalism: How the Financial Crisis Came About and What Needs to be Done Now (in Korean language)*, Seoul: Ecopia (translated by Professor Hun Dae Lee); in English language: Oxford University Press.
- Sinn, H.-W. 2010, "Rescuing Europe", *CESifo Forum*, Special Issue, #11, August.

Is the World of Finance Dominating National Economies and Politics?

Heinz Steinmueller

The Emergence of the World of Finance

The world of finance, the financial sector is of a gigantic dimension now. There is a strong imbalance between the real economy and the financial sector. The financial sector has surpassed its function to serve the real economy. It has become a world of its own – with its own institutions/agents, its own instruments and mechanisms. Horribile dictu – it dominates the real economy and in addition: it is unstable. We are in a process of stabilizing the financial markets and we hope we will succeed.

The background for this development is the process of liberalization and globalization. The fixed ratio between gold and the US-dollar was abolished, flexible exchange rates were introduced, the markets for stocks and bonds were liberalized. Deregulation was the great motto and unleashing the market forces was the proven remedy. No longer the banks, but the financial markets were the preferred source of finance for states and enterprises. The banking sector discovered investment banking as a highly profitable source of income. The financial sector grew drastically in importance and influence.

The theoretical or rather ideological background was the presumed end of Keynesianism and the rise of the New Monetarism and neoliberalism which, by the way, has come to be called neo-conservatism in the United States and neo-feudalism in England. The core messages thereof are:

- All markets are stable, including the financial markets.
- The state tends to be a destabilizing element.
- Deregulation and globalization are the roads to success.

This approach was implemented by Margaret Thatcher: deregulation, financialization instead of industrialization; and by Ronald Reagan: Reaganomics or – more seriously – supply-side-economics. Needless to say, this approach has come to be the guideline for action in politics, in the economy and in our society. Thus, the world of finance started to obtain a dominating role in these fields.

The Power of the Financial Markets

The main ingredient for the market process and the subsequent crises was and is liquidity. Liquidity lowers interest rates and makes it easier to take up credits. It makes it more difficult, however, to find highly profitable investment opportunities. So, speculation has become a tempting variety in the equity and property market – not to speak of the commodities market.

What are the sources of this over-boarding liquidity?

- (1) a most expansive monetary policy of the central banks worldwide,
- (2) a savings glut due to the necessity of private retirement planning and the high savings ratio associated with the increasing inequality of income and wealth worldwide,
- (3) a surplus in the balance of current accounts bringing down long-term interest rates in the case of purchases of long-term bonds.

The power of the financial markets is not only due to the high degree of liquidity and therefore low interest rates, but also to the instruments developed over time. They are:

- derivatives
- options and forward trading for the sake of speculation
- leveraging of investments based on credits
- collateralized debt obligations (CDOs)
- credit default swaps (CDSs)
- spread – ladder – swaps
- risk – shifting

These instruments in action are to a considerable degree responsible for the set of crises we are in – with the basic rules of a free market being hurt. These are:

- competition i.e. the lack of individual power
- liability i.e. no risk – shifting
- clear-cut rules to be obeyed i.e. some regulation
- transparency

Needless to say, it can be highly profitable not to obey these rules of a free market, or even better, not to have them.

What are the decision units, who are the agents in the financial market? "Market" is often used as an anonymising term. For example: The markets tell us; the markets decide; the markets must be obeyed. There are, however, faces in the crowd:

- banks, esp. investment-banks, partly off-shore
- funds: investment funds, pension funds, state-owned funds, hedge funds, private

equity funds

- insurance companies, portfolio managers, day traders, family offices
- and, last but not least, money from organized crime.

In addition, we must not forget the influence of all the lobbies and associations, and the people in politics close to the financial world. And we must not forget the rating agencies: Moody's, Standard and Poor's and Fitch.

The aims of all these agents are complex – to put it mildly. So, I won't go into detail. It may be said, however, that they are geared towards individual interests and the interests of the capital owners as their principals and not towards some national or global responsibility.

Now, let me focus on the operation / mechanisms of the financial markets. Due to globalization there is a world-wide mobility of capital. Often, national states are in the role of competitors in granting favorable conditions to the above agents. Small wonder that they are in a weak position vis-à-vis the markets and their power. Beyond this we have a competitive process due to the global shift away from the USA with an increased search of investment capital for alternatives to the US-dollar.

Another source of power is simply the enormous volume of these financial markets: 600 trillion USD of derivatives traded in 2010, 900 trillion of foreign exchange, 90 trillion of stocks and bond – as compared to a world GDP of 65 trillion USD. Whatever these gigantic amounts will buy, will go up in price – whatever these amounts will sell will tumble down in price. Simply by their gigantic volume the financial markets are in a position to produce a self-fulfilling prophesy and thus to dominate the markets. The consequence of all this is an enormous volatility and are price bubbles in a row.

We observe a process of separation between the real economy, the real sector and the financial sector which is over-sized as measured by its share in the GDP.

Not only the mechanism of this self-fulfilling prophesy is a destabilizing factor, but also so-called collateral debt obligations(CDO). They allow a separation of credit from liability. In addition, their securitization and their placement in conduits off-shore is apt to reduce transparency and thus to increase the power of the financial markets.

Another instrument with a similar effect are credit default swaps (CDS). They allow a leveraged speculation on the default of a credit granted to enterprises, banks and states. Needless to say, this variety of speculation profits from - and has an interest in - the bankruptcy of the borrower, and even in bringing this bankruptcy about. So, this can be quite destabilizing.

So is risk - shifting or call it moral hazard. This implies that the financial stability

of a bank or state is of relevance to the stability of the financial system as a whole. This is due to the global interdependence of financial relations and markets and, above all, to the gigantic sums involved.

The Financialisation of National Economies and Politics

The proof of the hypothesis that the financial markets are rather unstable is the cascade of crises in recent times: housing bubbles, banking crises, financial crises, national budgets in deficit, recession / depression in the most affected countries und finally public unrest.

In this sense the financial markets are indeed dominating the national economies und politics. Under neoliberalism with its philosophy of stable markets and non-intervention / deregulation we would expect creative destruction to be admitted. Not so today – quite the contrary. We are back to Keynesianism and to large-scale interventions by states and central banks in order to stabilize the unstable financial sector and the failing economies and states in Southern Europe. We are not willing to accept any bankruptcies of any bank or state because we do not know the domino-effect this will have. We have little information on the financial interdependencies between banks, insurers and national debt, especially among different countries. And, above all, we do not know how the markets will react and how powerful they are in their endeavor to profit even from financial decay.

We are providing guarantees and we are bailing out banks as well as states. We are in the process of a joint liability. We are sailing close to the wind. At present, debts must be distributed more evenly to reduce their destructive power. We all hope that the ways and means of the central banks and the states will not be exhausted.

Against a background of excessive public debt and an ailing banking sector the possibilities of a growth policy are limited – be it a monetary, be it a fiscal policy; and the necessary structural policy in the most affected countries will take a lot of time. Whether this necessary structural change will render countries like Greece or Portugal as competitive as the Netherlands or Germany remains more than an open question. If not so, a permanent flow of funds might be necessary in order to maintain economic, social and political stability. Lacking competitiveness plus a single common currency might become an even greater problem in the future.

What we have done, is to buy time to save banks, states and the Euro. We are in a prisoner's dilemma. Bankruptcies would be detrimental on the economy, and so would

be an increase in taxes and a decrease in expenditures in order to avoid bankruptcies.

We are compelled to preserve the Euro. The costs of returning to the previous currencies would be gigantic in economic, financial, social and political terms.

The economic and financial crises in Southern Europe will weaken Europe for at least a decade. These economies are in a depression, unemployment runs at 25 %, youth employment even at 50%. With the Euro as a single currency a devaluation of an individual country is no longer possible.

As a background to all this we must not forget the global shift: away from the USA towards the BRIC – states, especially China. To back my argument I will use the scenario of a slope – with a high end (the strong USA) and a lower end (Europe). To maintain this slope of power, influence, importance etc. there are two possibilities from the perspective of the USA: to gain strength or to weaken the other side, or, of course, to do both at the same time.

If we adopt for a moment this scenario of desired imbalance of power an interesting question might arise: Can the financial sector be used as an instrument to weaken a country or a set of countries? It might be possible to do so due the unstable character and the destabilizing effects of the financial market as they stand now.

Therefore, it should be our endeavor to stabilize the financial market as John Maynard Keynes did with the labor market.

References

- Akerlof, G.A., R.J. Shiller. 2009. "Animal Spirits". Princeton
- Greenfeld, L. et al. 2001. "The Spirit of Capitalism". Cambridge Mass.
- Hankel W. et al. 2011. "Das Euro-Abenteuer geht zu Ende", Rottenburg
- Krugman, P. 2012. "End This Depression Now!". Princeton
- Koslowski, P. 2009. "Ethik der Banken". Paderborn
- Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung. 2011. "Jahresgutsachten 2011/2012". Wiesbaden
- Shiller, R.J. 2005. "Irrational Exuberance". Berkeley
- Stiglitz, J.E. 2012. "The Price of Inequality". New York
- Stiglitz, J.E. 2010. "Free Fall". New York

East European Countries after the Breakup of Communism and the Ongoing Challenge of European Integration

Ralf Thomas Göllner

Introduction

The status of Europe and East Asia in the transition of world order can be analyzed under different aspects. One of the most important criteria distinguishing the different strategies of European and East Asian countries is the attitude towards regional integration versus cooperation. While Europe simultaneously tries to deepen and enlarge the area of integration, East Asian countries try to preserve their national sovereignty and focus on bilateral and multilateral models of cooperation. Rather than comparing the strategies applied in Eastern Asia and Europe, this article clearly focuses on the aspects determining Europe's importance and position in the changing political and economical environment and its ability to find a common position agreeable to all European countries. This common position refers to the internal European Union's sphere on the one hand and to international problems on the other hand. The capability to speak with one voice has already been very difficult in the old, pre-enlargement Europe, but today, after the accession of ten Central and Eastern European countries it is nearly impossible in most political areas. This conclusion can be drawn based upon different political, military or economic topics. This article states that one important point is that the integration of these Eastern countries, now members of the European Union, is not completed at all. This ongoing integration is not only an internal challenge for the former transition countries, but an obstacle for the European integration as a whole. The EU as a non-integrated and - according to most criteria - very heterogeneous international actor suffers from these integration deficits as a whole. An ongoing integration redirects funds, fragments political and economic elites and introduces selection criteria that can counteract integration. This influences Europe's position in the world order and determines the fate of the integration process as well as Europe's importance in the international competition of regional actors.

Transition and Democratization

The transition to democracy after the breakup of communist systems in Eastern Europe differed categorically from all regime changes in European history. The lack of a consistent transition theory and the missing experience with the transformation of communist systems, economies and societies turned the whole transition process into an experiment. Obviously, there existed a dilemma of simultaneity, which meant the need of a holistic reform in nearly all political, economical, societal, social and governmental spheres in the former communist countries. As not one of these countries wanted to preserve the existing socialist system, there could be only one option for the future: opening towards the West and the political and economic system represented by the Western, or more precisely the West-European, countries. This scope of the simultaneous economic and political transformation attempted in Eastern Europe was unprecedented, even if dual transformations were under way in many parts of the Third World at the same time. "Many Asian, African, and Latin American states intervened extensively in their economies (short of attempting central planning and total control) and most of these began to move toward economic liberalization during the 1980s. Some are launching or seeking to consolidate political openings from noncommunist authoritarian political systems."¹ The experiences with transitions from authoritarian systems in Southern Europe, for example in Greece, Spain and Portugal, or South America² couldn't be used as a guideline for a successful political, social and economic transition leading to a democratic consolidation. So the transformation of communist systems and societies lacked of guiding examples and convincing theories, and many scientists thought it would be an impossible task. One and probably the best known example was an essay written by Jon Elster, entitled "The Necessity and Impossibility of Simultaneous Economic and Political Reform" where the author came to the conclusion, that a simultaneous transformation in the political and economic sphere is impossible.

Nevertheless, a process of de-legitimization of the communist systems and elites and the urge towards democracy, personal and collective freedom and free market economy initiated a wave of democratization in Eastern Europe. This democratization

had not only an internal dimension, but an external, too. The breakup of the integrating ties with the former partners in the Eastern bloc required a new integration strategy, namely the integration in the European Community/Union. Consequently, democratization in East European countries meant from an early stage of transition on at the same time the preparation for a European integration at some point in time. If integration has to be analyzed, democratization as its grounding must be studied, too. Democratization in Eastern Europe can be described with the aid of a Multilevel Model of Democratic Consolidation as presented by Wolfgang Merkel, drawing on some systematic considerations developed by Juan Linz and Alfred Stepan.³

In the first level, named the *constitutional consolidation*, democratic institutions, a system of checks and balances, an electoral system and democratic procedures are established in the transition country. The considered starting point is the constitutional foundation of the democratic system. The norms and principles laid down in the constitution "provide the informal patterns of behavior for social and political contestation, which were developed or negotiated during the transition process."⁴ There are several aspects influencing and characterizing this first step of democratic consolidation like elites' behavior and their adherence to democratic rules in the susceptible transition period. Former communist elites have to comply with democratic thinking before democracy is established, thus providing the legitimacy of this process and leading to the future constitutions' formal legitimacy. Several other aspects of legitimacy, constitution making, and theoretical or empirical perspectives influence the further consolidation of democracy in this context. Needless to say, there are some theoretical issues and they vary from country to country and the governmental system (parliamentary, presidential or semi-presidential), but in sum they don't affect the process of democratization itself.

Merkel defines the *representative consolidation* as the second level of consolidation, criticizing that this aspect was neglected in almost all concepts of democratic consolidation. Merkel rightly introduces the level of *representative consolidation*, highlighting the importance of procedural elements like party system, elite formation or interest groups. These different functional representations of interest constitute formal or informal actors in the political system and they determine how the norms and structures of the consolidation process at the first level are to be completed. Thus, this topic refers largely to the type and method of legislative recruitment under

1 Nelson, J. M. 1993. The Politics of Economic Transformation. Is Third World Experience Relevant in Eastern Europe? *World Politics*, 45(3), 433-463.

2 O'Donnell, G., Schmitter, P. C., & Whitehead L. (Eds.) 1986a. *Transitions from Authoritarian Rule: Southern Europe*. Baltimore ; O'Donnell, G. & Schmitter, P. C. (Eds.) 1986. *Transitions from Authoritarian Rule: Tentative Conclusions about uncertain Democracies*. Baltimore.

3 Merkel, W. 1998. The Consolidation of Post-Autocratic Democracies: A Multi-level Model. *Democratization*,

4 Ibid., p. 43.

democratic procedures, while the transition from first to second level is diffuse due to the fact that institutional change influences and determines the setup of the second level's configuration. Moreover, *representative consolidation* will not come to an end with the democratic consolidation because it seems to be a much longer process in the context of those countries' integration into supranational organizations like the European Union. In addition, this level of consolidation is negatively correlated with the degree of political, social, and economic fragmentation and economic backwardness. Fragmented systems tend to perform a slower consolidation, because low professionalized political (often former communist) elites try to preserve their position in the party system. But, as Merkel states, parties alone "cannot guarantee the intermediation of interests between state and society. The territorial representation must be complemented by the functional representation of organized interests. It is exactly this level of intermediary structures, however, that is chronically underdeveloped in post-authoritarian societies."⁵ Even more, in former communist societies and countries, where the political elites are to a large extent identical with the economic elites, the *representative consolidation* should address the network-building in the economic sphere, too. Since there was in Eastern Europe no influential domestic class of private proprietors or an economic elite that was independent from party-politics, the level of the *representative consolidation* should additionally cover the emergence of representative economic interest groups and their positioning in the political system and the society. Now, more than twenty years after the beginning of the democratic consolidation, a considerably large part of the former political, communist, and state- and party-oriented elite has changed allegiance and nowadays represent the spearhead of an economic, private, and profit-oriented class.⁶ In terms of *representative consolidation* this level of democratic consolidation has to be extended into the stage of supranational integration in order to cover structural changes in the post-democratization era, too. But in the latter case the focus has to be set on the changes in democratic representation and the reproduction of elite groups within the political and economic system. A real *representative* and *behavioral consolidation* can only be achieved when this process of consolidation does not consolidate a single elite, which is covering political and economic sphere at the same time and excluding other groups from access to economic possibilities, but implements fair and transparent processes of selection, accession and elite alteration.

⁵ Ibid., p. 53.

⁶ Eyal, G., Széleányi, I., & Townsley, E. (Eds.) 2000. *Making Capitalism Without Capitalists: Class Formation and Elites Struggles in Post-Communist Central Europe*. London, New York: Verso.

The behavior of the actors at the third level is affected by the link between the previous two levels. Merkel named this third level the *behavioral consolidation* and describes the emergence of possible veto players. "The stability of a political system depends greatly on whether the social and political elites follow the constitutional rules and accept the legitimacy of the new democratic system. If the political leaders and powerful elites (military, capital, large landowners) do not perceive their own interests sufficiently protected, they will not accept the legitimacy of the new democratic system."⁷ These examples match to the experiences made in Latin America and Southeast Asia, especially in South Korea, Thailand or the Philippines, where military interventions shaped post-autocratic behaviors. In Eastern Europe military, capital or large landowners played no role as veto player. The most remarkable groups were the former communist elite and the elite that arose with their help, forming nowadays powerful economic actors like the *oligarchs* in Russia and Bulgaria. The *barons* in Romania and *tycoons* in Slovenia are the same phenomenon with different names and represent a lesser threat to the consolidation process than in Russia. Merkel discusses the degree of democratic consolidation in all East European countries.⁸ At the same time it is insufficient to demand only acceptance of and adjustment to democratic rules and structures of these elites. Today we have empirical evidence that some of these East European elites as well as the populace consolidated their behavior to democratic norms, misusing them for their own purposes. For example, if the ruling parties have especially close relationships with managerial elites from the public sector, they have multiple mechanisms to convert their control into competitive advantages in the electoral and distributional process.

The fourth and last level depends on the successfully implemented first three levels and is defined as the *democratic consolidation of the political culture*. This level describes the emergence of a citizenship culture and a civil society which has internalized democratic standards, values and procedures and the support for democracy. The implementation and strengthening of this level can last for generations, but it is crucial for a functioning and stable democracy. The legacies of the past are obvious, even if they should not be overestimated for the consolidation of the democratic system and institutional framework. The legacies are much more important for the way of establishing relations and socio-economic dependences in

⁷ Merkel, W. Op.cit., p. 56.

⁸ Merkel, W. 2010. Plausible Theory, Unexpected Results: The Rapid Democratic Consolidation in Central and Eastern Europe. In: Best, H., & Wenninger, A. (Eds.), *Landmark 1989. Central and Eastern European Societies Twenty Years after the System Change* (pp. 7-26). Münster: LIT-Verlag.

the consolidated systems. Regardless of whether one draws on the concept of the determining communist legacy or the liberalization approach⁹ for the transformation period itself, the influences of the legacies on the political culture and elites behavior is only partly shaped by the structure of constraints and incentives of the democratic and market oriented system. It is not based on an institutional and behavioral imitation of Western democratic standards, but rather an adaption of and an accommodation to the new rules embedding them into the countries' political culture. In this environment a type of clientelism effect can arise, that has through a defective political culture negative effects on the different stages of democratic consolidation and can lead to a de-consolidation or even a roll back of democratic consolidation. "However, in the long run democracy needs for its consolidation the passive obedience and active support of the citizens, otherwise it runs the risk of degenerating into some sort of *defective democracy* where the executive hollows out important checks and balances of the democratic and constitutional political order."¹⁰

Eastern Europe's Integration and Beyond

But what does this mean for the EU-Integration of the East European countries? The transition to a democracy has not been carried out for solely systemic purposes, but from the very beginning it aimed at the countries' integration into the West-European political and economic structures, the European Community and later the European Union. The European Community strongly supported the democratization of the East-European countries and initiated a gradual and asymmetric enlargement strategy. It backed the countries' political and administrative institutions in developing new democratic structures, introducing adequate internal procedures and a market economy in order to make them compliant with Community's setting. This was the precondition for accession negotiations, and the candidate countries were required to adopt the Union's *acquis communautaire*. This focused on the creation of a general institutional framework supporting the functioning of EU policies as a prerequisite for enlargement and successful integration. In the theoretical model mentioned before the

so-called *enlargement acquis* applied to the first and second level, and partly to the third. Nevertheless, the simultaneous democratization and integration turned out to be conflicting logics, because "the principles and norms that dominated enlargement-most notably inevitability, speed, efficiency, and expertise-constrained democratic politics in the applicant countries and limited their EU accession to a narrow sphere of elites and experts."¹¹ In this phase the European demand for compatible institution-building and transposition of EU regulations and norms often competed with the internal post-communist elite's struggle for an institutional design complying with their own needs. While the constitutional consolidation had been completed early, the representative consolidation was partly finished, but continued to be in a state of flux. The stage of the behavioral consolidation created some powerful economic elites as veto powers, trying to monopolize political and economic activity. These influential groups of players, the above mentioned *oligarchs*, *barons* or *tycoons* can be found at local and central levels as well as on high-level.¹² These actors, even if they were far from being influential like the Russian oligarchs, competed in institutional design especially in Bulgaria and Romania but in other Central Eastern European and Baltic countries, too. Many scholars expected with regard to economy that the transformation will fail because the old elites remaining in power will hang on to communist legacy and will thwart economic competition.¹³ But now, more than twenty years after the collapse of communism it is obvious, that many of the old elites took part in the transformation, be it as politicians, be it as new entrepreneurs. The dilemma of simultaneity of the transformations was soon complemented with the requirements of integration. All these partly concurrent, partly complementary demands led to relatively weak state institutions, especially in the two mentioned Balkan countries and thus to the emergence of powerful informal networks within the state as well as non-state networks. These networks took over some of the state's functions and built a system of exclusive networks with strong ties privileging the early winners from the post-communist elites in the renegotiation of the new rules.¹⁴ These groups

11 Raik, K. 2004. EU Accession of Central and Eastern European Countries: Democracy and Integration as Conflicting Logics. *East European Politics and Societies*, 18(4), 567-594.

12 Bezlov, T., & Gounev, P. 2012. Organised Crime, corruption and public bodies. In: Gounev, P., & Ruggiero, V. (Eds.). *Corruption and Organized Crime in Europe: Illegal partnerships*. London, New York: Routledge, 32-54.

13 Sznajder Lee, A. 2011. After the Party, the After-Parties? The Effects of Communist Successor Parties on Economic Reform in Central and Eastern Europe. *Europe Asia Studies*, 63(9), 1697-1718.

14 Dimitrova, A. L. 2010. The New Member States of the EU in the Aftermath of Enlargement: Do New European Rules Remain Empty Shells? *Journal of European Public Policy*, (17)1, 137-148.

9 Crawford, B. & Lijphart, A. 1995. Explaining Political and Economic Change in Post-Communist Eastern Europe: Old Legacies New Institutions, Hegemonic Norms, and International Pressure. *Comparative Political Studies*, 28(2), 171-199 ; Cirtautas, A. M. & Schimmelfennig, F. 2010. Europeanisation Before and After Accession: Conditionality, Legacies and Compliance. *Europe-Asia Studies*, 62(3), 421-441.

10 Merkel, W. Op.cit., p. 57.

could benefit from the opportunities provided by the privatization of state enterprises. They even managed to transfer their influential position into the democratic and free market system by using their extensive internal knowledge and network ties. Leaving ideological dead weight behind them, they built up a strictly market and profit-oriented pressure or even veto group, influencing European integration as well as the socio-economic consolidation of their countries. “However, it does not require a great leap of the imagination to assume that networks which have come together to take advantage of state assets would attempt subsequently to capture the distribution of EU funds. Institutionalization of the rules promoted by the EU has the potential to become the next arena for contestation for post-communist entrepreneurs, especially when the institutions involved have distributive implications.”¹⁵

In the pre-accession stage the Union encouraged and supported democratization and compliance with European standards in the East European countries and had a significant impact in the policy dimension. “Most studies confirm that this impact is due to the EU’s conditionality and that the incentive of membership [...] also trumped domestic costs”¹⁶ This was done to support the strategy of transferring formal rules into the countries’ set of rules and to institutionalize them. But these rules were mainly institutional rules and, as Hammond and Butler concluded, “considering institutional rules alone provides an inadequate guide to the behavior of any system. Instead, the changes in the preference profile are a critical element of the story about the influence of institutions on policy change.”¹⁷ In transition countries this preference profile depends on the behavioral consolidation, the consolidation of the political culture and how the new rules are institutionalized. In this process formal rules are supported by informal rules and informal rules emerge from a daily application of formal rules. Here we find that institutionalization depends on the cooperation of administrations and political elites, because if formal and informal rules do not align, it is impossible that a real institutionalization comes into being.¹⁸ Institutionalization alone provides the key *de jure* foundations of governance compatible with EU-standards, but does

not lead automatically to structures and behaviors which ensure consolidation, integration and a persistent adaption to the behaviors of the EU. As for the Eastern and Central European countries’ pre-accession stage this means that in cases where the incentive of membership has been the only motivation for a transposition of rules the consolidation process remained vulnerable for a potential backsliding. Or, the norms and structures remained only empty shells after transposition which has in fact been the case much more frequently. The adopted formal rules remained rules-on-the-books rather than rules-in-use and did not affect the behavior of the actors. And this has negative implications for the third level, the behavioral consolidation. In a worst-case-scenario – that is, if the structural adaption is only conditionality-induced – governments can reverse inconvenient institutional changes and political or legal norms after accession. Here the consolidation process faces an external short-term incentive that can be replaced after accession, if veto groups are strong enough or don’t adapt to new structures. The extreme position of a major backsliding cannot be observed in the East European countries, as many scholars found out.¹⁹ Nevertheless, we have empirical evidence for at least a partial backsliding after accession and fulfilled conditionality. One example is the civil service sector, where cases of reform backsliding after integration in the Union are well known. They can be observed in Slovakia, Poland, the Czech Republic and Slovenia. Hungary combined elements of reform continuation and reform backsliding.²⁰ Other examples, referring to the first and second level of the consolidation model, concern systemic re-adjustments or violations of national and/or European laws. This can be observed in Bulgaria, Latvia, Romania and Slovakia especially in the field of minority protection. For example, over the last years the Bertelsmann Stiftung’s Transformation Index (BTI) analyzed the situation of national, religious and ethnic minorities, too, and observed partial backsliding.²¹ Recently Hungary came on the watch list, when the Hungarian parliament passed a new constitution and several laws as for instance a new media

15 Ibid., p. 144

16 Sedelmeier, U. 2006. Europeanisation in new member and candidate states. *Living Reviews in European Governance*, 1(3), 3-34 ; Schimmelfennig, F. & Sedelmeier, U. 2005. *The Europeanization of Central and Eastern Europe*. Ithaca, NY: Cornell University Press ; Sedelmeier, U. 2012. Is Europeanisation through Conditionality Sustainable? Lock-in of Institutional Change after EU Accession. *West European Politics*, 35(1), 20-38.

17 Hammond, T. H. & Butler, C. K. 2003. Some Complex Answers to the Simple Question ‘Do Institutions Matter?’ Policy Choice and Policy Change in Presidential and Parliamentary Systems. *Journal of Theoretical Politics*, 15(2), 145-200.

18 Dimitrova, A. L. 2010 op.cit., p.144

19 Sedelmeier, U. 2012. Op. cit. ; Petersheim, M.-J. 2012 “The European Union and Consolidating Democracy in Central and Eastern Europe”. *Journal of European Integration*, 34(1), 75-91. ; Levitz, P. & Pop-Eleches, G. 2010. “Why No Backsliding? The European Union’s Impact on Democracy and Governance Before and After Accession”. *Comparative Political Studies*, 43(4), 457-485.

20 Mayer-Sahling, J.-H. 2011. “The Durability of EU Civil Service Policy in Central and Eastern Europe after Accession”. *Governance: An International Journal of Policy, Administration, and Institutions*, 24(2), 231-260.

21 Schwellnus, G., Balázs, L., & Mikalayeva L. 2009. “It ain’t over when it’s over: The adoption and sustainability of minority protection rules in new EU member states”. In: Frank Schimmelfennig F. & Trauner F. (Eds). “*Post-accession compliance in the EU’s new member states, European Integration online Papers (EIoP)*”, 13(2), Art. 24, <http://eiop.or.at/eiop/texte/2009-024a.htm>.

law or the reorganization of electoral districts. The Hungarian government has been accused of disabling democratic mechanisms which would lead to the country's multiple disintegration. Another example is the Romanian case, where the government restricted unlawfully the independence of constitutional court and attacked the judiciary in 2012. These are attempts to partially readjust the political system, which can be necessary due to changing environment in some cases whereas in other cases it means a step towards European disintegration.

Where the influence of democratic institutions on policy and behavioral change is too small, the incentive of partial disintegration can be high for some elites. This is a good example for another meaning of integration: European integration does not only mean a countries' integration into the European Union as an international actor by institutional change. Integration also has an internal denomination leading to a self-integrated society. The integration of polarized societies like the Hungarian, Latvian, Slovakian or Romanian into a European society needs a lot of special efforts to be completed. Therefore, this kind of constructivism focuses only on the structural level, the legal and institutional compliance, and is partly misleading, because it does not address production and reproduction of social practice, social action and the complexity of power concentration especially in the former communist countries. As mentioned before, accession-conditionality can lead to transposition of rules or laws into empty shells, existing simply on paper. Even if most transpositions led to accepted rules and rules-in-use, some permutations of European rules partly simulated compliance and compatibility. Here, the political actors transposed the requested European standards to accomplish membership in the EU, but ignored them in real life using parallel informal rules instead. This method clearly hampers further post-accession integration, goes on the account of veto actors and is related to rules and institutions which have distributive implications.²² This aspect brings up another key point regarding the post-accession compliance and ongoing integration not only in European structures and administration, but – and primarily – in a societal integration and a behavioral adaptation to European standards on all political and administrative levels. While we can observe top elites' mostly democratic, urbanized, biased and prestigious behavior, mid- and low-level administration still suffers from the existence of exclusionary networks, hampering deeper integration.

Missing progress in judicial reform, corruption and organized crime are the most severe and most often mentioned problem areas. Thus, after the first Eastern

enlargement in 2004, the Union's integration strategy considered the problems of pre-accession conformity, post-accession transposition and possible backsliding or insignificance of European rules. As an outcome, the European Union established the so called Cooperation and Verification Mechanism.²³ This mechanism monitors those problematic policy areas which are seen as an obstacle for a successful integration. The decision of the EU's commission defines as scope of monitoring Romania's progress:

- “(1) Ensure a more transparent, and efficient judicial process notably by enhancing the capacity and accountability of the Superior Council of Magistracy. Report and monitor the impact of the new civil and penal procedures codes.
- (2) Establish, as foreseen, an integrity agency with responsibilities for verifying assets, incompatibilities and potential conflicts of interest, and for issuing mandatory decisions on the basis of which dissuasive sanctions can be taken.
- (3) Building on progress already made, continue to conduct professional, non-partisan investigations into allegations of high- level corruption.
- (4) Take further measures to prevent and fight against corruption, in particular within the local government.”²⁴

Concerning Bulgaria, the Cooperation and Verification Mechanism contains in addition the fight against organized crime, which until today is a serious problem constraining effective integration and enforcement of European standards on all political, administrative and social levels.²⁵ By admitting Bulgaria and Romania in 2007 and establishing the above mentioned mechanism, the Union acknowledged Eastern Europe's multi-speed integration on the one hand and an obstructed integration of Europe on the other hand as well. All those monitored problems are the direct outcome of the incomplete democratic consolidation, the powerful informal networks and veto-players and the unfavorable integration conditionality conducted by the EU.

23 Vachudova, M. A. & Spendzharova, A. 2012. “The EU's Cooperation and Verification Mechanism: Fighting Corruption in Bulgaria and Romania after EU Accession. Swedish Institute for European Policy Studies (Ed.)”. *European Policy Analysis*. March (1), 1-18.

24 C(2006)6569. Commission decision of 13/XII/2006 establishing a mechanism for cooperation and verification of progress in Romania to address specific benchmarks in the areas of judicial reform and the fight against corruption. European Commission (Ed.). Bruxelles.

25 C(2006)6570. Commission decision of 13/XII/2006 establishing a mechanism for cooperation and verification of progress in Bulgaria to address specific benchmarks in the areas of judicial reform and the fight against corruption and organised crime. European Commission (Ed.). Bruxelles.

22 Dimitrova, A. L. 2010 op.cit.

While the first Eastern enlargement widely relied upon the incentive of membership as a guiding principle, in the case of Romania and Bulgaria the motivation for adaptation to EU-standards was purged early after, because some Western politicians promised membership before the countries reached the necessary integration level.

There are some areas of policy, behavior and economy affected, but the sometimes vast corruption and the weak or even missing will to fight it together with problematic judicial practice are the most severe obstructions to the integration progress. The Union's Commission declared regarding the Romanian case in January 2013: "One of the major concerns over the summer was the clear evidence of pressure on judicial institutions and lack of respect for the independence of the judiciary. This remains a major source of concern. The Commission received numerous reports of intimidation or harassment against individuals working in key judicial and anti-corruption institutions, including personal threats against judges and their families, and media campaigns amounting to harassment. Unfortunately, the Commission's recommendation has not been fully implemented. Politically motivated attacks on the judiciary have not ended. A critical point is the acceptance of judicial decisions: this requires the whole of the political class to form a consensus to refrain from discrediting judicial decisions, undermining the credibility of magistrates or putting pressure on them."²⁶ These judicial weaknesses are partly structural, since the Romanian legal system has features which make it vulnerable to abuse. The Commission's criticism sounds similar in the Bulgarian case, where it states: "Weaknesses in judicial and investigative practice, in particular in relation to cases involving high-level corruption and serious organised crime, have been highlighted by the Commission since 2008."²⁷ These examples show how the integration process is restrained by incomplete democratic and behavioral consolidation enabling some elites and veto players to pursue their own interests and to act as competitors towards administration's and state's goals. Achieving their countries' membership was essential for those networks, because membership guaranteed access to distributive institutions allowing them to participate in the consumption of EU-funds. A deeper integration and Europeanization is not their first choice, because this would mean a limitation to their access to power and economic distribution.

This combination of relatively weak administration, powerful elite networks

with direct access to state funds facilitates corruption on all political levels and in all societal spheres. Of course, corruption is not only an East European phenomenon, and we can find corruption on different levels and different dimensions in all countries of the European Union. There are different measurement tools available that inform about corruption, corruption perception or control of corruption. Examples are the Transparency International Corruption Perception Index, the Bribe Payers Index, the Open Budget Index, Financial Secrecy Index or the World Bank's Worldwide Governance Indicators, covering different aspects related with a country's democratic consolidation. All these tools give an insight into a country's or a society's susceptibility to corruption but not to its socio-political effects. The decisive topic that enables to tell apart corruption in Eastern Europe from the one in the Western hemisphere is its socio-political function. While in Western Europe corruption is based on social structures mostly and is primarily embedded in societal environment, corruption in Eastern Europe seems to be predominantly an administrative and political one affecting system stability and ability to perform. This substantially affects administrative capacity and workflow, efficiency of law enforcement and the improvement of business environment, as all published European Commission's monitoring reports clarify with regards to Romania and Bulgaria.²⁸ Moreover this undermines people's trust in political and administrative elites, and subsequently has a negative impact on the stability of the system and its ability for a deeper integration in the EU. In addition, the evident politicization of judiciary, parliament, civil service, law-enforcement bodies and such negatively impacts the consolidation of the political culture. This type of corruption combines interests at various socio-economic levels. Striking examples are the "buying electoral votes to rig elections, corrupting law-enforcement bodies to escape prosecution, corrupting aimed at securing political protection over white collar and organised crime. Thus, controlling administrative corruption is not possible without curbing political corruption."²⁹ One prominent example of this high-level corruption is the case of the former Romanian Prime Minister Năstase, who was imprisoned in 2012.

²⁶ COM(2013) 47. Report from the Commission to the European Parliament and the Council: On Progress in Romania under the Co-operation and Verification Mechanism. European Commission (Ed.). Bruxelles.

²⁷ COM(2012) 411. Report from the Commission to the European Parliament and the Council: On Progress in Bulgaria under the Co-operation and Verification Mechanism. European Commission (Ed.). Bruxelles.

²⁸ Ibid., ; COM(2013) 47. Op.cit.

²⁹ CSD 2012. Corruption and Anti-corruption in Bulgaria (2011-2012). Ed. Center for the Study of Democracy. Policy Brief No. 35, June 2012.

Conclusion

Partial and incomplete democratic consolidation in conjunction with a parallel roll-out of European rules into countries with still inadequate levels of democracy and behaviors is not the best pre-condition for a fast, successful, and deeper integration. This general framework favors an institutionalized form of corruption and the then resulting corruption-orientated network-building endangers those countries' internal consolidation and European integration, too. Greece, that also has an obviously high tendency towards corruption, is a good example for this kind of threat the European integration faces and which is induced by powerful networks connected with corruption. However, intensified reforms in socio-political and societal spheres are substantial for a deeper European integration and should be connected with some kind of integration incentive like the common currency and social policy.

The still incomplete integration of most East and Central European countries gives reason to the conclusion that in a multi-speed Europe these countries are still facing multiple dilemmas. On the one hand, political and economic transformation and transposition of rules and laws are more or less completed. On the other hand, the adaption of the societies and behaviors to those rules is still in progress, so that integration did not end but began with the countries' accession to the European Union. Integration is still going on and seems to be a long lasting development. Thus, Europe's status in the world order is determined, *inter alia*, by its ability to constitute something like an integrated organism and not only a cooperating organization. Informal network, powerful veto players, weak administrations, vast corruption that is effective in socio-political sphere and is affecting administration, electoral and distributional structures are seriously endangering Europe's ability to react on internal and external challenges. If Europe's strategy of integration should be successful versus the Asian strategy of partial and target-oriented cooperation, the focus cannot be only on adoption of political and administrative structures and rules, but has to turn its attention on the quality of socio-political structures, behaviors and the rules-in-use, and not only the rules-on-the-books. Otherwise the still open question of financial integration as the next and possibly most important and irrevocable step will fail in practice, even if all new member countries are obliged to join the European Monetary Union. Further, these considerations highlight the necessity of a convincing transformation, democratization and integration theory, covering not only political, economic and administrative scopes, but also social, behavioral, sociological, societal, and the informal spheres in order to facilitate the integration of heterogeneous

countries. The outcomes of the European integration process and the theoretical findings can also be a substantial experience for other regions cooperating and integrating in economic spheres and eventually in the political one. Europe's ability to overcome all these integration dilemmas and obstacles will be decisive in search for the best regional strategy.

References

- Bezlov, T., & Gounev, P. 2012. Organised Crime, corruption and public bodies. In: Gounev, P., & Ruggiero, V. (Eds.). *Corruption and Organized Crime in Europe: Illegal partnerships*. London, New York: Routledge, 32-54.
- Cirtautas, A. M. & Schimmelfennig, F. 2010. Europeanisation Before and After Accession: Conditionality, Legacies and Compliance. *Europe-Asia Studies*, 62(3), 421-441.
- CSD 2012. Corruption and Anti-corruption in Bulgaria (2011-2012). Ed. Center for the Study of Democracy. Policy Brief No. 35, June 2012.
- C(2006)6569. Commission decision of 13/XII/2006 establishing a mechanism for cooperation and verification of progress in Romania to address specific benchmarks in the areas of judicial reform and the fight against corruption. European Commission (Ed.). Bruxelles.
- C(2006)6570. Commission decision of 13/XII/2006 establishing a mechanism for cooperation and verification of progress in Bulgaria to address specific benchmarks in the areas of judicial reform and the fight against corruption and organised crime. European Commission (Ed.). Bruxelles.
- COM(2012) 411. Report from the Commission to the European Parliament and the Council: On Progress in Bulgaria under the Co-operation and Verification Mechanism. European Commission (Ed.). Bruxelles.
- COM(2013) 47. Report from the Commission to the European Parliament and the Council: On Progress in Romania under the Co-operation and Verification Mechanism. European Commission (Ed.). Bruxelles.
- Crawford, B. & Lijphart, A. 1995. Explaining Political and Economic Change in Post Communist Eastern Europe: Old Legacies New Institutions, Hegemonic Norms, and International Pressure. *Comparative Political Studies*, 28(2), 171-199.
- Dimitrova, A. L. 2010. The New Member States of the EU in the Aftermath of Enlargement: Do New European Rules Remain Empty Shells? *Journal of European Public Policy*, (17)1, 137-148.
- Eyal, G., Szelényi, I., & Townsley, E. (Eds.) 2000. *Making Capitalism Without Capitalists: Class Formation and Elites Struggles in Post-Communist Central Europe*. London, New York: Verso.
- Hammond, T. H. & Butler, C. K. 2003. Some Complex Answers to the Simple Question ‘Do Institutions Matter?’ Policy Choice and Policy Change in Presidential and Parliamentary Systems. *Journal of Theoretical Politics*, 15(2), 145-200.
- Levitz, P. & Pop-Eleches, G. 2010. Why No Backsliding? The European Union’s Impact on Democracy and Governance Before and After Accession. *Comparative Political Studies*, 43(4), 457-485.
- Mayer-Sahling, J.-H. 2011. The Durability of EU Civil Service Policy in Central and Eastern Europe after Accession. *Governance: An International Journal of Policy, Administration, and Institutions*, 24(2), 231-260.
- Merkel, W. 1998. The Consolidation of Post-Autocratic Democracies: A Multi-level Model. *Democratization*, 5(3), 33-67.
- Merkel, W. 2010. Plausible Theory, Unexpected Results: The Rapid Democratic Consolidation in Central and Eastern Europe. In: Best, H., & Wenninger, A. (Eds.), *Landmark 1989. Central and Eastern European Societies Twenty Years after the System Change* (pp. 726). Münster: LIT-Verlag.
- Nelson, J. M. 1993. The Politics of Economic Transformation. Is Third World Experience Relevant in Eastern Europe? *World Politics*, 45(3), 433-463.
- O’Donnell, G. & Schmitter, P. C. (Eds.) 1986. Transitions from Authoritarian Rule: Tentative Conclusions about uncertain Democracies. Baltimore.
- O’Donnell, G., Schmitter, P. C., & Whitehead L. (Eds.) 1986a. *Transitions from Authoritarian Rule: Southern Europe*. Baltimore
- O’Donnell, G., Schmitter, P. C., & Whitehead L. (Eds.) 1986b. *Transitions from Authoritarian Rule: Latin America*. Baltimore 1986.
- Petersheim, M.-J. 2012 The European Union and Consolidating Democracy in Central and Eastern Europe. *Journal of European Integration*, 34(1), 75-91.
- Pop-Eleches, G., & Tucker, J. A. 2011. Communism’s Shadow: Postcommunist Legacies, Values, and Behavior. *Comparative Politics*, 43(4), 379-408.
- Raik, K. 2004. EU Accession of Central and Eastern European Countries: Democracy and Integration as Conflicting Logics. *East European Politics and Societies*, 18(4), 567-594.
- Schwellnus, G., Balázs, L., & Mikalayeva L. 2009. It ain’t over when it’s over: The adoption and sustainability of minority protection rules in new EU member states. In: Frank Schimmelfennig F. & Trauner F. (Eds). *Post-accession compliance in*

Multilateral Cooperation and Regional Integration in East Asia: for cooperative integration or membership game?¹

Seong-Woo Yi

Introduction

Multilateral cooperation in international relations has become a diplomatic remark in East Asia, as much as the regional cooperation that suffered a certain level of uncertainty despite various efforts to establish an international regime. After the Cold War ended in 1991, expectations for multilateralism in East Asia has gradually increased in anticipation of regional security and prosperity.

Contrary to expectations, the future of multilateral cooperation in East Asia is not positive for dynamic international relations among major actors such as the U.S., China, Russia, and Japan. As a member of the G2, China has challenged the regional US dominated East Asia order that has been the status quo since the end of World War II. Japan faces a complicated situation due to domestic and international affairs. Facing hegemonic America and challenging China, Japan underwent a long-term economic depression for more than two decades. Japan has to pursue two simultaneous policy goals economic recovery and military expansion to seek a way to compensate for the national status in the region. Korea has sought an appropriate role in the process of the establishment a new U.S. and China dominated regional order.

Multilateral cooperation in international relations is regarded as a morally advanced institution since it is based on democratic rule among nation states such as equal representative rights contrary to the verdict of traditional realists. European states created the European Union that the East Asian states regard as an ideal institutional development and a model case. Multilateral cooperation in East Asia is a new challenge for regional peace and security that simply reflects the different policy goals for each participant, despite the shared vision for a multilateral regime on a superficial level. A multilateral regime in East Asia could be a shared effort for peace and prosperity in the region.

¹ This article is reprint from *The Korean Journal of Area Studies* Vol. 32, No. 2. by permission of the author.

- the EU's new member states, *European Integration online Papers (EIoP)*, 13(2), Art. 24, <http://eiop.or.at/eiop/texte/2009-024a.htm>.
- Sedelmeier, U. 2012. Is Europeanisation through Conditionality Sustainable? Lock-in of Institutional Change after EU Accession. *West European Politics*, 35(1), 20-38.
- Sedelmeier, U. 2006. Europeanisation in new member and candidate states. *Living Reviews in European Governance*, 1(3), 3-34.
- Schimmelfennig, F. & Sedelmeier, U. 2005. *The Europeanization of Central and Eastern Europe*. Ithaca, NY: Cornell University Press.
- Sznajder Lee, A. 2011. After the Party, the After-Parties? The Effects of Communist Successor Parties on Economic Reform in Central and Eastern Europe. *Europe Asia Studies*, 63(9), 1697-1718.
- Vachudova, M. A. & Spendzharova, A. 2012. The EU's Cooperation and Verification Mechanism: Fighting Corruption in Bulgaria and Romania after EU Accession. Swedish Institute for European Policy Studies (Ed.). *European Policy Analysis*. March (1), 1-18.

This delineates the political obstacles for the regional cooperation in the region and addresses an institutional arrangement to overcome them, as well as suggests a policy alternative for the national interests of each participant. This paper will develop a theory on East Asian multilateral cooperation by discussing the major questions concerning multilateral cooperation in general and apply the findings to the reality of East Asian regional politics. Multilateral cooperation is subject to various interrelated rather than isolated controversies such as geopolitical identity, membership qualification, issue relevancy, ultimate goal of a cooperative body, and method to accomplish the goal. Creating a regional cooperative body is a strategic choice to maximize national interest in a membership game by various nation states.

Based on the understanding of regional cooperation, this paper will analyze various cases of multilateral cooperative bodies and examine the reasons of ineffective institutional arrangements.

A Theory on Organizing a Multilateral Cooperation Entity

An increased complex interdependence by nation states allows the multilateral cooperative community to resolve conflicts, achieve common security, and promote prosperity, which are the shared goals for participating countries. Since the multilateral cooperative community acknowledges equality and reciprocity among member countries in the arena of international relations, it seems to be an advanced international order. Equality and reciprocity allows the extension of domestic democratic rules to a chaotic international community. The nominal superiority of multilateral approach accompanies a moral compulsory power for each member country; however, it is uncertain that a guarantor will be able to establish a tangible regime with a powerful driving force.

The absence of a power driving force originates from the nature and structure of multilateral approach. Revisionist or challenger countries propose the multilateral approach to modify the dominant international order while a hegemonic country only expresses an agreement in principle on democratic norms in the international arena.

The lack of enforcement force in East Asian multilateralism results from reality; the multilateral approach has been initiated not by leading powers, but by revisionist states who challenge the existing order. Multilateralism stands for cooperation and dialogue, a hegemonic state recognizes the multilateral approach as a strategic movement to change the hegemonic stability by a rising power. Due to the very nature

of multilateralism in Asia, it is not easy to consolidate a multilateral organization despite a number of initiatives by Asian states such as China, Japan, and South Korea.

Two major factors for multilateralism are agendas and participants. Agenda issues and participants are unified, but are rather interdependent in terms of negotiation and cooperation through the process of the creation of a multilateral organization. In East Asia, the agenda of a multilateral organization affects the number of participating countries in terms of geopolitical scope. For example, the European Union deals with various topics such as security, economy, and the environment; however, it consists of European countries. Contrary to the European case, the scope of Asian multilateralism varies along the line of national interests. While the Association of Southeast Asian Nations (ASEAN) is a council with a limited number of member states, the Asian-Pacific Economic Cooperation (APEC) includes Pacific Rim region countries as well as Asian countries. Therefore, I describe the multilateral approach in Asia as a political membership game among the latent participants who are willing or unwilling to join it to maximize sovereign national interests.

Membership Game among Nations: A Theory of Asian Multilateralism

A state decides its foreign policy by considering objective capability (opportunity) and subjective evaluation (willingness) to intervene in a militarized interstate conflict.² However, the theory of opportunity and willingness is an effective framework to explain the cooperative behaviors and conflicting behaviors as well. A state that faces a new multilateral organization, utilizes two options; of inclusion and exclusion and participating countries consider two options; of participation and abstention.

This paper only utilizes willingness as a variable and treats the capability as a constant. It assumes that a leading country that initiates the multilateral organization possesses a sufficient capability that participating countries are devoid of. Therefore, I analyze the willingness of each countries; inclusion, exclusion, participation, and abstention. The willingness of each country can be summarized with a two-by-two matrix. It is assumed that there are two types of countries: leading countries and participating countries. The combination of decisions by leading and participating countries results in four different types of behavior that influence the creation of a multilateral organization.

² Most, Benjamin A. and Harvey Starr. 1989. *Inquiry, Logic and International Politics*. Columbia, SC: University of South Carolina Press.

Table 1. Dynamics of Policy Choice in Multilateral Cooperation

Leading Countries		Participant Countries	
		Participation	Abstention
		a. Cooperation	b. Neglect
	Inclusion		
	Exclusion	c. Hindrance	d. Apathy

When a country willing to participate is invited by a leading country(s), it becomes a cooperative participant. When a leading country excludes a country contrary to the willingness of a participant, the latent participants become a hindrance power against the initiation of a multilateral organization. When a country unwilling to participate is excluded by a leading country, it creates apathy toward a multilateral organization. When a country unwilling to participate is invited by a leading country, it neglects the process to create a multilateral organization. The difference between neglect and apathy is related to the attitude of the multilateral organization. While a leading country needs support from a country to initiate an organization, the latent participant regards the organization as unprofitable and harmless to its national interests and chooses neglecting behavior. When a latent participant is not interested in the multilateral organization and a leading country simultaneously considers that the country is not conducive to initiating it, the latent participant takes an apathetic behavior. Subsequently, there is no difference between the behaviors of neglect and apathy as long as these behaviors do not impede the development of a multilateral organization.

The leading role is usually taken by a single hegemonic country. When a group of countries agree on a common interest and need to justify a political legitimacy, they can collectively initiate a multilateral organization. In some cases, countries with cooperative behavior join the leading group with an active cooperation for an existing leading group. As the number of the group of active participant increases, the possibility to create a multilateral organization improves. The country group with apathetic behavior is substantially irrelevant in terms of theoretical and political understanding to initiate the organization.

Theoretical attention concentrates on countries with neglecting behavior and hindering behavior. Contrary to the invitation of the leading country, the neglecting countries are indifferent to multilateral cooperation. Applying this type of behavior to the Asian community, Latin American countries are added to this group. An increased number of apathetic countries do not encourage multilateral cooperation; however,

it can intentionally be designed by a leader country to offset the internal integrity among member countries. Apart from the public announcement to initiate multilateral cooperation, some leading countries employ stalling tactics. Therefore, the leading country would invite countries who have been supportive or at least non-hostile to its foreign policies. The major motivation of neglecting behavior results from indifference or little interest to accompany a leading country's formal invitation. Tangible interest from a multilateral cooperation is a necessary condition for an apathetic country to be transformed into a cooperative one.

A controversial case is a hindering country, which is excluded by a leading country against its willingness to participate. Unlike the case of a neglecting country, a hindering country inevitably causes a conflict of interest and a conflict among relevant parties. The scope and depth of conflict will be extended as much as the excluded country maintains a superior power or at least equal power. The excluded country is strong enough to dismiss any serious effort to initiate a multilateral cooperation that might infringe an established hegemonic order. A candidate for a leading country practically retains veto power in the politics of multilateral cooperation in that it can disable multilateral cooperation. The East Asian community building process illustrates a few cases of veto power by the U.S. and China.

In terms of behavioral traits, the apathetic country group is out of scope since it has no influence on the formation of multilateral cooperation. The dynamics between the cooperating and hindering group is crucial and the neglecting group has additional impact on forming the cooperative entity. This type of relationship can be summarized with the formula:

$$\sum_{i=1}^p p_i^c - \sum_{i=1}^q q_i^n \geq a \left[\sum_{i=1}^r p_i^h \right]$$

The formula delineates that the formation of multilateral cooperation is a function of power distribution among relevant participants. The small letter c, n, and h represents cooperation, neglect, and hindrance, respectively and the constant, p, q, and r represents the numbers of countries belonging to each group in a regular sequence. The possibility of the establishment of an organization is decided by the proportion of power distribution. Multilateral cooperation will be able to produce an agreement as much as the residual of cooperating power minus neglecting power encompasses the hindering power. However, the constant a refers to a multiplier effect of hindering

power since destruction has always been more effectively pursued than creation. In real international politics, de facto veto power always encompasses the impelling force to produce an agreement even without a substantive enactment that the permanent members of the UN Security Council have.

The Process of East Asian Community Building

Compared to the European case, East Asian community building lags due to a late initiation and the Cold War. The end of the Cold War has removed the impediments to mutual trust in East Asia and multilateral cooperation has now become an alternative to the traditional security regime.³ New experiments for multilateral cooperation in East Asia have been regarded as a challenge to the American hegemonic regional order established after World War II, since the multilateral cooperation tends to deny the regional order based on the extended bilateral relationship of the United States.

Multilateralism in East Asia utilizes an Association of Southeast Asian Nations (ASEAN) as an endowment of multilateral effort in East Asia. East Asian multilateralism can be simplified as a confrontation between two political blocs that emphasize American leadership and cooperation such as Australia, Japan, and Indonesia and the other that emphasizes Asian leadership such as China and Malaysia. This perspective can provide the formation and development of ASEAN and APEC with a theoretical explanation. Based on this theoretical framework, this paper will discuss a series of multilateral approaches in East Asia such as ASEAN+3, East Asian Economic Group (EAEG), East Asia Economic Caucus (EAEC), and the recent East Asia Summit (EAS).

A series of multilateral approaches in East Asia means the possibility of fundamental changes in the existing order, a relative decline in American hegemony, and a desire for democratically egalitarian order by Asian countries. ASEAN has emphasized the regional integrity from the beginning; however, APEC has extended its membership to countries in the Pacific Rim.⁴ Despite the superficial similarity, two regional communities have confronted each other in terms of identity, goals, and strategy.

In order to explain these differences and similarities among the multilateral approaches, this paper will adopt a theoretical approach of the membership game of inclusion and exclusion strategy by leading countries as well as participation and abstention strategy by participant countries. We will also discuss the role of hegemonic power, policy agenda, regional identity, and scope of participant countries in the process of multilateral cooperation.

Coordination between hegemonic apathy and participatory necessity

Since the *Bangkok Declaration* of 1967 to build a cooperative organization among Southeast Asian countries, it took time for them to hold the First ASEAN Summit meeting in 1976 that dealt with ASEAN policy issues. ASEAN started from the geological identity of Southeast Asia, Association of Southeast Asia that consisted of the Philippines, Malaysia, and Thailand in 1961 took a leading role for the birth of ASEAN. ASEAN was established with goals of common interest such as economic growth, cultural development, and regional security in Southeast Asia. ASEAN led by Indonesia, Malaysia, the Philippines, Singapore, and Thailand has reached an agreement to establish the organization with shared understanding and common interest for nation building under a communist threat. Facing prevalent discredit to major powers, ASEAN members have to find an alternative approach to overcome the structural limits of mistrust, and a general aspiration for economic development. At that moment, Indonesia tried to be a regional hegemony through a multilateral cooperation in the region. Malaysia and Singapore attempted to curb the ambition of Indonesia through a cooperative structure among regional member countries. However, there were no major countries with the capability and willingness to raise a serious objection to the establishment of a cooperative body.

Observing the communization of Vietnam, Laos, and Cambodia on the Indochina Peninsula in 1975, ASEAN tried to strengthen organizational unity among member countries and maintain internal discipline since the national security of ASEAN members were threatened. Emphasizing “Strengthening ASEAN” ASEAN members reaffirmed again the peace, freedom, and neutrality of Southeast Asia declared in the Bangkok Declaration of 1967. The regional order with communization of Vietnam, the American retreat from Southeast Asia, the Sino-Soviet border conflict resulted in a new Southeast Asian crisis. The new security environment, the common threat shared by member states, and confrontation among major states, accompanied several impacts in the creation of ASEAN: the major countries lack of interest

3 Mitchell, Sara McLaughlin and Paul R. Hensel. 2007. "International Institutions and Compliance with Agreements." *American Journal of Political Science*. 51-4: 721-737.

4 Jun, Kiwon. 2006. "Cooperation and Conflicts in East Asian Regionalism: from APEC to EAS." *International Relations Studies*. Vol. 9, no. 1. pp. 151

removed serious obstructions to the creation of a regional cooperation entity. The common threat removed any possible bystanders and converted them to cooperators; subsequently, minor countries were motivated to participate in ASEAN. Communist countries, such as Vietnam, Laos, and Cambodia, were excluded from ASEAN and they remained indifferent to the cooperative body with no negative impact on the community. However, the Southeast Asian communist countries remained an external threat that facilitated the cooperation of other member countries in Southeast Asia.

Unlike the EU, ASEAN pursued the formation of a consultative community rather than the integration of individual states into a higher authority. ASEAN is considered a pioneering initiative in Asia and one of the few precedents for multilateral cooperation. After its organization, ASEAN became a diplomatic asset to discuss multilateral cooperation in Asia. As international relations improved from the Cold War confrontation, Brunei joined ASEAN in 1984, Vietnam in 1995, Myanmar and Laos in 1997, and Cambodia in 1999. ASEAN now represents a major regional cooperation body with 10 member countries in Asia.

The American withdrawal from Southeast Asia and the Sino-Soviet border conflict enabled Southeast Asian countries to overcome the objections of major countries in the regional cooperation community. The United States, possibly raising the strongest disagreement against multilateralism, remained apathetic to new regional cooperation in the region. The policy stances of hegemonic states have been an imperative factor in other cases of Asian multilateralism.

Countries have tried to rely on the authority of ASEAN for a new multilateralism since ASEAN extended its scope to include other member states and became a major diplomatic asset for new multilateral approaches in the 1990s. EACE proposed by Malaysia in 1990 and ASEAN +3 in December 1997 was a new form of a diplomatic multilateral approach with ASEAN. Specifically, ASEAN +3 was a historical challenge to clarify regional identity by restricting membership to Asian countries, to strengthen the solidarity by extending its scope to East Asian countries, and to restrain American hegemony in APEC. Coinciding with the entry of Cambodia into ASEAN in 1999, the ASEAN+3, and Korea-China-Japan Tripartite Summit meeting in Manila created a new East Asian Community Initiative and argued to abolish APEC. Through the Manila summit meeting, the dynamics of exclusion and inclusion appeared as a major frame in East Asian community building. In November, 2000, the Korea-China-Japan Tripartite Summit meeting became a regular one and ASEAN +3 member countries agreed to establish EAS and EAS was held in December, 2005. The EAS summit in Brunei embodied the East Asian Community initiative in 1999 through the

adoption of a platform to create an “East Asian Community” for regional peace, co-prosperity, and progress. ASEAN has become a constant initiative rather than as a variable for multilateral cooperation in Asia.

Balance of Power among Major Countries

APEC is a consultative body for economic growth and prosperity in the Asian-Pacific region. The regional scope of APEC was based on an extended geographical identity of Asia-Pacific Rim countries. APEC is a typical case of the balance of power among major countries in the process to establish a multilateral organization in Asia.

As a former organization of APEC, the Pacific Free Trade Area (PAPFTA), initiated by Japan, is regarded as the start of APEC in 1965 and coincides with the establishment of the European Economic Community (EEC). Led by the private cooperative bodies, APEC has had several gradual transformations, from the Pacific Basin Economic Council (PBEC) in 1967, to the Pacific Trade and Development Conference (PAPDAD) in 1968, and finally to the Pacific Economic Cooperation Council (PECC). Led by Japan in 1989, APEC became a government led multilateral cooperation that linked previous initiatives by the nongovernmental organizations.⁵

In January 1989, Australian Prime Minister Bob Hawke officially suggested an APEC initiative in his Seoul address. December 1989, 12 economies of the Asia Pacific region held a conference at Canberra, Australia and agreed on the foundation of APEC; Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and the United States. APEC set a goal to create an Asian-Pacific community through free trade, economic integration, technology exchanges, regional security, and a sustainable business environment. APEC member countries have increased with the inclusion of China, Hong Kong, and Taiwan in 1991, Mexico and Papua New Guinea in 1993, Chile in 1994, and Peru, Russia, and Vietnam in 1998. APEC is now an inclusive economic entity that embraces Asia and the Pacific Rim.

The end of the Cold War after the collapse of the Soviet Union enabled APEC to address new issues such as economic development, environment protection, and human security. The new policy concerns inevitably resulted in a new international

5 Yu, Huun-Seok. 2001. “The Conflict between Liberal Economic Cooperation in Asia - Pacific and Asian Mercantilism: The Case of APEC.” *Journal of Korean International Studies*. Vol. 41, no. 1. pp. 307-326. ; Cho, Jae-wook. 2009. “East Asian Economic Cooperation Institutionalization and Japan: Focusing on APEC, EAEC and ASEAN+3” *Northeast Asia Studies*. Vol. 14. pp. 325-346.

order. The end of the Cold War justified the common effort for the Asian countries to intensify mutual cooperation and overcome the last remnants of the Cold War. Multilateral economic cooperation became an urgent policy issue in Asia because Asian countries regarded the 1994 North American NAFTA agreement as an exclusive economic bloc led by the United States. The trend of block economies would result in a negative effect on emerging Asian markets and ultimately Japan. Australia is recognized for the foundation of APEC; however, Japan was also part of the initiative due to its motivation to protect Asian markets through multilateral cooperation.

Japan clarified the *raison d'être* of APEC through the support for sustainable and mutual economic development, the enhancement of regional equality, and the promotion of technological exchanges. The U.S. twice proposed to discuss a free trade agreement; however, Japan decided to organize a multilateral economic community as a counter measure to NAFTA. The Japanese saw the lack of a free trade agreement as an impediment to North American market access and its acceptance of American free trade norm in Asia resulted in a grand open of domestic market. The possibility of a trade conflict motivated Japan to find a method to ease the insecurity of domestic businesses.

The initial members of APEC were Asian countries who wanted to ease the trade conflict with the U.S. and to protect the domestic market. In the process to persuade candidate member countries, Japan remained in the background in order to avoid unnecessary suspicion from its Asian neighbors. Australia became a strategic proxy for what would otherwise be a Japanese led initiative. In founding APEC, the lead countries, Australia and Japan, did not intend to include the United States and Canada. They considered American participation in APEC to relieve the market-opening pressure in bilateral trade. A positive role in Asian multilateral cooperation by the U.S. would result in less aggressive trade policies towards Asian member countries.

Southeast Asian countries regarded Japan's APEC as a critical challenge to internal integrity. Japan and Australia emphasized APEC as a loose consultative body and promised Southeast Asian countries the biannual right to host as an incentive. Due to its nature as a loose consultative body and absence of a standing organization, the host country could set the agenda and discussion when hosting the conference. Sustainable development through technological exchanges was a major incentive to attract the support of Southeast Asian countries with weak economies.

During the founding phase of APEC, the U.S. took a passive stance on a Japan-Australia led APEC; however, U.S. took the initiative from them at the Fifth Meeting at Seattle in 1993. The "New Pacific Community" proposed by President Clinton at

the Tokyo summit in 1993 institutionalized the consultative free trade body into an entity with a compelling force. After the Fifth Meeting in 1993, the APEC meeting transformed from a minister council into a summit meeting with a standing office in Singapore as a part of the institutionalization process. Simultaneously, the U.S. also took an active leadership in APEC and utilized the institutionalized and formalized APEC as a trade policy tool in Asia.

APEC lags in the process to create economic integration by member countries despite its effort for institutionalization. With the support of Asian neighbors, Japan sought a balance of interest against the United States in Asia during the initial phase of APEC. However, the U.S. also utilized checks and balances in terms of interest and power in Asia to maintain its hegemony. It is critical to understand multilateralism in Asia as a structure of confrontation between geographical Asia and the extended Pacific Rim area.

Checks and Balances among Major Countries

ASEAN extended its scope and practical role in the 1990s with the inclusion of East Asian countries as major cooperators in ASEAN +3. East Asian countries tried to utilize ASEAN to facilitate a multilateral approach in Asia since ASEAN members are in a relatively inferior situation to East Asian counterparts in terms of economic conditions.

China utilized ASEAN in order to exclude American intervention in Asian affairs. China desired a regional hegemony to serve its national interests; however, Chinese hegemony in Asia would be the least preferable situation for the U.S. The East Asia Summit (EAS) was a case in point. The EAS was launched without the U.S.; however, traditional allies of the U.S. chose a counterbalance strategy and invited Latin American countries into the EAS.

South Korea and Japan took an active role in the initial phase of ASEAN+3; however, Japanese participation was complicated in terms of regional leadership. China took the lead in FTA negotiations with ASEAN countries after 2000 and Japan became negative fearing that the rise of China might threaten Japanese economic supremacy in Asia.⁶ Traditionally, Japan has always preferred bilateral relationship at Japanese leadership. When Japan cannot maintain its leadership with its partners, it seeks a multilateral relationship as a method to overcome inferiority. However, Japan

6 Rajan, Ramkishan. 2003. "Emergence of China as an Economic Power." *Economic and Political Weekly*, June 28: 2639-2643.

was not able to take a leading role during the multilateral challenges. Japan tried to maximize its national interest and maintain a cooperative relation with the U.S. Whenever Japan faces American opposition to Japanese multilateralism in Asia, the policy priority has acquiesced to cooperation with the U.S. rather than to independent leadership. APEC was a serious challenge to the U.S. APEC was initiated by Japan who mobilized Australia behind the scenes. When Japan switched its policy to remain passive, the U.S. led Asian multilateralism through a loose consultative body for freed trade and investment in the institutionalization for regional integration.

South Korea shares similar policy considerations with Japan and undertook a multilateralism approach to overcome the inferiority in a bilateral relationship. Despite its ambitious policy goal, South Korea lacked the momentum to accomplish regional cooperation. Cooperation with the U.S. has the utmost priority in order to promote national security and economic growth followed by Japan as a principal economic partner in trade. However, after China became the largest trade partner, South Korea had to incorporate the stance of China on Asian multilateralism and American involvement in the region.

At the initial phase of ASEAN +3, the U.S. which was excluded against its willingness took an active hindrance policy in order to prevent South Korea and Japan from participating as active cooperators. ASEAN+3 lost its momentum as South Korea and Japan changed their roles from ones of cooperation to neglect.

There was a case of multilateral approach to American exclusion. EAEG, an economic consultative body, was initiated by Asian countries that excluded the U.S. EAEG converted to EACE (which became inclusive in its membership) after it faced American opposition. Subsequently, Malaysian Prime Minister Mahathir proposed EAEG as an exclusive economic bloc that included South Korea, China, Japan, Taiwan, and Hong Kong. EAEG was an East Asian regional cooperative body led by ASEAN. The U.S., Australia, and Canada raised opposition to its exclusive nature and some ASEAN members also maintained different views on its nature; subsequently, EAEG adjusted its membership scope and became more inclusive. Malaysia argued for the independent operation of EAEC; in addition, Indonesia preferred a consultative body within the framework of APEC to enable the inclusion of South Korea and Japan. The disagreement between Malaysia and Indonesia on EAEC was resolved at the Mahathir and Suharto post-ministerial summit where it was decided to form a consultative body within the APEC framework. This is an exemplary case of how an economic cooperative entity in Asia should reflect American intentions and interests.

There is a structure of confrontation to the various multilateral approaches in

Asia that represent an extension of national interests. For example, ASEAN competes with APEC and the U.S. is in competition with China; in addition, some Southeast Asian countries still have the image of Japan as a colonial invader rather than a cooperator. All of these situations had a negative impact on the emergence of EAEC; however, the single most important factor for EACE was American concerns over an exclusive economic bloc in Asia led by Japan. Even if Japan improved its image as a sincere cooperator among ASEAN members, Japan switched its role to a passive participant instead of as an active leader.

When the 1997 Financial Crisis occurred in East Asia, the U.S. gave up its leadership in APEC. APEC as an economic cooperation body was unable to resolve the crisis of its members. Japan once again initiated a multilateral approach for the financial crises. The Asia Monetary Fund (AMF) was a multilateral cooperative fund to overcome 1997 Financial Crisis in Asia and utilized 100 billion USD in mutual investments; Japan invested 50 billion dollars and Taiwan, Singapore, and Hong Kong jointly invested another 50 billion dollars. The AMF was a multilateral cooperation to overcome the 1997 Financial Crisis.⁷ Other countries were suspicious that Japan intended to seize the initiative in the Asian economy with the financial crisis as an opportunity. Under the AMF, Japan tried to make the Yen an international currency that would ultimately allow Japan to strengthen its economic status; however, the AMF was unable to satisfy the Japanese intentions and it was not as successful as planned. This failure was partially due to opposition by South Korea and China who shared the historical shame of the Greater East Asia Co-Prosperity Sphere under the Japanese Colonial Period. However, the most critical variable for this failure was American opposition for the same reasons as shown in the case of the EAEG. All the major candidates for the AMF opposed Japanese leadership and took a hindrance policy position; therefore, there were limited opportunities for Japan to successfully implement it.

Membership Game with Counter Proposal: Mixture of Closed and Open Regionalism

After APEC in 1989, Asian multilateralism actively evolved to adjust to the post Cold War order to maximize their national interests. East Asia considered a multilateral community as an alternative to the previous international system since the end of the Cold War represented a beginning of new 21st century international order. The change

7 Lipsy, Phillip. 2003. "Japan's Asian Monetary Fund Proposal." *Stanford Journal of East Asian Affairs*. 3-1: 93-104.

in the regional order represented a contrast between open regionalism and a closed one in a continuum of the correspondence between ASEAN and APEC. APEC emphasized an open membership; however, ASEAN declared a closed membership based on the geographical identity of Asia.⁸ Open regionalism strategically advocates a most-favored-nation status to any possible candidate and without any special conditions. The closed regionalism of ASEAN and its variants was purported to exclude the U.S.; however, selective regulations accepted other member countries. The membership issue in any regional cooperative body is related to national interests and to hegemonic status in a given region.

Due to its strong geographical Asian identity, ASEAN rallied with South Korea, Japan, and China to confront a U.S. led APEC; however, the U.S. opposed East Asia Community led by South Korea, Japan, and China. A high official in the U.S. State Department reported to the House Foreign Affairs Committee that the U.S. would take the lead in multilateral cooperation building in East Asia and would oppose any attempt to build a community that excluded the U.S. The U.S. strengthened APEC in order to maintain its leadership in Asia; however, China took control of an EAS initiated by Malaysia and supported by ASEAN+3. Subsequently, it is difficult for the U.S. to accept an EAS based on a closed membership rather open one.

With the open membership of APEC, the U.S. has utilized multilateralism and blocked the emergence of China. The New Pacific Community Initiative was an explicit expression of its willingness to pursue an active role in Asian community building through APEC. Declaring the East Asian Community, ASEAN+3 as a counter measurement to APEC, has intended to exclude the U.S. from Asian affairs.

As in the APEC case, a leader country increased the total number of member countries through the expansion of its geographic identity. However, an increased number of unwilling participants entails increased neglect and apathy for the development of a regional community. With an open membership cause, the U.S. led APEC has invited Latin American countries as well as Pacific Rim countries. The success of APEC is controversial, unless the real policy goal of American multilateralism in Asia was to eliminate any chance of founding a political community. Except for the historic and cultural dissimilarity among member states, economic inequality and a different business cycle resulted in disagreements on the creation of a cooperative organization. APEC accepted members around the world from Central and South American countries such as Mexico, Peru, Chile, and Russia. It was hard

to find common interest since there was little similarity among the members. The lack of a common interest resulted in the inclusion of more neglecting countries. They participated on behalf of the leading country, the U.S.; however, it does not necessarily mean these members are active cooperators. Instead, these involuntary participants chose an evasion strategy. An increased number of neglecting countries makes it difficult for them to agree on policy goals and there appears an abolitionism against APEC by leading countries of ASEAN+3, a competing organization of APEC. ASEAN+3 members emphasized the geographical identity of Asia at the East Asian Summit in 2005 and it became a turning point in Asian multilateralism.

A U.S. led APEC (a non-Asian country) produced many conflicts among member countries across different continents and the U.S. has been criticized for its selfish approach towards APEC. The U.S. maximizes its own national interest through an APEC that enhances American business to access to Asian markets through free trade and unregulated investment. In order to attract the participation of developing countries, the Bogor Declaration adopted at the 6th APEC Summit in 1994, suggested economic cooperation for developing countries instead of a liberal market economy. APEC failed to provide developing countries with technological support and developmental cooperation. Most member countries concluded that developed countries were unwilling to cooperate with developing countries and became bystanders to the development issues for the members. Even the U.S., a leader country in the initial phase, was unwilling to cooperate with developing countries in APEC and resulted in reduced mutual confidence by member countries. APEC seems to have lost its momentum as a counter measure to ASEAN+3.

There have been conflicts between developed and developing countries over the progress and identity of APEC. The conflict among countries inside and outside of Asia was considered an obstacle in Asian multilateral cooperation. When a leader country fails to satisfy the expectation of participants, despite its initial commitment, the participating countries regard that the leader country intends to exclude itself; subsequently, participants can employ a hindering policy rather than apathetic policy when a leader country rejects an initial commitment. The leader country tries to gather various interests to mobilize as many countries as possible. The more diversity of interest presences, the less efficient the multilateral cooperation reaches to an agreement. Unsatisfied participants would accept a neglecting and apathetic policy at best and would employ a hindering policy at worst.

When a leader country of multilateral initiative fails to obtain a goal, it chooses a policy change from closed to open multilateralism. EAS is a good example for

8 Kelegama, Saman. 2000. "Open Regionalism and APEC: Rhetoric and Reality." *Economic and Political Weekly*. December 16: 4525-4533.

this and was a community initiative for political and economic cooperation with 10 ASEAN member countries and 3 East Asian countries. Malaysia took the initiative in 2004 and EAS was held in December 2005 with the summit held in Malaysia after the 9th ASEAN+3 Summit. EAS members were ASEAN+3 members; India, Australia, New Zealand, and Russia and it was called an Asian APEC that excluded the U.S. As China confront the U.S. with Japanese assistance in Northeast Asia, China employs a counterstrategy against the American blockade towards China. The U.S. continued to surround China with countries that share its political and economic values to check the emergence of China. Cautious about community building by China and Malaysia at the start, Japan, Indonesia, and Singapore argued to extend its membership to the Pacific Rim region. The controversy on membership reflects the bilateral dynamics of the U.S. and China as well as between China and Japan. However, China and the U.S. intended to exclude the influence of each other and China specifically wants to remove American intervention in Asian affairs through the membership game with counter proposals. This situation eloquently informs us that the U.S. and China have little willingness to establish a regional cooperation entity.

Under the Obama Administration, the U.S. hoped to take part in the EAS and became a member in 2011. The American participation was a significant obstacle to emerging Chinese leadership in the EAS. As soon as China recognized the reality, China and Malaysia argued to extend EAS membership to Pacific Rim countries as well as to Russia and EU members. With the counter proposal and the membership game, China preferred a voluntary incapacitation of the EAS to an American forfeiture of it by producing many apathetic and neglecting member countries.

Led by Japan, Comprehensive Economic Partnership in East Asia (CEPEA) consists of 16 member countries that include India, Australia, and New Zealand in addition to EAS members. CEPEA is in a continuum of Japan's Economic Partnership Agreement (EPA) that planned to strengthen the free movement of goods, capital, and human resources, protect intellectual property rights, and to repeal any remaining regulations to free trade not addressed by the current free trade agreement.⁹ With the CEPEA initiative with 16 candidate countries, Japan plays a leading role in the Asian economy. South Korea and China employ a neglecting policy to a CEPEA lead by Japan. In case Japan pushes ahead, South Korea and China can take either a hindrance or counter proposal in a similar type of economic community led by China.

9 Kim, Young-Min. 2007. "The Construction of East Asia Community and Comprehensive Agreement by Japan: Comprehensive Economic Partnership in East Asia: CEPEA Strategy." *Asian Studies*. Vol. 10, no. 2. pp. 165-188.

Multilateral cooperation in East Asia faces a number of apathetic and neglecting countries because there were no commonality and shared identity and because of an external actor who utilizes multilateralism as a policy tool to control Chinese emergence.

Conclusion: Prospects for East Asian Community

Multilateral cooperation in international relation entails an order not regulated by power but by norms. It seems to be idealistic and liberal that sovereign countries agreed on an international order based on shared norms and rules. It is a democratic system in a chaotic world where member countries have the equal right to vote. Multilateralism based on moral legitimacy such as egalitarianism and parliamentarism in international relations is welcomed by small and weak countries; however, the feasibility of the multilateralism has always been in a question even if the hegemonic countries took the initiative. Despite various criticisms and skepticisms over multilateralism, it has prospered on the European continent since the end of World War II. Observing the EU case, East Asia now enters a new phase to attempt multilateralism for a peaceful and prosperous international order based on cooperation and negotiation. Based on the previous discussion, I will provide policy suggestions for the success of multilateralism in Asia.

First, there are no clear and agreed goals and directions for multilateral cooperation in East Asia. Individual initiatives has declared various goals; ARF for security, APC, EAEC and EAEG for economy, and EAS and ASEAN+3 for inclusive goals such as environment, economy and security as well. Despite various suggestions and attempts, Asian countries have never seriously discussed the ultimate goals and direction and therefore, have never reached to agreement¹⁰

Second, driving force to overcome hindering powers is a necessary condition for the multilateralism in Asia. The hindering power retains a multiplier effect relative to cooperating power. The U.S. prefers the status quo, an overlapped bilateral relationships, to a new regional order of multilateralism in East Asia. China seems

10 Acharya, Amitav. 2004. "How Ideas Spread: Whose Norms Matter? Norm Localization and Institutional Change in Asian Regionalism." *International Organization*. Vol. 58: 239-275. ; Kim, Kyung-Il. 2005. "The Multilaterality of Pan-Asianism and Regional Cooperation System in Northeast Asia: Centering on Theoretical Study from the Viewpoint of Multilateralism." *Korean Dongbuka Nonchong*. Vol. 37. pp. 5-29. ; Kim, Hye-Sung. 2005. "East Asian Community in the 21st Century and Korea-Japan Relationships: Historical Reflection on Nationalisms in East Asia." *Japan Sasang(Ideology)*. Vol. 8. pp. 253-263.

to rely on the multilateralism in Asia to exclude American influence in Asian affairs and to remove the American blockade on Chinese emergence. It is very unlikely for other small countries in Asia to aggregate their strength to establish a new multilateral cooperation regime against the aversion of G2 to it.

Third, participants have to coordinate the diverse national interest before they take an initiative for multilateral cooperation. Although China and Japan works for the same multilateral organization, they each have different purposes: China wants to exclude the U.S. with Japanese participation and Japan wants to invite the U.S. to Asian multilateral cooperation to check the rise of China. The multilateral cooperation in Asia has been degenerated into a membership game to compete for hegemony. The major countries in East Asia have always balanced out the relative disadvantages; geographical identity in American perspective and regional hegemony in Chinese perspective. Without an agreement on goals and interests by participants as well as the major countries, it will only remain at the level of political rhetoric to justify the existing order of real politics instead of establishing a new regional order based on cooperation and negotiation.

References

Korean Literatures

- Cho, Jae-wook. 2009. "East Asian Economic Cooperation Institutionalization and Japan: Focusing on APEC, EAEC and ASEAN+3" *Northeast Asia Studies*. Vol. 14. pp. 325-346.
- Jun, Kiwon. 2006. "Cooperation and Conflicts in East Asian Regionalism: from APEC to EAS." *International Relations Studies*. Vol. 9, no. 1. pp. 147-168.
- Kim, Hye-Sung. 2005. "East Asian Community in the 21st Century and Korea-Japan Relationships: Historical Reflection on Nationalisms in East Asia." *Japan Sasang(Ideology)*. Vol. 8. pp. 253-263.
- Kim, Jin Young. 2008. "China's Ascendancy in Economic Growth and Its Implications for East Asian Regionalism." *Journal of International Area Studies*. Vol. 26, no. 3. pp. 207-232.
- Kim, Kyung-Il. 2005. "The Multilaterality of Pan-Asianism and Regional Cooperation System in Northeast Asia: Centering on Theoretical Study from the Viewpoint of Multilateralism." *Korean Dongbuka Nonchong*. Vol. 37. pp. 5-29.
- Kim, Sung-han. 2008. "Regionalism and Multilateral Alliance: An Analysis on Their Possible Coexistence in East Asia." *Journal of Korean International Studies*. Vol. 48, no. 4. pp. 7-34.
- Kim, Young-Min. 2007. "The Construction of East Asia Community and Comprehensive Agreement by Japan: Comprehensive Economic Partnership in East Asia: CEPEA Strategy." *Asian Studies*. Vol. 10, no. 2. pp. 165-188.
- Park, Sung-Hun. 2005. "Open Regionalism of APEC and its Action Plan" *IRI Review*. Vol. 3, no. 1.
- Yi, Okyeon. 2008. "Motivational Force of Regional Order and Political Integration in East Asia." *Journal of International Area Studies*. Vol. 26, no. 1. pp. 169-197.
- Yu, Huun-Seok. 2001. "The Conflict between Liberal Economic Cooperation in Asia – Pacific and Asian Mercantilism: The Case of APEC." *Journal of Korean International Studies*. Vol. 41, no. 1. pp. 307-326.

- Acharya, Amitav. 2004. "How Ideas Spread: Whose Norms Matter? Norm Localization and Institutional Change in Asian Regionalism." *International Organization*. Vol. 58: 239-275.
- Kelegama, Saman. 2000. "Open Regionalism and APEC: Rhetoric and Reality." *Economic and Political Weekly*. December 16: 4525- 4533.
- Lipsky, Phillip. 2003. "Japan's Asian Monetary Fund Proposal." *Stanford Journal of East Asian Affairs*. 3-1: 93-104.
- Mitchell, Sara McLaughlin and Paul R. Hensel. 2007. "International Institutions and Compliance with Agreements." *American Journal of Political Science*. 51-4: 721-737.
- Most, Benjamin A. and Harvey Starr. 1989. *Inquiry, Logic and International Politics*. Columbia, SC: University of South Carolina Press.
- Rajan, Ramkishan. 2003. "Emergence of China as an Economic Power." *Economic and Political Weekly*. June 28: 2639-2643.

The North Korean Nuclear Issue and the Six-Party Talks: The Logic of Regime Failure

Sangtu KO

Introduction

The objective of the Six-Party Talks is the denuclearization of the Korean Peninsula. But the talks have failed to achieve this goal, although four participating countries surrounding the Korean Peninsula, namely the United States, China, Russia, and Japan are among the strongest countries in the world in terms of military and economic power. They are also the biggest countries in terms of population and territory. The fact that the great powers could not prevent the small and impoverished nation of North Korea from becoming a nuclear power represents a failure of collective action.

In April 2003, after North Korea revealed its highly enriched uranium (HEU) weapons program, China convened trilateral talks to stabilize rapidly escalating tensions between the US and North Korea. It expanded these talks, evolving them into Six-Party Talks to encompass Japan, South Korea, and Russia.¹ The Bush administration agreed to a multilateral framework for resolving the North Korean nuclear issue. In May 2009, Pyongyang eventually walked out of the Six-Party Talks, in which six countries had held six rounds of negotiations over six years. In 2005, the negotiations succeeded in coming to an agreement, called the September 19 Joint Statement, in which the North committed to abandon its nuclear program and return to the Non-proliferation Treaty (NPT) in exchange for food and energy assistance. However, a series of obstacles hindered the implementation of the agreement. The delivery of light-water nuclear power plants to the Democratic People's Republic of Korea (DPRK) was delayed due to opposition from the US Senate. In July 2006, the DPRK responded by test firing ballistic missiles over the Sea of Japan and staged an underground nuclear test in October. After the resumption of the Six-Party Talks in 2007, implementation was agreed upon anew. In July of that year, International Atomic Energy Agency (IAEA) inspectors were allowed into North Korea to monitor its nuclear facilities, and in November North Korea began to disable its nuclear

¹ John Park, 2005. "Inside Multilateralism: The Six-Party Talks," *The Washington Quarterly*, Vol. 28, No. 4, p. 76.

facilities at Yongbyon.

In response, US President George W. Bush suspended sanctions on North Korea applied under the Trading with the Enemy Act in June 2008 and removed North Korea from the list of state sponsors of terrorism in October. However, this was a largely symbolic act as President Bush reinstated many of the restrictions against North Korea at the same time. The United States criticized North Korea for its incomplete declaration of nuclear facilities. North Korea accused the Bush administration of being reluctant to remove sanctions and later protested that Japan and the ROK had not fulfilled their commitments to deliver one million tons of heavy fuel oil as promised in the agreement. In 2008, the talks were deadlocked when the North conducted a second nuclear test.

Despite the failure of the Six-Party Talks, most of the concerned countries still consider the talks the only way to address the long-standing nuclear crisis on the Korean Peninsula. China and Russia have consistently demanded that all concerned parties resume negotiations without any preconditions.² The former North Korean leader, Kim Jong-il, showed his readiness to rejoin the Six-Party Talks.³ The US wants to maintain dialogue with North Korea because there seems to be no other option for dissuading North Korea from pursuing a nuclear weapons program without the Six-Party Talks. The US, Japan, and South Korea want to return to the negotiating table once North Korea takes the key steps agreed upon.⁴ Because the Six-Party Talks have not lost their practical usefulness, it is worth finding the cause of the failure and elaborating on ways to improve the talks. The Six-Party Talks are a multilateral arrangement and a kind of international institution, specifically, an international security regime. In this context, this article aims to examine the reason why the talks failed from the perspective of regime theory.

The existing literature deals mostly with the Six-Party Talks from the perspective of the actors, and attributes their failure to China's support of North Korea or the fact that North Korea insists on sticking to its nuclear weapons development program. In contrast to the actor approach, this article tries to find the root causes of the failure of the Six-Party Talks from the institutional approach. The logical ground for selecting this approach lies in the fact that the Six-Party Talks represent an institutional attempt

to solve the North Korean nuclear problem. International problems can hardly be solved by a single country. Even a super power often resorts to a multilateral institution to increase the effectiveness of its problem-solving capability.⁵ In this context, the United States started the Six-Party Talks to secure the collaboration of the Northeast Asian countries. This means the US sought a multilateral approach after the Geneva Framework had failed as a bilateral approach. The United States realized it alone could not tackle the North Korean nuclear problem and tried to gain the greatest possible assistance from the concerned countries.

Regime theory will provide a significant framework for analyzing the Six-Party Talks. It is worth noting, however, that the existing research on international regimes focuses on how to reach an agreement. The Six-Party Talks are a key case in which participants reached an agreement that was not fulfilled. In this instance, the problem has been non-compliance with the terms of the agreement. Against this background, this article seeks to distinguish between two stages of regime formation and regime implementation, and argues that the Six-Party Talks succeeded in regime formation but failed in regime implementation. Thus, this article's goal is to find the obstacles of regime implementation and suggest effective ways to make agreements fulfilled in the case of the Six-Party Talks.

This article's research question is: What institutional failure did the Six-Party Talks confront with. Specifically, what prevented the Six-Party Talks from successful implementation of their agreement? To answer this question, this article is constructed as follows. The first section will review the existing literature about the Six-Party Talks and regime theory. This analysis of previous research works will help develop a framework that suits the research aim of this article. The second section will investigate the institutional deficiencies that caused non-compliance with the Six-Party Talks agreement. The concluding section highlights the important factors influencing the fulfillment of regime agreement.

Literature Review and Framework

During the Cold War the dominant concept of security was balance of power expressed in military alliances. Alternative security concepts or security regimes created since the end of the Cold War have attracted much attention in the academic world. Krasner

2 Ralph A. Cossa, 2012. "Six-Party Talks: Will/Should They Resume?" *American Foreign Policy Interests*, Vol. 34, No.1

3 Peter Ford, 2010 "Why only North Korea May Be Ready for Six-Party Talks," *Christian Science Monitor*, August 31.

4 Peter Ford and Donald Kirk, 2011. "North and South Korea: Path to Six-Party Talks Rocky, but Still Open," *Christian Science Monitor*, February 23.

5 Robert Jervis, 1978. Cooperation under the Security Dilemma, *World Politics*, Vol. 30, No. 1.

defines a regime as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations.⁶ An international regime has several strengths. First, it is an efficient method because it lowers intervention costs and, according to Jervis, a security regime is perceived to better foster peace and stability than individual states do. The individualistic pursuit of peace is too costly and too instant compared to the regime approach.⁷

Second, an international regime is an effective method because it can achieve results more speedily than an international organization, which is too big and sluggish. International politics is becoming complex and the magnitude of global issues demands a variety of tailored solutions. In these circumstances, an international regime is better suited to solving such issues than an international organization. An international regime seeks to build legal constructs and realize its institutional expression in rules and regulations, whereas an international organization needs formal institutions such as budgets, staffs, offices, etc. In terms of its institutionalization level, a regime is in a position between dialogue and organization. From this viewpoint, a regime can be more or less easily built if it is required to tackle a specific problem such as trade, peace, human rights, environment etc.

Third, an international regime is a decentralized method of achieving a solution. Regime theory shares the assumption that the international system is composed of national states without a world government, which can enforce international rules and norms. In this circumstance, sovereign states need to cooperate to replace the central authority lacking in international politics. In a sense, an international regime is a product of inter-state efforts to assemble powers used to maintain international peace.

International regimes are, however, intrinsically a weak and fragile construct. Like contracts, international regimes represent agreements among states, and the liabilities of the agreements are subject to alteration or abrogation by sovereign states. The arrangements lack any enforcing or executing agencies, unlike international organizations. They are designed not to implement the centralized enforcement of agreements, but rather to establish patterns of behavior that will allow the parties to adapt their practices to the agreed consensus.⁸ The principal significance of

international regimes lies in their legal construction. The parties concerned try to establish an order by making rules and laws in anarchic international politics. Thus, the denouncement of the legal system leads to the collapse of the relevant regime. The agreement can be frequently overturned by any of the participating countries. Therefore, it can be argued that the success of regimes depends on how to establish institutional constraints on the behavior of sovereign states. Institutional constraints will help induce all parties to comply with the agreed rules.

In this context, regimes need to arrange some mechanisms for their viability and effectiveness. Cooperation is possible, even among self-interested actors if an international institution facilitates cooperation. The question is whether the institution can apply sufficient pressure to bring about cooperation. First, it needs a mechanism that improves the asymmetry of information. Informational functions of regimes are the most important of all. The actors have to reveal information and their own preferences fully to one another. Otherwise, the actors have to worry about being deceived and double-crossed. Asymmetrical information is a problem not merely of insufficient information, but also of distorted information. Thus, asymmetries of information are not rectified simply by communication. The required information is not merely information about other governments' resources and formal negotiating positions, but also accurate knowledge of their future positions. In a sense, upgrading the quality of available information can help ensure commitments are kept and deceptions avoided.⁹ To reduce information asymmetry, regimes usually involve international organizations. The Nuclear Non-proliferation Regime (NPT) incorporates the International Atomic Energy Agency (IAEA), which monitors suspicious nuclear development programs. International organizations provide forums for meetings and secretariats that evaluate the quality of information and provide reliable information equally to all members.

Second, the effectiveness of collective action depends on the incentive structure. Incentives usually mean economic benefits such as financial aid or economic cooperation. Providing exclusive information can also be involved in the incentive. According to the logic of collective action, individual incentive is important for providing collective goods. Self-interested individuals will not necessarily comply with their common or group interests without special incentives. Collective goods have different characteristics from private goods. They are available to all individuals. This means access to collective goods cannot be restricted and the use of the goods

6 Stephen D. Krasner, "Structural Causes and Regime Consequences: Regime as Intervening Variables," in Stephen D. Krasner (ed.) 1983. *International Regimes*, Ithaca MA: Cornell University Press, p. 2.

7 Robert Jervis, 1982. "Security Regimes," *International Organization*, Vol. 36, no. 2, p. 360.

8 Robert O. Keohane, "A Functional Theory of Regimes," in Robert J. Art and Robert Jervis (eds.) *International Politics: Enduring Concepts and Contemporary Issues*, (New York: Longman Publishers, 2003), p. 131

9 Robert O. Keohane, 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton: Princeton University Press.

does not reduce their availability to others. This causes a free-ride tendency in which each member of the group wants other members to pay the costs of providing collective goods because every member will benefit from them, regardless of whether or not he pays for them.¹⁰

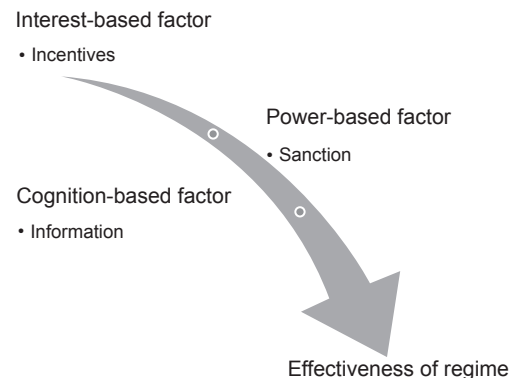


Figure 1 Framework of Analysis on the Effectiveness of the Six-Party Talks

Issue linkage raises the effectiveness of incentives insofar as the clustering of issues increases the readiness of recipients to comply with an agreement. Therefore, linkages among issues create additional mechanisms for making actors implement mutually beneficial agreements. The nesting patterns of international regimes help link particular issues and arrange side payments, giving someone something on one issue in return for help on another. Linkages among particular issues within the context of regimes further strengthen the effectiveness of regimes since the consequences of such behavior as deception and irresponsibility are likely to extend beyond the issue on which they are manifested. Successful regimes organize issue areas so that productive linkages are facilitated, while destructive linkages inconsistent with regime principles are discouraged.

Third, sanctions as negative incentives contribute to overcoming the limitations of incentives. Incentives have limitations because some actors may be irresponsible, making it difficult or impossible to carry out commitments they may make. In these circumstances, the regime's effectiveness will suffer without external coercion or engagement. Sanctions mitigate problems of moral hazard. They include diplomatic isolation, economic embargo, and military action. Sanctions supplement the incentive structure in such a way as to discourage less cooperative behavior and prevent irresponsible behavior.

As reviewed above, the quality of information, incentives, issue linkage, and sanctions are important contributing factors to the effectiveness of international regimes. These factors can be classified into three groups: power-based, interest-based, and cognitive-based factors. The research question in this article is why the Six-Party Talks did not achieve their desired goal of implementing the agreement. We will try to find explanations to this question based on the three factors. Thus, we will examine each factor to fully appreciate the functioning and effectiveness of the Six-Party Talks.¹¹

Institutional Deficiencies of the Six-Party Talks

Asymmetrical Information

When China launched the Six-Party Talks in August 2003 it became a crucial player in dealing with the North Korean nuclear crisis that began in October 2002. China accepted the Six-Party Talks as a multilateral arrangement because the North Korean nuclear issue is vital to China's security and cannot be left to the sole mandate of the US.¹² This raised hopes for a resolution of the nuclear dispute between the US and North Korea because China is believed to have the potential to impose and enforce a denuclearization.

The degree of cooperation in collective action depends on the quality of knowledge available. With regard to informational function, China should have reduced the asymmetry of information among participating countries by thoroughly

¹¹ Matthew Fuhrmann and Jeffrey D. Berejikian, 2012. "Disaggregating Noncompliance Abstention versus Predation in the Nuclear Nonproliferation Treaty," *Journal of Conflict Resolution*, Vol. 56, No. 3.

¹² Gilbert Rozman, 2010. "Post Cold War Evolution of Chinese Thinking on Regional Institutions in Northeast Asia," *Journal of Contemporary China*, Vol. 19, No. 66.

¹⁰ Mancur Olson, 1971. *The Logic of Collective Action*, Cambridge: Harvard University Press.

examining and distributing the position and strategy of North Korea in its nuclear development issues. However, China has always tried to devote its leadership to genuine mediation and confine itself to the role of honest broker. In the Asian tradition, mediation is often regarded as meddling. In this context, China sought to serve as a neutral and harmonious mediator in the Six-Party Talks.¹³ The Chinese diplomatic style of the talks, characterized by reconciliatory and open-ended leadership, cared for the positions of all the parties, including North Korea, whose breach of agreement merited punishment and dampened down the effectiveness of the Six-Party Talks.¹⁴

In addition to China's passive role, there was a structural constraint on information sharing and distribution. First, there was a line-up of five countries opposed to North Korea's possession of nuclear weapons. Thus, the five parties had to explore the differences of their positions and how they could be narrowed. Instead of solidifying their cooperation, this process deepened existing divisions. During the Six-Party Talks period, relations among the parties have deteriorated and become less conducive to reaching a favorable outcome. US ties with Russia deteriorated rapidly from 2003 to 2007 as Putin succeeded in rapidly invigorating the Russian economy. The Iraq War in 2003 alienated Beijing and Moscow and emboldened them to fortify their mutual security ties. In 2005, Japanese-South Korean relations suffered from Japan's claims over the Dokdo Islands and its handling of past history. This prevented the five from reaching consensus on a strategy for solving the nuclear crisis.¹⁵

Second, the participating countries were divided into two groups: China, Russia, and North Korea on the one side, and the US, Japan, and South Korea on the other side. Information sharing in the Six-Party Talks suffered from a confrontation between the two sub-groups.¹⁶ Collective action in the Six-Party Talks was especially difficult because the actors had different access to information. The two groups have met and exchanged their views and strategic positions separately. These two separate trilateral information flow systems consolidated asymmetry of information. Washington relied on its consultations with Seoul and Tokyo, as well as on trilateral coordination, to

spur cooperation within the group.¹⁷ After their trilateral consultation, the US, Japan, and South Korea agreed to a set of principles to dismantle the North Korean nuclear program, calling for "coordinated steps." They presented their joint proposal to China, which delivered it to North Korea.¹⁸

Another factor raising the quality of information is utilizing international organizations. The Six-Party Talks expected monitoring assistance from the IAEA of the North Korean nuclear development program. However, the IAEA was not fully utilized for information gathering.

North Korea has always tried to circumvent the IAEA's monitoring activities. It signed the Nuclear Non-Proliferation Treaty (NPT) in 1985 and a safeguards agreement with the International Atomic Energy Agency (IAEA), which requires North Korea to report all nuclear programs to the IAEA. The agreement also gave the IAEA the right to conduct a range of inspections of North Korean nuclear installations and programs in 1992, although the safeguards agreement was scheduled to be signed within one year after signing the NPT. Even after that, North Korea continued to refuse IAEA inspections of facilities designated under the safeguards agreement.¹⁹ The IAEA could visit North Korean nuclear sites only when all parties in the Six-Party Talks agreed to its technical mission.

Narrow Incentive

The problem of incentives in the Six-Party Talks lies in the unequal readiness to shoulder the burden of providing incentives to North Korea. The US, Japan, and South Korea are major participants. South Korea and Japan promised to provide incentives such as food and heavy fuel oil deliveries, while the US offered security assurances and release from trade restrictions etc. This difference comes from divergent solutions the parties have pursued in dealing with North Korea. South Korea preferred a Ukrainian model and was ready to provide large-scale financial assistance, whereas the US insisted on a Libyan case approach and just promised to help North Korea

13 Cheng Qian, 2009. "The Art of China's Mediation during the Nuclear Crisis on the Korean Peninsula," *Asian Affairs: An American Review*, Vol. 36, No. 2.

14 Michele Acuto, 2012. "Not Quite the Dragon: A Chinese View on the Six-Party Talks, 2002-8," *International History Review*, Vol. 34, No. 1.

15 Gilbert Rozman, 2007. "The North Korean nuclear crisis and US strategy in Northeast Asia," *Asian Survey*, Vol. 47, No. 4, pp. 608-9.

16 Xintian Yu, 2005. "China and Northeast Asian Regional Security Cooperation," *Asia-Pacific Review*, Vol. 12, No. 2.

17 Victor Cha, 2011. "Complex Patchworks: US Alliances as Part of Asia's Regional Architecture," *Asia Policy*, No. 11, p. 42.

18 Tae-Hwan Kwak, 2008. "The Six-Party Nuclear Talks: An Evaluation and Policy Recommendations," *Pacific Focus*, Vol. 19, No.2, p. 25.

19 Larry Nicksch, 2005. "North Korea's Nuclear Weapons Program," *CRS Issue Brief for Congress*, January 27, p. 10.

integrate into the international community.²⁰

Although these initiatives contributed to reaching the denuclearization agreement, China and Russia escaped from providing any incentives. Russia possesses little of its once formidable political and economic power. In contrast to Russia, China has been willing to supply food and oil. But it did not offer to help as an incentive in exchange for nuclear dismantlement, but to prop up the North Korean regime. China views the threat from the North more as a failed state and humanitarian disaster that can trigger a flood of refugees into Northern China. In sum, they have scarcely participated in the incentive system, which was a prerequisite for all parties in implementing the September 2005 Agreement.

Issue linkage is generally considered to catalyze consensus by enlarging the win-set size and allowing for agreement between conflicting parties who would otherwise not achieve a resolution.²¹ North Korea demanded the normalization of its relationship with the US in exchange for giving up its nuclear development. Contrary to this expectation, the US made it clear that diplomatic normalization and the dismantling of the nuclear program were two different subjects. Full diplomatic normalization could be possible only after other pending issues such as ballistic missiles, biological and chemical weapons, and conventional forces were addressed. Thus, the US refused to link a peace treaty with nuclear issues and provide it as an incentive.²²

Issue linkage can lead to constructive and destructive effects in negotiations. Linking an intractable issue can lead the negotiation to deadlock.²³ In this case, issue linkage would result in an issue spillover and unravel an agreement. In the Six-Party Talks it was found that some issue linkages were not aimed at resolving the nuclear issue. Japan linked the abductions issue with the nuclear issue. This adversely affected the implementation process in the Six-Party Talks.²⁴ Japan has participated in the Six-Party Talks because it has been very concerned for a long time about how

to respond to North Korea's development of nuclear weapons and ballistic missiles. However, the Japanese Government started to address the issue of Japanese citizens abducted by North Korea in the 1970s and 1980s. The Japanese public demanded that the abduction issue be resolved, a demand that drove the government into a negative position in the context of the talks.²⁵

Limited Sanctions

Sanctions are regarded as critical to the viability of the Six-Party Talks. North Korea has endured economic sanctions by the US for the past half century. This means economic sanctions have not worked with North Korea, which has maintained an autarkic economic system. Therefore, the implementation of an agreement in the talks could be effective only when the issue of sanctions was not limited to the economic area. However, the parties in the talks could not go beyond it.²⁶

China is believed to have considerable leverage as the largest trade partner and supplier of aid to North Korea and has reiterated that it does not want a nuclear-armed DPRK. However, it has always been reluctant to pressure the North to give up its nuclear program. In response to the US demand for China to use its influence over Pyongyang, China has often shown a dubious attitude, claiming its influence is minimal. This does not mean China is necessarily happy with the Kim regime though. China only wants the DPRK to initiate economic reform after the Chinese model.²⁷

Having successfully hosted the Six-Party Talks, China pushed to institutionalize them. Such an initiative was surprising, because China has long maintained a passive, negative, and defensive posture against multilateral cooperative security arrangements.²⁸ It has had reservations both about institutions that could undermine its narrow notion of sovereignty and norms that are often used to impose long-feared universal values by Western countries. China's active support for the Six-Party Talks does not necessarily mean it is ready to endorse strong regional organizations in Northeast Asia.

20 John Park, 2005. "Inside Multilateralism: The Six-Party Talks," *The Washington Quarterly*, Vol. 28, No. 4, p. 79.

21 Thomas Schelling, 1980. *The strategy of conflict*, Cambridge, MA: Harvard University Press.

22 Christoph Bluth, 2006. "The United States and the Second North Korean Nuclear Crisis: Explaining the Failure of the Six-Party Talks," *IPRI Journal*, Vol. 6, No. 1.

23 James Sebenius, 1996. "Sequencing to Build Coalitions: With Whom Should I Talk First?" In Richard Zeckhauser, Ralph Keeney, and James K. Sebenius (eds.), *Wise decisions*, Boston: Harvard Business School Press.

24 Kuniko Ashizawa, 2006. "Tokyo's Quandary, Beijing's Moment in the Six-Party Talks: A Regional Multilateral Approach to Resolve the DPRK's Nuclear Problem," *Pacific Affairs*, Vol. 79, No. 3. ; Linus Hagström, 2008. "Critiquing the Idea of Japanese Exceptionalism: Japan and the Coordination of North Korea Policy," *European Journal of East Asian Studies*, Vol. 7, No. 1.

25 Tsuneo Akaha, 2007. "Japanese Policy toward the North Korean Problem," *Journal of Asian & African Studies*, Vol. 42, No. 3/4.

26 Jaewoo Choo, 2005. "Is Institutionalization of the Six-Party Talks Possible?" *East Asia: An International Quarterly*, Vol. 22, No. 4.

27 Christoph Bluth, 2006. "The United States and the Second North Korean Nuclear Crisis: Explaining the Failure of the Six-party Talks," *IPRI Journal*, Vol. 6, No. 1.

28 Jaewoo Choo, 2005. "Is Institutionalization of the Six-Party Talks Possible?" *East Asia: An International Quarterly*, Vol. 22, No. 4.

While China has expressed permissive support for United Nations Security Council measures, it has avoided excesses that might lead to a regime collapse in North Korea.²⁹ China does not want the North Korean regime to collapse under US military and economic pressure and prefers the continued existence of the two Koreas, with the North acting as a buffer state. China wants to avoid instability or even a military conflagration in its backyard. Political leaders in China have emphasized peaceful foreign policies that empower sustained development based on integration in the world economy. This indicates China is more concerned about sustaining the North Korean regime and preventing a second Korean War than eliminating the North's nuclear capability.

Besides geopolitical interests, there are several reasons for China's indecision over North Korea's nuclear issue. These include China's emotional ties with North Korea and empathy with its position as the weakest party in the talks, conflicting attitudes within the Chinese Government itself towards the North, and competing interests with, and lack of trust in the US.³⁰

South Korea has taken the nuclear issue very seriously because of its direct ramifications for South Korean security. However, the South Korean Government maintained a policy of reconciliation toward North Korea until 2008 under the Roh Moo-hyun administration. It was convinced the only chance of transforming the DPRK was through a policy of engagement that did not have any consideration for coercive tools that imposed costs on North Korea.

On the contrary, the United States even considered a military attack. However, the South Korean public was worried the US might launch a pre-emptive strike without consulting the Government of South Korea and that US military strikes would provoke a devastating North Korean reprisal. This was manifested in South Korean poll data that revealed 39 per cent of the respondents perceived the United States to be the greatest threat to South Korea, whereas only 33 per cent saw North Korea in the same light.³¹ A survey in 2005 showed that in the event of a war between the United States and North Korea, 47.6 per cent of the respondents believed the South Korean Government should side with North Korea, and 31.2 per cent indicated that it should

support the United States.³² These survey results indicate the serious difficulties involved in military intervention against North Korea.

The Bush administration took a highly divergent position on how to approach the North's nuclear program. Unsure that the nuclear crisis could be resolved without a regime change in the North, the US adopted a policy of isolating, containing, and transforming the North. It is clear that China, the US, and South Korea adopted different strategies concerning sanctions, none of which had any chance of achieving their objectives. There was no prospect that the Bush administration's goal to isolate and contain North Korea could be achieved, given that its regional partners resolutely refused to implement such an approach.

Conclusion

This article examines the failure of the Six-Party Talks from the perspective of regime theory, and identifies the critical factors that led to the failure of the talks. After reviewing the existing literature on regime theory, we identified three groups of factors influencing the effectiveness of a regime. They include the cognition-based factor, the interest-based factor, and the power-based factor. Because the Six-Party Talks failed rather in their implementation than in their agreement, we selected asymmetrical information, narrow incentive, and limited sanctions as significant deficiencies in the talks.

Regarding asymmetry of information, China launched the talks and played an indispensable role, but limited its role to that of an honest broker. It was reluctant to take an active mediator role. As a result, the parties of the multilateral arrangement were unable to acquire quality information about North Korea's real position and strategy. The distribution of information was structurally obstructed by the division of the participating countries into two groups: the US, Japan, and South Korea; and China, Russia, and North Korea. Each trilateral group cooperated closely, but this served as an obstacle to the distribution of unbiased information. Regimes can reduce asymmetry of information by utilizing international organizations. For the Six-Party Talks, the IAEA played a limited role because it could engage in nuclear monitoring when all parties agreed to it.

29 Christopher Twomey, 2008. "Explaining Chinese Foreign Policy toward North Korea: Navigating between the Scylla and Charybdis of Proliferation and Instability," *Journal of Contemporary China*, Vol. 17, No. 56.

30 Feng Zhu, 2011. "Flawed Mediation and a Compelling Mission: Chinese Diplomacy in the Six-Party Talks to Denuclearise North Korea," *East Asia: An International Quarterly*, Vol. 28, No. 3.

31 Chosun Daily, 2004. January 11.

32 Munhwa Daily, 2005. May 12.

The flaw in the incentive system of the Six-Party Talks lies primarily in the fact that some of the participating countries were ready to offer incentives to North Korea. China and Russia were exempt from the burden of providing incentive, which was so important for implementation of the agreement. Issue linkage can contribute to increasing the amount of incentive in the sense that it opens new possibilities for incentives. But the US refused to link the normalization of diplomatic relations with the successful denuclearization of North Korea. Japan made a destructive issue-linkage by linking the abductions issue with the nuclear issue. This issue spillover hindered the progress of the Six-Party Talks.

There was a wide divergence among parties concerning the issue of sanctions. China supported the denuclearization of North Korea, but feared excessive sanctions could cause a collapse of the regime in the North. South Korea eagerly wanted to prevent the nuclear development program but was opposed to any military option. It pursued at best regime transformation through an opening and reform policy in the North. The US adopted the toughest position and sought the isolation of the North, and even considered a possible military attack on nuclear sites among its strategic options. However, the other participating countries did not support these considerations.

Acknowledgement:

This article was supported by a National Research Foundation of Korea Grant funded by the Korean Government (NRF-2011-413-B00001).

References

- Acuto, Michele, 2012. "Not Quite the Dragon: A Chinese View on the Six-Party Talks, 2002-8," *International History Review*, Vol. 34, No. 1.
- Akaha, Tsuneo, 2007. "Japanese Policy toward the North Korean Problem," *Journal of Asian & African Studies*, Vol. 42, No. 3/4.
- Ashizawa, Kuniko, 2006. "Tokyo's Quandary, Beijing's Moment in the Six-Party Talks: A Regional Multilateral Approach to Resolve the DPRK's Nuclear Problem," *Pacific Affairs*, Vol. 79, No. 3.
- Bluth, Christoph, 2006. "The United States and the Second North Korean Nuclear Crisis: Explaining the Failure of the Six-Party Talks," *IPRI Journal*, Vol. 6, No. 1.
- Cha, Victor, 2011. "Complex Patchworks: US Alliances as Part of Asia's Regional Architecture," *Asia Policy*, No. 11, p. 42.
- Choo, Jaewoo, 2005. "Is Institutionalization of the Six-Party Talks Possible?" *East Asia: An International Quarterly*, Vol. 22, No. 4.
- Chosun Daily, 2004. January 11.
- Cossa, Ralph A., 2012. "Six-Party Talks: Will/Should They Resume?" *American Foreign Policy Interests*, Vol. 34, No.1.
- Ford, Peter, 2010 "Why only North Korea May Be Ready for Six-Party Talks," *Christian Science Monitor*, August 31.
- Ford, Peter and Donald Kirk, 2011. "North and South Korea: Path to Six-Party Talks Rocky, but Still Open," *Christian Science Monitor*, February 23.
- Fuhrmann, Matthew and Jeffrey D. Berejikian, 2012. "Disaggregating Noncompliance Abstention versus Predation in the Nuclear Nonproliferation Treaty," *Journal of Conflict Resolution*, Vol. 56, No. 3.
- Hagström, Linus, 2008. "Critiquing the Idea of Japanese Exceptionalism: Japan and the Coordination of North Korea Policy," *European Journal of East Asian Studies*, Vol. 7, No. 1.
- Jervis, Robert, 1978. Cooperation under the Security Dilemma, *World Politics*, Vol. 30, No. 1.
- Jervis, Robert, 1982. "Security Regimes," *International Organization*, Vol. 36, no. 2, p. 360.
- Keohane, Robert O., 1984. *After Hegemony: Cooperation and Discord in the World*

Political Economy, Princeton: Princeton University Press.

Keohane, Robert O., "A Functional Theory of Regimes," in Robert J. Art and Robert Jervis (eds.) *International Politics. Enduring Concepts and Contemporary Issues*, (New York: Longman Publishers, 2003), p. 131

Krasner, Stephen D., "Structural Causes and Regime Consequences: Regime as Intervening Variables," in Stephen D. Krasner (ed.) 1983. *International Regimes*, Ithaca MA: Cornell University Press, p. 2.

Kwak, Tae-Hwan, 2008. "The Six-Party Nuclear Talks: An Evaluation and Policy Recommendations," *Pacific Focus*, Vol. 19, No.2, p. 25.

Munhwa Daily, 2005. May 12.

Niksch, Larry, 2005. "North Korea's Nuclear Weapons Program," *CRS Issue Brief for Congress*, January 27, p. 10.

Olson, Mancur, 1971. *The Logic of Collective Action*, Cambridge: Harvard University Press.

Park, John, 2005. "Inside Multilateralism: The Six-Party Talks," *The Washington Quarterly*, Vol. 28, No. 4, p. 76.

Qian, Cheng, 2009. "The Art of China's Mediation during the Nuclear Crisis on the Korean Peninsula," *Asian Affairs: An American Review*, Vol. 36, No. 2.

Rozman, Gilbert, 2007. "The North Korean nuclear crisis and US strategy in Northeast Asia," *Asian Survey*, Vol. 47, No. 4, pp. 608-9.

Rozman, Gilbert, 2010. "Post Cold War Evolution of Chinese Thinking on Regional Institutions in Northeast Asia," *Journal of Contemporary China*, Vol. 19, No. 66.

Schelling, Thomas, 1980. *The strategy of conflict*, Cambridge, MA: Harvard University Press.

Sebenius, James, 1996. "Sequencing to Build Coalitions: With Whom Should I Talk First?" In Richard Zeckhauser, Ralph Keeney, and James K. Sebenius (eds.), *Wise decisions*, Boston: Harvard Business School Press.

Twomey, Christopher, 2008. "Explaining Chinese Foreign Policy toward North Korea: Navigating between the Scylla and Charybdis of Proliferation and Instability," *Journal of Contemporary China*, Vol. 17, No. 56.

Yu, Xintian, 2005. "China and Northeast Asian Regional Security Cooperation," *Asia-Pacific Review*, Vol. 12, No. 2.

Zhu, Feng, 2011. "Flawed Mediation and a Compelling Mission: Chinese Diplomacy

in the Six-Party Talks to Denuclearise North Korea," *East Asia: An International Quarterly*, Vol. 28, No. 3.