

# Globalization, Domestic Politics, and Regionalism

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## Abstract and Keywords

This chapter analyzes regional orders along a conflict/cooperation spectrum. Regional orders are shaped by global, regional, and domestic forces and, in turn, influence the internal politics of states. Globalization affects regional orders directly and indirectly through domestic politics. The chapter builds on micro-foundations centered on two ideal-typical domestic ruling coalitions each advancing competing models of political survival. Internationalizing coalitions benefit from embracing the global political economy; inward-looking coalitions from resisting it. Regions dominated by internationalizing models typically are more cooperative than regions controlled by inward-looking models. In turn, cooperative regions reinforce the domestic logic of internationalizing models, whereas more conflictive regions strengthen inward-looking ones. Underlying regional coalitional configurations explain features of regional institutions. Internationalizing regions exhibit institutions more attuned to market-friendly “open regionalism” that lubricates ties to the global economy. A region’s coalitional center of gravity also affects how regions interact with one another and how models diffuse across regions.

Keywords: globalization, regional order, domestic politics, coalitions, regionalism, regional institutions, conflict and cooperation

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THIS chapter analyzes the connections among globalization, domestic politics, and regional orders.<sup>1</sup> Globalization can impact regional orders directly or indirectly, through its effects on domestic politics. The literature on the direct impact of globalization on regional orders (Vector 1, Fig. 4.1) has been more extensive than on indirect effects of globalization on regional orders, via domestic politics (Vectors 2 and 3). The latter constitutes our main focus here. Our point of departure on the relationship between globalization and domestic politics is the assumption that globalization involves the progressive expansion of international markets, institutions, and norms into the domestic politics of states. It is not simply about what (growing) percentage of a state’s gross domestic product (GDP) is accounted for by international activities and about the political implications thereof, but also about what (growing) fraction of domestic issues becomes affected by international

regimes, institutions, and values relative to the past. The effects of globalization on domestic politics (Vector 2) have, in turn, implications for regional orders (Vector 3).

We refer to regional orders along a conflict/cooperation spectrum. Regional orders encompass both regionalization (increased economic and other exchange) as well as regional institution-building, i.e. regionalism, the term adopted in this *Handbook* (Chapter 1 by Börzel and Risse, this volume). This usage transcends a common but contested distinction between regionalization as driven by market and societal forces, and regionalism as driven by political forces. Although useful in some ways, the market/politics distinction obscures the ways in which politics underlies regionalization and markets create conditions for the emergence and design of institutions (Katzenstein, 2005; Mansfield and Solingen, 2010; Pempel, 2005; Solingen, 2005, 2014a). Regional institution-building here is thus only a subset of—and may or may not be central to—unfolding regional orders.

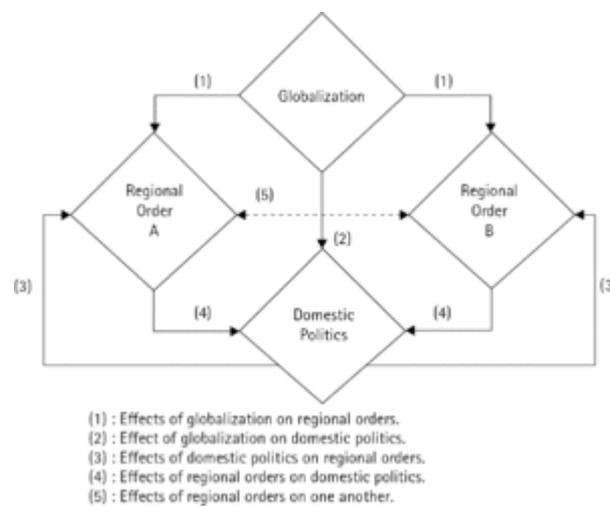


Figure 4.1 Linkages among Globalization/Internationalization, Domestic Politics, and Regional Orders

Compiled by the authors.

Regional orders are influenced by, and have effects on, domestic politics (Vectors 3 and 4 in Fig. 4.1). Furthermore, regional orders have mutual effects on each other (Vector 5); we trace those effects to the variable effects of Vectors 2, 3, and 4. Our review of the (p. 65) literature unpacks these different vectors connecting globalization, regionalism, and domestic politics along the lines of Figure 4.1. The first section provides a brief overview of the literature exploring the direct effects of globalization on regional orders (Vector 1). The second section lays out in greater detail our main argument, which seeks to provide micro-foundations for an integrated framework for understanding more indirect effects of globalization. We begin in modular fashion by analyzing the exogenous impact of globalization on domestic politics (Vector 2), followed by its implications for the way in which domestic politics shapes regional orders (Vector 3). Next we examine, in light of the preceding sections, the reverse effects of regional orders on domestic politics (Vector 4) and of regional orders on each other (Vector 5). The third section analyzes the implications of the main argument for the role of institutions in regional orders. We distill

some conclusions for further research on the complex connections among globalization, domestic politics, and regional orders.

## Globalization and Regional Orders

Dominant theories of international politics that emerged in the Cold War loam privileged alliances, distributions of power, and unitary states, rendering both globalization and regional orders tacitly epiphenomenal (Waltz, 1979; Gilpin, 2001, 356). (p. 66) Globalization was often treated as a dependent variable, created by the global distribution of power and actively maintained by a strong hegemon. Scholars within the hegemonic stability theory tradition, for example, argued that the international trading system was fundamentally shaped by the hegemon, the only power able to provide the required public goods and enforcement necessary to preserve a multilateral trading regime (Gilpin, 1987; Kindleberger, 1986 [1973]; Keohane, 2005 [1984]; Keohane and Nye, 1977; Krasner, 1976; Strange, 1970). Without a hegemon, or when a hegemon neglects its duties, the world spirals into regional, welfare-reducing trade blocs. Regional orders were generally treated through the lenses of, and subsidiary to, international security considerations. Regional institutions were a relatively neglected topic or largely conceived as means to help alleviate security concerns (Nye, 1968).

The Cold War's end brought new emphasis on globalization scholarship and reinvigorated the study of regionalism. On the one hand, new work in International Political Economy (IPE) focused greater attention on globalization as an independent variable (Keohane and Milner, 1996). The Comparative Politics subfield sought a more systematic charting of the way in which domestic polities respond to international economic factors. A thriving agenda in Comparative Political Economy (CPE) turned greater attention to international considerations as well (Solingen, 2009). Building on seminal work in IPE and CPE (Frieden, 1991; Gourevitch, 1978, 1986; Katzenstein, 1978; Rogowski, 1989), studies in Open Economy Politics relied on globalization explicitly to explain foreign economic policy (Lake, 2009). Some sought to debunk the "race-to-the-bottom" globalization thesis, addressing domestic sources of differential responses to globalization (Drezner, 2001; Brune and Garrett, 2005; Goodman and Pauly, 1993; Mosley, 2003, 2005; Strange, 1996). Region-level variables did not feature in these explanations. Globalization became the driving force in international politics, the omnipresent structural vector rendering regions less important.

On the other hand, a second wave of studies on regionalism revived interest in post-Cold War forms of regional organizations and their connection to the broader context of globalization (Hettne, 2005; Solingen, 1996, 1998; Stallings, 1995). Regionalism became a crucially important analytical category precisely because it could explain variations in levels of, and responses to, globalization; it could also address the puzzle of why globalization outcomes may be regionally clustered. Katzenstein (2005) found that systematic differences between Asian and European institutions undercut claims that globalization led to either convergence or infinitely diverse forms (Chapter 11 by Jetschke and Katada, this

volume). Region-level outcomes, in this view, explained additional variance in the dependent variables.

The proliferation of preferential trade agreements (PTAs) drew additional attention to cross-regional variance (Chapter 3 by Börzel, Chapter 15 by Kim et al., and Chapter 16 by McNamara, this volume). Economic theory predicts multilateral free trade to be globally welfare-enhancing. Why, then, would states liberalize in pairs and groups rather than through unilateral opening to the global economy? Previous instances suggested that regionalism was not always concurrent with internationalization (Mansfield and Milner, 1999). For instance, regional integration may have led to greater globalization (p. 67) before World War I but interwar regionalism was highly preferential rather than multilateral, leading to economic retrenchment, trade diversion, and reducing global welfare. Responding to arguments by Krugman (1993) and Bhagwati (1993) that regionalism inhibited multilateral liberalization, Baldwin (1997) argued that regional PTAs, under certain conditions, created a “domino effect” that promoted their enlargement or the creation of additional, separate trading areas. States arguably created PTAs to protect against systemic threats—hegemonic decline, global recession—or to gain leverage in GATT/WTO (General Agreement on Tariffs and Trade/World Trade Organization) negotiations (Mansfield, 1998). In other words, internationalization accelerated the pace of commercial regionalism which, in turn, led to further internationalization (Mansfield and Reinhardt, 2003). Manger, Pickup, and Snijders (2012), however, emphasized that most PTAs are not regional but bilateral, most often linking wealthy states with one another and with middle-income states (a “horizontal layer of PTAs”).

Other studies in the second wave addressed regional security, focusing on region-specific hierarchies, power distributions, and system-induced competition driving superpowers to contest one another in every region (Lake and Morgan, 1997; Lemke, 2002). Absent that competition, the United States was less willing to intervene, allowing more regional autonomy and intra-regional interactions to become more salient variables relative to global considerations (Buzan and Wæver, 2003; and dissenting, Stein and Lobell, 1997).

These different strands of scholarship exhibited the following features. First, they were primarily concerned with the hypothesized direct effects of the global on the regional level (Vector 1 in Fig. 4.1), bypassing domestic considerations. Second, they typically either sidelined political agency—retaining a focus on structural drivers—or relegated agency to states, primarily hegemons. Third, the European Union (EU) and the North American Free Trade Agreement (NAFTA) often gained greater attention than industrializing regions in empirical studies. Fourth, they addressed discrete aspects of globalization—largely geared to understand economic or security outcomes—but rarely linked the two in a common framework explaining regional orders.

# Micro-Foundations of Regional Orders: An Integrative Framework

## The Argument in Brief

One framework geared to integrate the causal pathways running through global, regional, and domestic levels builds on political coalitions as a micro-foundation for the study of comparative regionalism.<sup>2</sup> The analytical point of departure was the domestic distributive consequences of internationalization (Vector 2 in Fig. 4.1). These second-image-reversed (Gourevitch, 1986) or outside-in effects lead to the constitution of two (p. 68) ideal-typical domestic coalitions—internationalizing and inward-looking—vying for power and control of their states. Domestic politics and institutions, in turn, convert those effects into competing grand strategies of local, regional, and global reach—inside-out effects that are synergistic across all three levels. The inside-out effects from the domestic to the regional realm (Vector 3) are thus a primary concern for understanding the nature of regional orders. The latter emerge from the strategic interaction among different coalitions in a given region. Regions reflecting dominant internationalizing coalitions typically display more cooperation than regions largely controlled by strong inward-looking ruling coalitions. In turn, regional arrangements in internationalizing regions reinforce the domestic logic of internationalizing coalitions and, similarly, regional arrangements in inward-looking regions reinforce the domestic logic of their inward-looking coalitional referents (Vector 4). The coalitional center of gravity also affects the way regions interact with one another and the extent to which models of regional order diffuse across regions (Vector 5). The remaining subsections dissect this overall framework for understanding regional orders in a globalized world.

## Globalization and Domestic Politics

Increased openness to international markets, capital, investments, and technology affects individuals and groups through: (a) changes in employment, incomes, prices, public services, and (b) their evolving commitments to international regimes and institutions in economics, security, the environment, and other domains (Keohane and Milner, 1996; Mansfield and Milner, 1997). Politicians understand the mobilizing capacity of economic interests, norms, and identity associated with dilemmas of internationalization. They thus organize constituencies across the state-society divide into competing coalitions, and craft models of political survival attuned to those coalitional preferences. Across regime types (democratic, autocratic), politicians rely on available rules and institutions to fashion coalitions that maximize their own relative power and control over resources, leading constituencies to logroll across material economic and ideational interests of both state and private actors.<sup>3</sup>

Two ideal-typical coalitional forms emerge from that process and vie for power and control of their states: internationalizing and inward-looking. Ideal-types are heuristic devices that transcend historical or “true” realities; hence they are not applicable to all cas-

es equally or indeed to any particular case wholesale (Eckstein, 1975; Ruggie, 1998, 31–32; Weber, 1949, 93). Yet they can be helpful in placing real-world coalitions along the internationalizing/inward-looking spectrum. Internationalizing coalitions attract beneficiaries (or potential beneficiaries) of economic openness such as export-intensive sectors and firms, highly-skilled labor employed in competitive industries or firms, analysts oriented towards an open global economic and knowledge (technology) system, competitive agricultural sectors, consumers of imported products, and bureaucracies central to economic reform (independent central banks, finance ministries, managers of export-processing zones). Inward-looking coalitions attract import-competing firms (p. 69) and banks closely tied to the state, state-owned enterprises and banks, urban unskilled blue-collar and white-collar sectors, state bureaucracies rendered obsolete by reform, considerable segments of the military and its industrial complex, and civic-nationalist, ethnic, and religious movements threatened by internationalization.

High uncertainty about the impact of internationalization leaves many behind the “veil of ignorance” (Rawls, 1971), unable to figure out where and how they will come out at the end of the process. When crafting coalitions, politicians portray the benefits and pitfalls of internationalization on the basis of actual or putative impacts. At times, the two competing coalitions carve out different parts of a state divided by this coalitional competition. At other times, either coalition succeeds in controlling the state and is thus able to implement its preferred model (grand strategy) of political survival in power. Internationalizing models rely on economic performance and growth via integration into the global economy whereas inward-looking models rely on autonomous “self-sufficiency.” The two ideal-types also differ in the extent to which states (including military-industrial complexes) replace or enhance markets.

## **Grand Strategies: Implications for Regional Order**

Where internationalizing coalitions successfully realize their favored model of political survival, they capture opportunities offered by the global political economy and institutions. Their grand strategy emphasizes regional cooperation and stability and access to global markets, capital, investments, and technology. They accord primacy to macroeconomic stability and international competitiveness because both are expected to reduce uncertainty, encourage savings, and enhance the rate of investment (including foreign).<sup>4</sup> Why are these coalitions more prone to cooperate with their neighbors? Because conflict-prone postures require mobilization of resources for potential military conflict which, in turn, contribute many of the ailments afflicting the domestic political economy from the standpoint of internationalizers. Such ailments include unproductive and inflation-inducing military investments and the protection of state enterprises under a mantle of “national security.” Mobilization of resources for conflict often emasculates macroeconomic objectives via expansive military budgets, government and payments deficits, the rising cost of capital, inhibited savings and productive investment, depleted foreign exchange coffers, overvalued exchange rates, currency instability and unpredictability, and foiled

foreign investment. For example, many East Asian ruling coalitions have steered their states in an internationalizing direction since the 1960s.

Where inward-looking coalitions realize their favored model, they challenge the reach of markets, international institutions, and powerful states, asserting complete sovereignty and control across issue-areas. Their grand strategy, in its purest form, hinges wholly on the interests of state industry and ancillary inward-looking military-industrial sectors, as well as of ethnic, religious, and nationalist groups threatened by internationalization. Regional insecurity and competition helps sustain these coalitions in power whereas rising regional cooperation has the potential for eroding their (p. 70) resources and undermining their objectives. Inward-looking state and private actors are generally unconcerned with the prospects that regional instability might undercut foreign investment. Typically these coalitions rely on populism, active states controlling prices, increasing nominal wages, overvaluing the currency to raise wages and profits in non-traded goods sectors, and dispensing rents to private firms by discriminating against competing imports through tariffs, controls, and multiple exchange rates.<sup>5</sup> Inward-looking coalitions flout an array of international economic, political, and security regimes that they depict as anathema to the economic, national, ethnic, or religious objectives they safeguard. Many Middle Eastern ruling coalitions have steered their states in an inward-looking direction since the 1950s.

Grand strategies, or models of political survival in power, are also ideal-typical categories rarely matching the real world perfectly. Yet they provide a benchmark for classifying grand strategies along a single spectrum. Such strategies do not envelop states overnight or in linear fashion. They evolve through coalitional competition and causal mechanisms that link comparative and international politics (Solingen, 2009). They thus constitute a productive approach for taking account of Vector 3 (Fig. 4.1) effects that map domestic politics onto the regional level. As we shall see next, however, the domestic coalitional competition in one state is itself affected by the nature and strength of coalitions in other states in the region, forcing attention to Vector 4 effects.

## **Strategic Interaction within Regions: Implications for Regional Orders**

The relative strength of coalitions—at home and throughout the region—accounts for the degree to which grand strategies are more pristine or diluted versions of the ideal-type. A state's regional environment can be defined as an aggregate measure of the relative strength of internationalizing or inward-looking coalitions. An internationalizing regional environment is one dominated by a more or less homogeneous cluster of internationalizing coalitions, as in East Asia. The reverse is true for an inward-looking regional environment dominated by a more or less homogeneous cluster of inward-looking coalitions, as in the Middle East. What are the effects of strategic interaction among different coalitional combinations in a given region? The incidence of each coalitional type, and the different regional coalitional clusters they constitute in the aggregate, define a region's propensity for conflict and cooperation. Regions reflecting dominant internationalizing coalitions

typically display more cooperation than regions largely controlled by strong inward-looking ruling coalitions. In turn, regional arrangements in internationalizing regions reinforce the domestic logic of internationalizing coalitions whereas regional arrangements in inward-looking regions reinforce the domestic logic of their inward-looking coalitional referents. These are Vector 4 effects in action (Fig. 4.1).

(p. 71) Different coalitional mixes throughout a region thus create and reproduce typical regional orders and, conversely, are affected by them. Strong internationalizing coalitions in a region are expected to create more cooperative and peaceful regional orders (“zones of peace”) than those typical of clusters dominated by strong inward-looking coalitions (“zones of war”). Regions dominated by mixed or hybrid coalitional forms exhibit “zones of contained conflict” that elude extensive cooperation or war. Converging internationalizing grand strategies in a given region are collectively stable, creating an environment least propitious for inward-looking strategies. The more internationalizing the region’s center of gravity, the higher its reliance on cooperative (though not necessarily formal) arrangements that enable implementation of all pillars of internationalizing grand strategies. Converging inward-looking strategies are also collectively stable, feeding on each other’s existence, resulting in war zones resistant to internationalizing strategies. Internationalizing “zones of peace” challenge lingering inward-looking coalitions in their region undermining their grand strategy, from the merits of economic closure to the advantages of militarization. In time these regional orders can overturn coalitional balances within outstanding inward-looking states, easing their eventual inclusion into their regional framework. ASEAN (Association of Southeast Asian Nations) has operated in that fashion to integrate erstwhile inward-looking coalitions in Vietnam and Burma.<sup>6</sup> Where inward-looking coalitions dominate a region, “zones of war” trigger pressures that loom large on the survival of internationalizers, weakening them and forcing them to dilute their preferred strategy. Regions dominated by inward-looking coalitions, such as much of the Middle East, have threatened the viability of would-be internationalizers in Jordan, Lebanon, and elsewhere for many decades.

Empirical applications provide detailed evidence for patterns consistent with this framework. They document why competing models of political survival offer compelling explanations for decades of Middle East wars and enduring rivalries in the inter-Arab, Arab-Israeli, and Arab-Iranian arenas (Chapter 12 by Valbjørn, this volume); for cooperative Arab-Israeli breakthroughs in the early 1990s and reactive responses to them; for why regional economic barriers among Arab states never receded and regional institutions such as the Arab Common Market existed largely in paper, much as their Latin American counterparts; and for the evolving texture of regional relations in Latin America’s Southern Cone, where well over a century free of war (notably between Argentina and Brazil) should have produced deeper cooperation. The framework also explains why Argentina’s entrenched inward-looking strategies spearheaded an ambiguous nuclear program, military crises and mobilizations vis-à-vis Chile, and a war with the United Kingdom; and why there were effective steps towards economic integration through Mercosur with the ascent of internationalizers (in both Argentina and Brazil) in the 1990s but much less so since (Chapter 8 by Bianculli, this volume).<sup>7</sup> Inward-looking political economies remain a

challenge for deeper cooperation not only among Southern Cone countries but also between them and the more internationalizing Pacific Alliance states embracing “open regionalism.”<sup>8</sup>

(p. 72) Competing models of political survival also shed light on the outbreak of the Korean War; subsequent shifts away from war and cooperative overtures by the South; evolving North–South Korean relations; divergent nuclear postures in the North and South since the 1970s; North Korea’s internal cleavages as drivers of foreign policy shifts and its trespassing of the nuclear brink; and the taming of conflicts among East Asian states via internationalizing strategies (Chapter 11 by Jetschke and Katada, this volume). The framework also explains why inward-looking models account for greater proneness to use chemical weapons and spearhead more wars than internationalizing ones, and why the Cold War era provided a more supportive global structure for inward-looking coalitions—economic protection, militarization, and regional conflict—than the post-1989 era. Despite significant differences among them, the modal East Asian ruling coalition remains closer to an internationalizing model than most other industrializing regions. Their progressive integration into the global economy and piecemeal steps towards regional cooperation and stability, particularly the absence of war, conformed to the hypothesized synergies in their coalitional grand strategies. The prospects of future war may not be nil in East Asia, yet empirical findings provide evidence for several decades of war avoidance despite serious remaining disputes (Solingen, 2007, 2014b).

## **Diffusion Within and Across Regions**

The diffusion of models of political survival within the region and from one region to another draws attention to an additional layer of second-image reversed, or Vector 4 effects (Fig. 4.1; see Chapter 5 by Risse, this volume).<sup>9</sup> Diffusion assumes outside-in effects among interdependent states rather than outcomes that can be explained solely by domestic considerations. It is not always easy to discriminate between the two, however, as suggested by the so-called Galton problem (Jahn, 2006). This difficulty may be particularly severe in studies of contiguous states and regions. Yet there is significant evidence that in East Asia progressive diffusion of successful export-oriented models arguably predisposed successive East Asian regimes to adapt analogous models to local circumstances in Taiwan, South Korea, Hong Kong, Singapore, Malaysia, Thailand, China, Indonesia, and Vietnam. This diffusion was famously captured initially by the “flying geese” metaphor, pointing to Japanese capital and technology as an agent of diffusion through foreign direct investment (FDI) and bank loans (Pempel, 1997; MacIntyre and Naughton, 2005). The economic success of models adopted by Asian “tigers” and “dragons,” in turn, led to a pattern of outward but uneven region-to-region diffusion. Ruling coalitions from Turkey to Chile and Brazil adapted components of East Asian models in the late 1970s and more pronouncedly in the 1980s (Simmons and Elkins, 2004).

By contrast, domestic firewalls—dominant coalitions, autocratic institutions— explain the very limited diffusion of East Asian models into the Middle East. Ruling coalitions in the latter were slower to recognize the end of the brief, “easy,” period of (p. 73) economic ex-

pansion under import-substitution and continued to spend heavily, leading to inflation, balance-of-payments crises, and further decline (Hirschman, 1967). Those protected by oil revenues or remittances responded to economic crises by “deepening” inward-looking models rather than replacing them. “Dutch disease,” referring to resource abundance that eliminates export competitiveness in other goods, reinforced reluctance to change (Krugman, 1987; Weinthal and Luong, 2006). But Dutch disease and related domestic factors provide an incomplete account. Some Gulf monarchies began diversifying away from oil dependence, seeking to forge a new relationship with the global economy. Furthermore, counter to deterministic oil-curse expectations, Malaysia and Indonesia became receptive to the regional diffusion of export-led models throughout East Asia.

In the Middle East, however, intra-regional diffusion effects entrenched inward-looking models. The causal mechanisms at work were primarily coercion and emulation. The progressive adoption of Nasserite or Ba’athist models was often accompanied by forceful external intervention in those neighboring states that sought alternative paths, aided by internal collaboration (Kerr, 1971). Nasser, a crucial agent of diffusion, threatened and subverted internationalizing efforts by small, resource-poor Jordan and Lebanon, and elsewhere in Iraq and Yemen. He portrayed them as anti-revolutionary bastions and enemies of “Arabism,” decrying their association with Western powers and markets, recommending their expulsion from the Arab League, and mobilizing pan-Arab nationalist domestic forces within targeted states to encourage them to replace their leaders. Syria and Iraq’s Ba’ath often threatened Jordan to toe the line, and Lebanon’s export-oriented model, steered mainly by dominant Christian (Maronite) elites, also faced Nasserite and Syrian threats. Over time, however, regional conditions enabled leaders in Jordan, Lebanon, Morocco, Tunisia, Turkey, and others to follow alternative models.

Beyond domestic political economy considerations, other studies focus on culture to explain why international policies or norms do not diffuse automatically or consistently across regions into domestic environments (Gurowitz, 1999).<sup>10</sup> Constructivist work focused on the EU, for instance, examined the extent to which the EU has served as an inspiration for other regional schemes through learning, emulation, or other mechanisms. Börzel and Risse (2012) explored EU efforts to transfer its policies and institutions to its adjacent East European neighborhood, identifying scope conditions likely to affect their adoption. Jetschke and Lenz (2013) proposed greater attention to regional institutions as independent variables affecting the design of other regional institutions, a topic we address in the next section.

## **Regionalism and Regional Orders**

The framework elaborated in the previous section raises the question of the role of regionalism and regional institutions. Are such institutions decisive causal factors in explaining the nature of regional orders along the conflict/cooperation spectrum? Or are institutions, instead, expressions of such orders? How do regional institutions relate to the coalitional framework outlined thus far?

In brief, the logic underlying regional configurations hinges to a greater extent on the relative incidence of coalitions of one type or another—and their strategic interaction—than on the nature of regional institutions. Much work on regionalism in recent years has revolved around formalization and institutional design (Chapter 14 by Kacowicz and Press-Barnathan and Chapter 22 by Lenz and Marks, this volume). Yet regional cooperation may occur without formal institutions, and conflict can occur despite their presence. As argued, internationalizing regions tend to be generally cooperative even in the absence of formal institutions or formal integration such as the EU. The underlying logic of internationalizing orders is global; the emergence of cooperation in those cases does not necessarily hinge on regional economic or institutionalized interdependence. At the heart of such orders are shared preferences for regional cooperation and stability that enable common objectives: foreign investment, global economic access, domestic economic reform, and controlled military expenditures. Such orders may lead to increasing regional trade and investment and to institutions attuned to market-friendly “open regionalism” that lubricates ties to the global economy.<sup>11</sup> Yet these institutions may be thin and informal. More formal ones may—but need not—emerge as side-products of prior economic regionalization.

For example, domestic internationalizing coalitions seeking to grow their economies via the global economy drove the creation of ASEAN, the Asia-Pacific Economic Cooperation (APEC), and the ASEAN Regional Forum (ARF). That strategy created incentives to nurture a stable and peaceful regional environment, minimize military expenditures that burden economic reform, and avoid policies inimical to macroeconomic instability. Internationalizing models invented ASEAN: the incentives to dampen conflict were logically prior to the institution itself. The same is true for ARF although one might also argue that its creation was congruent with normative and instrumental convergence around war avoidance and common security among big powers and smaller states (Johnston, 2012). Many cultural interpretations building on “Asian values” and the “ASEAN way” have been debunked. The same cultural construct could not explain both earlier periods of militarized conflict and the subsequent absence of war. Nor did the ancient “oriental wisdom’s” penchant for consensus, harmony, unity, and community produce peace in earlier times. Indeed East Asia is not at all culturally homogeneous—it is perhaps less so than the Middle East—yet extremely diverse cultures have not precluded cooperation. Furthermore, despite lingering tensions, history, and memory disputes, inter-state wars have been avoided for several decades (six in North East Asia, at least three in Southeast Asia).

Internationalizing coalitions explain not only the genesis but also the design of these institutions. East Asian regional institutions were not rigid and legalistic (according to Kahler’s definition of legalization) but rather reflected compromises and a shared commitment to “open regionalism.” They were, in Goldilocks fashion, “just right” in the sense that they were able to accommodate states that were at diverse stages and (p. 75) exhibited different forms of economic liberalization, export-led growth, and regime-type. The penchant for consensus, informal means to advance confidence-building, the plethora of routine meetings, bilateral, plurilateral, and multilateral free trade agreements, and unilateral liberalization providing self-binding commitments that facilitate diffuse reciprocity

were all synergistic with efforts to enhance regional stability (Chapter 11 by Jetschke and Katada and Chapter 15 by Kim et al., this volume). From this standpoint, formal institutions were not necessarily required although Southeast Asia adopted legalized verification and compliance mechanisms in the Bangkok Treaty Nuclear-Weapon-Free-Zone allowing referral to the International Court of Justice and other, more legalized steps in the economic domain might follow region-wide.

East Asia's modal coalitional profile explains not only the genesis and design of its institutions but also who their beneficiaries were. Institutional outcomes privileged dominant coalitional preferences for internationalization (Chapter 3 by Börzel, this volume; Milner, 1988; Moravcsik, 1998), which went beyond those in power reaching a rapidly growing consumer middle class. Institutional effects per se are hard to disassociate from those underlying dominant pre-institutional preferences, however. Whether we would have observed a distinctively different East Asia in the absence of those institutions is not self-evident. APEC arguably helped diffuse normative consensus around "open regionalism" and market-driven liberalization (inextricable from coalitional preferences). ARF statements matched coalitional preferences for regional peace and stability but its institutional effects were marginal beyond developing "habits of cooperation" in China for instance (Johnston, 2007). One might conceive of East Asian institutions as constructing an identity pivoted on global markets and institutions. Yet the empirical causal arrow in temporal terms goes in the other direction—from domestic preferences to institutions. Furthermore, standard constructivist studies of East Asian regionalism have not emphasized internationalizing identities but rather (highly contested) and putatively "unique" "Asian values," sovereignty and non-intervention. Yet, perhaps ironically, "Asianness" was an unanticipated regional by-product of internationalizing coalitions primarily oriented to the global economy.

Thus far we have discussed how the underlying regional coalitional configuration of internationalizing regions explains various aspects of resulting regional institutions. The dominance of inward-looking coalitions, and the strategic interaction among them, has implications for the nature of regional institutions as well. The League of Arab States (League henceforth), the oldest regional institution created since 1945, provides a prominent example (Chapter 12 by Valbjørn, this volume; see also Barnett and Solingen, 2007; Solingen, 2008). Although common language, nationality, history, and culture make normative convergence a plausible motive for the League's creation *prima facie*, Arabism had more powerful unintended centrifugal effects than the intended centripetal ones it was assumed to encourage. The League materialized under conditions of very low economic interdependence, with inter-Arab trade rather stable at 7-10 percent of total trade since the 1950s. The reigning model of political survival throughout (p. 76) the Middle East was, and for the most part remains, closer to the inward-looking type described earlier.

Ruling coalitions created the League to protect themselves from competing pan-Arab nationalist agendas, regional or home-grown, as a means to reduce pressures for unification while foiling the latter at the same time. The League was conceived as a substitute for, not a conduit to, Arab unification. Its minimalist formal design was indeed overdeter-

mined not just by coalitional preferences but also by efforts to stem hegemonic aspirations and pan-Arab norms of formal unity. Reflecting the entrenched inward-looking strategies of its makers, the League was antithetical to “open regionalism” and delivered what its creators intended: a non-intrusive institution that paid lip service to Arab unity. Non-transparency was favored over transparency and few focal points emerged given the competitive logic of inward-looking domestic agendas. Given its origins and design it is hardly surprising that the League’s effects have been limited. It either tacitly or actively perpetuated inward-looking models. There is little evidence that it constrained state behavior, reduced transaction costs, enhanced information, or redefined states’ identities. It failed to resolve most militarized conflicts and in many cases fostered them, as may perhaps be the case for the ongoing debacles in Syria, Iraq, Libya, and others.

As the examples from different regions suggest, the nature of dominant coalitions explains incentives to create institutions, mold them according to their preferences, and fine-tune their effects.<sup>12</sup> Yet, while generally benefiting the domestic coalitions that gave them life, institutions also have unintended and unanticipated effects. Domestic models may be well suited to explain incentives to create institutions but do not singlehandedly determine their design.

Power, ideas, and efficiency considerations can be relevant sources of institutional variation in design. Solingen (2008) was an effort to establish scope conditions under which different theories might be most useful for explaining the genesis, design, and effects of institutions. The first hypothesis (on *genesis*) holds that the nature and strength of dominant domestic coalitions best explains the origins of regional institutions under the following conditions: when the domestic distributional implications of creating those institutions are clear to relevant actors; when the consequences for regional power distribution are negligible or unclear; when state-level transaction costs are unclear or not easily measurable; and when there is little normative convergence around the demand for an institution. The second hypothesis (on *design*) stipulates that the nature and strength of domestic coalitions best explains regional institutional design when: the domestic distributional implications of design are clear to relevant actors; consequences for power distribution across states are negligible or unclear; variations in institutional design have little effect on transaction costs or such costs are not easily measurable; and when there is little normative convergence around a favored design. The third hypothesis specifies regional institutional *effects*, which are more likely to benefit the dominant domestic coalitions that created those institutions when: the domestic distributional effects of institutions are both sizeable and clear to dominant actors; institutional effects on power distribution across states are negligible or unclear; effects on reducing states’ (p. 77) transaction costs are modest or not easily measurable; and effects on already weak normative convergence are marginal.

Domestic models of survival thus offer only a baseline for understanding institutional design, albeit an important one at that. At the same time, exclusive attention to power, efficiency, transaction costs, and norms—the common analytical currency in standard accounts of regional institutions—may conceal deeper domestic drivers underlying institu-

tional outcomes.<sup>13</sup> Studies rooted in coalitional or other domestic frameworks can provide more complete insights into why regional institutions emerge, in whose interest they operate, when they are allowed to play significant roles, and why they may not be vital to cooperation.

Finally, the overview of these different institutions from two vast macro geographical regions also drives home the shared absence of highly formal and legalized regional institutions that set the EU apart from all other regions. Highly legalized institutions may be less compelling under various conditions, for instance: when members' time horizons are long; gains from cooperation are repetitive; uncertainty about future benefits is rampant; imperfect information and incentives to defect are widespread; peer pressure is important; less public scrutiny is preferable; competing bureaucratic pressures can foil cooperation; and flexibility is required to cope with changing conditions (Chapter 22 by Lenz and Marks, this volume; Harris, 2000). Many an international institution is designed with exactly those ubiquitous criteria in mind. Furthermore ample information (pivotal to functional accounts) and robust trust (pivotal to norm-based accounts) can obviate the need for formal institutions. Regional institutions beyond the EU are thus no empirical anomalies but average practice.

Cross-regional comparisons of institutions require a better understanding of the difficulties entailed in teasing out institutional effects from underlying trends and individual states' incentives. They also compel the development of methodological tools for avoiding the possible understating or overstating of institutional effects. For instance, counterfactuals are notably difficult exercises but could help answer questions such as whether or not the regions under analysis might have looked different in institution-free environments.

## Conclusion

This chapter reviewed direct and indirect effects of globalization on the nature of regional orders along the conflict/cooperation spectrum. It proposed an integrated framework for understanding indirect effects of globalization—via domestic politics—on regional orders more broadly, and regional institution-building (regionalism) in particular. Those effects are filtered by domestic coalitions, acting as transmission belts between external inducements, domestic political power, and regional outcomes. Internationalizing and inward-looking coalitions respectively translate incentives vis-à-vis the global economy into inputs related to regional war and peace; (p. 78) they are, therefore, crucial categories at the very vortex articulating *Innenpolitik* and *Aussenpolitik*. The line between the two *Primats* (primacy) is fluid, making coalitions the stuff of high politics, not only under the current phase of globalization but in other historical periods as well.<sup>14</sup> Above all, this framework enables comparisons across all regions of the world and across different temporal and spatial contexts. The underlying coalitional background provides permissive conditions and cannot but be central to any understanding of comparative regionalism.

Coalitional analysis is amenable to constructivist and interpretive work that captures dimensions of coalition formation such as ideational, cultural, and identity-based proclivities vis-à-vis the global economy and related institutions.<sup>15</sup> Persuasion, socialization, shaming, and other mechanisms used by international institutions or transnational networks can enhance or diminish the appeal of competing coalitions, internationalizing or inward-looking (Johnston, 2007). Constructivist analysis also forces greater attention to the contextual character of cooperation and conflict: dialogue between adversaries may be taken for granted in some contexts (Southern Cone) but constitute gargantuan cooperative strides in others (North and South Korea, Middle East). Interpretive methods also help identify the boundaries of regions and the mechanisms by which coalitions mobilize support for or against reliance on the global economy, for or against nationalism and the military, for or against regional cooperation. Constructivist and interpretive theorizing on regionalism can therefore benefit from more focused attention to domestic politics and the underlying coalitional foundation of regions (Checkel, 1997).

Neo-realist approaches focused on structural balance of power and anarchy rarely incorporate globalization as a core variable of interest in understanding regional orders. Such approaches cannot explain many regional outcomes, including prolonged peace, de-nuclearization, or grand strategic shifts towards deeper cooperation in the Southern Cone; or shifts away from war in the Korean peninsula since the 1950s, the North-South *modus vivendi* of the 1970s, different responses by the North and South to comparable strategic predicaments or evolutionary changes in such responses, and many other regional outcomes elsewhere. Barnett and Solingen (2007), for instance, found the regional distribution of power to have played a limited role in explaining the genesis, design, or effects of the Arab League. No single state has been able to impress its blueprint for the Arab League, not even Egypt. Egypt might have produced the required leadership to establish durable regional institutions but failed to behave in the ways predicted by hegemonic theories of cooperation. Rather than bearing a collective burden and supplying public goods, Egyptian leaders largely pursued their own political survival. Explanations hinging on power hegemony also face difficulties in East Asia where middle powers and smaller states drove institution-building. Weaker states were not mere institution-takers here. Nor can relative power explain why these institutions were able to anchor, tame, or co-opt would-be hegemons. Their overall institutional effects were limited yet hegemonic preferences changed from pre- to post-institutional settings in the cases of APEC and the ARF, for instance (Krauss and Pempel, 2004). Furthermore, ASEAN-based (p. 79) institutions paved the way for ASEAN Plus 3, the East Asian Summit, and other institution-building projects.

Despite the difficulties in extracting a single neo-realist logic that might explain the evolution of regional orders, it would be naive to ignore contextual variations across regions regarding the depths and longevity of security dilemmas. Coalitions filter such dilemmas in their design of grand strategies and approaches to institution-building. The shadow of past conflictive trajectories from the Middle East to Northeast Asia, South or Southeast Asia raises barriers even for internationalizing clusters, affecting the speed and shape of cooperation. Internationalizers thus differ across regions regarding their starting points

for the construction of cooperative regional orders. The distance that must be traveled towards Pareto frontiers and institutions that make everybody better off is consequential. Initial security conditions matter but do not tell us enough: different coalitions can embrace radically different strategies under virtually identical structural conditions. Strategic interaction among *coalitions* can have greater impact on the nature of regional orders than a state's relative power.

World systems frameworks, an approach rooted in structural effects of globalization, ignore that the global political economy imposes constraints on "peripheral" states but also provides them with opportunities. China and many other states have moved from the periphery to the center in one generation, riding those opportunities. As "peripheral" states became more globally integrated, most have also become less involved in regional conflict. The major East Asian wars unfolded prior to the rise of internationalized states; the latter have managed to avoid wars since. Deeper cooperation between Brazil and Argentina followed their most unprecedented turn towards the global economy but declined in tandem with coalitional dynamics (Malnight and Solingen, 2014). The Middle East and South Asia resisted global markets for decades, contributing many entries to war statistics and failures of cooperative regionalism. Notably, many villains of dependency theory seeking integration in the global economy have become heroes of regional cooperation. Conversely, heroes of import-substituting nationalism have unleashed massive wars and hindered regional economic cooperation. Dependency theory has overlooked several missing links that are consequential for regional conflict and cooperation. Global economic access and investments require domestic economic and regional stability, not war. Inward-looking statism and military-industrial complexes are synergistic, often perpetuating wasteful military allocations and autocratic rule. Internationalization and macroeconomic stability may have some undesirable consequences but have also, in many cases, dramatically weakened military-industrial complexes, their basis for domestic political control, and their role in regional conflict and cooperation.

Finally, although attentive to the relative strength of domestic ruling coalitions, this cross-regional comparative framework should not be confused with one that reduces outcomes to domestic politics. Rather, this is by definition a framework that hinges no less on the regional coalitional center of gravity and global political and economic macro-processes; both have crucial distributional consequences (p. 80) for the domestic competition between the two models. Coalitions are creatures of their domestic, regional, and global environments, an analytical category highly permeable to international diffusion (Solingen, 2012). Indeed, the ideal-typical East Asian and Middle Eastern models briefly described were themselves partially the result of emulation and learning from other parts of the world as well as internal legacies. Spatial, directional, and temporal aspects of diffusion affecting different regions remain an important agenda in the study of globalization and regionalism (Chapter 5 by Risse, this volume). Studies of diffusion have only recently begun integrating all three relevant levels of analysis—domestic, regional, and global—under a common theoretical framework. Interactions among those three levels are yet to become a first-order concern: when do their respective effects dominate in shaping regionalism; when are they mutually reinforcing or mutually exclusive; when are

they antecedent or catalytic conditions for diffusion; and how can we best avoid the pitfalls of overstating one or the other? Even in a progressively more interdependent world some things do not diffuse, entailing counterfactuals that—though raising difficult analytical challenges—can benefit the study of regionalism (Tetlock and Lebow, 2001). What diffuses (or doesn't diffuse) more commonly or swiftly at the regional than global levels, and why? What specific diffusion patterns, mechanisms, and firewalls preventing diffusion operate within vs. across regions? Under what conditions will region-based externalities or "mimetic isomorphism" overshadow cross-regional ones? Which regions are more frequent senders or receivers of particular contents of diffusion and why? And how does all this influence the shape of regional orders? Whether or not regional effects are more or less dominant than cross-regional or global ones in a globalized world remains another important research frontier. A fruitful comparative research agenda must be also attentive to agency and causal mechanisms—such as coalitional models—that connect internationalization with regional orders.

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## Notes:

(1.) The authors would like to thank participants at the workshops organized at Freie University in Berlin, and particularly the editors, Tanja Börzel and Thomas Risse, for their helpful suggestions. Given the scope of this chapter and the vast literature on each subsection we can only include selected references.

(2.) For a more detailed analysis of the theoretical foundations of this argument, see Solingen (1998, 2014a).

(3.) There have been different methods to identify the underlying preferences and interests that lead to coalition-formation. For instance, Rogowski (1989), Milner (1988), and Frieden (1991) used deduced preferences. Gourevitch (1986) and Solingen (1998, 2001) combined deduced and revealed preferences. Others explored how domestic preferences and identities change, particularly during economic crises (Blyth, 2002; Gourevitch, 1986; Hall, 1993).

(4.) Quantitative and qualitative evidence suggests that internationalizers respond to such strategies. States seeking FDI, for instance, show their commitment to stability by adopting bilateral investment treaties (Elkins et al., 2006) and participating in trade

agreements (Büthe and Milner, 2008). Similarly, maintaining good reputations with international investors helps states retain cheap access to international capital markets (Tomz, 2007).

(5.) On macroeconomic policies of populist parties, see Dornbusch and Edwards (1991).

(6.) ASEAN was founded upon the principle of non-interference precisely to protect internationalizing domestic models (Solingen 1999, 2004, 2005).

(7.) Mercosur was created, in part, to solidify internationalizing and political reforms in the Southern Cone states (Solingen, 1998; Pevehouse, 2002; Malnight and Solingen, 2014).

(8.) “Open regionalism” refers to intra-regional economic cooperation that does not discriminate against non-regional actors (Garnaut, 1996). It entails regional liberalization consistent with WTO rules.

(9.) This section builds on Solingen (2007, 2009, 2012). The effects of regions upon each other have remained relatively understudied (Hettne, 2005; Doidge, 2007).

(10.) On regional identities, see Deutsch et al. (1969 [1957]); Adler and Barnett (1998); Katzenstein (2000); Abdelal (2001); Hooghe and Marks (2004); Acharya (2009); Risse (2010).

(11.) Kahler (2000), for instance, finds compatibility between internationalizing coalitions and legalized institutions. Goldstein et al. (2000, 387) define legalization according to the degree to which rules are obligatory and precise, and some functions of interpretation, monitoring, and implementation are delegated to a third party.

(12.) One would be hard pressed to conceive of counterfactual outcomes where, for instance, dominant inward-looking coalitions in East Asia would have converged on “open regionalism.” Indeed the empirical evidence suggests that no such convergence emerged in earlier, inward-looking periods.

(13.) On political preferences, rather than efficiency criteria, as drivers of integration, see Hooghe and Marks (2006).

(14.) For an application of the coalitional argument to World War I on the one hand, and to the contemporary strategic environment in East Asia on the other, see Solingen (2014b).

(15.) On the role of imagination and inter-subjectivity, and how material conditions can underdetermine understandings of the economy, see Herrera (2005).

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