

Cooperative hegemony: power, ideas and institutions in regional integration

THOMAS PEDERSEN¹

Abstract. For realists regionalism remains a difficult phenomenon to explicate. A particular puzzle for realists is why major states should want to pursue regional institutionalisation. Nor are pluralist accounts satisfactory given the empirical evidence of state actor prominence in processes of regional institutionalisation. This article sets out to account for the formative phase of regionalist endeavours, proposing an ideational–institutional realism as the basis for understanding regionalism. On this basis a specific theory of co-operative hegemony is developed. Stressing the importance of the grand strategies of major regional powers and their responses to the balance-of-threat in a region, the author argues that major states may advance their interests through non-coercive means by applying a strategy of co-operative hegemony which implies an active role in regional institutionalisation and the use of, for instance, side payments, power-sharing and differentiation. The article outlines a number of preconditions for regional institutionalisation, stressing what is called the capacity for power-sharing; the power aggregation capacity and the commitment capacity of the biggest power in a region. While regionalising state elites are constrained, they possess a much greater freedom of choice than neo-realism claims.

Introduction

Regionalism in the sense of institutionalised, regional co-operation of some durability has always been hard for realists to explicate. Neorealism in particular conceives of states as basically distrustful of each other and accords common institutions a marginal role. A key problem for realists is how to explain why major states should be willing to establish regional institutions on a durable basis beyond the level of simple alliances. Pluralists, while adept at explicating *processes* of regional integration, have greater difficulty accounting for the formation of regional integration systems in the first place. Thus, for instance the operation of spill-over and path-dependency mechanisms presupposes some original decision to set up a collaborative structure at the regional level. Significantly, two of the most influential, recent works on regionalism both treat the formative phase of regionalism, and notably European regionalism in a rather cavalier fashion.²

¹ I am grateful for helpful comments to an earlier version of this article from Cindy Jebb, John Groom, Emilie Hafner-Burton and two anonymous referees.

² See Walter Mattli, *The Logic of Regional Integration. Europe and Beyond* (Cambridge: Cambridge University Press, 1999). On p. 69 Mattli writes: 'The beginning of European integration is taken as given'. Moravcsik curiously bypasses the Coal and Steel Community in his case selection starting with the Treaty of Rome, perhaps because it chimes better with his economic interpretation of European integration.

This article introduces a partial theory of regionalism based upon modified realist tenets. The theory basically claims that political—notably power and security—considerations are the main determinants behind regionalism in the formative stage. The article thus introduces a theory of co-operative hegemony. Although not a theory of regional hegemony, its basic argument is that the most important aspects of regionalist endeavours are best explained by examining the interests and strategy of the biggest state (or states) in the region. Regional institutionalisation is seen as typically the product of a grand strategy pursued by comparatively weak or declining big powers. However, capability does not determine grand strategy. *Prima facie*, the hegemonic angle seems relevant to the study of regional institutionalisation: in a number of regions, where institutionalisation has succeeded, there has been a significant resource asymmetry within the confines of a unipolar system with the initiative for regional institutionalisation coming from the biggest power in the region or from a duopole. Interestingly, in regions where institutionalisation has failed or stagnated, a hegemon has normally been lacking.

The theory does not claim to explain all aspects of regionalism. Co-operative hegemony is expected to have the highest explanatory power, when it comes to explaining the formative phase of regionalism. Other theories might be necessary to help account for other stages in a regional institutionalisation process. Unlike many other theories of regionalism, the theory of co-operative hegemony transcends the borders of Europe providing a general theory of regionalism. The approach adopted is to generalise on the basis of motives and strategies and not on the basis of outcomes. Whereas institutional outcomes of regionalist processes differ markedly, there seems to be greater cross-regional similarity in motivations and grand strategies.

Realism, pluralism and regional institutionalisation

The bulk of the current literature on comparative regionalism, especially studies in non-European cases of regionalism, approaches the subject from a pluralist perspective often neglecting geopolitical and security factors.³ An illustrative example is the theoretical chapter in the volume edited by Smith and Nishijima, in which Manfred Mols outlines four types of regional integration, none of which addresses geopolitical and security determinants.⁴ While he does include international political factors, Axline offers a framework for analysis rather than a theory.⁵ Its other qualities untold, the volume by Grinspun and Cameron dodges the theoretical issues confronting the international political economy and realist analyses of regionalism.⁶

³ For an example of a more balanced discussion of theories of regionalism see Ben Rosamond's *Theories of European Integration* (New York: Palgrave, 2000). Rosamond, while sympathetic to social constructivism, also provides a fair survey of neo-realism, realism and intergovernmentalism.

⁴ Manfred Mols, 'Regional Integration and the International System' in Shoji Nishijima and Peter H. Smith (eds.), *Cooperation or Rivalry? Regional Integration in the Americas and the Pacific Rim*. (Boulder, CO: Westview, 1996), pp. 9–27.

⁵ W. Andrew Axline, 'Comparative Case Studies of Regional Cooperation among Developing Countries' in W. Andrew Axline (ed.), *The Political Economy of Regional Cooperation* (London: Pinter & Teaneck Fairleigh Dickinson University Press, 1994), pp. 7–34.

⁶ Ricardo Grinspun and Maxwell A. Cameron, *The Political Economy of North American Free Trade* (New York: St. Martin's Press, 1993); see especially ch. 1.

Neoliberal institutionalism has a certain *prima facie* usefulness, when it comes to explicating high levels of regional institutionalisation. This is because neoliberals do in fact accord institutions importance, while conceiving of institutions as functional instruments at the disposal of states. The central concern of neoliberalists is the capacity of international (including regional) institutions to reduce transaction costs, provide information and serve as mechanisms of enforcement and monitoring.⁷ In response to the neorealist concern about relative-gains behaviour, Keohane and Martin argue that . . . ‘just as institutions can mitigate fears of cheating and so allow cooperation to emerge, so can they alleviate fears of unequal gains from cooperation’.⁸ They do, however, add that we need to understand the conditions under which institutions can provide the information necessary to serve as reliable solutions to distributional problems. Yet they fail to consider the possibility that international institutions may be biased in favour of dominant states and thus unable to play the role of neutral functional agencies providing information. Similarly, Moravcsik, whose analysis of institutions in *The Choice for Europe* is inspired by neoliberalists, as it were cordons off the analysis of institutional choice from the analysis of interstate bargaining.⁹ Thus he overlooks the possibility of what Krebs has called institutional capture.¹⁰

Rational choice institutionalism, which shares a number of assumptions about behaviour with realism, although its level of analysis is different, on the other hand may help us understand the instrumental use of regional institutions under conditions of relative gains behaviour.¹¹ Thus rational choice institutionalism sheds light on the way in which the major member states and their political leaders may succeed in reining in supranational bodies, an important mechanism being anticipation and the fostering of anticipatory behaviour.¹² To quote Garrett, . . . ‘the ‘new economics’ of organization’ conceals the fundamental political issue of bargaining over institutional design’. As Garrett shows, international institutionalisation involves both the pursuit of absolute and relative gain.

Turning our attention to realism and the study of institutions, one of the problems that call for reflection is whether the theory of international hegemony can be revised. As it stands, the theory of international hegemony accords institutions a much too limited role. Realism also has to come to terms with anomalies such as the continuity in the foreign policies of strengthened big powers such as Germany, which suggests a need to integrate the factor of ideas in realist theory.

⁷ See, for example, Kenneth A. Oye (ed.), *Cooperation under Anarchy* (Princeton, NJ: Princeton University Press, 1986), and Robert O. Keohane and Lisa Martin, ‘The Promise of Institutional Theory’ in *International Security*, 20:1 (Summer 1995).

⁸ Keohane and Martin, *The Promise*, p. 45.

⁹ See A. Moravcsik, *The Choice for Europe* (London: Cornell University, 1998). See especially Table 1.1 on p. 24.

¹⁰ Ronald R. Krebs, ‘Perverse Institutionalism: NATO and the Greco-Turkish Conflict’ in *International Organization*, 53:2 (1999), p. 355.

¹¹ See, for instance, the fine survey of new institutionalism in Guy Peters, *Institutional Theory in Political Science* (London: Pinter, 1999).

¹² See Geoffrey Garrett’s interesting analysis of how France and Germany used regional institutions instrumentally in connection with the internal market programme, cf. ‘International Cooperation and Institutional Choice: The European Communities’ Internal Market’, in *International Organization*, 46:2 (1992).

The realist literature on regional institutionalisation is rather sparse, except for realism's intergovernmentalist derivative.¹³ Yet, realist writings are better than their reputation and sometimes realist insights seem to hide in liberal garments: take the case of the primacy of politics over economics, a central proposition of realists. Now, while realists are on the defensive when it comes to understanding international institutions, their explanatory power is considerable when it comes to explicating the relationship between economics and politics. Hirschman has shown how during the inter-war period, Germany used favourable trade deals to obtain political goals. Kirshner argues that European integration can be taken as evidence of the primacy of politics, witness the choice of a Customs Union instead of a FTA in the early years and the rise of a sphere of monetary influence through EMU with relative gains considerations driving the project.¹⁴ In a similar vein, Loriaux characterises Germany's European strategy after 1945 as 'geopolitical internationalism', while conceding that Franco-German relations cannot be explained by means of traditional realist theory.¹⁵ Deudney and Ikenberry offer interesting reflections on what they call 'structural liberalism', but their main concept of 'security co-binding' seems more compatible with realist premises, co-binding being defined as . . . 'attempts (by states) to tie one another down by locking each other into institutions that are mutually constraining'. Thus the emphasis is clearly on states and their security concerns. Indeed the authors leave some scope for a realist theory of co-binding, pointing out that . . . 'binding constraint can be either symmetrical or asymmetrical. Asymmetrical binding is said to be characteristic of hegemony or empire'.¹⁶

Neorealism traditionally studies regionalism from the outside in. Regional groupings basically emerge in response to outside challenges.¹⁷ In an important study of European regionalism, William Wallace stressed the importance of the American military presence for the emergence of the European Communities in the 1950s.¹⁸ Differences in the pattern of global hegemonic penetration have also been shown to be able to explain a considerable part of the differences between German and Japanese approaches to regionalism.¹⁹ A key weakness of neorealism is its inability to account for the basic continuity in German foreign policy after the collapse of bipolarity.

¹³ See, for example, Paul Taylor, *The Limits of European Integration* (London: Croom Helm, 1983), and Paul Taylor, 'The European Community and the State: Assumptions, Theories and Propositions', in *Review of International Studies*, 17 (1991). The latter work to some extent abandons intergovernmentalism introducing instead an interesting consociational interpretation of regionalism. Moravcsik adds a domestic economic dimension to intergovernmentalism, see his 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach' in *Journal of Common Market Studies*, 31: 4 (1993), and his masterful, though not impeccable, *The Choice for Europe*.

¹⁴ Jonathan Kirshner, 'The Political Economy of Realism' in Kapstein and Mastanduno, *Unipolar Politics* (New York: Columbia University Press, 1999), pp. 77 and 87.

¹⁵ See Michael Loriaux, 'Realism and reconciliation: France, Germany and the European Union' in Kapstein and Mastanduno, *Unipolar Politics*, pp. 355ff.

¹⁶ Daniel Deudney and John D. Ikenberry, 'Realism, Structural Liberalism, and the Western Order', in Kapstein and Mastanduno, *Unipolar Politics*, pp. 103ff.

¹⁷ Andrew Hurrell, 'Regionalism in Theoretical Perspective' in Louise Fawcett and Andrew Hurrell (eds.), *Regionalism and World Politics* (Oxford: Oxford University Press, 1995), p. 47f.

¹⁸ William Wallace, *The Transformation of Western Europe*. London: Pinter, 1989.

¹⁹ Joseph M. Grieco, 'Realism and Regionalism: American Power and German and Japanese Institutional Strategies During and After the Cold War', in Kapstein and Mastanduno, *Unipolar Politics*, pp. 319ff.

A number of systematic, power-oriented interpretations of regionalism may be deduced from realism more broadly defined. Hurrell lists four such interpretations:²⁰ first, . . . 'sub-regional groupings often develop as a response to the existence of an actual or potential hegemonic power'. This is a theme taken up by Grieco (see below).²¹ A second theoretical possibility is that regionalism reflects a strategy of bandwagoning on the part of the weaker states in a region. Historically, bandwagoning has been shown to be more common than balancing.²² But does bandwagoning happen spontaneously as a response to power concentration? Surely, perceptions and strategies must play a role. Thus third, and most plausibly, hegemons themselves may promote regional institutionalisation in part by fostering bandwagoning behaviour by economic and political means. Duchacek has shown how intergovernmental relations in federations deserve closer scrutiny and how they may be characterised by asymmetries.²³ Co-operative hegemony as an approach seeks to elaborate upon this 'soft realist' perspective on institutions.²⁴

As Hurrell points out, to think of regional institutions as spearheaded by a hegemonic power begs the question, why hegemons should need such institutions. The traditional theory of hegemonic stability of course portrays hegemons as powerful states, which impose their will largely by unilateral means and without establishing strong institutions. But what about moderately powerful states lacking in superior resources or facing constraints on their unilateral freedom of action? Or powerful states which have undergone learning processes or developed innovative 'soft' power strategies of indirect rule? Hegemonic stability theory has been shown to be fragile, not least because it is based on only one or two cases of extreme power asymmetry. In other words, it could be argued to outline a rather atypical pattern of international leadership behaviour.²⁵

However, the theory of hegemonic stability remains a powerful realist theory about international co-operation. Hegemonic stability theory is a parsimonious theory that can be tested empirically.²⁶ Concentration of material resources is expected to contribute to stability. There are benevolent and coercive versions of hegemonic stability, of which the benevolent strand is probably the most influential.²⁷ Kindleberger casts the hegemon in a benevolent role. Given its global reach it has an intrinsic interest in maintaining order and free trade in the international system and given its superior resources it has the capacity to shoulder the costs of carrying out this task. The point is that the hegemon provides collective goods allowing smaller states to free-ride. The typical historical reference point is Pax Americana. Keohane

²⁰ Hurrell, 'Regionalism', p. 50.

²¹ Joseph M. Grieco, 'The Maastricht Treaty, Economic and Monetary Union and the Neo-Realist Research Programme', in *Review of International Studies*, 21 (1995).

²² See Paul Schroeder, 'Historical Reality vs. Neo-Realist Theory', in *International Security*, 19:1 (Summer 1994).

²³ Ivo Duchacek, *Comparative Federalism* (New York: Holt, Rinehart and Winston, 1970).

²⁴ Cf. Thomas Pedersen, *Germany, France and the Integration of Europe: A Realist Interpretation* (London: Cassell/Pinter, 1998). The book applies the theory of co-operative hegemony upon French and German negotiating performance in a number of constitutional decisions.

²⁵ See also the fine and still very stimulating critical discussion of hegemonic stability theory in Robert O. Keohane, *After Hegemony* (Princeton, NJ: Princeton University Press, 1984), ch. 1.

²⁶ For a discussion, see Pedersen, *Germany, France and the Integration of Europe*, pp. 34ff.

²⁷ Duncan Snidal, 'The Limits of Hegemonic Stability Theory', in *International Organization*, 39:4 (1985).

challenges the deterministic propositions of traditional hegemonic stability theory but usefully retains elements of the theory in his effort to account for international co-operation. In his own words. . . . ‘The crude theory of Hegemonic Stability establishes a useful if somewhat simplistic starting point for an analysis of changes in international cooperation and discord’.²⁸

Realism remains a somewhat undifferentiated paradigm.²⁹ It is customary to characterise international relations in terms of the prevalence of either absolute or relative gain. But the concern about relative gain may be more or less intense and more or less important for state actors. Thus it is important not to think in terms of a dichotomy between power-oriented and non power-oriented international orders. International relations may be more or less power-oriented.

The important point I wish to make is that a considerable degree of regional institutionalisation may be compatible with a realist behavioural logic as suggested by realist institutionalists such as Krebs and Barth.³⁰ Here international institutions are seen to have a power-political component. Unlike these authors, however, I take the modification of neorealism further, adding an ideational element to account for state learning and grand strategy. I depart from neorealism as regards my conception of states: states differ, partly because of variation in ideational factors, partly because of variation in domestic institutional set-up (see below). I thus substitute an ideational-institutional realism for Krebs’ realist institutionalism and Barth’s neorealist institutionalism. The ideational component implies a critique of neorealism. The institutional component implies a critique of pluralism and neo-liberalism.

Regions with weakened great powers may theoretically follow a route of transition from empire over co-operative hegemony to asymmetrical federalisation and (more rarely) symmetrical federation. I posit that great powers mainly opt for one of four different strategies: unilateral hegemon; co-operative hegemon; empire and concert. However, co-operative hegemonies may over time have unintended consequences, paving the way for federalisation or security communities. In his interesting work Papayouanou argues in terms of five ‘great power orders’: hegemony (unspecified), balance of power, concert, collective security and pluralistic security communities.³¹ But at least balance of power and collective security are not strategies confined to great powers. Since empires have never been universal, they can be conceived of as forms of regional institutionalisation. They combine a high degree of institutionalisation and a strong, though varying realist dimension.

Unilateral hegemonies also have a strong realist element, but display a lower degree of institutionalisation. They may be global or regional. The US has intermittently pursued the strategy of unilateral hegemony but only on a sectoral basis.³²

²⁸ Keohane, *After Hegemony*, p. 39.

²⁹ See Stephen B. Brooks, ‘Dueling Realisms’, in *International Organization*, 51:3 (1997), and Pedersen, *Germany, France and the Integration of Europe*.

³⁰ See the interesting discussion in Ronald R. Krebs, ‘Perverse Institutionalism: NATO and the Greco-Turkish conflict’ in *International Organization*, 53:2 (1999), and Aaron Barth, *Five Approaches to Institutions*. Paper presented to the 42nd ISA Annual Convention in Chicago, IL, 20–24 February 2001.

³¹ See Paul A. Papayouanou, ‘Great Powers and Regional Orders: Possibilities and Prospects after the Cold War’, in David A. Lake and Patrick M. Morgan (eds.), *Regional Orders: Building Security in a New World* (Pennsylvania: The Pennsylvania State University Press, 1997), p. 132.

³² Keohane, *After Hegemony*, p. 177.

Co-operative hegemonies combine a medium-level realist dimension and a high degree of institutionalisation (see below). Concerts are regional orders, in which all big powers enjoy special privileges and carry special responsibilities.³³ Compared to co-operative hegemony the Concert is a much less formalized system of big power rule and tends to be less stable.³⁴ On the other hand, as seen from the perspective of the big powers, the concert also involves fewer risks and permits the big powers to retain a high degree of freedom of action. Given the fact that states in a concert feel a responsibility for maintaining order in the international or regional system, this strategy is soft realist, albeit with a marked *status quo* orientation. Asymmetrical federations are federations with a deliberate bias in favour of a predominant state or core. Federations combine a high degree of regional institutionalisation and a weak territorial power component. Such political orders do not accord big powers a predominant role, territorial politics having lost its sharp edges.

International systems or regions may pass from empire through co-operative hegemony or asymmetrical federalisation to federation. Historically, some have been in the process of passing directly from empire to federation as illustrated by British endeavours and debates at the time of decolonisation. The transition from empire over co-operative hegemony to federation is a possible itinerary of a weakened great power. While the transition from empire to co-operative hegemony is likely to be cumbersome, it can nevertheless be accomplished within a relatively short period of time. The transition from co-operative hegemony or asymmetrical federation to federation can be expected to be a more difficult and time-consuming process, since it requires not only sidepayments and power-sharing but a radical weakening of national loyalties.

A theory of co-operative hegemony

What then more precisely is co-operative hegemony? It is a grand strategy and, to the extent that it is successful, a type of regional order. Essentially, it implies soft rule within and through co-operative arrangements based on a long-term strategy. My use of the term strategy is not accidental. The theory of co-operative hegemony is based upon an ideational-institutional realism, not a structural realist theory. While attentive to the constraints that geopolitics and the international system impose upon states it regards ideas as important factors in international relations, it accords state leaders a considerable freedom of action when it comes to devising strategies and it assumes that states may learn and in the process incorporate causal ideas and principled beliefs in revised state strategies.³⁵ The ideational-institutional realism implies that although the strategy of co-operative hegemony will normally be pursued by militarily weak major powers, it may also be pursued by very

³³ The concept of *directoire* is largely interchangeable with that of concert.

³⁴ For an analysis of the concept of Concerts see Richard Rosecrance and Peter Schott, 'Concerts and Regional Intervention' in Lake and Morgan, *Regional Orders*, pp. 140–165.

³⁵ See Judith Goldstein and Robert O. Keohane (eds.), *Ideas and Foreign Policy: Beliefs, Institutions and Political Change* (Ithaca, NY: Cornell University Press, 1993).

powerful big powers with a global reach wishing to consolidate their rule. It also implies the existence of counter-strategies to co-operative hegemony.³⁶

Three key preconditions for the adoption of a strategy of co-operative hegemony are a capacity for power-sharing *vis-à-vis* smaller states in a region, for power-aggregation on the part of the predominant regional state(s) and for commitment to a long-term regionalist policy strategy. It is useful to think in terms of a continuum of forms of co-operative hegemony ranging from hard to soft co-operative hegemony (see below).

Grieco is one of the few scholars to have elaborated upon the hegemonic perspective on regionalism. In one of his works he examines the correlation between resource asymmetry and regional institutionalisation.³⁷ In another work he focuses upon the interest of the secondary states in a region, introducing the concept of voice-opportunity.³⁸ The voice-opportunity proposition is interesting but leaves unexplained the motives of the predominant state(s) in a region. Nor does he address the possibility that regional hegemony may be shared. Grieco's few remarks on the motives of institutionalising hegemonies are not integrated into his overall argument. His contributions are inspiring and help us transcend traditional hegemonic theory. Yet, focusing upon resource asymmetries poses problems for a traditional hegemonic theory in that both Europe and Asia are anomalies. In fact, the region with the highest degree of institutionalisation (Europe) is also the region with the lowest degree of resource asymmetry. Far from invalidating the hegemonic perspective the blatant European anomaly may however suggest a need for revising the theory of hegemony. Should one focus upon perceptions and strategy rather than upon aggregate resources? Could it be that regional institutionalisation reflects a particular hegemonic strategy?

How may regional institutionalisation help regional big powers achieve their goals? Waltzean neorealism claims that rising big powers are sooner or later balanced by single states or by coalitions of states. Translated into the regional setting this could lead to the proposition that regional institutions are mainly instruments of secondary and minor states trying to balance the dominant state by institutional means.³⁹ If, however, we abandon balance-of-power theory and rely instead on Stephen Walt's balance-of-threat theory, another line of thought suggests itself.⁴⁰ If balancing is not

³⁶ Cf. the discussion of small state counter-strategies in Thomas Pedersen, 'State Strategies and Informal Leadership in European Integration: Implications for Denmark' in *Danish Foreign Policy Yearbook 1999* (Copenhagen: Danish Foreign Policy Institute, 1999).

³⁷ Joseph M. Grieco, *Systemic Sources of Variation in Regional Institutionalization in Western Europe, East Asia, and the Americas*. Paper prepared for the Annual Meeting of the American Political Science Association, Chicago, 31 August–3 September 1995.

³⁸ See Joseph M. Grieco, 'The Maastricht Treaty, Economic and Monetary Union and the Neo-Realist Research Programme' in *Review of International Studies*, 21 (1995).

³⁹ In a recent article I try to show how France's European policy may be interpreted as a form of 'institutional balancing'—see Thomas Pedersen, 'Structure or Strategy? The Case of French European Policy after the Cold War', in Georg Sørensen and Hans-Henrik Holm (eds.), *And Now What? International Politics after the Cold War* (Aarhus: Politica, 1998), pp. 103–24.

⁴⁰ Stephen M. Walt, *The Origin of Alliances* (Ithaca, NY: Cornell University Press, 1987). For another perception-oriented approach to power analysis see William C. Wohlforth, 'Realism and the End of the Cold War', in Michael E. Brown, Sean M. Lynn-Jones and Steven E. Miller (eds.), *The Perils of Anarchy. Contemporary Realism and International Security* (Cambridge, MA: MIT Press, 1995), pp. 3–42. For an empirical application of Walt's theory on a case of regional integration, see David Priess, 'Balance-of-Threat Theory and the Genesis of the Gulf Cooperation Council: An Interpretative Case Study', *Security Studies*, 5:4 (Summer 1996).

automatic, the biggest state is left with some strategic discretion. Seen in this light regional institutionalisation could be an element in the strategy of the biggest power in a region. Such a state may opt for institutionalisation as a way of preventing balancing. To the extent that fear of the strongest state in the region can be removed or reduced, the pressure for balancing can be reduced. We may thus talk about a regional balance-of-fear. To the extent that bandwagoning behaviour can be stimulated in a region this will also assist the regional unipole in its power aggregation project. Sidepayments and differentiation of the integration system (core groups) can be effective ways of fostering bandwagoning behaviour. The existence of external threats is another factor affecting power aggregation capacity (see below).

Apart from hostile balancing, regional big powers have an interest in preventing defection. Defection is here defined broadly in the sense of a military, political or economic exit from the zone of influence of a big power. Military exit may be the prelude to balancing, although there is no inevitability about this. Economic exit may imply a loss of market access. Political exit implies loss of global diplomatic clout for the regional great power in question. Regional institutionalisation may also help a big power to acquire influence over the external and internal affairs of neighbouring states in subtle ways. Thus Charles Kupchan has introduced the concept of 'benign regional unipolarity'.⁴¹ Attempting to bridge realist and idealist approaches to the preservation of peace, Kupchan argues that regional orders based on unipolarity may emerge from a consensual bargain between core and periphery. In his own words . . . 'the center engages in self-restraint . . . in return the periphery enters willingly into the core's zone of influence'.⁴² A strategy of co-operative hegemony may be pursued by a global big power wishing to consolidate its position and reassure potential adversaries. By way of illustration there were clear elements of co-operative hegemony in the Clinton administration's strategy of 'Cooperative Security' *versus* China.⁴³

More specifically, co-operative hegemony has four main advantages as seen from the perspective of the big power:

1. *Advantages of scale.* As already indicated, regionalism implies power aggregation. Such aggregation is of particular importance to a major regional power aspiring to a global role. If the co-operative hegemon is economically the most efficient state in the region, the advantages of a unified regional market may be very considerable. For a regional big power surrounded by small or very small states, the advantages of scale accruing from regionalism are marginal.
2. *Advantages of stability.* If fear of the biggest state in a region is high, stability becomes an important goal. An extensive extra-territorial economic presence also puts a premium on stability-generating strategies. The greater the regional economic and security externalities, the greater the incentive for co-operative hegemony from the point of view of the biggest state. As a form of rule co-operative hegemony is more stable than unilateral hegemony, since at a certain

⁴¹ Charles A. Kupchan, 'After Pax Americana: Benign Power, Regional Integration and the Sources of a Stable Multipolarity', in *International Security*, 23:2 (Fall 1998), pp. 40–79.

⁴² *Ibid.*, p. 42f.

⁴³ See Barry R. Posen and Andrew L. Ross, 'Competing Visions for US Grand Strategy' in *International Security*, 21:3. (Winter 1996/97).

level of institutionalisation hostile balancing and defection on the part of the secondary states in a region becomes exceedingly difficult. Yet the risk of popular rebellion against a co-opted government in a subordinate state still remains. Power-sharing and sidepayments thus have to display a certain visibility. Co-operative hegemony is attentive to the long-term benefits of legitimate rule.

3. *Advantages of inclusion.* Key dimensions of inclusion could be said to be secure access to scarce raw materials and the possibility of integrating diaporas of the hegemonic state through regional institutionalisation, witness Russian policy in the CIS. If successful, co-operative hegemony thus provides an alternative to coercive extra-territorial control.⁴⁴
4. *Advantages of diffusion.* An institutionalised regional system is not only a constraint on the regional big power. It is also an asset in the sense of providing an arena for diffusion of the hegemon's ideas. Such diffusion may occur in various ways and to varying degrees. Thus regional institutionalisation may serve to 'lock in' neighbouring states in a set of rules largely determined by the co-operative hegemon witness German diffusion of its monetary ideas and principles through EMU and US promotion of liberal principles within APEC. So far the literature has viewed lock-in strategies from the perspective of domestic politics, but it may just as well be interpreted as part of the strategy of a hegemonic actor *vis-à-vis* subordinate states in a region.

There would seem to be two ideal types of co-operative hegemony. An offensive type, where the emphasis is upon advantages of scale, inclusion and diffusion. And a defensive type, where the emphasis is upon the advantages of stability. Comparatively weak revisionist states will tend to opt for the offensive version of the strategy, whereas the defensive aspects of the strategy are likely to appeal to consolidating or retrenching superpowers. But the pursuit of defensive co-operative hegemony may also be tactically inspired, a prelude to a more offensive co-operative hegemonic strategy. The case of Germany after the Second World War is illustrative. During the first decades of European integration the FRG pursued a defensive version of co-operative hegemony seeking stability and rehabilitation while attentive to the long-term opportunities involved in EC membership. From the late 1970s, when the FRG had grown economically very powerful, the emphasis shifted towards offensive, co-operative hegemony and one saw a cumulative effort to shape the EU system to the FRG's advantage.

Co-operative hegemony is reminiscent of Kupchan's 'benign unipolarity'. But while many of Kupchan's propositions mirror my own and are often formulated more precisely and elegantly, I think he is overly optimistic when he argues that . . . 'benign unipolarity would make for more peaceful relations not just within regions but also between them'.⁴⁵ First, it is hard to see why 'consensual unipolar formations' at the regional level should necessarily be immune to the basic security dilemma which continues to haunt an international system that is still far from transparent. Second, Kupchan overlooks the fact that one of the reasons why regional big powers accept

⁴⁴ See Diana Tussie, 'In the Whirlwind of Globalisation and Multilateralism: The Case of Emerging Regionalism in Latin America', in William D. Coleman and Geoffrey R. D. Underhill (eds.), *Regionalism and Global Economic Integration* (London: Routledge, 1998), p. 87f.

⁴⁵ *Ibid.*, p. 53.

to share power is precisely the perceived advantages of scale in relation to other poles, often reflecting underlying revisionist goals. Only defensive co-operative hegemonies thus contribute to inter-regional stability. Third, if the regional structure enlarges, structural economic factors such as enhanced intra-regional trade and a decreasing dependence upon extra-regional exports and imports will tend to undermine the incentives for collaborative behaviour towards other global actors. Fourth, it is difficult to overlook the risk that regional leaders may try to solve intra-regional crises, whether economic or political, by advocating an aggressive posture towards other poles, especially once the costs of doing so come to appear negligible.

While the strategy of co-operative hegemony promises benefits, especially long-term benefits, it also involves costs, the most important of which is the requirement that the regional great power share power with its neighbours on a permanent basis. Figure 1 provides a more systematic survey of the advantages and disadvantages of unilateral and co-operative hegemony respectively.

Unilateral hegemony has certain advantages over co-operative hegemony: it does not restrain the hegemonic state to the extent that does co-operative hegemony with its attendant institutional and procedural obligations. It is also a more flexible strategy in that changes in policy can be undertaken quickly with little consideration for the views of other states. Under conditions of technological globalisation, co-operative hegemony may thus be argued to be particularly costly in that *ceteris paribus* it reduces decision-making speed and adds to legislative and agency costs. However, what seen from one angle is rigidity is seen from another angle as durability and reduced uncertainty.

The drawbacks of unilateral hegemony are significant. First it invites balancing on the part of a coalition of secondary and smaller states. European history from the sixteenth to the mid twentieth century offers a number of examples of unilateralist big powers being cut down to size by balancing coalitions often with Britain playing a leading role as balancer. In 1704 at the battle of Blenheim the 1st Earl of Marlborough stopped Louis XIV in his attempt to make France the hegemonic power in Europe. In 1945 a distant relation of his, Winston Churchill, could look back on five years of successful struggle against the German attempt to establish itself as Europe's hegemon. Interestingly, the longevity of the British empire can, I would argue, in part be explained by Britain's skilful use of elements of the strategy of co-operative hegemony as a way of consolidating its position.

Type of hegemony	Advantages	Disadvantages
Unilateral hegemony	<ul style="list-style-type: none"> • Freedom of action • Direct and immediate influence 	<ul style="list-style-type: none"> • Invites balancing • Involves extensive free-riding
Cooperative hegemony	<ul style="list-style-type: none"> • Stable and legitimate rule • Predictability • Power-aggregation • Indirect influence • Prevention of extensive free-riding 	<ul style="list-style-type: none"> • Power-sharing • Costly side-payments • A long time-horizon required

Figure 1. *Unilateral and co-operative hegemony: a comparison.*

Unilateral hegemony is thus less stable than co-operative hegemony which is a significant drawback for states with massive extra-territorial investments. Second, it involves extensive free-riding, unless the hegemonic power opts for coercion, in which case it risks prompting early balancing or attempts at defection. By contrast, given the long shadow of the future and the possibility of linkage-politics and nested games in an institutionalised setting, a co-operative hegemon should be capable of preventing free-riding without the hegemon incurring high costs.

The preconditions for co-operative hegemony

A number of factors affect the likelihood of a great power opting for the strategy of co-operative hegemony, some of them ideational, others institutional. I would argue that three preconditions are of paramount importance (see Figure 2):

1. Power aggregation capacity.
2. Power-sharing capacity.
3. Commitment capacity.

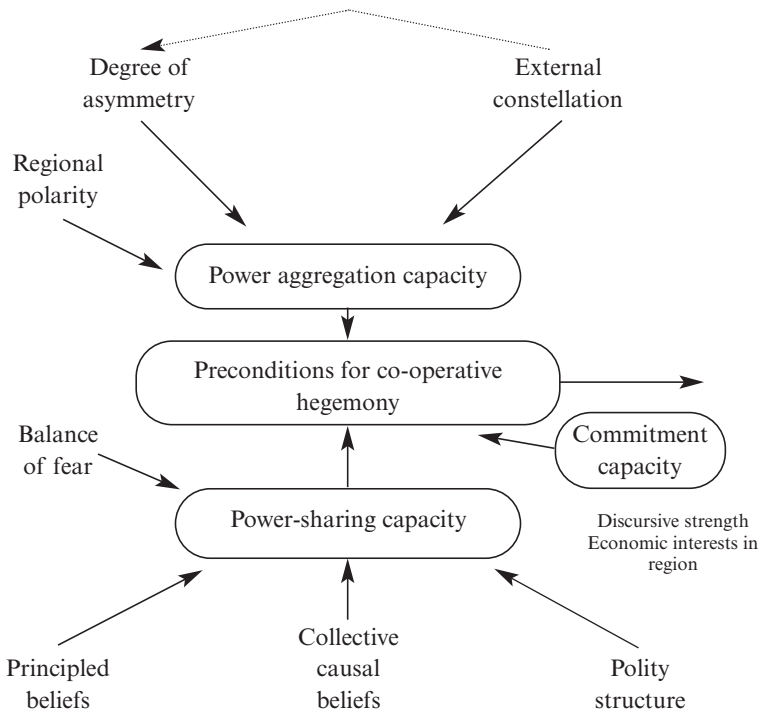


Figure 2. *Preconditions for co-operative hegemony.*

Power aggregation capacity refers to the capacity of a regional big power to make a number of neighbouring states rally around its political project. While this capacity is constrained by external structural factors at the regional and global level (see Figure 2), it also depends upon psychological factors and leadership skills. Power-sharing capacity refers to a big power's capacity to share power with its neighbours on a durable basis within common institutions with significant competences. Power-sharing can be transformational and encapsulated. Encapsulated power-sharing leaves the hegemonic state(s) unchanged, whereas transformational power-sharing changes the identity of the predominant state(s).⁴⁶

Commitment capacity finally refers to a regional big power's capacity to commit its country to a long-term policy of regional institutionalisation. In a similar vein Papayoanou talks about a big power's 'mobilisation capacity'.⁴⁷ However, the term mobilisation connotes a strictly top-down approach to policymaking and overlooks the possibility that societal actors may help commit a country to a regional enterprise. It is important to point out that states differ in terms of both their power-sharing and their commitment capacity, whereas their power aggregation capacity is to a higher degree structurally determined. In saying so, I base my argument on a realism attentive to the relevance of domestic factors but insistent upon the continuing importance of state actors and relative gains rationality.

Each factor is influenced by a number of subsidiary factors (see Figure 2). The power aggregation capacity depends upon the following factors: regional unipolarity can be expected to facilitate power aggregation. However, the power distribution in a region moving towards co-operative hegemony must not be too asymmetrical, as extreme asymmetry will tend to alienate smaller states and create a constellation, in which the regional core may expect to achieve its power-security goals without the need for regional institutions.⁴⁸ On the other hand, if the regional asymmetry is very small, this will also be detrimental to regional institutionalisation based upon co-operative hegemony. The reason is that a central dynamics in this type of regional integration is likely to be the existence of a regional core with the capacity to forge regional bargains *inter alia* through sidepayments. The external posture of a power-aggregating regional unit is likely to be reactive, especially if the regional core is composite. However, this does not exclude security externalities from regionalisation, for instance through the re-emergence of the security dilemma.

The external constellation is likely to be an important factor. William Riker has shown how, historically, external threats have been important factors in mobilising support for a federal project, not least among the smaller entities.⁴⁹ The external constellation is likely to affect the degree of regional power asymmetry and perhaps even the regional polarity. Through military overlay, global big powers or very powerful big powers from other regions may thus shift the power balance in a region. If such powers are seen to be threats to a region, this may also indirectly affect the regional power distribution making a regional power asymmetry more acceptable to smaller states.

⁴⁶ The forms and possible effects of power-sharing will be dealt with in a separate study.

⁴⁷ Papayoanou, 'Great Powers and Regional Orders', p. 126.

⁴⁸ Here I am inspired by Donald Crone, 'Does Hegemony Matter? The Reorganization of the Pacific Political Economy', in *World Politics*, 45 (October 1992–July 1993). However, Crone does not discuss the possibility that too small a regional power asymmetry may hamper regional institutionalisation.

⁴⁹ See William H. Riker, *Federalism: Origin, Operation, Significance* (Boston: Little, Brown, 1964).

The power-sharing capacity of a regional big power depends upon a number of factors: the most important precondition for power-sharing is a balance of fear characterised by medium or high levels of fear directed at the biggest state in the region. A medium-to-high level of fear directed at the predominant power is likely to be a necessary but not sufficient precondition for regional institutionalisation. Germany in the EU and Indonesia in the ASEAN are cases in point. The external constellation also to some extent affects the propensity of a big power to share power regionally. This is because a regional big power confronted with what is regarded as a hostile extra-regional power, may rationally choose to share power with its neighbours as part of, or as the price for, a power-aggregation strategy. In other words, there are likely to be linkages between power-sharing and power-aggregation capacity.

Domestic structural factors have a considerable impact upon a regional big power's power-sharing capacity. Since regional institutionalisation is normally unattractive and perhaps even unfeasible without the participation of the biggest state(s) in the region, it is important whether that state is capable of sharing power (and willing to do so). The state's principled beliefs in Goldstein and Keohane's sense are important. To take but one example, Catholicism is wont to thinking in terms of layers of formal competence in a way that resembles federal thinking. This belief facilitated power-sharing in Adenauer's Rheinland Republic and in Catholic Italy. The idea of regional integration as a peace doctrine may also come to function as a principled belief. But it could also serve as a legitimating discourse for a hegemonic elite, that is as a vehicle for power aggregation. More important is Goldstein and Keohane's concept of causal beliefs, specific ideas about cause-effect relationships: including strategic culture in the broadest sense of the word. The strategic culture in integration policy consists of embedded views about how to integrate, whether at national, regional or global level, and may be espoused by state or private actors. The strategic culture of the British Empire was thus influenced by ideas about the 'gentlemanly' way to rule, which tended to facilitate power-sharing in the colonies.⁵⁰ The Federal Republic of Germany entered the European Communities with a baggage of causal beliefs and a strategic culture facilitating the FRG's active participation in the integration process. Ideas about the linkage between economic and political integration dating back to the nineteenth century Zollverein were thus a source of inspiration for German policymakers as they cast around for ideas in the 1950s.⁵¹ Although within the Franco-German duo, the French played a crucial role in the early years of European integration, there is a sense in which the French (and the Americans) barged through open doors, the Germans being more than willing to 'bind themselves'. Nor is it correct to describe the German side as 'integration-takers' at the conceptual level. Paradoxically, one of the side-effects of the attempted resocialisation of the German foreign policy elite may have been to better equip it to pursue a strategy of long-term interest maximisation.

⁵⁰ This should not be read as an apology for the British Empire. The point I wish to make is that from a comparative historical perspective British imperial rule was relatively benign and that its unique feature was a developed sense of power-sharing and delegation. Witness also the fact that Gandhi chose to remain loyal to the empire during the first world war.

⁵¹ Empirical evidence of this proposition is found in Pedersen, *Germany, France and the Integration of Europe*, 3ff and 48ff.

It can be argued that a state's idea of the nation is a part of its strategic culture. I do think however that it is more helpfully seen as a separate concept. The idea of the nation has to do with the national experience; national victories and debacles as well as traumatic experiences affecting prestige and the value attached to symbolic politics. One may broadly distinguish between open and closed nations, open nations being politically defined nations and closed nations being ethnically defined. *Prima facie*, it is easier for open nations than for closed nations to embrace the strategy of co-operative hegemony, in that open nations are more inclusive which can be expected to affect their propensity to share power. However, it cannot be assumed that only regional big powers which are open nations pursue regional institutionalisation. In some cases the opposite may be true, because open nations may be inclined to think in universalist terms and therefore prefer global to regional co-operation, whereas closed nations may, in a kind of ideational spillover, also think in terms of 'closure' and exclusion at the regional level. Yet, traditionally nationalist barriers to regional integration are likely to be higher in a closed than in an open nation. Whether open nations have a greater power-sharing capacity than closed nations is open to question. Other factors may neutralise the collaborative element inherent in open nations.

The polity structure of the biggest state in a region is an important factor. *Ceteris paribus*, decentralised polities, such as federations, ought to have a big power-sharing capacity, as such states have experience with power-sharing domestically. There is little doubt that democracies find it easier to share power regionally than do dictatorships. This could be one of the more fundamental reasons why regional institutionalisation is so rare in the so-called third world. As Hurrell points out democratic leaders have a greater legitimacy than dictators and the latter are often tightly constrained by their 'principals', which may be clans, tribes and so on. However, talking about balance-of-fear in relation to democracies begs the question of why or how democracies should pose threats to democratic neighbours. The answer is first that democracies may be strong and weak. Regimes that formally are democratic may have a weak democratic political culture; a factor that may affect the way it is perceived by its neighbours. Second, power and threats are here defined in broad terms in keeping with the theory's soft realist premise, the emphasis being on economic threats and reactions to the pursuit of relative gains mainly by the methods of soft power in J. Nye's sense.

Influential authors accord economic factors primary importance in accounting for regional institutionalisation. Moravcsik and Mattli are prime examples.⁵² Solingen in her sophisticated domestic politics-oriented theory argues that domestic coalitions strongly committed to economic liberalisation are most likely to undertake regional co-operative postures and that the ensuing regional collaboration has security implications.⁵³ While domestic factors affect the likelihood of a big state opting for a

⁵² Moravcsik, *Choice for Europe*, and Walter Mattli, *The Logic of Regional Integration* (Cambridge: Cambridge University Press, 1999). The book's theoretical qualities are unfortunately somewhat overshadowed by very problematic empirical-normative claims, for example, on p. 69, where Mattli refers to Germany as . . . 'a country *blamed* (my italics, the correct expression would be 'the source of') for aggression in 1870, 1914 and 1939'.

⁵³ See Etel Solingen, 'Economic Liberalization, Political Coalitions, and Emerging Regional Orders' in Lake and Morgan, *Regional Orders*, pp. 68ff.

strategy of co-operative hegemony, I think it would be unhelpful to focus too much on economic-policy ideas. After all, such ideas and the coalitions built up around them are too volatile to account for the durability and longevity of some regional schemes, notably the EU. Moreover, a domestic economic interpretation of regionalisation has difficulty accounting for instances of deliberate political integration as opposed to the political implications of economic integration.

In order to act successfully as a co-operative hegemon, a regional great power must also possess a considerable commitment capacity. Commitment capacity mainly depends upon:

1. The costs of non-commitment;
2. Constitutional rules and procedures facilitating participation in regional integration;
3. The great power's regional economic interest and
4. The existence of a supportive discourse.

The costs of non-commitment vary from state to state depending on both geopolitics, economic interdependence and perceptions. For states with an exposed geographical location the costs of non-commitment are likely to be high.

The magnitude and especially the composition of a state's external economic activities can be expected to affect its regional commitment capacity. A globalised economy does not have the same incentive to commit itself to a long-term regional scheme as does a strongly regionalised economy. Conversely, for regionalised economies, regional institutionalisation may be a vehicle for achieving both predictability and market leverage, that is, the capacity to advance interests by threatening closure of the regional market.⁵⁴

A supportive discourse may be politically constructed, serving as a vehicle for state elites, or societal, in which case it is likely to be formulated either by networks of intellectuals or by predominant economic interest groups. The need for permanent consultation, power-sharing or co-binding in Deudney's and Kupchan's sense may thus become entrenched causal beliefs and part of deep discourse. Thus over time the regional commitment will tend to reinforce the power-sharing capacity of the regional hegemon. Indeed, a commitment to power-sharing may develop. Following the English School whose emphasis upon norms is soft realist and ideational, one may argue that interaction between regional state elites can produce a community of norms and values facilitating regional commitment. But national elites may also more strategically develop a common discourse of regional commitment, as illustrated by the case of Germany in the EU. Economic interests in a region and discursive activities may then come to interact in a pattern reminiscent of what Ikenberry and Kupchan have called 'hegemonic socialization'.⁵⁵

The three factors of power aggregation capacity, power-sharing capacity and commitment capacity may of course vary in strength, which implies variation in

⁵⁴ Conversely, Kapstein argues convincingly that a central reason why Japan is unlikely to achieve superpower status is the absence of a big, continental-size home market under Japanese control. Kapstein, 'Does Unipolarity Have a Future?', in Kapstein and Mastanduno, p. 476.

⁵⁵ John G. Ikenberry and Charles A. Kupchan, 'Socialization and Hegemonic Power', in *International Organization*, 44:3 (Summer 1990).

forms of co-operative hegemony and suggests ways in which co-operative hegemony may be transcended. Where power aggregation capacity and power-sharing capacity are strong but commitment capacity weak, we would expect informal co-operative hegemony or co-operative hegemony at a modest institutional level. Where on the other hand, power aggregation and commitment capacity are high but power-sharing capacity low, we would expect co-operative hegemony shading into asymmetrical federation. Where finally, power-sharing capacity and commitment capacity are high but power aggregation capacity low, we would expect the possibilities of moving towards a symmetrical federation to be good.

That the formative phase of regional integration in the broadest sense should be inspired by power-security motives is not a new proposition.⁵⁶ Resource factors and geopolitics are thus likely to be of importance when it comes to identifying the prime candidates for the strategy of co-operative hegemony. While ideas (and to a lesser extent institutions) matter, power remains central. The strategy of co-operative hegemony is most likely to be adopted by major powers with one or several of the following resource characteristics:

1. Major powers which suffer from certain relative weaknesses, either in terms of geostrategic location, freedom of action or prestige. Major powers with resource weaknesses may use regional institutionalisation as a means of borrowing strength. Major powers with a prestige deficit may use regional institutionalisation as a means of enhancing their prestige and the legitimacy of their rule. For such states the costs of non-commitment are considerable, since (regional) commitment is a source of prestige and legitimacy.
2. Major powers in military decline. Such powers may have acted as empires or unilateral hegemony in the past, but turned to co-operative hegemony as a way of bolstering their (weakened) position or as a prelude to federalisation of a sphere of influence.
3. Major powers, which possess great strength in terms of 'soft power'. Such powers are likely to be weak on military capability but strong in one or more of the areas of economics, technology, institution building, culture and ideology.

It is probably fair to say that global systemic changes have served to put a premium on co-operative great power strategies, but the capacity of big powers to implement the strategy of co-operative hegemony varies, as demonstrated by the fact that few regions have attained a high level of institutionalisation (see above).

Once a big power has crossed the structural threshold and qualified for the strategy of co-operative hegemony, how can it be expected to act? One of the primary strategic tasks of a defensive co-operative hegemon is to prevent balancing and defection. How then is balancing and defection prevented?

First of all, and most importantly, they may grant other states in a region a permanent voice-opportunity in Grieco's sense. A large part of the discussion among members of a regional organisation can be expected to revolve around the question, what constitutes an effective voice-opportunity? The hegemon will obviously try to

⁵⁶ See Riker, *Federalism*, 1964. Riker's theory is applied by McKay in his interesting, though broad-brush analysis of European integration. See David McKay, *Federalism and European Union* (Oxford. Oxford University Press, 1999).

limit the influence other regional actors exercise over its decisions, whereas secondary states will constantly try to raise their voice. But the hegemon will at least be willing to share the amount of power necessary to aggregate power effectively.

Secondly, they may offer economic incentives for collaboration, co-opting smaller states in the region in part through side-payments. This may provide impetus for integration in a setting characterised by decision-making by unanimity.

Thirdly, co-operative hegemons may try to lock in the other members of the regional structure. This can be done by means of a deliberate policy of enhancing intra-regional trade. The creation of the EU's internal market thus had political effects. It further enhanced intra-regional trade and investment, thus making exit more difficult for sceptical member states.

Fourthly, threats of exclusion from a core group within the regional system (that is, differentiation) can be applied against sceptical member states.

Fifthly, co-operative hegemons may try to prevent balancing by means of regional identification. Transregional policy elites fashion sets of ideas about (their) regional identity. There is thus a community-building element in regional integration processes.⁵⁷ Regional identification *inter alia* denotes a policy of stressing the common interests and the common identity of the states in a region in relation to third powers. Co-operative hegemons may cast themselves in the role of defenders of regional values and traditions against outsiders. Regional identification can also be expected to involve a defence of common interests. By demonstrating that regional politics is not a zero-sum game, co-operative hegemons may enhance their legitimacy.

Offensive co-operative hegemons can be expected to pursue various forms of federal asymmetry.⁵⁸ Structural asymmetry refers to attempts to shape the regional policy structure in such a way that it mirrors the hegemon's national policy structure. Germany and EMU is a case in point. Geopolitical asymmetry refers to attempts to use geographical enlargement of the regional grouping strategically. Finally, institutional asymmetry refers to attempts to bias the regional institutional system in favour of the predominant state(s). By way of example the EU's Nice treaty introduces a measure of institutional asymmetry through changes in voting weights, parliamentary representation and decision-making procedures.

Regional institutions are Janus-faced. As indicated, they reflect and may even reinforce power structures. Following rational choice institutionalism, institutional choice has distributional effects. But institutions also provide forums of learning. Institutional density is important, whatever the content of co-operation. This is because the denser the institutional pattern in a region the greater the possibilities of learning, and through learning states may enhance their capacity for power-sharing and power aggregation. Notably, states' principled beliefs about other states may change. International institutions are also potential instruments of reassurance and power-sharing. In order for power-sharing to be meaningful and effective, the regional structure must cover a minimum range of sectoral issues and accord

⁵⁷ See especially the interesting analysis in: Richard Higgott, 'The International Political Economy of Regionalism: The Asia-Pacific and Europe compared', in William D. Coleman and Geoffrey R. D. Underhill (eds.), *Regionalism and Global Economic Integration* (London & New York: Routledge, 1998).

⁵⁸ In *Germany, France and the Integration of Europe*, I distinguish between four types of asymmetry: Structural asymmetry; institutional asymmetry; geopolitical asymmetry and strategic differentiation, pp. 39ff.

secondary states real influence over the politics of the dominant state. In Lindberg and Scheingold's terms, the regional structure must possess a certain issue scope and institutional capacity.⁵⁹ Following Hoffmann we expect co-operative hegemons to be most willing to share power in low politics sectors, but the hegemonic bargain within dual or shared hegemonies may involve high politics as well.⁶⁰ Significantly, the normative dimension of regional forums opens up the possibility that power-sharing may become transformational.

Conclusion

What is the positive heuristic of the approach presented in the foregoing? First of all, by linking what could be called the domestic ideational formation to grand strategy it points to a potentially very fruitful integration of area studies and international relations theory. Second, while according ideas an important role the ontological realism of ideational-institutional realism distinguishes it from much of the constructivist literature. What observational expectations can be deduced from the theory and how might it be of use to empirical analysis? First of all, it follows from the theory of co-operative hegemony that while recognising the continuing importance of power-politics, and by implication the special role of the major powers, studies of regionalism should also pay attention to the evolving ideas and institutions of these states. Certain conditions relating to the nature of these states thus have to be fulfilled in order for co-operative hegemony to be feasible and for regional institutionalisation to come about. This allows for (cautious) predictions to be made. It also suggests causal explanations that will have to be examined more closely. Cases of weak regional institutionalisation might thus be explicated at least in part by factors relating to power-sharing, power aggregation and commitment capacity. An analysis of Japan and China from the perspective of co-operative hegemony as well as a comparative analysis of Germany and Japan thus seems pertinent. In the case of Japan, regional multipolarity tends to weaken Japan's power aggregation capacity; the exclusive idea of the nation reduces its power-sharing capacity, while Japan's commitment capacity is on the other hand considerable.

In the case of the Nordic region, where regional institutionalisation has always been very weak *despite* a high interaction density and a commonality of values, we might have to look at the absence of a unipole and the resulting weakness of the predominant state's power aggregation capacity. Part of the explanation might also have to be found at the level of power-sharing capacity and commitment capacity. As regards the latter factor, one could argue that the Nordic region is simply not attractive enough for Swedish transnationals.

As regards successful cases of regionalism, it is striking that Brazil and Argentina both had to come to terms with weaknesses in their military capability and simul-

⁵⁹ See Lindberg and Scheingold, *Europe's Would-Be Polity* (Englewood Cliffs, NJ: Prentice Hall, 1970).

⁶⁰ See Stanley Hoffmann, 'Obsolescent or Obsolete? The Fate of the Nation State and the Case of Western Europe', in *Daedalus*, 95 (Summer 1966). See also Hoffmann's perspicacious analyses in his *The European Sisyphus: Essays on Europe 1964-1994* (Boulder, CO: Westview, 1995).

taneously saw an increase in their power-sharing capacity through democratisation in the years prior to the launch of Argentine–Brazilian integration and Mercosur.

The theory proposed here is obviously not particularly parsimonious. This does not mean, however, that it is not possible to specify empirical observations that would falsify it. Let me confine myself to one example in this context: given the emphasis upon the reassurance motive, cases where regional institutionalisation occurred in the context of a *declining* fear of the predominant state would confront the theory with serious problems.

Regionalism remains a highly disputed phenomenon and cumulation in political science research on the topic remains limited. The challenge I have tried to address is why a big state should initiate institutionalisation with its neighbours, when doing so might constrain its freedom of action. The answer I am offering is that the formative stage of regional institutionalisation is best studied by focusing upon the strategy of the biggest state in a region taking as one's point of departure a modified realism, which I call ideational-institutional realism. While assuming the continuing primacy of state actors and the continuing importance of relative gains concerns, the theory leaves more scope than does neorealism for the role of ideas, notably causal and principled beliefs inspiring grand strategies and of domestic institutions. Structural neorealism is confronted with serious anomalies, for example, the continuity in German foreign and notably EU policy after German unification. Ideational-institutional realism downgrades the role of external factors, albeit without neglecting these factors altogether. Ideational-institutional realism is thus a 'soft' realism bordering on pluralism. Where it departs from neoliberalism is notably in its emphasis upon the continuing centrality of state actors and relative gains rationality and in the linking of power and institutional choice.

The theory centres around the proposition that major states which are militarily weak or weakened may seek to maximise or stabilise their influence through non-coercive means by pursuing a strategy of co-operative hegemony within a multi-lateral structure. There is both an offensive and a defensive version of co-operative hegemony and the concept shades into that of asymmetrical federalisation, another power-oriented regionalisation strategy. In opposition to the bulk of the realist literature, this article argues that states concerned about security and relative gains may rely upon international institutions. Significantly, the article outlines a number of preconditions for regional institutionalisation, stressing what is called the (1) power aggregation capacity, (2) power-sharing capacity and (3) commitment capacity of major states. These concepts can be used to make predictions about global and regional power and stability.