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Geopolitics and Trajectories of Development

The Cases of Korea, Japan, Taiwan, Germany, and Puerto Rico

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Front cover: Deoksu Palace in Seoul, Republic of Korea. The image shows three types of buildings—a traditional Korean palace, a European-style stone building from the nineteenth century, and skyscrapers built since the 1960s—exhibiting the development of Korea from premodern to colonial to modern times. Photograph used by permission of the Korean Cultural Heritage Administration.

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Beyond Divide and Rule? From the Washington to the Beijing Consensus

THOMAS EHRLICH REIFER

Introduction

Accounts of Asia-Pacific regionalism have historically focused on the developmental states of East Asia, U.S. foreign policy, or both. Scholars have examined product cycles, "flying geese," and hegemonically led growth in the making of Asia-Pacific regionalism or have tried to go beyond these conceptualizations for a more complex understanding of East Asia's resurgence (Cumings 1987; Bernard and Ravenhill 1995; Hatch and Yamamura 1996; Ozawa 2007; see Reifer forthcoming a and b). Other authors have instead emphasized U.S. hegemony and the making of a world of regions or the rise of late-industrializing developmentalist states (Katzenstein 2005; Woo-Cumings 1999; Chang 2003). Still others have underscored the role of domestic political coalitions in the emergence of U.S. hegemony (Snyder 1991; Trubowitz 1998). More recently, a host of scholars have stressed the importance of the regional cultural inheritance, from the history of the Chinese-centered tributary system to

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the contemporary role of the overseas Chinese diaspora in Asia's rise and dramatic growth (Arrighi 2007).

This chapter offers an original synthesis of these views in analyzing the rise of Asia-Pacific regionalism and its changing foundations, although East Asia's Chinese-led historical centrality in the global system will be discussed primarily in later works by the author. Stressed here instead are the ways in which Cold War militarization has long been central in processes of Asia-Pacific regional integration. Even more importantly, today, twentieth-century Cold War hegemonic divisions may be giving way to alternative twenty-first-century regional visions, with critical implications for the future of the global system as a whole, as explored herein.

In *The Long Twentieth Century*, Giovanni Arrighi ([1994] 2010) put forward the argument that historical capitalism evolved through recurrent systemic cycles of accumulation (SCA). In these SCAs, material expansions of the world economy eventually result in more capital than can be profitably invested in trade and production, at which point money moves into finance. Financial expansions, related periods of interstate competition for mobile capital, and growing systemic chaos all signal the autumn of a particular stage of capitalist development and the larger hegemonic cycles of which they are a part. Recurrent financial expansions were historically powered by the intensification of interstate competition for mobile capital. The rise of speculative finance and related interstate competition, however, led to increasing systemic chaos and eventually ushered in new forms of global governance under the leadership of a rising hegemonic power able to remake the global system on new and enlarged social foundations. For as Max Weber noted, international competition for mobile capital allowed capitalists to dictate to states the conditions under which they would be assisted to positions of power. This resulted in the concentration of capital and related capabilities of war making and state making in rising centers that provided for new forms of hegemonic leadership in ever-larger containers of power, endowed with ever-greater organizational capabilities to manage the environment for capital accumulation on a global scale (Arrighi 1994, 2007).

Arrighi's analyses (1994, 2007) draw on Braudel's (1977, 1982, 1984) distinction between Adam Smith's ([1776] 1976) market and capitalism as the antimarket, the nexus of monopoly through which the great predators roam and the law of the jungle operates. Arrighi also draws on Marx, who noted that, recurrently, "unconditional development of the productive forces of society . . . comes continually into conflict with the limited purpose, the self expansion of capital." The marriage of the state and capital through the alienation of the state via public debt and related

mechanisms was crucial to the emergence of a distinct capitalist layer above the market in Western Europe. This contrasted dramatically with the market-based systems of what Braudel (1984) calls the super world economy of the Far East centered on the Chinese tributary system (Arrighi 2007). In the West, the great civilizations of the East encountered what Braudel (1984) calls the European assault force: merchants with a difference, as capital in conjunction with state power turned Asia's markets to their own advantage through the fecund synthesis of violence, profits, and power. It was precisely this synthesis that allowed Western Europe and its settler offshoots to conquer much of the globe (Arrighi 2007).

The United States appears to be trying to use this same synthesis today to hold fast to its declining power in the face of the world economic center's apparent shift back toward the Chinese-centered civilization of the Far East. Yet instead, the decades-long reconfiguration of U.S. power on ever-more narrowly militarized and financially precarious social foundations appears to be yielding to the deepening reemergence of a Sinocentric East Asian regionalism. Concomitant with this trend may be observed gradual regional moves to overcome the historical divisions that have long ensured the area's subordination to U.S. power in the "long twentieth century."

In the Cold War divide-and-rule system, the United States aimed to limit trade links between East and West by containing enemies and allies, the latter as semisovereign states. The reason for this policy is that the United States feared that such linkages would lead to the emergence of alternative regional configurations able to limit U.S. access to overseas markets and resources, or to the formation of vibrant labor or socialist movements, neutralism, or hostile military alliances (Davis 1986; Kolko 1968, 1988; Kolko and Kolko 1972, Chomsky 1991; Leffler 1992, 1993; Eisenberg 1983, 1996, Reifer 2002a). The United States thus fostered European and East Asian regional divisions in the interests of its global hegemonic visions (see Osterman 1995, 2001; Chomksy 1991; Trachtenberg 1999). The Soviet Union and the United States alike had their own domestic and imperial reasons for maintaining Cold War divisions (Jones 1981, 1992; Konrad 1984; Maier 2007; see also Chomsky 1991).[1] And in fact, a central aspect of U.S. global policy has long been to forestall alternative regional systems and prevent the emergence of regional or world

[1] Of course, American imperial policy was quintessentially global, involving overlapping interests of power and profit, whereas Soviet imperial policy was mostly confined to its empire in Eastern Europe and was primarily "security-oriented." As a telling example of the lack of significant comparative research on these issues, there is no serious study that compares American imperial policy in Latin America with that of the Soviet Union in Eastern Europe (see Chomsky 1991, 243–251; see also Konrad 1984).

powers potentially able to displace the United States from its central role in the global system (Layne 2006).

Cold War divisions and U.S. control over Middle Eastern oil have ensured security and resource dependency among European and East Asian vassals of the United States (Ellsberg 1989; Brzezinksi 1997; Cumings 1993a, 1997). Yet, this system of militarized Cold War division may ironically and increasingly be giving way to alternative regional visions, from Europe to Latin America to East Asia. Here, the emergence of an Asia-Pacific regionalism led by China poses perhaps the most serious challenge to U.S. leadership. For more than any other contemporary development perhaps, the Chinese trajectory poses the sharpest "alternative to colonial modernity" (Chun 2006, 1). Yet to understand an emergent China's potential ability to overcome the neocolonial relations that have long characterized the global system, it is necessary to review the changing social foundations of Cold War militarization and the emerging transpacific regional configuration.

The Social Foundations of Cold War Militarization and Asia-Pacific Integration

Though rarely mentioned, the specific world-historic conjuncture that allowed for the making of U.S. global hegemony on new and enlarged social foundations must be noted here. A large body of literature has demonstrated the close relationship between rising levels of proletarianization, economic development, military conflict and the winning of democratic citizenship rights. In terms of military participation, ruling elites have found it necessary to extend citizenship rights to national subjects in exchange for the latter's taking on obligations of military service as citizen-soldiers or engaging in military production as shop-floor citizens (Weber 1961, 240; Giddens 1987, 233; Downing 1992; Rueschemeyer, Stephens, and Stephens 1992; Lichtenstein 1995). As Weber (1961, 240) noted long ago: "The basis of democratization is everywhere purely military in character; it lies in the rise of disciplined infantry, the *hoplites* in antiquity, the guild army in the middle ages. The decisive act was that military discipline proved its superiority over the battle between heroes. Military discipline meant the triumph of democracy because the community wished and was compelled to secure the cooperation of the non-aristocratic masses and hence put arms, and along with arms political power, into their hands. In addition, the money power plays its role, both in antiquity and the middle ages." As argued herein, though, it was not only the democratization of citizen-soldiers *but also that of shop-floor citizens* that was an integral part of the socialization of war making and state making ensuring the recurrent remaking of the modern World-System

on new and enlarged social foundations (see Lichtenstein 1995; Arrighi 1990; Dickson and Allen 2004; Klinker 1999).

From the late nineteenth to the middle of the twentieth centuries, this socialization of war making and state making, first through Taylorism and then through Fordism—both of which were intimately tied to military production—laid the material basis for the democratization of both citizen-soldiers and shop-floor citizens (Reifer 2002b, 2004; see also Davis 2006, 385). The cooperation of these groups became increasingly important for national elites. The concomitant expansion and generalization of civil, social, and political citizenship rights to the largely white, working, middle-income and upper classes in both core and noncore countries became crucial in the reconstruction of the global system on new and enlarged social foundations under U.S. hegemony.

By 1945, many U.S. and European elites had come to understand that volatile currency fluctuations and speculative capital flows played important contributing roles in the breakdown of England's global economic order, recurring depressions, the rise of fascism, world wars, and global revolutionary waves (Gardner 1980, 75–76; Arrighi 1990, 1994; Polanyi 2001). These concerns led these elites to create a liberal international economic order replete with governed markets that provided tangible benefits to workers in the core and a modicum of state-led nationalist development in the Third World.

This compact was a fundamental part of the real but uneven expansion of civil, political, and social citizenship rights across the globe. In this vision, that of a global New Deal, full citizenship rights and high mass consumption were to be generalized to the core (de Grazia 2006). This expansion of citizenship rights ranged from social democracy in Western Europe and Japan to Cold War business unionism via the New Deal warfare-welfare state in the United States (Lichtenstein 1995; Fraser 1989, 1991; Davis 1986). At the same time, the ideology of modernization and development offered a promissory note: to allow the world's poorer states to catch up with standards of wealth and the full extension of citizenship rights and high mass consumption achieved for the largely white working classes and middle strata of this zone (Reifer 2006a, 2006b, 2006c). Here, though, U.S. hegemony's promise of full citizenship and high mass consumption in the core and self-determination and development in noncore zones revealed definite limits (Davis 1986).

The U.S. New Deal warfare-welfare state originally provided tangible material benefits for working- and upper-class constituents in urban cores and suburbs (and later edge cities) while also providing the military stimulus to prop up U.S. violence, profits, and power (Davis 1986, 2002, 2006; Reifer 2007). This system differed dramatically from the one hoped for by U.S. labor after World War II. During this period, the most progressive sectors of the U.S. labor movement aimed to overcome the historic divisions that limited the power of labor through Operation Dixie, an ambitious plan to organize the South and the Southwest across lines of race, class, and gender (Goldfield 1994; Rosswurm 1992; Stepan-Norris and Zeitlin 2003; Davis 1986).

Hopes for the success of Operation Dixie were largely curtailed by the advent of the Cold War, which secured the deepening alliance of Southwestern and Northern reaction, which had long been the main force arrayed against progressive social change in the United States (see King Jr. 1969, 16). Though of course drawing upon earlier divisions within the working class, Cold War divide-and-rule policies ensured instead the incorporation of select segments of the U.S. labor movement as junior partners in U.S. hegemony (Du Bois [1935] 1969; Goldfield 1997; Davis 1986). Instead of universalistic social provisions, organized workers were forced to negotiate private welfare provisions tied to firms, propped up by a permanent war economy and the G.I. Bill of Rights (Lichtenstein 1995; Davis 1986; Campbell 1997, 2004). Blacks and Latinos in the South and Southwest—largely excluded from New Deal programs via the exemption of agricultural workers and domestics from coverage—were either left out entirely of the benefits of the New Deal warfare-welfare state or incorporated into the most miserly and stigmatized programs (Gordon 1994a, 1994b; see also Weber 1994; Chacon and Davis 2006).

Cold War anticommunism and related elite strategies to divide the working class by race, class, and gender played a central role in U.S. political development. The development of unequal forms of citizenship, stratified by race, class, gender, and nationality, lay at the heart of the New Deal warfare-welfare state and associated rise and demise of the New Deal world order. The evolution of this unique "American exceptionalism" ensured that the United States would have no labor party and no national universal health insurance program, radically differentiating the United States from all other advanced capitalist states, as Michael Moore's documentary film *Sicko* so vividly illustrates (Navarro 1993; Gordon 2003; Quadagno 2005; see also Public Broadcasting System 2008; Ngai 2004; Montejano 1987; Tichenor 2002). The freezing of Cold War divisions at home and abroad solidified race, class, gender, and related regional and spatial divisions within the working class. This virtually ensured the defeat of the more ambitious social-democratic aspects of the black freedom struggle and Second Reconstruction, solidifying the earlier defeat of Black Reconstruction in the late nineteenth century that had skewed U.S. political development (Du Bois [1935] 1969; Davis 1986).

This Cold War division system on a world scale, replete with the purge of left-led unions and the related anticommunist witch hunt, thus decisively set back prospects for a universalistic U.S. social democracy (Brown 1999; Davis 1986; Goldfield 1994, 1997, forthcoming; Zeitlin and Weyer 2001; Stepan-Norris and Zeitlin 2003; Rosswurm 1992; Lipsitz 1994; Griffith 1988; Klinker 1999; Mettler 1998; Gordon 1994a, 1994b; Glenn 2002). The failure to unionize the South and ally the labor and civil rights movements in turn paved the way for the white backlash and various Southern strategies from Goldwater to Wallace that ushered in the rise of Reaganism and the New Right in the 1980s. Concomitantly, during this period the South went from being wholly Democratic to being a Republican stronghold (Edsall and Edsall 1991; Carter 1995; White 1998; Davis 1986; see also Gordon 1994a, 1994b; Black and Black 2003).

Instead of universalistic forms of social citizenship, military service–related government transfers—notably veterans' benefits, the watershed G.I. Bill of Rights and low-interest loans, and free health care—went primarily to white male citizen-soldiers. Entitlements such as Social Security and unemployment went initially to white male shop-floor citizens, who also benefited from military-subsidized private welfare states tied to firms. Second-class, means-tested benefits, stigmatized as "welfare," went to the most oppressed—notably women, persons of color, and the white working poor more generally (Campbell 1997, 2004; Gordon 1994a, 1994b; Williams 2003; Katznelson 2005; Davis 1986, 2002, 2006; Lichtenstein 1995; Poole 2006; Jansson 1991). In fact, as Mike Davis (1986, 96) notes, "The entire edifice of Democratic conservatism, as well as the interlinked corporate and Cold War political alliances which it sustained, ultimately rested on the linchpin of Black disenfranchisement and the poll tax" (see also Goldfield 1994).

Cold War divide-and-rule politics at home and abroad were in fact inextricably linked (see also White 1998). After World War II, U.S. elites were confronted with the global dilemma of how to reconstruct the capitalist world economy in a time of revolutionary change while also limiting progressive social change in the United States. Here, the division of Korea and Germany, the formation of the Soviet empire in Eastern Europe, and the Chinese communist victory in 1949 posed the problem of how to reverse course and revive Japan and Germany as the industrial workshops of Europe and Asia in the context of the developing Cold War. In what William Borden (1984) has aptly called the new "capitalist bloc multilateralism," the United States sought to underpin regional cores by reviving the former Axis powers Japan, Germany, and Italy (the "three founding members of the Anti-Comintern Pact") while providing an open door so they could exploit their peripheral areas as colonial empires broke apart

(McGwire 1987, 15; Cumings 1981, 1990). This Cold War divide-and-rule strategy was premised upon cutting off Japanese and West German trade with U.S. rivals in the East by providing U.S. client states with lucrative alternatives, from their own peripheral areas to the U.S. market (see Woo 1991a, 1991b). Yet, this strategy also entailed an increasingly militarized Cold War with the Soviet Union and its allies (Jones 1992; Chomsky 1991; Leffler 1992; McGwire 1987; Eisenberg 1996). Herein lay the origins of the U.S. commitment to Europe, the Middle East (as, for example, expressed in the Truman Doctrine), and Vietnam, as the United States sought to ensure an open door for Japan in East and Southeast Asia (Rotter 1987; McGlothlen 1993; Cumings 1987; Leffler 1992; Borden 1984; Painter 1986).

Among the main problems confronting U.S. elites beginning in the late 1940s was the economic nationalism of the U.S. Congress that limited their willingness to give overseas economic aid to reconstruct former U.S. enemies in Europe and Asia. Because of this reality, U.S. officials turned instead to stimulating military nationalism to achieve their aims. Here, the outbreak of the Korean revolutionary and civil war and the entry of some 2.5 million Chinese troops into the conflict following McArthur's march to the Yalu River provided a unique opportunity for U.S. elites; it was the Korean War crisis that made it possible to overcome Congressional fiscal conservatism and proceed to quadruple U.S. military expenditures and create the regional economic cores envisioned in the policy documents NSC 48 and NSC 68 (Borden 1984; Cumings 1981, 1990; Harrison 2002). Specifically, the Korean War was instrumental in overcoming the divide between Europe-first internationalists and Asia-first nationalists in Congress, both of whose support was required for the massive increases in military spending necessary to reconstruct the world economy within the developing U.S.-led global military alliance systems. America's hegemonic *vision* depended crucially on Korean *division* (Schurmann 1974; Snyder 1991, chap. 7; Cumings 1981, 1990, 1993a, 1993b, 2005).

As Cumings (1990, 747) notes, the "crisis . . . was the genesis of a new global empire, a national security state, and, finally, the means to pay for it. The Sino-Korean defeat of rollback did more than anything else to bring the NSC 68 process to a conclusion, a crisis that finally pushed the cash through Congress." Korea is also where the limitations on rollback were set, leading almost inexorably to the Vietnam War while simultaneously making Vietnam largely the war of the containment liberals (Cumings 1990b; Borden 1984; McGlothlen 1993; Rotter 1987; Ellsberg 1972, 2002; Reifer 2002a, 2002b).

During the Korean War, U.S. military spending more than quadrupled, rising to roughly $50 billion, a Cold War level at which, in constant dollars, it has hovered ever since. The internalization of allied protection costs and the related security dependence of U.S. allies provided the fount and matrix for U.S. state-corporate capitalism, high technology and regional development, and the social foundations of U.S. hegemony more generally both at home and abroad. "International military Keynesianism" played a crucial role in reviving Western Europe and Japan as the regional workshops of Europe and Asia while resuscitating the neocolonial triangular trading patterns necessary to overcome the dollar gap in world trade (Borden 1984).

The outbreak of the Korean War was also critical in creating the crisis atmosphere not only to implement NSC 68 but also to allow the United States to go ahead with its innovative decision to *permanently* place massive numbers of forward-based troops in Western Europe, notably West Germany. The Cold War decision to divide Korea and Germany and separate Eastern and Western Europe as well as Japan, China, and Taiwan allowed the United States to rebuild its allies and regions and to integrate them into a system of U.S.-led global military alliances that targeted its potential adversaries (Eisenberg 1983, 1996; Cumings 1981, 1990, 1997, 2005).

Cold War militarization was crucial to rebuilding the world economy and U.S. regional workshops in Europe and Asia. Yet, America's hot wars in East Asia ensured that the pecuniary benefits of Cold War militarization flowed primarily to the Asia-Pacific region from the promised land of the New Right—the Sunbelt (southwestern United States)—to East Asia (Davis 1986, 2002, 2006). For as Peter Wiley and Roger Gottlieb (1982, 31) note, in actuality, "the war in the Pacific never ended. The continued militarization of the region had a hothouse effect on the Western economy as federal funds flowed into the western states. The great boom gained momentum, linking the West permanently to this Washington-funded military Keynesianism" (see also Lotchin 1992; Markusen et al. 1991; Cumings 1993b). Here, as John Hay notes, America's frontier expansionism moved relentlessly to "those distant regions where the Far West becomes the Far East" (quoted in Cumings 1990b, 24, 88, 772–775; Drinnon 1990).

Cold War militarization and Asia-Pacific regional integration were deeply intertwined in the making of U.S. hegemony. U.S. wars with Asia were a gift from the gods for the developmental states of the region (Borden 1984; Woo 1991a, 1991b; see also Samuels 1994). And though it is little known, the U.S. military, in cooperation with Asian producers, notably Toyota, played a major role in the emergence of flexible accumulation through the development of just-in-time production and distribution systems via lean retailing systems and the rise of big-box retailers such as Wal-Mart (Reifer 2004, 2005a, forthcoming a and b; Abernathy et al.

1999). These lean production techniques have long been a key aspect in the competitive advantage of East Asia's transborder multilayered subcontracting networks in the global value-added hierarchy of the world economy (Ozawa 1994; Lazonick 1991; Arrighi 1994).

The Vietnam War also played a critical role in the logistics revolution that was an essential ingredient in the exponential increase in transpacific trade by spurring the development of containerization to transport goods for America's wars with Asia. Similarly, the geopolitical economy of U.S. Cold War militarism allowed for the development of the satellite-telecommunications revolution that formed a critical aspect of just-in-time production and distribution systems so essential to the rising power of big-box retailers in the global economy (Appelbaum and Lichtenstein 2006, 113; Reifer 2004, 2005a; see also Nye and Odom 1996).

The rise of Chinese-led East Asia as the new workshop of the world, the growth of transpacific trade, and the rise of big-box retailers such as Wal-Mart in the United States have thus all been entwined (Feenstra and Hamilton 2006). Taken together, these developments played a major part in making the Asia-Pacific region the center of the global market, from Chinese-led East Asia to the port cities of Los Angeles and Long Beach in Southern California, the main artery for the flow of cheap Asian commodities into the U.S. market (Reifer 2004, 2005a; Bonacich and Wilson 2008). The United States is, of course, the leading trading nation in the world, its largest debtor and largest importer. The world's second largest trading nation is China. Other East Asian states are also in the top ten, along with Mexico, many of the European Union states, and Canada. Today, China has surpassed the United States and Japan as the workshop of the world, with some 109 million employees in the manufacturing sector, fueled in part by the massive overseas expansion of the transborder multilayered subcontracting networks of multinational firms (Bonacich and Wilson 2008). Whereas a mere five years ago, the United States exported twice as many goods as China, in the first half of 2006, China became the fourth largest economy and is today the world's biggest exporter. In the first half of 2006 alone, China exported some $404 billion dollars' worth of goods, compared to just $367 billion in exports from the United States (McCormack 2006; Donovan and Bonney 2006, 211; Organisation for Economic Co-operation and Development 2005; U.S. International Trade Commission 2007).

Here, Wal-Mart—the largest U.S. importer, the world's largest company and the largest employer in the United States and Mexico—along with other big-box stores, plays an instrumental role in matching global supply and demand (Appelbaum and Lichtenstein 2006, 107). Big-box retailers increasingly pull cheap low-cost Asian commodities across the

Pacific, thus functioning as central intermediaries of the global supply chain (Feenstra and Hamilton 2006). No surprise, then, that China is Los Angeles's biggest trading partner, drawing $126 billion in 2006, followed by Japan, South Korea, and Taiwan. Low-cost Asian commodities arriving in the ports of Los Angeles and Long Beach are trucked through the Alameda Corridor, the gateway to the United States, after which they are shipped by rail further east (Weikel and Rabin 2008).

Moreover, China, the number two exporter to the United States, accounts for some 90% of Wal-Mart imports, so much so that the firm is effectively one of China's largest trading partners (Smil 2008, 130; Bonacich and Wilson 2006, 238). Not surprisingly, then, Wal-Mart's global procurement department is extensively involved in dictating production regimes and prices, notably in southern China's Shenzen Special Economic Zone, thus illustrating how it is a manufacturing firm in all but name, as many have noted. In fact, along with a number of other big-box retailers, Wal-Mart locates its main procurement offices in China. The firm's outsourcing to the lowest wage zones and search for ever-cheaper production and transportation costs have gone hand in hand with pressures against labor throughout the global supply chain (Reifer 2004).

Southern California has become the central gateway to the United States, the world's largest market. Currently, some 16 million containers pass through the ports of Los Angeles and Long Beach annually, a figure estimated to grow to 20 million by the year 2010, accounting for well over $100 billion of the total $300 billion in trade (estimated to grow to $373.4 billion in 2007) coming from China (Los Angeles Economic Development Corporation 2007). China accounts for over 30% of all the containerized goods coming into the United States, and Shanghai is well on its way toward becoming the busiest port in the world (Cudahy 2006, 238). "In 1978, China's imports and exports totaled $20.6 billion. . . . In 2004, three years after China's admission to the WTO, China's foreign trade was 56 times higher at $1.1 trillion, representing 70% of the country's GDP" (Donovan and Bonney 2006, 204).

In fact, with the rise of Asian trade and production networks, the twenty-seven U.S. West Coast ports saw their supply of container traffic increase from 8.8 million tons in 1970 to 361.1 million tons in 2006 (relative to roughly 6.17 billion tons of world seaborne trade as a whole). U.S. trade with Asia surpassed that with Europe as far back in 1978 (Bonacich and Wilson 2008, 59). In 2000, U.S. waterborne foreign trade using container ships came to 142,332,000 metric tons, over 50% of which comes into the United States from the Far East and Southeast Asia. Nearly 50% of all waterborne foreign trade comes through the West Coast ports while the figure from the Far East and Southeast Asia stands at nearly 80%. By

2002, West Coast ports were responsible for just over half of the U.S. container trade, and over 80% of the trade with Asia (Reifer 2004, 21).

Today, the Asia-Pacific region is the center of the global market, the arena in which world supply and world demand meet, with Los Angeles and Long Beach serving as the primary gateways to the U.S. market. Yet strangely enough, analyses of the world economic impact of the greater Los Angeles metropolitan region and Southern California are largely absent in the global cities literature. Perhaps this invisibility is due to the fact that this relatively unique global-city region does not quite fit into a literature that has traditionally emphasized finance, insurance, real estate, and the making of global control capabilities for the global economy, though not transportation or logistics. Los Angeles complicates this view of global cities, for it is both the major manufacturing center of the United States—with some 16,000 manufacturing establishments and 462,000 workers—and the major hub for world trade, most especially as the principal distribution center for Asian goods coming into the United States (Erie 2004; Los Angeles Economic Development Corporation 2007).

In fact, this global city-region is best conceptualized as specializing in what Saskia Sassen (2001, 91) calls the rise of producer services—"services produced for organizations, whether private sector firms or governmental entities, rather than for final consumers"—in other words, these firms serve as intermediaries for governments, corporations, and businesses of all sizes, notably those involving transport. The growth of specialized-logistics firms serving the global transport needs of the big-box retailers with their increasingly global supply chains, from offshore manufacturing production to their massive distribution centers, is a critical aspect of the rise of these producer services. Southern California's geographical location at the gateway of the Pacific Rim is crucial (Reifer 2004).

The Asia-Pacific region is, in fact, where the beginnings of a new material expansion of the world economy began long ago, centered increasingly in East Asia. As in the past, East Asia's movement up the value-added hierarchy of the world economy has been accompanied by increasing moves toward financial integration and independence, as in previous hegemonic transitions and SCAs. Most notable of all, perhaps, the current growing wealth and market power of Chinese-led East Asia, expressed in its accumulation of the world's largest amounts of productive and surplus capital and its ongoing regional financial integration, gives this region an increasing capacity to play a major role in remaking the global system on new and enlarged social foundations. Yet, to what extent the legacy of Cold War militarization can be reshaped to further Asia-Pacific integration instead is a question that remains to be answered in the twenty-first century.

Cold War Divisions and Alternative Regional Visions

Clearly, U.S. policy and that of other Asia-Pacific regional actors will be crucial in the trajectory of the twenty-first century World-System. To understand this, it is important to review how the system of militarized Cold War division in the twentieth century is yielding to the emergence of alternative regional visions in the twenty-first. Recurrent cycles of militarization in World War II and during the Cold War provided for the military "tax-led" industrialization of the modern Sunbelt regions of the South and the West, not to mention suburbs more generally. Here, the disproportionate Congressional power of this region, in part a legacy of the defeat of Black Reconstruction in the late nineteenth century, assured that the Sunbelt was the primary beneficiary of federal military spending right up to the present (Davis 1986, 194–195, 2006, chap. 7; Mollenkopf 1983; Du Bois [1935] 1969; Calder 1997, 166–167; Luker Jr. 1997; Trubowitz 1998; Kupchan and Trubowitz 2007; Kane 2001; Gray et al. 1990).

America's interminable wars with Asia, the military industrialization of the Sunbelt from the Second New Deal Coalition onward, the economic growth of East Asia, and the rapid expansion of transpacific trade here went hand in hand (Wiley and Gottlieb 1982; Davis 2006, chap. 7). The beneficiaries of domestic military spending and transpacific trade were primarily the "Sunbelt and Western states that became steadily more important in the American political economy . . . and that are where the bulk of the three million American jobs generated by transpacific trade, as well as the eight million Americans of Asia origins, are concentrated" (Calder 1997, 166–167).

Such tangible material benefits anchored Congressional support for recurrent bouts of Cold War militarization and fertilized the rise of the New Right have-coalition (Trubowitz 1998, 169–234; Kupchan and Trubowitz 2007; Davis 1986). For in the aftermath and in reaction to the movements of the 1950s and 1960s and related civil disturbances—from civil rights and free speech to Watts and the emergence of the antiwar movement—and the subsequent U.S. defeat in Vietnam, and with military spending seeding the Sunbelt regional boom and its rising political influence, a broad-based New Right emerged, eventually converging with the right turn of the "Eastern Establishment" (Davis 1986; Dallek 2004; Perlstein 2001, 2008; Reifer 2002b).

The rise of a broadly based U.S. New Right aimed to valorize the accumulated gains of corporate capital and the broad propertied strata built up during the Cold War (Davis 1986, 302, 157–255, 284–289). This new hegemonic social bloc was solidified by resentments generated in part by the stratification of U.S. social provision by race, class, and gender, which helped facilitate the unraveling of the New Deal coalition and related world order. This newly emerging hegemonic bloc included the more privileged segments of the white ethnic working classes and middle strata, arrayed against workers of color, labor, and the poor, along with the Soviet Union and the Second and Third World (Davis 1986; Gordon 1994a, 1994b).

During World War II and the early Cold War years, U.S. military spending was based on progressive taxation of corporations and the rich. This was accompanied by limitations on pecuniary accumulation, including federal regulation and antitrust efforts. And of course, the complications of the Cold War for civil rights in the context of the powerful civil rights movement allowed for dramatic gains, however limited in space and time, in the enfranchisement of African Americans (Klinker 1999). Here was the social basis of the rise of the New Deal world order: New Deal and Great Society reforms at home and support for socioeconomic reconstruction and limited forms of nationalist development abroad. By limiting large fluctuations in currency exchange rates and speculative capital movements, fixed exchange rates provided a temporary basis for forms of expansion consonant with the New Deal's political-economic and social objectives (Gardner 1980).

Yet, the very success of this militarized material expansion of the World-System via the Cold War division system led to the fiscal crisis of the New Deal warfare-welfare state during the attempt to pay for both guns and butter during the Vietnam War. The pursuit of guns and butter during this period led to a pay explosion, the resurgence of inter-capitalist competition, a squeeze on profits, and an overaccumulation of funds beyond that which could be profitably reinvested back into trade and production (Arrighi 1994, 2007; Borden 1989). The need to finance the Vietnam War in fact first forced the rise in U.S. interest rates to pay for borrowing. The move was critical in ushering in the "money-market mutual fund revolution," now worth trillions, as borrowers moved from banks to the money market (Steinherr [1998] 2001, 40, 383; see also Reifer 2002b). As capital sought spaces for accumulation where it could escape taxation and regulation, offshore money markets proliferated and high finance was reborn. Shortly thereafter, U.S. elites scrapped the Bretton Woods agreements on pegged exchange rates they had created after World War II. In the future, sharp increases in U.S. military expenditures would be financed through borrowing on the global capital markets.

In fact, more than anything else, it was America's debt-finance militarization and the opportunities for financial gain its regressive financing allowed that welded together the New Right have-coalition (Beckett 1996; Davis 1986, 1998, 2002; Phillips 1990, 2002; Edsall and Edsall 1991; Jonathan Simon 2007; *Social Research* 2007; Donahue 2008; Nunn 2002; Quadagno 1994).[2] This dramatic change toward neoliberal forms of regressively financed militarization has in turn helped ensure the steady demise of the New Deal world order (Arrighi 1994; Davis 1986, 2002; Reifer 2002a, 2002b, 2007; Stiglitz and Bilmes 2008a, 2008b).

The demise of the New Deal world order here was also associated with a dramatic shift from the "urban welfare state to the suburban warfare state" and the related expansion of the carceral state, most especially in California and the Sunbelt states (Castells 1989, chap. 7; James Simon 2007; Davis 2002, 2006). And once again, as so many times before, Cold War militarization speeded forward Asia-Pacific integration (Flamm 1996; see also Arrighi 1994, 325–356, 2007; Trubowitz 1998, 169–234; Katzenstein and Shiraishi 1997).

Ironically, this very success of U.S. militarization cycles in rebuilding the workshops of Europe and East Asia has created new dilemmas for U.S. elites, most especially with the resurgence of Chinese-led East Asia as the new workshop of the world. For the collapse of the Soviet empire, the reunification of Germany, the breakup of the Soviet Union, the formation of the European Union, and the rise of East Asian regionalism today raises the possibility of the emergence of new regional and world powers that threaten to displace the United States from its hegemonic role

[2] The New Right also successfully highlighted single wedge issues, often racialized, from affirmative action to the property tax revolts, along with anti-immigration and tough-on-street-crime politics. The outcome has been the reinforcement of a twenty-first-century American apartheid, as has been widely noted in the scholarly literature (see Massy and Denton 1993). The racialized politics of divide and rule has seen the continued enfranchisement of white citizens in newer suburbs and edge cities in roughly equal proportion to the disenfranchisement of increasingly criminalized constituencies of color, as revealed so dramatically with Hurricane Katrina (Reifer 2007). Blacks, Latinos, and immigrants in declining deindustrialized urban cores hit hard by cheap Asian imports have been hurt the most and are now saddled with second-class schools but first-class prisons. The turn from the War on Poverty and the Great Society to the war on drugs and crime, gangs, and immigrants was useful in propping up the political coalition of the New Right yet has resulted in the extraordinary figure of over one in a hundred U.S. adults now being incarcerated, overwhelmingly youths of color. The United States, with just 5% of the world's population, now holds some 25% of its prisoners and has the largest incarcerated population in the world (Beckett 1996; Miller 1996; Tonry 2006; Davis 2002, 2006; PEW Center on the States 2008; Reifer 2007, forthcoming b).

Here, of course, the U.S.-Mexican border plays a special role in regulating the supply of cheap immigrant labor, devoid of citizenship rights, while stimulating nativist racism (Chacon and Davis 2006; Davis and Moctezuma 1999; Nevins 2002). Moreover, the domestic incarceration boom and the new rounds of resurgent militarism, from the war on drugs and "terror" right up to the trillions currently being spent on the Iraq and Afghan wars, rather than being financed through taxation on corporate profits and the rich as during the early years of the Cold War, has been funded instead by new rounds of regressive debt-financing. Yet, the benefits of such spending flows primarily to the suburban-based New Right and away from declining cities (Davis 2002; Reifer 2007).

in the global system. Not surprisingly then, in the aftermath of the collapse of the Cold War superpower confrontation, the United States began to articulate a vision of a unipolar one-superpower world, within which it sought to prevent regional powers from acquiring greater regional or global roles that might challenge U.S. power ("U.S. Strategy Plan" 1992).

Maintaining Cold War–like divisions has been almost as central to the current U.S. hegemonic vision as has its perceived imperative to control world oil (Bromley 1991; Brzezinski 1997; Layne 2006; Spiro 1999; Painter 1986; Cumings 1990). Such a strategy has been thought to permit the United States to derive the primary pecuniary benefits of the contemporary massive expansion of trade, production, and financial wealth in both Europe and East Asia (Gowan 1999, 2000). At the same time, the tilting of the world economic epicenter toward Chinese-led East Asia has again motivated a major U.S. military redeployment from Western Europe to East Asia, indicating the growing importance of the Asia-Pacific region to American hegemonic visions and global ambitions.

The United States, of course, maintains continued interest in Europe, East Asia, and the Middle East. Yet, its moves to deploy a Star Wars system in Europe that could ensure its strategic superiority over both Russia and China has led European states to condemn U.S. efforts to rekindle Cold War–like divisions (see also Berend 1996; Gowan 1999, 2000). And in East Asia, the United States continues its time-honored commitment to Western military superiority to ensure that the increasingly dense regional trade links serve American and not Asian regional interests (Steensgaard 1974, 1981; Lane 1979).

Indeed, an influential RAND (2001, 13–15) report close to Bush administration planners has stated that in regards to East Asia the "most fundamental question . . . is whether Japan will continue to rely on U.S. protection," going on to express concern about a rapprochement between China and Japan, which it says would "deal a fatal blow to U.S. political and military influence in East Asia." It should be noted that, although Cold War divisions undoubtedly limited the autonomy of U.S. client states, such divisions also provided a huge impetus for the rapid productivist industrialization of Western European and East Asian developmental states (Woo 1991a; Woo-Cumings, 1999). In Europe, the reunification of Germany and the breakup of the Soviet Union have effectively overcome Cold War divisions there and yet, as the conflict of Georgia showed in the summer of 2007, the divisions are far from over. Cold War–like divisions persist too in East Asia, between China and Taiwan and the two Koreas and in the ongoing historic enmities between Japan and China and the rest of Asia. Such divisions remain challenging obstacles to the more fundamental desideratum of overcoming the unequal power

relations in the present World-System that form the coloniality of power (Paik 2000).

The Korean peninsula, for example, remains "one of the most heavily militarized zones in human history. Significantly more than one million troops and 20,000 armored vehicles or artillery pieces, as well as more than one million land mines, abundant chemical weapons, and fortified defensive positions, are found between Pyongyang and Seoul (the distance from the four kilometer-wide DMZ to Seoul is roughly forty kilometers and from the DMZ to Pyongyang about 125 kilometers). Forces in Korea are more densely concentrated than the Warsaw Pact and NATO units were in Central Europe during the Cold War" (O'Hanlon 1998, 139–140; see also Reifer 2001; Anderson 1996). Again, despite increased economic integration, China and Taiwan continue to languish in a state of Cold War division. Thus, the Korean division system and the division of China and Taiwan alike have led to bilateral arms races that place severe constraints upon the ability of these states to achieve alternate regional visions to that of the so-called Washington Consensus.

Indeed, this consensus has been upheld by Washington's adroit manipulation of divide-and-rule opportunities presented by prior regional divisions. Thus, current divisions between India and its neighbors China and Pakistan date from the end of British rule on the Indian subcontinent, and scholars have also noted that "based on historical patterns extended back nearly 200 years, the current rates of competitive growth of at least two key weapons systems by PRC and Taiwan match or exceed those of the great majority of pairs of states whose rivalry ultimately ended in war" (Wallace et al. 2001, 186–187). Again, Korean and Chinese distrust of Japanese intentions can be dated back to the days of Hideyoshi's invasions of Korea (1592–1598). Nevertheless, the United States has proved highly successful in honing history to serve its divide-and-rule policy, for instance, in wooing nuclear Pakistan as a strangely unlikely ally in its "war on terror," thereby increasing India-Pakistan tensions, and in its Cold War economic reconstruction of the old Japanese "East Asia Co-Prosperity Sphere" under the new American aegis. Through such strategic methods, historical animosities have acquired new Cold War meanings and continue to impede international efforts to overcome the historical divisions that are constitutive features of what Anibal Quijano calls the "coloniality of power."

Ironically though, the very success of U.S. divisive policies has had unintended consequences that help to weaken the Washington Consensus. American wars in East Asia have served to drive the economic dynamos of Korea, Taiwan, and Japan and thereby provide the economic foundations for East Asia's contemporary resurgence and growing regional economic integration. Thus, many believe that continued trade integration will diminish any possibility for war in the Taiwan Straits (Anderson 2004). Such integration in turn increases regional resistance to U.S. divide-and-rule policies and thereby potentially undermines the Washington Consensus.

This contemporary integration of trade in East Asia and in the transpacific region as a whole sharply differs from the old Fordist-based transatlantic economy in which increases in military spending stimulated aggregate demand. In contrast, today's transpacific economy is increasingly based on huge inflows of foreign capital to the United States, from U.S. Treasury securities to the subprime mortgage market. "About one-fifth of securities issued by Fannie, Freddie, and a handful of much smaller quasi-governmental agencies, some $1.5 trillion worth, were held by foreign investors at the end of March. One out of every 10 American mortgages is, in effect, in the hands of institutions outside the United States. . . . Asian institutions and investors hold some $800 billion issues by Fannie and Freddie. . . . China held $376 billion and Japan $228 billion as of June 2007" ("Trouble at Fannie and Freddie Stirs Concerns Abroad" 2008).

For a time, these flows enabled the United States to shore up global demand. Today, however, the bursting of the superbubble has led to a wave of bankruptcies in the U.S. retail sector, raising the question of the sustainability of a world economy based on Chinese and Asian underconsumption and U.S. overconsumption (Barbaro 2008; Davis 1986; Fallows 2008; Fajnzylber 1990a, 1990b; Hung 2008). "On the money-sector side, East Asia recycles accumulated dollars (the outcome of a huge trade surplus) back to the United States so that the latter's trade deficit is adequately funded and its growth can be further stimulated without inflation. Dollar recycling also helps prevent Asian currencies from appreciating so that the value of Asian financial investments in the United States remain protected—and Asian exports maintain price competitiveness" (Ozawa 2004, 19; see also Mikuni and Murphy 2002).

This unique situation can again be traced back to the unintended outcomes of the militarized Cold War division system. This system provided for East Asian nations' rapid ascent in the global economy, albeit—excepting China—as semisovereign states. By shouldering the primary costs for military protection of Asia's developing states, the United States, prompted in part by overarching security threats, unintentionally left the region free to focus on rapid capital accumulation. This division of labor, with the United States focused primarily on violence and East Asia primarily on profits, has left the region with the lion's share of productive investments and surplus capital and the United States with the lion's share of global military power. This is a major anomaly from the perspective of past Western hegemonic transitions, in which productive and military power went hand in hand with growing surplus capital (Arrighi 1994, 2007).

These unique aspects of the current conjuncture should give pause to predictions based on the history of the World-System. For in previous hegemonic cycles and SCAs, there was a convergence between the dominant centers of productive and surplus capital and the centers of global military power in the West. This convergence formed part and parcel of what historians call the original "great divergence" between East and West (Pomeranz 2000; Arrighi 2007; McNeill 1982; see also Hobson 2004). Today, in significant part as a unique and unintended consequence of the militarized Cold War division system, there is instead a second great divergence in which the world's productive and surplus capital has accumulated above all in Chinese-led East Asia and, as a result of neoliberal militarization, military power has become ever-more concentrated in the United States.

This unintended and unnatural imbalance between the American near monopoly on violence and the increasingly China-led commandeering of economic accumulation has had a dramatic negative impact on U.S. efforts to restore its waning hegemony as hoped for by the Project for the New American Century, many of whose members came to serve in leading positions in the Bush administration (Arrighi 2007; www.newamericancentury.org/). This can be discerned, for instance, in the misfiring of the U.S. invasion of Iraq by which the United States has aimed to control the strategically vital world oil supply. Although perhaps leading to a temporary efflorescence of U.S. power, American expansionism has further narrowed U.S. global options to an increasingly inflexible and unsustainable neoliberal militarism while speeding up the resurgence of a Chinese-centered East Asian regionalism (Arrighi 2007; Ozawa 2004, 2007; Layne 2006). Narrowing U.S. resource options likewise increase American reliance on overtly predatory policies that in turn constantly increase the political and social costs of U.S. power and hence regional incentives to break free of Washington's grip. This may by now have become a snowballing process beyond Washington's power to arrest or reverse.

The present-day spectacle of a World-System reconfigured on unsustainable socioeconomic foundations thus raises the serious question of whether emerging Asian and transpacific regionalism can move beyond the legacy of the Cold War division system to remake the World-System on new, enlarged, and environmentally sustainable social foundations.

From the Washington to the Beijing Consensus

Over the past three decades, the world has seen enormous transformations. The new Cold War, beginning in the late 1970s, ended dramatically with the collapse of the Soviet empire, the dissolution of the Soviet Union, and the demonstration of U.S. military prowess in the 1991 Gulf War. Thereafter, "neoconservative" intellectuals began to talk about the end of history with the emergence of a one-superpower world during the period of American ascendancy. Predictions of the imminent demise of U.S. hegemony gave way for a time to astonishment at the U.S. economic boom of the 1990s and talk of the superiority of the U.S. capitalist model after the 1997 Asian financial crisis.

Soon enough though, the exposure of U.S. crony capitalism with the collapse of Enron, the economic disintegration of IMF darling Argentina, and the bursting of the U.S. stock market bubble put a damper on this feeling of triumph. Indeed, when historians look back, what may be most memorable is how quickly the world went from the Washington to the Beijing Consensus (Serra and Stiglitz 2008; Ramo 2004). To understand this dramatic change requires a brief review of the remaking of U.S. power on increasingly narrow and precarious militarized and financial foundations.

As early as the 1970s, U.S. elites had begun trying to compensate for the decline of a robust hegemony through increasingly exploitative forms of domination, in ways that exacerbated financial volatility and global insecurity (Gowan 1999; Ellsberg 1986). Their efforts to increase global dependence on U.S. financial markets and military protection enjoyed partial if brief success. American entry into competition on the global capital markets to finance the new Cold War initially ushered in the growing power of highly speculative and increasingly mobile financial capital through the Wall Street–Treasury nexus, from hedge funds to derivatives (Bhagwati 2002). Where traditional Republicans had been more fiscally conservative in tilting to the high-tech sectors of the U.S. Air Force and Navy, Democrats had historically embraced expansionary fiscal policies. Reagan gave corporate and state-sector elites the best of both worlds. American military spending doubled to some $300 billion annually but was funded by the fantastically regressive means of borrowing on the global capital markets rather than by taxing corporate profits and the wealthy, as when New Deal limitations on the power of money capital such as interest rate caps had been in effect.

The resultant boon to the cyclical resurgence of high finance and mobile capital increased the power of the global capital market over states and was an unmitigated disaster for the Second and Third Worlds. These states had borrowed money at variable interest rates during the 1970s for the purposes of "development." Indeed, during the 1960s and 1970s, the Third World appeared to be gaining ground on many fronts. In the 1980s, these gains were reversed as debt payments flowed from the global South to North and terms of exchange and trade turned dramatically against the Third World. Beginning in the 1980s, the old ideology of development was to be increasingly discarded. Thus, under the Washington Consensus, states were expected to liberalize, open their markets, export, and pay back their debts (Williamson 1990; Silver and Arrighi 2000).

The U.S. abuse of its privilege of seignorage to shore up its military and financial power led to the temporary efflorescence of American hegemony but ultimately reconfigured U.S. power within increasingly narrow, exploitative, and unstable forms of global domination. This in turn paved the way for the slow but uneven formation of alternative regionalisms that today pose significant challenge to U.S. power, from Europe to Latin America to East Asia (Gowan 1999; de Brouwer 2001; Bhagwati 2002; Reifer 2007). The limits of America's unsustainable expansionist path have become increasingly obvious over the last few decades. The result is that the Washington Consensus of the late twentieth century now faces increasing challenges from the Beijing Consensus of the twenty-first. Few today dare to speak of any gains posted by the policy currents making up the Project for the New American Century and commentators are instead already talking about the role of "America in the Asian Century."

Joshua Cooper Ramo (2004, 3–4) has outlined the "new physics of power and development behind the Beijing Consensus . . . [that] replaces the widely-discredited Washington Consensus [that] left a trail of destroyed economies . . . around the globe." The Beijing Consensus emphasizes "equitable, peaceful . . . growth," innovation, multilateral cooperation, and global interdependence (Ramo 2004, 4). Though the Beijing Consensus is still relatively undeveloped, China's rejection of unilateralism, support for independence of sovereign states (putting aside here the special questions of Taiwan and Tibet), and emphasis on the governance of capital markets has been welcomed by states fed up with Washington's emphasis on opening others' markets while enforcing protectionism at home. Of course, questions of labor and human rights, democracy, and environmental pollution still remain controversial, but the human rights abuses of the U.S. "war on terror," the U.S. role in curbing global environmental agreements, U.S. attacks on labor, and the more general atrophy of American democracy has left few to look to U.S. leadership in these areas.

Here, a brief review of how Cold War divisions have paved the way for alternative regional visions is in order. As noted earlier, the Cold War division system in its first few decades provided opportunities for "development by invitation" and by "regional integration" in both Western Europe and East Asia (Selden 1997). Yet whereas the original Cold War system of divide and rule was premised upon the exclusion of U.S. enemies—notably China—America's long wars in Asia, in particular with Vietnam, eventually led to the U.S. opening to China and the latter's incorporation into the region's spectacular expansion of production, trade, and finance. By consolidating the U.S.-China alliance against the Soviet Union, Nixon's triangular diplomacy strategy of divide and rule arguably played a significant role in the Soviet empire's collapse and the breakup of the Soviet Union itself; the Soviets found themselves caught in a two-front war between the eastern and western wings of the continent, just as had their predecessors Spain, France, and Germany (Tucker 1995–1996; Dehio 1962; Thompson 1992).

Ludwig Dehio (1962) demonstrated the ways in which recurrent territorialist challenges to Western hegemonies led Western powers to bring in the eastern and western wings of the Eurasian continent as counterweights to continental land forces, around which power in turn migrated. Though Dehio thought this system came to an end with the emergence of Cold War divisions, the analysis put forward here questions this conclusion. For during the Cold War, the United States arguably brought the eastern and western wings of Eurasia into play against the Soviet's strategy of offensive defense, and this, more than anything else, provided the structural context for the rise of the European Union and Japan-led and now Chinese-led East Asia (see also Thompson 1992; Rasler and Thompson 1994).

The growing U.S.-China alliance, right up until the present, has been central in facilitating China's emergence as the new leader of East Asia's expanding regionalism in the areas of production, trade, and finance, supplanting to a large extent the role of Japan. Central to this hegemonic-led growth has been the recycling of trade and industry throughout the region and America's "reverse Open Door," whereby the U.S. open market ensured continuous high demand for cheap East Asian commodities (Woo 1991a, 1991b; Woo-Cumings 1993; Ozawa 1994, 2007). Moreover, East Asian countries succeeded in moving up the value-added chain and increasing their pools of surplus capital exactly by violating the tenets of the neoliberal Washington Consensus, a fact not lost on those in the region and across the globe (Reifer 2006a, 2006b, 2006c). The effects of the snowballing East Asian miracle—now joined by China—are already being felt worldwide. Though still dependent on the U.S. market, in 2002 China supplanted the United States as the world's largest exporter to Japan. And in July of 2008, China replaced the United States as the largest importer from Japan for the first time since World War II while, of course, U.S. imports from China have been rising exponentially and creating a massive U.S. trade deficit (Ozawa 2004, 1).

Today, the rise of Chinese-led East Asia and with it the growing in influence of the Beijing Consensus signals the reemergence of a region whose relatively low labor, consumption, and protection costs pose world-historic challenges to the unsustainable foundations of the U.S.-dominated global system with its high consumption and protection costs (see Fajnzylber 1990a, 1990b; Hung 2008; Arrighi 1994, 348–356). To be sure, China's present path is arguably unsustainable socially, environmentally, and politically. Yet, a China transformed by social movements such as its leadership repressed in 1989 and larger regional and global social movements, and by its new links with the global South, may mount more effective challenges to the coloniality of power in the World-System than all the radicalism of the Bandung generation, as Arrighi (2007) has intimated (see also Wang 2003). China's newly acquired market power and wealth may provide an opportunity for East Asia, in conjunction with other Southern forces and their Northern counterparts, to overcome historic divisions between global North and South and within East Asia that have played a critical role in shoring up the inequalities of the global system (Guerrero and Manji 2008).

Such possibilities for a resurgent South mark a notable change from the 1980s, often referred to as the South's lost decade, which followed closely on the heels of the great gains it had appeared to make in the 1970s (Arrighi 1994, 2007; Silver and Arrighi 2000; Milanovic 2005). In response to these gains of the 1970s and the more general decline in U.S. world power of which it was a part, beginning in the late 1970s and early 1980s the United States launched a resurgent militarism (Arrighi 1994). Yet as noted earlier, whereas such military Keynesianism was financed largely by taxation on the wealthy and corporations in its earlier phase of robust hegemony, this new round of neoliberal militarization was financed by regressive borrowing on the global capital markets. And so, the world went from the age of statist-led development replete with governed markets to the hegemony of the Washington Consensus and the ideology of the self-regulating market, all propped up by U.S. military power and related privileges of seignorage—effectively, the right to mint the coin of the realm.

Moreover, in the United States and abroad, the resurgence of Wall Street, financial capital, and private rating agencies from Standard and Poor's to Moody's has given ever-greater power to financial capital in determining corporate valuations and the costs of borrowing, often in ways that fueled speculative bubbles. Indeed, the bursting of the Asian bubble in 1997 led money to flow into the stock market, and after that bubble burst into subprime mortgages, which are continuing to melt down even as this volume goes to press. The result has been the financialization of corporations and recurrent speculative booms followed by their inevitable bursting in financial crises (Blackburn 2002, 2006a, 2006b, 2008; "How Rating Firms' Calls Fueled Subprime Mess" 2007; Kindleberger 2005; Arrighi 2007).

American seignorage privileges still find expression in the massive reserve holdings of dollars by U.S. client states in the Persian Gulf, in the London financial markets, and most especially in East Asia, with China playing an ever-greater role as what leading Wall Street analyst Joe Quinlan (2007, 4) calls "America's financial sugar daddy" while the United States falls ever deeper in debt to China—deeper in fact than it ever has to a single country (Fallows 2008). American military power and related seignorage powers are crucial here, as the ability both to print dollars and to borrow money in its own currency—notably from China and other East Asian and Persian Gulf money boxes—frees the United States to a greater degree than all other states from balance-of-payment constraints (Gowan 1999, 35; McKinnon 2005; Arrighi 1994, 2007).

Yet nothing lasts forever, and signs can already be seen as to the limits of America's declining power and wealth. And whereas a glimpse of what might replace this current unstable configuration of global geopolitics, production, trade, and high finance is unclear, insight can be gleaned by examining the area of what for a time appeared to many as the greatest reversal of fortune of the late twentieth century, namely, the Asian financial crisis. Although in some ways the crisis heralded the end of the hopes that the twenty-first century would be Asia's rather than America's, a deeper look reveals quite a different picture. The spectacular rise of East Asian shares of world GDP, the rise in GNP per capita, and the impressive trade and productive expansion that has made the region and above all China the new workshop of the world has been adequately discussed elsewhere (Ozawa 2004, 2007; Arrighi 1994, 2007). Here, we will examine how a crisis that to many signaled the end of hopes for the Asian "miracle" may instead have been the harbinger of a growing centrality illustrated by China's meteoric ascent. Similarly, events that had seemed to herald the era of endless U.S. power may in retrospect appear to be what George Soros (2003) has called, and thus titled his book, *The Bubble of American Supremacy*. To evaluate this possibility, it is necessary to review the crisis and the initiatives that followed in its wake.

A host of structural conditions led to the East Asian crisis. Crucial enabling features were capital account liberalization and the elimination of capital controls pushed for by what Jagdish Bhagwati (2002) calls the Wall Street–Treasury nexus, which allowed highly leveraged institutions—notably hedge funds—to carry out financial warfare against vulnerable national currencies (Gowan 1999; de Brouwer 2001; Financial Stability Forum Working Group on Highly Leveraged Institutions 2000; see also Wade and Veneroso 1998a, 1998b). But perhaps the most neglected factor in the Asian crisis was the rise in Chinese exports from the region, the depreciation of the yuan and appreciation of the dollar, all of which put pressure on the other economies and rendered their currencies (pegged to the dollar) more vulnerable (Kahn 1997).

If these currencies had alternately been tied to some combination of currencies such as a mix of the dollar, yen, and now the euro, they may not have appreciated as much as they did and thus might have left financial markets less vulnerable to external shocks, or so some believe. All of this is of contemporary concern since many of these states have effectively returned to a dollar peg, though they argue their currencies are actually floating via market rates (Chung and Eichengreen 2007; cf. McKinnon 2005).

And though the crisis did indeed allow for Wall Street and other financial investors to come in and gobble up assets, it actually led to moves in radically different directions, financial liberalization as in Seoul's recent "big bang," and the imposition of capital controls in states such as Malaysia (see Chang 2003). Yet most importantly, the crisis gave additional impetus to East Asian–Pacific trade and monetary integration blocked at the time by the United States. And as Injoo Sohn (2007) argues, the continuation of this process may eventually give East Asia the power to remake the rules of the global system.

During the 1997 crisis, local initiatives for regional or global leadership were vetoed by the United States. For example, Japan proposed an Asian Monetary Fund (AMF)—essentially an Asian equivalent of the IMF—and was willing to contribute some $50 billion of a proposed $100 billion to a common fund. This initiative was rejected by Washington, which feared the plan would displace America's hegemonic role in the region. At the time, China also did not support Japan's proposal. The advent of the IMF with its structural adjustment programs and tight monetary policies through interest rates rises that enforced austerity and shock therapy (as in Latin America and Eastern Europe, beginning with the Volcker shock of 1979) depressed economic growth and led to steep recessions, sharp declines in GNP, and widespread misery (Cumings 1998; Gowan 1999). Yet, the region quickly recovered (Arrighi 2007; Cumings 2005).

Moreover, as former chief World Bank economist Joseph Stiglitz argued, pressure for capital account liberalization led to the crisis in the first place, and IMF proscriptions worsened it thereafter. The result: a legacy of animosity against U.S.-dominated supranational financial institutions and Wall Street in Asia, where some two-third's of the world's poor reside, that lives on today. There is presently a movement in the region to overcome such vulnerabilities resulting from the weakness of regional financial markets and the limited abilities of the regions' currencies to serve as stable stores of value. In 2003, at the executives' meeting of East Asia Pacific Central Banks, representatives from states including Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, South Korea, Singapore, Thailand, and the Philippines decided to create a $1 billion Asia Bond Fund. The money was to go into "U.S. dollar-denominated regional bonds" put out by Asian issuers (Sohn 2005, 498). A number of states are contributing between $25 and $120 million each to the fund.

In this same year, eighteen states that were part of the second Asia Cooperation Dialogue meetings agreed to support the Asian Bond Fund Initiative (Sohn 2005, 498, 2007, 4). And in April 2004, India agreed to give another $1 billion for the Asian Bond Fund, whereas eleven of the cooperating Asian states announced moves toward a second Asian Bond Fund, this time to be invested "in local currency-denominated Asian bonds" (Sohn 2005, 498, 2007, 5). China recently agreed in principle to allow renminbi-denominated bonds to be issued by the Asian Development Bank (ADB) and other international financial institutions. Further, Thailand stated that it was going to launch $30 billion baht of currency-denominated bonds through the Asian bond market (Sohn 2005, 499).

The moves to increase the regional bond market in Asia are being funded by a number of countries hoping to attract additional investments from states and institutional investors such as pension, mutual, and insurance funds, half of which are in the United States and over a fourth of which are in Europe. Today, these funds are capitalized at $53 trillion, close in amount to the some $55 trillion in world stock market capitalization and roughly equivalent to the value of the international bond market (International Monetary Fund 2007a, 2007b; "Sovereign Wealth Funds" 2007). Additionally, in May 2006, a number of East Asian states agreed to study the idea of an Asian Currency Unit, a basket of Asian currencies, which many believe is a move toward creating an "Asian Euro" (Sohn 2007, 7, 5). There is even talk of an "Asian oil market trading in Euros" (Chomsky 2007, 170).

In May 2005, as part of the Chiang Mai Initiative begun in 2000, the thirteen nations of ASEAN+3 agreed to increase to $80 billion their common pool of rapidly expanding foreign exchange reserves to deal with such crises. China alone has the largest foreign reserves in the world at over $1.333 trillion—surpassing even Japan—while the region's reserves altogether are now at an all-time high of $3.52 trillion (Bennet 2007; "Governments Get Bolder in Buying Equity Stakes" 2007; cf. de Brouwer 2007, 77). China's foreign trade surplus of some $1.4 trillion is growing at $1 billion a day and is currently largely invested in U.S. Treasury securities and other dollar assets. Dramatically illustrated here is how China's underconsumption, exemplified in its tardy investments in much-needed social improvement—and U.S. overconsumption—radically misdistributed along the suburban-edge city, race, class, and gender divide (as so tragically exposed by Hurricane Katrina) are opposite sides of the same coin (Reifer 2007; Fallows 2008; Hung 2008). More recently, China has been funneling investment dollars to some of the world's largest "money-center" banks and Wall Street investment firms, many of which were closely tied to the Bush administration, from Citigroup to Blackstone (Fallows 2008).

Today, China boasts some $5 trillion in financial assets, over three-fourths of which are in bank deposits, while India holds assets totalling roughly $1.4 trillion (McKinsey and Company Global Institute 2007, 8). The emergence of East Asia as the holder of the lion's share of the world's surplus capital has come with moves toward independence, even as Asia's dollar reserves holdings show its continuing dependence on the United States. For the moment the latter is, along with Europe, still one of the consumers of last resort, though becoming less so as intraregional trade in Asia, especially with China, expands rapidly. And the global capital market as a whole has reached unprecedented levels, standing at $167 trillion, although only four areas—the United States, the United Kingdom, the Eurozone, and Japan—are responsible for over 80% of this amount (McKinsey and Company Global Institute 2008, 8, 2007, 8). The United States remains the world's largest financial market, with some $56.1 trillion in assets, almost 33% of the world total. It is followed by Europe with some $53.2 trillion (including the United Kingdom with $10 trillion) and Japan with $19.5 trillion. In 2005, the financial stocks of the Eurozone increased 21%, or by some $3.3 trillion, more than the comparative growth of U.S. financial stocks, which grew $6.3% for a total of $3 trillion in gains (McKinsey and Company Global Institute 2008, 2007, 8; Farrell 2007).

The over-the-counter derivative market remains by far the largest of all financial markets, rising from $415 trillion in 2006 to $516 trillion at the end of the following June (Bank for International Settlements 2007a, 2007b). Some $126 trillion of this is held by U.S. commercial money-center banks, with a mere five banks holding 97% of this total global amount (Comptroller of the Currency 2006/2007, 1). Europe holds $42 trillion of commercial bank assets, 65% of global totals, almost four times that of the United States, with its $11 trillion forming only 17% at the end of 2005 (International Financial Services, London 2006, 3).

As for world equity market capitalization, accurate figures are hard to come by. Nevertheless, it is clear that East Asia shows some signs of strength here. For instance, the Japanese equity market increased by some $1.5 trillion in 2005, the highest such increase in the world. Even more significantly, these increases have been driven by higher corporate earnings rather than "higher price-earnings valuations" (Farrell 2007).

Yet, Asia and the Eurozone still have far to go to match or surpass the breadth and depth of U.S. financial markets (McKinnon 2005). For all of the power of the yen and Japan's role as the world's third largest financial market, its capital ties are "overwhelmingly with the U.S., Britain and Europe, not with its own neighbors. At the end of 2004, Japan held $1.5 trillion of U.S. and European equities and bonds, but only $29 billion of bonds and equities from other Asian countries" (Farrell 2007).

Yet with China's growing monetary reserves, increased cooperation between China and the ASEAN+3+3 group, and China's sustained outreach to regions including the Middle East, South Africa, and Latin America, the Chinese-led East Asian region may increasingly develop track-laying vehicles that not only give it more independence but also allow it to transform the global system as a whole. The direction of such a transformation remains an open question certain to be influenced by social movements.

Returning to the specifics of Asian monetary integration, Asia's May 2005 Bilateral Swap Agreement consisted of some sixteen BSAs among eight states. ASEAN+3 is currently trying to refashion these BSAs into a broader multilateral agreement, which many see as a move toward creating the very AMF earlier rejected by the United States. In May 2005, the finance ministers of East Asian states increased the approved lending ceiling from 10% to 20%, the other 80% being conditionally subject to the IMF (Sohn 2007, 1, 2005, 4). Fearful of U.S. opposition and worried about repayment, China and Japan have supported IMF conditionality requirements opposed by others such as Malaysia, which has long been a leading critic of speculative capital and U.S.-dominated international financial institutions (de Brouwer 2004, 29; Sohn 2007, 3–4).

This $80 billion is, of course, dwarfed by ASEAN+3 holdings of U.S. Treasury securities, which in November 2009 stood at $789.6 billion for China, $757.3 billion for Japan, $146.3 billion for Hong Kong, $78.4 billion for Taiwan, $39.1 billion for South Korea, and $36.4 billion for Singapore (U.S. Treasury 2010). Yet, $80 billion is still far too little to effectively prevent or resolve financial crises relative to the flows of speculative capital that took aim at Asian currencies in the late 1990s or which are available

today. Moreover, even under the new regional agreements, the largest amounts that states can borrow range from $3 billion for Singapore to $22 billion for Korea (de Brouwer 2007, 77).

As Gordon de Brouwer (2004, 29, 2007, 77) and others emphasize, though, short positions on the Thai baht in mid-1997 were some $27 billion, roughly the size of the Bank of Thailand's foreign exchange reserves. Also, short positions against the yen were believed to be some $200 to 300 billion in 1998, and positions against other Asian currencies were thought to have totaled some $47 billion in mid-1998. As demonstrated by the collapse of Long Term Capital Management, speculative hedge funds, based largely in the United States and Western Europe and now capitalized at some $2 trillion, have virtually unlimited access to liquidity and leverage from money-center banks and other institutions. These funds can deploy huge amounts of liquidity in ways that could dwarf the efforts by central bankers to protect national currencies (Anderson 2007; Gowan 1999).

Indeed, since April 2004, daily turnover in the foreign exchange markets has grown at unprecedented rates—by 69%—to reach a new high of $3.2 trillion by April 2007, exceeding the foreign exchange reserves of the G8 (Bank for International Settlements 2007a, 2007b). Central banks' pouring of anywhere from hundreds of billions to trillions of dollars of liquidity into the global economy to deal with the subprime loan crisis is indicative here of the risks of financial contagion from the bursting of what Soros calls the latest speculative "super-bubble," this time centered in the multitrillion-dollar U.S. housing market.

It should be noted that the "wealth of nations" is increasingly being held not by private firms but instead by sovereign wealth funds (SWFs), government investment vehicles composed of foreign exchange reserves more actively managed for higher returns, albeit with greater risk, than those reserves held by central banks. Estimated today at $2.5 trillion, analysts believe that SWFs could increase to $12 trillion by 2015. East Asian states are increasingly the lead holders of such funds, with China's Huei Lian Company poised to have the largest such fund by 2009 (Morgan Stanley 2007).

Of course, if a truly regional or global fund with enough resources were established, drawing on the huge foreign exchange reserves in East Asia and beyond, it could very likely thwart currency attacks and help to prevent or resolve financial crises, as might SWFs with agreements with their central banks that they can call on funds in a crisis. This would more likely materialize if these funds were made available in conjunction with stricter capital controls and other restrictions on financial capital. Moreover, if Asian nations begin to more actively manage their growing pools of surplus capital, as many believe they will increasingly do, rather than depositing them in Western currencies where they can be used as instruments of Northern domination of the South, this could lead to a radical shift in power in the global system (Arrighi 2007).

Today, China and Japan hold most of their foreign reserves in dollar holdings and U.S. Treasury securities, with Japan's investments in these assets coming to 90% of its total holdings (Bennet 2007). East Asia accounts for some 45% of the current account surpluses globally and 55% of the U.S. deficit (Yoshitomi 2007, 23). The ongoing efforts to increase the breadth and depth of Asia's financial markets are designed to reduce their dependence on the United States and Western Europe. This is seen as especially urgent as many in the region, notably Hong Kong Monetary Authority Chief Executive Joseph Yam, have noted the irony of Asian savings being deposited in the West only to be used in financial warfare through speculative attacks on Asian currencies (Gowan 1999, 52).

The move toward regional monetary cooperation and currencies is a direct outgrowth of the rise of alternative regionalisms, part of the larger dissatisfaction with the U.S.-dominated international monetary system and related supranational financial institutions. In an amazing change, the influence of these institutions appears to be rapidly declining today after reaching new heights of power in the 1980s and 1990s. Indeed, a host of countries have recently repaid their IMF debts, with Argentina and Brazil paying off all their loans early in 2006. And today, Venezuela's Banco del Sur (Bank of the South) would bypass the IMF altogether. Such moves come at a time when IMF lending has substantially declined and private capital inflows as well as funds flowing from such states as China into so-called developing countries dwarfs that of the IMF (Helleiner and Momani 2007, 2, 11, 42). Early repayment is steadily reducing funds flowing into the IMF, with a recent estimate projecting that payments of charges and interest to the fund will drop from roughly $3.19 billion in 2005 to $635 million in 2009 (Griesgraber and Ugarteche 2006, 352).

These changes point toward the possibilities for remaking the global system on more sustainable foundations. Yet, to truly remake the world and incorporate previously excluded constituencies in the global South, social movements, and the Southern states and their Northern counterparts requires engagement with questions of environmental and other related global inequalities and world security (Roberts and Parks 2007). For example, today cooperation on climate change is hampered by deep divisions between the North and South and by the policies of China and the United States, the two largest emitters of greenhouse gases.

Moreover, today's growing inequalities in China and East Asia generally restrain the growth of domestic markets while reproducing dependence on American and European markets, which despite the rapid

growth in intraregional trade still act as the consumers of last resort for East Asia's low-cost labor-intensive imports. Such issues are especially problematic as trends toward increased uneven East Asian development and its attendant growing inequalities departs ever more strikingly from the more-even East Asian development of the past (Arrighi, Hamashita, and Selden 2003). In many ways, today's global income inequalities and related patterns of under- and overconsumption seem similar to those of the late nineteenth and early twentieth centuries, the flip side of which was the accumulation of surplus capital beyond the bounds of profitable investment, which Hobson ([1938] 1965) foresaw as the taproot of imperialism in the Anglo-American states (Arrighi 1983; Gowan 1999; Reifer 2002a, 2002b).

Yet if the rise of China and East Asia provides new opportunities for remaking the World-System on more socially just and peaceful social foundations, despite huge obstacles, a key problem facing this goal is that U.S. elites have long seen China's rise in competitive terms. The core aspect of U.S. policy since World War II has been to revive the European and Asian workshops while simultaneously resisting the rise of regional or global challengers to U.S. supremacy. Control over world oil has historically been among the most crucial mechanisms for ensuring U.S. hegemony, thus the high stakes in the U.S. invasion of Iraq (Bromley 1991; Spiro 1999).

There has long been a debate in U.S. elite circles about the rise of Chinese-led East Asia. Richard Betts (1993/1994, 55) asked in the early 1990s: "should we want China to get rich or not?" Given both U.S. elite insecurities and that of their Chinese counterparts, there is a real danger of another clash between the declining and rising powers, as with Britain and Germany in the late nineteenth and early twentieth centuries (Shirk 2007; Kennedy 1980; Snyder 2000).

Another cause for concern is the historic inability of the U.S. National Security establishment to understand China (Peck 2006). And yet, another scenario may be that of a U.S.-China hegemonic transition (Arrighi 2007). Here, the continued U.S. pursuit of primacy, as in its obsessive pursuit of a preemptive first-strike counterforce against the perceived threat of a rising China and Russia, poses serious obstacles to the successful negotiation of a peaceful transition and to the achievement of a true commonwealth of civilizations, instead of a clash among them as promoted by the likes of Samuel Huntington (Lieber and Press 2006a, 2006b, 2007a, 2007b; Kristensen, Norris, and McKinzie 2006; "Correspondence" 2007; "Nuclear Exchange Forum" 2006; RAND Corporation 2003; Arrighi 2007).

What is remarkable is that China's minimal deterrent strategy and initiatives against the militarization of space in the face of the U.S. pursuit of ever-greater global military primacy have led some mainstream American security analysts to hope that China might provide the leadership necessary for cooperative security on a global level. Analysts are increasingly looking to China to develop cooperative security mechanisms in the twenty-first century as a counter to the "appreciable risk of ultimate doom" that the U.S. pursuit of primacy arguably heightens (Steinbruner and Gallagher 2004a, 2004b; Lewis 2007; Gill 2007; see also Farer 2002, 2008a, 2008b). Commenting on the U.S. embrace of preemption—really, preventive war—in a powerful editorial comment in the *American Journal of International Law*, Tom Farer (2002, 359) notes, "At this point, there is simply no cosmopolitan body of respectable legal opinion that could be invoked to support so broad a conception of self-defense. It is in fact reminiscent of the notion of strategic preemption that animated German policy in the early years of the twentieth century." More recently, Farer (2008b, 63) also stated that the "administration's view of law bears an ironical resemblance to views exhibited by Wilhelmine Germany around the turn of the twentieth century and thereafter in the practices of the Third Reich." Farer then goes on to list the potentially apocalyptic violence that may ensue from such a rejection of the United Nations Charter (see also the United Nations Secretary-General's High Level Panel on Threats, Challenges, and Change 2004). Rarely are such stark pronouncements heard from the heart of the American Establishment.[3] Ironically though, America's relentless pursuit of continued primacy appears to be leading to the formation of new Eastern and Western counterweights against America's interminable imperial ambitions (see Calleo 2002).

Independent initiatives are being seen in particular in the oil, financial, and security sectors of Eurasia. India and China have made recent moves to overcome historic rivalries so as to explore a new partnership in the global energy markets, agreeing in 2006 to cooperate in technology and hydrocarbon production and exploration while similar and related initiatives have been developing among Asian energy producers and consumers. And the formation and evolution of the Shanghai Cooperation Organization formed in 2001 is also of great significance here in the context of ongoing geopolitical rivalry between the great powers in Central Asia, most recently over Georgia. As mentioned earlier, with trillions of reserves in the region now being held in dollars, steps toward

[3] I owe this formulation to Noam Chomsky (2005), who used it in the context of Sanford Levinson's argument in regard to the similarities between the Bush administration's attitude toward international law and that of the Nazis' chief legal philosopher, Carl Schmitt (Levinson 2004, 5–9).

diversification in the context of the widening and deepening of Eurasian financial markets and new energy and security initiatives could provide for new forms of regional cooperation and eventually lead to the remaking of the global system on new and enlarged social and alternative regional and global foundations.

For the moment, American elites seem bent on using increasingly desperate means to shore up U.S. power in the military, monetary, and productive realms. Yet, it is possible that the United States, pressed by social movements from below, will see the rise of policy currents more interested in fostering U.S.-China cooperation on the world stage, in conjunction with rising powers of the South such as India and the European Union (see Reifer and Chase-Dunn 2000). To achieve this, the United States must renounce its dreams of a new American Century and embrace interdependence and multilateralist economic, environmental, and security leadership.

Here, the end of the Cold War superpower confrontation offers some real possibilities for progressive social change in the United States and abroad. As Dan Ellsberg (1990) has noted, "The breaching of the Berlin Wall could lower the wall between American unions and the multitude of social movements that continue to emerge and grow. . . . The ending of the Cold War opens up the prospect of conversion of the economy that would break the dependence of labor unions on arms spending." Here it is essential to organize the growing numbers of immigrant workers, workers of color, women, and labor throughout the global supply chain and to ensure that the U.S. trade union movement does not substitute a reflexive knee-jerk anti-China attitude for yesterday's Cold War business unionism (see Reifer 2004, 2005b; Fletcher Jr. and Gapasin 2008; see also Silver and Arrighi 2000). The role of the burgeoning populations of Latin Americans, now the largest group of persons of color in the United States, as the country moves toward being majority nonwhite by 2040 or 2050, will be particularly important here (Davis 2008).

Similarly, overcoming Cold War divisions on the Korean peninsula could also hold out the promise of similar transformations in East Asia, for example between China and Taiwan, as Paik Nak-Chung, editor of the leading South Korean intellectual journal *Changbi* (Creation and criticism), has argued (see also Anderson 1996; Cumings 2005, 509). If moves toward a more peaceful and interdependent world were to progress, new and growing social movements across the globe might hasten global transformations such as those envisaged in the World Social Forum meetings and which found previous expression in the world revolution of 1968 and the Eastern European revolutions and Chinese student uprisings of 1989.

Conclusion

In past hegemonic transitions and cycles of global capitalist development, social movements and the emergence of a rising hegemonic state endowed with ever-greater global governance capabilities remade the global system on new and enlarged social foundations. Rapid industrialization and accumulation in China and Asia as a whole will surely shake the world once again, but today, more than ever before, questions of ecological, social, and political sustainability, at present significantly unaddressed, are critical. If East Asia and the larger Asia-Pacific region can overcome the legacy of division, most especially that left by Japan's brutal colonialism and the Cold War division system that grew out of this, achieving reconciliation while beginning to more actively manage its growing foreign exchange reserves, including for the benefit of the global South, it could potentially help remake the global system (Sohn 2007; Arrighi 2007). Of course, a key aspect of forward movement here would have to be a truly sustainable development model based on overcoming present-day global inequalities of wealth and power.

Should Asian social movements continue to join hands with similar world movements including the World Social Forum and regional social forums from North America, Asia, Europe, and the Middle East, the global system might well be remade on truly peaceful, just, and sustainable foundations. The future is uncertain. Meanwhile, as the center of the world economy continues to swing toward Asia, emerging voices from China, India, and the world beyond are certain to play central roles in this remaking of the modern World-System (Wang 2003). Whether social movements, scholar-activists, and others in the global South and North will rise to the occasion and offer a new vision for a true commonwealth of civilizations based on truly universal values of democracy, peace, and social justice is a question that only the future can answer.

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TWO

U.S. Policies and the Rise and Demise of Japan, Korea, and Taiwan: An Examination of the World-System during the Cold War and After

SATOSHI IKEDA

Introduction

Japan, Korea, and Taiwan were once celebrated as "miracle" economies of the post–World War II World-System. Academic and popular publications in the 1980s sought to uncover the secret of the East Asian miracle, including the tiger economies (Korea, Taiwan, Hong Kong, and Singapore) and the mini-tiger economies (Malaysia, Thailand, and Indonesia). In the early 1990s, these "miracles" turned into "debacles" starting with Japan's recession following the burst of its asset-price bubble. Other East Asian economies faced financial crises in 1997, followed by a painful recession and by restructuring imposed by the International Monetary Fund (IMF). Recent popular and academic attention has shifted to China, eroding our memories of "miraculous" growth experienced by the countries surrounding it.

China is emerging (or reemerging) as the primary political power in the East Asian region. It holds the largest share of intraregional imports, which implies that it is not only becoming the factory for the world but the absorber of exports from neighboring countries. China is also becoming a major actor in international geopolitics. Thirsty for oil, China is expanding its energy-supply sources all over the world, from Russia and the Middle East to Africa, and Chinese natural gas extraction in the South China Sea is still carried out despite Japan's objection. A 2006 conference held in Beijing for African development exhibited China's determination