

THE THEORY OF HEGEMONIC STABILITY, HEGEMONIC POWER AND INTERNATIONAL POLITICAL ECONOMIC STABILITY

Assoc. Prof. Dr. Mohd. Noor Mat Yazid,

Programme of International Relations, School of Social Sciences, Universiti Malaysia Sabah, Kota Kinabalu, Malaysia

ABSTRACT: *This paper discusses the importance of the theory of hegemonic stability in understanding the stability and instability in the international political economy. According to the theory of hegemonic stability, the role played by a hegemonic power is very importance in creating stability in international politics and economy. Without strong hegemon, the creation of international stability is impossible. The secondary data since early twentieth century was used in analysing the relationship between role of the hegemonic power and international stability. The study concludes that the hegemonic power was very importance in creating stability in international political economy. The political instability and economic depression in the decades before Second World War closely related with the absence of strong hegemonic power in the international system. Great Britain was very weak (during the period 1919-1939) and the United States refused to take the role as a new hegemonic power. The League of Nations was not well function in the 1930s because of the lack of hegemonic power. The better and stable situation in international politics and economy after 1945 was strong influenced by the role played by the United States as a new hegemonic power. The international institution is impossible to run smoothly without strong support by a hegemonic power.*

KEYWORDS: Theory of Hegemonic Stability, Hegemonic Power, Great Britain, The United States of America, International Institution, International stability.

INTRODUCTION

The Theory of Hegemonic Stability is important in understanding the stability and instability in the international political economy. According to the theory of hegemonic stability, the role played by a hegemonic power is very importance in creating stability in international politics and economy. Without strong hegemonic power, the creation of international stability is impossible. The empirical data since early twentieth century was used in analysing the relationship between role of the hegemonic power and international stability. This paper emphasises three main discussions. First, the basic concept of Theory of Hegemonic Stability; secondly, the important of a strong power in international structure and relations to the stability and instability and, finally the role of hegemonic power in regional level with references to the Western Europe, North East Asia and South East Asian region. This paper concludes that a hegemonic power is very important for international political economy stability. Without a strong hegemonic power the stability in economics and politics is impossible.

The important of Hegemonic Power in the International Stability.

The theory of Hegemonic Stability (THS) is a significant theory in understanding the roles played by the hegemonic power and the relations with the economic development and political stability in the international structure. The key point in the Theory of Hegemonic Stability is that there must be a hegemonic power, i.e. a single dominant power in the international system

to ensure international economic and political stability.¹ Only a hegemonic power can establish the international rules that facilitate orderly exchanges amongst countries and should punish transgressors with predictable penalties. A transgressor should be punished because, without punishing, it might threaten the existing hegemony. The successful punishment of any transgressor is also a symbol of strength of a hegemonic power.

The punishment of transgressors is important for strengthening and maintaining the position of a hegemonic power. The hegemonic power punishment towards the aggressor is a symbol of the strength of a hegemonic power in maintaining the international stability. It is a character of hegemonic strength and its stability, where the hegemonic power can exert his control upon the international system that it is part of and play an effective role. The role of a hegemony power is leadership in the international system. She is a stabiliser and the strongest power among all states in the international structure of the state system. After World War I and until the outbreak of World War II in 1939 (the period from 1919-1939) the international political-economy system was changed. Germany had been defeated in World War I, but Great Britain was too weak to play the role as a hegemonic power. During this period international relations and the international political economy was not stable because of the absence of a hegemonic power to dominate and regulate the international system. The United States refused to take the role of the new hegemonic power to replace Britain during this period of 1919 to 1939. Thus from early twentieth century until the emergence of a new hegemonic power after the end of World War II was a period of 'absence hegemonic' with no hegemonic power to control the international stability.

A hegemonic power has the incentive to provide the 'public good' (shared values from which everyone who has access to them benefits, even if not everyone contributes to their preservation or creation), as it has the greatest power in perpetuating the existing international system that gives him the dominant status. Public good or a secure and stable condition can only be provided by a hegemonic state; he has the ability in providing the 'public good' because he is in the strongest position and has ability in terms of military, economy and politics. Hegemonic power can provide public good, ensure order and security. Security and stable economic and politics are possible with strong hegemonic power. The two decades of periods from 1919 to 1939 was an unstable period because of the absence of a hegemonic power. The period was a transition period of an emerging a new hegemonic power, the United States. Germany failed to replace Great Britain in 1918 as the new hegemonic power. Great Britain was too weak in economic and politically after 1918 and the United States was not strong enough as a hegemonic power before 1939. The public good only could be provided by the strong hegemonic power. The hegemonic power only has sufficient resources to sustain and enforce

¹ Kindleberger, Charles, P., "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," *International Studies Quarterly*, vol. 25, June 1981, p. 247. Robert Gilpin moves beyond Kindleberger's conception of altruism and develops an interest-based explanation of leadership... Gilpin defines the position of a country within the international economy along two dimensions; political economy power and efficiency. Political-military power indicates the quantity of influence a state possesses over the international economic regime. More detailed for the two versions of the hegemonic stability theory, see Webb, Michael, C., and Krasner, Stephen, D., "Hegemonic Stability Theory: An Empirical Assessment", *Review of International Studies*, 1989, vol. 15, no. 2, pp. 184-186, and see also Lake, David, A., 1983, "International Economic Structures and American Economic Policy, 1887-1934," *World Politics*, vol. 35, no. 4, July 1983, pp. 519-521.

an international institution.² Without the support from the hegemonic power, any international institution would not be effective or less effective.

The Successful of International Institution and Hegemonic Power.

Any international and regional institution will not be effective without strong support by the hegemonic power. The international organisation (i.e. the League of Nations) was formed in 1919 with strong backing from the United States President, Woodrow Wilson. However, after the American senate rejected the League of Nations and refused to support President Woodrow Wilson, the League of Nations was not very effective. Great Britain and France then were not strong enough to support the League of Nations. Great Britain was the hegemonic power (which was in an unstable condition) and France was a very weak nation after the World War I (compared to the period before the World War I).

Economic factors are important for administering an international organisation such the League of Nations. The economic position of both France and Great Britain was very weak after World War I. The weak economy of both countries influenced the failure of the League of Nations. The great burden of France and Great Britain following World War I and influence their limited roles in the League of Nations, contributed to the failure of that organisation in the 1930s. Economic weaknesses influence the military strength. When aggressive states launched aggression over other states, Great Britain could not order a sanction and effective punishment to the abuser of the system. It happened in 1931 and 1934. In 1931 Japan launched an attack over Manchuria.³ In 1934-1935 Mussolini Italy invaded Ethiopia without concrete reason based on the procedure of The League of Nations.⁴ Both international aggressions by the aggressive state could not be controlled or settled by the British and the French. The sanction mechanism towards any abusing states in the international political and economic system is the responsibility of the hegemonic power for maintaining its position. Without strong economic and military position he cannot run the sanction mechanism. Without strong support by the hegemonic power, any international organisation could not be run effectively. Only international organisations, which had strong support from the hegemonic power, would effectively work and succeed.

The situation of without 'hegemonic stability' would not allow any resolution to the international economic problem. In the post-World War I period, the strongest state that could play a hegemonic power role was the United States but its refusal to effectively involve in the League of Nations affected international relations in the 1930s. The United States refused to play an effective role as a hegemonic power because she was not really strong and could not fulfil all the main characteristic as a hegemonic power. The situation where there is no state who has achieved a full status as a hegemonic power is called the absence of a hegemonic stability condition.

² President Sukarno of Indonesia tried to establish another international organisation to replace the United Nations in 1964 (after Sukarno withdrew from the United Nations) but he failed to form one because Indonesia (and other nations that supported Indonesian) was not strong enough, politically or economically. Although President Sukarno had strong support from China and some other Asian and African countries, but only the organisation that had support from a very strong power would be successful. The Indonesian economy deteriorated because of bad relations with the American hegemony and other Developed Western powers.

³ Ross, Graham, 1997, *The Great Powers and the Decline of the European States System 1914-1945*, London and New York: Longman, p. 11.

⁴ Ross, Graham, 1997, *The Great Powers and the Decline of the European States System 1914-1945*, pp. 12-13.

The Second World War from 1939 to 1945 reduced the power base of some major states (such as Germany, Japan, Great Britain, France and Italy) and had increased the power and position of the other states, viz. the United States. The Americans positive growth of economic development during the war period (1939-1945)⁵ and the destructive period for the other major states (France, Japan, Italy, Great Britain and Germany),⁶ contributed to the emergence of a strong American hegemonic power after 1945. The condition without 'hegemonic stability' during the period before 1945, was thus changed to 'hegemonic stability' when the United States became really strong and achieved the status as a hegemonic power after 1945.

American Hegemonic Power and International Situation after 1945.

The Americans only started to assert hegemonic power after World War II ended in 1945. After the end of the World War II, the strong European power (Great Britain) was too weak to assert hegemonic power, as it had already declined to a 'hegemonic instability' power before 1939. Only the America remained strong and could assume global power to become a new hegemonic power. Only the United States had the characteristics of a hegemonic power after World War II. The Soviet Union also became a stronger power after World War II and played her role as a great challenge to the United States (counter-hegemonic power).⁷

The distribution of power politics, economic and military-security factors are amongst the important factors in determining the structure of international relations. The Americans economic position, political power and strong American military power after World War II determined the successful achievement of their role in world affairs. American economic achievement and political factors are the important factors that contributed to America being a hegemonic power after World War II. American political powers and economic factors determined that America achieved a strong position within the international structure after World War II.⁸ The political and economic factors of the United States were important in shaping international structure after World War II. The imperialist system and residual domination of the United Kingdom in the West collapsed under the strain of World War I and World War II. In the post-World War II period, a new political and economic system was based on the hostile confrontation of two superpowers, the America and Soviet Union.

The Main Characteristics of Hegemonic Powers.

A state will become a hegemonic state when there are strong and stable combinations of the military, economic, political, institutional and ideological.⁹ First, the hegemonic power must have the strongest military in the world, significantly stronger than any of its rivals. Hegemonic military alliance system is significantly stronger than any rival military blocs. Second, a hegemonic power must have the largest and most technologically advanced economy in the world. The economic relations and trading partners of most of the nations of the world, including most of the major powers, are important for the hegemonic powers' survival. Third,

⁵Oatley, Thomas, 2012, *International Political Economy* (fifth edition), Boston: Longman-Pearson, pp. 15-20 and see also Lairson, Thomas D. and Skidmore, David, 2003, *International Political Economy: The Struggle for Power and Wealth* (third edition), Belmont, CA: Wadsworth/Thomson Learning, chapter 4.

⁶Only the Americans and Soviet Union were not severely destroyed after the World War II.

⁷Some scholars called 'counter hegemony'. See 'Hegemony, Counter-hegemony, and Stability,' <http://www.dflorig.com/Hegemony.htm>. (12 December 2013).

⁸Spero, Joan Edelman, 1977, *The Politics of International Economic Relations*, Boston; George Allen & Unwin, pp. 7-8.

⁹See 'Five Dimensions of The Concept of Hegemony,' <http://www.dflorig.com/Hegemony.htm>. The five dimensions in this article are military, economic, political, institutional and ideological. (10 December 2013).

the hegemonic power has a wide range of political allies and friendly relations with most nations and major powers. Fourth, a hegemonic power working with its allies makes most of the rules that govern global political and economic relations. A hegemonic power along with its allies usually controls most of the international institutions. Thus, most of the international institutions favour the hegemonic and her allies. Finally, the hegemonic country largely determines the terms of discourse in global relations. All of the above combinations contributed to the strong economic and political position.

According to Robert Keohane, 'to be considered hegemonic in the world political economy... a country must have access to crucial raw materials, control major sources of capital, maintain a large market for imports, and hold comparative advantages in goods with high value added, yielding relatively high wages and profits. It must be stronger on these dimensions taken as a whole than any other country'.¹⁰ Keohane emphasises the economic factors most.

Keohane's criterion of hegemonic power only emphasises factors that are related to economy and trade. Suzan Strange suggests four elements of structural power that can be called hegemony's global position;

1. The ability to threaten or protect other countries' physical security by resorting to arms (security element);
2. The ability to control the global system of production of goods and services (production element);
3. The ability to shape the international capital market of finance and credit (financial element);
4. The ability to direct the development, accumulation and transfer of knowledge (knowledge element).¹¹

Strange mentioned that the four elements affected each other and depicted them as a pyramid. The four elements are important in making and contributing to the strength of a hegemonic power. If only the military-security element is strong but the other elements (production, financial and knowledge-technology) are weak, it would not support the strong position and maintain the power and survival of a hegemonic power. According to the Strange argument, the weaknesses of more than one element will influence the hegemony power within the global position.

Strange's argument is that the combination of the four elements is necessary in explaining the emergence and survival of a hegemony power. The military-security, economic-production, financial-trade and knowledge-technology elements are all inter-related to each other in maintaining the position of a hegemonic power.

To the author, the combination of two elements, i.e. political and economic are sufficient enough and the most important combination elements in regulating and maintaining the position of a hegemonic power in the twentieth century. Only having strength in political and economic element is insufficient in surviving as a hegemony power. Economic factors would support the political strength of a hegemonic power. Political elements cannot function

¹⁰ Keohane, Robert, O., 1984, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, N.J.; Princeton University Press, pp.33-34.

¹¹ Strange, Suzan, 1987, "The Persistent Myth of Lost Hegemony," *International Organization*, vol. 41, 1987, p. 565.

independently and are insufficient to support a hegemonic power to maintain her position as a world hegemony without a strong economic position. The emergence of American hegemony strongly supported by his economic position. The World War II from 1939-1941 destroyed the strong economic position of Western European countries (Great Britain, Germany, France) and Japan. At the same period the American economy was not much affected by the Second World War, even the economic growth of America was positive during the war. The United States controlled half of the world GDP during the period after the war, becoming the biggest world power. The economic position of the U.S secured the position of a hegemonic power since mid-1940s. Without strong economic position it is impossible for U.S. to play the role as a hegemonic power.

The Counter-Hegemonic Power (Soviet Union)-Why Soviet Union Collapsed in 1991?

The Soviet Union Empire collapse in December 1991 was a good example of how important the economic factors are in maintaining the strong position of a hegemonic power. At that time the Soviet Union had a strong position in terms of the military-security element. The weaknesses of her economy contributed to her collapse in 1991. Stability and a strong economic position are important in maintaining the survival of a superpower. Having military strength was not sufficient to maintain the Soviet power as a hegemony/counter hegemony power. She needed a stable economy that could produce and a stable financial position to survive as a strong position. The stable and strong combinations of political-military and economic-trade factors are necessary in maintaining a hegemony or counter-hegemony state.¹²Counter-Hegemony or Counter-Hegemony Alliance is/are the states who oppose hegemonic states. Soviet Union and China were counter hegemonic for American hegemony; Germany, Japan and Italy for Great Britain in 1930s; and Germany and Austria-Hungary in early twentieth century

The combination of the political and economic factors is important in supporting the strong position of a hegemony power. It means that only two factors, i.e. the political and economic factors are sufficient enough in maintaining a hegemonic power. Economic and political factors inter-support each other in maintaining the strength and position of a hegemonic power. The experience of Great Britain (in early twentieth century) and Soviet Union (in early 1990s) were the two examples of the importance of economic factors in maintaining and surviving the position of hegemonic power.

The roles played by the economic factors will guide the effective running of the political factor. Without a strong position in economic factors, financial elements and the strength of the military factor will collapse. A hegemonic power could not manage effectively the production, financial and technology without the strong economic position. One element is not sufficient in maintaining the strong position of a hegemonic power. There must be a combination of political and economic factors.

The Soviet Union could not maintain her position and collapsed in 1991 because of the failure of the state's role in managing the economic factors. This failure in the economic factor gave a negative impact to the political position. Although the military-security of the Soviet Union was strong, the weaknesses of the economic factors (economic production and financial) contributed to the military weakness and the eventual collapse of the Soviet Union in 1991.

¹² See 'Hegemony, Counter -Hegemony, and Stability,' <http://www.dflorig.com/Hegemony.htm>. (fn no.4) p.6

The situation in the Soviet Union in the mid-1980s was slightly similar to the situation or the process of declining British power in the early 1900s. The low economic production and unstable position in economic forces affected the position of Britain's military and her overall political position as a world super power since mid-twentieth century.

Suzan Strange's argument based on the four elements is not really clear in understanding the hegemonic power and its external economic and political relations in the twentieth century. The only two elements, i.e. economic and political elements are seen sufficient. The political and the economic factors are sufficient in maintaining a hegemonic power. The relationships between the four (military-economy-financial and knowledge elements) are important but not compulsory in the creation and maintaining of the survival of a hegemonic power. The combination of a strong economy which is politically stable was sufficient in maintaining the position of a hegemonic power.

The American Economic Sphere-Why should be protected?

The importance of the combination of politics and economic factors can be seen in the American hegemonic decision. The Americans exercised their military-political strength to protect their economic position. The United States-Iraq War that began in March 2003 had a strong relationship between the political-military and economic factors. The United States needed to control Iraq for her political-military and economic interests in the Middle East region.¹³ Neither Saddam nor President Bush should be blamed from the Hegemonic Stability theory perspective. That was a process of hegemonic power in maintaining her position. The United States launched war on Iraq for his economic and political interest.

The America does not allow any country in the international system (especially within her sphere of influence) to make any foreign policy and implementing the decision that would threaten American political and economic position. Any weakness of American international economic position would affect his military position within balance of power politics. The involvement of the United States in the First Gulf War in 1991 was because of the strong military position of Iraq in the aftermath of the Iran-Iraq War (1988). The emergence of Iraq as a regional power threatened the United States' economic and political position in the Middle East region. As a hegemonic power, America should punish any state that has the probability to threaten her position in the Middle East region.

The situation in Iraq and the Middle East region in the early 1990s was slightly similar to the emergence of Indonesia under President Sukarno in the 1960s. The Sukarno policy of non-cooperation with the United States and Western powers threatened the United States position in Southeast Asian region.¹⁴ With weaponry support by the Soviet Union¹⁵ (under West Irian Campaign since the late 1950s) and China's support in the early 1960s, Indonesia would have a possibility to become a regional power in Southeast Asian region. It would have threatened

¹³The political and military elements had supported the American position as a hegemonic power since early years after the end of World War II. The strong military power possessed by the Americans also determined the American economic position and American investment in overseas. With his military and political power, the Americans had the ability to control energy resources (oil) and other important natural resources as well as trade relations with Middle East countries and the Asia Pacific region.

¹⁴ Sukarno Indonesia closer to China Communists and Soviet Union after 1956 until his collapsed after September 1965 and replaced by the President Suharto in 1967.

¹⁵ Soviet Union sent USD 117.5 million credit to Indonesia in 1959 and additional of USD 250 million in January 1960. See Keylor, William, R., 2003, *A World of Nations: The International Order since 1945*, New York; OxfordUniversity Press, p. 247.

the American position in East and Southeast Asian region. The United States involvement in the Indonesian Coup of 1965 was a strategy to destroy the Sukarno policy and improve the United States position in Southeast Asia.¹⁶ The American position and its roles after 1965 in Indonesia and ASEAN countries contributed to a stronger position for the United States in the Southeast Asian region. The communist ideology and Soviet Union influence was very strong in Indonesia in the early 1960s. The situation changed after 1965. America became stronger in the Southeast Asian region after the fall of President Sukarno in 1965. Although the America failed to control and improve his position in Indochina countries (especially in South Vietnam in 1960s and even was defeated in 1975) but his success in controlling Indonesia and other capitalist Southeast Asian countries had improved the overall American position in the region.

In building and maintaining a strong military, the hegemonic power must be strong both politically and economically.¹⁷ A strong political and economic position would maintain and support the stronger position of a hegemonic power. The two elements, political and economic elements, are necessarily important in maintaining the strong position of a hegemonic power. In measuring and determining the position of the decline or rise of a hegemonic power, only the two elements (political and economic factors) are sufficient. The decline of political and economic elements would influence the strength of a hegemonic power. When the political and economic factors are strong, a hegemonic power would be strong.

The hegemonic power would decline if the two elements were weak and could not support each other. The emergence of another stronger power, both economically and politically at the same time, will induce the creation of new hegemonic power in the world hegemonic power system. The characteristics and structure of international politics has influenced the roles played by the hegemonic power. The period of American hegemony is different from British hegemony in terms of international political structure. America exercises her hegemonic power in the bipolar structure, where there are two powers in the world system, i.e. the United States and Soviet Union before she collapsed in 1991. After 1991 the international relations structure is called as 'uni-polarity'. China is also a strong power, but not as strong as the Soviet Union. The bipolarity structure is still a question in East and Southeast Asia after the Soviet-China split in 1963. China emerged as a strong power after 1963 and played significant role in regional affairs. China is only an important regional power within the Asia Pacific region. In the context of Asia-Pacific region, China is one of the important powers. She has great political and economic influence over the region. The emergence of China and her political and economic roles during the period 1963-1991 transformed the region from a bipolar structure to a tri-polar structure, i.e. the United States, Soviet Union and China. Yahuda's argued that tri-polarity started in 1971 after the America recognised China. The year 1971 was chosen based on Kissinger's visits to China in 1971 and followed by President Nixon in 1972. The role-played by China in east and Southeast Asia had started as early as 1963, not after the Kissinger visit in July 1971. Stable and strong economic and political elements, relative to other states,

¹⁶ Scott, Peter Dale, "The United State and the Overthrow of Sukarno, 1965-1967," *Pacific Affairs*, vol. 58, summer 1985, pp. 239-264.

¹⁷ The security element would be weaker if the hegemonic power is weak in production, financial power and lacks knowledge. All of the above elements are inter-related and have a mutual relationship with each other. The security element (military-politics) strength should be supported by strong economic production, financial power and knowledge. Without the support from production and the other two elements, the security element could not survive. There are inter-related between the four elements (Strange argument) but the key factors are economic and political factors.

(counter-hegemony state) are important in maintaining the strong position and emergence of a hegemonic power.

Bipolarity Structure-Hegemonic Powers vs. Counter-Hegemonic Power.

Economic factors are important in managing and controlling the hegemonic power's political position in the bipolarity system.¹⁸ During British hegemony the power structure was multipolarity. There were more than four powers that played effective roles within international relations. In the American policy, America has to consider the Soviet Union (the counter-hegemonic state), and China in Asia Pacific region, the rival in world politics and the economy.

The bipolarity structure after the end of World War II, and tri-polar system in Asia Pacific after 1963 influenced America's foreign policy and economic struggle. America's intention was to control the world economic powers (the country that is strong in economics and technology) towards his sphere. The post war American leadership accepted the Soviet Union's military challenge as the major post-war problem. The strategy to pull Germany and Japan into the American economic sphere was important for American survival in the world economy and international politics.¹⁹ The experience after World War I, where Germany and Japan became aggressive states, developed because those two countries were not included in the American economic sphere. America believed that the economic factor was the main cause of World War II. The failure to revive the international economy after the World War I and the subsequent rise of rival trading blocs were regarded as the underlying causes of World War II.²⁰ The failure to reintegrate industrial Germany into the larger world economy was regarded as having been one of the tragic errors after World War I. A repetition of this error would have forced West Germany into the Soviet sphere. Internal economic problems and economic blocking of Japan (by European powers in the Southeast Asian region in 1930s) contributed to World War II (Pacific War) in 1941.²¹

The economic activities and the establishment of economic organisation in Western Europe in the 1940s and 1950s, such as the Marshall Plan in 1940s, the European Coal and Steel Community and the establishment of the European Economic Community in 1958, was supported by the America with a motive and strategy to avoid Germany and Western Europe from falling into the Soviet sphere.²² This strategy was important to strengthen the American position in Europe and to avoid Germany going into the Soviet economic sphere. The objective of all these strategies was to strengthen the economic position and political influence of American hegemonic powers.

¹⁸ See Yahuda, Michael, 2004, *International Politics of The Asia Pacific (revised and enlarged edition)*, London: Routledge.

¹⁹ Germany and Japan recovered very rapidly after the Second World War. Their rapid recoveries after World War II were due to their strong knowledge-technology backgrounds, military and military support from America after the war. With the substantial financial support of the Americans, (for the purpose of the United States political survival and political strategy in the new world structure after World War II) both countries developed very fast. The hegemonic influence over both countries was important for the rapid economic development after Second World War.

²⁰ Oatley, Thomas, 2012, *International Political Economy* (fifth edition), pp. 18-19

²¹ World War II broke out in 1939 in Europe and in 1941 in Asian Pacific region. The Japanese factor was important in explaining the Second World War in the Pacific region. See Keylor, William, R., 1992, *The Twentieth Century World: An International History* (second edition), pp. 241-258.

²² Milward, Alan, S., 1989, 'Was the Marshall Plan Necessary?,' *Diplomatic History*, vol. 13, pp. 231-253, and see also, Gadzey, Anthony Tuo-Kofi, 1994, *The Political Economy of Power: Hegemony and Economic Liberalism*, New York; St Martin's Press, especially pp. 117-135.

Why Japan Important for American Economic Sphere in East Asia?

Japan's position after World War II was also considered important by America in avoiding the Asian major trading and highly technology nations from falling into the Soviet sphere.²³ With the victory of the communists on China's mainland in October 1949, Japan's major pre-war trading partner came under the control of the Soviet Union.²⁴ Furthermore, Japan suffered from discrimination by other industrialised countries both in their home markets and in their overseas colonial empires. The exclusion of the Japanese from South and Southeast Asia practiced by the Dutch, French, America and British in the 1930s, had been a major cause of Japan's military aggression. America's objective over Japan was the economic reason. America tried to avoid Japan from becoming a part of the Soviet economic sphere. Japan was very close (geographically) to the Soviet Union, separated only by a small body of water. American economic policy was to integrate Japan into the larger international economy and to lessen the attraction of markets controlled by the communist bloc. Economic co-operation with Japan would strengthen the American economic position and political influence in the Asia Pacific region.

A few steps were taken by the Americans to integrate Japan into the Western Capitalism international economy. America brought pressures to bear against Dutch, French and British colonialism in South and Southeast Asia and encouraged the integration of these areas into a larger framework of multi-lateral trade under American hegemony. When the European colonies in South and Southeast Asian had been decolonised, under the American hegemony umbrella, she encouraged the making of close trade relations with Japan. America gave strong support to form a regional organisation in Southeast Asia and encouraged the making of closer relations with Japan. American strategy was to create Southeast Asia as a peripheral region for Japan, i.e. a provider for natural resources and market for Japan's industries.²⁵ The triangle of economic relations (the United States-Japan-Southeast Asian countries) was planned by the Americans after the end of World War II, with Southeast Asian countries as a peripheral region, Japan as semi-periphery and America as the core region.²⁶ The triangle of economic relations gave positive impact to the American economic position and political-military stability under American control.

The United States also sponsored Japanese membership into the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT) and other international organisations.²⁷ In providing public goods for Japan, America signed a security agreement with Japan and the American alliances in the North East Asian region (South Korea and

²³ Stubbs, Richard, 1994, 'The Political Economy of the Asia-Pacific Region,' in Stubbs, Richard and Underhill, Geoffrey, R.D., (eds.), *Political Economy and The Changing Global Order*, London; Macmillan, pp.366-376, and see also, Stubbs, Richard, 1989, 'Geopolitics and the Political Economy of Southeast Asia,' *International Journal*, vol. 44, Summer 1989, pp. 520-526.

²⁴ Before the 1945 (World War II), China region was the Japan's major trading partner. Taiwan, Korea and Manchuria were under Japanese control since 1895 (Taiwan), and 1910 (Korea).

²⁵ That is the factor why the Americans gave strong support to the decolonisation struggle and close relation with the new states in Southeast Asia. The United States was a late comer in colonization. She hoped when the former European colony be colonised, the U.S. could pave the new countries to American sphere under capitalism economy. It was easier be independent than still under European control.

²⁶ So, Alvin, Y., and Chiu, Stephen, W.K., 1995, *East Asia and the World Economy*, p. 166.

²⁷ For the history of these efforts, see Patterson, Gardner, 1966, *The Discrimination in International Trade: The Policy Issues, 1945-1965*, Princeton, N.J.; Princeton University Press, chapter 6 (quoted in Gilpin, Robert, 1971, "The Politics of Trans-national Economic Relations," *International Organisation*, vol. 25, no. 3, Summer 1971, p.412).

Republic of China, Taiwan).²⁸ The Japan-U.S. Alliance was signed in September 1951. It was important in creating a stable and conducive situation for economic development during the Cold War era of the 1950's and 1960's. Strong American support for Japan's domestic economic policy, such as Yoshida Doctrine, was also important for Japan's economic recovery after World War II.²⁹

The regional economic arrangements centred upon the dominant industrial powers; the United States, Western Europe and Japan was important in maintaining the survival of the American hegemony after World War II. The American leadership felt that by controlling the most important centres for international economy (the North America, Western Europe and Japan) America's position in the world economy could not be threatened by the Soviet Union. The strong economic position was important and necessary in maintaining the position of the United States as a hegemonic power.

CONCLUSION

The international stability after 1945 strongly influenced by and as the result of the positive roles played by the American hegemonic power. Without a strong hegemonic power, like the role and function by the United States after 1945 (and Great Britain before World War I), the creation of strong and stability in international politics and economic condition is possible. In maintaining the international stability the United States manages and adapting a stable policy in the regional level. The Marshall Plan and the formation of basic foundation for European Cooperation (finally the formation of the European Union); the Yoshida Doctrine and strong bilateral military agreement in North East Asia (with Japan 1951, South Korea 1953 and Taiwan 1954); the formation of ASEAN in 1967 and making closed relation with South East Asia capitalist countries are the way how the American Hegemonic power strategy in creating and broadening American economic and political sphere in maintaining the international stability.

REFERENCES

- Cha, Victor, D., 2009, 'Powerplay: Origin of the U.S. Alliance System in Asia,' *International Security*, vol. 34, no. 3, (Winter 2009/2010), pp. 158-196.
- Gadzey, Anthony Tuo-Kofi, 1994, *The Political Economy of Power: Hegemony and Economic Liberalism*, New York: St Martin's Press.
- Gilpin, Robert, 1971, "The Politics of Trans-national Economic Relations," *International Organisation*, vol. 25, no. 3, summer 1971.
- Keohane, Robert, O., 1984, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, N.J.: Princeton University Press.
- Keylor, William, R., 1992, *The Twentieth Century World: An International History* (second edition), New York & Oxford: Oxford University Press.

²⁸ Bilateral security agreement between the United States with South Korea in 1953 and with Republic of China, Taiwan in 1954. Both bilateral agreement based on the model of power play where the U.S. has maximum control over South Korea and Taiwan. Details see Cha, Victor, D., 2009, 'Power Play: Origin of the U.S. Alliance System in Asia,' *International Security*, vol. 34, no. 3 (Winter 2009/2010), pp. 158-196.

²⁹ Yahuda, Michael, 1995, *International Politics of Asia-Pacific Region 1945-1995*, London and New York; Routledge, pp. 237-238.

- Keylor, William, R., 2003, *A World of Nations: The International Order since 1945*, New York: Oxford University Press.
- Kindleberger, Charles, P., "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," *International Studies Quarterly*, vol. 25, June 1981.
- Lairson, Thomas D. and Skidmore, David, 2003, *International Political Economy: The Struggle for Power and wealth (third edition)*, Belmont, CA: Wadsworth/Thomson Learning.
- Lake, David, A., 1983, 'International Economic Structures and American Economic Policy, 1887-1934,' *World Politics*, vol. 35, no. 4, July 1983, pp. 517-543.
- Milward, Alan, S., 1989, 'Was the Marshall Plan Necessary?,' *Diplomatic History*, vol. 13, pp. 231-253.
- Oatley, Thomas, 2012, *International Political Economy* (fifth edition), Boston: Longman-Pearson.
- Ross, Graham, 1997, *The Great Powers and the Decline of the European States System 1914-1945*, London and New York: Longman.
- Scott, Peter Dale, 'The United State and the Overthrow of Sukarno, 1965-1967,' *Pacific Affairs*, vol. 58, summer 1985, pp. 239-264.
- So, Alvin, Y., and Chiu, Stephen, W.K., 1995, *East Asia and The World Economy*, Thousand Oaks, CA: Sage Publication.
- Spero, Joan Edelman, 1977, *The Politics of International Economic Relations*, Boston; George Allen & Unwin.
- Strange, Suzan, 1987, 'The Persistent Myth of Lost Hegemony,' *International Organization*, vol. 41, 1987, p. 560-575.
- Stubbs, Richard, 1989, 'Geopolitics and the Political Economy of Southeast Asia,' *International Journal*, vol. 44, Summer 1989, pp. 520-526.
- Stubbs, Richard, 1994, 'The Political Economy of the Asia-Pacific Region,' in Stubbs, Richard and Underhill, Geoffrey, R.D., (eds.), *Political Economy and the Changing Global Order*, London; Macmillan, pp.366-376.
- Webb, Michael, C., and Krasner, Stephen, D., 'Hegemonic Stability Theory: An Empirical Assessment,' *Review of International Studies*, 1989, vol. 15, no. 2.
- Yahuda, Michael, 1995, *International Politics of Asia-Pacific Region 1945-1995*, London and New York: Routledge.
- Yahuda, Michael, 2004, *International Politics of The Asia Pacific (revised and enlarged edition)*, London and New York: Routledge