THE QUEST FOR REGIONAL INTEGRATION IN AFRICA, LATIN AMERICA AND BEYOND IN THE TWENTY FIRST CENTURY: EXPERIENCE, PROGRESS AND PROSPECTS

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The Quest for Regional Integration in Africa, Latin America and Beyond in the Twenty First Century: Experience, Progress and Prospects

- Rhetoric versus Reality -

A Comparative Study

FUNDAÇÃO ALEXANDRE DE GUSMÃO

Brasília, 2011

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Graphic design and layout:
Maurício Cardoso e Juliana Orem

Printed in Brazil 2011

Biswaro, Joram Mukama.
The quest for regional integration in Africa, Latin America and beyond in the twenty first century : experience, progress and prospects : rhetoric versus reality : a comparative study / Joram Mukama Biswaro. Brasília : Fundação Alexandre de Gusmão, 2011.
460p.

ISBN: 978.85.7631.289-5

1. Relações internacionais. 2. Política externa. 3. Integração econômica. I. Título.

CDU 327
CDU 327(6)
CDU 339.92
CDU 339.92(6)

Depósito Legal na Fundação Biblioteca Nacional conforme Lei n° 10.994, de 14/12/2004.

To the memory of my beloved young brother Jackson Mwenda Biswaro and professor Haroub Othaman all of whom died while writing this book. Their prior profund encouragement conferred on me the temerity to finish this work.

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Acknowledgements

This book is an outcome of different researches, encounters and series of lectures that I undertook and gave in different Universities on this subject matter across the globe. I was privileged and honored by my country to represent and participate in several conferences from which I acquired an immense experience.In this connection I'm grateful to my Presidents: H.E. The Late J.K Nyerere, H.E A.H Mwinyi and H.E J.M. Kikwete for their trust in me.

In preparation of this book, I have been fortunate to have had the assistance of a number of individuals, institutions and now it is the time to convey my appreciation. The list is, however, very long of which I cannot exhaust. This includes his Excellency Ambassor Mchanga, former Ambassador of Zambia to Brazil and the rest of African Group of Ambassadors to Brazil between 2008 and 2010. To them I appreciate their patience to have read and criticize the various drafts of this book or gave me other assistance. Equally important, I extend my thanks to FUNAG – foundation which encouraged me to complete this project and its readiness to publish it.

Finally, I owe deep emotional debt to my lovely children Lubandwa, Biswaro, Mshama, Sanjura, Kambarage and Prisca, whose love has always been a great source of strength and inspiration. I highly commend them for their contribution particularly on IT matters. The person who unswervingly

stood by me for the great part of my intellectual life is my wife Justina. She has been so selfless in her care and devotion that I often overlook a simple truth that there cannot be equality without reciprocity in search of errors, duplications and improved clarity on this work. She and I have read aloud the text more times than I care to remember. Such a practice is a strain on a marriage, but hopefully it improved the quality of the book.

List of abreviatons

(APT) ASEAN plus Three.
(AFTA) ASEAN Free Trade Area.
(ARF) ASEAN Regional Forum.
(APEC) Asia Pacific Economic Cooperation.
(AMU) African Peer Review Mechanism.
(AMIB) AU Peace Mission in Burundi.
(AMIS) AU Mission in Sudan.
(APRM) African Peer Review Mechanism.
(ASF) African Standby Force.
(AEC) African Economic Community.
(AU) African Union.
(AAPO) All Africa Peoples' Organization.
(AMU) The Arab Maghreb Union.
(ASEAN) Association of Southeast Asian Nations.
(APEC) Asia Pacific Economic Cooperation.
(ASA) Africa –South America.
(AC) Andean Community.
(ACJHR) African Court of Justice and Human Rights.
(ACJ) African Court of Justice.
(BPDS) Brasilia Protocol for Dispute Settlement.
(BCIE) Central American Bank of Economic Integration.

(CAN) Andean Community of Nations.
(CACM) Central American Common Market.
(CEMAC) Economic and Monetary Community of Central Africa.
(CEN-SAD) Community of Sahel-Saharan States.
(CEWS) Continental Early Warning System.
(CA) Constitutive Act.
(CMCA) Commission of Mediation, Conciliation and Arbitration.
(COMESA) The Common Market of East and Southern Africa).
(CENSAD) The Communauté des États Sahelo-Sahariens.
(CEEAC)The Communauté Économique des États de L'Afrique Centrale.
(CM) Common Market.
(CU) Customs Union.
(COMECON) Council for Mutual Economic Assistance.
(CMC) Common Market Council.
(CMG) Common Market Goup.
(CMI) Chiang Mai Initiative.
(CET) Common External Tariffs.
(CARICOM) Caribbean Community.
(CACM) Central America Common Market.
(CMCA) Central American Monetary Council.
(CSUCA) Central American Council for Higher Education.
(CARIFTA) Caribbean Free Trade Agreement.
(CHG) Conference of Government.
(CAIC) Caribbean Association of Industry and Commerce.
(CCL) Caribbean Congress of Labor.
(CCC) Caribbean Council of Consumers.
(CDB) Caribbean Development Bank.
(CXC) Caribbean Examination Council.
(CLE) Council of Legal Education.
(COTED) Council for Trade and Economic Development.
(COFCOR) Council for Foreign and Community Relations.
(CSME) Caricom Single Market and Economy.
(CCJ) Caribbean Court of Justice.
(COFCAR) Council for Foreign and Community Relations.
(COHSOD) Council for Human and Social Development.
(COFAP) Council for Finance and Planning.
(CROSQ) Regional Organization for Standard and Quality.

(CAN) Andean Community of Nations.
(CSN) South American Community of Nations.
(CA) Constitutive Act.
(CAP) Common Agricultural Policy.
(CFSP) Common Foreign Security Policy.
(DSM) Dispute Settlement Mechanism.
(DRC) Democratic Republic of Congo.
(ECCAS) Economic Community of Central African States.
(ECOSOCC) The Economic, Social and Cultural Council.
(ECOMOG) The ECOWAS Monitoring Group.
(ECA) Economic Commission for Africa.
(EEC) European Economic Community.
(EACSO) East African Common Services Organization.
(EAI) Enterprise for the Americas Initiative.
(ECLA) Economic Commission for Latin America.
(ECOWAS) Economic Community of West African States.
(EAC) East African Community.
(ECA) Economic Commission for Africa.
(ECSC Treaty) European Court of Justice.
(ECSC) European Coal and Steel Community.
(EU) Economic Union.
(ECSC) European Coal and Steel Community.
(EU) European Union.
(EPA) Economic Partnership Agreement.
(EAEG) East Asian Economic Group.
(EAEC) East Asian Economic Caucus.
(EAS) East Asian Summit.
(EUF) European Union of Federalists.
(EFTA) European Free Trade Association.
(EC) European Community.
(EUC) European Union Council.
(EMS) European Monetary System.
(ECU) European Currency Unit.
(ERM) Exchange Rate Mechanism.
(EPC) European Political Cooperation.
(ECJ) European Court of Justice.
(ECOSOCC) Economic Social and Cultural Council.

(ECB) European Central Bank.
(ECLA) Economic Commission for Latin America.
(EEC) European Economic Community.
(EURATOM) European Atomic Energy Community.
(EDC) European Defense Community Treaty.
(FTAA) Free Trade Area of the Americas.
(FLS) Front Line States.
(FTA) Free Trade Area .
(FDI) Foreign Direct Investment.
(FRG) Federal Republic of Germany.
(FTAA) Free Trade Area of the Americas.
(G.C.C) Gulf Co-operation Council.
(GDP) Gross Domestic Product.
(GNP) Gross National Product.
(GATT) General Agreement on Tariffs and Trade.
(IGCs) Intergovernmental Conferences.
(IGAD) Inter Governmental Authority on Development.
(IGO) Intergovernmental Organization.
(IMF) International Monetary Fund.
(ICAITI) Central American Industrial Technology and Research Institute.
(JPC) Joint Permanent Commission.
(JHA) Justice and Home Affairs.
(LDCs) The Least Developed Countries.
(LAFTA) Latin American Free Trade Association.
(LAIA) Latin American Integration Association.
(LPA and FAL) Lagos Plan of Action and Final Act of Lagos.
(LAC) Latin America and the Caribbean.
(MERCOSUR) The Common Market of the South.
(MCPMR) Mechanism for Conflict Prevention, Management and Resolution.
(MDGs) Millennium Development Goals.
(MAP) Millennium Partnership for African Recovery Program.
(MU) Monetary Union.
(NAFTA) North American Free Trade Agreement.
(NRA) New Regionalism Approach.
(NEPAD) New Economic Partnership for Africa's Development).
(NAI) New African Initiative.
(NGOs) Non-Governmental Organizations.

(NATO) North Atlantic Treaty.
(NTBs) Non-Tariff Barriers.
(OAU) Organization of African Unity.
(OAS) Organization of American States.
(OEEC) Organization of European Economic Community.
(OAS) Organization of America States.
(ODECA) Organization of Central American States.
(OPP) Ouro Preto Protocol.
(OCA) optimum currency area.
(PAP) Pan-African Parliament.
(PAFMECSA) Pan-African Freedom Movement of Eastern, Central and Southern Africa.
(PTA) Preferential Trade Area.
(PU) Political Union.
(PRC) The Permanent Representative's Committee.
(PSC) the Peace and Security Council.
(PRC) Permanent Representative Committee.
(PICE) Program for Economic Integration and Cooperation.
(PRC) Peoples'Republic of China.
(QM) Qualified Majority.
(RECs) Regional Economic Communities.
(ROCAP) Regional Office for Central American and Panama.
(RNM) Regional Negotiating Machinery.
(SADC) The Southern Africa Development Community.
(STCs) Specialized Technical Committees.
(SACU) Southern African Customs Union.
(SEATO) East Asian Treaty Organization.
(SAARC)South Asian Association for Regional Cooperation.
(SGTs) Subgrupos de Trabajo.
(SICA) System for Integration in Central America.
(SIECA) Secretariat of the System of Central American Economic Integration.
(SEA) Single European Act.
(TC) Trade Creation.
(TD) Trade Diversion.
(TOA) Treaty of Asuncion.
(TC) Trade Commission.
(TLP) Trade Liberalization Program.

(UAMS) Union of African and Malagasy States.
(USA) United States of Africa.
(UNGA) The United Nations General Assembly.
(UDI) Unilateral Declaration of Independence.
(UNSC) United Nations Security Council.
(USSR) Union of soviet socialist of Russia.
(UNO) United Nations Organization.
(UNOSOM) United Nations Organization Mission in Somalia.
(USAID) United States Agency for International Development.
(UNASUR) Union of South American Nations.
(UWI) University of the West Indies.
(USA) United Sates of America.
(VAT) Value Added Tax.
(WASU) West African Students Union.
(WTO) The World Trade Organization.
(WAEMU) West African Economic and Monetary Union.
(WB) World Bank.
(WEU) West European Union.
(WTO) World Trade Agreement.

Introduction

Integration can be described as both a process and an end state whereby an intergovernmental organization (IGO), representing three or more countries, pools their resources together with a view to creating a larger and a more open economy expected to benefit member countries. Basically, the process of economic integration may take any of the following forms, each of which will represent a different stage of integration if member countries wish to pursue integration to its logical conclusion: Preferential Trade Arrangement (PTA), Free Trade Area (FTA), Customs Union (CU), Common Market (CM), Economic Union (EU), Monetary Union (MU) and Political Union (PU).

The process of integration should be voluntary and consensual. Integration which proceeds by force and coercion amounts to imperialism. Although empire building has, historically, some of the characteristics currently attributed to integration, modern scholarship has been insistent that the process of integration should be regarded as non-coercive. Taking a historical perspective, the most significant attempts at building political communities in the past have been directed towards creation of Nation-States. Nationalist sentiments preferred to describe this as unification rather than integration. Current scholarship, with its emphasis on integration between State actors, can present a truncated view of the process if due regard is not paid to the nation-building purpose of the earlier eras.

An integrated political community must possess certain structural characteristics. Thus, typically, integration among States will produce a collective

configuration of decision-making that is closer to the supra-national ideal type than the international. For instance, collective decisions might be taken by a majority of members and the strict unanimity principle would be abandoned. The need for policy integration will be particularly important if the nascent community is responsible for the allocation of goods and services between the constituent units. This will certainly be the case in those instances where political community is predicated upon economic integration via a Customs Union and Common Market. This aspect of community building has particularly exercised the interests and attention of students of integration in the post-Second World War period.

A political community must have a common understanding and the loyalty and affection of the majority of the population of constituent units. Historically, in the formation of Nation-States, nationalism has provided the ideological and attitudinal infrastructure for this loyalty transfer. Contemporary efforts at building communities beyond the Nation-State have the task of providing a new focus for centripetal growth, while confronting the centrifugal tendencies of nationalism. Notably, functionalism, neo-functionalism, federalism and confederalism have all sought to address these critical aspects of integration in their own ways.

Integration is a highly persuasive process in the world's contemporary political system. Its development since 1945 has been largely on a regional basis, with the greatest advances being made within Western Europe. The development there of a security community following the Second World War was an important pre-requisite. Externally, the active encouragement of the United States from the Marshall Plan onwards was an important contributing factor in the emergence of new entities on the Continent. As the number of actors involved in the European experiment has increased, some observers have seen the dynamic being diluted. On the other hand, the scope of integration, as measured by number of sections and issues involved in this process, has increased.

In the last five decades, the world has witnessed dramatic changes. The Cold War has ended, and geopolitical relations among the major powers have been generally stable and tranquil. Moreover, the end of colonialism has allowed newly independent countries to play a greater role in the international arena, and countries that used to be foes have now joined hands to develop their economies and raise the living standards of their peoples. At the same time, economic integration, both regional and global, has taken a strong hold.

There is a growing realization that, for the survival of the modern world, with increasing cross-national links and externalities, global cooperation is a necessity. The economic and business climate has changed remarkably. Countries not necessarily sharing political ideologies have come together to benefit from mutual interdependencies, and small nations are resorting to regionalism to enhance their bargaining leverage and to gain some degree of international political influence. Countries integrate because they do not want to lose out in the global competition for export markets and foreign direct investment (FDI). Moreover, they also realize that their lives and economic options are being determined not only by themselves, but by an international environment over which they have little control, and that the inherent risks are best minimized through group and not individual country action.

The pace of international economic integration accelerated in the 1980s and 1990s. China's sweeping economic reform and spectacular economic growth and India's commitment to market-based reforms have added fuel to this process. Moreover, the establishment of the World Trade Organization (WTO) in 1995 has created a favorable environment for settling multilateral trade issues in an amicable manner. As a consequence of these developments, hundreds of global, regional, and bilateral integration processes have emerged, and many of them have taken root. The WTO was notified of 265 regional trade agreements from 1995 to May 2003 (though not all are in force). The Association of Southeast Asian Nations (ASEAN), a regional trade agreement established in 1967, has slowly gained momentum and has made considerable progress in forging a regional free trade area. ASEAN aims to achieve a fully integrated ASEAN Economic Community by 2020. A similar period has witnessed the transformation of the OAU into the AU (2002) in order to meet the challenge of the twenty-first Century. Likewise, the Americas have experienced the birth of NAFTA and MERCOSUR, among others.

The rapid progress of economic integration has sparked an intense debate over its advantages. While it is more or less clear that integration can bring about stronger economic growth, it is not clear whether the economic benefits of this growth will be equitably distributed to reduce poverty. The opponents of integration argue that it is merely a guise for exploiting people in developing countries, which will cause massive disruptions of lives and few benefits to the poor. Some consider it with open hostility and believe that it increases inequality within and between nations, threatens employment and living standards, and thwarts social progress in the weaker economies. Its

proponents, however, point to the significantly reduced levels of poverty in countries that have adopted economic integration, such as China, India, Vietnam, Brazil, Chile, South Africa, Tanzania, etc. Others consider this integration as a key process for future world economic development. They believe it is inevitable and irreversible.

In general, economic integration is expected to provide a slew of benefits to consumers. It should result in lower consumer prices because of increasing allocation efficiency through production structures based on comparative advantage, the exploitation of economies of scale in the bigger domestic and international markets, and the adoption of new technologies. As a consequence of expanded consumer choices because of greater quantity and range of imports and exports, more competition, the dismantling of vested monopolies in domestic markets, higher productivity growth, and lower price markups, the average consumer in an economically integrated country will be better off with more trade than with less.

The poor may also conceivably benefit from the growth of international trade. At least, they benefit as consumers from lower prices. Additionally, there is evidence that greater economic integration has played an important role in accelerating growth and reducing poverty in an increasing number of developing countries and, hence, in reducing overall global inequality in income distribution. Three channels have been identified as contributing to reducing poverty. First, economic integration promotes growth, which will have significant trickle-down effects. Second, the higher demand for relatively abundant factors of production, such as unskilled labor in most of the Asian countries, will improve the incomes of the poor. Third, the use of better technology will raise productivity and, consequently, factor incomes. Besides, integration has been a critical factor in multilateral diplomacy where countries pool resources together to negotiate as regional blocs, usually improving the incomes of the poorest producers.

Another major benefit of economic integration is good governance, the failure of which can lead to an overall political breakdown. Good governance is seen as promoting democracy. It is aimed at shifting power from the Government as the only actor to other actors in society, thus making power more diffused, less prone to abuse, and in the service of as many interests as possible. Like democracy, governance must be seen as being on a continuum of shifting power closer and closer to the people (C. Grant, and R.M. Kirton, 2007:168-169).

Weak governance has contributed to the poor economic performance of several countries. Integration has put a high premium on good governance, partly because an increasingly competitive global marketplace leaves little room for corruption, which adds to transaction costs. As a result, governments are rendered more accountable to their citizens for the higher costs of economic mismanagement. This has also raised new challenges for public policy that go beyond halting corruption. Technological gains, shifting geopolitics, expanding trade and financial flows, and cheaper communications have created tremendous opportunities and lifted barriers to global knowledge and problem solving. They have likewise posed new risks and challenges, for example, financial instability, disease transmission, and cross-border crime. Nations will have to adapt their political and governance institutions to the new technological, financial, and economic realities. This is also a challenge.

Alongside the benefits, economic integration is thought to create many problems. Oxfam (2000) criticizes globalization – and by implication integration – as anti-growth and anti-poor because it ignores the crucial role of income distribution in poverty reduction. The poor have virtually no access to productive resources. Since economic integration benefits only those with resources, people who lack resources, typically the very poor, are left behind. Therefore, integration has contributed to a growing divide separating the haves and the have-nots both within and between countries. It has been observed that Mexican farmers were reduced to beggars following the country's admission into NAFTA. Cambodia has had a similar experience of inequality among its peoples.

This criticism is backed up by the fact that distribution of *per capita* income between countries has become more unequal in recent decades. For example, in 1960, the average *per capita* gross domestic product (GDP) in the 20 richest countries in the world was 15 times that in the 20 poorest countries. Today, this gap has widened to 30 times, since rich countries have, on average, grown more rapidly than poor ones. Indeed, *per capita* incomes in the 20 poorest countries have hardly changed since 1960 and have even fallen in several countries. Moreover, the hopes of some of the poorest countries that the demand for low-skilled labor will increase once a country has opened up may not be realized because low-skilled labor may no longer be needed following the introduction of new technologies.

Job insecurity may also result from globalization. In developed countries, integration will provide job security to those with the skills and mobility to

exploit opportunities in global markets, while low-skilled workers will be left out because their jobs and earnings will be displaced by labor-intensive imports from low-wage countries or shifted overseas by multinational corporations to reduce costs. On the surface, it appears that unskilled and semiskilled workers in developing countries have benefited from integration through improved employment prospects and higher earnings, as there is more FDI. However, this apparent benefit is also at risk since globalization exposes these economies to business cycles that originate in the developed world. Furthermore, the investments of multinational corporations are often fickle. They have no permanent stake in any country and tend to relocate production facilities to emerging centers of competitive advantage. Overall, workers in the developing world experience no less job insecurity than their counterparts in the developed world. Therefore, recent evidence shows that trade liberalization leads to growing wage gaps between the educated and uneducated not only in the countries of the Organization for Economic Cooperation and Development, but in the developing world as well. Between 1991 and 1995, wage gaps increased for six of seven Latin American countries for which reliable wage data are available. It was inevitable that this led to massive social protests in these countries.

Another major problem of economic integration is the stress it places on the scarce administrative resources of governments in the less developed countries. The world has become increasingly borderless, and governments have lost some level of control over many areas of public policy management. With financial integration, Nation-States have lost part of their sovereignty and control to capital markets and speculators driven by profit and not by considerations of the public good. Technological advances and the lowering of border barriers have increased the problems involved in monitoring and controlling cross-border crimes such as commercial fraud, drug and human trafficking, money laundering, environmental pollution, and terrorism. And, while integration raises the demands for governments to provide social safety nets, it reduces the ability of governments to provide these because governments are discouraged from raising taxes on the capital of multinational corporations and earnings of skilled labor, the main beneficiaries of globalization.

The most serious charge against economic integration is that it was the primary cause of the 1997-98 Asian financial crisis, which brought an abrupt halt to the smooth economic progress regional economies had been making for more than a decade. The crisis showed that regionally integrated economies

might be quickly affected by a contagion arising from the economic weakness of one country in the group. Thus, economic integration may cause volatility and vulnerability in some countries due to no fault of their own (Terada, in D.Webbers and B.Fort, 2006:9).

Of late, the world has witnessed the revival of the debate on Regional Integration. This has been caused by various factors, ranging from the socio-economic to the political. Interestingly, nobody today questions the relevance and importance of integration. Each region has contributed to the debate. In the case of Europe, Africa and Asia, different strata of society have grappled with the question: Is there any justification for integration? Trying to answer this question in the case of Europe, some intellectuals have assessed the arguments put forward by euro-skeptics and their critics. A challenge to both sides of the debate is the formation of super-States. It has been argued that unless Europe forms a unitary sovereign State, it will remain weak and dependent on the United States for its security. This issue is now a central focus of the debate provoked by Europe's Constitutional Treaty and European enlargement .In contrast to most supporters of the European project, Morgan (2005:3-23) shares the euro-skeptics' belief in the importance of sovereignty. Unlike the euro-skeptics, however, others argue that Europeans must abandon national sovereignty in favor of Pan-European sovereignty.

The idea of a European super-State reshapes the debate on European political integration. It puts off euro-skeptics and euro-enthusiasts alike. While applying the arguments of contemporary political philosophy and international relations, it raises the problem of defining Europe as a region (Morgan, ibid).

European integration as a formal political process has now been underway for over fifty years. The limited number of policy areas dealt with by the institutions constructed in the late 1940s and 1950s has expanded, partly as a result of new political initiatives, partly in response to the emergence of new issues of social and economic interdependence and the habits of working together, etc. The number of governments has grown, and the intensity of their involvement – measured by the allocation of ministerial time, the number of national officials involved, the attention paid by national parliaments and media, has deepened immensely. Greater complexity, greater diversity, higher intensity: it is far more difficult, therefore, for observers to grasp the overall picture, or for participants to stand back from the pressure of immediate preoccupations and gain a sense of underlying trends.

The post-war evolution of Europe on political, economic and social integration has been accompanied by burgeoning theories of integration: at once political and academic, serving to explain but often used also to recommend. Many of the leading theorists have been Americans – and many of them 'new Americans' seeking to apply to the continent they had left the principles they learned in the new world. The proliferating integration theories of the 1950s and 1960s fed on the optimistic and apparently rapid progress of integration in Western Europe. The decline of American interests in European integration and in Western Europe in the course of the 1970s similarly went hand in hand. The difficulties Western European governments experienced in making institutional progress was taken as a sign less of the increasing complexity of the processes of formal integration than of the collapse both of the political commitment to European integration and the conceptual framework which had supported it. S. Hoffman (in the dynamics of European integration ed. W. Wallace, 1990:276-296) argues that Western Europe seemed to have 'no triumph', no luck, 'no will'.

In Western Europe many member governments, and particularly within the Commission, clung to the old assumptions and rhetoric even as they struggled to cope with a changing agenda. Political Union, as Karl Deustch (W. Wallace, ibid) had remarked many years before, served as a convenient banner under which to gather forces committed to a diversity of outcomes from loose confederation to tight federation. Dissatisfaction with the wide gap between declared objectives and achieved agreements, between ambitious rhetoric and hard negotiated practice, spread a sense of malaise – which was overtaken only in the late 1980s by the gradual realization that informal social and economic integration was carrying governments in Western Europe, and the Commissions Internal Market Program, forward.

The greater the complexity of the processes of European integration, the more important it becomes to rebuild acceptable conceptual frameworks within which to order the mass of information about the negotiations in progress, rhetorical demands, specific bargains struck, judicial decisions made, regulations implemented, and directives translated into national legislation. Those closely involved cannot stand back from their immediate preoccupations to view the overall picture without implicit – or explicit - assumptions about the underlying dynamics. Those at a distance need an overall framework to grasp in order to interpret the partial reports which they receive. The widespread use of the politically charged concepts in the European political

debate – federalism, sovereignty, supra-nationality, integration itself both make the task of dispassionate definition more difficult and the desirability of rediscovering conceptual common ground more pressing. A similar situation obtains in Africa, Asia and Latin America.

This study represents the outcome of an extended dialogue among different academics, diplomats, journalists, researchers and decision makers which sets out to re-examine the contributions which earlier economic, social and political theories have made to our understanding of the processes of international integration in the light of the trends observable at the end and dawn of twentieth and twenty first centuries respectively. To us it was a ground-clearing exercise, in which the different approaches and assumptions of political scientists and economists, social and economic historians, social psychologists, lawyers, students of administration and negotiations and bargaining would be examined and tested against the available evidence. In the course of our vigorous discussions over successive drafts we learned a great deal from each other.

This study also explores the evolution, origin and nature of regional integration in world politics and situates it in its historical, political and socio-economic context. An interdisciplinary range of 'lenses' (approaches) is adopted. These lenses offer different ways of looking at regional integration in terms of what it is, how it works, and how it changes.

The main objective of this study is, however, to encourage and provoke a wide debate on the underlying dynamic of integration from a Third World perspective, and also to encourage further work on its social, legal, technological, economic, and political dimensions, up until now widely neglected. Besides, it intends to take the debate on sovereignty beyond the Westphalian conception as well as examining the role of leadership in the integration process. It is far harder to discern the underlying trends even with hindsight. But practical people all have their own implicit assumptions about underlying trends, which guide their day-to-day policy. It is the task of researchers to make those assumptions explicit, and to test the concepts which guide policy against the available evidence. In this book, I deal with the theoretical overview in chapter 1. Chapters 2 to 5 deal, in turn, with the European Union, Africa, Asia and Latin America. Sovereignty due to its centrality in integration processes worldwide, is treated separately. A comparative chapter precedes the final one.

It should be remembered that by the end of the 1940s it was increasingly clear that a strong Germany was central to the economic rehabilitation of

Europe and vital in the emerging cold war conflict with the then Soviet Union. The implication here was clear: if Germany was going to take on a greater role and become an 'equal' partner with European States, the restrictions imposed on it at the end of the war would have to be removed. Britain and America were particularly supportive of the reintegration of Germany and of the need to lift restrictions. France was less enthusiastic and refused to merge its occupation zone in Germany with that of Britain and America. For obvious reasons, France was keen to maintain its control over the coal resources of the Ruhr as a means of restricting the resurgence of the German power and as a way of assisting with the modernization of the French economy. Yet British and American pressure to lift restrictions on Germany, combined with British reluctance to take the lead in Europe, meant that by 1949 France was in search of a new policy that sought to permit German economic recovery and reconcile French security concerns about a resurgent Germany (Blair, A., 2005:17).

In the absence of British leadership, France took the lead in addressing the combined issues of Europe's need to contain Germany's need for equality. For these twin objectives of political integration and the normalization of closer relations between France and Germany to occur, Monnet proposed the creation of a supra-national coal and steel community. Coal and steel were chosen because they were economically the most important industries at the time and had been influential in the friction that resulted in two world wars. Monnet lost no time in trying to persuade the French Foreign Minister, Robert Schuman, to adopt his proposals, and these were made clear in the opening gambits of the Schuman Declaration of 9th May, 1950: 'The French Government proposes that Franco-German coal and steel production should be placed under a common High Authority in an organization open to the other countries of Europe'. The significance of the declaration lay in the desire of France to forfeit an amount of national sovereignty through the creation of new supra-national structures in an effort to maintain peace in Europe.

This 'functionalist' approach to integration was notably different from the federalist approach that had been behind the Hague Congress. The functionalist approach was based on the principle of a gradual transfer of sovereignty away from Nation-States in specific policy areas that Monnet thought would be acceptable to the Member-States. Influenced by the work of David Mitrany, the functionalist approach was thus significantly less ambitious and far-reaching than the federalist viewpoint (Mitrany, 1946). The great hope of functionalists

was that peace could be achieved through the furtherance of integration in specific sectors of the economy, such as agriculture or coal, with these sectors governed by supra-national institutions. Even though methods of decision-making would be determined by Member States outside the specific sector of the economy, functionalists nonetheless considered that the success of integration in one sector would create 'spillover' pressures that would result in a demand for more integration in other areas (Haas, 1968: 283 cited in Blair, ibid, p. 18). Monnet's assumption was therefore that in an effort to capitalize on the benefits of integration, Member States would agree to other policy areas being incorporated into the European fold. But although Monnet's approach was successful at the beginning, as we shall see, the underlying assumption that European integration would proceed on a logical and rational channel was not borne out by the events of later years.

The Netherlands, Belgium, Italy, and Luxembourg responded positively to the Schuman Declaration, not least because it provided a useful mechanism to accelerate the process of industrial modernization. Germany was particularly keen and enthusiastic. 'It was a way of giving more freedom of maneuver to the German coal and steel industry; it allayed French anxiety over their security; and it had the full and enthusiastic support of the American government (Paterson, 1994:1430, cited in Blair, op. cit.).' In contrast, Britain was aware of the benefits offered by the Schuman Plan in forging closer Franco-German cooperation, but saw no necessity to get involved in a process that centered on the decision of a new higher authority that would be binding on the participating Member-States. Matters were not helped by the fact that Schuman had deliberately not consulted Britain about the proposal as a result of his fear that London would oppose the idea. Yet it is extremely unlikely that Britain would have responded in any other manner even if it had been specifically consulted. This was because the Schuman Declaration was not merely concerned with the coordination of coal and steel production. It stressed that 'the pooling of coal and steel production will immediately ensure the establishment of common bases for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of arms, to which they themselves were the constant victims' (Schuman, 5/5/1950).

Britain, which had been content with the intergovernmental structures of the Organization of European Economic Community (OEEC), did not feel the need to re-establish itself in a new form of organization. The diversity and

'relative' strength of Britain's trade – after 1945 it produced approximately two-thirds of the steel of what would become 'the Six' – meant that it did not consider its influence on world events would be enhanced by joining forces with other countries. Such a viewpoint contrasted the position of many of the governments of the six who, faced with a combination of domestic economic difficulties, the threat of Soviet communism and a decline in Europe's influence in the world economy, regarded participation in a new organization to be the only means to overcome these challenges. It is a point that Alan Milward has made in arguing that European integration took place as a result of the demands of the Nation-States (Milward, 1992). Both Italy and Germany, for instance, considered European integration to be a central means by which they could re-establish themselves, while for other nations, such as France, it reduced their fear of a revived Germany (Baregu, M., 2005:46-48 in ISS publication series).

Britain´s policy of favoring loose association rather than integration with Europe was shaped by a refusal to accept Schuman's condition that all Member-States had to agree to the principle of supra-national cooperation *prior* to engaging in the talks that were to work out the details of the Schuman Plan. As a result the British Government rejected the Schuman Plan on the grounds that its supra-nationalism would impact on national sovereignty. Britain was therefore absent when 'the Six states of Belgium, France, Germany, Italy, Luxembourg and the Netherlands met at the beginning of June 1950 to commence discussions on the Schuman Plan. Jean Monnet, who chaired the talks, stressed the importance of progressing beyond the national negotiating position: but to seek it in the advantage of all (Monnet, 1978: 323).'

Although the Treaty focused only on one specific sector of the economy, its preamble demonstrated the desire of the founding fathers to move beyond coal and steel to create a wider Community by means of functional integration and political spillover. According to Duchene (1996:55) "the idea was to create a federal prototype. Once 'a practical community of interests' had been created, mentalities would change, other steps would become possible, a new dynamic would begin to operate and finally, step-by-step, lead to a federal destination." Thus, at the heart of the European Coal and Steel Community (ECSC) lay a sector-by-sector approach to European integration. In this context, the founding Member States 'resolved to substitute for age-old rivalries' the merging of their essential interests; to create, by establishing an economic community, the basis for a broader and deeper community among

people long divided by bloody conflicts; and to lay the foundations for institutions which would give direction to a shared destiny. This, combined with the supra-national institutional structure of the ECSC, ensured that it was distinguishable from other efforts to promote European cooperation, such as the Council of Europe.

In short, the significance of the ECSC lay in the capacity for European integration to progress beyond initiatives such as the Council of Europe, whose vague aims did little to unite European nations. The ECSC thus offered a new form of organization where Nation-States agreed to surrender an element of their sovereignty to a supra-national institution. Yet at the same time it had a limited membership and many OEEC members, such as Britain, were not part of the ECSC. Its structures also did not reflect the full federation for which many had campaigned. In spite of this compromised outcome, the ECSC provided the first attempt to integrate the States of Europe in a structure that differed from the intergovernmental principle of the OEEC and NATO (Blair, A., 2005:20).

Essentially, the long road to the European Union started with the establishment of the ECSC in 1951. Many European intellectuals and political leaders argued that the long-standing economic rivalry between Germany and France was at the heart of the lingering conflict in Europe, and had been a major cause of wars that had periodically engulfed the continent. Jean Monnet proposed the idea of merging the coal and steel production of Germany and France, especially along the long-contested industrial corridor that bordered the Ruhr and Saar rivers. The six countries, namely France, Germany, Italy, Belgium, the Netherlands and Luxembourg, signed a treaty establishing the ECSC in Paris in 1951. The treaty provided for the creation of a supra-national High Authority with broad regulatory powers, a council with legislative power, Council of Ministers, a political assembly, and even a European Court of Justice (ECSC Treaty). The new entity would have the power to bind Member States under the umbrella of a higher authority for the very first time. The intention was to set the stage for a broader union (Ruttley, P., 2002:234). The underlined objective of the treaty was to foster economic expansion, higher employment and a rising standard of living in Member States by means of creating a jointly managed common market in coal and steel. The immediate impact was the removal of all coal and steel importation duties and subsidies.

The European Union is the oldest and most developed example of institutionalized regional integration. Since its establishment in the early 1950s,

the EU has moved from the shallow integration of dismantling trade barriers to the deep integration of accepting common policies on agriculture, environment, transport, and working conditions; common rules on competition, mergers and financial transfers; and common laws in the domestic courts of Member States.

The EU experience is a successful example of integrating national economies, but how far should those promoting regional integration in the Western Hemisphere, Africa, Asia and the Pacific look to the EU as model? Can regional and global integration proceed harmoniously? Or will tensions between regional and global priorities unavoidably arise? This book is partly aimed at responding candidly to these burning questions.

This book also examines the evolution of West European integration over the past 50 years. It analyzes the historical circumstances under which the institutions of integration developed, and the internal tensions and contradictions created by the deepening of integration and repeated enlargements. It explains that, in recent years, deep integration has presented a challenge to national identity, forcing policy makers to confront issues of sovereignty, political commitment (will) and regional balance. Issues of enlargement, especially the admittance of former East European countries, relations with Russia, etc., have been acrimoniously debated upon.

Turning to Africa, the issue of African political and socio-economic integration is not new. It rose with the dawn of independence as a demonstration of the willingness of African leaders to stem the adverse effects of Africa's balkanization. It was the political and economic reactions to these adverse effects that triggered the establishment of a large number of intergovernmental agencies operating in the field of integration, to enable African countries to speak with one voice and to ease constraints linked to the limited size of national markets. This rapid increase in the number of integration-based institutions reached its peak, first in the 1980s, in the Lagos Plan of Action and Final Act of Lagos, then in the 1990s and in the year 2000, the adoption of the Abuja Treaty establishing the Regional Economic Communities and the Constitutive Act establishing the African Union, respectively (R. N. Kouassi, 2007:2).

The disappointing results of the development strategies of the early decades of independence led to the many brainstorming sessions devoted to liberating the African Continent from the constraints that were likely to lead to stalemate and paralysis. The Monrovia Conference (1979), which preceded the adoption

of the Lagos Plan of Action and the Final Act of Lagos (1980), is an edifying example. It should also be recalled that the Lagos Plan of Action and Final Act of Lagos in turn led to the Abuja Treaty (1991), establishing the African Economic Community, which came into force in 1994 (Abuja Treaty, 1991).

The conference held in Monrovia, Liberia, was the outcome of several meetings organized by African leaders on the continent's economic independence. During these meetings, it was noted with regret that if Africa wished to permanently rid itself of poverty and misery, it must rely on itself alone. Thus, there was the Addis Ababa Declaration of 1973, proclaimed at the commemoration of the Tenth Anniversary of the Organization of African Unity (OAU). The Declaration focuses mainly *on* "*the inability of the international community to create the favorable conditions for Africa's development.*" It recommended introverted, endogenous and self-supporting growth for the Continent. This propensity for autonomy and for enhanced economic and technical cooperation among African countries had the strong support of the Third Economic Commission for Africa (ECA) African Ministers' Conference held in Nairobi, Kenya, in 1975.

This was followed by the Eleventh Extraordinary Session of the OAU Council of Ministers, held in Kinshasa, DRC, in December 1976. The eleventh session gave rise to the Kinshasa Declaration which recommended free ownership and control of natural resources by ensuring permanent sovereignty of African countries, the establishment of multinational companies, the establishment of the African common market, the African Energy Commission, and the African Economic Community within a period of 15 to 20 years. By the same token, the Fourth ECA Ministers Conference held in Kinshasa, in February – March 1977, adopted "the Revised Master Plan for a New International Economic Order in Africa." The fourth conference further deepened the concept of individual autonomy and collective self-reliance. Finally, the OAU Summit held in Libreville, Gabon, in July 1977, adopted the recommendations contained in the "Kinshasa Declaration" and in the "Revised Master Plan". With a view to breaking with the old order and indigenizing the direction of Africa's economic development, the African leaders, at the request of the OAU General Secretariat, met in Monrovia in February 1979. This symposium, whose objective was to redefine the true basis for Africa's growth and development, had as its general theme "prospects for Africa's development and growth by the year 2000" (OAU doc., 1974).

The conclusions of the above seminar recommended self-sustained and self-supporting development and democratization of development. They were later reviewed by the Fifth Meeting of the ECA African Ministers' Conference held in Rabat from 20th to 28th March, 1979. The conference took a major decision to devise "the African development strategy". The strategy was, in turn, submitted to the OAU Summit held in Monrovia in July 1979. The Summit finally adopted the Monrovia strategy, which was encapsulated as "The Monrovia Declaration of Commitment by the OAU Heads of State and Government to the guiding principles to be followed and to measures to be taken in favor of national and collective self-sufficiency in economic and social development, with a view to establishing a new Economic Order in Africa". Besides, the Summit decided to hold a further, extraordinary, Summit, in April 1980, in Lagos, devoted exclusively to economic issues (R. N. Kouass, op cit.). The extraordinary session subsequently took place in Lagos from 28th to 29th April, 1980. It approved the Plan of Action previously prepared by the sixth meeting of the ECA Ministers' Conference held in April 1980. It finally adopted in its final declaration the Lagos Plan of Action and Final Act of Lagos (LPA and FAL) with a view to implementing the Monrovia strategy for the economic development of Africa. Both texts highlight the principles, objectives, stages, measures and priorities for achieving individual autonomy and collective self-sufficiency as well as establishing the African Economic Community, while authorizing the OAU to prepare a draft treaty relating to it. In conclusion, the initiatives of the early 1970s and 1980s, leading to the adoption of the LPA and the FAL, demonstrated Africa's willingness to take charge of its economic and political destiny for its growth and development (Biswaro, 2005).

The cooperation framework envisaged by the Lagos Plan of Action (Endogenous development policy) was clearly defined by the OAU Heads of State and Government when they reaffirmed their "Commitment to establish by the year 2000, on the basis of a treaty to be concluded, an African Economic Community in order to ensure the economic, cultural and social integration of Africa". With the LPA and FAL, Africa adopted a development pattern based on the principle of individual sovereignty and collective self-sufficiency. Indeed, collective autonomy, which characterized the LPA, places emphasis on endogenous, self-centered and self-supporting development, rejection of exogenous lifestyles and dependence as well as [a] resolute fight against neo-colonialism, by cultivating "the image of self sufficiency, declaring economic

war against the interest of the North, reducing the current extreme dependence of our countries on the export of primary commodities and internalizing the factors and means of production."

Thus a new chapter in the history of African integration opened in Abuja, Nigeria, on 3rd June, 1991. Indeed, 49 out of the 51 OAU Member-States signed the Treaty establishing the African Economic Community. This firmly committed the Continent to the path of economic integration and collective development. The Treaty entered into force on 12th May, 1994. The establishment of the Community was based on a number of key integrating sectors such as transport and communications, industry, agriculture, energy, education, science and technology, trade, money and finance. A deadline of 30 to 39 years, broken down into six stages, was set for achieving the Continent's economic integration objectives (Kouassi, op. cit.). According to the official texts, should this deadline be extended, it should not exceed 40 years. During that period, five years would be set aside for the regional economic communities, pillars of the great Community pyramid. The Abuja Treaty, through its objectives, structures and content, constituted a historic opportunity for African countries to promote their economic activities. This Treaty therefore is a new gamble on the future of Africa as a whole and particularly its economic and political future. According to the Abuja Treaty (1991), Regional Economic Communities (RECs) are the building blocks of the African Economic Community. So far, the AU has eight recognized RECs. However, there are problems of multiplication, even overlapping their memberships and objectives. Rationalization and harmonization of them seems to be one of the main challenges. This calls for a political decision. There has been progress in the East African Community (EAC), SADC, and COKES following the Kampala Declaration of the year 2008.

The AEC has weathered the storm over time and today forms the economic wing of the African Union and relies on the pillars that symbolize the following regional economic communities (RECs): i. Economic Community of West African States (ECOWAS); ii. The Common Market of East and Southern Africa (COMESA); iii. The Communauté Économique des États de L'Afrique Centrale (CEEAC); iv. The Arab Maghreb Union (AMU); v. The Intergovernmental Authority for Development (IGAD); vi. The Southern Africa Development Community (SADC); vii. The Communauté des États Sahelo-Sahariens (CENSAD); and viii. The East African Community (EAC).

The establishment of the African Community and therefore its modalities are to be carried out mainly by means of coordination, harmonization and gradual integration of the activities of the Regional Economic Communities. It is to take place over a period of 34 years, subdivided into six stages of variable duration. It is to be noted, however, that these stages are not linear. The implementation of the programs they involve can be carried out in parallel (Abuja Treaty, 1991).

The OAU option for the African economic integration process, incorporating the AEC, confirms the idea that integration can be carried out in several ways. Reading the objectives and implementation modalities of African economic integration shows that in the long run, the OAU intended to establish economic and monetary union.

Can this noble integration objective be attained considering the precarious nature of the economic structures of the African Continent? As international economic relations undergo total transformation, the economic challenges facing Africa have increased and are mainly structured around the following issues: development financing, repayment of a heavy external debt, regional and continental integration, industrialization, economic and political governance (Kouassi, ibid). Furthermore, there are the political challenges of conflict and instability as well as the social ones of malaria and HIV/AIDS. Addressing these matters calls for ways and means beyond the reach of the Organization of African Unity founded in 1963. Total adjustment is therefore necessary for the continental organization to enable Africa to find effective and lasting solutions to these challenges. Out of these concerns, sharing the common consensus of almost all the African leaders, the African Union was born. Two major pioneering texts led to its birth, namely: the Sirte Declaration and the Constitutive Act of the AU. In addition, to enable the new continental organization to achieve its major objectives, the African Heads of State and Government adopted the New Economic Partnership for Africa's Development (NEPAD) Program. NEPAD is purportedly to be an African home-grown economic model of progress. This African Union Program, designed by Africans for Africans, is intended to provide Africa with the opportunity to extricate itself once and for all, from the scourge of underdevelopment. Its performance however, has left much to be desired.

It should be recalled that in the late 1980s, African countries were faced with numerous challenges and adopted, against their will, the structural adjustment program of the Bretton Woods System in order to carry out far-reaching reforms

of their economies and adapt them to the global economy. First, Africa was weighed down by a heavy external debt burden on which the first initiatives taken to promote Africa's economic and political integration have so far only had limited impact. However, the heavily indebted poor countries' initiatives provided significant debt relief. Second, the Continent is weakened in a world dominated by the establishment of major economic entities. The quest for efficient and lasting solutions to these major challenges gave rise to the Sirte Declaration, which in turn, led to the birth of the AU in July 2002, at the 38th OAU Summit held in Durban, South Africa. It is worth emphasizing that in establishing the African Union, the Heads of State and Government unanimously agreed to provide the new institution with a historic program called the New Economic Partnership for African Development (NEPAD). The AU has an expanded mandate intended to meet the challenges of the twenty-first Century.

Worth noting is the fact that NEPAD is an outcome of the merger between the OMEGA Plan (initiated by Senegal) and the Millennium Partnership for African Recovery Program (MAP), initiated by South Africa. It is based on three fundamental pillars:

- the region as the application implementation space;
- the private sector (African and international); and
- private and public good governance.

The MAP, originally conceived by then President T. Mbeki, of South Africa, is a plan whose main objective was to engage the developed North with a view to developing a constructive partnership with Africa. The OMEGA Plan, conceived by President A. Wade, of Senegal, focuses on four significant areas which are infrastructure (including new information and communication technologies), education and human resource development, health and agriculture.

The NEPAD initiative known as the New African Initiative (NAI) was launched at the 37th OAU Summit, held in Lusaka, Zambia, July 2001. As a socio-economic program of the Union, NEPAD's main objective is to meet the challenge of eradicating poverty from Africa, through the establishment of a stable environment conducive to peace and security and the promotion of sustainable economic growth and development, in order to ensure the continent's full participation in the management of global political and economic affairs. At its inaugural session held in July 2002 in Durban, South Africa, the AU Summit approved the original plan of action covering the priority areas of the Continent.

At its second ordinary session held in July 2003 in Maputo, Mozambique, the AU Summit adopted a declaration calling for NEPAD to be fully integrated into structures and processes of the AU within a three-year period, and more specifically by July 2006.As of now this process is yet to be completed.

a) Main characteristics of NEPAD

The benchmarks for the establishment of NEPAD were the following:

• merger of the MAP and the OMEGA Plan, on 3 July 2001, to establish the New African Initiative (NAI);
• approval of the NAI by the Heads of State and Government of the OAU, on 11th July, 2001 , in Lusaka, Zambia;
• the establishment of the Committee of Heads of State and Government responsible for the implementation of NEPAD, on 24th October, 2001, in Abuja, Nigeria. It should be noted that it was at the same meeting that the NAI changed its name to NEPAD.

b) The priority areas of NEPAD

The NEPAD Secretariat does not take part directly in program implementation. Its role is to draw up programs, while the responsibility for program implementation lies with the RECs, the individual countries, the private sector and civil society, in collaboration with the partners, in full respect for the principle of subsidiarity. The main role of the NEPAD Secretariat is, *inter alia*, to facilitate the implementation of programs at all levels, mobilize political and other forms of support, carry out advocacy and promotion campaigns, mobilize resources and promote institutional coordination in the implementation of programs at all levels. With a view to rendering it fully operational, the monitoring of the priority areas was apportioned as follows:

• human development (education and health) (Algeria);
• good political governance, peace, security, democracy (South Africa);
• market access, product diversification, agriculture (Egypt);
• good governance of the private economy (Nigeria);
• infrastructure, environment, NICT, energy (Senegal).

NEPAD has launched eight priority initiatives involving programs that are currently at various stages of preparation and/or implementation. In addition to accelerating the implementation of projects in the above mentioned priority areas, NEPAD Secretariat works on multi-sectoral problems in the following areas, deemed crucial for the attainment of the NEPAD objectives: communication, popularization and establishment of partnerships.

Moreover, one of the groundbreaking initiatives of the NEPAD is the African Peer Review Mechanism (APRM). The APRM aims at fostering the adoption of policies, standards, and practices that lead to high economic growth, sustainable development, and accelerated sub-regional and continental economic integration through the sharing of experiences and the reinforcement of successful and best practices, including identifying deficiencies and assessing the needs of capacity building. Teams of African experts in various spheres assess and criticize the countries' governance performance, based on a number of key indicators viz. political governance, economic governance, corporate governance and socio-economic development. The peer review process also intends to scrutinize all levels of government, the parliament and the judiciary as well as the private sector. This is likely to lead to rapid poverty eradication and achievement of the objectives of the NEPAD program and the Millennium Development Goals (MDGs). APRM seems to be a concrete demonstration of African countries' commitment to addressing governance issues decisively and controlling their own destinies. However, more than three years since the adoption of the APRM, only four countries have fully completed their review process, namely, Rwanda, Kenya, Ghana and South Africa. According to the APRM report (2008), the reasons why progress in many countries has been slow are the following:

- in several countries, adequate steps have not been taken to prepare for the review exercise;
- appropriate national structures have not been established;
- some countries have not even designated a Focal Point or established a National Commission;
- even in cases where National Commissions have been set up, they are not representative of all the stakeholders, as required in the APRM Base Document;
- appropriate budgetary allocations have not been made for the review exercise;

• some countries lack the capacity to undertake their self assessment and elaborate the National Program of action and this constitutes a serious impediment; and

• there still exist misunderstandings and misconceptions about the APRM process at the national level; some stakeholders perceive the process as a vehicle to single out and criticize or attack the Executive, whereas the process is supposed to be an all-inclusive exercise aimed at addressing governance issues in all sectors of society. All stakeholders should contribute to the design of a comprehensive Program of Action intended to help the country meet the challenges identified in the self-assessment process. In this connection, adopting APRM is perceived by some countries as equivalent to committing suicide.

The philosophy that established the NEPAD program, as well as the priority programs articulated around it, makes it necessary to recognize that the program constitutes a real change of direction for the African people.

But the problem lies in another question: Can NEPAD move from the drawing board to reality? Such a question is all the more important because since its adoption in Lusaka in 2001, the managers of the program have always been involved in meetings, workshops and seminars. More importantly, the financial resources needed to implement the numerous projects contained in the program have not yet been mobilized. The African people who had seen in this program an African renaissance are beginning to lose hope. To avert this despair and inertia, it is extremely urgent that African leaders combine the political will which led them to establish NEPAD with another political will which must lead them to find, on an African level, the financial resources needed for the implementation of this important initiative. Otherwise, NEPAD will suffer the same fate as that of the numerous endeavors that preceded it.

At the end of this review of the itinerary of the African integration process, it may be concluded that the initiatives taken so far all have a common denominator i.e., the popular enthusiasm which preceded their coming into being and the lack of political will to translate them into reality. And yet Africa has every chance to carry out its economic and political integration successfully. These different initiatives, which were supposed to give fresh impetus to the continent's integration process, have produced mediocre results in their implementation. African economic integration is in bad shape and this shows that such an enterprise is more of a challenge to the Continent than was perhaps expected. Meanwhile, major economic blocs are being formed throughout

the world to take up the great challenges of the contemporary world, and these challenges are hard to overcome at the micro-State level. Europe is expanding through the establishment of credible and reliable institutions. Asia, through ASEAN, is making steady progress towards its political and economic integration. Latin America has successfully laid the foundation of its integration through emerging economies and relatively developed inter-state trade. MERCOSUR seems to be on the right course, and UNASUR is being established.

Looking at Asia in more detail, one can see that it has not lagged behind as far as the integration process is concerned. Some authorities say the twenty-first Century will be Asia's century. If so, the origins of the period in this sense began more than 40 years ago with Japan's postwar revival and acceptance into the Organization for Economic Cooperation and Development, the club of the 24 richest economies, in 1964, later followed by Singapore and South Korea. Japan's remarkable economic growth was quickly emulated by other Asian economies and, most recently, by the meteoric rise of China. Terms like "Asian Miracle", and "high-performing Asian economies" became part of the lexicon of economic development (World Bank, 1993). Yet, it all went wrong for a while. Japan is only now emerging from its longest period of stagnation in 50 years, and the currency and banking crisis of 1997-98 brought four major countries in the region to their knees. However, by 2000, the region was well on its way to recovery again, returning to historically high growth, surging trade volumes, and an unprecedented accumulation of foreign reserves. Even the 2008 world financial meltdown did not dislocate the region as much as the 1997/98 crisis did. But the memories of the recent setback are fresh; there is a feeling of unease concerning the extent to which benefits are being shared, and growing dismay over the stresses that the once cohesive Asian societies are facing. Policy makers are anxious not to be lulled again into a false sense of complacency about the region's future.

Surely, no region is as diverse as East Asia. Not only does *per capita* income (excluding Japan) vary from about US$500 to over US$25,000, but major differences in less quantifiable factors such as language, culture, resource endowments, and political systems also persist. In spite of, or probably because of this diversity, East Asia is integrated as never before. Goods, money, and, increasingly, knowledge are being traded across the region. The new terminology emphasizes regional production networks rather than country policies or leaders as keys to success. In many ways, East Asia is now

undergoing a renaissance: redefining itself from a collection of disparate nations that once looked mainly to export markets in the West to a more self-reliant, innovative, and networked region. In the process, countries in the region are seeking to build stronger economic and political relationships among themselves, as well as more strategic partnership with the rest of the world.

In this complex landscape, East Asians are debating options for the region. Much is at stake, including ensuring that any new East Asian economic architecture complements the evolving global architecture. This volume provides an opportunity to understand, at first-hand, how some of the most influential thinkers in East view the challenges for the region:

- What explains East Asia's growth and developmental success? Will it continue? Can all countries in the region benefit from China's success or will some be crowded out and left behind?
- Will the powerful forces of regional integration build efficiency or become a source of vulnerability? What if there is a disruption in China?
- Can East Asia avoid domestic disintegration given growing public intolerance of increasing inequalities, pollution, and corruption?
- From where will East Asia find its next generation of leaders? Are meritocratic elites and bureaucracies in decline? Can national sovereignty be partially set aside in favor of more effective regional associations?(I.Gill, Y.Huang, H.Kharas, 2007:4)

None of these questions has a ready answer, but by writing reflective essays, rather than technical pieces, intellectuals have the freedom to move between politics, economics, culture, physics, and ethics. Historians have argued that what is lost in formality of approach is more than made up for by the breadth of reasoning. Not surprisingly, intellectuals have a keen sense of the need to get the politics right: within the region among countries competing for leadership, and between the region and the West. And, because politics is rooted in history and culture, and because East Asia has a long tradition in these areas, many authors start by looking backward. De Ocampo (ibid) goes the furthest in this historical approach by noting an early episode of regional cooperation: "Southeast Asian economies were trading with each other as early as the seventh century, when the Sumatra-centered Srivijaya Empire controlled both the spice route between India and China and local trade along the coasts of Southeast Asia.

For 300 years, East Asia contributed about two-fifths of global output, while India added another quarter of total output until 1700. Asia's long decline started with India and then spread. By the end of World War II, East Asia only accounted for 15 percent of world output, and India for another five percent. East Asia's rebound since then has been more rapid, relative to the rest of the world, than Western European expansion during the Industrial Revolution or the expansion of the United States after the California Gold Rush.

Equally, Gyohten, one of Japan's most influential international monetary policy figures in a career spanning over three decades, expressed astonishment at the lack of concern about Asia, because of its small economic size, when he first attended meetings at the Bank for International Settlements, in Basel, in 1967. He recalls, "I thought uneasily that, for those bankers, the world seemed still to end somewhere near the Dardanelles." He pinpoints a catch-up mentality in Asia as the common ground upon which the successive development of Japan, the four tigers, the Association of Southeast Asian Nations (ASEAN), and now China has been established. He also notes that successful countries benefited from enlightened leadership, or, to put it more bluntly, "developmental dictatorship," but cautions that collective dynamism, which a benevolent dictator may mobilize, may conflict with individual initiative in business activity. The trick is to find the right moment to shift between these two forces (ibid).

Not all scholars feel the same sense of historical inevitability. As Joseph Stiglitz and Shahid Yusuf, 2001 correctly observed, while the miracle experience spawned a search for unique success factors in East Asia, the financial crisis of 1997-98 vindicated those who were skeptical about the origins and sustainability of the miracle, including some who characterized the achievements as simply the result of massive increases in investment and Asians working harder, but not being necessarily more intelligent. The scars left on policy makers by the crisis are a constant reminder to remain vigilant at all times.

So does the crisis indicate some deep-rooted weaknesses in East Asia or merely a pause in the unfolding of a miracle? As observed by de Ocampo, who was the Chair of the Asia-Pacific Economic Cooperation Finance Ministers at the time, the crisis exposed glaring faults in the regulatory regimes and governance structures for financial institutions and corporations. It called into question the viability of family- and relationship-based conglomerates and their links with governments. And it tested the mettle of meritocratic

bureaucracies in coping with complex and rapidly changing market conditions. The institutional weaknesses revealed by the crisis will surely take time to be fully addressed. Yet, East Asia has recovered speedily, surprising even the most ardent proponents of strong East Asian fundamentals. Fears of a long stagnation have now totally subsided. The growth of the emerging economies in East Asia since 1998 has been remarkable; gross domestic product (GDP) almost doubled by 2005. Concerns have shifted from broad regional weaknesses to questions such as whether China is growing too rapidly or how East Asia's economies can find the right balance between the quality and the speed of growth.

China's rise has undoubtedly changed the dynamics of regional economic relations. With its economies of scale and other advantages, it has leapfrogged up the technological ladder. No other country in East Asia has the capacity to produce at all points between the lower and the upper ends of the technology spectrum. China now represents one-half of emerging East Asia's GDP and one-third of its export. Its import-to-GDP share is now 34 percent, roughly triple the corresponding share of Japan and the United States. Although, in absolute terms, Japan's GDP is still much larger than China's at current market prices, China imports more from the world and significantly more from East Asia and so has shaped changes in regional trade volumes and commodity prices. Over the past decade, China (including Hong Kong) has accounted for as much as 40-60 percent of the growth of exports from neighboring countries.

Pangestu (op. cit.), a respected intellectual and minister of trade in Indonesia, writes that the rise of China implies that "the rest of the world, including developed countries, will have to make adjustments. In the interim, there may yet be greater tensions because of more protectionism, as countries have a real preoccupation with the question of whether China's rise or emergence is an opportunity or a threat in the medium term, notwithstanding the short-term benefits to the region from China's huge imports. Gyohten refers to Napoleon who, it is claimed, warned, "China is a sleeping giant. Let her sleep, for, when she awakes, the world will tremble." Indeed the world, especially the West, does seem to be in fear of the People's Republic of China.

These concerns are frankly expressed by Kiem (ibid), a former governor of the Central Bank of Vietnam, and Medalla, from his perspective as a former secretary for planning in the Philippines. They elaborate on the past pattern of

country growth during the Asian miracle and nostalgically recall the model of the flying geese formation, with Japan at the tip of the formation, and the four tigers next, followed by middle-income countries and then low-income countries producing at lower technology levels. This model provided a structure within which all economies could operate. There was a clear path for laggards to move up the production chain. China's emergence has changed this orderly progression.

But, if truth be told, there is more to it than simply China's emergence. Jomo, one of Malaysia's most noted and frank commentators on political economy, never accepted the flying geese model and contrasts the less-than-stellar growth of Southeast Asia relative to Northeast Asia. He attributes the latter's strengths to domestic entrepreneurship and financing, as well as attention to social equity, rather than to Japanese technology and finance.

Bearing in mind the prevalence of such concerns, Zheng, a prominent strategist in the Communist Party of China and the originator of the concept of "China's peaceful rise", acknowledges the widespread apprehension over the so-called China threat. He offers reassurances that China seeks to manage its development in ways that would foster regional benefits and reduce frictions. Yet, at the same time, he is steadfast in affirming that the time has come for China to take its place as a global economic power. The coming years will be China's "golden age of development" leading to a "great renaissance of the Chinese nation," confirming Mao Zedong's prediction in the 1950's, that China would become a big, powerful, yet amicable country.

Most countries have, in fact, found a niche in which they may retain competitiveness relative to China. In the last few years, all countries in the region have been growing rapidly, and the gap between the richest and the poorest has been shrinking, the reverse of the global trend of relatively poor performance among middle-income countries (Garret 2004). Kiem notes that countries have the choice of (1) investing in China and selling to China or world markets; (2) exporting components to China and making it the assembly plant for exports to others; or (3) exporting raw materials to China. The United States and the European Union are focusing on the first channel. The four tigers and the more industrialized countries within ASEAN are focusing on the second. The less-developed countries that possess natural resources, such as many in Africa, are focusing on the third.

Kiem's concern is whether the third path is a viable long-term option for low-income countries. Aun, the leader of Cambodia's young reformists,

acknowledges that future growth in Cambodia will depend on exports, but worries about the social inequalities this may bring. Medalla argues that the Philippines did not gain as much as its more dynamic neighbors and "has the worst of both worlds: slow economic growth that is overly concentrated in and around the Metro-Manila." He points out that many Philippine stakeholders are not convinced about the benefits of globalization or their ability to tap Chinese markets, especially because their nation's contributions appear largely to take the form of exporting labor rather than goods.

Pangestu (op. cit.) also cautions that, without major internal reforms, the prospects for countries such as Indonesia may be grim. Given the current production-sharing system driven by economies of scale, relatively small changes in cost can cause significant changes in the volume of trade flows. Thus, competitive pressures may be brutal. Low-income countries with natural resources may come out well if improvements in global terms of trade hold up, but, unlike the newly industrialized countries, they have not been fully integrated into the production chain and fear being left out of the transition to the second path. Pangestu therefore argues that the prospects for many countries might be enhanced by collective action within ASEAN so as to supplement domestic reforms in individual countries.

The center of economic gravity in East Asia has shifted toward China and Northeast Asia. Regionalism, which is based on formal economic and trade agreements, and regionalization, which is steered by market processes, are shaping the production and financial networks that are driving growth and innovation. Are these trends compatible with globalization?

The most obvious indicator of growing regionalism is the proliferation of free trade agreements, usually between two countries, but increasingly also between ASEAN and other countries, including some outside the region. In the last 10 years, 24 such agreements involving at least one East Asian country have come into effect, and another 34 are being negotiated. Most scholars feel that trade issues are being appropriately addressed in these discussions and do not see them as conflicting with global approaches such as the WTO Doha Development Round. Moreover, in light of the recent breakdown in the Doha Round, many will likely continue to push for bilateral or regionally oriented processes despite warnings that this so-called noodle bowl approach will eventually turn out to be too complex or fraught with contradictions. Bilateralism seems to have gained the upper hand as a pragmatic alternative, but it is hope rather than experience that says this will work out as intended.

Free trade agreements are being negotiated almost as a matter of course, and most authors see making progress on regional financial integration as the near-term challenge. Following through on the Chiang Mai Initiative and the Asian Bond Markets Initiative, creating regional surveillance mechanisms, harmonizing standards, facilitating cross-border transactions, and establishing the framework for an eventual common currency are addressed in depth in many essays (Aun, de Ocampo, Gyohten, Jomo, Kuroda and Yam). Asian bankers also defend their huge buildup of external reserves (now US$1,6 trillion, excluding Japan) as necessary to establish a comfortable buffer against unexpected future swings in capital flows, much to the chagrin of the G-7, which sees this buildup as contributing to global macro imbalances.

The degree of enthusiasm for Asian integration clearly varies. At the same time, there and elsewhere, the debate has also shifted to discussions about the identity of the region. Is it ASEAN, plus Northeast Asia? Does it include India because of the allure of the Subcontinent's software strengths? Or the Pacific Rim, with its valued natural resources? Or should it be still broader so as to include the direct participation of the United States and other Western countries? There is no consensus, and it is therefore not surprising that leadership to promote further regionalization is fragmented. Gyohten (op. cit.) believes categorically that Asian integration in the European style is not possible in the foreseeable future, but ASEAN will continue to be an important balancing power in the region.

As we shall see later, lagging countries in Asia have ambivalent attitudes toward greater regional economic integration, in stark contrast to China, for example (Long). But, as Medalla notes, "perhaps the best argument for economic integration is that it will make the fact more obvious that some countries are ahead and that some are behind. And the peoples of the lagging countries will start asking their governments the reason why." Geometrical and asymmetrical principles may apply.

If Asia is to avoid social disintegration, it needs to deal with the challenges of the conflicts within civil society, the increasingly overwhelmed and polluted cities, and the sometimes unresponsive and corrupt bureaucracies. Most Asians are optimistic about their future, which includes more than simply economic growth or high incomes. Koh (ibid), whose distinguished career is particularly notable for the diversity of his interests, is most forceful in his belief in the need to broaden the debate beyond narrow economics. Asia, he says, should aspire to be admired "not only for its prosperity…, but also for its good governance,

social equity, cohesive families, cultural achievements, care for the environment, and quality of life." He sets forth three specific challenges: corruption, social equity, and environmental neglect and mismanagement.

Pei (op. cit., p.17), representing the new generation of political economists whose work seeks to bridge sharply contrasting perspectives between China and the West, warns that "behind the region's increasing prosperity… lurk dangers and risks… But the mostly likely and most potent source of disruption is rising discontent with political leadership, lack of government integrity, and misguided public policies." Thus, Asia "must not allow strong economic fundamentals to obscure the political risks inherent in … rapid economic modernization."

In every East Asian country, rising inequality is one of the most politically sensitive issues. But does widening inequality matter? Clearly, for Koh, this is an ethical, as well as economic, matter: "a globalized world has become, for many people, a more unjust world." Despite major achievements in poverty reduction (some 250 million people in East Asia have risen out of poverty since the financial crisis of 1997/98), inequality has increased in almost all countries and not only in income levels, but also in access to basic social services. What we know is that the increase in inequality is driven less today by differences across countries than by differences within countries. So, the solutions are to be found in domestic integration, not regional or global integration (Gil and Kharas, 2006). Hayami refers to experiences in Meiji Japan (1868-1912) and in Taiwan (China) after World War II to debunk the idea that a worsening of rural-urban disparities is an inevitable consequence of globalization.

Widening gaps between rural and urban incomes and between skilled and unskilled labor are the prime causes of growing inequality in East Asia. If, indeed, East Asia is benefiting from economies of scale through efficient production networks, then it is not surprising that those who are directly engaged in these networks are gaining the most. Networks operate in cities, where they thrive on the proximity of firms to each other, and they require skilled labor to manage the complex logistic and business processes. Thus, the opportunities for high pay are greatest for the skilled, urban workforce.

East Asia's new production mode may thus have a tendency to worsen inequality, unlike the labor-intensive export-led strategy that made growth with equality famous. Agglomeration effects are a powerful force for

urbanization within countries and for the concentration of activity across countries, but they do reward those who first understand how to exploit them. There is no doubt that income distribution is being profoundly affected by such factors. If appropriate mitigating policies are put in place, pressures may emerge for dramatic distributive measures and higher taxes, which could reduce investment and eventually lead to slower growth. This has been the unhappy experience in some Latin American countries. East Asian policy makers have to respond proactively to address inequality, but, because this is a recent phenomenon, there is not much practical experience to build on.

An alternative to government redistribution is offered by Hayami (op. cit.), Japan's most distinguished rural development economist. In his view, the case that scale economies and agglomeration are unique to industrialization and urbanization is overemphasized. Drawing on experiences in rural development dating back to Meiji Japan, he notes that rural sectors, too, may benefit from economies of scale. He describes several cases where there is potential to form rural, community-based production and trade networks that rely on informal relationships and self-monitoring to reduce costs and that can link the domestic hinterland with international markets. If these could be developed with better internal infrastructure so as to reduce farm-to-market costs and increase the speed of delivery of perishables, it would help narrow rural-urban income differences and reduce pressures on Asia's sprawling megacities, which are increasingly less able to deal with their social and environmental problems.

Asia's environmental concerns flow largely from the rapid urbanization already under way, which, by global standards, is unprecedented. Air and water pollution, loss of biodiversity, and deforestation: all have cross-border consequences (Hayami, Koh and Kuroda), but such outcomes also reflect the resource-intensive and historically excessive focus on growth and industrialization in countries such as China (Wu and Zheng). Given East Asia's substantial achievements in recent years, will the growth-at-any-cost strategy continue? China's senior leadership has clearly signaled its concerns over the prospects for more sustainability and more balanced development, and, everywhere across the region, leaders are talking about the need for more balanced growth, more well-rounded societies, and sustainable development. Yet, how many of them really mean what they say when faced with stiff competitive pressures and a preoccupation with employment generation? So far, environmental sustainability in most of the region is still sadly lagging behind economic progress.

Aun (ibid, p.18) believes that globalization inevitably draws attention to issues of weak governance and corruption. He voices concern over the developmental aspects. Koh and Pei go further, stressing the ethical issues as well. Some writers argue that there is an Asian paradox, that corruption coexists with rapid growth. The nature of corruption in East Asia does not seem to be as damaging to efficiency as is the case elsewhere in the world. Yet, others argue that corruption, if unchecked, can bring down governments and reverse decades of economic progress, as evidenced by regime changes in Indonesia and the Philippines. There is no evidence that East Asians are more tolerant of corruption than citizens of Western democracies. They demand that their political systems address the corrosive effects of corruption. Thus, East Asians appear to have the foresight to realize that governance is likely to be increasingly important in the future, especially as globalization exerts pressures for more transparency and the rule of law. But the challenge of building sound institutions has been complicated by the political choice to decentralize most public spending to the local level. The speed of decentralization has run ahead of the rate at which accountability and transparency are built into local public systems.

The citizens of some East Asian countries, frustrated by inadequate social services, inequality, urban decay, and weak governance structures, are increasingly holding their leaders accountable and demanding that bureaucracies reform themselves. In moving forward, are Asian institutions now sufficiently robust that the emergence or not of a heroic leader no longer matters? Some feel strongly that East Asia's future will depend on the quality of its top leadership.

Others argue that the challenge is to reestablish accountable, technocratic bureaucracies. They emphasize the need for a high-quality administrative system to manage a globalized and more complex environment. Over time, talent has tended to gravitate away from the public sector to the private sector, but only at considerable cost. Sheng stresses that Asian bureaucracies "must make the important transition from a paternalistic top-down governance structure to a pluralistic market economy structure" since "a small elite can no longer manage large complex market economies open to wide public choice."

Pei notes that two of the institutional pillars for maintaining growth and mobilizing public support – the rule of law and the creation of political mechanisms for government accountability and integrity – were often not established during past periods of reform. "Crises also provide new elites with a fresh political mandate," but, in many cases, such as the financial crisis,

the duration of crisis may be too short to inspire durable changes in governance structures. Mahbubani sees superior performance among the elites as one of Singapore's distinctive achievements. Pangestu (op. cit.) notes that effective governance is now the paramount issue everywhere. Most authors, however, do not equate good governance with the concept of democracy as defined in the West. Rather, they would argue that Asia needs to find its own way in determining what is effective and acceptable in light of its history and social and cultural distinctions.

National leadership is only one part of the puzzle in the age of regionalism and globalization. Many authors also see the need for stronger regional associations. Perhaps more out of expediency than proven effectiveness, ASEAN is now at the center of an energized search to link regional interests in institutional ways than can deflect concerns about the primacy of particular countries or coalitions, through overlapping and more inclusive geopolitical groupings, such as ASEAN+3, the East Asian Community, and Asia-Pacific Economic Cooperation. The search is also reinforced by the proliferation of bilateral and multilateral free trade agreements and financial arrangements, and regional cooperation is now an essential topic for discussion whenever Asian policy makers come together.

Yet many bemoan the lack of substantive progress because ASEAN has chosen to operate by consensus and to adhere to the principle of non-interference in the affairs of Member States. No single country or grouping has stepped forward to help bridge differences and drive the process of forging purposeful direction, unlike the case during the formation of the European Union. Not surprisingly, these people often wonder whether ASEAN is up to the task (Kiem, op. cit.).

The focus on regional leadership extends well beyond ASEAN to more geopolitical questions. What role will China and Japan play in the broader East Asian context? Is the West still a factor? Inevitably, such questions cannot be answered without considering the influence of Europe and the United States. Countries in the region are trying to balance all these relationships and hedge their bets. The same applies to Africa and Latin America. Gyohten elaborates on three trilateral relationships that will likely shape Asia's future: China-Japan, China-United States, and Japan-United States. Each has its own complexities, and all are potentially intractable. Many probably agree that, whether the goal is to promote accountability within democratic-type frameworks or move

toward real integration within East Asia and in its relationships with the rest of the world, progress will require fresh thinking and more visionary leadership.

In a nutshell, perhaps it is worth reflecting on what was lost during the centuries that Asia was in decline. The current Asian renaissance is about more than simply revived prosperity. It is also about creativity, cohesion, and civilization. In reflecting on Asia's future and the challenges ahead, Koh raises the bar by suggesting that "we have to solve these and other shortcomings if we want the West to treat us as equals and if we want the rest of the non-Western world to look to Asian sovereignty for inspiration."

With respect to regional integration in the Americas, as with many other regions, at times it is difficult to define the region itself. However, the Americas, as a single large region, have been grouped, usually and conveniently, into North America, on the one hand, and Latin America and the Caribbean on the other. There has been rather a sharp dividing line between the two: while the latter has lain within the USA sphere of influence, merely constituting the USA 'backyard', it has been distanced, too, by individual or collective efforts to escape US hegemony. With the end of the Cold War and the southward expansion of North America in the form of NAFTA, this division is in the process of being transformed. Mexico, as well as Central America and the Caribbean, is quickly becoming 'North Americanized' due to geopolitical and economic realities, while the countries in the Southern Cone – Argentina, Brazil, Paraguay and Uruguay – have begun to develop their own regional grouping through the Southern Common Market (MERCOSUR). Here one may expect the various Latin cultures to be more resilient, particularly given the emphatic cultural distinctiveness of Brazil. In spite of this, there is an overall trend for regionalization and increasing 'regionness' as the southern region leaves a legacy of civil war, violence and terror behind (Koonings and Kruijt, 1999). In fact, Latin America can be described as an emergent security community (Hurrell, 1998). Peace has now become a Latin American comparative advantage. And the concept of 'the Americas' makes more sense than ever before.

In so far as the processes of regionalisms and regionalizations in South America, and particularly in its core region, the southern cone, are concerned, there are four key issues discernible: (i) What marks the change from the old to the new regionalism in South America? (ii) How can we account for the remarkable shift from rivalry to cooperation among the two main powers, namely Argentina and Brazil? (iii) What characterizes the emergence and

consolidation of institutionalized cooperation in the form of MERCOSUR? (iv) How can we understand the boundaries and identities of the southern cone in relation to the rest of South America, the Caribbean and Central America, as well as the Americas in general?

The idea of Latin American unity by way of regional economic integration has been on the agenda ever since the end of the Second World War, as indicated by various resounding declarations and the establishment of a number of regional organizations. The old regionalism in Latin America was firmly grounded in the structuralist school of thought. The structuralist position is undoubtedly basic to the evolution of Latin American economic thought. The keyword was industrialization, which took the form of import substitution, reflecting both the historical background and the external context of the early post-war period. A State-promoted industrial structure was meant to respond to an already existing domestic demand, thus creating at least some industrial basis in countries that were essentially exporters of primary goods. The structuralist vision was to change this historical legacy, to transform the structure of comparative advantages towards a higher level of productivity and competitiveness.

Despite some rapid economic growth in the early phases, the limitations of import substitution industrialization on the national level soon became evident. Very much encouraged by the United Nations Economic Commission for Latin America (ECLA) and its dynamic Executive Secretary, Raúl Prebisch, the reformulated vision was to create an enlarged economic space in Latin America in order to enhance import substitution regionally when it became exhausted on the national level. Liberalized intra-regional trade in combination with regional protectionism seemed to offer large economies of scale and wider markets, which could serve as a stimulus to industrialization, economic growth and investment.

This resulted in the creation of the Latin American Free Trade Association (LAFTA) in Montevideo in 1960. LAFTA was a genuinely continental project, and included all countries in the South American subcontinent, plus Mexico. However, in spite of some early progress and the lively theoretical debates that became part of the history of economic thought, the old regionalism in Latin America made little economic impact and was never implemented on a large scale, though it was taken as inspiration in other parts of the Third World.

Latin America's poor record of regional integration was, until recently, due to internal conflicts, a general failure to cooperate, and the whole structure

of dependence. The member countries of the various parties overlapping regional schemes were politically and/or economically unstable and neither willing nor capable when it came to pursuing cooperation. The objective of a free trade area never materialized, partly defeated by extremely cumbersome and unfruitful tariff reduction negotiations. Demands for exceptions in combination with continued protectionism against third countries led only to economic stagnation. The smaller member countries claimed that LAFTA mainly benefited the 'Big Three' – Mexico, Argentina and Brazil – and opted for a more radical and ambitious strategy focused on a jointly planned industrialization strategy. This was the basic foundation for the establishment of the Andean Pact in 1969, but its high-flying ambitions were never implemented. The military dictatorships established throughout the Continent during the 1970s were poor partners in regional cooperation schemes.

External factors and dependence were also important, especially the relationship to the USA. As long as the USA remained a global superpower, there was little room for maneuver for Latin American States. On the other hand, there was very little positive interest in Latin America on the part of the USA. Radical development models were unacceptable as they were interpreted as advancing the interests of 'the other side' in the Cold War. The only regionalism that was accepted was thus 'hegemonic regionalism'. The Organization of American States (OAS), for instance, has been perceived more as an instrument of USA policies than as a genuinely regional body (Frohmann, 2000). Only recently, particularly after the Cold War, has there been genuine interest from the US, as manifested in the Enterprise for the Americas Initiative (EAI) taken by President Bush in 1990. And today the OAS seems less an instrument for USA imperialism and more a genuine expression of the interests of most countries in the Americas. That is why Cuba is still excluded from its membership. The trend towards hemispheric regionalism started with the 1994 Summit of the Americas in Miami. In April 1996, 21 OAS members signed the 1st Hemispheric regional Convention dealing with corruption and bribery. The so-called Contadora process, although lacking in concrete results, can also be said to demonstrate this new regional spirit. According to Alicia Frohmann (2000), the establishment of the Rio Group in 1986 resulted from the Contadora experience, and the main concern now became democratization, the delicate *concertacion*.

The return to democracy in the mid-1980s was a big boost for regional cooperation in at least two ways. First of all, the new democracies were still

very fragile, and the new democratic leaders were therefore inclined to involve themselves in regionalist schemes in order to support each other. Second, to the extent that the democracies were consolidated, which so far has happened in most cases, there was a transformation of the political landscape in the direction of more openness and towards a genuine political culture, indicating a political homogenization of South America, and of the southern cone in particular. The beginnings of a regional civil society, matching the inherent cultural community, slowly replaced the suspicion and geo-political paranoia that had surrounded previous military regimes. Since the mid-1980s the Latin American countries have also been restructuring economies that are now open to greater international competition. The convergence of liberal economic policies and the resultant economic homogenization throughout the continent creates unprecedented possibilities for regional integration.

This consolidation of democracy in a context of cooperation and growing interdependence started when Argentina and Brazil decided to put an end to decades of rivalry and suspicion, and engage in a process of cooperation. Even if the hostilities between Argentina and Brazil did not lead to full-scale war, the rivalry had created a very gloomy, unstable and even explosive situation in South America, which for a long time prevented genuine and deep cooperation from taking place. The process of cooperation between Argentina and Brazil was conceived as a new incentive to Latin American integration and to the consolidation of peace, democracy and development in the region. The cooperation progressed gradually during the late 1980s until finally a free trade area between the two countries was created. In August 1990 Paraguay and Uruguay joined the process and, as a result of this, on 26th March, 1991 MERCOSUR was created through the Asunción Treaty (MERCOSUR, 1991; 1994). The implementation process was successful and on 1st January, 1995 MERCOSUR began to operate 'somewhere halfway' between a free trade zone and a customs union (Biswaro, 2005).

The MERCOSUR agreement, in its present configuration, represents both continuity and change with regard to the previous integrationist efforts in South America. On the one hand, it seeks to build on the tradition of regionalism that has been such an important school of thought on the continent. Like Economic Complementation Agreement No. 18 of the Latin American Integration Association (LAIA, the successor of LAFTA), MERCOSUR constitutes a subregional grouping within the larger association. On the other hand, and arguably more importantly, the MERCOSUR agreement represents

a radical shift in the integration model in South America. Given the exhaustion of the import substitution model, and the restructuring and opening of local economies since the mid-1980s, the new regionalism in South America spells open regionalism.

Typically, the new regionalism is characterized by its openness, most clearly in East and Southeast Asia but also in this South American case, where it was called *regionalismo abierto* in a recent ECLAC document. What differentiates open regionalism from trade liberalization and non-discriminatory export promotion is that it includes a preferential element which is reflected in integration agreements and reinforced by the geographical closeness and cultural affinity of the countries in the region. A complementary objective is to make integration a building block of a more open transparent international economy (ECLAC, 1994:12).

The concept may sound like a contradiction in terms: to have one's cake and eat it. To some extent open regionalism is a way of reviving interest in an issue that had been dead in South America for a decade and which, in a neo-liberal political context, smacks of protectionism and State interventionism. It is also, of course, recognition of the fact that the global economy of today is different from that of the 1960s and 1970s. Finally, it is precautionary strategy in a situation where there is great uncertainty about the future development of the world economy. It is believed that, even if a less optimistic international scenario develops, open regionalism is still justifiable as the second-best alternative. It is better than a return to economic nationalism in dealing with external environment, since it at least helps to preserve the expanded regional market (Santiago, 1995: 13; Rosenthal, 1994; Ciccolella, 1993).

In view of the above, we are persuaded to conclude that the EU experience provides a number of important, cautionary lessons for those promoting regional integration in the Western hemisphere, Africa, Asia, the Caribbean and Latin America. However, it does not offer a model that these areas can exactly follow. The experience of Western Europe economic integration during the Cold War years will do little to reconcile global and regional integration in the post Cold War world; the political, sovereignty, and security concerns are no longer the same. Furthermore, the international community must develop rules for the new global order without searching for historical parallels as those creating the institutions of regional integration in Western Europe did in their time. The specific circumstances of each region should be kept in view. The role of leadership and political will are critical in this integration process.

This book is divided into ten chapters. Chapter one deals with theoretical and conceptual reflection while chapter two discusses the dilemma of sovereignty in regional integration. The subsequent chapters address the processes of regional integration in the world starting with European Union. This is followed by the Americas, Asia and Africa. The last chapter draws some conclusions and prospects of this process in the twenty first century.

Chapter I
Theoretical and conceptual reflection

Both as study and concept, integration has recently attracted a variety of social scientists, scholars, policy-makers and decision-makers to explore this new area of inquiry. As we shall see, its theoretical foundation has been as varied as the definitions provided for the concept itself. Perhaps the difficulties of definition have been most memorably summed up by Donald Puchala (1972), who compared the quest for a definition of integration to a blind man being confronted with the task of defining an elephant.

Social scientists since Durkheim have conceived and stressed the integration of society as the first principle of social behavior (Giddens, 1993). Social structures and specialized institutions have to mesh together, work in harmony and cooperate, implying consensus on basic values. For scholars of national identity the hallmarks of integration are the sharing of homeland (common history), language and culture (Smith, 1991).

Before embarking on such research, one needs to have a clearer understanding and analysis of some of the theories (approaches) and concepts involved, such as Integration, Regionalism, Regional Integration, Economic Integration, Regional Co-operation, PTA, FTA, Customs Union, Common Market, Common Currency, Political Federation, Formal and Informal Integration, Incrementalism, Supra-nationality, Intergovernmentalism, Variable Geometry, Symmetry, Asymmetry, Trade Creation and Trade Deviation, Negative and Positive Integration, Subsidiarity, and so forth.

Needless to say, at one level this is a matter of definition and interpretation which, in turn, raises other questions. Is integration an economic or a political phenomenon? If it is an economic phenomenon, what levels of interdependence need to be achieved within a group of national economies for them to be described as 'integrated'? Is the achievement of a free trade area the appropriate condition for or is the desired end point of economic integration, and where in the process do we find a customs union, or a common market, or full economic and monetary union? Does economic integration imply political integration? Or, at least, what levels of common institutionalization are associated with an integrated economic space? Do all customs unions/common markets/ monetary unions have similar levels of institutionalization? Does economic integration generate the momentum for political integration? Or, to turn the issue on its head, does political integration create the space for economic integration to flourish? Turning to political questions, does integration amount to the dissolution of national authority within a given geographical region? If this is so, does integration consist of the replacement of traditional structures of governance with new types of institution and new forms of authority? Or is integration accomplished when a group of geographically adjacent states reach an accommodation perhaps in terms of a federal union or a system of common security, or in terms of a widespread sharing of core values among elites and masses across nations? In short, what does it mean to say that Africa or Europe is integrated or is in the process of integrating? Posed this way, the issue also becomes a matter of whether we should understand integration as a process or as an outcome. We consider it as a process.

Economics-based approaches

In Economics, the processes of trade, integration and economic convergence are the main driving ideas (Molle, 1990). Calculations are made as to which countries form natural clusters for advantageous trade and monetary integration (Gros and Steinherry, 1995 and Artis and Zhang, 1997). In political theory and international relations the focus for integrating states is on the mechanism of cosmopolitan democracy and rule based on international community (Held, 1995). In Political Economy the focus is on the action driving the process. To this end, therefore, the population, Government, elites and economic interest groups may gradually switch their loyalties between

national, regional and global levels as integration proceeds (O'Neill, 1996, Wallace, 1990 and Higgott, 1997).

The underlying argument of this treatise is that it is necessary, when thinking of Africa's future and beyond, to give more attention to an integrated view of the integration process, thus spanning these academic divides. This calls for a review of various theories and concepts, found commonly in integration literature. Indeed, the theoretical foundations of conventional approaches to regional integration, as we shall see, date back to three important schools of economic and political thought, namely: neo-classical, marxist and development economics.

As we shall see later, both Leon Lindberg's (1963) elaboration of the definition of regional integration (1963:4-5) and Haas's (1964) look backwards at the early 'pre-theorizing' of integration identified this particular ambiguity (1971:6-7; see also Pentland, 1973, for an extended discussion). Indeed, all of the possibilities covered in the previous paragraph were represented in the integration theory of the 1950s and 1960s. One problem was that integration theorists, while focusing on a common set of events, evidently had different conceptions of process and outcome in mind. Karl Deutsch's (1957) work clearly understood integration as the creation of security communities (or zones of peace) among states in a region. This did not require the transcendence of formal statehood. Alternatively, many writers define integration precisely in terms of the radical re-ordering of both the conventional international order and of the existing authoritative structures of governance.

The earliest theoretical work on regional integration emanated from David Ricardo's theory of comparative advantage in international trade (Kenen, P.B: 1994) and the interests of liberal economists in promoting the reduction of tariff and non-tariff barriers to trade. At issue was the choice of modalities for implementing such policies and the effectiveness of regional integration as a mechanism of trade liberalization.

However, critics of free trade often posit that the comparative advantage argument for free trade has lost its legitimacy in a globally integrated world in which capital is free to move internationally. For example, Herman Daly (2007), a leading voice in the discipline of ecological economics, emphasizes that although Ricardo's theory of comparative advantage is one of the most elegant theories in economics, its application today is illogical. Free capital mobility totally undercuts Ricardo's comparative advantage argument for free trade goods because that contention is essentially premised on capital (and other

factors) being immobile across nations. Under the new globalized regime, capital tends simply to flow, moving to wherever returns are highest relatively to risks, thus pursuing absolute advantage. For Ha-Joon Chang (2002 and 2008), the principle of comparative advantage has been used by advanced industrial countries to make sure that underdeveloped nations continue to specialize in agricultural production, instead of developing their own manufacturing industries which would make them competitive with industrialized countries. The industrialized nations prefer free 'trade' between nations, in order to maintain the underdeveloped world's pattern of dependency on developed countries (Craig R.P., 2003). We subscribe to Chang and Craig's observations, and the criticism they imply; this syndrome of dependency clearly perpetuates exploitation of the South by the North.

At this point, a quick look at dependency theory may be helpful. Dependency theory is a body of social science theories both from developing and developed nations, which are predicated on the assumption that resources flow from a 'periphery' of poor and underdeveloped states to a 'core' of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the 'world system.' It is the opinion of dependency theorists that poor nations provide market access to wealthy nations while wealthy nations actively perpetuate a state of dependence by various means. This influence may be multifaceted, involving economics, media control, politics, banking and finance, education, culture, sports, and all aspects of human resource development (including the recruitment and training of workers). This is based on the Marxist analysis of inequalities within the world system. Its main proponents include Raúl Prebisch, Paul A. Baran, Andrew Gunder Frank, Fernando Henrique Cardoso and Samir Amin. The theory contrasts with the view of free market economists, such as Peter Bauer and Martin Wolf, who argue that free trade advances poor states on the long and enriching path to full economic integration. Furthermore, they argue that dependency theory leads to corruption, lack of competition, sustainability, etc. Consistent with these assumptions, many dependency theorists correctly advocate social revolution as an effective means to reduce economic disparities in the world system.

Viner's classic article on the subject argued that regional economic integration would lead to either Trade Creation (TC) or Trade Diversion (TD) (Viner, 1950). By reducing trade barriers between neighboring countries,

customs and free trade areas could promote economic efficiency in the allocation of resources, and contribute to the overall growth of international trade. However, the emergence of such economic entities could also promote trade 'diversion' and become a source of economic inefficiency, if the most competitive producers of a particular product suddenly found themselves excluded from the regional market as a result of the customs union. TC refers to replacement of high-cost domestic production by cheaper imports from a partner, while TD measures the replacement of cheaper imports from the rest of the world by more expensive imports from a partner. Trade Diversion, therefore, occurs when growth of trade between two integrating countries is at the expense of trade that existed with a third country, and which is now reduced as a result of trade preferences between the integrated countries. Without the preferences, trade between the two integrated countries would not take place. Trade has been diverted from the third party (which is efficient) to the two (neither of which can trade efficiently in the absence of preferences). It is worth noting that national well-being is said to increase if TC exceeds TD, and to fall if TD exceeds TC.

The same theorists have argued further that the normal approach to external security and threats is for countries to form alliances independently of any trade preferences. It is possible, however, to commence with a trade agreement based on the hope that economic union between the weak would ripen into political union and that by the political union of the weak, enough power might be established to defend these weaker players from aggression (Viner, 1950). Nations that feared being forcibly absorbed by larger states have united to forestall such coercion (Sheila, P., 2001). It was in this light that the Austrian Emperor proposed (but ultimately absorbed) an economic union with Spain and Bavaria as a defensive mechanism against France in 1665 (Viner, 1950). In the recent past, the Gulf Co-operation Council (G.C.C) was established in the 1980s partly in response to the potential threat of regional powers such as the Islamic Republics of Iran and Iraq (Schiff and Winters, 1998), and ASEAN was partly motivated by the perceived need to deter the spread of communism in South-East Asia. Buzani's theory (1988) of shelf-life (i.e. from enmity, fear and rivalry to amity, trust and co-operation) also underscores this point (Khong, Y.F., 1997: 318). Furthermore, a major motive of Central and Eastern European countries in applying for membership of the EU is to gain protection against the perceived threat from Russia. The SADCC/SADC was originally formed in 1980 partly to provide a united front against, and reduce dependence on, apartheid South Africa.

Most early theorists on integration were bourgeois scholars. Their theories were reflective of the material conditions in which they were developed. Predominantly explanatory of European integration from the immediate post-war era, such theories have looked at integration as driven by fear, the fear of another world war. Likewise, considerations of the gains that could accrue, not just from collective control of the monopoly of the means of waging such a war, but also from co-operation between the allies and the axis states, have also been postulated.

Nevertheless, it needs to be reiterated that this was also the time of the Cold War. In view of this, the Marxist mode of theorization also existed as an antithesis. Within its premises, the Marxist school concentrates upon the centrality of a linkage between the modes of production and the productive forces of integrating units. It underscores both the need for complementarity between integrating states [particularly in the economic arena], as well as the necessity for reciprocal realization of the remunerations accruing from integration.

For Marxist-Leninist theorists, namely, Inotai and Benallegue, 1982 and 1987 respectively, integration emerges as a reflection of the internationalization of capital and is intrinsic to the evolution of the capitalist economy. They, therefore, see the creation of a Single European Market as being the concentration of capital and the internationalization of European firms, rather than the desire of a welfare-maximizing Government to rationalize the allocation of scarce resources among Member States. In this respect, the integration of the European market is a consequence, not the precursor, of the transformation of production and trade in favor of larger firms.

According to Belgian Marxist economist Ernest Mandel, economic integration in general, and the movement toward European economic and political integration in particular, are explained by the efforts of transnational capitalist classes to increase the scale of capital accumulation (Mandel, E., 1970). Over the course of modern history, the requirements of capital accumulation have driven the world toward ever larger economic and political entities. According to this point of view, technological developments and international competition are forcing the dominant European capitalist class to overthrow the narrow confines of national capitalism and forge a regional economy that will strengthen the international competitiveness of European capitalism. Although appealing, economic determinism omits certain important political and strategic motives responsible for economic integration.

Furthermore, this view is no longer the exclusive preserve of the Marxist theorists. A critical review of the globalization theory from a historical perspective attests to this fact.

Integration among developing countries, in this view, should be geared towards the rational use of available resources according to a planned and centralized approach to production for the satisfaction of the region's own needs (Balaan and Veseth, 2001). Despite such articulate recognition of what integration is or should be, Africa unfortunately seems to have little to show for its integration efforts. Most success stories of regional integration seem to be confined to those of Western Europe and the Americas, particularly the Caribbean. Nonetheless, regional integration in South America, especially the ANDEAN Community, is even weaker than the process in Africa, although mercantile economics in those countries is stronger than in Africa. Guided by some distinctly Eurocentric examples, African and other developing countries seem to confine their efforts to mimicry rather than to originality. Perhaps the most eloquent evidence of this Eurocentrism is the predominance of integration theories, particularly involving functionalism and neo-functionalism, to which successful integration has been pegged.

Related to this school, Balasa, [1966:24] views regional integration through the narrower lenses of economics. He sees it both as a process, and as a state of affairs. He notes that 'we can define economic integration as a process and state of affairs. As a process it encompasses various measures abolishing discrimination between economic units belonging to different nation states; as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies'.

Another proponent, Thomas, [1978:66] describes regional integration as 'an irreversible social process', which marks a definite new stage 'in the global socialization of production.' Explaining the class nature of the said socialization of production, Thomas notes that this socialization will be either capitalist or socialist depending on the concrete context of the integration itself; signifying, 'the further pursuit of the eventual creation of a world system of production.' For Gasarasi, who seems to illustrate the marxian perspective most thoroughly, 'regional integration is a dialectical process whereby neighboring countries with corresponding levels and degrees of productive forces, attempt to create an institutional framework for pursuit of an eventual creation of an integrated system of production'(Gasarasi, 1979: 19). This seems to be influenced by circumstances in African and Third World countries,

most of which emerged as Nation-States at the peak of the Cold War. A number of these countries had, in one way or another, adopted a socialist-marxist doctrine. They were characterized by underdevelopment, and a nationalist and colonial past.

Although appealing in its dynamic vision, this approach is based on some questionable assumptions, notably about the effectiveness of planning in relation to markets. The rapid collapse of the Eastern bloc's Council for Mutual Economic Assistance (COMECON) after the break-up of the Soviet Union (Baylis and Smith:1997) has largely relegated to the history books an approach to economic co-operation and integration based on centralized planning and Government directives.

The analysis adopted by J. Tinbergen (1959), F. Marchal (1965) and Perroux (1966), however, seemed to mark a watershed in the thinking on integration. These authors proposed an alternative approach that would take into account the historical dimension of a socio-economic phenomenon. According to Marchal, integration as the result of development is distinct from integration as an instrument or precondition of development. Economic integration can be perceived as the historical product of evolving technical, economic and social structures; or it can be a product of conscious efforts on the part of human societies, acting collectively to improve their economic condition as a matter of policy choice.

Marchal shows that integration taken as a product of history is first and foremost the result of social transformation. Further, it must be based on industrialization as its driving force, and it must be sustained by those social forces capable of supporting and organizing the industrialization process. It cannot occur just anywhere or under just any conditions. Perroux (1966) follows a similar approach, based on three questions: Who integrates? Through what process? And to whose advantage? However, in operational terms, these authors do not stray very far from the voluntarist approach of their predecessors or from related development thinking prevalent at the time.

Similarly, borrowing from the development and industrialization thinking of the 1960s, Perroux builds his model around the concepts of growth poles, strategic investments and industrialization. Industrialization is presented here as a collective instrument of development, based on import substitution. He draws a distinction between three models of integration and industrialization, based respectively on the use of markets, productive investments, or institutional mechanisms.

This development-based and industrializing view of integration ends up assigning a secondary role to the social dimension of the issue, thereby abandoning the approach initially adopted and replacing it with a technocratic and geographically focused one. Perroux (1966) begins by proposing a socio-economic and political approach to integration, but allows it to be distorted by the influence of existing development theories.

Others, notably the authors of previous texts on integration theory, put it more starkly. Michael Hodges (1972:13) offered integration as 'the formation of new political systems out of hitherto separate political systems'. Reginald Harrison (1974:14), like Haas, pointed to the importance of central institutions: 'the integration process may be defined as the attainment within an area of the bonds of political community, of central institutions with binding decision-making powers and methods of control determining the allocation of values at the regional level and also of adequate consensus-formation mechanisms'.

The argument is about different starting points leading to different destinations. Different theoretical conventions have spawned differing methodologies in pursuit of independent variables. For example, the transactionalist school relies heavily on the accumulation of aggregate survey data, whereas the neo-functionalist method often amounts to the theoretically focused case study. Consequently, the understanding of different theoretical approaches to integration is vital to a well-rounded understanding of 'integration' itself. As Haas puts it: 'it is they [the approaches] rather than the nature of things which lead students to postulate the relationships between variables; it is they, not the nature of things, which lead us to the specification of what is an independent and a dependent variable (1971:19).'

This connects with Richard Higgott's distinction between *de facto* structural regionalization on the one hand and *de jure* institutional economic co-operation on the other (Higgott, 1997). In both cases, the issue at stake is one of political economy: the relationship between political and economic processes in shaping change. Several permutations are possible here. For example, it could be argued that changes in the informal economic domain, such as heightened capital mobility, increasing volumes of cross-border trade, alterations in the production process and shifting corporate strategies, decisively structure and constrain the agenda of authoritative political actors. Faced with no alternative, governments seek closer co-operation through the construction of political institutions designed to 'capture' and control these economic processes. Here regional political integration is a consequence of regional economic integration.

Of course, an alternative way of thinking would invert this argument to suggest that informal changes are, at the very least, facilitated by the deliberate sanction of Government authority. Here economic integration can only happen because states produce policies that enable informal trans-border economic activity to flourish. In this case, integration as a process becomes a chicken and egg syndrome (Biswaro, 2005).

In most cases, economic theories do not provide a satisfactory explanation of economic integration. This is because economic analysts generally assume that a political decision has been made to create a larger economic entity, and that economists need only to analyze the welfare consequences of that decision and concern themselves with just a few aspects of the process of economic integration (Gilpin, 2001: 346-348). Another theoretical subject of interest to economists has been the theory of an '*optimum'* currency area (OCA). This theory specifies the conditions necessary for the establishment of a common currency within an economic region. In the case of the European Union, the Maastricht Treaty (1991) required Member States to adopt *convergence criteria,* which were designed to define the quality of integration required in order to qualify for participation in a common European currency. States had to cut annual budget deficits to under 3% of their GDP, limit total public debt to under 60% of GDP and grant their central banks independence so that they could pursue anti-inflationary economic policies.

An important body of economic literature deals with the welfare consequences for non-members of the regional arrangements such as a customs union (e.g. the European Common Market) and free trade areas (e.g. NAFTA). The classic work on the welfare consequences of regional trade agreements is Jacob Viner's *The Customs Union Issue* (1950), a study stimulated by growing concerns, in the United States, about accelerating movement toward a Western European common market. Prior to Viner's analysis, the conventional wisdom of the economics profession – based on the theory of comparative advantage, also known as the Ricardian model – had been that regional agreements were beneficial to members and non-members alike, and that they produced much the same consequences as did global trade liberalization. In other words, the pre-Viner position was that the economic gains to both members and non-members were similar to those produced by free trade and included the benefits of specialization, improved terms of trade, greater efficiency due to increased competition, and increased factor flows among members. In this study, Viner not only challenged this

optimistic assumption but also analyzed the customs union's implications for non-members.

Viner's analysis pointed out that a common external tariff would have trade-diverting as well as trade-creating effects. The initial or static consequences of an external tariff, say, around the European Common Market, would divert trade from foreign suppliers to suppliers located within the Common Market. However, as Viner also pointed out, the long-term or dynamic effects of a common market would lead to creation of a larger and wealthier European market that would benefit not only local firms but also the market's external trading partners. Viner concluded that this was an empirical question that could be answered only from actual experience. Likewise, the welfare consequences for non-members could not be determined theoretically but only by observing the specific actions and policies such as regional arrangements.

Viner's pioneering analysis has been extended and modified by subsequent research; yet his insight into the basic indeterminacy of the welfare effects of economic regionalism remains relevant. Indeed, Viner's conclusions were supported by a report, in 1997, from a group of international experts (Serra, J., 1997). Although these experts could draw upon theoretical developments and actual experience accumulated subsequent to Viner's study, they, too, concluded that neither economic theory nor empirical evidence can tell us whether or not a specific regional arrangement will harm non-members. No general conclusions can be drawn because of the very different and specific aspects of each regional arrangement. Indeed, economists unfailingly answer the question of whether regional arrangements will lead to trade diversion or trade creation with the classic response of economists and other scholars to difficult issues: 'More research is needed' (Gilpin, J. A., 2001:348).

Since Viner's early work, the new trade and growth theories have strongly influenced the economists' thinking about regional integration. Whereas Viner's analysis was based on the neo-classical theories of trade and economic growth that assumed perfect competition, constant returns to scale, and diminishing returns, new thinking about economic integration is based on economies of scale and other favorable consequences of integration, such as spillovers within the region. This means that firms within a regional arrangement can gain competitive advantages from which firms outside the arrangement are excluded. This theory implies that countries could and probably would support regional trade barriers and trade diversion so that firms within the region would

have exclusive access to technological advances, economies of scale, and other advantages. External barriers could also protect such firms from external competition and enable them to achieve economies of scale and international competitiveness as well. Regional trade barriers could enhance the bargaining position of local firms and governments in their dealings with outside firms and governments. However, the European Union experience suggests that such strategic advantages of economic regionalism have played a role – but not a decisive one – in the movement toward its integration. Political scientists have also contributed to these theoretical developments. As we shall see later, they have categorized them as, *inter alia*, federalism, functionalism, neo-functionalism and institutionalism.

During the early years of its implementation, critics of integration continued to wonder how this terminology could be used properly amid such a lack of clarity in its content. The discussion still continues in the literature, although differences in the definitive meaning of integration no longer imply a gap in scientific explanation and still less in its application.

Attempts have been made to apply integration theory across the world at different levels of political and socio-economic development. The inferred difference is its application in economic integration schemes in developed and developing countries. Common applications can be anticipated in a number of integration forms, such as Customs Union, or Free Trade Area, while in some cases there can be deviations in approaches (e.g. Common Market or Economic Union). We shall discuss these stages of regional integration later within the context of the orthodox school.

Economists tend to prefer the term 'economic integration', and more specifically differentiate terms like 'regional economic integration' or 'international economic integration', although the two are actually one and the same, and are normally used interchangeably. Lawyers, social and political scientists would, mainly, exclude the economic focus; therefore, they either refer to the term as only integration or for that matter categorize it into 'regional or international integration' (Weggoro, N.C.1995:15-16). However, these distinctions are no longer decisive due to the flexibility of the term and its ability to include all elements, although the study of one specific area is possible without necessarily diverting from the main fundamentals of integration as presented by different sources. For the purposes of this study we support this view.

Since regional integration involves the coming together of nations working toward common goals, it has been suggested that the geographical positions

of the given countries should be such that joint efforts can be easily undertaken. Hence the definition that regional integration is a dialectical process whereby neighboring countries, whose aspirations and level and degree of productive forces correspond, attempt to create an institutional framework for the pursuit of common goals and eventually create an integrated system of production and distribution holds water.

In a nutshell, it can be argued that whereas the concept of integration refers to a voluntary process of pooling resources for a common purpose by two or more sets of partners belonging to different states, regionalism means regional approaches to problem solving. This could include: regional integration, regional co-operation or both.

The terms 'regional integration' and 'regional co-operation' have in common the involvement of neighboring countries in collaborative ventures. However, regional co-operation implies that this is organized on an *ad hoc* and temporary basis through a contractual arrangement of some sort around projects of mutual interest, while regional integration involves something more permanent (Maurice & Winters, 2003). Indeed, the expression 'economic integration' can be used in different ways. Generically, it can refer to growing economic ties among countries which may or may not be geographically contiguous; this can be illustrated by linkages between Africa and Europe, for example the Barcelona arrangement involving some North African States and the EU. However, in a restrictive form, it refers to increased trade and factor flows between neighboring countries as a result of trade liberalization or the coordination of economic policies.

Further, regional integration is characterized by the establishment of joint institutional mechanisms and a degree of shared sovereignty. Some scholars have argued that existing regional integration schemes in Africa and elsewhere function in a 'governmental' rather than a 'supra-national' mode, and the actual sharing of sovereignty is minimal. However, Member States do accept certain obligations, such as the payment of dues, the reduction of trade barriers to free movement of people, etc. In the case of the European Coal and Steel Community (ECSC), established under the Treaty of Paris, in 1951, this was one of the first sources of a divergence between the High Authority (supra-national authority) and the Member States, which wanted to dictate terms (Wallace, W., 1992).

It is worth noting the fact that regional integration can cover the full range of public sector activity, including not only the coordination of economic

policies, but also regional security, human rights, education, health, research and technology, and natural resource management. The concept of regional integration is thus a broader one than that of economic integration. It should, therefore, be approached holistically. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty.

Political science-based approaches

Political scientists, like economists, have shown an interest in political economic integration for a relatively long time. For that matter, they have also attempted to formulate general theories or explanations of regional integration. In this regard, they have tried to define concepts such as political integration, political federation and political union.

The aforementioned concepts may be put on a *continuum* with political union at one end, political federation in the middle and political co-operation at the other end. Political integration may be described as the process of moving from political co-operation towards the other two points on the *continuum* (Mukandala, R., 2000: 87). A political union is the ultimate goal of co-operating between two or among several parties and entails a shared political jurisdiction in which the parties to the union agree to surrender either all or part of their sovereignty to a central political unit (Mukandala, ibid.). A political federation, on the other hand, is defined as a 'Union of groups united by one or more common objectives, but retaining their distinctive group character for other purposes '(Friedrich, 1954).

In a political federation, and according to the constitution, each State is sovereign in its own right. It should be emphasized, however, that even in their loosest form, federations require that states concede a certain degree of political jurisdiction to the federal authority . A case in point is Nigeria. The Foreign Affairs and Defense portfolios remain a federal matter. In this context, it is well to bear in mind Daniel Elazar's definition of federalism: 'in the broadest sense, federalism involves the linking of individuals, groups, and polities in lasting but limited union in such a way as to provide for the energetic pursuit of common ends while maintaining the respective entities of all parties. Federalism has to do with the constitutional diffusion of power, so that the constituting elements in a federal arrangement share in the processes of common policy-making and administration by right, while the activities of the common

Government are conducted in such a way as to maintain their respective entities' (Elazar, D.J., 1987:5-6).

Although Elazar further notes that 'a wide variety of political structures can be developed that are consistent with federal principles,' the form of centralization advocated by alleged proponents of 'European superstates' clearly does not count as an example of such a structure (Elazar, ibid. p. 12). Indeed, there is a difference, so he argues, not just of degree but of kind between 'a unitary State and 'a federal polity'. It is worth dwelling on this difference, because it underscores the difference between what Morgan terms the federal and post-sovereign conceptions of the European project (Morgan, 2005).

The precise nature of the difference between a 'unitary State' and a '*federal polity*' (the goal of genuine *federalists*) is not easy to describe. One way of capturing the difference is to focus on the form of 'representation' employed by the 'unitary State, compared with its alternatives (Hont, I., 1994). From this perspective, the modern unitary State has two distinct analytical components. First, the unitary State presupposes the idea of popular sovereignty, which is to say the idea that the people conceived as free and equal individuals form the constituting power of that State. Second, the unitary State, once constituted, becomes the representative of the people, who now exercise their 'sovereignty' only indirectly. Thus, in the modern unitary State, the sovereignty of the people is exercised on their behalf, not directly by themselves. Take, for example, the USA courts, which prosecute individuals on behalf of 'We the People.' In providing the people with the 'indirect' form of sovereignty, the modern unitary State differs both from earlier participatory republics and from mixed or composite forms of Government.

The *federal polity* modifies the form of representation present in the unitary State in an important way. It retains the two afore-mentioned analytical components but adds a third: the idea that the federal polity directly represents a number of constitutive 'Member States.' A federal polity, in other words, establishes a double form of representation. It represents citizens conceived as members of territorially more limited 'Member States.' Rarely achieved in practice, in its ideal form the relationship between these two levels of representation is one of strict, constitutionally entrenched formal equality, rather than (as in the unitary State) a relationship of hierarchy between a central political authority and its subordinate jurisdictions (Morgan, G., 2005: 12-13).

Political integration is better understood as a process towards either a political union or a federation. According to Haas (1958:16), political integration is the process whereby political actors with several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards a new center, whose institutions possess or demand jurisdiction over the pre-existing Nation-States. Lindberg (1963.5) puts it more specifically: that political integration is a process limited to the development of devices and processes for arriving at collective decisions by means other than autonomous action by national governments. He continues to explain that political integration, which involves a significant amount of collective decision-making, can be achieved without aiming at attaining a Political Union. Political integration permits Member States to retain their identity and yet join in the organization that transcends nationality. Thus, political integration presupposes the existence of delegated decision-making. Haas (1964.11) concludes that 'as the process of integration proceeds it is assumed that interests will be redefined in terms of regional rather than a purely national orientation.'

Political co-operation involves mutual policy arrangements among Member States aimed at attaining common interests and objectives. Unlike political union or federation, political co-operation does not necessarily require surrendering one's jurisdiction to the central unit. Political co-operation is a much broader concept and consequent process. It involves many more things without the intensity and depth of interaction entailed by federation and union.

Following this distinction, while political co-operation among States may set out to ensure peaceful coexistence, friendship and solidarity, as well as mutual respect for national sovereignty, etc., political integration towards federation or union may involve issues like establishment of collective institutions, development and implementation of common defense/foreign policy, etc. However, it should be noted that political co-operation among Member States is a prerequisite for a federation or union. Mukandala, (2000, op. cit.) uses a fitting metaphor: while political federation/union constitutes a marriage, political co-operation is just a friendship between partners. A process of integration can be equated to the process of engagement between two partners.

Political co-operation is always regarded as an important means of facilitating economic integration and also as an end in itself, eventually leading to the attainment of a political federation. It is worth pointing out that economic integration can lead to the emergence of features of political integration as an unintended consequence. Lindberg (1963:44) points out four elements that

can unintentionally lead economic integration to create potential features of political integration, namely: if it leads to the development of central institutions and policies (e.g. bank, parliament, court, etc.), if the tasks assigned to these institutions are important enough to concern major groups in society; if these tasks are quite specific; and if the tasks are inherently expansive.

In a nutshell, one can argue that integration theories are both diverse and controversial in orientation. A broad classification has been attempted, one which groups these theories into what Pentland, Mattli, Brown and others have classified as political science approaches to regional integration. These include federalist, functionalist, neo-functionalist, transactional and communications-based approaches (Rosamond, 2000). Upon this understanding we examine those theories as follows:

Federalism

Throughout modern history, idealists have set forth schemes to solve the problem of war by building federalist institutions to which parties will consciously and voluntarily surrender their political autonomy and sovereign rights (R. Gilpin, 2001: 349). In the twentieth century, Woodrow Wilson's proposal for a League of Nations, and the later establishment of the United Nations, inspired additional federalist solutions to prevent another great war. Following World War II, the World Federalist Movement, whose appeal arose from its emphasis on persuasion, converting public opinion, and the building of institutions, expanded. Although the federalist idea had some influence on the movement toward European integration, it appealed most of all to those interested in the global level (ibid.). Briefly, the federal approach to regional integration presupposes the creation of a new State, through the merging of previously existing sovereign States, with the possible creation of a world State in the long run. This is not to advocate the idea of world Government as it has provoked previously acrimonious debate in various circles. Syntactically speaking, federal here refers to centralization, an amalgamation or partnership of States with the transfer of authority away from the Nation-State to a supra-national structure.

With reference to the African context, Senghor (1990: 17-19) has argued that federalism has historically meant political unification of and on the Continent. The goal of which has been 'to build a supra-national authority in which the importance of the nation-state is either over-ridden or altogether eliminated.'

One can even speculate that the pan-African ethos, which informed the most fervent advocators of immediate continental union, was informed by such logic (Chime, C., 1992: 71).

Unique to the federalist approach is its propensity to give politics a central role in comparison to variables such as economics, as other approaches tend to do. Unfortunately, this is also its greatest weakness. The approach is accused of blatantly disregarding the indisputable centrality that sovereignty has traditionally enjoyed. That a State would easily forego its territorial integrity and disregard its presumed national interest, in favor of regional or continental political union, is an aspiration that has seldom [if ever] reached fruition or been enduring (Augustine, W., 2004: 43). Attesting to this is a string of failed federalism attempts, of which some have been in Africa. These include the 1960s federal attempt of Sene-Gambia, Ghana-Guinea, Cape Verde-São Tome and Principe, and the short-lived Libya-Egypt federation (Sengor, 1990:17). During the colonial era, the British colonialists established federations in Africa such as the Federation of Rhodesia and Nyasaland. Rhodesia was composed of North and South Rhodesia, which are currently Zambia and Zimbabwe, respectively. Nyasaland is now the Republic of Malawi. However, the federation ceased after the independence of these three countries.

Elsewhere, successes have been achieved only under unusual political circumstances. The few examples of successful federal experiments have been motivated primarily by national security concerns. Indeed, perhaps the two most successful federal republics – Switzerland and the United States — were created in response to powerful external security threats. In the case of the United States, full political and economic integration were attained only after the victory of the North over the South in the Civil War. The German federalist State resulted from conquest by one nation (Prussia) of other German political entities. Historically, political integration of independent political entities has resulted from military conquest or dynastic union, and neither of these methods will necessarily lead to the creation of an integrated economy (Gilpin, M., 2001: 349).

Functionalism

The failure of the League of Nations to maintain world peace after World War I made people aware that something more than voluntary federalism was needed to ensure world peace. The British social democrat David Mitrany

(1966) took up this challenge and systematically set forth his functionalist theory as a solution to the problem of war in his highly influential monograph *A Working Peace System* and other writings. According to Mitrany, modern economic, technological, and other developments made political integration of the world possible and necessary. Technocratic management of an increasingly complex and integrated global economy and social system had become imperative.

Mitrany argued that the problem of war could be solved and the war-prone system of Nation-States could be escaped through international agreements in specific functional or technical areas such as health, postal services, and communications. Even though the political system remained fragmented into jealous and feuding nation-States, such functional and technical international institutions were feasible because the world in the twentieth century had become highly integrated both economically and physically by advances in communications and transportation. As functional international institutions succeeded and promoted social and economic welfare, they would gain legitimacy and political support and would, with time, triumph over the Nation-State.

Mitrany assumed that an economically and technologically integrated world had given rise to many complex technical problems that individual competing States could not deal with effectively. If functional problems in the areas of health and postal services were to be solved, Nation-States should, in their own self-interest, establish international organizations to carry out the required activities. Then, as the new organizations proved their effectiveness in dealing with various technical problems, States would delegate more and more tasks to international institutions. As new functional arrangements were put into place, the realm of independent political action, and hence international conflict, would become more and more circumscribed. There and again, States would learn the advantages of peaceful co-operation, and the importance of political boundaries would diminish. Political integration of the world would thus result from economic and other forms of international co-operation. The functional approach to integration was, therefore, partly intended by its proponents to replace the solidarity of national interest with the promotion of common functional interest on a wide stage. Nevertheless, the outcome has not been entirely in accordance with functionalist theory (Wallace, W., 1994: 49). In spite of proliferating regional integration arrangements, the growth of international organizations such as the UN and the Commonwealth, and the

intensification of globalization, the Nation-State still survives and there are no signs that it is in retreat.

Neo-functionalism

Inspired by Mitrany's insights, Ernest Haas developed what he called 'neo-functionalism' and applied this theory to both international institutions and the process of European integration. Drawing on literature in social science, Haas produced *The Uniting of Europe* (1957) and *Beyond the Nation-State* (1964). Like Mitrany, Haas believed that modern democratic and, especially, welfare States required rational management of the economy and centralized technocratic control. However, for Haas, Mitrany's functionalism was too unsophisticated politically and lacked a theory of how integration actually takes place. Whereas Mitrany had emphasized the deliberate actions of national leaders to create international institutions, Ernst Haas, who was largely influenced by the writings of Karl Deutsch, focused on domestic interest groups and political parties promoting their own economic self-interest. He also stressed the unintended consequences of previous integration efforts, which he called 'spillover'; as groups realized that integration could serve their self-interest, there would automatically be spillover from one area of integration to another. In the end, the process of spillover would lead to political co-operation and a transnational political community favoring more extensive and centralized regional or international governing mechanisms.

Haas was not especially interested in the reasons for initiating integration efforts; however, once an integration effort had been launched, he foresaw pressures for further integration. He expected that social and economic groups would demand additional economic integration, and that that would create new political actors interested in and ready to promote further integration. Political integration would be carried out by the actions of both domestic interest groups and international civil servants or entrepreneurs. Domestic interest groups, especially in business, would pressure their home governments to create regional institutions to perform particular tasks that would promote their economic interests. International civil servants, like the staff of the European Commission, would, as they fulfilled their assigned tasks, develop a loyalty to the international institution rather than to their home governments. As powerful domestic interests and individual States learned the utilitarian value of international organizations, and as international civil servants transferred

loyalty from their own States to international organizations, the role of international institutions in managing regional and global affairs would grow. Over time, the regional or global organization would be transformed from a means into an end itself. Thus, neo-functionalist theory, like the functionalist one, believed that economic co-operation would lead to political integration at either the regional or global level. However, just as there is a demand for greater integration there are also forces opposed to deeper integration. The EU process, where several *referenda* have dealt a blow to some integration measures, is a case in point. Opposing forces led Britain to remain out of the Euro Zone. The same can be found in Africa and elsewhere. For example, in Africa the question of establishing the African Government has been a nerve-racking one between moderates and extremists. The crux of the matter is national sovereignty.

The idea that economic and technological forces are driving the world toward greater political integration is embedded in the modern economic system and tends to be self-reinforcing, as each stage of economic integration encourages further integration. At a certain point, therefore, regional integration and globalization are dramatically opposed to each other. Neo-functionalism assumes that economic and other welfare concerns have become, or, at least, are becoming more important than such traditional concerns as national security and interstate rivalry. Underlying this assumption is a belief that industrialization, modernization, democracy, and similar forces have transformed behavior. The theory assumes as well that the experience of integration leads to redefinition of the national interest and eventual transfer of loyalty from the Nation-State to emerging regional or global entities. According to Deutsch, modernization leads to increasing levels of social interaction and communication among politically separated peoples, which in turn leads to a convergence of individual and group values in the directions of more cosmopolitan norms. This development results (at least among democratic societies) in the formation of the security community in which no State poses a threat to any other.

It is worth noting several ways in which neo-functionalism modified functionalism. Whereas functionalism assumed that conscious political decisions would accelerate political integration, neo-functionalist theory assumes that, once the process of economic and technical integration has been launched, unanticipated consequences, spillovers from one functional area to another, and the effects of learning will propel the process toward eventual political and economic unification. One of neo-functionalism's core positions is that

the logic of functional spillovers would push political elites inevitably from economic co-operation toward political unification. Neo-functionalism concentrates on the process of regional integration itself and, unlike economic theory, does not attempt to evaluate explicitly the economic welfare consequences of regional integration. Yet there is an unstated assumption that economic and political integration are beneficial to members and non-members alike.

Neo-functionalist ideas have strongly influenced the thinking of scholars and public officials on European regional integration. For example, Western Europeans, in their concerted efforts to create both a single market and a single European currency (the euro), have assumed that economic and monetary union would eventually force further steps toward economic and political unification. However, especially following the 1963 and 1967 French veto of Britain's efforts to join the European Community (Haas, E., 1975), it became obvious that the neo-functionalist logic of spillovers and feedbacks was not working. In 1975, Haas repudiated his own neo-functionalist theory. Few scholars have been equally honest and bold in rejecting their own theories when faced with contrary evidence. Further, Haas observes that successful integration is co-related with and caused by a series of factors, notably environment (e.g. industrialized economy), structural factors (e.g. supra-national bodies which can upgrade their common interests), and functional factors (e.g. specific economic tasks aimed at resolving policy differences emerging from previous imperfect compromises on welfare matters). Some of Haas's limitations lie in his theory confining the possibilities of regional integration to developed countries, failing to explain why the necessary characteristics for regional integration are absent in developing countries. Hence, he fails to account for the plethora of integration schemes that exist in Africa, in Latin America, and elsewhere in the Third World.

Neo-institutionalism, domestic politics, and intergovernmentalism

Since scholars have recognized that functionalist and neo-functionalist thinking about regional integration has proved inadequate, new approaches by various scholars and practitioners have, of late, emerged, reserving the right of each and every one who takes integration theory to the laboratory of history (Biswaro, 2005: 4). However, common ones are institutionalism, neo-institutionalism, domestic politics, and intergovernmentalism, and these have

influenced the writings of social scientists interested in economic and political integration (Robert, K. & Hoffman, S., 1991). Neo-institutionalism emphasizes the role of institutions in solving economic and other problems; it maintains that institutions can help improve market failures and solve collective action problems in economic and political integration. The most prominent scholar in this school of thought is Robert Keohane who, along with others, has emphasized the need for international institutions to deal with market failures, reduce transaction costs, and counter other problems. Scholars argue that international institutions (or regimes) assist States to solve collective action problems, promote co-operation through facilitation of reciprocity (tit-for-tat strategies), and link various issue areas. In such ways, regional international institutions increase the incentives for States to solve their disputes and cooperate with one another (Biswaro, 2005). Although this position has been very influential in the development of thinking about regional institutions, it has not led to a specific theory of economic and political integration.

Political scientists have also studied the effects on economic and political integration of such factors as the pressures of domestic economic interests and the interests of political elites. Their literature, emphasizing the importance for domestic groups of the distributive consequences of integration, has noted that winners support integration and losers oppose it. It has also recognized that political leaders will be guided by the consequences of integration for their own political survival, and domestic interests and institutions may facilitate or discourage integration. Many writings produced by political scientists in this area are very similar to those of economists. Despite this, the literature has not developed into a sufficient and coherent theory or approach to economic and political integration (Gilpin, 2001).

The most significant approach by political scientists to economic and political integration since neo-functionalism is intergovernmentalism or, more specifically, liberal intergovernmentalism. This approach, derived from neo-functionalism, neo-institutionalism, and other earlier theories of political integration, shares with neo-functionalism an emphasis on economic interests as the principal driving forces of regional integration. Like neo-institutionalism, it stresses the importance of international [meaning regional] institutions as a necessary means of facilitating and securing the integration process. However, intergovernmentalism differs from earlier approaches in its concentration on the central role of national governments, on the importance of powerful domestic economic interests, and on bargaining among national governments over distributive and institutional issues.

The most ambitious effort to develop a theory of economic and political integration based on intergovernmentalism is found in Andrew Moravcsik's *The Choice for Europe* (1998), which concentrates on the pivotal responses for national governments to the increasing interdependence of national economies, and emphasizes the importance of international institutions in solving problems generated by increasing economic interdependence. Moravcsik contends that the central claim is that the broad lines of European integration since 1955 reflect three factors: patterns of commercial advantage, the relative bargaining power of important governments, and the incentives to enhance the credibility of interstate commitments. The most fundamental of these was commercial interest. European integration resulted from a series of rational choices made by national leaders who consistently pursued economic interests – primarily the commercial interests of powerful economic producers and secondarily the macro-economic preferences of ruling governmental coalitions – that evolved slowly in response to structural incentives in the global economy. When such interests converged, integration advanced (Moravcsik, A., 1998).

In this regard, private economic interests and short-term macro-economic policy preferences are considered responsible for European integration and, as Moravcsik proposes a general theory of regional integration, for other integration efforts as well. Moravcsik believes that political motives, such as French-German reconciliation and the integration of West Germany into a denationalized European political structure, have played only a minor or secondary role in European political integration, and this constitutes a serious weakness in his argument. Critics argue that the statements of European leaders about the political imperative of economic and political integration make Moravcsik's disregard of the political motives quite astounding. If Moravcsik is correct that regional integration efforts around the world are due to national responses to increasing international economic interdependence, then one would expect similar movements toward political integration elsewhere. As he argues, European integration differs only in that Europe has been 'touched more intensely' by global economic developments. If one accepts Moravcsik's reasoning, one would expect that North America would also be moving toward political integration.

Although intra-European trade has certainly increased greatly since World War II, trade flows among the three North American economies, especially between the United States and Canada, are still considerably larger. North American corporate linkages across national borders dwarf those among

European firms; and services, finance, and manufacturing in North America are more closely integrated than those in Western Europe. Transnational European corporate integration, in fact, is just beginning, and progress toward economic integration has led to corporate integration, rather than vice versa. European national financial markets also remain highly fragmented and separated from one another (Gilm, 2001). Yet, despite the higher level of North American economic integration, there is no pressure whatsoever for political unity. Political integration is not occurring, because the North American nations have no political motive to integrate with one another as the nations of Western Europe have. Surely, the geopolitical concerns of the major West European powers should be given greater attention.

Realism

In spite of the fact that quite a number of realists have written on political integration, there is no generally accepted realist theory. Nevertheless, the realist approach does emphasize the importance of power, national political interests, and interstate rivalries in the integrative process. Realism regards regional integration, especially political integration, as a political phenomenon pursued by States for national, political and economic motives. Realism, alias State-centric realism, assumes that a successful process of economic and political integration must be championed by one or more of the core political entities that are willing to use their power and influence to promote the integration process. In the case of the European integration, regional leadership has been exercised by France and Germany. As Viner eloquently argues, it is generally agreed that Prussia engineered the customs union primarily for political reasons, in order to gain hegemony or at least influence over the lesser German States. It was largely in order to make certain that the hegemony should be Prussian and not Austrian that Prussia continually opposed Austrian entry into the Union, either openly or by pressing for a customs union tariff lower than the highly protectionist Austria could stomach (Viner, J., ibid.).

The realist approach to economic regionalism also calls attention to several factors that limit peaceful economic and political integration. Joseph Grieco, for example, stresses the importance of relative gains and of distributive issues in State calculations; these inevitably make it very difficult to achieve the type of long-term co-operation necessary to integration efforts. States, for example, are unlikely to willingly compromise their national security for economic gains

in a regional arrangement; thus far, the European Union has experienced little progress in reaching agreement on common security or foreign policies. In addition, the economic concessions required to achieve regional integration may be granted to allies but certainly not to potential adversaries. Therefore, economic and political integration may require a powerful leader that has an interest in and a capacity to promote a regional arrangement. Similar sentiments are echoed by the political theory of hegemonic stability, i.e. some dominant power must be there to enforce the rules of a cooperative game (Paul, K. in De Melo and A. Panageria, 1993:74). These are sometimes referred to as locomotives. The German Republic in Western Europe (EU), the United States in North America (NAFTA), Japan in Pacific Asia (APEC), Brazil in South America (MERCOSUR); Libya in the African Union (AU) and South Africa in Southern Africa (SADC) are but cases in point. However, others have observed that in reality, Brazil can afford to ignore MERCOSUR. Brazil's trade with China alone is far greater than its trade with all MERCOSUR countries. The same situation faces South Africa among the SADC countries. Despite these observations, the proponents of this thesis forget that there are other more important factors that require a collective regional approach. For example, issues of regional security, terrorism, drug trafficking and environment all require, at a certain point, a coordinated regional solution.

The historical experience in national development reveals that despite neo-functionalist assertions, economic unification has followed rather than preceded political unification. Once a political decision has been taken to achieve economic and monetary union, neo-functionalist logic and the solution of technical issues may propel deeper integration. This may be debatable. However, at least to our knowledge, there is no example of spillover from economic and monetary unification that has led automatically to political unification. Indeed, in some ways, even the movement toward economic and political unification of Europe thus far has been historically unique. Integration by peaceful means of such a large region has never before been attempted, and there are simply no precedents to provide guidance regarding the future of Africa or elsewhere.

There are several forces which facilitate the process of integration in this regard. Birch (1966:9) identifies social and economic factors. He mentions that expectations of economic advantage and existence of social and cultural bonds which generate a feeling of community tend to create conditions for federal integration. Deutsch (1957) agrees with Birch by emphasizing that

expectations of economic gains, a distinctive way of life and unbroken links of social communication constitute the important condition for integration. Emmerson (1998) concurs with this view.

However, history has shown that it is the political aspect that forms the basis for integration. This brings us to the importance of political co-operation in sustaining the level of integration. Its importance lies primarily in the fact that in order for any co-operation/integration to be created, there has to be a sense of political will, that is, readiness to join and be joined in an organization. This is a critical *sine qua non* (Biswaro, 2005). It should also be noted that willingness on the part of politicians to participate in co-operation or any kind of integration depends on particular gains from the organization. Perhaps it is safe to argue that there is a symbiotic relationship between political will, on the one hand, and anticipated gains to be generated out of the collective organization, on the other (Mukandala, op. cit.), an opinion which seems to be shared by Samuel M. Wangwe (Wangwe: 2000).

An eclectic approach

Indeed, efforts to develop a general theory of regional integration are unlikely to succeed at least for now. The realist approach also has serious limitations. There are too many different factors involved in regional movements around the world; the differences between various regional efforts are too great, with very many assumptions that cannot be tested necessarily involved in any analysis of regional efforts. Our realist bias is to stress the political and strategic sources of regional efforts; yet we acknowledge that this approach cannot fully account for every example of regional integration and/or for the important differences between these efforts. For example, although political considerations have certainly been important in NAFTA and in Japan's efforts to create an Asian Pacific economic bloc, the principal motive in those cases has been the fulfillment of private and national economic interests. The dozen efforts to create regional economies do possess one or more common elements: an economic motive, the establishment of an external tariff of some kind, and/or a leader or leaders interested in promoting integration of the region. Yet, further generalization is difficult, if not impossible. Motives, external tariffs, and the role of leadership differ from one regional arrangement to another, and for this reason one must consider taking an eclectic approach to understanding regional integration (R. Gilpin, op cit.)

A universal theory or explanation of such a diverse and wide-ranging phenomenon is undoubtedly impossible to formulate. An eclectic approach is reasonable and should stress a number of factors. First of all, every regional effort involves some political motive, sometimes one that is very ambitious, as in European regional integration, and sometimes quite modest, as in North American regionalism. Although the interests and pressures of powerful domestic groups may shape regional arrangements, those arrangements are produced primarily by national interests as defined by the ruling elites of the States involved.

An eclectic approach should also incorporate recognition that sometimes regionalism is stimulated when there is no strong international leadership (Krugman, P.R., 1992:28). As the United States became less willing to continue the leadership role that it once performed, groups of States framed their own solutions to international economic problems. Weakening of the Bretton Woods System of rule-based trade and monetary regimes encouraged the search for regional solutions. Growing numbers of participants and the increasing complexity of the problems in international negotiations also encouraged a movement toward regional arrangements. For example, the large number of participants in GATT/WTO trade negotiations has led groups of States to seek other solutions that are frequently easier to find at the regional than at the global level. Furthermore, the countries involved in USA bilateral trade agreements, notably Chile and Colombia, need to be viewed in a similar context.

Additional important factors in the spread of economic regionalism include the emergence of new economic powers, intensification of international economic competition, and rapid technological developments. The increasing pace of economic change makes the choice between adjusting to new developments and resorting to protectionism even more vital. In the 1970s, Nation-States usually responded to such challenges with New Protectionism; that is, the use of non-tariff barriers. As that approach became less effective, States in Western Europe, North America, and elsewhere formed Customs Unions and free trade areas to slow the adjustment process and to protect themselves from the rapidly industrializing and highly competitive economies of Pacific Asia. In the late 1990s, protectionist efforts increased once again. For example, the WTO, founded in January 1995, rolled back protectionism.

There are other factors that should be recognized in a new approach. Economic regionalism is also driven by the dynamics of an economic security

dilemma. For example, the movement toward European unity became a factor in the USA decision to support the North American Free Trade Agreement. Japan, fearing exclusion from both of those regional blocs, stimulated Asian Pacific regionalism. Other regional efforts in Africa, Latin America and around the world were also responses to earlier regional movements. In effect, nations have been trapped in a traditional Prisoner's Dilemma of mutual distrust from which escape has become difficult.

Finally, additional factors influencing the movement toward economic regionalism have included the increasing importance for world trade of oligopolistic competition, the theory of strategic trade, and economies of scale. Earlier postwar economic thinking about regionalism emphasized the trade creation and diversion consequences of regional trading arrangements, but more recently the focus has been on the importance of internal and external economies of scale that could be achieved through economic integration (Desmond, D., 1998: 153-158). It is worth noting that the phrase 'international economies of scale' refers to the decreased average costs enjoyed by a single, large firm over a smaller firm. The term 'external economies of scale' refers to the fact that firms near one another can benefit from technological and other spillovers from neighboring firms. In principle, of course, the best route to promote economies of scale would be through free trade and completely open markets. However, many business and political leaders believe that protected regional arrangements enable local firms to achieve such economies and thereby to increase their competitiveness *vis-à-vis* foreign firms. Then when the firms are sufficiently strong, they will be able to compete more successfully against established oligopolistic firms in global markets. Such reasoning behind efforts to increase international competitiveness has certainly been a factor underlying the movement toward regional integration.

Nevertheless, while economic integration has fared relatively well in various earlier co-operation schemes, political co-operation/ integration has, so far, proved to be the most difficult goal to attain. For many countries, a desire for political federation or union has turned out to be a far-fetched dream. The complexity of attaining political federation or even union emanates from the traditional importance of the Nation-State. In this regard, each State is supposed to be autonomous and sovereign. As we shall see later, none wants to cede its sovereignty to a supra-national institution. Unfortunately, the process of political integration, like the phenomenon of globalization, goes against sovereignty.

Besides, the will to surrender will be minimal when political leaders do not feel confident they would have anything to gain except subordination in the proposed federal Government. Given its difficulties, political co-operation/ integration need(s) a great deal of negotiating, particularly on common interests in order to maintain the leaders' commitments and allegiances. Haas (1974) calls this process the 'upgrading of common interests.' It is important to point out, at this point in time, that regional co-operation, to use Solzhenitsyn's analogy, is like riding a bicycle. The rider remains on top as long as he/she is cycling. When he/she stops, the *momentum* is lost and, finally, the bicycle topples over. Hence, any kind of political co-operation/integration may succeed only when the political leadership appreciates the fact that there are strategic gains to be earned and works tirelessly for their realization.

In view of the foregoing, and specifically focusing on Africa, one can contend that the creation of the OAU, in 1963, was a dynamic process dictated by the material or existing conditions of that epoch. Likewise, the establishment of the AU, like the EU, is an attempt to respond to current circumstances in a globalized world. The desire to integrate exists and is not new to Africa and elsewhere. In most cases it has been incremental. It can be argued further that, historically, integration pre-dates written history in Africa. Some African scholars argue that the desire for chieftains and warrior kings to create large empires, some of them successfully (e.g. Ghana, Nubia, Zimbabwe, Mali, Ethiopia, Songhai, Zulu), bear testimony to this innate wish of Africans to extend control over large areas for efficiency of management of resources. That this was often done on the battle-fields is a debate on the means rather than the end. Some have contended that it amounted to domination. Others argue that without colonial interruption, this process would have matured into large, integrated and viable African States. Let the debate continue!

A further review of literature on integration theory reveals some divergent conceptual positions especially as regards forms, levels and even the 'appropriate' time to begin an integration process. However, expectations about and practice of co-operation may be hard to merge, due to the complexities ranging from national interests (e.g. sovereignty) and resource distribution to differences in levels of development of the respective members. Such realities are decisive in the entire process of integration.

To sum up, apart from the neo-classical, marxist, and development theoretical conceptions of integration, a broad classification is that of the

political science approach to regional integration. As argued above, the proponents of this school include Pentland, Brown, and Mattli. In this connection, there are federalists, functionalists and neo-functionalists (Morgan, P., 1987). As a sequel to this approach, there are more economics-inclined approaches that essentially concentrate on the Customs Union and step-by-step approaches to regional integration.

The federal approach to regional integration presupposes the creation of a new State through the merging of previous sovereign ones, with the possibility of creating a world State in the long run. This implies concentration, amalgamation or partnership of States with the transfer of authority away from the Nation-State to a supra-national structure (Kissinger, H., 2002: 32–58). Successful cases in this regard could include the United States of America and the United Republic of Tanzania.

Another subset is functionalist regional integration. This is sometimes called the gradual or step-by-step approach. It does not necessarily seek the immediate replacement of the Nation-State by supra-national entity. Instead, functionalism presupposes the evolution of that entity as a natural result of co-operation that begins in areas of low politics culminating in co-operation in more complex political fields through a gradual build-up of trust and functional spillover. Unfortunately, where functionalism demonstrates strength is also where it is weak. Its assumption that gradualism would ultimately work in areas of high politics such as national security and national interests, as it does in technical matters, defies reality (Biswaro, 2005).

An outgrowth of this approach is neo-functionalism. Its basic premises are slightly more complex. This is probably best demonstrated by one of its pillars, the postulation that 'supra-nationality is the only method available to the State to secure maximum welfare', underpinning the idea that there are inseparable interlinkages between the social, the economic and the political domains. For neo-functionalists, integration evolves through a series of processes that entail: 'Functional spillover, updating of common interests and sub-national and supra-national group dynamics'. Its weakness is the apparent failure to explain how welfare maximization within an integrating Nation-State is really linked to regional integration.

The economic approaches to regional integration revolve around the relationship between supply and demand and its effect on factors of production in a given region. With this approach, two main subsets are discernible. They are the Customs Union and the step-by-step economic approach to integration.

As noted earlier, the Customs Union theory concentrates on aspects as diverse as trade creation, trade diversion, terms of trade and positive *versus* negative integration. Conceptually, the term trade creation means a situation whereby, after the removal of tariffs, the output of the inefficient industries within the union Member States is replaced by cheaper imports from more efficient industries.

In contrast, trade diversion occurs if, prior to the establishment of the Customs Union, current third States were the lowest-cost suppliers of goods and services to the now new Customs Union Member States. Roundly criticized, the Customs Union theory is not favored mainly because its implementation fosters lopsided benefits whereby the more developed States with better economies are more likely to benefit from the Union than the less developed.

The step-by-step economic approach to regional integration is gradual and incremental in orientation. As pointed out above, the integrating Member States are expected to move forward gradually along a line or ascending order, with the ultimate goal being political union (Augustine: p. 43-45). Such an integration process has six stages (Biswaro, 2005), as follows:

Regional economic integration

In the mindset of most neo-classical economists there has conventionally existed only 'one theory', namely what here is labeled the orthodox theory of regional economic integration (sometimes referred to as trade integration or market integration). The customs union concept constitutes the foundation of this theory. It involves the creation, in linear succession, of increasingly more advanced stages of economic integration: preferential trade area, free trade area, customs union, common market, economic union and political union (Balassa, 1962; El-Agraa, 1997; Robson, 1998). The market forces that come into play at one stage are anticipated to have a spillover effect to the next stage, so that its implementation becomes an economic necessity. A related proposition is that because economic integration has its own costs, resources will be misallocated if a more advanced stage is embarked upon before a lower stage is completed.

At the lowest stage there is a Preferential Trade Area (PTA) whereby member countries charge each other lower tariffs than those applicable to

non-members, while preventing the free movement of goods within the area. The second stage is a Free Trade Area (FTA) in which tariffs and quotas are eliminated among members, but each country retains its own tariffs against imports from non-members. A Customs Union (CU) goes further: in addition to sharing a free trade area, members erect a common external tariff. The Common Market (CM) is a more developed stage of integration. It combines the features of the customs union with the elimination of obstacles for the free movement of labor, capital, services and persons (and entrepreneurship). The next step on the ladder is an economic union, which involves a common currency and/or the harmonization and unification of monetary, fiscal and social policies. The last stage is a Federation. It presupposes the unification of economic and political policies, and that the central supra-national authority not only controls economic policy but is also responsible to a common parliament.

Development oriented integration, an alternative approach described above, explicitly emphasizes the dynamics and development-oriented benefits of regional economic integration, more suited to harsh Third World conditions. It can be understood within the structuralist tradition of economic development, pioneered by Myrdal and Prebisch. Development integrationists claim that the rationale of regional co-operation and integration among less-developed countries is not to be found in marginal change and economic efficiency within the existing structure, particularly not in a comparison between trade creation and trade diversion, but in the fostering of 'structural transformation' and the stimulation of productive capacities, investment and trading opportunities (Haarlÿv, 1988: 23; Robson, 1997:268-95; Axline, 1984:17-18). As Haarlÿv (1988:21) points out, it is not left to the market mechanism to define the sectors and scope of co-operation. In order to ensure that the commonly defined plans, such as those for investment and production, are carried out successfully, the creation of supra-national institutions may come at an earlier stage than in the orthodox theory.

A balanced and more equitable distribution of costs and benefits has been one of the main arguments for the formulation of the development integration model. The model makes use of two broad sets of distributive instruments: compensatory (transfer tax system, budgetary transfers, preferential tariffs) and corrective mechanisms (planned industrial strategy, regional development banks or funds, common investment code — for details see- Haarlÿv, 1988: 23; Robson, 1987: 198-214; Axline ,1984:17-18).

Although certain aspects of development integration thinking are still valid for some economic academics, most are increasingly elaborating the 'open regionalism' approach. Open regionalism is the new and dominant form of mainstream economic thinking. It is basically an extension of the orthodox theory of regional economic integration, especially the trade integration aspects, adjusted to a globalizing world economy. It is based on neo-liberal and neo-classical economics and emphasizes that the integration project should be market-driven and outward-looking; should avoid high levels of protection; and should form part of the ongoing globalization and internationalization process of world political economy (Anderson and Blackhurst, 1993; Bergesten, 1994; Cable and Henderson, 1994; El-Agraa, 1997; de Melo and Panagariya, 1993).

According to Cable and Henderson (1994: 8) open regionalism means directing policy towards the elimination of obstacles to trade within a region, while at the same time doing nothing to raise external tariff barriers to the rest of the world, implying that it is compatible with multilateralism. It is open in the sense that it should contribute more to the process of global liberalization than it detracts from it (through discrimination). The major issue is whether the formation of regional economic blocs are 'stumbling blocs' or 'building blocs' towards an open world economy (Biswaro, 2005). It is also open because it does not exclude new members (Cable and Henderson, 1994:8). In practice these two aspects are linked, since exclusion matters more if membership has substantial discriminatory effects.

To sum up, open regionalists conceived regionalism mainly as a trade promotion policy, building on regional arrangements, rather than as a multilateral framework. The main justification for open regionalism is that it contributes more to the process of global liberalization and multilateralism than it detracts from it. The normative point of view behind the open regionalism concept is that it at best constitutes a second-best contribution to the task of increasing the amount of world trade and global welfare, and at worst poses a protectionist threat to the multilateral order. Regionalism can thus be motivated, for a limited time, by the argument that infant industries require protection, or it can be seen as a temporary phase in a wider globalization or multilateralization process.

The new regionalism approach

Another interesting area of both theoretical and conceptual concern is the new Regionalism Approach (NRA). The current development of the global

political economy prompts us to reassess and reconstruct. While to some extent building on earlier theoretical experiences, and thereby taking into account their drawbacks, we seek to move towards an open-ended version of the NRA (Hettne, Inotai and Sunkel, 1999; Bÿûs *et al*., 1999) which is designed to capture the heterogeneous and multidimensional processes of emerging regions and regionalization from a historical and interdisciplinary perspective. Mainstream theories in the field need not be dismissed altogether, and may still be helpful in the analysis of regionalisms and regionalization. However, as Mittelman (1999:15-6) points out: 'The new regionalism approach (NRA) is an important advance on the different versions of integration theory (trade or market integration, functionalism and neo-functionalism, institutionalism and neo-institutionalism, and so on).All of them are deficient inasmuch as they understate power relations and fail to offer an explanation of structural transformation. In some ways a break with this tradition, the NRA explores contemporary forms of transnational co-operation and cross-border flows through comparative, historical, and multilevel perspectives'.

The NRA is connected with the broader theoretical debate within the tradition of International Relations, International Political Economy and the effort to transcend 'problem-solving theory', State-centric ontologies and rationalist epistemologies. Instead it aims to move towards critical theory and a more comprehensive social science which accommodates State actors as well as market and civil society actors (Murphy and Tooze, 1991; Hettne, 1995; Cox, 1996).

The NRA is founded on the necessity to 'unpack' the State, avoid the state-centrism inherent in mainstream theorizing in the field (neo-realism, institutionalism or economic integration theory), and better understand the State-society complexes. We submit that mainstream theories at best provide an incomplete guide to understanding the empirical phenomenon of the new regionalism. The NRA is basically an attempt to understand the challenge eloquently expressed by Andrew Hurrel (1995:71-3): that the early phases of regional co-operation may be the result of the existence of a common enemy or powerful hegemonic power; *but that having been thrown together, different logics begins to develop*: the functionalist or problem-solving logic stressed by institutionalists; or the logic of community highlighted by the constructivists. Thus, neo-realists may be right to stress the importance of the geopolitical context in the early stages of European unity, and yet wrong in ignoring the degree to which both informal integration and successful

institutionalization altered the dynamics of European international relations over the following fifty years.

There is almost general agreement that regionalization is to be seen as a comprehensive and multidimensional process, which implies increased regional co-operation, integration and complementarity with respect to a number of dimensions such as culture, politics, security, economics and diplomacy. This implies that there is a pluralism of regionalisms and regionalizations, which are most likely overlapping, heterogeneous and often contradictory. Moreover, a historical analysis is crucial to a full understanding of regionalization.

Furthermore, we underline the socially constructed character of regionalization, which also implies that regionalization can be deconstructed. In a broad sense, social constructivism places emphasis both on material forces and on its tenet 'that international reality is a social construction driven by collective understandings, including norms, that emerge from social interaction' (Adler and Barnett, 1998: 10). Social constructivists claim that understanding inter subjective structures allows us to trace the ways in which interests and identities change over time and new forms of co-operation and community can emerge. Besides, constructivist theories focus on regional awareness and regional identity, on 'cognitive interdependence' and the shared sense of belonging to a particular regional community, and on what has been called 'cognitive regionalism'.

The problem of defining regions attracted a significant amount of attention during the first wave of regionalism, but the results yielded few clear conclusions. In this context it is worth repeating that the *problematique* of the NRA is not the delineation of regions *per se*, but the processes and consequences of regionalization in various fields of activity and at various levels. There are no 'natural' or 'given' regions, but these are constructed, deconstructed and reconstructed – intentionally or non-intentionally – in the process of global transformation, by collective human action and identity formation. It is even argued that regions are imaginary, that they remain in the *psyche* of human beings. It should therefore be very clear that we do not by any means suggest that regions will be unitary or homogeneous units. Regions are overlapping and always plural. A focus on regions and processes of regionalization (rather than regional organizations) does imply, however, that the most commonly used units of analysis until now, State*s*, are not isolated entities or discrete categories. States cannot be understood without references to the neighboring environment, the region(s) in which the country has developed. By the same

token, regions are not discrete categories and must be understood in a global perspective. Neglect of the external factor was often an error of old theories of regional integration. The NRA is based on the fact that, while each region has its own internal dynamics, at the same time pressing evidence exists that regions must be understood in a global perspective. Both internal and external dimensions are to be taken into account.

For these reasons, we maintain an eclectic and flexible definition of regions. Regions necessarily involve a geographical dimension, and the main task of identifying regions implies judgments about the degree to which a particular area in various respects constitutes a distinct entity. This distinct entity should be distinguished as a territorial subsystem (in contrast with non-territorial subsystems) from the rest of the international system. This implies that there are many varieties of regional subsystems with different degrees of 'regionness', or the degree to which a particular region in various respects constitutes a coherent unit (Hettne 1993, 1999; Hettne and Söderbaum, 1998).

Many theorists agree with the minimum definition of a region set out by Nye (1965:7): 'a limited number of States linked together by a geographical relationship and by a degree of mutual interdependence'. In an effort to transcend State-centrism, however, the NRA does not perceive regions as simple aggregations of States. The regional frontier may very well cut through a particular State's geographical area, positioning some parts of the State within the region and others outside. For instance, it could be argued that some parts of China, mainly the coastal areas, form part of an East Asian regionalization process, while mainland China does not. A less dramatic example is the well-consolidated nation-State of Sweden, where, nevertheless, the eastern part increasingly inclines to the Baltic, the west to the Atlantic and the south to Europe. Similar processes can be found in Spain and Italy, for instance. Furthermore, what is referred to as a region with regard to economic relations may not always be seen as such from a political or a cultural perspective. However, there is reason to believe that the diverse ideas and processes tend to converge as the regionalization process intensifies.

Furthermore, in many regions it is possible to discern a group of countries constituting the core of the region, while one or several other countries or subnational areas constitute a semi-periphery of the region in question – as exemplified by the EU Member States and the former Eastern Bloc countries, and by the case of MERCOSUR and the Andean countries. Although this peripheral status should not be defined in terms of geography, the two often

coincide. In MERCOSUR, Brazil, Argentina, Paraguay and Uruguay could be considered the core. Venezuela, Chile, Peru and Bolivia are associates on the semi-periphery.

Since regions are social constructions, there are no given regions, and no given regionalist interests either, but the interests and identities are shaped in the process of interaction and inter subjective understanding. The relevance of 'hard structuralism' is limited in such a situation. We agree with Wendt (1992:395) that 'structure has no existence or casual power apart from process'. Structuralism thus has to be transcended, and in order to understand structural change we must move from structure to *agency, actors* and *strategies*. In accordance with social constructivism more generally, the NRA seeks to address the fact that agency, and particularly the role of often previously excluded transnational actors, is an under-researched field in the study of regionalism and regionalization.

To a large extent, regionalism can be seen as a political phenomenon, shaped by political actors (State and non State) who may use regionalism for a variety of not necessarily compatible purposes. Thus, by looking at regionalization from a political perspective, the issue raised is formulated in the question: what kind of actors are driving the project, with what means, and for what purposes?

As indicated above, we emphasize that regionalization may occur either through 'formal', top-down, State-driven or through 'real', bottom-up, market and society-induced processes of regionalization (Hettne, 1999; Hurrel, 1995; Oman, 1994). Contrary to the overemphasis, in the debate, on top-down regionalist projects, particularly concerning regional organizations and regional trading arrangements, both processes must be given equal attention in the theoretical framework. The main actors and driving forces of top-down regionalization are States (governments) and 'authorities' at various levels. 'Market and society regionalization' refers to the growth of the often undirected processes of societal and economic (private business) interaction and interdependence (Hurrel, 1995: 39). The actors are from markets, business networks, firms, transnational corporations, peoples, NGOs and other types of social networks and social movements contributing to the formation of a ('real') transnational regional economy and civil society. For obvious reasons, this type of regionalization may be affected by intergovernmental regional co-operation and integration (State regionalization), but it is crucial to separate the processes analytically. Often this distinction is not made.

Transcending top-down, State-driven notions of regionalization is particularly important in order to understand the spontaneous processes of regionalization, the making of regional civil societies as well as cross-border regions where the structures of nation- State are weakened as a result of globalization and regionalization processes. In the latter case, the reaction of governments is sometimes to cling firmly to whatever State power they have left, and therefore to be hostile to changes, including what is perceived as giving away national sovereignty. We shall deal with the question of sovereignty in a separate chapter.

In this context it must once again be pointed out that the NRA is compatible with an interdependent world economy (although it remains cautious with regard to free trade, or 'dogmatic globalism'). The NRA assumes the 'return of the political globalized world', in contrast to the concept of open regionalism, based on the notion that it is market forces that are shaping underlying processes. The NRA views globalization as a strong and in some of its dimensions irreversible force, but one that will (or should) be significantly modified by regional formations in defense of social order, and attempts at political control over the market. In this view, if globalization is the challenge, the new regionalism can be a response; an attempt to bridge globalization processes and transnational transactions under some political-territorial control (Hettne, 1999; Polanyi, 1957). To us, globalization provides both challenges and opportunities.

Rather than a premature causal theory and a set of variables, which are unlikely to capture the complex heterogeneity, diversity and multidimensional dynamics of regionalization, we have outlined a set of *issues*, extracted from the above exploration, that concern all the regions under investigation as feasible case studies. This focus makes it possible to recognize specific peculiarities and contexts of various regions in the world as we start navigating.

Chapter II
Sovereignty and hypocrisy

Introduction

Sovereignty has always been regarded as a core element in International Relations and Law. The Treaty of Westphalia, in 1648, marked the advent of the contemporary 'Doctrine of State Sovereignty'. However, there is a dual perspective incorporating the internal and external dimensions of the concept which may co-exist to varying degrees (Jackson, 2003:3). Weber (cited in Hoffmann, 1995:3) views a sovereign State as an 'institution claiming to exercise a monopoly of legitimate force within a particular territory.' Stated differently, a sovereign State is one that exercises supreme, legal, unlimited, unrestricted, and exclusive control over a designated territory and its population. In a similar manner, the sovereignty of a State requires recognition by other States through mutual diplomatic dealings, and usually by membership of a comprehensive international, regional or sub-regional organization (G.Onuoha; 2009:2).

The doctrine of sovereignty is largely based on the notion of formal equality between States and the principle of non-intervention in issues that are perceived to be strictly the domestic affairs of States. The beginning of the twenty-first century witnessed the emergence of close to 200 sovereign States in the international system. If in some ways the doctrine of State sovereignty reinforces the notion of international anarchy, this is because the impression

that a 'supreme authority' exists in the State logically challenges the existence of a 'super-sovereign' authority above the State. The only exception to this is when a State explicitly confers authority on a supra-national authority. In view of the foregoing, the notion of sovereignty has been subject to various interpretations and has confronted some challenges often dictated by real power considerations and other exigencies. Since the end of the Cold War the debate about sovereignty has returned to the forefront.

There are varied definitions and interpretations of the term sovereignty. Some view it as the exclusive right to control a Government, a country, a person, or oneself. A sovereign in this case is the supreme law-making authority, absolute authority within a given territory. The possession of sovereignty is taken to be the distinguishing feature of the state, as against other forms of community. The term has an internal aspect, in that it refers to the ultimate source of authority within a State, such as a parliament or monarch, and an external aspect, where it denotes the independence of the State from any outside authority.

The definition of a sovereign state is contested, however, by those who assert that international law is binding. Because states are limited by treaties and international obligations and are not legally permitted by the United Nations Charter to commit aggression at will, they argue that the absolute freedom of a sovereign state is, and should be, a thing of the past. In current international practice this view is generally accepted. The United Nations is today considered the principal organ for restraining the exercise of sovereignty. We subscribe to this view. Nevertheless, in certain questions the UN is considered toothless, as some Member States, such as the USA and Israel, constantly violate its decisions and resolutions with impunity.

According to the International Commission on Intervention and State Sovereignty, 'four views have emerged to challenge the traditional and static concept of sovereignty: the increased salience of self-determination and the willingness to redraw borders; the ever-widening definition of threats to international peace and security; the recurring collapse of State authority; and the heightened importance attached to popular sovereignty'. As former UN Secretary-General Kofi Annan puts it, this trend is borne out by the recognition of the need to 'adapt our international system better to a world with new actors, new responsibilities, and new possibilities for peace and progress' (Annan 1999:47). In the same vein, Annan also notes that 'state sovereignty, in its most basic sense, is being redefined by the forces of globalization and international cooperation.'

This chapter seeks to take the debate on sovereignty and integration beyond the Westphalian conception. In a bid to achieve that goal, it will try to delineate the concept of sovereignty in its historical context, its dimensions, and its relationship to authority and control. Consequently, it will examine the current debate in so far as the regional integration process is concerned, with specific reference to Africa and Europe.

Sovereignty in its historical perspective

The basic concept of sovereignty has three distinct elements, which collectively define what it means to possess sovereignty. The first element is legitimate authority. Authority is simply the ability to enforce an order; the qualifier "legitimate" means that authority is invested with some legal, consensual basis. Put another way, sovereignty is more than the exercise of pure force. The second element of sovereignty is that it is supreme. There is no higher authority than the possessor of sovereignty; the sovereign is the highest possible authority wherever the sovereign holds sway. The third and related element is that of territory: sovereignty is the supreme authority within a defined physical territory. Since the Peace of Westphalia, the political State came to embody the territorial definition of sovereignty.

Politically, it is important to distinguish authority from control. While the boundary can be hazy, authority involves a mutually recognized right for an actor to engage in specific kinds of activities. If authority is effective, force or compulsion would never have to be exercised. Authority would be coterminous with control. But control can be achieved simply through the use of brute force with no mutual recognition of authority at all. With these differences in mind, we can examine the three main types of sovereignty.

Westphalian sovereignty and *international legal sovereignty* exclusively refer to issues of authority: does the State have the right to exclude external actors, and is a State recognized as having the authority to engage in international agreements? *Interdependence sovereignty* exclusively refers to control: can a State control movements across and beyond its own border? Domestic sovereignty structures are recognized within a State, and how effective is their level of control? A loss of interdependence sovereignty (control over trans-border flows) would almost certainly imply a loss of domestic sovereignty but would not necessarily imply the State had lost domestic authority.

In contemporary discourse, it has become commonplace for observers to note that State sovereignty is being eroded by globalization. Such analyses are concerned fundamentally with questions of control, not authority (Thomson, 1995: 216). The inability to regulate the flow of goods, persons, pollutants, diseases, and ideas across territorial boundaries has been described as a loss of sovereignty (Mathews, 1997; Wriston, 1997). In his classic study, *The Economics of Interdependence*, Richard Cooper (see S.D. Krasner,2009) argued that in a world of large open capital markets States would not be able to control their own monetary policy because they could not control the trans-border movements of capital.

Given that new issues in international relations have created new challenges for the concept of sovereignty, we will begin with a brief overview of its evolution. This will be followed by a brief examination of typical objections to and violations of sovereignty, especially focusing on the problem of internal wars and the justifications that are used when interventions undermine sovereignty in the system.

The evolution of sovereignty

When Bodin enunciated his principle of sovereignty, he was unconcerned about it as a maxim for international relations. This is not surprising in a period when European states were absolute monarchies. The concept of sovereignty was extended to international relations as the state system evolved and the structure of the modern state emerged and solidified. Hugo Grotius, the Dutch scholar, generally acknowledged as the father of international law, first proclaimed State sovereignty as a fundamental principle of international relations in his 1625 book *On the law of war and peace.* By the eighteenth century, the principle was well on its way to being in place.

By the nineteenth century, the idea of absolute State sovereignty was the rule and this principle governed both domestic and international relations. But how absolute is 'absolute State sovereignty'? How much authority does the holder of sovereignty have in the territorial realm over which it is exercised? Within whom, or what body, does sovereignty reside? Different answers have decidedly different implications for what sovereignty means in the relations among states.

As sovereignty was originally formulated and implemented, the answer to the first question was that sovereignty was absolute, that the possessor has

total authority over his or her realm. As for the second question, the traditional view was that sovereignty resides in the State. In the sixteenth and seventeenth centuries, this meant the king or queen had sovereignty; the Government exercised sovereignty over the population, whose duty was to submit to that authority. The American and French Revolutions, however, led to the contrary assertion, which was that the *people*, not the State (or monarch) were the possessors of sovereignty.

Objections to sovereignty

State sovereignty, however, has continued to be a guiding principle on which international relations are based. Governments still cling tenaciously to their possession of sovereignty, although the sacrosanct status of unfettered sovereignty is being increasingly questioned. Part of the assault has come from the traditional critics of sovereignty, for instance the opponents of war, who argue that armed conflict is an integral, inevitable, and regrettable consequence of a world in which sovereignty reigns. From this view, dismantling sovereignty is the necessary prerequisite for world peace. At the same time, the rise of other concerns such as human rights creates collision points with State sovereignty. Those who abuse their own citizens have long justified mistreatment of individuals and groups by arguing that sovereign States possess absolute authority over their citizens; therefore, how states act within their sovereign jurisdiction is their own business and never the concern of the international order.

The bloody internal conflicts in the Balkans and parts of Africa have challenged the idea that state sovereignty provides license for governments to do as they please to their citizens or, where governments are incapable or nonexistent, not to protect portions of their populations from internecine or external ravage. Using the United Nations as a vehicle to justify its actions, the international system has, on numerous occasions that will almost certainly continue into the future, involved itself in these situations in order to prevent further abuse and to protect citizens.

The idea and consequences of sovereignty came under increasing assault as the twentieth century evolved toward the twenty-first. Two broad categories of criticism, however, relate directly to the question of international intervention in the internal affairs of states and thus have direct relevance to our task of examining the impact of intervention on sovereignty. Both are attacks on how the concept is made operational.

The first objection is aimed at the absolutist conception of sovereignty. Critics of this argument maintain that sovereignty in application has never been as absolute as sovereignty in theory. The myth of the impenetrability of the states by outside forces, including other states, is no more than a fiction to buttress up the principle states have always interfered in the internal affairs of other states in one way or another. According to this argument, not only has sovereignty never been as absolute as its champions would assert, but it is becoming increasingly less so. A major reason for this dilution derives from the scientific revolution in telecommunications, which has made national borders much more penetrable

The other objection to absolute sovereignty has directly to do with the consequences of a system based on state sovereignty. Once again, a number of assertions are made about the pernicious effect of this form of organization on the operation of the international system.

The first and most common assertion about state sovereignty is that it legitimizes war as a means to settle disputes between states. In a system of sovereign states, after all, there is no authority to enforce international norms on states or to adjudicate or enforce judgments resolving the disputes that arise between them, except to the extent that states voluntarily agree to be bound by international norms or, ironically, can be forced to accept international judgments. If states cannot agree amicably on how to settle their differences, then they must rely on their own ability to solve favorably those disagreements they have.

The other, more contemporary, assertion about the consequences of sovereignty is that it gives governments excessive power over their people. In an international sense, governments still are, after all, legally 'unrestrained' by international norms in dealing with their own populations, except, once again, to the extent that states have voluntarily limited their rights by signing international agreements. Historically the notion that governments may do horrible things to their own citizens was abhorred by many in the international community, but the right to such behavior was unchallenged on the basis of sovereignty.

Violating sovereignty through the UN

UN-sanctioned violation of sovereignty has been conducted indirectly and inductively. It began when the Security Council authorized a peacekeeping force (UNOSOM) to go to Somalia on 3rd December, 1992. The official

reason for the mission was to alleviate human suffering (the threat of massive starvation) due to a five-year long drought and a civil war, one consequence of which was that international relief efforts to get food to the afflicted were being interrupted by the combating factions. The motivation for the mission was hence humanitarian, aiming to alleviate suffering in what would subsequently be referred to a major humanitarian disaster.

The UN action was a major precedent in at least two ways that were influenced by the unique circumstances in Somalia at the time. First and possibly most important, it was a mission authorized and implemented without any consultation with the Government of the country to which it was dispatched. The idea that the UN would in effect invade a Member State presumably for its own good was a major change of policy for the international community working through the world body.

The second precedent was that this was the first time that the Security Council interpreted its jurisdiction to include purely humanitarian crises. Without going into the legislative history of the Charter, it is clear that the framers meant Chapter VII to be invoked primarily in the case of cross-border invasions by states (inter-states wars). The Persian Gulf War effort of 1990-1991 was the prototype the framers had in mind. Although the UN had (rather unhappily) intervened in a civil war in the former Belgian Congo (now the DRC), the decision to engage in humanitarian intervention in a civil war in a country for which the term failed State was later coined, represented a major change of direction.

Violating sovereignty outside the UN system

The Somali case was not the last instance, in the 1990s, in which a chaotic, bloody civil war would break out in a developing country. Its citizens, like those of other countries, would prove incapable of resolving their own war and there would be gross instances of individual and collective human rights abuses. The list of places where these situations have occurred has become a familiar litany of the world's trouble spots: Bosnia, Haiti, Rwanda, Liberia, Kosovo, Sierra Leone and East Timor, to name the most obvious. All are fragile states, where full sovereign control by Government is tenuous and where breakdowns of control almost invite interference from outside parties on humanitarian bases. Not all have evoked the same kind of international responses, but each raised the same kind of questions about international

rights and obligations. Each faced situations in which humanitarian violations occur and traditional views of sovereignty may be acceptable or require amending, to varying degrees. In addition to involvement in these new interstate conflicts, the invasions of Afghanistan and Iraq pose other questions about the impact on sovereignty.

While a loss of interdependence sovereignty does not necessarily imply anything about domestic sovereignty understood as the organization of authoritative decision-making, it does undermine domestic sovereignty comprehended simply as control. If a state cannot regulate what passes across its borders, it will not be able to control what happens within them.

Interdependence sovereignty, or lack thereof, is not practically or logically related to international legal or Westphalian sovereignty. A state can be recognized as a juridical equal by other states and still be unable to control movements across its own borders. Unregulated trans-border movements do not imply that a state is subject to external structures of authority, which would be a violation of Westphalian sovereignty. Rulers can lose control of trans-border flows and still be recognized and be able to exclude the authority of external actors.

In this respect the first two meanings of sovereignty, interdependence sovereignty and domestic sovereignty, are logically distinct from international legal sovereignty and Westphalian sovereignty. The structure of domestic political authority and the extent of control over activities within and across territorial boundaries are not necessarily related to international recognition or exclusion of external actors, although behaviorally the erosion of domestic or interdependence sovereignty can lead rulers to compromise their Westphalian sovereignty.

The third meaning of sovereignty, international legal sovereignty, has been concerned with establishing the status of a political entity in the international system. Is a state recognized by other states? Are its representatives entitled to diplomatic immunity? Can it be a member of international organizations? Can its representatives enter into agreements with other entities? This is the concept used most frequently in international legal scholarship, but it has been employed by scholars and practitioners of international relations more generally.

Recognition

The basic rule for international legal sovereignty is that recognition is extended to entities and states, with territorial and formal juridical autonomy.

This has been the common, although as we shall see, not exclusive, practice. There have also been additional criteria applied to the recognition of specific governments rather than states: the communist Government in China, for instance, as opposed to the state of China. These additional rules, which have varied over time, have included the ability to defend and protect a defined territory, the existence of an established Government, and the presence of a population (Fowler and Bunck, 1995: Ch. 2; Thomson, 1995: 228; Oppenheim, 1992: 186-90; Crawford, 1996: 500).

The supplementary rules for recognizing specific governments, as opposed to States, have never been consistently applied. The decision to recognize or withhold recognition can be a political act that can support or weaken a target Government. Weaker states have sometimes argued that the recognition of governments should be automatic, but stronger states, which might choose to use recognition as a political instrument, have rejected this principle. States have recognized other governments even when they did not have effective control over their claimed territory, such as the German and Italian recognition of the Franco regime in 1936, and the American recognition of the Lon Nol Government in Cambodia, in 1970. States have continued to recognize governments that have lost power, including the Mexican recognition of the Spanish Republican regime until 1977, and the recognition of the Chinese Nationalist regime by all of the major Western powers until the 1970s. States have refused to recognize new governments even when they have established effective control, such as the British refusal, in the nineteenth century to recognize the newly independent Latin American States until a decade after they had established effective control, and the Russian refusal to recognize the Soviet regime until 1934. The frequency and effectiveness of the use of recognition or non-recognition as a political instrument have depended both upon the distribution of power and the degree of ideological conflict (Peterson, 1982:328-36; Peterson, 1997:32, 90-91, 187; Strang, 1996:24).

More interesting, from the perspective of this study, is not the fact that specific governments have been denied or given recognition, but rather that even entities, as opposed to specific governments, that do not conform to the basic norm of appropriateness associated with international legal sovereignty have been recognized. Entities that lack either formal juridical autonomy or territory have also been recognized. India was a member of the League of Nations and a signatory of the Versailles settlements even though it was a colony of Britain. The British Dominions were signatories at Versailles and

members of the League of Nations even though their juridical independence from Britain was unclear. India and the Philippines were founding members of the United Nations even though they did not become formally independent until 1947 and 1946, respectively.

The attractiveness of international legal sovereignty can also be understood from a more sociological or cognitive perspective. Recognition as a state is a widely, almost universally understood construct in the contemporary world. A ruler attempting to strengthen his own position by creating and reinforcing a particular national identity is more likely to be successful if his state or his Government enjoys international recognition. Furthermore, international recognition can reinforce the position of rulers by signaling to constituents that a ruler may have access to international recourses, including alliances and sovereign lending. Hence, international legal sovereignty can promote the interests or rulers by making it easier for them to generate domestic political support not just because they are in better position to promote the interests of their constituents but also because recognition is a signal about the viability of a political regime and its leaders.

Whatever international recognition has meant, it has not led rulers to eschew efforts to alter the domestic authority structures, policies, or even personnel of other states, or to enter into contractual relationships that compromise the autonomy of their own state. International legal sovereignty does not mean Westphalian sovereignty will be able to monitor and regulate developments within the territory of their state or flows across their borders; that is, it does not guarantee sovereignty or interdependence sovereignty.

Indeed, international legal sovereignty is the necessary condition for rulers voluntarily to compromise aspects of their Westphalian sovereignty. Nowhere is this more apparent than the European Union. In an interview**,** shortly before the opening of the April 1996 European Union conference on governance, in Turin, Jacques Chirac, then president of France, stated that, in order for Europe to be widened it must, in the first instance, be deepened, but the sovereignty of each state must be respected (Zeitung, 26/3/1996: 1). Chirac was arguing that the Member States of the European Union must retain their international legal sovereignty, even while they were entering into agreements that compromised their Westphalian interdependence and domestic sovereignty, since the European Union can regulate trans-border movements, the European Court exercises transnational authority, and some European Union decisions can be taken by a majority vote of the Member States.

It is obvious that international legal sovereignty does not guarantee the territorial integrity of any state or even the existence of a state. Recognized state have been dismembered and even absorbed, although this happened much more frequently before 1945 than it has since (Fazal, 2007). The conquest of any particular state extinguishes the sovereignty of that state (domestic Westphalian, interdependence, and usually international legal), but conquest is not a challenge to Westphalian and international legal sovereignty as institutional forms. It reconfigures borders but does not create new principles and forms.

Finally sovereignty has been understood as the Westphalian model, an institutional arrangement for organizing political life that is based on two principles: territoriality and the exclusion of external actors from domestic authority structures. Rulers may be constrained, sometimes severely, by the external environment, but they are still free to choose the institutions and policies they regard as optimal. Westphalian sovereignty is violated when external actors influence or determine domestic authority structures.

Failures of conventional sovereignty

States that experience failure or poor governance more generally are beset by many problems. In such state, infrastructure deteriorates: corruption is widespread; borders are unregulated; gross domestic product is declining or stagnant; crime is rampant; and the national currency is not widely accepted. Armed groups operate within the state's boundaries, but outside the control of the Government. The right of the central Government, the entity that exercises the prerogatives of international legal sovereignty (e.g. signing treaties and sending delegates to international meetings), may not extend to the whole country; in some cases, it may not extend beyond the capital. Authority may be exercised by local entities in other parts of the country, or by no one at all (S.D.Krasner,2009).

The largest number of poorly governed state is found on the continent of Africa (Goldstone et al 2000:21). Sierra Leone offers one example of state collapse during the 1990s. Government revenue declined from $250 million in the mid-1970s to $10 million in 1999. Most television services ended in 1987 when the Minister of Education sold the country's broadcasting tower. During the 1990s, civil strife resulted in at least 50,000 deaths and many more injuries and maimings. There was a military coup in 1992, an election in

1996, and another coup in 1997. A Nigerian-led West African Peace Keeping Force (ECOMOG) intervened in 1998 and restored the elected president to power, but it was unable to control rebel violence. A 1999 peace agreement brought Foday Sankoh, leader of the Revolutionary United Front (RUF), into the Government as Vice-President and Minister of Mines. This agreement collapsed after 500 UN peacekeepers were kidnapped when they entered Sierra Leone's diamond area. Charles Taylor, then president of Liberia, supported rebel groups in Sierra Leone in 2000 and 2001 because he wanted access to the country's diamond mines. Order was finally restored in 2002 after the United Nations authorized a force that grew to 17,000 men. (Reno, 2003:72-73, 88; Sengupta, 2003).

This is a harsh example of how domestic sovereignty is not working for many countries, and the situation is not improving in any substantive way. Although the number and percentage of countries suffering from civil war declined during the 1990s, the per capita gross national income in current US dollars of the least developed countries continued to drop, falling by 9 per cent from 1990 to 2000, a period of robust growth for the world as a whole (World Bank, World Development Indicators).

In the contemporary world, powerful states have not been able to ignore governance failures. Polities where domestic authority has collapsed or been inadequate have threatened the economic and security interests of these states. Humanitarian crises have engaged electorates in advanced democracies and created no-win situations for political leaders who are damned if they intervene and condemned if they do not. And, most obviously, when a state has been invaded, the occupiers have been confronted with the problem of establishing effective domestic sovereignty. An example is the present challenge faced by allied forces in Afghanistan. They knew when to invade but not when to leave.

In the past, state and non-state actors with limited resources could not threaten the security of states with substantial resources. The killing power of a nation's military depended on the underlying wealth of the country. Non-state actors such as anarchist groups in the nineteenth century could throw bombs that might kill fifty or even several hundreds of people, but no more. This is no longer true. States with limited means can procure chemical and biological weapons. Failed or weak states, such as Somalia, may provide terrorists with territory in which they can operate freely. In a nutshell, they are good terrorist-breeding avenues.

Sovereignty failures may also present problems in the area of transnational criminality. Drug trafficking is difficult under any circumstances, but such activities are more likely to flourish where domestic sovereignty is inadequate. About 95 per cent of illicit drug production takes place in areas of civil strife, such as Colombia and Afghanistan. Transnational trafficking in persons is more likely in, although not limited to, countries where domestic authority and control are weak or ineffective. In addition, it is more difficult to trace and punish the perpetrators of transnational financial fraud in countries where the police and judiciary do not function well or perhaps do not even exist.

Finally, gross violations of human rights present unpleasant political choices for democratic leaders in powerful states. There have been a number of humanitarian catastrophes in recent years, with the killings in Rwanda in the mid-1990s being one of the most appalling and most widely reported. Millions of people have died in other countries as well at the hands of their own Government or rival political groups. These and other humanitarian disasters have triggered long reports and debates on the principle of humanitarian intervention when Governments abuse or fail to protect their own citizens.

Policy options to face the challenge

Political leaders in powerful and weak States have been reluctant to challenge the conventional norms of sovereignty. The policy options currently available to repair occupied or badly governed states, governance assistance and transitional administration – are consistent with these norms. These policy options have made some limited contribution to improving governance in badly run and collapsed states, but policy makers would be better served if they had a wider repertoire of policy choices.

New institutional options: *de facto* trusteeship and shared sovereignty

Given limitations of governance assistance and transitional administration, other options for dealing with countries where international legal sovereignty and Westphalian/Vattelian sovereignty are inconsistent with effective and responsible domestic sovereignty need to be explored. At least two such arrangements would add to the available tool kit of policy options. The first would be to revive the idea of trusteeship or protectorate, probably *de facto*

rather than *de jure*. The second would be to explore possibilities for shared sovereignty in which national rulers would use their international legal sovereignty to legitimize institutions within their states in which authority was shared between internal and external actors.

De facto trusteeship

In a prescient article published in 1993, Gerald Helman and Steven Ratner argued that in extreme cases of state failure, the establishment of trusteeship under the auspices of the UN Security Council would be necessary. By the end of the 1990s, such suggestions had become more common. Analysts have noted that ***de facto*** trusteeship has become a fact of international life. Despite this acceptance, developing an alternative to conventional sovereignty, one that explicitly recognizes that international legal sovereignty will be withdrawn and that external actors will control many aspects of domestic sovereignty for an indefinite period of time, will not be easy. To date there has been no effort, for instance, to produce a treaty or convention that would define and embody in international law a new form of trusteeship. Just the opposite. The rhetorical commitment of all significant actors, including the United States, has been to restore authority to local actors at the first possible moment, a stance exemplified by the decision to give what USA officials insisted was full sovereignty to Iraq in June 2004.

Codifying a general set of principles and rules for some new kind of trusteeship or protectorate would involve deciding who would appoint the authority and oversee its activities: the UN Security Council? A regional organization such as the European Union, AU, MERCOSUR etc.? A coalition of the willing? A single state? Would a treaty or convention have to define the possible scope of authority of the governing entity: all activities of the state including security and international affairs? Only matters related to the provision of public goods such as roads, but not those related to the private sphere, such as marriage? Given that there would be no fixed date for ending a trusteeship or protectorate, how would the appropriate moment for transferring authority to local actors be determined? What intermediate steps would be taken? Could a trusteeship, some aspects of domestic governance remain under the control of the trustees or conservator (Caplan, 2002:9)? These and many other issues need to be kept in view.

Shared sovereignty

Another alternative for consideration is shared sovereignty, which involves the engagement of external actors in some of the domestic authority structures of the target state for an indefinite period of time (Keohane, 2003:276-77). Such arrangements would be legitimized by agreements signed by recognized national authorities. National actors would use their international legal sovereignty to enter into agreements that would compromise their Westphalia/ Vattelian sovereignty with the goal of improving domestic sovereignty. One core element of sovereignty – voluntary agreements – would be preserved, while another core element – the principle of autonomy – would be violated.

Shared sovereignty agreements have been used in the past. There were several late nineteenth–century shared sovereignty arrangements in which external actors assumed control over part of the revenue-generating stream of a state that had defaulted on its debt. The state wanted renewed access to international capital markets. The lenders wanted assurance that they would be repaid. Direct control over the collection of specific taxes provided greater confidence than other available measures.

The relationship of the Soviet Union to the satellite state of Eastern Europe during the Cold War is a recent example of shared sovereignty. For more than forty years, Soviet penetration of domestic regimes, close oversight of officials, and policy direction from Moscow kept communist regimes in power. During the 1950s the Polish secret police, for instance, reported to Moscow. The armed forces of the satellites were integrated into the Soviet command structure and unable to operate independently. The communist regime that Moscow had put in place and sustained by violating Westphalian/Vattelian sovereignty dutifully signed off on the security arrangements that their overlord preferred. Except in a few instances, such as the invasion of Czechoslovakia, in 1968, Soviet behavior was consistent with international legal sovereignty. The implicit and sometimes explicit use of force, however, was necessary to support these regimes because many of the citizens of the satellite state were alienated from their rulers.

The shared sovereignty arrangements established by the United States after the World War II were more successful. Germany is a good example. The western allies wanted to internationally legitimize the Federal Republic of Germany (FRG or West Germany), but at the same time constrain its freedom of action. The then Bonn agreements, signed in 1952 by the FRG, France, the

United Kingdom and the United States, and revised in Paris, in 1954, gave West Germany full authority over its internal and external affairs, but with key exceptions in the security area.

The United States succeeded in the West German case because most Germans supported democracy, a market economy, and constraints on the FRG's security policies. Obviously the strength of this support reflected many factors, including the long-term economic success of the West relative to the Soviet Bloc. Shared sovereignty arrangements for security in the FRG contributed to effective domestic governance by taking a potentially explosive issue off the table both within and, more importantly, outside West Germany. Security dilemmas that might have strengthened under democratic forces in the FRG never occurred because the Bonn Government did not have exclusive control of the country's defense.

In a nutshell, the twentieth century has witnessed the norms of international legal sovereignty and Westphalian/Vattelian sovereignty being universally accepted. It has often been tacitly assumed that these norms would be accompanied by effective domestic sovereignty; that is, by governance structures that exercised competent and ideally constructive control over their countries' populations and territory. This assumption has proven false. Poor, even malevolent, governance is a widespread problem. Badly governed states have become a threat to interests of much more powerful actors; weapons of mass destruction have broken the connection between resources and the ability to do grievous harm; genocides leave political leaders in democratic polities with uncomfortable choices; and transnational diseases and crime are persistent challenges.

However, the policy tools available to external actors, governance assistance and transitional administration – are inadequate, even when foreign powers have militarily occupied a country. Governance assistance can have positive results in occupied or badly governed states, but the available evidence suggests that the impact is weak. Transitional administration, which aims to restore conventional sovereignty in a relatively short time, can be effective only if indigenous political leaders believe that they will be better off allying with external actors, not only while these actors are present, but also after their departure.

The menu of options to deal with failing and collapsed states could be expanded in at least two ways. First, major states or regional or international organizations could assume some form of ***de facto*** trusteeship or protectorate

responsibility for specific countries. They might also eliminate the international legal sovereignty of treaty-making powers. There would be no assumption of a withdrawal in the short or medium term.

Second, domestic sovereignty in collapsed or poorly governed states could be improved through shared sovereignty contracts. These contracts would create joint authority structures in specific areas. They would not involve a direct assault on sovereignty norms because they would be formally consistent with international legal sovereignty, even though they would violate Westphalian/ Vattelian sovereignty.

Political leaders in target state's might accept such arrangements to secure external resources, either payments for exploitation of raw materials or foreign assistance to encourage the departure of occupying forces, or to attract voters. To be durable, shared sovereignty institutions either would require external enforcement or would have to create adequate domestic support, which would depend on the results delivered.

Where is sovereignty today?

Political theorists have often remarked on the ambiguity of the term "sovereignty". Indeed, one theorist concluded his discussion of the concept with the suggestion that we give up "so Protean a word" (S. Benn, 1967:82). Such difficulties have not, however, deterred many zealots of confederation, nationalists etc from making sovereignty their rallying point. The loss of sovereignty, as they see it, provides a specific justification for rejecting the project and perhaps also the current "intergovernmental" product of integration.

This section of the chapter seeks to understand why sovereignty matters, and whether there is any compelling justification for locating sovereignty at either the national, regional, or continental level. Clearly, the value of sovereignty cannot be taken for granted. If we are to take the Eurosceptics' arguments seriously, for example, we need to gain a clearer view of what they *think* sovereignty is and what human purposes or values it serves. Noel Malcolm (Morgan, G., 2005), a staunch advocate of Euroscepticism, ties sovereignty to the idea of authority. He argues that a state is sovereign "when it possesses plenary and exclusive competence, a matter of enjoying full authority internally and not being subordinated to the authority of another state." Sovereignty requires, in other words, a legal order, which, in turn, has to be validated by political authority. A condition of political authority, so he further contends, "is

that it is recognized or granted, or willed, or believed in by the people who are subject to it." Malcolm's emphasis here on the role of will and belief is crucial, as we shall see below, for his argument *against* European political integration (Morgan, ibid).

From Malcolm's perspective, since sovereignty entails a legal order supported by an ultimate political authority, it is a mistake to think that a political constitution can itself limit sovereignty. Rather, a constitution simply states the rules for the ways in which political authority can be exercised.

Malcolm's account of sovereignty incorporates the idea that a sovereign state is both a legal person (equipped with a cluster of rights, powers, and privileges) and moral person, whose authority depends on belief, imagination, and "pretense". This conceptual argument does not itself, however, provide us with a justification for supporting the Nation-State and rejecting, in the case of Europe, a putative European State. A proponent of European political integration could, in other words, argue that given the current stage of the European integration process, neither Europe's Nation-States nor Europe's political bodies retain sovereignty (Neil, op. cit). The pretense necessary to sustain a belief in national sovereignty now strains, so it might be argued, credulity. On this view, it would be less pretentious – not to mention economically and militarily more advantageous – to reinvent sovereignty at the European level.

Malcolm resists this application of his argument by insisting that a sovereign legal authority requires the same customs, political traditions, and above all, the same language (Malcom, N., p. 195). This is, in effect, a nationalist argument that makes an antecedent set of customs and traditions the condition of legitimate political authority (G. Morgan, 2005). A European State would lack, so Malcolm believes, a genuine political community: "it will have a kind of political authority derived not from any sense of real participation in real political life, but only from a hazy mixture of wishful thinking and benign indifference and therefore with time will generate a genuine European-wide political community. Before reaching any final conclusions concerning the merit of this argument for national sovereignty, it is worth adding a few more conceptual distinctions. First, it is important to bear in mind the distinction between the *nature of sovereignty* and the *value of sovereignty*. And second, it is worth distinguishing between the *source of an authoritative command* and the *content of that command* (G. Morgan, op cit.).

Malcolm's account of the *nature of sovereignty* is, at face value, uncontroversial. It corresponds to what is commonly thought of *as external (or Westphalian) sovereignty* – freedom from subordination to an external political authority (S. Krasner, 1999). Malcolm does not have much to say about *internal (or Hobbesian) sovereignty* – a unitary centralized *locus* of political decision making (Morgan, op. cit.). Thus the argument he presents here in support of external sovereignty is, in theory, consistent with a considerable degree of internal separation of powers and federal decentralization.

To define sovereignty as freedom from subordination to an external political authority is to say something about the *nature of sovereignty*. It does not tell us anything about the *value of sovereignty*. What, in other words, is wrong with subordination? To answer this question, the distinction between the *source of an authoritative command* and the *content of the authoritative command* becomes useful. One reason for worrying about commands is that they are likely to prove disadvantageous to the commanded. This was the main reason why, for example, the American colonist sought independence from Britain. By the same token, some Eurosceptics – social democratic nationalists, for instance – oppose European political integration because they fear that the content of the legislation that is likely to emanate from a European polity will jeopardize values they hold dear. But this is not the line of argument pursued by all Eurosceptics. The issue here is not the content of the legislation likely to be produced but rather the source.

This points to another reason for worrying about the source of authoritative commands. Sometimes the source is, for one reason or another, held to be an insult to the dignity or sense of worth of the commanded. A grievance of this sort informed many of the anti-colonial movements of the nineteenth and twentieth centuries. The Irish independence movement of the early twentieth century, for instance, was less exercised by the content of authoritative commands than by their source. Even when Irish adult males had the same voting rights as those in Great Britain, this did not solve the problem. These authoritative commands, regardless of their content, were perceived as alien. Some Eurosceptics likewise object to EU laws and directives because of their source, which they consider to be less legitimate than the laws that emanate from their national Governments.

How should we proceed to sovereignty? How can we come to terms with the widespread perception of significant change in the nature of sovereignty without overstating its presence and potential consequences? How should

one conceptualize the changing meaning of sovereignty? And how can we get beyond sterile debates about whether sovereignty is eroding or being replaced to consider how its scope and meaning might have changed? It is helpful to begin with a conception of sovereignty as a social construct. Social construction links identity with practice (R. Kagan, 2005). Sovereignty is an inherently social concept. States' claims to sovereignty construct a social environment in which they can interact (the international society of States), whereas at the same time the mutual recognition of each others' claim to sovereignty is an important element in the construction of states themselves. States create sovereignty as an institution, and the institution of sovereignty creates states. In this sense, states and sovereignty are mutually constitutive and relationally defined. Moreover, each of the core components of sovereignty – authority, identity and territory is also constructed socially.

One way to come to terms with the changing meaning of sovereignty is not to search (probably in vain) for an alternative to the system of sovereign state authority that already exists or is about to appear. The modern state system we perceive as having emerged out of the Treaty of Westphalia did not come out as a result of a clear break with the past, and there is no reason to expect any potential transformation away from the ideal of Westphalia state sovereignty system to be any different. Elements of the past continue in the present; changes can be perceived only after we develop a vocabulary to describe them. Forms or understandings of sovereignty will emerge, like an image out of fog; they will come into view only gradually and dimly. We do not have to identify a clearly defined new global authority and imagine a return to the heteronomy of the Middle Ages to discuss emerging forms of sovereignty. A more fruitful way to proceed is to focus on variations in claims of authority (Malcom, op. cit.).

As submitted before, the concept of authority itself is not free from complexity and ambiguity, and a long tradition of analysis of the concept exists within political theory. For the purpose of the present discussions, the close relationship between power and authority is recognized, and authority is taken to refer to institutionalized or formal power. What differentiates authority from power is legitimacy of the claim. Legitimacy implies some form of consent or recognition of authority by the regulated or governed. This consent may be socially constructed through the political and rhetorical practices of political leaders. It is a product of persuasion and trust rather than coercion.

Many scholars have been stymied by the observation that sovereignty is indivisible (Hinsley, 1999). Therefore, it is impossible to imagine degrees of sovereignty. It is not meaningful to talk about an" erosion" of sovereignty in a linear or continuous sense. Similarly, the l970s literature on interdependence was appropriately criticized for confusing sovereignty with influence and control. The degree of control may vary but not the status of sovereignty, or so the traditional argument goes. Rather than claims that sovereignty is indivisible (you either have it or you do not), however, it is more fruitful to argue that the range of issues over which authority is claimed or recognized by others is not fixed. It varies, and its variance determines the changing meaning of sovereignty.

For example, during the age of decolonization that followed the end of the Second World War, states held closely to the view stated in article 2 of the UN Charter that nothing contained in the present Charter should authorize the UN to intervene in matters which are essentially within the domestic jurisdiction of any state. Operationally this meant states claimed rights to take measures that might include everything from the groups challenging the goals of the nation-building project. All this was undertaken in the name of national security, national development or state building. These claims were tacitly recognized by the inaction (in both word and deed) of other states, and were defended in the name of national sovereignty and rights of sovereign non-intervention. During the l970s these claims were extended into the economic realm, with declarations of the permanent sovereignty of states over natural resources located in their territories (N. Schrijver: 1997).

Today, these claims sound archaic. Moreover, even the most repressive regimes of the major powers frame the defense of their human rights behavior in terms of a discourse of rights. For example, China criticizes its critics for their failure to address their people's economic and social rights. The fact that China engages in a discourse about human rights and defends itself in these terms, rather than in a repetition of rights of non-intervention in the matters that are under domestic jurisdiction, indicates a change in the nature of authority claims made by states.

The dimensions of sovereignty

Many scholars interested in the study of sovereignty have differentiated between its internal and external dimensions. The internal dimension generally

refers to the consolidation of the territory under a single authority and the recognition of that authority as legitimate by the people, whereas the external dimensions of sovereignty can be adapted to the argument in this chapter about the issue-specific nature of sovereignty as follows: Both the number and the extent of authority claims have changed (the traditional internal dimension of sovereignty), as have the number and the range of claims recognized externally as legitimate (the external dimension)(Anderson, 1999).

To elaborate on the external dimension, norms of recognition change over time. The criteria for recognition vary according to global power structure and the ideational context (the norms in play) of international relations. As Nina Tannenwald (1996) has argued, there are norms that regulate behavior, norms that constitute identity, and norms that permit certain actions. One of the best illustrations is the changing norm of recognition for the countries of eastern and central Europe, which now extends to include the establishment of democratic institutions and respect for the rights of minorities. These norms of recognition are not absolute, and they are not uniformly applied (as the cases of Croatia and Bosnia testify); rather, they are constantly negotiated and placed on the diplomatic agenda. The important point for the present argument is that some of these norms of recognition, particularly the establishment of democratic institutions and the protection of group rights, were not norms as late as the l980s.

Viewed from this perspective, sovereignty (at least the first three dimensions) might be conceived as a convention, a socially constructed norm, that makes territorially limited self-governing polities (states) the fundamental units of international affairs (J.H. de Wilde, 2001:283-313). A state has the status of sovereignty bestowed on it by the international community of sovereign states. It is they that decide which territorially limited self-governing polities constitute sovereign states and which do not. Thus the international community has decided that Colombia is a sovereign state – even if its Government does not control anywhere near the full territory of Colombia (because of FARC), but the Palestinian Authority is not. This feature of sovereignty can easily be missed if we focus on sovereignty as *de facto* control. Weber's famous definition of state as involving "a successful claim to the monopoly of legitimate physical force in a determinate territory" is, in this respect, somewhat misleading (R. Geus, 2000). No matter how successful the Palestinian Authority is in monopolizing physical force in, say, the Gaza Strip, the Palestinian Authority will not constitute a sovereign state unless it receives external recognition as

such. Only then will it be invited to join the United Nations, to receive diplomatic immunity for its foreign officers, to send a team to World Cup, and to apply for IMF loans. By the same token, the inability of many sovereign states to monopolize physical force in their territory – the situation in Colombia, Afghanistan, and several states in Africa, does not detract from their status as sovereign states. No matter how limited their internal control, these states – "quasi-states", as Robert Jackson (1996) calls them – retain the status of sovereignty and are accorded the rights, powers, privileges, and immunities that go along with this status, including the most important right, the Westphalian right to be free of unwanted external interference in domestic political authority structures.

This account of sovereignty as an interrelated three-level concept (*organizing principle, status, and set of privileges*) helps to clear up a common misconception concerning the delegation of the so-called sovereign powers. A sovereign state does not cease to become a sovereign state merely because it has delegated certain of its rights, powers, and privileges to a transnational institution. Britain will remain a sovereign state whether its monetary policy it set by the Bank of England in London or the European Central Bank in Brussels. A state can also retain its status as sovereign even when it has delegated powers and privileges to transnational institutions whose decisions it cannot veto. States can, however, reach a point – when they have delegated so many of their most important rights, powers, and privileges to transnational institutions – where other states cease to recognize them as a sovereign state. Europe's Member States could, for instance, delegate so many of their powers and privileges to European-level political institutions that other world leaders would rather meet with the president of the European Commission than with any leader of a Member(national)-State. The same thing could be replicated in Africa, etc. More generally, one can imagine a situation where all states have delegated their most important powers and privileges to transnational institutions, at which point it becomes possible to question whether sovereignty still remains an ordering principle of international affairs.

Neo-realist international relations theorists tend to ignore sovereignty as an ordering principle of international affairs. They focus instead on "anarchy." The term "anarchy" serves to register the fact that the international system consists of independent states that coexist under conditions where they lack any higher effective political authority and, as a consequence, must rely on

their own power to survive as independent entities. The term "sovereignty" conveys, in one of its usages, something of this information. But the term also adds the further information that independent states owe their independence, at least in part, to the convention of according each other a common status that brings with it certain rights, powers, and privileges.

Power is not, however, altogether absent in the operation of sovereignty as a norm or convention. There remains, as Stephen Krasner has pointed out, a considerable amount of "hypocrisy" in the application of the convention of sovereignty (Krasner, S., op cit.). While sovereignty bestows a common and equal status on all states, some states are more equal than others. Not all states, for instance, are equally capable of making effective their claim to the rights, powers, and privileges bestowed by sovereignty. Even the right to be free of unwanted external interference in domestic authority structures is sometimes violated by more powerful states when it is in their interest to do so. Consider, for instance, the history of the United States in its dealings with Central American and Caribbean States. Frequently, it has violated these conventions; we can cite even the double standards applied in the case of the Middle East conflicts between Israel and Palestine. The 2003 invasion of Iraq is another case in point. Powerful states, in other words, have the capacity to flout conventions. Also of relevance is the invasion of Grenada, in 1983, by USA forces, which led to the eventual overthrow of the Government and severe destruction of the State of Grenada.

Powerful states also have another capacity: they get to decide, usually in conjunction with other powerful states, what cluster of rights, powers, and privileges generally attach to sovereignty as a status. Consider here, for example, the introduction by the United States of its idea of "regime change", which denies Westphalian rights to those "rogue" states that support global terrorism (Morgan, G., ibid.). It remains a moot question whether the United States will succeed in legitimizing, either to its own citizens or to other powerful states, "regime change" as a new international norm. The question that remains unanswered is where the USA got the mandate to determine the nature of a state, deciding if it is a rogue state and deserving regime change? But the larger fact remains that only a powerful state such as the United States is capable of modifying the relationship between sovereignty as a status and sovereignty as a cluster of rights, powers, and privileges. Thus, if the United States gets its way, only "non-rogue" sovereign states – those that refrain from supporting global terrorism – will be able to claim the full complement of

rights, powers, and privileges that sovereignty as a status typically bestows (Morgan., G., ibid.). At the end of the day, sovereignty becomes an issue that can be politically determined.

In mentioning the role of power in enabling some (more powerful) states to ensure that the norm of sovereignty works in their favor, the fourth dimension of sovereignty – internal sovereignty – becomes relevant. In this sense of the term, sovereignty describes a particular type of domestic authority structure: one that is centralized, undivided, and absolute. Although there is no necessary analytical link between internal sovereignty (sometimes also called "*Hobbesian" sovereignty*) and the earlier three usages, many social and political theorists – including Hobbes himself – have argued that internal sovereignty is a pre-condition for the enjoyment of effective external sovereignty. In other words, if a state is to ensure that other states will respect its external sovereignty, that state must possess a centralized, undivided, and absolute domestic authority structure. It cannot rely on a mere convention. The claim that internal sovereignty is a presupposition for external sovereignty is best interpreted as a sociological claim. From this perspective, we contend that a centralized domestic authority structure is necessary if states are to pursue a coherent foreign policy, make decisions rapidly, and raise the revenue to fund military operations. States that lack internal sovereignty can sometimes survive – the norm of sovereignty will prop them up – but their external sovereignty is always vulnerable (Morgan, op cit.).

To draw together these remarks concerning the various dimensions of sovereignty, it would be useful to relate the present discussion to the discussion of the framework that incorporates a normatively defined "world order," "the international state system," and "international society." "World order," as understood here, is an arrangement of domestic and international affairs that sustains, as its primary goal, individual security. Whether sovereignty in any of its four dimensions; organizing principle, status, set of rights, domestic authority structure – contributes to world order is an open question. The idea of world order does not itself entail any particular organizing principle of international and domestic affairs.

The idea of "world order" introduces a normative dimension into the study of international affairs, but it is pointless to ignore the fact that the present arrangement of international affairs lacks any effective institutionalized legal and political authority. No entity in the world today can claim a legitimate global monopoly of violence; there is no global Leviathan. In the absence of

any such entity, the present state of international affairs is dominated by self-governing territorially limited polities (or states), some of which are very much more powerful than others. It is with this point in mind that we can speak of "sovereignty" as an organizing principle of international affairs.

It is important to place discussions of sovereignty in a broader framework of international relations, because the arguments between federalists, confederationists, Eurosceptics, pan-Africanists and post-sovereignists, etc, clearly have important international ramifications. It is one of the many perverse features of the debate over political integration that these international ramifications are rarely discussed. They certainly do not figure very prominently in the writings of the many legal and political theorists who advocate some form of European, or African, Asian and LAC political integration. Thus, while the topics of European citizenship and Europe's democratic deficit have been extensively covered, legal and political theorists have rarely noticed, for example, that the choice between a Europe of Nation-States, a federal Europe, and a post-sovereign Europe is, at the same time, a choice that will affect world order. The fourth dimension to sovereignty is, we recall, internal sovereignty.

If the range of authority claims is variable, where does the authority over specific issues previously claimed or recognized by states go? Does it disappear? If not, who or what inherits the authority states no longer claim or are recognized by others to possess? The location of authority in the global system has significantly dispersed in recent years; Susan Strange (1996) has termed it a "diffusion of power in the world economy. The state is no longer the predominant location of authority on a growing number of issues and faces challenges from other locations. In some cases the state no longer claims to have authority; in other instances it is no longer recognized externally by others as possessing authority in certain domains; and in still others, it faces competing claims and challenges from other actors.

States may cut back on their range of claims to final authority. The ceding competencies in certain issue domains, from individual States to the European Union, provide a prime example of reducing claims of authority. It is ironic to note the speed with which the new states of East and Central Europe, in seeking national independence, are willing to surrender many of the claims to a final authority associated with the Westphalian ideal of potential benefits of membership in the European Union. Similar transference of authority can be seen in the emergent dispute resolution mechanisms within NAFTA,

MERCOSUR, CARICOM, etc. Efforts to harmonize policy in anticipation of the benefits of deepened regional integration further illustrate voluntary disengagement from prior claims of authority, which is taking place at a time when there appears to be a significant expansion of regional institutions throughout the world.

Other international institutions are increasingly being ceded a legitimate authority that constrains not only the weakest but increasingly some of the larger powers as well. States created and therefore willingly abide by the structures of these institutions. For example, the United Nations has sanctioned humanitarian interventions in a growing number of instances. The operative issue is no longer whether these interventions are justified but whether the United Nations can accommodate the large demand for action in so many different locations. The frequency, extent, and apparent acceptability of conditionality by international financial institutions have also significantly increased. This has ranged from the International Monetary Fund's (IMF) enhanced surveillance, demands for institutional reform during the Asian financial crisis, and criticism of military spending in member countries to the political conditionality of the World Bank and the European Bank for Reconstruction and Development as well as the World Bank's interest in environmental conditionality. The growing recognition and use of the dispute resolution mechanisms of the World Trade Organization (WTO) provide yet another illustration.

Similarly, the International Court of Justice has begun to hear cases that apply the principle of harm to trans-border pollution cases, and international lawyers prosecuting international war crimes tribunals have pushed litigation beyond the intentions and wishes of the major powers that initiated the proceedings. Issues that were once unambiguously inside the realm of state responsibility have been relegated to outside institutions. The prosecution of Milosevic and Charles Taylor in The Hague are cases in point. The boundary separating inside from outside has moved dramatically far in some instances.

Furthermore, some important changes have been made in recognition, both by other states and by international institutions, of some of the claims previously made by states. For example, states are no longer recognized as legitimate final authorities on the violation of human rights of individuals or groups within their domains. When it was first promulgated in 1948, the Universal Declaration of Human Rights was just another legal proclamation with no effective international enforcement mechanism. The declaration's

influence was often contingent on the backing on major powers, primarily the United States, which applied it when convenient during the Cold War but ignored it when a critical alliance partner was involved.

Today, however, ideas about the universalization of human rights have been institutionalized to the extent that they have begun to challenge some of the prerogatives of traditional state sovereignty. Although important regional variations exist in concepts of human rights, there is global acceptance of the discourse on human rights. That is, virtually everyone constructs their arguments in terms of different sets of legitimate human rights. This reality is as significant for the development of democracy as was the extension of suffrage throughout the world earlier in the twentieth century.

At the same time, as discussed earlier, some important changes have occurred in the norms of new states. Until recently, the main criteria for external recognition were associated with meeting the requirements of internal sovereignty (physical control over the territorial space, acceptance by the subject population, clearly established lines of governmental authority, and the like), along with the cold war alliance concerns of the superpowers. Increasingly important today, however, are requirements such as the establishment and consolidation of democratic institutions, observing the rule of law, transparency, fighting corruption, the treatment of the rights of minority populations, and even the management of the economy.

International institutions have withheld recognition of some of the claims of states not only with regard to the actions of coercive agents of the state against subject populations, such as torture or fundamental violations of individual rights, but also with regard to the protection of other aspects of the lives of private individuals within states. The emergence of third-party human rights law has extended the range of International Law to issues such as racial discrimination in housing, gender employment, and relationships within the family (previously considered part of the "private" domain). Other international institutions such as the World Trade Organization (WTO) have begun to intrude into the previously sacrosanct domestic domain by criticizing some labor policies, safety standards of consumer products, and environmental Accords as non-tariff barriers to free trade.

Besides, competing claims of authority have begun to emerge from non-state locations in the world system from individuals, groups, and markets. In potentially precedent-setting arrangements, individuals now have the right to challenge the actions of states and international institutions, as manifested in

the World Bank's new Inspection Panel schema. If two individuals can claim significant material harm as a result of a World Bank project, they can initiate a quasi-independent review of investment decisions taken by the Bank. Although the Inspection Panel is located within the Bank, it is technically independent. Individuals not only have the power to initiate a review of Bank decisions, but their intervention can lead to the termination of a project. One significant precedent here is that the individuals who initiate the review do not need the sanction or backing of their own Governments. Hence individuals are recognized as legitimate agents by both states and the intergovernmental institutions they have created.

Even more significant are the transnational issue networks that operate most effectively in the domains of human rights and the global environment. Transnational issue networks, the global spread of ideas, and the emergence of elements of the global civil society have increasingly begun to constrain the actions of the middle power. As already discussed, the global acceptance of the discourse of human rights has been facilitated by systemic technological changes. The global reach of the media has increased the visibility of state actions and is increasingly exposing them to potential opinion sanctions from NGO networks operating across the globe.

The global civil society sets standards of international behavior that increasingly constrain the actions of individual states. The weight of global public opinion is such that states must increasingly be concerned about the reactions of other states, of the publics of those states, and of NGOs. They seek to avoid being labeled a pariah state, to gain entry into the society of states, to obtain access to conditional resources, and to enter regional common markets, such as the EU and NAFTA. NGOs, whether they deal with human rights, the environment or are humanitarian assistance organizations, have played a critical role in facilitating the emergence of a global civil society and are increasingly recognized as legitimate players in the contemporary global system. Advances in communications and technology have gradually increased the transparency of individual states and made it possible for repressed groups and individuals to appeal to potential allies abroad for support. In addition, the changed international context in the aftermath of the Cold War has created a situation in which small states receive (and expect) more intervention, since it is no longer possible to play one superpower against the other.

The development of human rights institutions and the emergence of intergovernmental procedures for investigating rights abuses (rights tribunals)

have further institutionalized and reinforced the basic ideas. These transnational issue networks operate by drawing attention to issues, mobilizing their networks, and placing issues on the global agenda. The practice of convening parallel meetings of NGOs alongside major UN-sponsored state congresses (summits) has become routine in recent years, ranging from the human rights conference in Vienna to the conferences on the environment in Rio, on women in Beijing, and on social development in Copenhagen. This has further legitimized the role of NGOs as they put issues on the global agenda, and, in some instances, even define and influence the terms of the debate. Finally, the globalization of finance and the emergence of integrated global financial markets have increasingly begun to discipline *all* States, even the most powerful. A major shift has occurred away from sharply demarcated national financial boundaries –with effective currency controls in place – towards increased financial liberalization, the elimination of currency controls, and increased cross-border financial transactions. This tendency toward financial liberalization has facilitated the emergence of new financial actors (bond traders, currency traders, portfolio investors) who have developed global hedging strategies and operate on an around-the-clock and around-the-globe basis. As a result, the emerging world market is not comprised of geographic locations at all. It is a network integrated through electronic information systems that entails more than two hundred thousand electronic monitors in trading rooms all over the world that are linked.

The network has become a location of authority in the economic world, with the ability to reward (or discipline) countries that pursue policies it deems prudent (or unsustainable). The network operates, in effect, like a global "hard budget constraint" on the behavior of economic and financial decision-makers who have participated in the ceding of informal authority to the markets through both their statement and their behavior. When finance ministers or Heads of State and Government begin to believe and publicly declare that markets have the power to discipline their actions, they signal their consent and participate in empowering markets as legitimate authorities in certain domains.

The changes in the organization of global finance have rendered ambiguous the traditional territorial imagery of international political economy. Control over flows and networks is becoming more important than hierarchical control over physical territorial space, as Timothy Luke (1991) demonstrated with reference to Kuwait ,where the royal family's control over the flows of oil and wealth continued even after the loss of control of all physical territory once

occupied by the regime. In the same vein, Keinch Ohmae (1995) rightly observed that the emergence of the "region state" economic zones with integrated industrial investment and information systems that straddle national boundaries in an increasingly borderless world is another manifestation of this blurring of traditional conceptions of territoriality. Nowhere is this blurring of territoriality more apparent than in the intense and growing regional interdependence between the United States and Mexico. The recession in Mexico, following the peso crisis in the mid-1990s had severe effects on the regional economy of the American Southwest, so much so that it is not an exaggeration to say that for Los Angeles what happens in Mexico is more important than what happens in Boston . The visibility of each of these challenges to the Westphalian ideal of state sovereignty the ceding of final authority to other institutions, the changes in external recognition of final authority, and the emergence of competing locations of final authority have increased in recent years. Their ability to challenge the authority of states on an ever-growing set of issues has also increased, as we can see throughout contemporary Europe or elsewhere (Anderson, 1999, op. cit.).

This step in the case for European sovereignty draws on the fourth dimension of sovereignty, *internal sovereignty* – which refers to a domestic authority structure that is centralized, undivided, and absolute. There is, as noted above, no necessary link between internal and external sovereignty. But there is a range of historical and sociological evidence to suggest that states that lack internal sovereignty have a difficult time, despite the assistance provided by the status of sovereignty, maintaining their freedom from external subordination. There is also plenty of evidence to suggest that states that lack internal sovereignty are at a relative disadvantage when they find themselves in conflict with states that possess more centralized, undivided, and absolute domestic authority structures. To provide just two illustrations of the point: consider, first, the early difficulties that confronted the Confederate states of America when the Confederacy sought to protect its external sovereignty from attacks by the British, the French, and the Indian tribes. It was not just that the American Confederacy found it difficult to raise the necessary funds to support an army and navy. Lacking a centralized locus of decision-making, the Member States found it difficult to prevent foreign powers from playing one state off against another. Decades earlier, James Madison had recognized this problem. His pamphlet *Vices of the Political System of the United States* relies very heavily on the foreign policy implications of the United States'

domestic authority structure to make his case against the Articles of the Confederation and in favor of a new Constitution (Madison, J., 1962-77, Vol.9:348-57).

The difficulties that confronted the early American republic can be generalized into a second, larger illustration of the value of internal sovereignty. The rise of the sovereign state with a centralized, undivided, and absolute domestic authority structure was, in large measure, a function of the relative success of this type of polity over polities with more loosely organized authority structures. Internal sovereignty, as Hendryk Spruyt has argued, was a consequence of something akin to a Darwinian process of selection. Those polities that lacked the capacity to raise the necessary funds to equip armies and to make decisions quickly simply disappeared.

At first glance, it might seem that the domestic authority structure of the United States, in its present form, contradicts the claim that internal sovereignty is necessary to project power abroad. The Founding Fathers of the American Constitution chose a system of government that dispersed decision-making authority. They selected a federal form of government that left the states in control of most policy issues, and they divided Government between three branches. In contrast to the British, the Americans lacked any notion of sovereignty residing in a single person or office (whether Parliament or the King-in-Parliament). Yet despite these institutional designs, the American system of government has evolved in such a way as to make internal sovereignty the ***de facto*** if not the de jure authority structure. Particularly in the formulation of foreign and military policy, the American system of government centralizes decision-making authority in the President (the commander in chief) and his closest advisers. The United States thus confirms, rather than offers a counter example to, the claim that a superpower requires a super state, which is to say a state with a centralized, undivided decision-making structure.

The content-based critique of European political integration has a certain ***prima facie*** plausibility. The critique draws support from the perception that democracy, as a form of government, ought to be responsive to the preferences of the governed. If a local majority finds that their preferences would be nullified in a larger jurisdiction, then it is natural that they would oppose political integration. It must be conceded, however, that this content-based critique of European political integration is not a principled critique. It does not rest on any conception of political value other than partisan preference. The content-

based critique of European political integration is, in this respect, no better than a content-based justification for European political integration. In either case, the justification amounts to little more than the claim (Morgan, op. cit.).

The existing world system of Nation-States assumes that a nation's residents are free to follow their own values and to select their own political arrangements without interference from others. Similarly, property rights are allocated by nation. The so-called global commons, such as outer space and the deep sea-bed, are the sole exceptions. A nation is assumed to have the sovereign right to exploit its property in accordance with its own preferences and policies. Political sovereignty is thus analogous to the concept of consumer sovereignty (the presumption that the individual consumer best knows his or her own interests and should exercise them freely).

In time of war, some nations have had sovereignty wrested from them by force. In earlier eras, a handful of individuals or groups have questioned the premises of political sovereignty. With the profound increases in economic integration in recent decades, however, a larger number of individuals and groups and occasionally even their national Governments have identified circumstances in which, it is claimed, some universal or international set of values should take precedence over the preferences or policies of particular nations.

Some groups seize on human-rights issues, for example, or what they deem to be egregiously inappropriate political arrangements in other nations. An especially prominent case occurred when citizens in many nations labeled the former apartheid policies of South Africa an affront to universal values, and emphasized that the South African Government was not legitimately representing the interests of a majority of South Africa's residents. Such views caused many national Governments, especially in Africa and the like-minded nations, to apply economic sanctions against South Africa. Examples of conflicts of values [interests] are not restricted to human rights, however. Groups focusing on environmental issues characterize tropical rain forests as the lungs of the world and the genetic repository for numerous species of plants and animals that are the heritage of all mankind. Such views lead Europeans, North Americans, or Japanese to challenge the timber-cutting policies of Brazilians and Indonesians. A recent controversy over tuna fishing with long drift nets that kill porpoises is yet another example (Wallace, 1994). Environmentalists in the United States whose sensibilities were offended by the drowning of porpoises required USA boats at some additional expense to amend their

fishing practices. The USA fishermen, complaining about imported tuna caught with less regard for porpoises, persuaded the USA Government to ban such tuna imports (both direct imports from the countries in which the tuna is caught and indirect imports shipped via third countries). Mexico and Venezuela were the main countries affected by this ban; a GATT dispute panel sided with Mexico against the United States in the controversy, which further upset the USA environmental community (Wallace, W., 1994).

A common feature of all such examples is the existence, real or alleged, of "psychological externalities" or "political failures." Those holding such views reject untrammeled political sovereignty for Nation-States in deference to universal or non-national values. They wish to constrain the exercise of individual nations' sovereignties through international negotiations or, if necessary, by even stronger intervention.

Some regional experiences

Europe

The previously outlined way of thinking about sovereignty can be readily applied to the analysis of the polity emerging within contemporary Europe. Indeed, many of the best illustrations of ceding authority, changing recognition of authority claims, and emerging competing authorities can be found in Europe today. An issue-specific understanding of sovereignty can be useful in thinking about "sovereignty" in modern Europe.

Philippe Schmitter (1970) has recently reanalyzed Leon Lindberg's and Stuart Scheingold's classic assessment of the expansion of the European Community authority and expanded it to consider the potential outcome of the single European Act and the Maastricht Treaty. Schmitter's analysis is based on projections made from the existing treaty obligations and from obligations undertaken as a result of subsequent implementation decisions. He estimates that in the arena of economic policy issues all of which were decided entirely at the state level in 1950 decision authority will reside primarily at the European Union level before long. Those areas could include: agriculture, capital flows, goods and services, employment, money and credit, foreign exchange, and macroeconomic policy. In sectors such as transportation, communications, regional development, competition, industry, revenue and taxation, and the environment, policy decisions will be made at both the state

and EU levels. Only in the energy sector will the bulk of decision-making authority continue to reside at the state level, but even there the decision will be shared to some extent.

A similar pattern emerges in the arena of socio-cultural issues where working conditions, education, and labor-management relations will be decided at both state and European levels. Within the domain of politics and constitutional matters, Schmitter and his associates estimate that justice and property rights issues will be decided mostly at European level, whereas citizenship matters will be shared. Even in international affairs, all policy will be taken at the EU level in commercial negotiations, and economic and military assistance, diplomacy, and intergovernmental organization membership issues will be decided largely within Europe. Only defense and war matters will remain shared between states and the EU. In a nutshell, Schmitter concludes that there is no issue area that was the exclusive domain of national policy in 1950 that has not somehow and to some degree been incorporated within the authoritative purview of the EC/EU (Schmitter, ibid).

Schmitter's analysis is significant because it provides a way of tracking empirically the range and number of claims of authority that have been ceded to Brussels since the late 1950s. Authority over a wide range of issues has been transferred to the European Union, which offers a concrete illustration of a significant reduction in the range and number of claims of authority previously made by states of Europe. States may have ceded authority for a number of reasons, including efforts to maintain their authority in other arenas. This does not, however, negate the fact that the operational meaning of states' sovereignty has been broadly redefined by their practices. Moreover, some "stickiness" accompanies the ceding of authority over certain domains. EU member states may discover that it is far easier to give things up than to retrieve them at some unspecified future date.

Beside ceding authority to Brussels, there are also some important examples of change in the recognition of authority made previously by some of the states in Europe. Throughout much of their history, and certainly since the mid-twentieth century, states in Europe were recognized by other states as legitimate in claiming that their treatment of minorities was their own matter. In many instances the norm was one of integration, rather than sectional tolerance, of different peoples. Ever since the European Commission began to recognize the rights of peoples, however, this claim has been undercut. The Commission's invocation of serving the nations of Europe is indicative of the

rhetorical turn in its re-conceptualization of its role. State's claims are no longer recognized as legitimate in this vital area.

As pointed out earlier, the present EU framework is, therefore, a product of various treaties by Member States which govern the membership and scope of common matters. The treaties establish the main EU institutions and bodies, including the European Commission, the European Central Bank, the European Court of Justice and the European Parliament. The EU is currently premised on three main pillars. The first is the European Community, which is concerned with economic, social and environmental policies; the second is the Common Foreign and Security Policy, which is concerned with foreign policy issues such as immigration, security and the military; and the third is the Police and Judicial Cooperation in Criminal Matters. Effective execution of these policies calls for increased cooperation by Member States. Collective bargaining with other countries and institutions is also a tremendous advantage. Naturally, as the EU members forge closer ties, its institutions have wielded more powers which were traditionally the preserve of the domestic states. Member States have thus increasingly yielded sovereign powers to the EU.

The extent to and manner in which EU Member States have ceded sovereign powers to the EU institutions are therefore discussed against the background of four key institutions of the EU, namely the European Commission, the Council of the European Union, the European Parliament and the European Court of Justice. These four organs are particularly relevant because the African Union (AU) - the framework within which a United States of Africa Government could be based – has three similar institutions already in place (Wachira, G.M., op cit.). These are the Executive Council, the Pan African Parliament (PAP), and the African Court of Justice, PRC, ECOSOCC.

The EU institutions are vested with various competencies for the effective functioning of the Union. The functioning and exercise of some of the powers of these institutions entail some dilution, albeit limited, of the sovereignty of Member States. However, limits are set out in the Union treaties, which mean that Member States have consented to those limits (Dashwood, 1998:201-216, 209). The effect is that Member States retain their sovereignty and efficient functioning of the institutions, for the common good and interests of all EU members (MacCormick, 1999:123-136).

The European Commission is the equivalent of an executive branch of a national Government and is currently composed of one member from each state. Although Member States nominate members, they must be approved

by the European Parliament and are expected to be independent of national influence and have security of tenure (EC Treaty, arts 213-14: McCormick, 1999:102). It is important to note the difference in the roles of the European Parliament in, for example, the composition of the European Commission, compared with the AU where the PAP does not have an express mandate to approve members of the AU bodies. The powers the European Parliament wields are crucial to its success, because it ensures proper checks and balances as well as accountability. It serves as a preventive measure against political interference by Member States through their nominees, which could compromise the independence of the latter. The European Commission is responsible for formulating and implementing EU policies, law and decisions as well as management of the day-to-day running of the EU (McCormick, 1999:111-112). The European Commission is headed by a president nominated by the European Council and ratified by the European Parliament (Wachira, G.M,. ISS paper, June 2007). Worth noting is the fact that, unlike the AU, members of the Parliament of the EU have, since 1979, been elected directly by Member States (Blair, op cit.).

The fact that the European Commission is in charge of formulating and implementing legislation means that it wields considerable powers in terms of various treaties. This is particularly important as national laws are subordinate to EU laws in the specific areas of common interest and competence. It is important to note that there is no blanket supremacy, for states retain 'an indispensable source of legitimatization for Community authority as well as sufficient competencies and responsibilities on all other matters of state' (Zalany, 2005:624). A balance is maintained between the supremacy of the EU law and those of Member States by means of a principle of subsidiarity, which provides that the 'Community shall take action only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community' (EC Treaty, art 5 and Blair, op cit.).

The effect of the checks and balances are that Member States determine firstly what sovereign powers are granted to the EU, that they undertake to be bound by them and that they are necessary to give effect to the EU policies and laws. In this regard, the Commission 'ensures that EU legislation is applied correctly by the Member States through legally binding decisions and the power to bring states that fail to fulfill their obligations before the European Court of Justice' (Zalany, 2005:629).

It is worth noting here that a possible African equivalent to the European Commission (at least based on names) could be the AU Commission (or Authority). However, the AU Commission has little if any powers and is only the administrative secretariat of the AU. Rather, the function and powers of the AU Assembly and Executive Council could be equated to those of the European Commission. The assembly has the power to determine common policies of the AU as well as monitor their implementation. But unlike the European Commission, the Assembly and the Executive Council do not initiate AU laws. This responsibility is supposedly vested in the PAP, but, as was discussed above, its legislative powers have not yet been defined. Furthermore, although failure to implement decisions of the Assembly is tantamount to inviting sanctions in terms of article 23 (2) of the Constitutive Act of the AU, the Assembly has on the whole avoided such a step, despite instances of blatant disregard of some of its decisions. It is hoped that in the pursuit of closer integration in Africa, the Assembly and the Executive Council could follow the example of the European Commission and ensure that their decisions are really legally binding. Effective mechanisms and processes should also be instituted to guarantee that the decisions are indeed respected and enforced in practice, with attendant consequences in the event of default. The present mechanism means that defaulting Member States who fail to meet their assessed annual contribution to the AU budget fall under sanction and, therefore, are not allowed to participate in the various proceedings of different AU debates, even applying for jobs in the Organization. This is a good example to be upheld.

A second highly important institution of the EU is its Council, commonly referred to as the Council of Ministers, which is composed of national ministers responsible for areas related to the specific competences of the EU (EU Treaty, art 103). The Council's mandate is to legislate on specific issues under its auspices, such as economy, agriculture, foreign affairs and transport (McCormick, 1999:119). EU Member States have transferred some of their sovereign powers to the Council, enabling it to legislate on those clearly defined issues. This has particular impact on decision-making at Council level: although it initially depended on unanimous agreement, 'qualified majority' voting (QMV) is now the basis for acceptance (McCormick, 1999:130-131). This means that while some Member States may be opposed to an issue, all are bound by it if is carried by a qualified majority vote (Craig, 1997:117).

The AU Executive Council and its Specialized Technical Committees (STCs, not yet in place) approximate the Council of the European Union,

and, although they do not have legislative powers, they do have powers to coordinate and take decisions on policies in areas of common interest. Therefore, Member States who are party to the AU should confer on these two institutions the powers that would enable them to actually achieve the common objectives embodied by such policies. They would for example have to cede some sovereign powers to enable AU institutions to determine and adopt policies on trade, agriculture, economic, customs and immigration matters as envisaged by sections 13 and 14 of the AU Constitutive Act. Furthermore, Member States would be required to streamline their own policies and laws to ensure effective coordination and implementation of the common policies of the AU.

As pointed out before, and unlike the PAP, the members of the European Parliament are elected directly by all the citizens of the Member States for a five-year term (Berman et al, 2002:51; Blair, 2005). The effect has been to accord the European Parliament great legitimacy in the eyes of the citizens of the Member States, with regard to both Community legislation and its supervisory mandate (Zalany, 2005:636). In Africa, however, this has not yet been done.

One point of similarity with the European Parliament is that the PAP also began as a consultative and advisory assembly. However, through activism and wide interpretation of its mandate, the European Parliament of today has achieved co-legislative powers with the Council of the European Union. It has been transformed into a legislative and supervisory body, and functions in a triangular relationship with the Council of the EU and the Commission with regard to legislative matters (Demeke, 2004). The European Parliament wields considerable powers over legislative matters, including 'veto powers over several policy areas'. Apart from these powers, the European Parliament and the Council of the EU also share budgetary powers. The implication of these powers is that it enables the Parliament to exercise some control over the priorities of the EU institutions and execution of common competencies (Blair, 2005).

The European Parliament also has a supervisory mandate over all other EU institutions, in essence ensuring proper checks, and balances are maintained. This is a function that an effective AU should strive to emulate, so that the PAP could ensure accountability of other organs. Citizens of EU Member States may also petition the European Parliament directly on issues of alleged violation of human rights. While it is not a judicial body, the Parliament

has pressed Member States whose laws may violate human rights to institute amendments (Demeke, 2004:61). Similarly, in Africa, article 11(1) of the PAP stipulates that one of its key concerns will be to uphold fundamental human rights and consolidate democracy on the Continent. In this regard it will hopefully be inspired by the European Parliament and ensure that laws and Government policies protect and respect the fundamental liberties of Africans. The powers that the European Parliament exercises have resulted in EU institutions functioning more effectively, while being accountable to EU citizens. Again, this would not have been possible if Member States had not been willing to surrender some of their sovereign powers regarding legislation on areas of common interest.

In this respect, a more substantial challenge to some of the claims previously made by Member States has emanated from the European Court of Justice. Ever since the Court determined that Treaty decisions had a direct effect, "that is, that Treaty provisions had the effect of domestic law within the Member States even without explicit implementation at the national level. According to Marks, Hooghe and Blank (1999) states have suffered an important loss of external recognition of their claims of authority. This blow was deepened further when the Court of Justice established the supremacy of Community law over national law, in 1974, thereby empowering individuals to make charges regarding the violation of their legal rights by their own states.

The European Court of Justice is the judicial institution charged with the task of interpreting and adjudicating on issues set out in the treaties of the EU. The Court comprises judges nominated by Member States, with the president elected from among those nominees (EC Treaty, art 221). The European Court of Justice is the ultimate 'judicial authority to check the power of the EU policy making institutions by ensuring that Member State' ultimate sovereignty is respected' (Zalany, 2005:639).

Of particular importance, and noteworthy with regard to Africa, is that decisions of the European Court of Justice are binding on national courts of Member States (Cohen, 1996: 421-426). Although the envisaged African Court of Justice stipulates that its decisions will be binding on Member States, the current framework for enforcement of its decisions leaves much to be desired (Wachira & Ayinla, 2006:487-492). The European Court of Justice has been instrumental granting EU law supremacy over national laws where the two are inconsistent. It can declare any national law or rule null and void if it conflicts with a law of the European Union or the treaty itself. The court

has also held that some community law has 'direct effect' on Member States. In the process, the court has changed the perception that sovereignty is the preserve of the Nation-State (Henkel, 2001:153-179, also Weiler, 1991:2413, 2414). While the Court has so far gone largely unchallenged in its expansion of the EU competencies and the supremacy of community law, not all states are comfortable with this state of affairs (Swaine, 2000:5). A gradual approach is therefore required.

In addition to ceding claims of authority and losing recognition of prior claims, states in Europe face an array of other groups and institutions challenging their authority in certain domains. Transnational networks and social movements are no longer contained within the confines of the state and can challenge its authority over issues ranging from human rights to the environment. Business lobbying is no longer restricted to or focused on national jurisdictions, and increasingly makes claims on behalf of the private sector throughout Europe. As Marks, Hooghe and Blank (1999, op. cit.) have suggested, it is more appropriate to argue that political arenas are interconnected rather than nested. While national arenas remain important for the formation of state executive preferences, the multi-level governance model rejects the view that sub-national actors are nested exclusively within them. Instead, they act directly both in national and supra-national arenas, creating trans national associations in the process.

Thus, although the states of Europe are still "sovereign" in some important respects, the meaning of their sovereignty has changed profoundly. They have ceded authority, lost authority, and confronted new locations of authority. By conceptualizing sovereignty as constituting issue-specific claims (and recognition of claims) of authority, we are able to get beyond the dilemma of deciding whether the indivisible (sovereign authority) is divisible or whether the glass is half empty or half full. Sovereignty is simply not what it used to be.

In view of the foregoing, it is clear that EU Member States have on their own volition slowly yielded some of their sovereign powers, by means of the Union's institutional framework, to achieve common objectives. The transformation of the EU has been heralded as a triumph, and is *fêted* as having redefined the traditional notion of sovereignty (Cohen, 2007:1). Even though some Member States are reluctant to forge closer ties possibly in the form of a federation, efforts are underway to bring about such a goal (Treaty Establishing a Constitution for Europe 2004). As Monnet rightly put it, slowly Member States will be bound by the various provisions of different institutions as the integration process deepens.

Admittedly, issues of increased cession of sovereign powers to EU institutions continue to raise concerns among some leaders and the general public, the progress made so far by the EU is inspirational. The EU has undoubtedly become a force to be reckoned with both in political and economic terms. The introduction of the Euro, for example, has provided a global alternative to the dominance of the dollar as the medium of exchange in international trade. The EU has also been able to remove trade barriers and tariffs, facilitate free movement of EU citizens, improve free commercial and competitive economic exchange, limit wars and hostility between and among Member States, and play a greater role internationally in peace, security and developmental issues (Cohen, 2007:103,111).

The positive results of the EU have prompted calls for even greater integration of Member States. While some leaders support closer integration, others are wary of the prospect of losing further sovereign powers and therefore call for incrementalism. A worst case scenario has been either multi-speed or variable geometry approach to EU integration.

Can these general trends be expected to continue? Will the tendencies toward reduced State of authority and a redefinition of sovereignty be reversed? Is the European experience only one variant of the immediate post-Cold War rhetoric about a new world order, millennial thinking, a passing phase, or an order whose end is already in sight?

Individual states can and will rest or ignore some of these pressures, at least for a time. Global technological changes are more or less permanent, however, and have an important effect on an ongoing struggle over the extension of rights, the perceived need for UN intervention, and the globalization of financial markets. Global technological advances have led to greater transparency about state finances, facilitated the transmission of norms and values, and helped to reinforce the shifting of authority to a growing number of locations outside the traditional territorial state.

Transitional networks have replaced the territorial state in the organization of global production, the distribution of global finance, the provision of emergency relief assistance, the protection of individual and group rights, and the defense of the global environment. This development, facilitated by the technological change described earlier, will ensure that the redefinition of state sovereignty (as the reduction of the number and range of authority claims made by states) is likely to continue in general terms well into the twenty-first century. It is therefore inevitable. The trend provides both challenges and opportunities. We need to face it with vigor and vim.

Within Europe, the development of institutions has proven to be more important than technology and transnational networks in redefining the sovereignty of its States. Some of this is a product of the unintended consequences of the state of actions. Liesbet Hooghe (op. cit.) notes that, the creation of structural policy was transformed by the EU from a side payment to poor countries to an interventionist instrument of regional policy. The increase in size of the Community from the original six to fifteen members by 1995 expanded the diversity of state executives, increased the room for contention, and enhanced the specialization and technical sophistication of decision-making (Marks, Hooghes and Blank, op. cit.).In addition to the unintended consequences, however, some European institutions particularly the European Commission have proven capable of taking their own initiatives with regard to setting the policy agenda, thus further contributing to the redefinition of the sovereignty of the European State.

Much of the debate over contemporary European integration (probably too much) continues to revolve around the alternative conceptualizations of inter-governmentalism and multilayered governance. They are often presented as virtually incommensurable frameworks, yet a number of scholars have attempted to accommodate the sovereign state as a meaningful entity with a regional institution that is expanding its domain. Paul Taylor (1999) has suggested that the survival of the European State and the extension of the EU can be made compatible with the theoretical emergence of a European-wide constitutionalism. His conclusion that the EU States will remain sovereign "until a fundamentally different order is introduced does not, however, consider the substantial change in the operational meaning of the sovereignty that has already taken place. In a similar vein Wolfgang Streeck's (1999) interesting account of the emerging coalition between nationalism and neo-liberalism suggests that states might exchange responsibility for the economy for preservation of their national sovereignty. His conception of sovereignty, however, also fails to consider its contemporary change in meaning.

Viewing sovereignty as variable in meaning (and not just in locations) is intended to contribute to the vocabulary needed to conceptualize the polity emerging within contemporary Europe. Such a view does not solve all of the conceptual problems, but it should help to move the discussion beyond the idea of indivisibility of sovereignty. Ironically, the absence of a clearly defined constitutional order within Europe facilitates the ambiguity and fluidity of the boundaries between states and state.

In most jurisdictions domestic constitutions are the supreme laws which set out the entities of each state, how they function and what competencies they exercise. It is noteworthy that some members, such as the United Kingdom, do not have a written Constitution. Further, the national judiciary then has the task of interpreting a country's legal framework. Therefore, an overview of the interpretations of constitutions by courts of EU Member States ceding sovereign powers to the EU will inform the debate on Africa's pursuit for more integration. Comparable situations in Europe and Africa, or elsewhere, are bound to yield comparable solutions, despite different experiences and backgrounds, since the aim of both is effective functioning with regard to common competencies, through a supra-national body.

Although the Constitution is generally the supreme law in EU Member States, membership of the EU demands concomitant recognition of the EU legal and institutional framework. But, as stated above, in cases of conflict, EU laws take precedence over the domestic law on such common issues that members have ceded to the EU. If a national law is therefore inconsistent with EU law, it is declared null and void to the extent that it is inconsistent. National constitutions and statutes are therefore entered into under the auspices of the EU (Wachira, ISS paper, op cit.). At times the EU combines both Monist and Dualist legal systems to make decisions.

National constitutions of Member States provide guidance on the scope of the relationship between the state and the supra-national body (Albi & Elsuwege, 2004). One of the key issues that needs to be clarified is the extent to which the state may cede sovereign powers to such a body. In the case of the EU, some Member States have amended their constitutions so that they may legitimately cede powers to EU institutions. The provisions generally yield sovereignty to the EU with regard to matters of common concern. It is important to note, however, that Member States retain the 'ultimate authority and only the exercise of delimited powers can be transferred' (De Witte, 2001:78 cited in Albi & Elsuwege, 2004). If African states are serious about achieving closer integration, Member States may be compelled to harmonize their laws with those of the AU. To some extent this could entail constitutional and legislative revisions and amendments to bring about legitimacy and authority to the common institutions in various Member States. In some respects this has commenced.

On the domestic judicial level, the establishment of the EU and increased integration has forced national courts to determine the extent to which 'a state

may delegate its powers without losing sovereignty' (Albi & Elsuwege, 2004). In what are regarded as landmark decisions, the German Constitutional Court (German Maastricht decision, 1993:57-108) and the Danish Supreme Court (Danish Maastricht decision, 1993:855-862) have established a number of criteria to 'assess the permissible level of integration, so that sovereignty would not be lost' (Albi & Elsuwege, 2004:745). The courts held that the only powers that may be delegated are those that do not compromise a state's autonomy and independence (German Maastricht decision, 1993:91, in Albi & Elsuwege, 2004:862). The courts listed amongst others the following reasons why the Treaty Establishing the EU (Maastricht Treaty) did not compromise the independent sovereign states of German and Denmark.

First, the negotiation and ratification or accession of treaties is the preserve of the state and, as such, any delegation of powers to an EU institution was consensual and in accordance with the laws and procedures of the Member State (German Maastricht decision, 1993:84, 91, & 97, in Albi & Elsuwege, 2004). The state remains in control of the extent to which it is willing to cede sovereign powers to a supra-national entity.

Second, the powers conferred on the supra-national entity by the state were specific (German Maastricht decision, 1993:84,89,&105, and Danish Maastricht decision, 1993:858 in Albi & Elsuwege, 2004:858). This meant that the EU could not at its discretion extend its powers to matters beyond the scope agreed and envisaged by the states. Thus, the free will and consent of states in permitting the EU to exercise these powers remains a fundamental factor in the relationship between each state and the supra-national authority.

Finally, the three pillars of the state, namely; the executive, legislative and judicial, remain the principal institutions that uphold state sovereignty. Even if the state delegates some of its powers to the supranational authority, the state retains substantial control over its own affairs. The three institutions therefore ensure the state remains accountable to its people and that national judicial processes ultimately determine 'whether EU institutions act within the powers conferred upon them by Member States' (German Maastricht decision, 0993:89, and Danish Maastricht decision, 1993:861, in Albi & Elsuwege, 2004:861).

Although the French Constitutional Council reiterated that the EU treaties 'should not undermine the essential conditions for the exercise of national sovereignty' the French have opted for constitutional amendments to reflect the developments within the EU (Alba & Elsuwege, 2004:747). The essential

conditions 'include the states' institutional structure, independence of the nation, territorial integrity and fundamental rights and liberties of the nationals'.

It is noteworthy that the EU still has to deal with uncertainties regarding the sovereign powers of Member States and of the EU institutions. This was highlighted during the bid to harmonize the extent of powers ceded by individual states by means of an EU Constitution. The proposal entailed merging the three pillars into a single structure to simplify and unify the operations of the EU. Several countries have held referenda on the matter, in what according to some commentators parallels the Philadelphia Convention, in 1787, whereby the American Constitution was formed (Rosenfeld, 2003:374-376). The Convention was composed of the radicals and realists.

The premise was that the EU needed a common Constitution to entrench democracy, transparency and efficiency in the operations of the EU institutions (Albi & Elsuwege, 2004:742). While some EU States have endorsed the proposed Constitution, key nations such as the French and the Dutch, who are among the founding members of the EU, rejected a common Constitution for Europe through referendums held in 2005. The reasons for rejecting the proposed Constitution are linked to concerns over the increased move towards closer integration and by extension the limitations on national sovereignty. Some voters thus rejected the proposed Constitution because they feared the powers of the EU institutions and the implications for national policies and liberties which could now be controlled from Brussels. From this, it is obvious that some states and their citizens are not yet ready to yield all their sovereign powers to a supra-national entity, but prefer to retain their national identities and independence. Nevertheless, most Member States acknowledge that some functions are best executed collectively and that the institutions charged with these responsibilities should be empowered to discharge their mandate effectively.

In view of this, it is clear that states are prepared to consensually delegate only some of their sovereign powers to the EU. Most EU Member States still prefer to retain sovereignty and autonomy with regard to a number of aspects, and only cede those powers which are a prerequisite for common functions to the supra-national authority just as Monnet predicted. This required wide and deep consultations among Member States, including civil society and the general public.

In summary, the arguments above have tried to show that when situated in a context of violence, conflict, and wide disparities of power between states,

many of the prevailing assumptions about European political integration look rather naïve. The widespread belief that the sovereign state is now obsolete seems increasingly difficult to accept, not least because the most powerful political units in the world today – the United States, China, and Russia among them – all jealously guard their sovereignty. Indeed, the United States – today's only genuine global power –, is, in many respects, a classic Nation-State, which possesses a centralized locus of decision-making (at least in the key areas of foreign and military policy) and a national culture constituted by a powerful unifying creed. If the United States were able to take military action abroad only with the approval of all fifty state governors, then it would become a much weaker state more easily dominated by unscrupulous rivals. Yes it is precisely this type of weak post-sovereign state that some proponents of European political integration eagerly seek. An incremental and holistic approach to integration is necessary, be it in Europe, Africa, Latin America, Asia, etc.

Indeed, recent European elections show that apathy and outright hostility are becoming growing problems. Too few people in Europe seem to have a clearly formed view of the point or purpose of European integration. Efforts to make European political institutions more transparent and establish a European treaty seem only to have exacerbated these problems (EU doc.).

For many critics and supporters of the EU, Europe's principal problem is its "democratic deficit." The EU's political institutions, so it is argued, are too bureaucratic, too complex, and insufficiently sensitive to the democratic will of a majority. In a slightly more sophisticated version of this argument, Europe's problem is not so much the democratic quality of its institutions – which are hardly any worse than most national democratic institutions – but the fact is that Europe lacks a "*demos*." From this perspective, Europe can never gain legitimacy and popularity without Europeans identifying themselves as such. As long as people think of themselves as national first and Europeans second, or not at all, the EU will remain illegitimate and unloved (Morgan, op cit.).

In contrast to most political philosophers who address European integration, we have so far said very little in this chapter about such a "democratic deficit." The reason for ignoring this topic is that we have been less interested in the institutions and policies of the EU (the current *product* of European integration) than in the *project* of European integration, the *telos* of its process. This project preoccupies both Eurosceptics and Europhiles. It is important to assess the merits of the arguments that wholeheartedly endorse

and reject this project. The quality of the EU's current democratic institutions is not, we suspect the principal basis of most people's assessments of this project. Much more important are issues such as nationalism, welfare, and security. The case for or against the European project must be constructed out of such issues.

The effort to think about the arguments that might be advanced in favor of or against European political integration immediately raise a more philosophical question concerning the criteria of adequacy for such arguments. European political integration is transformative: it entails a fundamental transformation in Europe's "polity" and "regime" Such a transformation needs, therefore, arguments that can satisfy the minimum democratic requirements of publicity, accessibility, and sufficiency. The average European citizen simply cannot be expected to understand and evaluate, for example, the optimal conditions for currency union. It makes little sense to base European integration on matters of such complexity.

Suffice it to note that European political integration, as we have argued, is partly a security-based matter. Security is one of the central tasks that any polity must perform, not least because all citizens have a good reason to place the very greatest importance on their security, which needs to be conceived holistically. We have conceptualized security in terms of the adequacy of safeguards against likely threats. In order to deal with these threats, it is important to recognize their multiple and different sources, including other individuals, private groups, one's own state, and foreign states. To be fully secure, one needs not only an effective state but also an order-enhancing international society. The debate about European political integration must therefore be situated in this broader context.

A lot of people in Europe care more about preserving their national sovereignty than they do about their security. An inward–looking, past-oriented nationalism remains, sadly, the animating ideology of many. Before saying more about such people, it would, however, be useful to review the steps that Europe might conceivably take toward greater European political integration. What process of European political integration would be most likely to bring about a unitary European polity? For much of Europe's postwar history, the process of European political integration has relied on a neo-functionalist strategy of incremental integration.

This so-called Monnet method was designed to avoid any direct democratic involvement. Jean Monnet's Europe was, in short, an elite-led

project. It would be wrong, however, to think that the history of European political integration from 1950 to the present was solely the work of European bureaucrats exploiting the *minutiae* of rules, regulations, and court decisions. The key steps toward European integration – formulated in the principal treaties of 1950, 1986, 1993, and 2004 – were the work of the political leaders of Europe's Member States. Invariably, these political leaders were motivated largely by the economic interests of their own states. It is possible, but highly unlikely, that Europe will, through this method, take one further decisive step toward political integration. The difficulty for proponents of this method is that Europe is no longer viable as an elite-led project.

Following the Maastricht and subsequent Treaties, Europe's citizens have demanded, quite rightly, to be consulted and to have the final say in any further steps that Europe might take toward political integration. While the European Union then focused primarily on economic matters, citizens believed that they could safely ignore much of what went on in Brussels. But now that European political laws and institutions bear on employment policy, welfare policy, and – given the scope of the European Charter of Fundamental Rights – almost every other aspect of human existence, it is reckless to ignore what goes on in Brussels. European political integration cannot go anywhere now without the support of its citizens (Morgan, op cit.). A similar situation applies to the AU, MERCOSUR and CARICOM, whereby the populace closely follows decisions taken in Addis Ababa, Montevideo and Georgetown, respectively, because such decisions affect in one way or another their welfare and impact on their national sovereignties.

Africa

Africa has experienced at least three distinct models of non-State sovereignty. The colonial phase established states whereby the majority of people were subjects and not citizens. The colonial states and, by extension, the colonized populations, were subordinate to other states. Post- colonialism saw these subjects become, as the result of their own struggles against imperialist control, citizens with varying rights to own property, confer citizenship, vote and be voted for, among others (Mamdani 1996). In this model of a representative democracy, sovereignty revolved around the holding of periodic 'free and fair' elections. Elections produced leaders who made public policy

and enabled the citizen, through his or her vote, to hold Government accountable for the delivery of pre-election promises.

Various efforts and initiatives aimed at Africa's closer integration include the 1981 Lagos Plan (United Nations Economic Commission for Africa/ Organization of African Unity 1980) and the African Economic Community (AEC) of 1991 in which development objectives and measures that Africa should undertake in order to achieve socio-economic progress are spelt out. The adoption of the Sirte Declaration, (1999), the Constitutive Act (2000) and the Commission's strategic plan are some of the latest contribution towards this objective (AU Commission Report). In the preamble to the Constitutive Act of the AU, the Heads of State and Government stated that they were 'determined to take all necessary measures to strengthen their common institutions and provide them with necessary powers and resources to enable them to discharge their respective mandates effectively'. This seems to indicate that Member States realize the need to grant powers to the common institutions, which in essence entails transferring some of their sovereign powers to the AU, if they are to achieve the objectives set out in article 3. It includes ceding some legislative powers to the Pan-African Parliament (PAP), judicial powers to the African Court of Justice and Human Rights, and powers over enforcement and implementation of decisions domestically.

One of the objectives listed in the Constitutive Act is the defense of 'the sovereignty, territorial integrity and independence of its Member States' (art 3 (b)). While this may be reminiscent of its predecessor's preoccupation with preserving state sovereignty, which in essence came down to non-interference in the internal affairs of Member States, the Constitutive Act allays fears of complacency by expressly stipulating that it has a right to intervene in 'grave circumstances, namely war crimes, genocide and crimes against humanity' (arts 4 (h)). It may also intervene upon request by a Member State 'in order to restore peace and security' (art 4 (j)).

On the surface, this may not seem to amount to a transfer of sovereign powers to the AU, but Member States did in effect transfer some of their sovereign powers by ratifying the Constitutive Act which empowers the AU to intervene in such circumstances. However, apart from a few instances, the AU has generally avoided intervening in the internal affairs of Member States. Nevertheless, the AU has recently deployed a peacekeeping mission in the Sudan and Somalia; it also restored peace and security in the Comoros, where AU forces led by Tanzania did a commendable job restoring law and order in

separatist Comoros with respect to Anjouan island (2008). This is, once again, another evidence of the fact that the AU is determined to keep peace and security on the Continent. These examples not only point to the AU's departure from its predecessor's stance of non-interference in internal affairs, but also show that the AU is exercising some powers ceded to it by Member States. It can, therefore, be construed as qualitative change (Biswaro, op cit.).

The Constitutive Act of the African Union also envisages that Member States will cede their sovereign powers to the entities of the AU (art 5), in order to effectively exercise their powers and competencies. The Assembly of the AU, its supreme entity, is composed of Heads of State and Government of AU Member States. Among others, this highest Entity of the Organization 'determines the common policies and decisions of the Union as well as ensures compliance by all Member States; and gives directives to the Executive Council on the management of conflicts' (art 9) etc. In terms of these powers and functions, the Assembly is in charge of issues of common interest and ensures their execution, including imposing sanctions for non-compliance (art 23). These are competencies that are traditionally vested in the executive branch of a state. This means that states must cooperate and indeed cede some of their executive powers to the union to enable the AU Assembly to carry out the functions stated above, and to ensure compliance.

Decisions are ratified in the Assembly by 'consensus or failing which, by a two thirds majority of the Member States of the Union, apart from procedural matters which require a simple majority' (art 7). This means that even if not all members agree with a decision, they are bound by it regardless of their individual positions on that particular matter. The sovereign powers in question include those related to enforcement and implementation of decisions of the Assembly domestically. States should therefore accept and implement the common policies adopted by the Assembly which may include economic policies; research; monetary and financial affairs; trade, customs and immigration; transport, communication and tourism, and such other issues of common interest to the members.

However, apart from a few instances pointed out above (Wachira & Ayinla, 2006-485), the AU Assembly is still generally reluctant to interfere in the internal affairs of Member States. This is despite the fact that article 4 (g) of the Constitutive Act provides for the principle of non-interference by any Member State (and not necessarily the AU) in the internal affairs of another, which could be interpreted to mean that the AU can in fact interfere as an

institution. With regard to human rights issues, for example, some Member States have prevailed upon the Assembly to block publication of reports of AU organs which are unfavorable to them in the name of protecting their sovereignty.

It is submitted that there is a need to grant some sovereign powers (real executive powers) by Member States to the Assembly, without undue interference by the states irrespective of adverse mention or adoption of measures against it. It is only through such powers that the Assembly will effectively ensure compliance with the policies and decisions of the AU that are a prerequisite for the achievement of common objectives. These policies and decisions are mainly formulated by the Executive Council and passed on to the Assembly for approval, and therefore it is imperative that the Executive Council also has sufficient powers.

The Executive Council comprises the Ministers for Foreign Affairs or such others designated by the Member States (Constitutive Act of the AU, art 10). Like the Assembly, the decision-making is by consensus or where that fails, by a two-thirds majority on matters other than procedural ones which require a simple majority. The functions of the Executive Council include 'coordinating and taking decisions on policies in areas of common interest to transport and communications, environmental protection, humanitarian action and disasters responses, residency and immigration matters' (Constitutive Act of the AU, art 13).

For effective execution, the Council must have some powers usually reserved for states. For instance, in order to coordinate and take decisions on policies in areas of common interest such as foreign trade, states would have to grant the Executive Council powers related to determining trade tariffs, quotas, markets and standards of commodities and services for import and export. The decisions of the Executive Council would be based on sound advice of the Specialized Technical Committees (Constitutive Act of the AU, art 14 and 15). Member States will reap the benefits of economies of scale on common interests by doing so. This is particularly important if closer integration is to be achieved as envisaged by the PAP, which was established 'to ensure the full participation of African people in the development and economic integration of the continent' (art 17).

The PAP comprises five nominees each from Member States, who should reflect the diversity of political opinion in the national parliaments (Protocol to the Treaty Establishing the African Economic Community relating to the Pan-

African Parliament 2001, art 4). The members are therefore not elected directly to the PAP by citizens of the Member States. In its first term of existence the PAP shall only exercise advisory and consultative powers, but article 11 of the protocol envisages that the PAP shall be vested with legislative powers to be defined by the Assembly. Until such time the PAP is not empowered to legislate on issues of common interest, despite the fact that it is a prerequisite for an effective union which hopes to achieve common goals and objectives (see Magliveras & Naldi, 2003:225; Demeke, 2004:61-66).

The power to legislate on issues of common interest, such as immigration, common tariffs and customs, communication, agriculture, trade, monetary policies and regional security, will place the AU in a position to ensure that constituent states benefit from collective bargaining powers and strengths. States will be able to enjoy economies of scale, and a uniform execution and implementation of policies and laws, which will improve the welfare of all Africans. In particular, it is hoped that states will open up their borders and facilitate free movement of labor, goods and services among themselves that is essential for social cohesion and economic development. It is therefore envisaged that in the pursuit for closer integration and unity, Member States will agree that it is necessary and important to cede some sovereign legislative powers to the PAP, once they are agreed on the common competencies that the PAP should deal with.

The PAP has thus far held several ordinary sessions and established a number of permanent committees, all aiming to ensure 'the full participation of African people, in the development and economic integration of the continent' in accordance with article 17 of the Constitutive Act of the AU. The committees have broad mandates, including consideration of matters relating to development of sound policy for cross-border, regional and continental concerns within the areas of trade, customs and immigration; assisting the Parliament with oversight of the development and implementation of policies of the AU relating to transport, communication, science and technology and industry; assisting the Parliament in its efforts in conflict prevention, management and resolution; and assisting the Parliament in its role of harmonizing and coordinating the laws of Member States (Constitutive Act, art 17; see also the Protocol to the Treaty Establishing the African Parliament, art 11(3)). Effective execution of the competencies would entail and require that states ceded or shared some of their legislative powers with the PAP. This is particularly relevant to the process of harmonizing various laws of Member

States to ensure uniformity or at least a common approach to legitimacy in dealing with community issues.

The PAP must also ensure that the Assembly and other bodies of the AU are held accountable to the African people in more or less the same way national parliaments must ensure that proper checks and balances are maintained to avoid abuse of power by the State institutions. The European Parliament offers some comparative experiences and lessons, in this regard.

The judicial framework of the AU centers on the African Court of Justice and Human Rights (ACJHR) (art. 2), which is a product of a merge between the African Court of Justice and the African Court on Human and Peoples' Rights. It is composed of two sections, namely a general and human rights section (art. 15 and 16). Its headquarter is in Arusha, Tanzania.

The Court will hand down final and binding decisions (arts. 47(1) & (2)) and the Executive Council will be charged with the responsibility for monitoring the execution of its decisions on behalf of the AU Assembly (art. 44(6)). This means that the Executive Council will be charged with the duty to decide upon measures to give effect to decisions of the Court, as well as steps to be taken in the event of non-compliance (art. 47(4) and (5)), which will possibly take the form of sanctions in terms of article 23 (2) of the Constitutive Act. Again, this will require that states not only share some of their judicial powers with the African Court, but also grant some of the sovereign powers to the other AU organs to ensure its decisions are executed within each country.

The protocol establishing the African Court on Human and Peoples' Rights is already in force with judges elected by the Assembly. It is hoped that the court will ensure, among others, that all the entities of the AU function according to the Constitutive Act and related protocols, which will in turn ensure accountability and the rule of law. It is also hoped that the court will be inspired by the European Court of Justice, particularly with regard to the binding nature of its decisions.

At this juncture, it is also useful to mention one program of the AU, namely NEPAD (The New Partnership for Africa's Development), which has demonstrated that Member States of the AU may be willing to change their thinking and cede some of their sovereignty to achieve economic integration. NEPAD established an African Peer Review Mechanism (APRM), a system of peer review to which a state may submit itself and receive feedback on its compliance with NEPAD governance with their peers, conformity with international standards, political governance and human rights. The review

entails self-assessment by the country, followed by a visit to the country by a panel of eminent persons. The implication is that Member States accept scrutiny of their domestic affairs, for example legislative, judicial and economic policies. A number of AU Member States such as Rwanda, Ghana, Kenya and South Africa have already been peer reviewed. Several others are currently undergoing a similar process. By doing so, these countries have agreed to implement the recommendations of the assessment panel. However, some Member States have legitimately questioned the relevance of NEPAD and the APRM. Nevertheless, it is hoped that these developments will inspire more and closer cooperation between AU Member States.

Reflections and conclusions

From the above, one can define sovereignty as the exclusive right to complete political (judicial, legislative and/or executive) control over people. Within this concept, a state possesses full control over its own affairs within a territorial or geographical area. According to Western political thinkers such as Machiavelli, Hobbes and Locke, in most democratic states people anchor this sovereignty either directly through a popular assembly or indirectly through elected representatives. As a concept it has essentially three elements or dimensions, namely: international legal sovereignty, Westphalian/Vattelian sovereignty, and domestic sovereignty. Other scholars have added the fourth meaning or element to this, which is interdependence sovereignty, referring to the ability of public authorities to control trans-border movement (Krashner, op. cit.). Worth noting is the fact that all these elements are mutually supportive. As demonstrated above, different Member States have gradually continued to cede their sovereignty in one way or another contrary to the Westphalian conception. All in all, it is a fact that this is somehow a slow process, being determined largely by the material conditions of each region. It would be absurd to think that the state will wither away overnight. In this connection, it should be apparent that the traditional concept of sovereignty has diminished and continues to be restated.

The basic rule of international sovereignty is to recognize juridically independent territorial entities. These entities then have the right to freely decide which agreements or treaties they will enter into. In practice, this rule has been widely but not universally honored. Some entities that are not juridically independent have been recognized (e.g. Byelorussia and the Ukraine during

the Cold War), and some entities that are juridically independent have not been recognized (e.g. the People's Republic of China from 1949 to the 1970s).

The fundamental rule of Westphalian/Vattelian sovereignty is to refrain from intervening in the internal affairs of other states. Each state has the right to determine its own domestic authority structures. Although the principle of non-intervention is traditionally associated with the Peace of Westphalia, of 1648, the doctrine was not explicitly articulated until a century later by the Swiss jurist Emmerich de Vattel in *The Law of Nations or Principles of the Law of nature Applied to the conduct and Affairs of Nations and Sovereigns*, originally published in French, in 1758. In practice, Westphalian/Vattelian sovereignty has frequently been violated.

Domestic sovereignty does not involve a norm or a rule, but is rather a description of the nature of domestic authority structures and the extent to which they are able to control activities within a state's boundaries. Ideally, authority structures would ensure a society that is peaceful, protect human rights, have a consultative mechanism, and honor a rule of law based on a shared understanding of justice.

In the ideal sovereign state system, international legal sovereignty, Westphalian/Vattelian sovereignty, and domestic sovereignty are mutually supportive. Recognized authority within territorial entities regulates behavior, enjoys independence from outside interference, and enters into mutually beneficial contractual relations (treaties) with other recognized entities. This is the conventional world of international politics in which state-to-state relations are what count. One of the most striking aspects of the contemporary world is the extent to which domestic sovereignty has faltered so badly in states that still enjoy international legal, and sometimes even Westphalian/Vattelian, sovereignty. Somalia, for instance, is still an internationally recognized entity, even though it has barely any national institutions; and external actors have not, in recent years, tried to do much about Somalia's domestic sovereignty, or the lack thereof.

Conventional sovereignty has not always been the hegemonic structure for ordering political life. Obviously, the basic rules of medieval Europe or the pre-nineteenth-century Sinocentric world were very different. But even in the nineteenth century, by which time conventional sovereignty had become a well-recognized structure, there were also legitimized and accepted alternatives. A protectorate was one alternative to conventional sovereignty; the rulers of a protectorate relinquished control over foreign policy to a more

powerful State, but retained authority over domestic affairs. For instance, in1899 the ruler of Kuwait signed an agreement that gave Britain control of most elements of his country's foreign policy because he needed external support against threats from both Iraq and members of his own family (Tetreault, 1991:565-91). In the nineteenth-century China the major powers established treaty ports where British, French, German, and Japanese authorities regulated commerce and exercised extraterritorial authority over their own citizens and sometimes the Chinese as well. In Shanghai, for instance, the British established a municipal council that regulated the activities of the Chinese living within Shanghai as well as of the non-Chinese (Chesnaux and Bastid, 1977:61-68). Within the British Empire, Australia, Canada, and South Africa became dominions that enjoyed almost complete control over their domestic affairs, recognized the British ruler as the Head of State, but to some extent deferred to Britain in matters of foreign policy. Finally, colonization was a legitimate practice in the nineteenth century that allowed powerful states to assume international legal sovereignty and regulate the domestic authority structures of far-flung territories.

Conventional sovereignty is currently the only fully legitimate institutional form, but unfortunately it does not always work. Honoring Westphalian/ Vattelian sovereignty (and sometimes international legal sovereignty as well) makes it impossible to secure decent and effective sovereignty, because the autonomous political incentives facing political leaders in many failed, failing, or occupied states are perverse. These leaders are better able to enhance their own power and wealth by making exclusionist ethnic appeals or undermining even the limited legal routine administrative capacity that might otherwise be available.

To secure decent domestic governance in failed, failing, and occupied States, new institutional forms are needed that compromise Westphalian/ Vattelian sovereignty for an indefinite period. Shared sovereignty, arrangements under which individuals chosen by international organizations, powerful states, or ad-hoc entities would share authority with nationals over some aspects of domestic sovereignty, would be a useful addition to the policy repertoire. Ideally, shared sovereignty would be legitimized by a contract between national authority and an external agent. In other cases, external interveners may conclude that the most attractive option would be the establishment of a ***de facto*** trusteeship or protectorate. Under such an arrangement, the Westphalian/ Vattelian sovereignty of the target polity would be violated, executive authority

would be vested primarily in external actors, and international legal sovereignty would be suspended. Other analysts have made similar suggestions. Keohane has argued that there should be gradations of sovereignty. Helman and Ratner suggest that there are three forms of what they call "guardianship": governance assistance, the delegation of Government authority, and trusteeship. They also suggest the term "conservatorship" as an alternative to trusteeship (Keohane, 2003: 276-77; Helman and Ratner, 1993: 3-21). There will not, however, be any effort to formalize through an international convention or treaty a general set of principles for such an option.

As George M. Wachira (2007) has rightly argued the increased need for state cooperation and interactions to meet the new global challenges demands that states review and rethink the concept of sovereignty. Today it is acknowledged that international law, institutions and processes have compelled states to forge closer links 'to assert and enforce broadly agreed international community policies, interests and values, such as those concerning human rights, international peace and security, arms control, environmental degradation, poverty, health and management of the international commons, even when this may impinge upon a state's traditionally exclusive internal authority' (Bilder, 1994:16). The implication is that whether states enter into closer integration treaties or not, there are certain matters in which their sovereign powers will be limited in any event. On the whole, the benefits to be derived from freely entering into treaties for a common economic, social and political purpose, far outweigh the disadvantages.

From this analysis, it is therefore imperative that, in the pursuit a United States of Africa, Europe, the Americas, etc, existing institutions such as the AU, MERCOSUR, EU, ASEAN, etc. are able to exercise the required powers to discharge their functions effectively. As in the case of the EU, the legitimacy of such powers should originate from treaties entered into by the Member States. Only Member States are in a position to ensure that the common institutions are able to function and execute their mandates effectively. A collective stance will enable Member States to reap the benefits of economies of scale and greater bargaining powers, *vis-à-vis* other global players. The obvious is of course that states cede some of their sovereign powers to the common institutions.

In the case of Africa, there is no doubt that the AU remains the most viable vehicle for achieving a United States of Africa, to be realized through closer integration of its Member States. It is hoped that Member States of the

AU will seize the moment and consolidate their powers so as to achieve the common objectives they have already set out in the Constitutive Act. In this way they will attain greater unity and solidarity among countries in Africa and the peoples of Africa. In the light of the envisaged collective benefits, the transfer of some sovereign powers to the AU, CARICOM, EU, etc. by members, which will ensure greater coordination and effectiveness in executing common competencies, is justifiable and inevitable.

Suffice it to say that, although the EU model does contain some lessons for the proponents of closer integration in Africa, or elsewhere, one must bear in mind that the two continents have very different backgrounds, at least with regard to economic and political aspirations. Unlike Europe, which has advanced national institutions, particularly with regard to legislative and judicial bodies, infrastructure, etc., their African and LAC counterparts are generally still in the process of achieving legitimacy. In some African countries instances of judicial interference, lack of separation of parliamentary and executive powers and even unconstitutional and undemocratic changes in government (irrespective of regular elections) are still common. These and other constraints, such as lack of the necessary economic capacity to support even the most common institutions, will, of necessity, impede fast achievement of closer integration in Africa and the Third World in general.

It would seem that integration is a long and tedious process that demands sacrifice and commitment beyond individual national interests. It is also a process that should be approached with caution, with measured steps that incorporate and ensure proper and wide consultation with all stakeholders, and particularly the citizens of Member States. It also requires a thorough understanding of the meaning and consequences of integration. The citizens of all Member States should be consulted and allowed to participate actively in issues that affect them (Biswaro, 2005). In view of the political and economic disparities and differing level of development in Africa, Latin America and the Caribbean, and Asia, it is important that integration efforts are well thought out and carried out in sequential, logical steps (Wegoro, 1995). They should start with the identification of matters which states agree are of common interest and on which they would be willing to delegate powers to facilitate collective achievement.

Such common issues would form a foundation from which States would act collectively. From this, other steps should follow to expand areas of common competencies. These common issues include those in the case of the

AU, identified in the Constitutive Act of the AU. However, a prerequisite for achievement of those objectives is that the necessary powers to execute them are conferred upon the AU and its institutions. Member States will thus have to transfer sovereign powers to AU institutions to further common objectives gradually. For example, to ensure peace, security and stability on the Continent, particularly in times of civil strife and unrest within a state, the AU must have the necessary power to enable it to send a peacekeeping force to the relevant territory. This in turn implies that a common defense policy and laws to manage and coordinate such AU peacekeeping efforts must be put in place. The further implication is that domestic policies and laws will not only have to reflect the common policy, but that states will have to be willing to ensure that they are consistent with such common policies. The next implication is that states will have to confer sufficient powers on the PAP to enforce harmonization of AU and domestic laws. Furthermore, the Assembly and the Executive Council will require a mandate, and concomitant powers, to ensure and monitor their implementation. Further, there must be separation between the Commission and the Secretariat. The former should really remain a think tank and the latter a Secretariat to service the Summit and the Executive Council meetings. This will give the Commission enough time to do more research work and initiate policy matters, rather than the current tendency to be reduced to a Secretariat where the favored officials hop from one African capital to another. In terms of output it is almost zero. From this it is obvious that one step leads inevitably to the next if effective integration is to be achieved. Furthermore, availability of both human and financial resources, as well as commitment and political will, are crucial to achieve this goal.

The same progression would have to be followed with regard to the AU‘s objective of promoting and protecting human and peoples‘ rights. All 53 Member States of the AU are party to the African Charter on Human and Peoples’ Rights. This means that they agreed, at least on paper, that human rights are fundamental to the realization of greater unity and solidarity of the African peoples. Based on this overwhelming acceptance of the importance of fundamental human rights, Member States would be duty bound to accept the jurisdiction and decisions emanating from the envisaged AU judicial framework, and even the quasi-judicial organs that are in place at this time. Again, to give effect to and enforce these decisions at a national level, Member States would have to be willing to grant the institutions some of those sovereign powers that are usually reserved for the domestic judicial framework and the

executive branches. Only then would it be possible to ensure that the decisions are actually implemented. Further, States would have to be willing to accept as binding the decisions of the African Court of Justice and Human Rights and also be prepared to review and amend national legislation and policies that are inconsistent with the AU Constitutive Act and other Protocols.

The steps necessary to achieve a closer continental union, with the final goal of a United States of Africa in this respect, include the need to define the legislative powers of the PAP – thus the common areas on which the PAP should legislate. These could include trade and market related matters such as common tariffs, monetary issues, immigration, peace and security. In the meantime, the PAP should interpret its powers, as defined by the Protocol establishing it, widely and progressively and exercise them in cooperation and consultation with other institutions of the AU. Future powers would include oversight and supervisory powers over budgetary matters and over other institutions of the AU just like that of EU Parliament. This would require a say in the appointment of members of the AU Commission and other AU bodies. In view of the present inability of many African States to ensure that members of the PAP receive a direct mandate from all their citizens, it is imperative that the process for election of the five representatives of each state to the PAP be rationalized. This will enhance its legitimacy as a voice of the people, which will in turn improve its capacity to challenge policies and legislation at odds with the will of the people.

It is worthy of ruminations about the end of the nation state and the end of sovereignty have only gotten louder of late. Scholars can be found emphatically stating that" like a mothball, which goes from solid to gas directly, I expect the nation-state to evaporate" and the era of nation state is over. Those who envision the demise of the nation state disagree as to whether the primary threat to its viability comes from integrative trends (i.e. transnational links associated with globalization, cyberspace, and other phenomenon that are causing loss of control and erosion of sovereignty) or disintegrative trends (the proliferation of so many small, barely sustainable polities, spurred especially by the surge in ethnic conflicts and separatists movements), or both. We could be witnessing the emergence of either a global village or the exact opposite global villages. However, one distinct possibility — and indeed probability — is that the nation-state system is likely to persevere well into the twenty first century and beyond (Rochester, op. cit.). Despite the pressures for a relocation of authority both upward and downward, the nation-state is still at the centre

of things, engaging in a ceaseless jostling for advantage against other nation states, that the nation-state remains the primary locus of identity of most people, and that as new challenges emerge no adequate substitute has emerged to replace it as a key unit in responding to global change. Indeed, this situation raises several questions that remain unanswered. What kind of nation-state system will it be? Will it be a unipolar one dominated by a single hegemon? And if so, will it be the US? China? Or some other states? Might we possibly return to the bipolar system of the two superpowers that characterized the Cold War? etc. In spite of all this, and depending on specific political and socio-economic conditions we are persuaded to conclude that each member state could gradually cede its sovereignty to the regional arrangement it belongs. However, in order to succeed, this process necessary as it is, requires visionary leadership and political will.

Chapter III
The European Union

Europe is in the midst of a long-term process of political and economic integration that is slowly eliminating the importance of borders and centralizing authority and resources. To be sure, the European Union (EU) is not yet an amalgamated polity with a single centre of authority. Nor does Europe have a military capacity commensurate with its economic resources (Kupchan, A.C., 2002:199-208). The history of European integration can be traced right back to the inter-war years of 1918-39. During this period a number of initiatives in Europe that aimed at establishing new forms of co-operation among European countries took off. This included the Pan-European Union, founded in 1923 by the Austrian Count Richard Coudfenhove-Kalergi, who had called for the creation of a European Federation in his book *Paneuropa*. In the aftermath of the devastating impact of the First World War, the Pan-European Union acquired a loyal following that included individuals who shaped European integration in the post-1945 era – such as Konrad Adenauer and Georges Pompidou – as well as leading politicians of the time. The latter included Aristide Briand, who, as French Foreign Minister, proposed a scheme to create a confederal bond between European States at the League of Nations, in September 1929. Some months later, these ideas were outlined in the Briand Memorandum of 1st May 1930. It argued that European governments should establish a union within the structure of the League of Nations and would include the creation of a permanent political committee and supporting

secretariat. But despite the historical significance of Briand´s proposals, there was a conspicuous lack of support from other leading European nations, the likes of Britain, Germany and Italy. This, combined with Briand´s untimely death, in March 1932, brought to an end the proposals that had been outlined in the Briand Memorandum (Briand Memorandum, 1/5/1930).

The remainder of the 1930s saw little progress toward European unity, and it would take the horrors of the Second World War to revive interest in European integration. The Free French, led by General Charles De Gaulle, expressed an interest in some form of European co-operation, with De Gaulle inviting Europeans, on 11th November 1942, 'to join in a practical and lasting fashion'. Nearly two years later, the leaders of Belgium, Luxembourg and the Netherlands announced, in September 1944, that they wished to establish a Benelux customs union that was finally established in January 1948. These initiatives were greatly influenced by the wartime resistance movement, which concluded that peace could be secured only through the creation of some form of European framework. This directly led to the formation, in December 1946, of the European Union of Federalists (EUF), which called for the establishment of a United States of Europe.

Over and above all other factors, European integration in the postwar period was shaped by two key developments. The first was the emerging cold war bipolar division of Europe that had been emphasized by the agreement reached at the Yalta summit of 1945 to divide Europe in 'spheres of influence', a policy which had itself initially been reflected in the October 1944 agreement in which Churchill and Stalin agreed to a 50:50 division of Yugoslavia, and a 90:10 division of Greece in Britain´s favor. But while the Western Allies viewed the division of Europe as a temporary affair, it rapidly became apparent that the Soviet Union regarded the division to be a permanent feature and ensured that governments favorable to its interests were installed in those countries that fell within its sphere of influence. The reality of this state of affairs prompted Winston Churchill to observe, in his March 1946 speech at Fulton, Missouri, that 'an iron curtain has descended across the [European] continent' (Churchill, W., 5/3/1946). Some months later, in September 1946, Churchill spoke of the need to 'build a kind of United States of Europe' around a Franco-German axis to provide a structure to promote peace and stability (Churchill, W., 5/9/1946). The second key factor concerned the need to tackle the dire economic situation that affected European nations, as a result of the massive war-inflicted infrastructure damage that had obliterated houses, factories and roads. This

difficult economic situation also impacted on the ability of European nations to defend themselves, a factor that was emphasized in February 1947, when an exhausted Britain was no longer capable of providing support to Greece at a time when the Government in Athens was seriously threatened by the attempts of communist guerrillas to take power.

The combination of Europe's difficult economic situation and the threat posed by the Soviet Union produced a swift American response. In March 1947, USA President Harry Truman pledged America's support for 'free peoples who are resisting subjugation by armed minorities or by outside pressures'. The Truman Doctrine, as it came to be known, marked the start of a more active USA Foreign policy, where Western Europe was the most immediate beneficiary. Yet an exhausted Europe was not only incapable of defending itself from the Soviet threat, it was also unable to support itself in terms of its food requirements. The stark reality of the dire economic situation that faced Europe was not lost on the United States, which quickly concluded the need to construct a plan that would enable European economic recovery. In June 1947, USA Secretary of State, General George Marshall, outlined a plan to offer economic assistance to aid the recovery of all European States, declaring that 'Europe's requirements for the next three or four years of foreign food and other essential products – principally from America – are so much greater than her present ability to pay that she must have substantial additional help or face economic, social and political deterioration of a very grave nature (Marshall Plan, June, 1947). The plan, which proved to be a tremendous success, aimed to promote intra-European trade and create a marketplace that was similar to the USA. In aiming to speed up the process of European economic recovery, the United States hoped that an upturn in Europe's fortunes would lessen the dependence on American aid. To avoid criticism that the Marshall Plan was part of a broader USA anti-communist policy (an argument that was leveled at the Truman Doctrine), the plan was open to a large number of countries. But only Western European governments accepted the aid, an outcome that further cemented the division between America and the Soviet Union (Marshall Plan, June, 1947).

It is therefore evident that barely two years after the end of the Second World War there was a bipolar division of Europe based on Soviet and USA spheres of influence. This situation would continue for a further four decades until the dramatic break-up of the Soviet-dominated Eastern bloc, in 1989-90. The intervening cold war proved to be the defining feature of international

politics, and the institutions that emerged during this period – which, in the case of Western Europe included the North Atlantic Treaty Organization (NATO) and the EEC, and in the case of Eastern Europe included the Warsaw Treaty Organization (or Warsaw Pact) and the founding of COMECON – served to demonstrate both the division of Europe along East-West lines and the role which the superpowers played in underpinning these institutions.

Superpower influence within the European arena was reflected in the rapid assertion of Soviet influence in Eastern Europe: by 1948 Czechoslovakia, East Germany and Poland were under Moscow's influence. In March 1948 the Soviet Union started a policy of restricting Western access to Berlin, which materialized in a total blockade of land access to the city by June of that year. This 'Berlin crisis' would result in 1.6 million tons of clothing, food, fuel and other necessities being airlifted to the city until the Soviets lifted their blockade on 12th May 1949, and would be followed, in 1961, by the erection of the Berlin Wall. The Berlin crisis helped to institutionalize the Cold War and influenced the decision of Britain, France, Belgium, Luxembourg and the Netherlands to sign the Brussels Treaty in March 1948, committing the participating members to a system of collective self-defense. Just over one year later, in April 1949, the principle of collective self-defense would evolve in the signing of NATO in Washington by Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, the United Kingdom and the United States. NATO was significant not just because of the commitment to collective self-defense, whereby if one member was attacked then all the other members would be obliged to respond, but because USA involvement provided an important balance of power within Europe (The NATO, April 4, 1949).

In addition to military and security developments, the division of Europe was highlighted by economic factors. The Organization for European Economic Cooperation (OEEC) was established in April 1948 with the purpose of supervising the Marshall Plan, named after its architect, Secretary of State, George Marshall, which provided more than USD 25 billion in economic development assistance to Europe in the late 1940s and early 1950s (Dennis, S. and Wright, S. 1999:242-243). Based on an intergovernmental method of cooperation, the OEEC managed to lower trade barriers among European nations and provided the first small step towards European economic cooperation. But despite the success of the OEEC, many countries argued that it lacked the necessary supra-national structures to bring long-term changes

to the economic and political situation in Western Europe. This was a view shared by Schuman, and Monnet commented: 'I could not help seeing the intrinsic weakness of a system that went no further than mere cooperation between governments. The countries of Western Europe must turn their national efforts into a truly European effort. This will be possible only through a federation of the West' (Monnet, 1978:277-3). To remedy this situation, 'a start would have to be made by doing something more practical and more ambitious. National sovereignty would have to be tackled more boldly and on a narrower front' (Monnet, 1978: 274). For Monnet, the successful integration of Europe could be achieved only by the creation of institutions.

Not all European nations were willing to accept the loss of sovereignty that supra-national cooperation required. Britain, Portugal and many of the Scandinavian countries favored intergovernmental cooperation that did not lessen the authority of their elected governments. The British position could partly be defended on economic grounds. It continued to be a relatively vibrant trading nation with many interests beyond the European theater: its coal and steel production after 1945 far exceeded that of other European countries. A perception that Britain was a significant power led Churchill, in the early 1950s, to advance the concept of 'three great circles among the free nations and democracies' – that embraced the Commonwealth, the English-speaking world and Europe – and crucially, Britain played a key role in each of them.

Yet while it was perfectly true that Britain did have a role in each of these circles, it was not a permanent one. It is therefore hard to disagree with David Reynolds' view that 'in the decade from 1955 Britain's relationship with America became one of dependence, the Commonwealth and Sterling Area crumbled, and Western Europe was transformed by the creation of the EEC without British participation. Underlying all three developments was the country's rapid and catastrophic decline' (Reynolds, 2000:190). Other European nations, by contrast, came to a far quicker understanding that their interests were best served through the creation of new institutional structures. The Benelux States, France and Italy had come to the conclusion that supra-national cooperation offered a number of advantages which more than offset any loss of national sovereignty. Italy, for instance, considered that the new structures would offer it a degree of legitimacy in the international community which it needed because of its alliances with Germany during the Second World War.

The Hague Congress, or the Congress of the Hague

Much of the impetus behind supranational beliefs was in fact a product of wartime resistance movements that directly led to the formation of the European Union of Federalists (UEF) in December 1946. In the early post-1945 period the dominant approach to European integration was federalism. The federalist approach envisaged the creation of a federal constitution for Europe whereby a federal parliament, Government and court would be entrusted with certain powers over such policy areas as security and trade, with the remaining policies to be dealt with by the different levels of Government within the Member States. The crux of the plan was that Member States would be linked by certain common policies that would be governed by an institutional structure at a level above national governments. The desire of the federalists to create an appropriate constitution resulted in holding a conference of interested parties, in The Hague in May 1948.

The The Hague Congress attracted 750 delegates from a range of non-governmental organizations. Its Honorary President was Winston Churchill, who in 1946 had called for a 'United States of Europe' (Winston Churchill Speech at Zurich University, 19/9/1946). While he considered that France and Germany should form the key partnership in the reconstruction of Europe, Churchill's views did not extend to Britain taking a leading role in such a union. This mirrored the then Labor government's standpoint that favored a policy of independence; relations with Europe were placed within the context of Britain's extensive network of trading linkages to the Commonwealth and America. Moreover, whereas France favored the establishment of new structures to control Germany, this was less of a concern for policy-makers in London, who tended to view European cooperation within the wider context of resisting Soviet influence. Apparently, even in the realm of military affairs, Britain had come to the conclusion that its security interests were best served by its relationship with America rather than with a war-beaten Western Europe. As a result Britain championed the creation of the 1949 North Atlantic Treaty Organization. Nonetheless, when these discussions led to the formation of the Council of Europe, in May 1949, Britain, in spite of its reservations, was one of the ten founder members. (The Strategy of the Council of Europe, 5/5/1949).

The Council of Europe, which by 2004 had 45 members, met on an annual basis and provided the first opportunity for the rehabilitation of West

Germany when it became a member in 1950. But while the Council of Europe aimed 'to achieve a greater unity between its Members', the fact that it sought to do this 'by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal and administrative matters and in the maintenance and further realization of human rights and fundamental freedoms` meant that there was an extremely broad and vague remit for discussion. As one commentator has noted: 'This was so vague as to be virtually meaningless: in practice there was nothing in the Council structure which facilitated action as distinct from talk' (Henig, 2002:23). Moreover, in contrast to the wishes of the federalists who had provided the initiative behind the The Hague Meeting, the structure of the Council of Europe was based on intergovernmental rather than federal designs. As such it did not involve the transfer of power and influence away from Nation-States that was so desired by the federalist movement, whose members quickly realized its powerlessness. At the time, British ministers and officials could have come to the conclusion that its preference for intergovernmental structures had triumphed over federalist desires for the reconstruction of Europe.

The coal and steel community

Essentially, the long walk to the European Union started with the establishment of the European Coal and Steel Community (ECSC) in 1951. Many European intellectuals and political leaders argued that the long-standing economic rivalry between Germany and France was at the heart of the lingering conflict in Europe, and a major cause of the wars that periodically engulfed the continent. Jean Monnet proposed the idea of merging the coal and steel production of Germany and France, especially along the long-contested industrial corridor that bordered the Ruhr and Saar rivers. The six countries, namely, France, Germany, Italy, Belgium, the Netherlands and Luxembourg, signed a treaty establishing the ECSC in Paris, in 1951. The treaty provided for the creation of a supra-national High Authority with broad regulatory powers, a council with legislative power, Council of Ministers, a political assembly, and even a European Court of Justice (ECSC Treaty). The new entity would have the power to bind Member States under the umbrella of a higher authority for the very first time. The intent was to set that stage for a broader union (Ruttley, P., 2002: 234). The underlined objective of the treaty was to foster economic expansion, growth in employment and a rising standard

of living in the Member States by means of creating a jointly managed common market in coal and steel. The immediate impact was the removal of all coal and steel importation duties and subsidies.

The EEC's mandate called for the establishment of a common market and included the harmonization of taxation, the elimination of internal customs barriers, and the enactment of rules governing capitalism and the free deployment of labor. A Legislative Body was set up comprised of representatives of each Member State; a commission was created and given executive power; a European Parliament was established with limited advisory and legislative oversight; and the European Court of Justice was given broad judicial review power. The new European Economic Community enjoyed an international legal identity. It could enter into diplomatic relations and negotiate treaties on behalf of its Member Countries just like Nation-States. The Treaty of Rome and the establishment of the European Economic Community meant that Member States no longer had the right to act alone in economic matters. Mr. Walter Hallstein, who had been Monnet's main collaborator in the negotiation of the ECSC Treaty, was appointed as its first president. The six States also entered into a separate agreement to create a cooperative venture to develop nuclear power across their territories. The European Atomic Energy Community (EURATOM) came about because the six countries realized that only by pooling investments and sharing technology could they afford to compete with the USA. and the USSR in the nuclear power field. In 1965, the ECSC, EURATOM, and the EEC merged.

Worth noting is the fact that by the end of the 1940s it was increasingly clear that a strong Germany was central to the economic rehabilitation of Europe and vital in the emerging Cold War conflict with the Soviet Union. The implication here was clear: if Germany was going to take on a greater role and become an 'equal' partner with European States, the restrictions imposed on it at the end of the war would have to be removed. Britain and America were particularly supportive of the reintegration of Germany and of the need to lift the restrictions. France was less enthusiastic and had refused to merge its occupation zone in Germany with that of Britain and America. For obvious reasons, France had been keen to maintain its control over the coal resources of the Ruhr as a means of restricting the resurgence of the German power and as a way of assisting with the modernization of the French economy. Yet British and American pressure to lift restrictions on Germany, combined with British reluctance to take the lead in Europe, meant that by

1949 France was in search of a new policy that sought to permit German economic recovery and reconcile French security concerns about a resurgent Germany (Blair, A., 2005:17).

In the absence of British leadership, France took the lead in addressing the combined issues of Europe's need to contain Germany's need for equality. For these twin objectives of political integration and the normalization of closer relations between France and Germany to occur Monnet proposed the creation of a supra-national coal and steel community. Coal and steel were chosen because they were the most important economic industries at the time and had been influential in the friction that resulted in two world wars. Monnet lost no time in managing to persuade the French Foreign Minister, Robert Schuman, to adopt his proposals, and these were made clear in the opening gambits of the Schuman Declaration of 9th May 1950: 'The French Government proposes that Franco-German coal and steel production should be placed under a common High Authority in an organization open to the other countries of Europe'. The significance of the declaration lay in the desire of France to forfeit an amount of national sovereignty through the creation of new supra-national structures in an effort to realize peace in Europe.

This 'functionalist' approach to integration was notably different from the federalist approach that had been behind the The Hague Congress. The functionalist approach was based on the principle of a gradual transfer of sovereignty from nation state in specific policy areas that Monnet thought would be acceptable to the Member States. Influenced by the work of David Mitrany, the functionalist approach was thus significantly less ambitious and far-reaching than the federalist viewpoint (Mitrany, 1946). The great hope of functionalists was that peace could be achieved through the furtherance of integration in specific sectors of the economy, such as agriculture or coal, with these sectors governed by supra-national institutions. Even though methods of decision-making would be determined by Member States outside the specific sector of the economy, functionalists nonetheless considered that the success of integration in one sector would create 'spillover' pressures that would result in a demand for more integration in other areas (Haas, 1968:283). Monnet's assumption was therefore that in an effort to capitalize on the benefits of integration, Member States would agree to other policy areas being incorporated into the European fold. But although Monnet's approach was successful at the beginning, as we shall see, the underlying assumption that European integration would proceed along a logical and rational channel was not borne out by the events of later years.

The Netherlands, Belgium, Italy, and Luxembourg responded positively to the Schuman Declaration, not least because it provided a useful mechanism to accelerate the process of industrial modernization. Germany was particularly keen and enthusiastic. 'It was a way of giving more freedom of maneuver to the German coal and steel industry; it allayed French anxiety over their security; and it had the full and enthusiastic support of the American government (Paterson, 1994:1430)'. Britain, in contrast, while aware of the benefits offered by the Schuman Plan in forging closer Franco-German cooperation, saw no necessity to get involved in a process that centered on the decision of a new higher authority being binding on the participating Member States. Matters were not helped by the fact that Schuman had deliberately not consulted Britain about the proposal as a result of his fear that London would oppose the idea. Yet it is extremely unlikely that Britain would have responded in any other manner even if it had been specifically consulted. This was because the Schuman Declaration was not merely concerned with the coordination of coal and steel production. It stressed that 'the pooling of coal and steel production will immediately ensure the establishment of common bases for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of arms, to which they themselves were the constant victims' (Schuman, 5/5/1950).

Britain, which had been content with the intergovernmental structures of the OEEC, did not feel the need to re-establish itself in a new form of organization. The diversity and 'relative' strength of Britain's trade – after 1945 it produced approximately two-thirds of the steel of what would become 'the Six' (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) – meant that it did not consider its influence on world events would be enhanced by joining forces with other countries. Such a viewpoint contrasted with the position of many of the governments of the Six who, faced with a combination of domestic economic difficulties, the threat of Soviet communism and a decline in Europe's influence in the world economy, regarded participation in a new organization to be the only means to overcome these challenges. It is a point that Alan Milward has made in arguing that European integration took place as a result of the demands of the Nation-States (Milward, 1992). Both Italy and Germany, for instance, considered European integration to be a central means by which they could re-establish themselves, while for other nations, such as France, it reduced their fear of a revived Germany (Baregu, M., 2005: 46-48).

Britain's policy of favoring loose association rather than integration with Europe was shaped by a refusal to accept Schuman's condition that all Member States had to agree to the principle of supra-national cooperation *prior* to engaging in the talks that were to work out the details of the Schuman Plan. As a result, the British Government rejected the Schuman Plan on the grounds that its supra-nationalism would impact on national sovereignty. Britain was therefore absent when 'the Six' States met at the beginning of June 1950 to commence discussions on the Schuman Plan. Jean Monnet, who chaired the talks, stressed the importance of progressing beyond the national negotiating position: but to seek it in the advantage of all (Monnet, 1978: 323).

Although the Treaty focused on only one specific sector of the economy, its preamble demonstrated the desire of the founding fathers to move beyond coal and steel to create a wider Community by means of functional integration and political spillover. According to Duchene (1996:55) 'the idea was to create a federal prototype. Once "a practical community of interests" had been created, mentalities would change, other steps would become possible, a new dynamic would begin to operate and finally, step-by-step, lead to a federal destination'. Thus, at the heart of the ECSC lay a sector-by –sector approach to European integration. In this context, the founding Member States 'resolved to substitute for age-old rivalries the merging of their essential interests; to create, by establishing an economic community, the basis for a broader and deeper community among people long divided by bloody conflicts; and to lay the foundations for institutions which would give direction to a shared destiny. This, combined with the supra-national institutional structure of the ECSC, ensured that it was distinguishable from other efforts to promote European cooperation, such as the Council of Europe.

In short, the significance of the ECSC lay in the capacity for European integration to progress beyond initiatives such as the Council of Europe, whose vague aims did little to unite European nations. The ECSC thus offered a new form of organization where Nation-States agreed to surrender an element of their sovereignty to a supra-national institution. Yet at the same time it had a limited membership and many OEEC members, such as Britain, were not part of the ECSC. Its structures also did not reflect the full federation for which many had campaigned. In spite of this compromised outcome, the ECSC provided the first attempt to integrate the States of Europe in a structure that differed from the intergovernmental principle of the OEEC and NATO (Blair, A., op. cit.).

The failure of the European Defence Comunnity

Just as the economic concerns of a postwar Germany provided the impetus behind the ECSC, the security concerns of a future remilitarized Germany were central to the development of the European Defense Community. In the climate of the Cold War, the USA was particularly keen to revive German military power and for the country to become a member of NATO as a means of countering the threat of the Soviet 'Red Army' in the European theatre. At the same time, the wider global tension between the USA and the Soviet Union had been accentuated by the successful Soviet atomic test in the Autumn of 1949 and the outbreak of the Korean War in 1950. A militarily revived Germany would nonetheless be a matter of concern for France, which at the beginning opposed the American plans for German rearmament. Indeed, as a significant proportion of the French army had been involved in Indo-China since 1946, German rearmament would quickly result in it having the largest army in Western Europe. Once again Monnet found a solution to this problem when he advocated that the principle of supra-national cooperation could be extended into the remit of defense. Monnet's idea was therefore to mimic the example of the Schuman Plan to promote the creation of a European defense system. In turn, the premier of France, René Pleven, suggested, in October 1950, that France, Germany and other interested countries should establish a supra-national European Army of 100,000 soldiers. Thus, just as supra-nationalism had been used to control German industry, so too would it be used to control German rearmament.

Britain, which had been absent from the ECSC discussions, reacted negatively to the Pleven Plan with its proposal for a multinational force that would be responsible to a European Assembly and a European Minister of Defense. But for other countries, the Plan's attractions lay in the fact that it locked Germany into a defense system (The Pleven Plan, 24/10/1950). It was with this in mind that Belgium, France, Germany, Italy and Luxembourg commenced a process of negotiations in February 1951. The Netherlands joined the delegation in October 1951. The discussion resulted in the signing of the European Defense Community Treaty (EDC) in May 1952.

The outlook for European integration in 1952 initially appeared to be optimistic. But within a short time it became ever gloomier and underscored the limitations of Monnet's approach to European integration. France was particularly keen to exercise its stamp on the shape of postwar Europe and

did not view its relationship with Germany as that of an equal. Thus, while the EDC Treaty stressed that Germany should not have an independent military command, the other members were able to keep their own defense structures, albeit with the armed forces placed under a new supra-national structure. This meant that all parties to the Treaty would have to forgo some degree of their capacity for independent action. This was something to which many politicians in France, particularly the Gaullists, were opposed as it implied the relinquishing of national command of the French army. Such nationalist arguments were influential behind the failure of the French National Assembly, on 30th August, 1954 to ratify the EDC Treaty. Indeed, it was only in the 1990s that Member States were prepared to extend the EC's competence into defense matters (Blair, ibid.).

The failure of the ambitious EDC plan – which would have led also to the creation of a European Political Community – was a notable setback for Monnet's approach to European integration and progress towards the building of supra-national institutions. Nevertheless, the underlying issue of German remilitarization remained an important topic on the European political landscape. To deal with this problem, the then British Foreign Secretary, Anthony Eden, put forward a Foreign Office scheme which proposed that the 1948 Brussels Treaty which had committed Britain, France and the Benelux States to a common defense system should be expanded to include West Germany and Italy. For Britain, the key advantage of the proposal to create a new defense organization – to be known as the Western European Union (WEU) – was that its intergovernmental structure meant that it did not contain the supra-national features of the EDC, with the new policy being accepted by Belgium, France, Germany, Italy, Luxembourg, the Netherlands and Britain as a result of the modification of the Brussels Treaty by the Paris Agreements of 23rd October, 1954 (WEU Protocol, 23/10/1954). In addition to this championing of the WEU, Eden argued that crucial issues of German rearmament should take place within NATO, which Germany eventually joined in May 1955. And it would be this security dependence on the USA via NATO, rather than the WEU, which would act as the formal check on German armament.

The absence of supra-national structures in the WEU represented a bitter blow to the federalist movement. The WEU differed little from the loose intergovernmental structure of the Brussels Treaty, with the only addition being a Consultative Assembly that would be attended by the same national delegates to the Common Assembly of the Council of Europe. From such a beginning

the WEU never matured into a major security structure in the way that NATO did, but then again it was not meant to. It was clear from the beginning that the WEU was not formed to duplicate the work of other organizations, while the military responsibility of the Council was handed over to NATO from the outset. In short, the collapse of the EDC and its replacement by the WEU demonstrated the decline of the attractiveness of the Community idea advanced by Monnet and Schuman.

This State of affairs, combined with the desire of France to strengthen the position of the Member States within the ECSC, influenced Monnet's decision to announce his resignation as President of the ECSC in November 1954. Impatient for further advances in European integration, he had become disenchanted with the resistance of some Member States. In a statement to the ECSC Common Assembly in Strasbourg, Monnet stressed that 'It is for Parliaments and Governments to decide on the transfer of new powers to the European institutions. The impulse must therefore come from without. [In resigning as President], I shall be able to join in the efforts of all those who are working to continue and enlarge what has begun' (Monnet, op. cit.). To do this, Monnet established a pressure group of like-minded Europeans known as the 'Action Committee for the United States of Europe', formed on 13th October, 1955 with Monnet serving as President until his resignation on 9th May, 1975 (Blair, op. cit.).

Monnet's departure from the ECSC proved to be a significant shock to the national governments and raised the key question of what would now happen. The response was to come from the Benelux governments. In a memorandum that was drafted on their behalf by the Belgian Foreign Minister, Paul-Henri Spaak, they advocated the taking of further steps towards integration by establishing a common market and creating an atomic energy community. This in turn formed part of the discussions that took place at a meeting in Messina, Italy, in June 1955.

The Treaties of Rome (Messina Declaration)

In June 1955 the foreign ministers of the Six met in Messina to discuss proposals for further European integration, of which the fields of transport and atomic energy were considered to be two possible options. As France was the only country to possess a nuclear energy program, it had been the main champion of Euratom, a policy which it hoped to dominate within the

Community. Moreover, as the costs associated with the policy were considered to be too great for just one country, France hoped to benefit from the greater levels of funding available from the Community. In essence, French support for European integration was shaped by its desire to secure its national interests. The end product was a resolution that went 'The Governments of the Federal Republic of Germany, Belgium, France, Italy, Luxembourg and the Netherlands believe the time has come to make a fresh advance towards the building of Europe. They are of the opinion that this must be achieved, first of all, in the economic field' (Messina Declaration, 1-2/6/1955).

As a follow-up to the Messina Declaration, a committee was formed that included relevant experts and Government representatives, chaired by the Belgian Foreign Minister Paul-Henri Spaak. Other leading figures in the discussions included Monnet and the Dutch Foreign Minister Johan Beyen. Beyen's contributions proved to be particularly crucial, as he argued for the creation of a customs union and common market that reduced trade barriers between the Six. This approach differed from the widely held viewpoint that integration should proceed on sectoral grounds alone and Beyen's plans were therefore more ambitious.

Beyen's view of European integration was not accepted by all the Member States. Britain, for example, was particularly hostile to the creation of a common market as the Government believed plans to create a customs union represented a form of protectionism that did not mirror Britain's preference for open and multilateral trading relationships. Such economic concerns masked a far more important reason for Britain's refusal to participate in the EEC: a rejection of the supra-national powers of the Community's institutions. Britain's preferences were framed within the context of 'cooperation without commitment' and Government ministers hoped to be able to steer the outcome in a non-supra-national direction. Yet it was a highly unrealistic objective as the Spaak Committee's thoughts clearly involved the principle of some loss of national sovereignty. The longer Britain continued to take part in the discussion, the harder it would be for the British Government to distance itself from being committed to the result. Britain therefore withdrew from the discussions in November 1955 when the Government concluded that its proposal to establish a free trade area was not acceptable to the Six. Spaak would later comment that 'little by little the British attitude changed from one of mildly disdainful scepticism to growing fear' (Spaak, 1971:232).

As an alternative, the British Government pushed for intergovernmental cooperation within the OEEC. It was an approach that nevertheless proved unacceptable to the other Member States because they wanted a supra-national rather than intergovernmental solution. Even though Britain clarified its position by drawing up a proposal for an alternative free trade association in November 1956, the Spaak Committee had already recommended in its April 1956 report that a common market and atomic energy community should be created. Such a conclusion was the product of the argument put forward by the Spaak Committee that further sectoral integration in the model of the ECSC would not work. As such, the Committee's report took the extremely significant step of abandoning further sectoral integration and instead advocated the creation of an Atomic Energy Community and a separate customs union. The Spaak Committee's report in turn formed the basis of the subsequent intergovernmental negotiations of the Six that started in June 1956 and ended in February 1957. The negotiations, which were difficult, produced common agreements that resulted in the creation of the EEC and Euratom. The agreements were signed in Rome by the six Member States of the ECSC on 25 March 1957 (The EEC Treaty, 25/3/1957). Both treaties were swiftly ratified by the national parliaments and came into effect in January, 1958. This signaled a key moment in the history of European integration.

Constructing the community: (1958-68)

Although the Commission contained an explicit supra-national design, it was not the only institution that had a supra-national focus. Observers could be forgiven for assuming that as the national interest of Member States were reflected in the Council of Ministers (the second major EEC body), the Council was devoid of supra-nationalism. To be sure, the Council's composition of national government ministers – with varied membership depending on the agenda – reflected an intergovernmental design that was further confirmed by the fact that each Member State took its turn in chairing the meetings (a duty rotated every six months). However, as the Treaty of Rome included a provision for decisions to be taken on a qualified majority basis, from 1966 (as opposed to unanimity basis) it would be possible for a nation's interests to be overridden by the views of the majority. And in so far as majority and qualified majority voting were viewed to be of importance in ensuring that the Community's progress could not be hijacked by the views of any one Member

State, it was a process that contained an element of supra-nationalism. Moreover, it would provide the pretext for the French President, Charles De Gaulle, to block the Community's proceedings in the second half of 1965 (The Luxembourg Compromise, 28-29/1/1966).

To assist Member States with the administrative tasks of the Council meetings, a Committee of Permanent Representatives (Coreper) was also set up in 1958. However it did not have legal status until the Merger Treaty of 1967. The national representatives that comprised this body were to play an important role in the functioning of the Community, having the responsibility to provide preparatory briefings to the home Government ministers and to take uncontroversial decisions. Whereas Coreper helped to articulate the interests of the Member States, it was the decision taken by the leaders of national governments at a summit level that mattered. The first meeting took place in Paris, in February 1961.

The third major institution created by the Treaty of Rome was the Parliamentary Assembly which served as a direct replacement for the advisory body that was provided for by the ECSC Treaty. The Parliamentary Assembly – which in 1962 was renamed the European Parliament – was provided with a limited number of supervisory powers over the Commission and the Council of Ministers. This included the right to put questions to the Commission, to discharge the annual budget and to censure the Commission (a power that was not used until 1999). The powers entrusted to the European Parliament were for the most part of a limited nature and this meant that it exercised little effective control over the European Commission or the Council of Ministers. Individual Commissioners could be sacked by the Parliament, and this institution had little influence over budgetary matters and no ability to force amendments to legislation. This state of affairs continued for the next three decades, with the European Parliament's institutional weakness finally addressed in the 1993 Treaty on European Union, when it obtained a more decisive role in the decision-making process (co-decision procedure).

To ensure that the laws of the Community were implemented in a common format, a Court of Justice was established as the fourth major institution. Based in Luxembourg, the Court consisted of judges appointed upon the recommendation of Member States for six-year renewable terms. The Court was given the specific responsibility of handling cases from all three Community treaties and from disputes arising between Member States, and the Communities, individuals and Member States and finally individuals and the

Communities. Its decisions were taken by majority voting and were final. The very presence of Community law provided an important distinction between the Community and other international organizations, although it was nevertheless the case that Community law existed alongside national legal systems. So while the Treaty of Rome paid attention to developing supra-national structures, a significant degree of influence was retained by the Member States through intergovernmental structures. Just as the supra-national Commission was entrusted with the responsibility for both initiating and implementing policies, the interests of the Member States were reflected in the Council of Ministers, which had the primary task of legislating on the basis of the proposals arising from the Commission. Of the remaining institutions, the Parliamentary Assembly's influence was of a limited nature, while the Court of Justice played a more significant role by interpreting EEC decisions. And although this balance between the supra-national and intergovernmental would initially tilt in favor of the Commission, as the Community progressed into the second half of the 1960s, the institutional battle favored the Member States (Blair, op cit.).

'Wine lakes and butter mountains'

The EEC Treaty gave the Body the power to set a common agricultural policy for the Member States, as well as to establish a common transport policy, a customs union, and a common policy to govern external trade. The architects of the EEC were mindful that greater economic union would necessitate a freer and more mobile labor force that could seek employment and take up residence across national boundaries. The treaty created four basic rights: the right of citizens to move between States; the right to establish residence in another State; the right to work in another State; and the right to move capital between countries (Treaty of Rome, 25/3/1957 – art. 48-73).

However, most people, until recently, viewed the European Community and its successor, the European Union, as little more than a common market that could give its Member States the advantages that come with a larger unified internal trade zone. Its early architects and visionaries even promoted the idea publicly in order to gain acceptance for the Union. Privately, however, they were clear, from the very beginning, that they had a far more ambitious agenda in mind. Jean Monnet, the founding father of the Union, declared earlier on that "we are not forming coalitions between states, but union among

people" (Edelman, R., Feb/2002). Monnet and others believed that the only long-term solution that could guarantee a peaceful and prosperous Europe was the surrendering of more national sovereignty to a broader political union. They realized, however, that sporting an overtly political agenda would backfire and create resistance in the Member States, all of whom were anxious to increase their economic clout by joining in common cause in the commercial arena. For the most part, national leaders saw the union as a way to further national objectives, strengthen their own domestic agendas, and secure their national sovereignty. In a world dominated at the time by two superpowers, the USA and the USSR, the six Member Nations reasoned that only by pooling their economic resources could they hope to compete. It was the fear of being swallowed up that pushed the Member States on to greater levels of economic integration.

A central aim of the new organization was therefore the establishment of a customs union and common market to promote free and equal competition between the participating Member States, being influenced by two main factors: first, a desire to create higher levels of economic growth; second, an aspiration that Member States should not return to a system of national protectionism that had been a dominant feature before the War. Article 2 of the Treaty of Rome stressed *inter alia* that 'The Community shall have as its aim, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between its Member States' (EEC Treaty, 25/3/1957).

The very creation of such a customs union resulted in the Member States having to agree to certain common practices and standards that centered on eliminating the distinctions and borders between the different national markets. This included the abolition of tariffs and restrictive practices, such as price fixing and the dumping of products. In addition to these internal policies, Member States agreed to the creation of a common external tariff to ensure that non-Community countries were presented with a common tariff, irrespective of which Member State they traded with. In the end, a full customs union was born on 1st July 1968, 18 months ahead of the schedule that had been laid down in the Treaty. But apart from these economic benefits, the federalists also hoped that over a period of time there would be a gradual shift of decision-

making away from Member States towards the European institutions. In other words, economic integration would lead European unity within a wide variety of areas, including social affairs, financial matters and foreign policy (Blair, ibid.).

Of these various areas, economic objectives proved to be the most easily attainable. By the end of the 1960s many of the objectives set in this policy area had been met. The attainment of these objectives was greatly influenced by Walter Hallstein's dynamic leadership of the European Commission. In the period between 1958 and 1970, trade among the Six increased fivefold, exports to the rest of the world increased by two-and-a-half times, and the gross domestic product (GDP) of Community Member States grew at an annual average of 5 per cent. By 1962 the EEC was the world's largest single trading power. A combination of economic growth, the creation of united policies based on supranational institutions and the overall size of the combined economies of the Six increased the Community's influence on world affairs. This was evidenced by a desire to improve the access that the Six's former colonies had to the Community: in 1963 the first Yaoundé Convention was signed between the Community and about 18 African States, followed by a second Yaoundé Convention in 1969 (Biswaro, 2005). An awareness of the EEC's important role as a trading organization led the Community to tackle the issue of market access with other developed countries, as highlighted by the 1967 Kennedy tariff rounds. As a demonstration of the external role being carved out by the EEC, and the recognition attached to it by the outside world, these negotiations reduced tariff barriers between Europe and North America and acted as a further stimulus to economic growth.

In spite of these encouraging achievements, by the end of the 1960s the Community had not fulfilled all of its initial objectives. The continuing presence of restrictions on the free movement of capital, goods and people ensured that the commitment in Article 3 of the Treaty of Rome to 'the abolition, as between Member States, of obstacles to freedom of movement for persons, services and capital' and *ergo* the promotion of free and equal competition had not been achieved by 1970 (EEC Treaty). The reason for this lack of progress can be attributed partly to the greater desire among policy-makers to eliminate tariffs and quota barriers in the early years of European integration rather than to tackle those policies that would aid the creation of a single market. Indeed, it would not be until the mid-1980s that plans would be set in motion that resulted in genuine free movement within the Community. Second,

although a Social Fund had been created in the Treaty of Rome to assist with tackling unemployment, it was relatively small, and it proved difficult to achieve common social, regional and transport policies. A key area where the Six did manage to achieve a common policy was the common agricultural policy (CAP). And although the policy was a direct response to the food shortage that existed in postwar Europe, it also represented a classic Community compromise. In return for dismantling the protective trading barriers that protected the French economy from foreign competition, the government in Paris argued for the creation of an agricultural policy to protect its farming interests (whereby more than 20 per cent of the French workforce was employed). As such, an important factor in the emergence of the CAP was its ability to satisfy French and German interests.

But while a common agricultural policy was referred to in the Treaty of Rome, it was not exactly clear how such a policy would operate in practice. The only guidance provided was that its aims were to secure the supply of agricultural produce by means of increasing production, stabilizing prices and providing farmers with an adequate standard of living. In other words, a particular concern was the absence of concrete information as to how the CAP would be financed, and this would, in a short period of time, provide the Community with a crucial crisis. Nonetheless, the CAP proved to be important development for the Community for both economic and political reasons: in 1955 it accounted for a significant percentage of the share of the labor force and made a notable contribution to the national GDP (Blair, op cit.).

While there is much truth in the assessment that the CAP was a success story because of its efforts in forging closer integration, it has nonetheless been subject to significant amount of criticism. This has been not least as a result of the sums of money involved. To encourage agricultural production, the CAP provided farmers with a guaranteed price for their products which essentially meant that producers inside the Community were more favorably placed than overseas competitors. Moreover, so as to place its own market at an advantage, the Community established a system of tariffs and customs duties that protected farmers from lower-cost imports. Such a system encouraged efficient farmers to maximize output and consequently led to significant variance at the level of support provided, whereby large farms benefited over small ones. Apart from putting a question mark over the 'common' nature of the CAP, the structural design of the system encouraged the production of surpluses that the Commission purchased to protect prices

and guarantee farm income. This inevitably led to the creation of the so-called 'wine lakes' and 'butter mountains'. Another prisoners' dilemma?

Over-production and a policy of maintaining prices that were often higher than world levels resulted in the CAP being subjected to intense criticism from within and outside the Community. This included the environmental impact of large-scale industrialized farming that encouraged the use of fertilizers. It was also an extremely expensive policy. The CAP accounted for approximately 50 per cent of the Community's budget by the 1990s, and despite a number of attempts at reform, it continued to account for over 40 per cent of the budget in 2004. This is because the entrenched interests of the farming community that the CAP favored (particularly within France) meant that it proved to be a difficult policy to reform and impossible to remove from the Community agenda. This is despite the fact that in contrast to its dominant position in the postwar economy, agriculture no longer accounts for a significant percentage of the national labor force or makes a major contribution to the GDP of Member States. According to Hix (1999:254-255), between 1955 and 1995, 'the share of agriculture as a percentage of the labor force of the Member States declined from over 20 per cent to under 10 per cent, and as a percentage of national income of the Member States it declined from over 10 per cent to under 3 per cent'.

The backlash

Having decided not to take part in the negotiations that led to the EEC, the British Government was determined to take the initiative and advance its own ideas for a free trade area that had no supra-national elements. The 1956 Suez crisis, in which Britain was forced to withdraw from Egypt as a result of American economic and political pressure, had demonstrated that Britain was no longer a world power. Yet while the Government advanced the case for a free trade area, it did not make the more logical deduction that British influence could be maximized through membership of the European Community. Simply put, the British proposal would involve the Six EEC countries being linked by association to the other OEEC countries in the form of a free trade area. Although aimed at uniting Europe, Britain hoped to have the best of both worlds: to maintain preferential trade arrangements with the Commonwealth and the colonies and, at the same time, to be linked to the Community. But despite these rather selfish aims, the basic concept of a free

trade area received warm support in many of the capitals of the Six. Germany and Italy were broadly in favor, although France was more skeptical and there were notable differences between its views and those of Britain (Blair, op. cit.). The British Government advocated a free trade area based on a loose set of rules, the maintenance of Commonwealth preferences, rejection of the need to harmonize a range of policies from tariffs to trade policies, and unwillingness to include agriculture. The French negotiators adopted a totally contrary position in all of these matters. The discussions finally proved futile. The British proposal which lacked any supra-national content was unattractive to the Six (particularly France) which had acknowledged the need for supra-nationalism in their acceptance of the Treaty of Rome. More importantly, it is evident that if Britain's free trade idea had been successful, it would have transformed the EEC into a large free trade area that would have had a damaging impact on the process of integration that the Six desired.

By 1958 the process of integration had, in any case, started with the first tariff cuts among EEC countries. And having commenced this course of action, the Six were unwilling to allow members of a free trade area to obtain the benefits of access to EEC markets without accepting the responsibilities of the customs union. As Willis puts it, the then French Information Minister, Jacques Soustelle, commented in November 1958 that 'it was clear to France that it was not possible to create the free trade area in the way the British wanted' (Willis, 1963:280). This remark signaled the death of the negotiations which formally came to an end in December 1958, resulting in seven of the remaining eleven members of the OEEC commencing a process of discussions that would eventually lead to the creation of the European Free Trade Association (EFTA). The seven then non-EEC countries of Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland accordingly signed the Stockholm Convention, on 4th January, 1960, thereby marking the creation of EFTA. It was purely concerned with the achievement of a free trade are based on intergovernmental cooperation, and contained none of the economic or political integration that its members had found so unwelcome in the Treaty of Rome.

The British government's decision to champion open trading relations through EFTA had been based on a belief that this association's economic, political and security interests were noticeably different from help from other European nations. British policy-makers considered that the majority of Britain trade would continue to focus on the Commonwealth, in particular the English-

speaking countries of Australia, Canada and New Zealand. It was a viewpoint that was carved out of Britain´s historical past and did not fully reflect the postwar reality of the declining importance of the Commonwealth trade and the weakening of its overall influence on world affairs. Yet in a short period of time the British Government reversed this stance and concluded that the looser ties of EFTA were of marginal benefit. Faced with a decline in its economic fortunes and global influence, the Conservative Government of Harold Macmillan announced, in July 1961, that Britain would make an application to join the EEC (Blair, op cit.). According to Edward Heath, who managed the 1961 application, '[T]he decision of Harold Macmillan's government to apply for membership of the European Community represented an historic moment in post-war politics. It determined the direction not just of British policy, but also that of Europe and the Atlantic alliance... It, however, signaled the end of a glorious era, that of the British Empire, and the beginning of a whole new chapter of British history (Heath, 1998:203)'.

This change of strategy was based on economic, political and security grounds. As already mentioned above, the 1956 Suez crisis highlighted the limitations of British military and political influence. The economic factors were also of considerable importance, influencing the Government's decision to seek membership of the Community. Not only was Britain's economic growth flagging behind the Six, but British trade with the countries of Western Europe was increasing at a faster rate than with the Empire and the Commonwealth. Finally, this reorientation of policy towards Europe reflected the preferences of the USA, which was a strong advocate of Britain's entry, and had been unsupportive of British plans for a free trade area. USA support was influenced by a consideration that Britain's membership would help to defend American interests and dilute the Franco-Germany relationship. Macmillan thus concluded that it would be better to maintain Britain's 'special relationship' with the USA inside rather than outside the EEC.

Despite the economic and political arguments for membership, the application was framed within the wider context of continued links to the Commonwealth and the USA. Such a position did not find support from France, which under De Gaulle´s leadership was overtly hostile to American influence on NATO via European matters. And as Article 237 of the Treaty of Rome required that the admission of new Member States to the Community was dependent on a unanimous vote within the Council of Ministers, Britain's application for membership could be torpedoed by a veto. In the end, this

was the policy that De Gaulle used on the grounds that Britain's membership would destabilize the Community. In any event, the negotiations over membership applications became linked to a wider debate about the future of the Community, as the economic progress that it had achieved led the Six to pay closer attention to matters of a political nature. Yet while most Member States thought that the Community should play a greater role in world affairs, some countries, such as France, were of the opinion that this should not be at the expense of national influence. Although De Gaulle wanted a stronger Europe (partly to counter the influence of the USA) and was also aware of the economic benefits that France obtained from membership, he questioned the need for the transfer of too many powers to the supra-national institutions of the Community. To resolve this impasse, the leaders of the Six agreed, at the 1961 Bonn summit, to establish an intergovernmental committee, chaired by the French Ambassador Christian Fouchet, to examine the case for closer political integration. By the end of the year the Fouchet Committee had produced a draft treaty that proposed the creation of an intergovernmental organization outside of the Treaty of Rome to coordinate foreign and defense policy, and in doing so rejected the federal model (Blair, op cit.).

For De Gaulle, a key aspect of the plan was that France's interest would be protected because a decision would be subject to unanimous agreement. Such a strategy reflected France's and De Gaulle's desire to rein back some of the powers which had been granted in the Treaty of Rome. The other members of the Community – particularly Belgium and the Netherlands – did not share this view and argued that the proposals would undermine the supra-national design of the existing Community institutions through the separation of economic affairs from those of defense and security. As a consequence it proved impossible to reconcile the gap between the desire of the majority to maintain the 'Community method' and De Gaulle's vision of a Europe of Nation-States. It was therefore rejected. The inability to resolve these differences of opinion resulted in the closure of discussion of the Fouchet Plan, which in turn led France to develop a bilateral foreign policy agreement with Germany, as set out in the January 1963 Franco-German Treaty of friendship (The Franco-German Treaty, 22/1/1963)]. The significance of the Franco-German Treaty that provided for institutional cooperation between the two countries across a wide range of policy areas lay in the fact that it was the first bilateral relationship in the Community, and in this context brought classical 'realpolitik' diplomacy to the Six. The Franco-German Treaty thus

further cemented the role of Member States as the key determinants about the future of European integration.

Although the Fouchet Plan negotiations were not directly linked to Britain's application, the failure of the talks strengthened De Gaulle's uncertainties about the suitability of Britain joining an organization that he wanted France to control. Thus, when Britain agreed to purchase the Polaris nuclear missile from the USA, in December 1962, it provided De Gaulle with the necessary justification to veto Britain's membership application on the basis that Britain would be an American 'Trojan horse' in Europe [Doc, 17]. Such was France's concern about American influence over European policy that De Gaulle subsequently withdrew France from the military command structure of NATO, in 1966, which in turn brought about the need for NATO headquarters to relocate from Paris to Brussels.

President De Gaulle's use of the veto shattered any immediate hopes of Britain joining the Community. However, it did not necessarily signal a re-orientation of British policy away from Europe. Writing in his diary after the veto, Harold Macmillan noted that 'the great question remains, "What is the alternative?" to the European Community. If we are honest, we must say there is none' (Macmillan, 1973:374). Many of the other Member States had welcomed the prospect of British membership as a means of counterbalancing French influence. Thus, not only did the veto sour relations between London and Paris but also between Paris and the capitals of the five other Member States. This tension between De Gaulle's vision of European integration and that of the other Member States reached a peak in 1965, when the President of the European Commission, Walter Hallstein, put forward a package deal that combined measures to provide a financial basis for the CAP with a requirement that the budgetary expenditure should be subject to parliamentary control (a policy advocated by the Netherlands). Hallstein considered these proposals to be necessary because the existing method of financing the relatively small Community budget out of national contributions would be inadequate for the considerable additional resources that the CAP necessitated. De Gaulle reacted to the proposals with considerable hostility as he favored European integration based on free trade and an absence of supra-nationalism. He disliked the prospect of adding to the supra-national power and independence of the Commission by providing the Community with its own resources from customs duties and agricultural

levies, and saw no reason to support the Commission's proposal to augment the European Parliament's influence.

But while De Gaulle was prepared to stand firm against the Commission's proposals, a far graver concern for him was the Treaty of Rome's provision to move from unanimity to majority voting in certain areas of the Council of Ministers' work from 1966 onwards. This change in voting procedure represented a strengthening of the supra-national design of the Community and would in turn result in a reduction in national control. An inability to resolve the difference of opinion over the Commission's proposals led De Gaulle to prohibit his ministers from attending Council meetings from July to December 1965, a period commonly known as the 'empty chair crisis'. This crisis was finally resolved in January 1966, with the Hallstein Plan being abandoned in favor of the `Luxembourg Compromise': Member States agreed to an interim financial regulation for CAP, to limit the powers of the Commission and the European Parliament, and to introduce the procedure of majority voting with the provision that 'where very important interests are at stake the discussion must be continued until unanimous agreement is reached' (Luxemburg Compromise, Jan/1966). In other words, a Member State would be able to use a veto on those policies that it regarded as being at odds with its national interest. It was an outcome which indicated that Member States would in future play an increasingly important role that would extend into the area of policy initiation. The Luxembourg Compromise thus signaled an important shift in power away from the Commission towards the national governments of the Member States. Until 1965, the responsibility for initiating policy had rested principally with the Commission, which under the leadership of Walter Hallstein had successfully managed to forge ahead with the process of European integration. In the wake of the crisis, the Commission's role of formulating and initiating policy altered to that of a consensus builder that implemented agreements that were acceptable to the Member States. And while this state of affairs served the immediate interests of many of the governments, it is widely accepted that the empty chair crisis and the Luxembourg Compromise limited the opportunity for further European integration over the next two decades. Indeed, it would not be until the 1987 Single European Act that the Community would engage in a process of reform that significantly went beyond the Luxembourg Compromise (Blair, op cit.).

On July 1st 1967 the ECSC, Euratom and the EEC merged so that the three Communities – which remained intact – were served by a single

Commission and Council of Ministers (The Merger Treaty, 8/4/1965). In practical terms, this referred to the coming together of the *executive* bodies as the three Communities already shared the Assembly (from 1962 the European Parliament) and the Court of Justice. Thus, the two Commissions of the EEC and Euratom, and the ECSC High Authority, merged into a single Commission of the European Communities. In addition to these changes, the Merger Treaty gave legal recognition to the Committee of Permanent Representatives (Coreper) which despite its absence of reference in the Treaty of Rome, nonetheless proved to be a vital body in preparing the groundwork for ministerial meetings in the Council of Ministers. Apart from these institutional developments, a full customs union and the completion of the CAP were also achieved.

The attainment of these objectives, combined with the Community's post-1965 attachment to intergovernmental methods of decision-making, ensured that the prospect of joining the EEC became increasingly attractive to a number of European countries. The question of enlargement reappeared in 1967 when the British Labor Government, under the leadership of Harold Wilson, put forward a second application to join the Community (Britain's second application, 2/5/1967). Once again, the United States was supportive of this policy, hoping that Britain's entry would strengthen the Atlantic link. But, as he had done before, De Gaulle vetoed the British application, pointing to the weakness of the British economy and the fact that London did not fully accept the constraints that membership of the Community implied. Observers might have thought that the British Government would have withdrawn its application, as it had done in 1963. But this did not happen and the British application was instead 'left on the table' so that it could be reactivated at an appropriate time. In practical terms, this basically meant that Britain's prospects for membership would change only when De Gaulle was no longer in office. This happened in 1969, when De Gaulle was forced to resign, less than a year after the May 1968 trades union and student unrest in France. He was succeeded by George Pompidou in April of that year.

At this juncture, French dominance over the Community could no longer be taken for granted: its economy was declining at a time when Germany was economically resurgent. A combination of concern over Germany's growing economic power and increased political assertiveness, as represented by the policy of *Ostpolitik* (rapprochement towards the Soviet bloc) carved out by its new Chancellor, Willy Brandt, proved to be of great influence on French

policy. Whereas De Gaulle had opposed the enlargement of the Community, Pompidou realized the potential value of British membership which, combined with France, could act as a counterbalance to German influence. Under Pompidou, France began a process of constructing a more positive European policy that was once again shaped by a desire to control Germany. Having overcome internal divisions, the Community entered the 1970s with its future appearing increasingly bright as it advanced towards a new phase of development. But despite the initial achievements of the early 1970s, the Community's progress for much of the decade was disrupted by a number of political and economic crises. It therefore progressed at a snail's pace.

Enlargement of the community: 1969-79

A combination of concerns over Germany and domestic pressure for a positive French initiative towards the Community led French President Georges Pompidou to call a special meeting of the leaders of the six Member States to be held at The Hague in December 1969 in order to 'relaunch' the Community (The Hague Summit, 2/12/1969). In calling the The Hague Summit, Pompidou argued for the strengthening of the existing Community competencies and the completion of the financing regimes for the common agricultural policy. Pompidou's desire to involve directly the leaders of the national governments was a deliberate attempt to inject some impetus into the Community, which had not experienced the automatic process of integration that the federalists had wished for. With De Gaulle no longer in office, the The Hague Summit provided an important opportunity to resolve a number of issues, which resulted in a 'turning point in its history' and led to 'the spirit of The Hague'. Agreement was reached on the question of enlargement (France had blocked Britain's applications in 1963 and 1967). A reversal of this policy under Pompidou was shaped by a hope that British accession would act as a balance to a resurgent Germany and limit the opportunity for the supra-national development of the Community. But while Pompidou accepted the principle of enlargement, he refused to set a date for the accession negotiations to commence. He argued that enlargement could start only once the question of the CAP financing, which had dogged the Community since 1965, had been resolved. To resolve this impasse the other five members of the Community agreed to work on the question of CAP funding in return for France's guaranteed commitment to the commencement of enlargement negotiations.

In getting to the bottom of CAP funding, Member States agreed, in April 1970, to provide the Community with its own financial resources, a decision that represented a move away from direct national contributions. These 'own resources' extended beyond the remit of financing the CAP and were designed to ensure the Community had sufficient income to satisfy all the policies that the Commission administered. This funding would be achieved through a combination of agricultural levies charged on the importation of agricultural products from third countries, customs duties levied on industrial products imported into the Community, and a small amount of funding that would not exceed 1 per cent of the revenues a Member State obtained from value added tax. In providing the Community with this financial base, Member States divorced themselves from the process of inspecting expenditure. To remedy this 'accounting deficit', it was agreed to provide the European Parliament with the authority to examine the Community's budget (as the 1965 Hallstein Report had recommended). The implication of these developments was perfectly clear: it enhanced the supra-national design of the Community.

In practical terms this funding agreement meant that those countries, such as Germany, that imported large quantities of agricultural produce and industrial goods would account for a greater proportion of the contributions to the Community's budget than a country that had fewer imports. But while the resolution of CAP funding paved the way for the future enlargement of the Community, the agreement was devoid of any input from those countries that wished to join the Community. It proved to be a crucial mistake. As a large industrialized economy with a small but efficient agricultural industry, Britain imported a substantial amount of foodstuffs. The 1970 agreement thus meant that Britain faced a requirement on its accession to the Community of having to pay significant sums into the Community budget at a time when its economic fortunes were in decline (which was a key reason for joining). Whereas the British Government had hoped it would receive additional financial resources from the Community, it was instead faced with the horrifying prospect of providing a significant amount of its resources. Moreover, as Britain had a large industrial base and the smallest agricultural sector in the Community, it would receive little back in the way of CAP funding. Yet the overriding necessity of securing membership meant that it was a predicament the Government was prepared to accept. All in all, this meant the Britain would become a net contributor to the EC and this disparity between Britain's low rate of economic growth and high budgetary contributions laid the groundwork for the subsequent

budgetary disagreements that dominated the work of the Community in the late 1970s and early 1980s (Blair, op cit).

In addition to resolving the CAP funding, the The Hague Meeting was significant for its agreement to widen the Community's membership (paving the way for subsequent applications from Britain, Denmark, Ireland and Norway) and to deepen the EC's activities with a view to extending cooperation within the economic and political fields. To some observers, the simultaneous objectives of widening and deepening were incompatible: in an enlarged Community there would be less likelihood of achieving agreement on deeper European integration. Two committees were nonetheless established to examine the case for deeper economic and political integration. The Prime Minister of Luxembourg, Pierre Werner, was given the responsibility of leading a committee to examine the case for monetary union, while the Belgian diplomat Etienne Davignon led the committee which investigated the possibility of achieving closer political integration. The reports of both committees were published in 1970. The October Werner Report stressed that 'economic and monetary union is an objective realizable in the course of the present decade' (that is, by 1980) and that this would mean 'that the principal decisions of economic policy will be taken at Community level and therefore that the necessary powers will be transferred from the national plane to the community plane. The significance of this declaration was nonetheless cautioned by the Werner Report, emphasizing that progress depended on 'the political will of the Member States to realize this objective'. Thus, while the Werner Report provided a blueprint for monetary union that could be attained in stages by 1980 and provided the motivation for Member States to create a mechanism for managing and coordinating the different national currencies (the 1971 European currency management system, or 'the Snake'), the success of these objectives clearly rested on the support of the Member States (The Snake Resolution, 21/3/1972).

Having been instructed by the The Hague Summit 'to study the best way of achieving progress in the matter of political unification, within the context of enlargement' of the EC, the November 1970 Davignon Report recommended that foreign policy coordination 'should be the object of the first practical endeavors to demonstrate to all that Europe has a political vocation' [Doc.24]. In focusing on foreign policy, the Davignon Report pointed to the need for the EC to develop a stronger European voice in international affairs at a time when there was a notable gulf between the views of the United States and

Western Europe on a number of international issues (such as USA involvement in Vietnam). To achieve these aims, the Davignon Report recommended *inter alia* an intergovernmental system of European Political Cooperation (EPC) be established to facilitate foreign policy harmonization and coordination among Member States.

Reaction to both reports was mixed among the Six. For France, the EPC provided an important means of positioning Germany's increasingly active policy of *Ostpolitik* which sought to establish relations with Eastern Europe within the framework of the Community. And as the EPC (which was established in 1970) had an intergovernmental basis it did not threaten French national interests. The same could not be said for the Werner Report, which called for the creation of a monetary union over a ten-year period (The Werner Report, Oct/1970). Such a process would not just involve the strengthening of economic policy cooperation among Member States. Decisions on interest rates, exchange rates and the management of reserves would be taken at the Community level. Fiscal harmonization and cooperation on structural and regional policies would also have to take place, while various institutions would have to be created. Most obviously, this would include institutions taking decisions on economic policy and coordinating the work of the central banks of the Member States, while a direct implication of this was to further advance the cause of supra-nationalism.

Not all Member States were willing to accept the further European integration that The proposal entailed. Whereas the German Chancellor, Willy Brandt, was supportive of the proposal, the French President, Georges Pompidou, showed no willingness to lend his support because of its supra-national character. In taking this decision, Pompidou was greatly influenced by the presence of continuing divisions between his Government and the Gaullist Party on the key issue of supra-nationalism.

But renowned integrationist thinkers like Monnet, Robert Schumann, German Chancellor Konrad Adenauer and, later, Jacques Delors, the President of the European Commission, saw the Union in far more visionary terms. Their strategy was to move incrementally with technical and economic measures designed to increasingly bring Member States together in a seamless, interdependent, commercial web of relations. Each small step of economic integration would result in a slight, sometimes imperceptible erosion of their national sovereignty. None of the steps alone, they figured, would be enough to arouse the ire of Member States and threaten the furtherance of the Union.

The upshot of this piecemeal strategy would be that "one day the national governments would awaken to find themselves enmeshed in a 'spreading web of international activities and agencies,' from which they would find it almost impossible to extricate themselves" (George, S., 1985:20).

The snake

The consensus reached at The Hague Summit on the principle of enlargement was followed by the start of substantive discussions in June 1970 with the four applicant States of Britain, Denmark, Ireland and Norway. Britain, which was now led by the Europhile Conservative Prime Minister Edward Heath, had come to the conclusion that neither the **Commonwealth** nor EFTA offered the advantage of market access and increased status that the Community did. The Heath Government had been greatly influenced by the views of the business and banking community that membership was essential to revitalize Britain's economy. There had in effect occurred a waning of foreign policy options for Britain as the economic and political arguments for membership became impossible to ignore, 'Taking the years 1960-1970 as a whole, the GNP of "the Six" increased by an average of 4.2 per cent a year, compared with 2.3 per cent in Britain' (May, 1999:41). Developments within the Community further improved the prospects for Britain joining. The Luxembourg Compromise's weakening of supra-nationalism (Luxemburg Compromise, 28-29/1/1966) and the Yaoundé Convention's provision of guarantees to former colonies of the Six lessened Britain's concern about the adverse effect of the common external tariff on its preferential trading relations with the Commonwealth. Over and above these factors, it was Heath himself who greatly enhanced the prospects of Britain joining. He was deeply committed to the ideal of European unity and possessed none of the enthusiasm of his predecessors for the Commonwealth and the special relationship with the USA. In practical terms, Heath's election as Prime Minister emphasized the refocusing of Britain's strategic priorities towards Europe. Yet it was a view that was not fully supported by the opposition Labor Party.

Each of the applicants brought specific concerns to the membership negotiations, which in the case of Britain primarily related to Commonwealth trade, the cost of the CAP and the position of the sterling. The overriding importance of joining the Community meant that British demands were considerably more modest than they had been in the previous two applications

(British Second Application for EEC, 2/5/1967). Heath was therefore a realist who understood that Britain's failure to engage in the ECSC and the Treaty of Rome meant that there was a price to be paid for Community membership. For Britain, this 'price' would take the form of having to make significant contributions to the Community's budget, and the reality of this state of affairs was highlighted in the Government's White Papers of 1970 and 1971. Nonetheless, the common view among British negotiators at the time was that the impetus provided to the British economy through entry to the Community would in part offset this price.

Britain's application for Community membership was the determining factor that influenced the decision of the other applicants to follow its lead. As Ireland's economy was intrinsically linked to Britain's (approximately 70 per cent of Ireland's imports then came from Britain and over half of its exports went to Britain), it had little choice but to follow the British position. Nevertheless, policy-makers in Dublin hoped that Community membership would in the long run help Ireland to become less dependent on Britain by developing economic and political links with a wider group of countries. Just as the economic and political benefits of membership were clear for Britain and Ireland, this was also true for Denmark and Norway, and their strong economic links with Britain suggested that they should follow Britain's path. A key benefit of membership from Denmark was that it provided an increased market for its highly efficient agricultural sector. But despite the potential benefits of membership, both Denmark and Norway were suspicious of European involvement, having advocated the concept of Nordic unity since the end of the Second World War.

All the same, the major issues regarding membership for all four applicant nations were settled within a year. As a result, the Community grew to nine (and not ten) when Britain, Denmark and Ireland joined on 1st January, 1973. The three new Member States would add 60 million people to the EC, which in 1973 had a combined population of 250 million. Enlargement did, of course, reduce the membership and importance of EFTA, and with this in mind the applicant nations had emphasized the importance of establishing some form of special trading agreement between the EC and EFTA. The end product of these negotiations was a July 1972 agreement on a free trade area that would permit free trade among the nine EC countries and seven EFTA nations.

Even though it was clear that enlargement would enhance the EC's influence on world affairs, the future direction of an enlarged Community was

less clear. The response to this question was once again to come from the French President, Georges Pompidou. He decided to convene a summit meeting of Heads of State and Government in October 1972 in Paris to examine how best to optimize the benefits of enlargement. As with the December 1969 The Hague Summit, Pompidou looked to the national leaders to map out the future path of European integration, and in so doing provided additional evidence that the institutional pendulum had swung from the Commission towards the Member States. It moreover confirmed the extent to which the Community had moved from the vision set out by the likes of Monnet.

In short, the Paris Summit attempted to resolve potential problems and chart the future progress of the Community, as emphasized in the Summit communiqué: 'The Member States of the Community, the driving force of European construction, affirm their intention before the end of the present decade to transform the whole complex of their relations into a European Union'.

As the Community approached 1973, its future appeared bright. 'Three years after The Hague summit,' John Young wrote, 'the Community seemed on the brink, not merely of a major enlargement but of a leap towards full economic union' (Young, 1991:46). This was not to happen. The Werner Report's goal of establishing economic and monetary union by 1980 was undermined by instability in the international economy. One reason for this volatility was the USA decision to cut interest rates in May 1971 and the decision, a few months later, on 15th August 1971 to suspend the dollar convertibility. In response to the increasingly precarious international financial system, Community Member States attempted to inject a degree of stability into European economies in April 1972 by an agreement to restrict currency fluctuations. It would be achieved by a system of currency cooperation – the Snake – that would restrict the fluctuations of EC currencies within a 2.5 per cent boundary inside a 'tunnel' (Snake Resolution, 21/3/1972). But while the six EC members of the Snake were joined in May 1972 by Britain and Denmark, the new participants' involvement was only temporary: both withdrew one month later, while Italy's membership was terminated in February 1973. (Blair, op cit.)

The inability of participants to stay within the Snake was the produce of a difficult international economic situation that spawned rising unemployment and high levels of inflation. Economic conditions were made worse by the October 1973 Arab-Israeli War that was immediately followed by soaring oil

prices. In an effort to grapple with these developments, a European Monetary Cooperation Fund was set up in 1973 to provide additional support to weak currencies, although it was of limited worth. Concerned about the ongoing economic difficulties, Pompidou yet again called for a meeting of Heads of Government, to be held this time in Copenhagen, in December 1973. Faced with a fragile international economic climate, the leaders of the (now) nine Member States failed to reach agreement on how best to respond. The meeting proved worthless, producing no initiatives to assist EC economies, and was immediately followed by French withdrawal from the Snake on 19th January, 1974. And although France rejoined the Snake in July 1975, it was forced to withdraw for a second time in March 1976, and by then the very existence of the Snake looked increasingly precarious. The economic conditions that undermined the Snake also damaged the potential of achieving monetary union. Indeed, as early as 1975 a European Commission report would emphasize that 'European is no nearer to EMU than in 1969. In fact, if there has been any movement, it has been backward' (Marjolin et al., 1975:1). As a consequence, interest in the Snake lessened and Member States lost any hope of achieving monetary union by 1980.

Britain's dilemma

International economic difficulties were one of two main problems that impacted on Community progress in the 1970s. The other concerned Britain. In the British general election of February 1974, Harold Wilson's Labour Party defeated the Conservative Government, and as a result Wilson once again occupied the Position of Prime Minister. Labour's victory was achieved partly on the back of a campaign that sought to renegotiate the terms of entry to the Community that Heath had obtained. In truth, however, the commitment to renegotiate was as much influenced by the need to pacify the deep divisions within the Labour Party on European issues as it was by the need to appease the electorate. Skepticism within the Labour Party on European matters had increased in the wake of Wilson's failed application for membership in November 1967. Concerns over threats to sovereignty, the impact on the Commonwealth and fears over higher prices all helped to fuel Labour Party skepticism on European matters. Along with his foreign Secretary, James Callaghan, Wilson set about the process of renegotiating the terms of entry (Blair, op cit.).

The renegotiations were essentially dominated by four key issues: extending the Yaoundé Convention to assist Commonwealth and other Third World exporters (Biswaro, 2005); reforming the CAP to lower food prices and help Third World producers; ensuring that the Commission would not interfere with Britain's industrial and regional policies; and readjusting Britain's budgetary contributions. Some of the issues were more difficult than others.

Britain's desire to assist Commonwealth and other Third World countries chimed with a general viewpoint that the Community should do more to improve its relations with the Third World. It would start working concretely on this a mere four months later with the February 1975 Lomé Convention, which helped to protect the exports of developing countries by exempting them from tariffs and providing them with various guaranteed quotas. Other issues proved more difficult to resolve. Britain's desire to reform the CAP made little headway as the new French President, Valéry Giscard d'Estaing (who succeeded Pompidou after his death in May 1974), was unwilling to adjust a policy that favored French farmers. Discussions over the Community budget were the most difficult and for Britain were not helped by a May 1974 Treasury report which forecasted that by 1980 it would be responsible for 24 per cent of the EC budget, despite accounting for only 14 per cent of the Community's gross national product.

Finally, it took two summit meetings before an agreement was reached on the terms of Britain's renegotiations at Dublin in March 1975. Prior to that meeting, the Paris summit of December 1974 produced agreement on the exact size of the ERDF: Britain would receive 28 per cent of all funding, while France, Ireland and Italy would also obtain significant support. The ERDF, which Heath had argued for in the accession negotiation, provided Wilson with an opportunity to demonstrate to his critics that Britain was 'getting something back'. The Paris summit was significant for producing agreement on a 'corrective mechanism' which would ensure that Britain, or for that matter any Member State, would not pay too much into the EC budget. The summit also took the opportunity to resolve a number of issues that were unrelated to the renegotiations. These included the principle of direct elections to the European Parliament (the first of which took place in 1979) and the taking of a decision to commission the Belgian Prime Minister, Leo Tindemans, to provide a report on European union. When published in December 1975, the Tindemans Report contained little to satisfy those who hoped it would lead to a federal Europe. It focused instead on institutional reform and the further

widening of the Community's activities (as in the field of foreign and security policy) and outlined a proposal for the creation of a two-speed European Community in which the degree of integration would depend on the willingness and ability of Member States to cooperate. Not surprisingly, this was unacceptable to many of the smaller Member States and, combined with other concerns over the erosion of sovereignty, led to the Tindemans Report being silenced (The Tindemans Report on EU, 29/12/1975).

By far the most significant development at Paris was the recognition of the important role that summits had come to play in the Community's progress. Member States thus decided that such summits would in future take the form of a European Council, whose first meeting would take place in Dublin in March 1975. It would comprise Heads of State and Government, with the President of the Commission being given the right to attend. In terms of operation, it would meet three times a year (changed to twice a year in 1985) and be led by a Member State that would assume the role of the 'Presidency of the European Council', which would rotate among the Member States on a six-monthly basis (Establishing the European Council, 9-10/12/1974). The future of European integration would therefore greatly depend on the decisions taken by the Heads of State and Government at European Council 'summits' and the nature of relations among the Member States. This particularly applied to the Franco-German axis. After the difficulties of the early 1970s, a particularly close relationship was formed between French President Giscard d'Estaing and the German Chancellor Helmut Schmidt (both of whom came to office in 1974), which lasted for the rest of the decade.

Apart from the symbolic nature of the March 1975 Dublin European Council, it was noteworthy for finally producing an agreement on the outstanding issues of Britain's renegotiation. This included the nature of the 'corrective mechanism' whereby a rebate would be given to any net contributor State that met a rather complex Commission formula. For this to happen, a Member State would have to meet certain criteria that related to its balance of payments, growth rate and share of gross national product (GNP). The exact nature of the rebate would be two-thirds of the difference between its share of GNP and its budget contributions, although not more than its total VAT contributions. In the end, however, the renegotiations did little to assist Britain in building a fruitful relationship with other Member States, who regarded it as an 'unreliable partner in Europe' (Henderson, 1994:66). According to Roy Jenkins, President of the European Commission at that time, the whole process 'produced the

minimum results with the maximum ill-will' (Jenkins, 1991:375). It is a point echoed by Roy Denman, who considered that it produced 'the minimum of gain for the maximum of irritation' (Denman, 1996:205). Having been a member of the community for just one year the process of renegotiation severely impacted on Britain's status in the Community and raised suspicions within the Community about British membership.

The dark age

The history of renegotiation, referendum and budgetary dispute did little to enhance Britain's status within the Community. If anything it confirmed its status as 'an awkward partner'. British indecision was, however, not the primary reason for the difficulties that beset the Community in the 1970s. The progress anticipated at the 1969 The Hague Summit had been hampered by the unwillingness of Member States to support new initiatives at a time of international economic instability. At the same time, the supra-national institutions of the Community, particularly the European Commission, had appeared to be unable to deal with the challenges that the Community faced. And although the appointment of Roy Jenkins as President of the European Commission in 1977 after François Ortoli's lackluster presidency appeared to signal a renewed sense of purpose and dynamism in the community's activities, to all intents and purposes, the Community's fortunes had not been substantially revived by the early 1980s. In part, the Commission's lack of purpose was influenced by the legacy of De Gaulle and his efforts to reduce the influence of the supranational institutions.

Despite the general malaise that dominated the decade, there were some notable developments. These included the decision of the Paris summit of 1974 to establish the European Council and confirm the principle of direct elections to the European Parliament [Doc. 26]. Both decisions had a lasting impact on the future progress of the Community. The creation of the European Council, which comprised the Heads of State and Government of the Member States and was led by a presidency that rotated among the national governments on a six-monthly basis, institutionalized the practice of summitry (European Union Council, 9-10/12/1974). As such, it also emphasized a decline in the importance of the supra-national influence of the Commission and an increase in the importance of intergovernmental relations. But while this state of affairs pleased the Member States, it also raised the question of how the Community

would be able to deal adequately with future challenges in the absence of strong leadership.

In contrast to the immediate impact that the European Council had on European integration, the European Parliament's influence was not substantially altered in the immediate term by the decision to elect its membership in future by direct election. The European Parliament continued to remain a relatively weak institution, in the eyes of both the electorate and the Member States and governments. This was not least influenced by the general lack of support for the elections – Britain had the noteworthy status of having had fewer people vote as a percentage of the population than elsewhere in the EC. The first direct elections to the European Parliament of 1979 were therefore not part of a wider process of reform, and its influence on the decision-making process changed only when the Single European Act and subsequent Treaty on European Union revised the decision-making procedures that had initially been established in the Treaty of Rome.

Just as the holding of direct elections did not immediately transform the Community's fortunes, the same could be said for the decision to establish the European Monetary System (EMS) in March 1979 (Establishment of EMS, 15/12/1978). On his appointment as President of the European Commission in 1977, Jenkins' desire to inject a fresh sense of purpose in the Community emphasized his wish to re-proclaim 'the goal of monetary union' that had been outlined initially in October 1970, by Werner's Report (Werner Report, 1970). Under the leadership of Giscard d'Estaing and Schmidt, France and Germany were once again supportive of this goal: they argued in favor of creating a fixed exchange rate that linked European currencies as a means of overcoming the economic difficulties of the 1970s and in particular the instability created by the USA devaluation of the dollar. Support for the EMS was to be found among other Member States and as such demonstrated a change in the underlying political climate that once again emphasized further integration in this area of policy making. The EMS, which was made up of a European currency unit (ECU) and an Exchange Rate Mechanism (ERM), was regarded as a way of reducing exchange rate instability and as a means of combating the divergent inflation rates that were prevalent in European economies in the late 1970s. Yet while it managed to provide stability by the mid 1980s, its early years of operation were subject to significant instability, with not all Member States, including Britain, willing to participate.

In sum, the combined difficulties that the EC encountered during the 1970s led to the decade being categorized as a 'dark age' of European integration. Just as internal factors – such as the leadership qualities of the European Commission and external developments like the oil crisis – lay at the root of the difficulties of the 1970s, the ability of the Community to progress beyond this stagnation in European integration would be determined by internal and external circumstances. Yet, to all intents and purposes, the initial years of the 1980s did not signal a dramatic change in the Community's fortunes, thereby leading some commentators to conclude that the limit of European integration had been reached.

Dynamising the community (1980-89)

As seen above, for much of the 1970s a number of factors obstructed the European Community's progress. This included a downturn in the international economy that was exacerbated by the 1973-74 and 1979-80 oil crises and the difficulty of integrating new members (particularly Britain). At the same time, the Community's institutions appeared to be too weak to deal with these challenges. It was therefore hoped that the 1980s would result in a revival of the EC's fortunes by marking an end to the period of Eurosclerosis that had dominated the 1970s.

At first sight, the prospects for renewed progress appeared promising. The year 1979 witnessed the first direct elections to the European Parliament and the creation of the European Monetary System. Two years later the Community's membership expanded to ten with the accession of Greece which, along with Portugal and Spain (who joined in 1986), would form what would be regarded as the Mediterranean enlargement. But far from overturning the fortunes of the Community, little progress took place during the first four years of the decade. For the most part, the Community continued to languish in the doldrums. One of the factors that limited the Community's ability to move beyond this sluggish progress was the lack of leadership provided by the Commission. And although the Commission's fortunes had improved under Roy Jenkins's presidency (1977-81), his successor, Gaston Thorn (1981-84), proved to be a largely weak leader. The protracted struggle over the level of Britain's contributions to the Community budget proved to be the other significant factor in limiting the Community's progress. As a consequence, the combination of the resolution of the budget dispute at the June 1984

Fontainebleau European Council and the appointment of the more dynamic Jacques Delors as President of the European Commission in 1985, assisted the Community in moving forward on a path of renewed integration. At the same time the combined desire of the Commission and some Member States to establish stronger EC policies helped to create a climate that was increasingly favorable to institutional and policy change. All in all, this led directly to the creation of a single European market that in turn prompted closer cooperation in a number of other areas, such as social policy, and which would in time lead to the design and establishment of a single European currency.

Trans-atlantic relations

Indeed, just as in the 1970s, the international scene experienced detente, the early 1980s witnessed the resurfacing of World War following changes in the USA administration. These were two linked but distinct factors. These events raised serious questions about the ability of the EC to react to the changed international environment through the intergovernmental European Political Cooperation framework that had been established in 1970 (Darvington Report, 27/10/1970). This was because, despite the fact that the intergovernmental nature of the EPC reflected the determination of Member States to maintain national control over foreign policy, the absence of provision for majority voting and the lack of a permanent secretariat at times led to difficulties in establishing a united policy. Second, Ronald Reagan took office as President of the United States in 1981 with the aim of restoring USA military and political strength, particularly *vis-à-vis* the Soviet Union. But EC Member States for the most part did not share this view as they were attempting to create a working relationship with the Soviet Union.

Nowhere was this change in USA policy more apparent than in the area of nuclear weapons. The Reagan administration launched the Strategic Defense Initiative (SDI) in 1983 to protect America from Soviet attack. The implication of such a policy was perfectly clear: the principle of equal security and equal vulnerability which formed the bed-rock of NATO would have been reduced as the USA obtained greater protection than its allies. Europeans responded angrily: as they saw it, the USA was abandoning them and protecting its own interests. Helmut Schmidt noted this view when he said that 'today there is growing tendency in the United States to focus on its own national interests as it perceives them; at present there prevails almost a kind of euphoria about

American vigor and strength, which is reflected in current American arms and military policy. And, frankly, these attitudes are disturbing to Europeans' (Schmidt, 1985:59). As evidence of this divergence of views, in 1982 the United States imposed sanctions on USA companies and license holders involved in the construction of a 3,600-mile Soviet gas pipeline which was designed to export Soviet gas from the Western Siberian Urengoy gas field to Western Europe. Concerned about the possibility of job losses through a loss of contracts, European governments were angered by the hypocrisy of the Reagan administration which continued to sell grain to the Soviet Union while seeking to block the pipeline.

A combination of the intergovernmental nature of the EPC and a divergence of views with the United States resulted in a renewed effort among Community Member States to develop stronger forms of foreign policy cooperation. This included the October 1981 London Report, the 1981 Genscher-Colombo Plan, the 1983 Stuttgart Solemn Declaration and the 1984 European Parliament's Draft Treaty establishing the European Union (the Spinnelli Plan). At the same time the EC Member States wanted to improve the effectiveness of their foreign policy cooperation by further developing the EPC; they sought to 'reactivate' the Western European Union (WEU) as a way of countering the dominance that the USA exercised in foreign and security policy and in East-West relations. Thus, as the United States was the dominant force in NATO, EC Member States viewed the WEU as an organization in which they could discuss their differing views from the United States. In a nutshell, these developments demonstrated that there was considerable support among Member States to make changes to the institutional design of the Community, at least in the area of foreign policy because of the changed geopolitical environment. But before such changes could take place, the Community would have to resolve the outstanding question of Britain's budget contributions.

The bloody question

After the difficulties that had engulfed Britain's membership of the European Community under the Labor governments of the late 1970s, there was a genuine hope within Britain that the election of a Conservative Government led by Margaret Thatcher in May 1979 would produce a more positive British attitude towards European integration. Such an outlook was influenced by the fact that the Conservatives had consistently been the 'Party

of Europe' and that Thatcher had herself supported a continuation of Britain's membership of the Community at the time of the 1975 referendum. It was a false hope. In Government Thatcher failed to establish the positive policy that had been expected, and instead deployed a combative style of leadership on European issues.

Thatcher's support for Europe was based on practical grounds rather than as a result of some form of deep-seated bond. She followed the path taken by the majority of Britain's post-war prime ministers, who (apart from Edward Heath) viewed European matters as part of cost-benefit analysis. She realized the importance of EC membership for the British economy in terms of market access and as a means of creating and sustaining employment opportunities through inward investment. The Community's position as the world's largest trading bloc enhanced Britain's international role. At a time of renewed cold war tension she understood the political role that the Community played in uniting a large number of European countries against the Soviet Union. But despite the evident benefits of membership, she believed that there should be clear limits to the Community's influence and that key decisions should continue to rest with the Member States. It was a viewpoint that would in a short period of time create a significant division between Britain and its European partners. (Blair, op cit.)

Undoubtedly, the key issue that dominated the early years of the Thatcher Government was the British budget question. Commonly referred to as the 'Bloody British Question' in Brussels, it was an issue that Harold Wilson had been unable to resolve satisfactorily at the time of the 1974 renegotiation of Britain's membership. The 1975 rebate mechanism that derived from the renegotiation failed to overturn Britain's status as one of the main net contributors to the Community budget (the other being Germany) and when combined with the escalating costs of the common agricultural policy ensured that the question of Britain's budget contributions remained a key issue for British negotiators. Britain received little funding from the CAP because British farmers tended to be more efficient than continental farmers, as well as concentrating on areas such as sheep farming that were not as generously subsidized. By the end of the transitional period of adjustment in January 1978, the British Treasury predicted that Britain would be the largest net contributor to the budget, with a projected deficit of £ 1 billion from 1979 to 1980 despite its income being less than the EC average. In short, Britain was paying too much into the Community budget and receiving too little out.

Thatcher lost no time in attempting to address the budget imbalance in a number of informal meetings with the French President, the German Chancellor and the Italian Prime Minister. For the most part, the discussions resulted in little concrete progress, and although the German Chancellor, Helmut Schmidt, was broadly sympathetic to Britain's plight given that Germany was the other net contributor, its economic strength nevertheless ensured that the budget contributions did not overly worry Germany.

Having not got very far in these informal meetings, Thatcher managed to put the budget question 'squarely on the [EC] agenda' when, according to her, she 'spelt out the facts' at the June 1979 Strasbourg European Council (Thatcher, 1993:64). But while Thatcher thought that she 'had made an impression as someone who meant business', the then President of the European Commission, Roy Jenkins, reflected that she 'performed the considerable feat of unnecessarily irritating two big countries, three small ones and the Commission with her opening performance at a European Council' (Thatcher, 1993:64; Jenkins, 1991:495). A few months later, in October 1979, Thatcher stressed that Britain could not accept the existing ruling on the Community budget because it was 'demonstrably unjust' and it signified a tougher negotiating position on her part. Although Britain's partners were by that stage more willing to acknowledge the presence of serious problem, they were unwilling to accept the argument that Britain's payments to the budget should be approximately equivalent to what it received from the Community. But instead of producing a diplomatic break-through, Thatcher's style of diplomacy served only to cement the position of the Member States which were unwilling to accept the British demands.

Faced with this criticism, Thatcher stood steadfast in campaigning for a budget rebate; in her eyes 'Britain was asking no more than its due' (Thatcher, 1993:81). As part of an effort to deflate the argument, the Commission proposed at the Dublin meeting that Britain receive a rebate of £350 million along with the promise that the country would in future obtain more direct Community funding. But for Thatcher it was an unacceptable offer and the failure to provide the full rebate of £ 1 billion ensured that the Council meeting broke up without agreement [*Doc.30*]. This strategy of holding firm ensured that the budget question would dominate the Community agenda for some time to come, despite the presence of many other critical issues to which the Member States needed to respond. This included domestic economic recession, unemployment and an unstable international environment that was

marked by the renewed cold war conflict and the 1979 Soviet invasion of Afghanistan.

Britain's insistence that it would block any issues until the budget question was resolved antagonized the other Member States, which contemplated excluding Britain from new EC initiatives as a means of moving beyond the deadlock. But Thatcher was also just as tired of the budgetary battle and had come to the conclusion that the time was drawing near to settle the debate, with a solution finally being reached at the June 1984 Fontainebleau European Council. The agreement provided Britain with an immediate lump-sum payment of 1000 million ECU for 1984, while in subsequent years it would receive a rebate amounting to two-thirds of the difference between what it contributed in value-added tax (VAT) and what it received from the Community budget. The settlement also led to Britain agreeing to a general increase in EC revenue from 1 per cent to 1.4 per cent of national VAT receipts in order to remedy a general deficit in budgetary resources. But at what price had Prime Minister Thatcher secured a budget rebate? Even though the financial sums involved were sizeable, they were not considerably more than what had been available in previous months, and when put into a national context were even smaller: the entire EC budget was equivalent, at that time, to the expenditure of a large British department of state and in total accounted for approximately 1 per cent of national income of Member States. Moreover, the Fontainebleau deal did not settle Britain's concerns over the EC budget once and for all: the agreement could be subject to a future review and it did not prevent the possibility of further increases in the budget. More importantly, while Thatcher presented the budget dispute as a means of defending Britain's national sovereignty, by 1984 Britain was far more closely integrated with the Community than it had been when she was elected Prime Minister in 1979.

In a nutshell, the EEC expanded albeit at a snail's pace in the 1970s and 1980s, adding the UK, Ireland, Denmark, Spain, Greece, and Portugal to its ranks. While the economic devastation of World War II provided an impetus to create a European community, the oil shock of 1973 added new urgency to efforts aimed at integration. The global recession that followed on the heels of the spike in oil prices imposed by the Organization of Petroleum Exporting Countries (OPEC) threatened to undermine the carefully designed social welfare regimes put in place in Western European States. The Thatcher-Reagan economic revolution of the 1980s, with its emphasis on deregulation of Government-owned business and the further liberalization of global trade, put

additional pressure on Member States of the European community. Greater integration was the only viable means for member countries to stay afloat in troubled times.

Toward a people's Europe

As observed before, in the early 1980s there was a growing consensus among Member States and EU institutions about the need to foster renewed European integration. A 'Declaration on European Union' was presented at the June 1983 Stuttgart European Council and, while it proved to be of little value, it was demonstrative of a climate of change. At the same time, the Community was faced with a decline in its economic competitiveness, which by 1982 had fallen dramatically behind that of Japan and the United States. American and Japanese companies had established a dominant position in the new technologies of semiconductors and consumer electronics. This state of affairs prompted the European Commission, Member States and business interest groups jointly to advocate the implementation of initiatives that would improve the economic competitiveness of the Community. This particularly applied to the creation of a single market as stipulated in article 2 of the Rome Treaty.

The objective of a single market could be traced back to the Treaty of Rome: Article 2 stipulated that 'The Community shall have as its aim, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated rising of the standard of living and closer relations between its Member States' (EEC Treaty, 25/3/1957). But despite the initial progress that the Community had made in the 1960s, the objective of creating a 'common market' had become bogged down from the late 1960s until the early 1980s. For most of that period, Member States had faced economic difficulties that led national governments to adopt inward-looking policies that were prompted by a desire to protect domestic jobs from foreign competition.

In practical terms, this meant that although the process of European integration had brought the Member States together by, among other factors, increasing the flow of cross-border tourists within Europe, which increased from 40 million cross-frontier arrivals in 1960 to over 160 million in 1980,

there nevertheless remained significant barriers which hindered the Community's competitiveness. In this sense, the concept of a single market based on the free movement of workers, goods and the mutual recognition of products did not exist. It was a point that had in fact been most notably highlighted in the European Court of Justice's (ECJ) 1979 Cassis de Dijon ruling which tackled a German ban on the importation of alcoholic beverages from other Member States that did not meet minimum German alcohol content (ECT, 20/2/1979). In responding to this situation the Court ruled that 'There is therefore no valid reason why, provided that they have been lawfully produced and marketed in one of the Member States, alcoholic beverages should not be introduced into any other Member States; the sale of such products may not be subject to a legal prohibition on the marketing of beverages with an alcohol content lower than the limit set by the national rules' (ECT, 20/2/1979). While the Court's decision noted the principle of mutual recognition, the ruling did not result in the imposition of policy that advocated the mutual recognition of standards. The ECJ's ability to tackle questions that related to market access was moreover wholly dependent on cases that were lodged, and the Court therefore could not be relied upon to make whole-scale change. As a consequence, individual Member States continued to exercise their ability to ban the importation of certain goods. France ignored the Court's decision by banning lamb imports in 1980, while ecological concerns prompted Denmark to prohibit the sale of beer and soft drinks unless they were sold in recyclable containers.

Such examples were symptomatic of a broader trend that developed in the 1970s for Member States to protect their domestic markets at a time of economic downturn. In a climate of high inflation and soaring unemployment, Community law prohibited Member States from protecting their industrial sectors from the competition of other Member States through the use of quotas and tariff barriers. Faced with this situation, national governments utilized a plethora of non-tariff barriers to trade to protect their domestic markets. This included the use of regulations and the granting of subsidies. Yet the use of non-tariff barriers by Member States to protect domestic employment levels had a direct impact on the competitiveness of the EC as a whole because the use of subsidies helped to sustain high-cost production as companies were sheltered from wider market competition. Such a course of action arguably represented a retreat from, rather than an advance towards, a common market, since a number of barriers continued to exist that hindered the concept of the

free movement of goods, peoples or services among Member States. This state of affairs was moreover reflected in a slowdown in the growth of intra-European trade.

The advances that had been made by many of the Community's main trading partners compounded the lack of improvements in the economic competitiveness of EC Member States. The Community was faced with increasing levels of imports from the United States and Japan and a number of newly industrializing countries that included Hong Kong and Taiwan. And as the poor competitiveness of the EC limited its number of exports, the Community as a whole experienced large trade deficits. This situation was made worse by evidence that the Community's ability to attract and sustain inward investment, particularly from the United States, was declining. Business groups, which were increasingly organized on a European-wide basis, were particularly concerned about the Community's lack of competitiveness that they rightly perceived to be strongly influenced by the presence of non-tariff barriers on trade. National governments too were worried about levels of competitiveness, a situation that was strongly influenced by the election of a number of right-of-center governments in Belgium, Denmark, Italy, the Netherlands and Britain. West Germany's coalition of Free Democrats and Christian Democrats was also supportive of market reform. There was consequently a convergence of national interests, with many Community Member States sharing similar goals of free competition. National governments, particularly Britain, Germany and the Netherlands, as well as business lobby groups were united in their desire to develop a single market as a means of improving the economic performance of the Community and narrowing the technological gap with the United States and Japan (Blair, op cit.).

At the start of the 1980s, these concerns were reflected in a number of developments, including the communiqués of the European Council and in the work of the European Round Table of Industrialists, which lobbied for the completion of the single market. The European Round Table, which comprised a mixture of public and private representatives, including the then European Commissioner for Industry, Etienne Davignon, was influential in the establishment in 1982 of the ESPRIT program for cross-border European cooperation in information technology. However, it was not until the June 1984 Fontainebleau European Council that significant progress was made towards the creation of a single market. Having resolved the problem of

Britain's budget contributions, the Fontainebleau meeting moved on to the question of institutional reform and the development of the single market.

To take some of these matters forward, the Fontainebleau meeting established two ***ad-hoc*** committees to examine the future of European integration. One committee was to be chaired by Jim Dooge (an Irish senator), with the remit of focusing on institutional matters, while the other, chaired by Pietro Adonnino (an Italian parliamentarian), would examine the possibility of creating a 'People's Europe'. Of these committees, the Adonnino committee presented a number of proposals for a Citizen's Europe that in the short term proved to have little impact on the Community. The same could not be said for the Dooge Committee. Its conclusions, which were presented to the Brussels European Council of March 1985, recommended a strengthening of Community institutions (including a more effective role for the European Parliament), an end to the use of the national veto in EC decision-making and the creation of a single European market.

Parallel to these developments, a new Commission entered office at the start of 1985 under the presidency of Jacques Delors who set out a swift plan of action for reforming the Community with the goal of completing an internal market and therefore eliminating the Community's internal frontiers by the end of 1992. This desire for a grand policy was evocative of Jenkins' pursuance of the European Monetary System; Delors' appointment marked a sea change in the institutional make-up of the Community, with the Commission becoming a 'policy entrepreneur', whereby it acted as a key initiator of policy. Delors argued that if there were to be a genuine single market, there would have to be an increase in supra-nationalism so that national economic interests could not hamper the development of the Community. The Commission's influence in shaping the single market agenda mirrored neo-functional accounts and contrasted with intergovernmentalist arguments that the single market was the product of a convergence of Member States' policy preferences. In reality, however, various factors interacted, including the Commission's policy leadership role and a convergence of national interests (Baregu, M., op cit.).

The convergence of Member States' views, interest group pressure, Delors' vision and the Dooge committee's findings resulted in EC leaders asking the European Commission at the March 1985 Brussels European Council to establish a plan that would result in the creation of a genuine 'single market'. This task was given to the British Internal Market

Commissioner, Lord Arthur Cockfield, and the ensuing White Paper, *Completing the Internal Market*, set out nearly 300 measures that would be necessary to achieve the removal of all internal barriers within the Community to enable the free movement of people, services, capital and goods by 1992 (Cockfield, 1994). But while such a proposal mirrored British interests, it was also true that for it to be effective the Commission would have to set in motion a process of harmonization of national regulations. At the same time, the Commission would have to take on the responsibility for managing and 'policing' the single market. The underlying implication of Cockfield's proposals was perfectly clear: it would lead to a dramatic increase in the supra-national power of the Commission and lessen the influence of the Member States.

In advancing the case for the single market, the Commission argued that the progress of the Community was hindered by the presence of fiscal, physical and technical barriers. Fiscal barriers related to the different levels of value-added tax that existed among Member States, which the Commission argued was a central factor in influencing the presence of frontier controls. This was because Member States used frontier controls to stop the importation of goods such as cigarettes and alcohol from a State with a lower tax rate into a State with a higher rate. To remedy this situation, the Commission proposed that value-added tax rates should be harmonized into two rates of 14 to 20 per cent and 4 to 9 per cent. In contrast to fiscal barriers, physical barriers related to the custom and immigration controls; the Commission argued that their presence placed a heavy burden on business and therefore proposed that they should be abolished. The final category of technical barriers concerned the technical regulations and standards that differed in each of the Member States and as such ensured that it was quite likely for a product that met the requirements of one country to be unacceptable to another. To remedy this state of affairs the Commission proposed a harmonization of Member States' regulations based on the principle of mutual recognition which had been initially highlighted in the 1979 *Cassis de Dijon* case and which would be confirmed in the Single European Act. In all, the Commission's proposals for the creation of a single market were clearly of a substantial nature, but for them to be effective it would also be necessary to reform the process of decision-making within the Community (Blair, 58-59). These reports were all submitted to the Milan Council.

The single european ACT

At the Milan European Council of June 1985 the Heads of State and Government of the Member States discussed the Commission's White Paper (for completion of the single market by 1992) and the Dooge Report's proposals for institutional reform; the latter advocated a reduction in the use of the national veto in Community decision-making. The gathering consensus behind the need for institutional reform was further shaped by the concerns of existing members about the impact of enlarging the EC. Greece had joined in January 1981 and the Community agreed in June 1984 that Portugal and Spain would join in January 1986. The imminent nature of the EC's enlargement raised questions about whether it would be possible to achieve agreement among the national governments in a Community of Twelve (12) Member States. The prospect of prolonged discussions and unresolved questions thus prompted Member States to consider the use of majority voting for the taking of decisions.

The Combination of the single market program, the Dooge Report on institutional reform and the enlargement of the Community led a number of Member States to advocate that to tackle fully these issues a new treaty should be negotiated in an intergovernmental conference (IGC). But as some Member States, particularly Britain, did not see the need for holding an IGC, the chairman of the Milan European Council, Italy's Bettino Craxi, took the extraordinary step of calling for a majority vote on the IGC. Of the ten Membe States, only Britain, Denmark and Greece voted against, having argued that there was no need for institutional reforms. It was, however, a view that was not shared by the majority of Member States, which agreed to hold the IGC. Such an outcome further complicated the position of Britain, Denmark and Greece because their opposition had failed to stop the Community's development. Faced with this state of affairs, they could, of course, have boycotted the IGC. Yet it was an unrealistic objective because the combined significance of the talks and the importance of the Community to each of their economies meant that they had no option but to participate and be bound by the results. For Thatcher, the situation was all the more galling because the single market program had been greatly influenced by her efforts. She later commented, 'I had witnessed a profound shift in how European policy was conducted – and therefore in the kind of Europe that was taking shape. A Franco-German bloc with its own agenda had re-emerged to set the direction

of the Community' (Thatcher, 1993:558-9). But despite this opposition, there was nonetheless a tacit acknowledgement within the British Government that the continuing use of the national veto ensured that any Member State would have the ability to slow down the single market program. (Blair, op. cit.)

The IGC negotiations commenced in September 1985 and culminated in the agreement of a Single European Act (SEA) at the Luxembourg European Council of December 1985. The SEA was the first major revision of the Community since the 1957 Treaty of Rome and was concerned as much with implementing new policies and decision-making procedures as it was with formally recognizing policies that developed since 1957. The latter included the Regional Development Fund and European Political Cooperation. At the same time, the SEA extended the Community's competence into a number of new areas, including environmental, social and technological policies. These developments, such as the provision of a legal base for environmental policy in the SEA, demonstrated both a shift in the focus of the Community's attention to areas of policy that traditionally rested with Member States (with decisions, such as those on environment, to be taken by qualified majority voting) and a strengthening of the Commission's legislative and regulatory role within the Community. This would in turn lead the Commission to play a stronger role in many international negotiations. Such activity pointed to the growing role that the Community played as a global actor, having an input on international policy ranging from economics and trade to environmental and development cooperation. The changing nature of the European policy process also meant that the Community became a far more attractive venue for interest groups to engage in lobbying activities that centered on the European Commission (Blair, ibid.).

Apart from these developments, the SEA impacted on the role of the European Parliament which, despite its position as a democratically elected body (since 1979), had played a relatively minor role in the policy-making process. Set against this background, Germany and Italy were two of the most vociferous Member States that argued that the European Parliament's powers needed to be strengthened so as to increase the democratic legitimacy of the Community. Britain opposed such a development because it represented a federalist view of European integration. France also opposed increasing the European Parliament's powers. Despite this opposition, an agreement was eventually reached at the December 1985 Luxembourg European Council on the SEA which included an expansion of the European Parliament's influence.

The SEA only came into effect on 1st July, 1987 because of the difficulties of getting it ratified by the Member States. It brought the Member States a giant step closer to the Union, while subtly eroding the national sovereignty of the individual countries just as Monnet and his contemporaries had predicted. Among its many sweeping provisions was the extension of new powers to the European Parliament. For the first time, the Parliament was to be consulted before the adoption of new legislation by the EC. It was given power of veto on the admittance of new members. Equally important was the introduction of the principle of Qualified Majority Voting (QMV). It effectively weakened the power exercised by the Council, composed of Heads of State and Governments of the Member States. Why would member governments willingly surrender their sovereignty and cede more power to the Union? Because the SEA was presented as a purely technical treaty designed to further economic and fiscal integration, Member States all found something to bolster their vision of the role of the community. The arch-confederalists, who favored economic but not political union, hoped that a more integrated market would strengthen their national economies and shore up their political regimes. Those who supported a more federal political union hoped that closer economic integration would make the individual Member States more interdependent and reliant on the Union, eventually drawing more political power away from their respective States and toward Brussels (Ruttley, P., 2002:248).

The road to 1992

As part of an attempt to demonstrate the likely economic benefits of the single market, in 1986 and 1987 the Commission funded a project led by Paolo Cecchini to examine the 'costs on non-Europe' to demonstrate what the costs to the Community would be if it were to maintain a fragmented market. Making use of data from the four largest EC States, the Cecchini Report set out the costs to firms of maintaining customs controls and the opportunity costs of lost trade (Cecchini et al., 1988). The Cecchini Report noted that significant economic benefits would accrue to the Community as the remaining barriers to the free movement of goods, capital, labor and services were removed. Specifically, the EC could increase its GNP by 6.5 per cent if frontier and custom controls were removed, thus carrying out economies of scale and narrowing the gap between the Community and the USA and Japan. The benefits would essentially come from four sources, namely cost savings

for producers, who would benefit from large-scale production; the so-called 'X' efficiency gains from enhanced managerial practices; the removal of technical barriers such as those restricting market entry of competition between the Member States of the Community; and finally, the removal of physical barriers to trade, such as border delays. The latter issues influenced the creation of the Schengen agreement of 14 June 1985, whereby West Germany, France and the Benelux countries agreed to the gradual abolition of frontier controls between them.

But despite these benefits, the implementation of the single market program was not as quick as many would have liked. One of the problems that arose concerned the claims of the poorer Member States (Greece, Ireland, Portugal and Spain) which advocated that, in return for their support for market liberalization, the Community should provide greater spending on regional and social policy. In response to the situation, the Commission proposed a number of measures which aimed to close the gap between the Community's rich and poor Member States (as well as between the rich and poor regions within the Member States) by means of establishing a cohesion policy. Its effectiveness rested on the ability to secure a significant increase in the Community's budget. Put another way, the richer Member States of Northern Europe would have to make greater financial contributions to the Community. Britain reacted negatively to this prospect of increasing the Community's budget, and France and Germany were unwilling to direct existing Community resources to the poorer Member States. One possible solution was to reduce the amount of spending on the common agricultural policy, which accounted for over 50 per cent of the Community budget, as a means of solving the question of cohesion funding. But it was impossible to reach an agreement. France and Germany were conscious that any reduction in the substantial subsidies that their farming communities received would have grim electoral consequences. They did not wish to take this risk. To do would amount to committing political suicide (Biswaro, 2005). The only option for solving the question of cohesion funding was thus to increase the Community budget. Yet because of the difference between Britain and the rest of the Member States no progress was made on this issue throughout 1987 and it therefore appeared that, just as the budget had dominated the Community's agenda at the start of the 1980s, so too would it dominate the agenda at the end of the decade. The prospect of the Community once again becoming bogged down in the *minutiae* of budget negotiations instead of advancing towards the goal of creating a

single market greatly concerned the German Government, which agreed at the Brussels summit of February 1988 to pay the cohesion bill. Chancellor Kohl's decisions to accept the burden of the financing of the cohesion policy ensured that the Community was able to proceed with the single market program that had been set out in the SEA. Not only did the SEA establish the objective of a single market, it also raised the question of Economic and Monetary Union (EMU) in two paragraphs of the Preamble and Article 20 of the text. Among the 12 Community Member States, France and Germany (to a lesser extent) were supportive of the objective of monetary union, arguing, among other reasons, that it would benefit the EC´s competitiveness. This viewpoint had been considerably influenced by a 1987 report which argued that national control over monetary policy and the presence of national exchange rates did not match with the objectives of free trade and capital mobility that had been set out in the single market program (Padoa-Schioppa, 1987). France was additionally attracted to the idea of the EMU because it offered it an opportunity to exercise influence over European financial policy which had hitherto been dominated by Germany and the German Deutschmark.

Among the other Member States, British Prime Minister Margaret Thatcher was by far the most vociferous in her opposition to the goal of EMU and the deeper forms of integration that Delors advocated. In her view, it was unacceptable for European integration to encroach on fundamental aspects of national sovereignty, such as social and monetary policy. She regarded the internal market program as the pinnacle of European integration and not as the launch pad for further initiatives, these beliefs being reflected in her famous speech at the College of Europe in Bruges in September 1988 (Thatcher, 20/9/1988). Yet these views did not have total support within her Government, as many senior Cabinet ministers argued that it was impossible to just ignore the fact that the majority of other Member States were supportive of the deepening of European integration. This included the belief that a genuine single market could only ever be achieved by creating a single currency, as the presence of distinct national currencies was a hindrance to the Community's economic development. The argument here was that the moves to establish the single market created a series of 'spillover' effects that impacted on other areas of the Community and reinforced the neo-functionalist viewpoint that greater economic and political integration was not wholly dependent on the Member States. (Blair, op cit.)

A growing consensus among Member States about the need to investigate the possibility of EMU resulted in the decision being taken at the June 1988 Hanover European Council to create a committee to examine the means by which monetary union would be established. The Committee, which was to be chaired by Jacques Delors, was charged with presenting its proposals so that they could be examined at the June 1989 Madrid European Council. When the Committee published its findings in April 1989, it recommended a three-stage transition to monetary union: first, the completion of the single market; second, the coordination of national monetary policies through a European System of Central Banks; and finally, the irrevocable locking of exchange rates and the transfer of monetary authority to a European Central Bank (ECB). Reaction among the Member States to the Delors Report on EMU was, with the exception of Britain, generally positive, buoyed by the success of the Exchange Rate Mechanism in stabilizing currency fluctuations among the participating Member States. The decision of Member States to agree at the Strasbourg European Council of December 1989 to establish an intergovernmental conference on EMU as a means of setting a formal path towards the creation of a single currency was influenced by internal factors; it also felt the impact of external events, most notably the fall of the Berlin Wall on 11th November, 1989 and the subsequent break-up of the Soviet-controlled governments in Central and Eastern Europe in 1990. In addition to its influence in motivating States to progress towards monetary union, these geopolitical changes ensured that the Community's focus quickly shifted towards political as well as economic issues.

The fall of the Berlin Wall and the collapse of the Soviet Empire in central and Eastern Europe in 1989 forced the Community to revise its mission once again. One cannot but recall that the Cold War and the division of Europe into two blocs after World War II played a key role in the initial formation of the European Community. It was to be an economic and political bulwark against Soviet aggression. Now that the Cold War was over, Europe had to turn its attention to the prospects of a reunited Germany and an integrated Europe that stretched from the Atlantic seaboard to the Russian border. Again, external events pushed the Member States even closer to union. Echoing similar sentiments with reference to the ASEAN situation, Khong Yuen Foong somewhat captiously observes that the 'shelf life' of the Buzan theory can be construed as a process that turned out to be more enduring and relevant for the 1990s and beyond; namely, the transformation of intra-ASEAN security

directions from enmity, fear and rivalry to amity, trust and cooperation (Khong, Y.F., 1997:318).

It suffices to say that the Maastricht Treaty of 1992 transformed the European Economic Community into the European Union. The sweeping provisions of the treaty made clear, once and for all, that the Union was to be far more than a common economic market. The newly constituted European Union was to be built upon three pillars (Calleo, D. P., 2001:185). Member States agreed to the introduction of a single EU-wide currency – the euro – by January 1st, 1999. Member States agreed to extend intergovernmental cooperation to include a Common Foreign and Security Policy (CFSP). Finally, the members agreed to establish regulations governing Justice and Home Affairs (JHA), including the granting of common rights to all European citizens, furthering police cooperation among the States, and harmonizing immigration and asylum policies across the Union. The States also agreed to broaden EU membership and began entertaining applications from central, Eastern, and Mediterranean European States notably; Austria, Sweden, and Finland joined the Union in 1995, and ten Central, Southern, and Eastern European countries – the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, and Slovakia – officially joined in May 2004 (for details see: Accession Treaty, 2003 – Athens, 16/4/2003).

The treaty created new bodies. The Committee of the Regions gave the regions of Europe an official voice, for the first time, in European community affairs. Recognition of the regions served to further weaken Nation-State sovereignty. Now, 222 regions from Catalonia to Lombardy were to be officially represented in Brussels, giving them direct access to one another, the Member States, and the EU governing machinery, without having to be represented exclusively by their Nation-States. The Cohesion Fund was created to assist States whose economic development lagged behind the rest of the Union's members. The Maastricht agreement also introduced the concept of Europe-wide citizenship and gave the European Parliament additional powers (Smith, Dennis and Sue Wright, p. 14).

The Maastricht Treaty was clarified and strengthened with the passage of the Treaty of Amsterdam in 1997. This treaty reinforced the Union's commitment to human rights and required applicant countries to uphold the provisions of the European Convention on human rights as conditions for acceptance into the Community. The Amsterdam agreement gave the EU the legislative power to act against discrimination based on sex, race, religion, ethnic background, disabilities, or age, anywhere within the Union. The Union

was also given the power to act on employment issues affecting its Member States. The Union was even granted some power to enact broad standards governing public health policy, although the organization and delivery of health care remained the responsibility of the Member States (Ruttley, op cit.).

At a follow-up conference in Nice in December 2000, Union members agreed on further reforms of the Council – narrowing the range of issues on which individual Member States could impose their veto power. Votes of the big countries on the Council were tripled in weight, while those in the smaller nations were merely doubled. Passage of Council proposals would henceforth require 73.29 percent of the weighted votes, a two-thirds majority among the Member States and a majority of 62 percent of the Union's total population (The Economist, 16/12/2000, pp. 25-28).

At Nice, as at earlier summits, both those who championed a more federal union and those who preferred to retain as much power as possible at the State level could argue, with some justification, that their interests were partially met. At every juncture of the Union's existence, the public perception has been one of maintaining a delicate balancing act that would retain Nation-State sovereignty while further empowering the Community. Whether the individual countries really believe this to be the case is doubtful (Rifkin, J., 2005). It is true that each step forward to a closer union of the peoples of Europe has been met with a half-step back to preserve Nation-State powers. Still, the cumulative effect has been a slow, irreversible trek toward the vision first laid out by the Union's early architect, Jean Monnet.

Lest there be any doubt on this score, the EU's draft Constitution, which is currently being considered for ratification by its Member States, makes clear that a new transnational political institution is being born that, in its every particular, is designed to function like a State. It is possible that a number of Member States might vote against ratification of the Constitution, forcing a crisis and a re-evaluation of a Europe-wide governing body. However, if public opinion polls are in any way a bell-wether, the Constitution is likely to be ratified by the Member States. According to a Eurobarometer poll conducted in February 2004, a sizable 77 percent of the people in the Member States support an EU Constitution. Opposition to the EU Constitution is only 15 percent overall, while somewhat higher in Austria, Sweden, Denmark, and the UK. Still, even in these countries, opposition is very low, ranging from 23 percent to 30 percent of the population. Equally important, 62 percent of those polled said they favored national concessions to ensure that the

Constitution is adopted, and in only one country, Slovenia, did a majority say they would rather not make concessions.

But even if the new Constitution were to be rejected, the Union itself is already so far along toward integration that no one really believes it will ever dissolve back into separate Nation-State governments, each going it alone in the global era. Rather, most political observers believe that if this particular Constitution runs into serious trouble, the Member States will merely resurrect its various particulars in other treaties and directives until the substance of the covenant becomes binding on the community.

The adoption of the European Union Constitution gives the EU the legal stature of a country, despite the fact that this new governing institution has no claim on territory, the traditional hallmark of statehood. While its provisions allow it to regulate activity within the territories of its members, including activity that affects property rights and relations, it is worth emphasizing that the EU is not, in itself, a territory-bound Government (Rifkin, ibid.). It is, rather, the first transnational Government in history whose regulatory powers supersede the territorial powers of the members that it is made up of. This fact alone marks a new chapter in the nature of governance. However, it will take time before the EU becomes a unitary State, if ever, especially in light of its impending further enlargement to the East; but as its resources grow and decision-making become more centralized, power and influence will become more equally distributed among Member States, through a steady process of pooling sovereignty, proving that Europe has nurtured a supra-national character and identity that makes integration irreversible (Kupchan, A. C., 2002 op cit.).The EU's current legitimacy lies not in the control of territory or the ability to tax its citizens or mobilize police or the military force to exact obedience but, rather, in a code of conduct, conditioned by universal human rights and made operational through statutes, regulations, and directives. Most importantly, this code of conduct is made valid by a continuous process of engagement, discourse, and negotiation with multiple players operating at the local, regional, national, transnational, and global levels.

Chapter IV
Latin America – MERCOSUR

At times the definition of the Americas, like other regions in the world, is difficult. However, the Americas, as a single large region, has usually and conveniently been grouped into North America, on the one hand, and Latin America and the Caribbean on the other. There has been a rather sharp dividing line between the two: while the latter has lain within the US sphere of influence, merely constituting the US 'backyard', it has also been distanced by individual or collective efforts to escape US hegemony. With the end of the Cold War and the southward expansion of North America in the form of NAFTA, this division is in the process of being transformed. Mexico, Central America and the Caribbean are quickly becoming 'North Americanized' due to geopolitical and economic realities, while the countries in the southern cone – Argentina, Brazil, Paraguay and Uruguay – have begun to develop their own regional grouping through the Southern Common Market (MERCOSUR). Here one may expect the various Latin cultures to be more resilient, particularly given the emphatic cultural distinctiveness of Brazil. In spite of this, there is an overall trend of regionalization and increasing 'regionness' as the southern region leaves behind it a legacy of civil war, violence and terror (Koonings and Kruijt, 1999). In fact, Latin America can be described as an emergent security community (Hurrell, 1998). Peace has now become a Latin American comparative advantage and the concept of 'the Americas' makes more sense than ever before.

Furthermore, this chapter concentrates on the processes of regionalism and regionalization in South America, and particularly in its core region of the southern cone, with regard to four key issues: (i) What marks the change from the old to the new regionalism in South America? (ii) How to account for the remarkable shift from rivalry to cooperation between the two main powers, Argentina and Brazil? (iii) What characterizes the emergence and consolidation of institutionalized cooperation in the form of MERCOSUR? (iv) How to understand the boundaries and identities of the southern cone in relation to the rest of South America, the Caribbean and Central America, as well as the Americas in general?

From old to new regionalism

The idea of Latin American unity by way of regional economic integration has been on the agenda ever since the end of the Second World War, as indicated by various resounding declarations and the establishment of a number of regional organizations. The old regionalism in Latin America was firmly grounded in the structuralist school of thought. The structuralist position, together with dependency theory which is discussed later, is undoubtedly basic to the evolution of Latin American economic thought. The keyword was industrialization, which took the form of import substitution, reflecting both the historical background and the external context of the early post-war period. A state-promoted industrial structure was meant to respond to an already existing domestic demand, thus creating at least some industrial basis in countries that were essentially exporters of primary goods. The structuralist vision was to change this historical legacy, to transform the structure of comparative advantages towards a higher level of productivity and competitiveness.

Despite some rapid economic growth in the early phases, the limitations of import substitution industrialization on the national level soon became evident. Very much encouraged by the United Nations Economic Commission for Latin America (ECLA) and its dynamic executive secretary, Raúl Prebisch, the reformulated vision was to create an enlarged economic space in Latin America in order to enhance import substitution regionally when it became exhausted on the national level. Liberalized intra-regional trade in combination with regional protectionism seemed to offer large economies of scale and wider markets, which could serve as a stimulus to industrialization, economic growth and investment.

This resulted in the creation of the Latin American Free Trade Association (LAFTA) in Montevideo in 1960. LAFTA was a genuinely continental project, and included all countries as far north as Mexico. However, in spite of some early progress and the lively theoretical discussions that became part of the history of economic thought, the old regionalism in Latin America made little economic impact and was never implemented on a large scale.

Thus began the dismal record of regional integration in Latin America, which has been due to internal conflicts, a general failure to cooperate, and the whole structure of dependence. The member countries of the various overlapping regional schemes were politically and/or economically unstable and neither willing nor capable when it came to pursuing cooperation. The objective of a free trade area never materialized as it was defeated in part by extremely cumbersome and unfruitful tariff reduction negotiations. Demands for exceptions, in combination with continued protectionism against third countries, only led to economic stagnation. The smaller member countries claimed that LAFTA mainly benefited the 'Big Three' Mexico, Argentina and Brazil and opted for a more radical and ambitious strategy focused on a jointly planned industrialization strategy. This was the basic foundation for the establishment of the Andean Pact in 1969, but its high-flying ambitions were never implemented. The military dictatorships established throughout the continent during the 1970s were poor partners in regional integration and cooperation schemes.

External factors and dependence were also important, especially the relationship with the US. As long as the US was a global superpower, there was little room for maneuver for the Latin American states. On the other hand, the US showed very little positive interest in Latin America. Radical development models were unacceptable as they were interpreted as advancing the interests of 'the other side' in the Cold War. The only regionalism that was accepted was thus 'hegemonic regionalism'. The Organization of American States (OAS), for instance, has been perceived more as an instrument of US policies than as a genuinely regional body (Frohmann, 2000). Only recently, particularly after the Cold War, has there been genuine interest from the US, as manifested in the Enterprise for the Americas Initiative (EAI) taken by President Bush in 1990. Today the OAS seems less an instrument for US imperialism and more a genuine expression of the interests of most countries in the Americas which is why Cuba is still excluded from the membership. Recently, it presented the first hemispheric regional convention dealing with

corruption and bribery. This trend towards hemispheric regionalism started with the 1994 Summit of the Americas in Miami. The so-called Contadora process, although lacking in concrete results, can also be said to demonstrate this new regional spirit. According to Alicia Frohmann (2000), the establishment of the Rio Group in 1986 resulted from the Contadora experience.

The return to democracy in the mid-1980s was a big boost for regional cooperation in at least two ways. First of all, the new democracies were still very fragile, and the fresh generation of democratic leaders was therefore inclined to get involved in regionalist schemes in order to support one another. Secondly, to the extent that the democracies were consolidated which to date has happened in most cases, there was a transformation of the political landscape in the direction of more openness and towards a genuine political culture, indicating a political homogenization of South America, and of the southern cone in particular. The beginnings of a regional civil society, matching the inherent cultural community, slowly replaced the suspicion and geo-political paranoia that had surrounded previous military regimes. Since the mid-1980s the Latin American countries have also been restructuring their economies that are now open to greater international competition. The convergence of liberal economic policies and the resultant economic homogenization throughout the continent has created unprecedented possibilities for regional integration.

This consolidation of democracy in a context of cooperation and growing interdependence started when Argentina and Brazil decided to put an end to decades of rivalry and suspicion, and engage in a process of bilateral cooperation. Even if the hostilities between Argentina and Brazil did not lead to full-scale war, the rivalry had created a very gloomy, unstable and even explosive situation in South America, which for a long time prevented genuine and deep cooperation from taking place. The process of cooperation between Argentina and Brazil was conceived as a new incentive to Latin American integration and to the consolidation of peace, democracy and development in the region. The cooperation progressed gradually during the late 1980s until finally a free trade area between the two countries was created. In August 1990 Paraguay and Uruguay joined the process and, as a result of this, on March 26th 1991 MERCOSUR was created through the Asunción Treaty (MERCOSUR 1991; 1994). The implementation process was successful and on January 1st 1995 MERCOSUR began to operate 'somewhere halfway' between a free trade zone and a customs union (Williams 1996).

The MERCOSUR agreement, in its present configuration, represents both continuity and change with regard to the previous integrationist efforts in South America. On the one hand, it seeks to build on the tradition of regionalism that has been such an important school of thought on the continent. As the Economic Complementation Agreement No. 18 of the Latin American Integration Association (LAIA, the successor of LAFTA), MERCOSUR constitutes a subregional grouping within the larger association. On the other hand, and arguably more importantly, the MERCOSUR agreement represents a radical shift in the integration model in South America. Given the exhaustion of the import substitution model, and the restructuring and opening of local economies since the mid-1980s, the new regionalism in South America spells open regionalism.

Typically, the new regionalism is characterized by its openness, or it is called *regionalismo abierto*. What differentiates open regionalism from trade liberalization and non-discriminatory export promotion is that it includes a preferential element which is reflected in integration agreements and reinforced by the geographical closeness and cultural affinity of the countries in the region. A complementary objective is to make integration a building block of a more open transparent international economy (ECLAC, 1994:12).

The concept of 'having one's cake and eating it' may sound like a contradiction in terms. To some extent open regionalism is a way of reviving interest in an issue that has been dead in South America for a decade and which, in a neoliberal political context, smacks of protectionism and state interventionism. It is also, of course, recognition of the fact that the global economy of today is different from that of the 1960s. Finally, it is a precautionary strategy in a situation where there is great uncertainty about the future development of the world economy. It is believed that, even if a less optimistic international scenario develops, open regionalism is still justifiable as the second-best alternative. It is better than a return to economic nationalism in dealing with the external environment, since it at least helps to preserve the expanded regional market (Santiago 1995:13; Rosenthal, 1994; Ciccolella, 1993).

From enmity to amity

MERCOSUR was a consequence of various changes occurring in the region, more specifically in Argentina and Brazil, with the re-establishment of

democracy, evaporating perceptions of conflict and threat in the region and the adoption of liberal open economic policies. It was with these changing moments that the governments of Argentina and Brazil concluded that cooperation in the region would be more beneficial to their national development than the long entrenched rivalry. Political and economic cooperation would not only enable the economic development and competitiveness of the region but also avoid dependence on the US economy and isolation from the global market. Hence the formation of MERCOSUR was partly the result of a strategic alliance between Brazil and Argentina (Carran, 2006). This strategic alliance began in the mid-1980s as Presidents Alfonsin and Sarney cooperated to consolidate democracy and opted for the economic liberalization of their countries and, consequently, that of the region.

A central characteristic of South America is the economic and political dominance of Argentina and Brazil, the latter in particular. In geopolitical terms, there is a power subsystem composed of two elements: one of these is the long historical tradition of competition for regional leadership between Argentina and Brazil; the other is the role of Bolivia, Paraguay and Uruguay, all serving as a geopolitical buffer between the two larger countries (Tulchin, 1986; Biles, 1988).

The rivalry has a long historical tradition. Throughout the colonial era, the River Plate was a colonial frontier between two rival European imperial powers, Spain and Portugal. In order to contain Portugal's presence in the southern part of South America, Spain created the Viceroyalty of La Plata in 1776, with its seat in Buenos Aires. After achieving independence from Spain the Viceroyalty was divided into three countries, Argentina, Paraguay and Uruguay. Competition for control of the River Plate Basin – which in geographical terms includes the tributaries of the River Plate, the great inland rivers Paraná, Paraguay, Iguazú and Uruguay, along the southern border of Uruguay – lies at the heart of the configuration of the region.

The rivalry between Argentina and Brazil is the oldest of all Latin American conflicts and has clearly had an influence on the shaping of South America for the past two hundred years. It is even crucial for understanding the formation of Paraguay and Uruguay. The strong formation of political axes, one between Brazil and Chile and the other between Argentina and Peru, played an important role in the balancing of power which subsequently occurred. The balance of power was also affected by the outside world, particularly the US (Quagliotti 1976; Biles 1988). Furthermore, 'although military conflict was avoided, high

levels of mutual threat perception continued through the twentieth century – the possibility of war and importance of military preparedness were constant themes in strategic and diplomatic discussion' (Hurrell, 1998: 230).

Moving on to more recent times, Andrew Hurrell (1998:232-3) points out that there were three main areas of conflict in the 1970s: (i) the quest for influence in the buffer states; (ii) conflict over the hydroelectric resources of the Paraná River; and (iii) nuclear rivalry. These conflicts received such strong attention due to historical rivalry between Brazil and Argentina, as well as the change in the balance of power in favor of Brazil, due to its rapidly growing economy.

The first signs of rapprochement between Brazil and its Spanish-speaking neighbors, especially Argentina, are evident from the late 1970s (Hurrell, 1998: 235). The policy makers realized that they had little to gain from conflict-ridden relations with their neighbors. Instead of open rivalry the parties sought coexistence and desecuritization. In sharp contrast to the previous extreme geopolitical doctrines, Argentina and Brazil found themselves in a new situation where they understood that they could gain from strategic cooperation, and this in turn transformed the buffer system in the River Plate Basin.

Relations again cooled somewhat in the early 1980s, but from the mid-1980s onwards the process of cooperation between Argentina and Brazil gained momentum and subsequently was consolidated. The improved relations started in November 1985 under the Iguaçu Declaration, which formally put an end to the rivalry between the two countries and emphasized bilateral cooperation on energy, nuclear issues, arms control agreements, declining levels of military spending, confidence-building measures, and the necessity of advancing economic integration under the LAIA system.

The Iguaçu Declaration led to the setting up of a high-level Joint Committee presided over by the representatives and businessmen from the two countries (Rodríguez, 1995; Williams, 1996). The work of the Joint Committee resulted in an Argentine-Brazilian Integration Act, signed in July 1986 in Buenos Aires. This Act contained a Program for Economic Integration and Cooperation (PICE), under which 24 bilateral protocols were signed during the next three years. The strategy of integration searched for a selective opening of the respective markets based on the principles of gradualness, flexibility and stability, in order to allow the progressive adjustment of the two countries' business sectors to the new situation. Next, two bilateral treaties on integration, cooperation and development were signed in 1988 and 1989 respectively,

with the purpose of consolidating the integration process, and by which the two countries expressed their willingness to build a common economic area. In July 1990 the Buenos Aires Act converted this framework, including Paraguay and Uruguay, into the renovated integration project that was MERCOSUR.

One should note that this process of increased cooperation coincides with the democratization process in the region. In fact, democratization and regionalization have been mutually reinforcing processes in the reconfiguration of South America. The transition from authoritarianism to democratic government began with the collapse of the Argentine dictatorship in 1983 and ended with the palace revolution that toppled Paraguayan dictator Stroessner in 1989. In 1985, for the first time in history, Argentina, Brazil and Uruguay all had democratic political regimes at the same time, and closer relationships developed between the three countries. According to Dávila-Villers (1992), the civilian governments in Argentina, Brazil and Uruguay saw close links between mutual cooperation and the consolidation of the democratization process. Regular consultations between the three countries took place at both the presidential and foreign affairs levels. In essence, the historic return to civilian rule in the whole region imparted new confidence to the regional plans, while increased transparency later created opportunities for confidence-building measures. Regionalism and regionalization, which by then had become institutionalized in MERCOSUR, may be said to provide a guarantee against undemocratic tendencies. The very strong disapproval expressed by the other three MERCOSUR partners probably prevented a looming *coup d'état* in Paraguay in April 1996.

MERCOSUR: progress and hurdles

This section analyses the dynamics of institutionalized regionalization within the framework of MERCOSUR during two periods. It examines the making of the agreement and the so-called transition period; then, from what appears to be the start of a new period at the time of writing, it looks forward to the move from a free trade zone to a customs union and beyond. MERCOSUR's progress.

By the signing of the Treaty of Asunción (TOA) in March 1991, Paraguay and Uruguay joined the process of renewed South American integration initiated by Brazil and Argentina. In the preamble to the treaty signatories declare that

'the expansion of their domestic markets, through integration, is a vital requirement for accelerating the process of economic development with social justice'. It is also emphasized that the individual states cannot generate economic growth on their own, separately from one another, and that regional economic integration and the competitive involvement of the region in the global economy are preconditions for increased development and economic growth. The treaty also suggests that there is a close relationship between the rapid changes on the international level and the restructuring of national economies. In essence, the Treaty of Asunción stresses the importance of regional integration, since as separate units the four countries cannot respond effectively to the challenges of the world economy. It is now even more relevant today when the current global financial crisis is taken into consideration, bearing in mind that individual economies are more vulnerable to shocks rather than integrated ones.

The treaty is a framework agreement with four principal objectives: (a) the free circulation of goods, services and factors of production; (b) a common external tariff and common trade policy in relation to third countries, meaning a customs union; (c) the coordination of macroeconomic policies, to be carried out gradually and in a manner consistent with the tariff reduction program; and (d) the harmonization of legislation in key areas such as trade, agriculture, industry, services, fiscal and monetary affairs, transport and communication. The treaty is open to other Latin American countries as they restructure their economies to fit into the MERCOSUR framework (G. Baruj, B. Kosacoff & F. Porta, 2006).

MERCOSUR's regional integration vision can be divided into two parts: on the one hand, there is the short-term vision of establishing a complete and effective customs union and, on the other, providing the structure and means to create medium to long-term policies and objectives for the region, such as the common market and common policies in certain sectors. The founding members believed that the adjustment to a globalized economy would be smoother if linked to stronger regional interdependency and competitiveness. The creation of MERCOSUR was to facilitate the much-needed political and economic stability of the region through economic interdependency, which would lead to political cooperation. It can therefore be seen that from the beginning of its creation, 'the political driving force towards MERCOSUR has consistently been translated into economic decision-making' (T. J. Albuquerque, 2004:4).

As MERCOSUR progressed as a mechanism for regional integration, the divergence in the vision for this process by its members became more and more apparent. Argentina, Paraguay and Uruguay's vision and participation in MERCOSUR were primarily dictated by their economic necessities and characterized by dependence on the regional market and their vulnerability to external capital flows. Uruguay and Paraguay envisioned the solid institutionalization of MERCOSUR, to ensure a balanced and democratic distribution of power and decision-making, whereas Argentina and Brazil did not. Argentina's vision of integration was to produce more benefits and gains from economic cooperation and therefore encourage the 'deepening' and expansion of the bloc. Brazil's vision for MERCOSUR, on the other hand, was that enhancing economic cooperation would improve its negotiating power in the global market while not constraining or infringing upon Brazil's economic and political policies; hence, its weak support for institutionalization and policy harmonization (N. Phillips, 2003:217-234).

It is argued in some circles that the nature of the move towards regional cooperation and integration was at first political, 'due to shared sense of vulnerability rather than strength on the part of the newly established regimes'. In this connection, it was necessary to reconsider and adjust the countries' and region's position, its strategic role in global affairs and security through the emerging effects of democratization, modernization of productivity and global political challenges. It was also a useful means to increase interest and attention in the region during its first efforts towards liberalization and opening up to the global market and politics with a view to enhancing the region's negotiating power.

Various intergovernmental institutions have been created to enforce implementation; their decisions are to be made by consensus in regular meetings. The Treaty of Asuncion establishes a flexible structure responsible for shaping the agreements. In contrast to the EU's structure, the formal institutions of MERCOSUR are directly dependent on national administrations, which are responsible for the coordination and preparation of negotiations among the member governments. MERCOSUR's institutional structure has therefore been labeled a 'negotiating structure' (Perez del Castillo, 1993).

The MERCOSUR bodies

The Protocol of Ouro Preto in 1994 established the creation of the main bodies of MERCOSUR, the Common Market Council and the Common

Market Group, which are aided by the MERCOSUR Trade Commission. All bodies of MERCOSUR were strictly created to be intergovernmental and have rotational headquarters except for the Administrative Secretariat. MERCOSUR also has a rotational presidency, which means representatives (the Presidents) of the full member countries assume the leadership of the bloc and switch every six months. The system of rotation reflects the collective sense of ownership and belonging.

The Common Market Council is the political and diplomatic representative body of MERCOSUR and it has the legal authority to internationally negotiate and sign agreements in the name of MERCOSUR (i.e. with third countries, other trading blocs and international organizations). However, the final decision to support negotiations or agreements is taken by the consensus of all Member States. The Council is composed of the Finance and Foreign Ministers, and it meets at least twice a year with the Presidents of the four full Member States. MERCOSUR does not have a mechanism to automatically enforce legal acts; it is the active participation and influence of these officials with their respective governments which allow policies to be implemented or not.

The Common Market Group is composed of four members and four alternates for each member, from the Ministries of Foreign Relations, the Ministries of Finance and the Central Banks. The Common Market Group is responsible for monitoring compliance with the treaties, protocols and agreements adopted by taking measures necessary to enforce the Group's decisions and drawing up a program of work.

The Trade Commission is the central body of MERCOSUR, which formulates the trade policies and is composed of four representatives of each of the full Member States. The Joint Parliamentary Commission provides the liaison between MERCOSUR and the national parliaments of its Member States to enable the incorporation of MERCOSUR's treaties and decisions into the different national legislations. The Economic and Social Consultative forum represents the different economic and social sectors of Member States. The Administrative Secretariat provides technical advice and elaborates and provides support for the implementation of norms and documentation. Above all, it is the organization's institutional memory. All of the above mentioned bodies of MERCOSUR have been designed to avoid the exercise of supranational decision-making and activities.

The dispute settlement mechanism outlined in the Treaty of Asuncion and the Protocol of Brasilia declares that disputes between states must first be

addressed through direct negotiations. If this fails, then the dispute should be addressed by the Common Market Group to act as a conciliator, and if this fails the Common Market Council should intervene. Further, in 2002, the Protocol of Olivos was signed to create the Permanent Tribunal of review to hear appeals from the ad hoc arbitral tribunals. It is composed of five judges, one from each member state. The fifth is unanimously elected by the four Member States. At present it is a Brazilian judge.

The jurisdiction and legal framework to guide dispute settlement are all the treaties and protocols adopted by the Common Market Group, Common Market Council and the Trade Commission. This limits the possibility of private parties engaging in dispute settlement against states as it has to go through the national sector of the country of origin of the complaining party. What is more important is the fact that all verdicts made by these procedures do not have supremacy over national legislation, so the enforcement of these verdicts is not legally binding. This is a consequence of the way treaties and protocols were formulated to be internalized by the national legislation but without specified implementation processes or time frames, therefore with no means to enforce compliance. In summary, the dispute settlement mechanism relies heavily on diplomatic solutions and arbitral jurisdiction is always considered the last resort, which limits its ability to end disputes and has led to a relatively high rate of ongoing disputes.

In August 1998 in Ushuaia, Argentina, MERCOSUR Heads of State produced a final declaration supporting democracy, human rights and peace. The declaration of a 'peace zone', free of weapons of mass destruction, covers the whole MERCOSUR area, including its associate members Bolivia and Chile. Joint maneuvers amongst Argentine, Brazilian, Chilean and Uruguayan armed forces have become a routine event. In April 1998, the Ministers of the Interior and Justice of the four countries, plus Chile and Bolivia, established a Security Agreement for the triple border (Argentina, Brazil, and Paraguay). The objective of the agreement is to co-ordinate government efforts in the areas of terrorism prevention, illicit drugs and arms trafficking, as well as contraband interdiction.

The MERCOSUR Parliament was legally created on the 9th of December 2005 to represent the political and ideological diversity and plurality of its five main members, as Argentina, Brazil, Paraguay, Uruguay and Venezuela signed the Constituent Protocol of the MERCOSUR Parliament. It was finally inaugurated and came into force on 7th of May 2007 in Montevideo, Uruguay, where it is based and held its first meeting.

Although the parliament has no decisive powers as it does not have a supranational mandate to legislate over the various national congresses, it is an independent and autonomous entity, which has been created to have a strong political role in improving the integration process. It should therefore enhance and provide more stability in the decision-making processes of MERCOSUR, as it is up to parliament to encourage the incorporation and enforcement of sub-regional rules. Importantly, the parliament is the first body of MERCOSUR where decisions will not need unanimous votes, which should greatly increase the number of rules, declarations and recommendations produced and implemented.

The implementation process of the parliament will occur in three different stages. During the first stage, regional legislators (18 representatives from each MERCOSUR member country) will be elected among the representatives and senators of national Congresses. Representatives of the Associate Member countries (Bolivia, Chile, Colombia, Ecuador and Peru) will be allowed to participate in parliament discussions, but they will not have the right to vote. The Republic of Guyana and Suriname, despite not being members or associates, are normally invited to participate in MERCOSUR meetings. This will be allowed for a period of transition until the end of 2010 during which the above indirect election procedure will be used. In the second stage (2010-2014), each member country will have to choose its parliamentary representatives according to its election agenda for the forthcoming four-year term. Finally in the third stage (2014 onwards), MERCOSUR parliamentarians will be elected by citizens of the bloc's countries through direct, universal, secret ballots and the elections to take place simultaneously in all countries (INTAL Newsletter, March 2007).

Progress and prospects

After over 15 years of existence, MERCOSUR is still in the process of completing its integration and establishing or reinforcing the joint bodies and institutions that it needs to further this integration. This process is slow and inconsistent, as various concerns such as special interests and sovereignty often get in the way of advances in integration and institutionalization. In turn, these two incomplete issues weaken MERCOSUR's common position on the regional and international scene. To solve these challenges MERCOSUR needs to continue and complete its integration process with a clear vision and

defined goals. This would imply facing up to three main challenges, which include the completion of the internal market, strengthening the institutionalization of its structure and purpose and, finally, enhancing the participation and integration of MERCOSUR in the regional and international arena.

The treaty regulates only the first phase of the integration process, the so-called 'transition-period' up to December 31st 1994. During this period, the treaty also stipulates the constitution of a General Rule of Origins, a system for the resolution of controversies and safeguard clauses. The 'System for the settlement of controversies', signed in Brasília in 1991 (the Brasília Protocol), is a landmark decision on institutional issues in the transition period. The Brasília Protocol was the first juridical instrument for the resolution of conflicts in MERCOSUR. The new system applies to any dispute which arises between the Member Countries within the framework of MERCOSUR, and its quick creation reveals that the Member States overcame one difficulty inherent in previous regional integration efforts. However, the failure of the parties to establish a set of supranational political-juridical institutions and rules, or a Court of Justice, is a major institutional weakness of MERCOSUR according to a common line of thinking (Economía and Mercado, 1997:4-5).

The implementation of the treaty has followed a rocky road (Williams 1996; Instituto Artigas 1994). Two main processes were characteristic of the transition period: vigorous commercial trade liberalization combined with efforts to move towards the customs union; and a difficult struggle to coordinate macroeconomic policies. The Commercial Liberalization Program constitutes the backbone of MERCOSUR. Significant progress was made in the process towards free trade between the MERCOSUR countries during the first half of the 1990s. In fact, between 1991 and 1994 tariff reduction came to be applied to about 85 percent of the goods. Most tariffs were thus eliminated, even if there are lists of exceptions to the program of trade liberalization, especially for Paraguay and Uruguay. The two smaller countries have also been given special treatment in the adoption of the Common External Tariff (CET). Here it should be mentioned that the integration project does not contain any compensation clauses or development funds to support the small countries or weak subnational regions. The CET entered into force on January 1st 1995. It applied to 85 percent of the products imported from countries outside the bloc and contains 11 different levels, from a minimum of zero to a maximum of 20 percent.

These efforts have paid off. Trade among the MERCOSUR countries is the most dynamic in Latin America, and intra-regional trade as a proportion of total trade grew from 28 per-cent in 1985 to 43 per-cent in 1994. By value, it reached around US$ 12 billion in 1994, compared to US$ 3.6 billion in 1990 (Ferrer, 1995). In view of this, and at the same time, the favorable opening of trade policies of the member countries also led to a substantial increase of trade with countries outside the region, so regional trade liberalization increased overall trade liberalization. Importantly, the regional trade between members was more significant and created more revenue than outside trade, thus fulfilling the purpose of the alliance, to be most beneficial to its Member States and the region. Additionally, one of the greatest consequences of the MERCOSUR economic integration process was the increase in direct foreign investment in the region, especially between Argentina and Brazil (R. Bonelli, 2001 in P. Paiva & R. Gazel, 2003).

The process of coordinating macroeconomic policies wrestled with two main problems (Antia, 1993; Ferrer, 1995): one being the marked differences in the opening of the economy and the other the implementation of macro-economic policies. Traditionally, Brazil is more industrialized than Argentina, but also more protectionist and gradualist in the implementation of macroeconomic policies. Brazil chose a slower opening of its economy, while Argentina, on the other hand, started a very rapid opening and shock therapy to come to grips with hyper-inflation. Argentina's policy proved successful in the short term, and the country soon had the lowest inflation in the region (3.6 percent in 1994), while Brazil had the highest inflation (930.5 per-cent in the same year) (*Gazeta Mercantil*, 13 April 1997).

This is closely related to the fact that Argentina and Brazil adopted different economic reform strategies because of their different views about how to meet the challenges of globalization in the national context. This also had important consequences for how they viewed the relevance of the regionalist project. In Argentina the idea of *peripheral realism* prevailed, according to which there only remained a small space to adapt to exogenous forces, which are unmanageable. A quite extreme example of this is the argument that some put forward for the scrapping of the Argentinean currency in favor of adopting the US dollar. As pointed out before, for Argentina, regionalization is principally an instrument to integrate itself into the global economy, whereas for the Brazilian government, regional integration is of a more political and defensive nature, which can enhance national development (de la Balze, 1995).

Regardless of these differences, it should be underlined that, at the end of the transition period, South America was a markedly different region compared to what was conceivable only a decade before. The drastic change in relationship between Argentina and Brazil was institutionalized not only within the framework of MERCOSUR, but also through a wide range of other agreements and confidence-building measures, particularly in the security field. By the mid-1990s it was clear that a major break had taken place in the historic rivalry between Brazil and Argentina in the sense that previous disputes had been settled; that diplomatic, military and economic resources were no longer committed to opposing the other side; and that the two countries were enmeshed in an increasingly dense process of institutionalized cooperation across a range of issues (Hurrell, 1998:249).

Thus, the reconfiguration and regionalization process in South America is potentially broader and deeper than the MERCOSUR process as such. However, MERCOSUR remains probably the most important hub of the essentially state-directed regionalization process. This is a good example of the dynamics of reduced hostility between two leading regional rivals, a lesson that perhaps should be studied in places such as Asia, where India versus Pakistan and China versus Japan threaten regional stability. Similar cases could be found in Africa and elsewhere. Nevertheless, an important challenge faced by MERCOSUR is that of advancing decisively toward the deep integration of the national economies into a single economic area. This strategic goal would imply avoiding national macro-economic regimes, which could deter trade and the need to strengthen policy coordination. Indeed, the economic crises of certain members and their concerns over sovereignty have interfered with the progression of these goals (J. Fonelli, 2002). However, a recent decision taken at the 39th Mercosur Summit in Argentina on August 20th, 2010, aimed at removing tariffs and doubling taxation, is a move in the right direction (Brazilian Focus, August 2010).

Harmonizing both trade and economic policies is one of the greatest challenges the Common Market Group, Common Market Council and the Trade Commission face; it is also their main responsibility. However, the process of harmonization and creating common policies is very often dictated by the Member States' governments. This is why Ministers of Finance and the Presidents of Central Banks of the full and associate Member States met in 2000 and finally clearly established common macroeconomic policies and targets, such as:

- A maximum inflation target of 5% for the period between 2002-2005
- A budget deficit of no more than 3% of GDP; and
- A suggested ratio of public debt to GDP of no more than 40%.

Without policy harmonization, not only are the member countries more susceptible to economic imbalances and crises but they would also continue to experience imbalances of economic gains and losses from the union (W. Baer, T. Cavalcanti & P. Silva, 2002: 269-291). Uruguay and Paraguay are the two smallest economies of the bloc and therefore have even more limited opportunities for economic growth if the other member countries do not make efforts to harmonize the region's macro-economic and financial policies. The commitment to increase efforts to share and provide balanced gains from policies is a very significant factor in the deepening of regional integration. It is recognized that not all members are equally vulnerable to market fluctuations or the measures taken by other Member States to avoid economic loss. Therefore, the process of policy harmonization is not only vital for the progression of integration but also for the development of the various Member States.

MERCOSUR: integration and challenges at the halfway mark

Remarkable progress has been made in the implementation of MERCOSUR objectives, when compared to the speed of operation of many other regionalist projects worldwide, especially in the South. Nevertheless difficulties exist in MERCOSUR, and these became more evident after the transition period. At the end of 1994, the four participant countries redefined the ambitions, sequencing and timeframe of the regionalization process (Rodriguez, 1995; MERCOSUR, 1995a, 1995b). The timeline for the full implementation of the free trade area, the creation of a customs union and the coordination of macroeconomic policies proved too short. The member countries agreed on a new transitional phase for the implementation of the customs union ending in 2001, and 2006 for Paraguay. The time frame for the final liberalization of the several hundred 'sensitive products' was extended as well.

As already noted, trade matters have defined much of the MERCOSUR agenda: the measures to guarantee and promote both intra-regional and external trade, and the terms for the economic restructuring of member countries' domestic markets. During the transition period, trade matters received most

attention and the trading agenda was rather one-dimensional. There are now signs that this might be changing. The MERCOSUR Program of Action until 2000 (MERCOSUR, 1995) called not only for the consolidation of the customs union (through more flexibility and increased timespan), but also, in line with the treaty, for the adoption of new dimensions of regional integration – such as environment, labor relations, social security, health care, education, culture, promoting democracy, and becoming a negotiating bloc.

The process of increased regionalization in South America has been a strongly statist project. As Andrew Hurrell (1998:252) points out, the development of transnational social networks has not been a significant factor in either ending rivalry or making moves towards cooperation. If we look for evidence of interaction and internationalization, then this is mostly to do with changes within the bureaucracies and the growth of institutionalized interaction, among an ever broader range of bureaucratic actors. There is, however, evidence that the success of integration is leading to an expansion in the range of actors involved – for example the greater organization of business interests and the creation of formalized involvement of those regions and provinces most closely affected by integration.

As a step to accommodate the weakness, the new program of action recommends widespread consultation with relevant representational institutions of capital and labor, employers' associations, business communities and trade unions. Furthermore, the Ouro Preto Protocol established a Joint Parliamentary Commission for MERCOSUR, with the aim of facilitating the implementation of the common market and the coordination of several elements, such as the harmonization of legislation. However, this Commission has no formal power of initiative or control. The participation of the private sector is established in the permanent institutions of MERCOSUR through the Economic and Social Consultative Forum. It has yet to be seen whether or not it will live up to expectations. It is interesting to note however, that the trade unions in the four countries have accepted the idea of a social charter of rights, although the states and the MERCOSUR institutions have responded hesitantly to these attempts.

By creating social and labor norms and goals, and through their implementation in all Member States, it not only helps the individual countries' development but also creates greater capacity and compatibility to integrate societies, knowledge and transfer of information (R. Monteiro, 1999). The focus on the importance of education and coordinating educational policies

has been an important achievement towards the integration and development of the region as it greatly enhances the free movement of people and opportunities for employment throughout the region. Significantly, these common norms and goals help to limit inequalities and imbalances between the different Member States and their societies, which facilitate their integration. A good example is the encouragement in the educational curriculum of all Member States to include Spanish and Portuguese to further encourage integration and familiarization of the different cultures and societies of the bloc.

The MERCOSUR institutionalization process is a central object of dispute between Member States. The distinctive feature of MERCOSUR institutions is still their inter-governmental nature: they lack a supranational or at least autonomous dimension and a capacity to make laws that can push the regionalization agenda. On the other hand, the creation of specialized regional bodies and the rules of competition give legal reality to MERCOSUR. This means that the inter-governmental institutions exist side by side with an embryonic legal doctrine in two areas: common trade regulations and the system for the resolution of disputes. Each of the member countries is obliged to implement the decisions adopted by community authorities. Furthermore, the number of issues that inevitably require community-level regulation has grown and increased the workload of the subgroups: this has resulted in the recent establishment of *ad hoc* commissions for the monitoring of some topics that go beyond the scope of national competence. These are decision-making bodies under the Common Market Council and the Common Market Group. The best known example is probably the MERCOSUR Trade Commission, with responsibility for monitoring the implementation of the common rules governing trade policy.

Notwithstanding these institutional changes, the key member states appear to prefer the political solution of disputes that otherwise might be settled by a supranational court of justice. The weakness of central institutions diminishes the importance of regulation and joint decisions in the process of integration, and tends to strengthen the position of the strongest partners. Indicative of this, for instance, is Brazil's insistence that MERCOSUR should be an inter-governmental institution, in which decisions are taken by consensus: in this way it can maintain the autonomy to pursue whatever strategy is in its own interests. Meanwhile the smaller countries notably Paraguay and Uruguay, but also Argentina, argue that a permanent court of justice with supranational powers is a necessary instrument to sustain regionalization and address the

existing imbalances. Hence, the two contradictory future scenarios for MERCOSUR differ with regard to the character of the institutions and the deepening of the regional integration process. Brazil's individualistic strategy implies weak central institutions and trade integration only. The other scenario emphasizes strengthened regional institutions, including supranationality, and deepened economic regionalization going beyond simple trade integration and intergovernmentalism. These divergences continue to affect and shape the functioning of MERCOSUR.

Finally, at the MERCOSUR summit in December 1999, the members agreed on the foundation of what the then President of Brazil, Fernando Henrique Cardoso, called a 'mini-Maastricht' (The Economist, 11 December 1999:37). This local version of the EU Treaty includes: (i) harmonization of national statistics in order to facilitate comparisons; (ii) establishment of common standards for 'fiscal responsibility' (legally mandated limits on public spending); and (iii) stipulation that in the future each country will have to report on its efforts to achieve economic stability. It was stated that a set of common economic targets, such as those in Maastricht, would emerge naturally from this mini-Maastricht, which in turn would help each country to push through domestic reforms.

It is worth pointing out that even though MERCOSUR experienced vast economic and trade improvements in its early years, it did not consolidate into a fully integrated economic area (Baruj, Rosacaff & Porta, 2006). Instead it 'functioned as a very imperfect free trade area'. These consequences of the regional economic problems partly caused what we could call the 'midlife crisis' of the integration process, as it greatly questioned the bloc's ability and necessary compatibility to create a strong integration mechanism (J. Pinto Andrade, M. Falcão Silvia, H. Trautwein, 2005:65-89).

A. The lack of shared vision and enforcement processes

Although the vision for MERCOSUR was to create a common market, it has failed to become a full and functioning one, and this can explain the move towards a simpler goal: a customs union (J. Hulse, 2005). However, creating this customs union was also difficult and is a dysfunctional union because of over 800 exceptions to tariffs and the imperfect and inconsistent implementation of procedures at border customs. Hulse (2005) argues that MERCOSUR is

the 'diluted mix' of a common market, customs union and free trade area which can be best described as an 'imperfect customs union'.

The lack of a shared vision and implementation process of the integration among the Member States is a major obstacle to the deepening of MERCOSUR as an integration process. Both Argentina and Brazil have the greatest political and economic weight in this union and therefore all decisions and the strengthening of MERCOSUR is dependent on the respective national agendas and more specifically on the agendas of the leaderships of the day. These two key Member States have always preferred to maintain national sovereignty and therefore have continued to shape MERCOSUR on the principles of 'intergovernmentalism' rather than creating independent supranational institutions, such as those of the EU, to direct and govern the process of integration.

Uruguay and Paraguay (the two smallest countries of the union) would have preferred a deeper institutionalization of MERCOSUR as it would have given them more opportunities and leverage to defend their interests, which up to now have often been undermined. This imbalance of power greatly affected the ability to have and create a common vision for the bloc and for decisions to be made. It is the lack of institutional procedures and the use of consensus as decision-making power which became obstacles to creating and adopting common political alignments and policies which would allow for greater political integration. These differences in the visions and functions of MERCOSUR as an integration process can explain the often slow and stagnant development of the organization, especially as it expands.

B. Integration viewed solely as economic decision-making

The deepening of MERCOSUR's integration in its early years was associated with fulfilling determined policies and trade obligations rather than encouraging dialogue, cooperation and institutionalization. From its creation, MERCOSUR's main concern was economic development and progression in the global economy. This is why the 'incentive wars' and national policies have often proved to be prejudicial to the integration process, as national actions and policies to adjust to economic difficulties have had negative effects and created further competition between Member States.

For the further deepening of the integration of the region, Member States should have adjusted their national policies and coping mechanisms to reflect

the principles of an open regional market and reducing the conditions for competition with all producers in Member States rather than causing imbalances in competition and opportunities. However, the relationships between the Member States were often purely economic rather than conducive to dialogue and cooperation. It would have greatly helped strengthen regional cooperation and integration in more areas than just economic development if regional relations were less focused on the economic gains this partnership could bring.

This purely economic vision and purpose of the union is reflected in MERCOSUR's initial institutional structure, where most bodies that composed it dealt with trade and economic policy. The political and social aspects of regional integration were not directly incorporated into the functioning of the institution nor were they given sufficient importance or opportunities for discussion. The lack of political integration in MERCOSUR's endeavors has possibly also greatly hindered MERCOSUR's development, as it did not have that purpose to counter stagnating economic integration due to economic problems and divergences of Member States. Therefore, economic disintegration of the bloc called into question the existence and future of the union as it seemed to serve no other purpose.

C.The lack of policy coordination and implementation

The potential that MERCOSUR could have had as a mechanism of regional integration has been hampered by a lack of policy coordination and implementation and by the view that minimal fulfillment of the customs union commitments is sufficient to produce integration and beneficial results. The tendency towards 'ad hoc decision making', especially in times of economic crises and violations of the core agreements, undermined any attempted policy coordination or harmonization and importantly eroded the credibility of the agreements that make up MERCOSUR. Too often the individual countries' economic policies had superseded the group's strategic economic policies to allow for better adjustment to the competitiveness of the liberalization process to integrate into the global market.

The declining economic harmony and cooperation in the region in the late 1990s exposed the declining relevance of MERCOSUR, which in turn negatively affected the little domestic political support it had. The lack of adequate and systematic use of the dispute settlement mechanism also interfered with the implementation and/or coordination of policies, weakening not only

MERCOSUR's strength as a trading bloc but also eroding its credibility with other trading blocs.

The lack or weak implementation of common policies greatly affected the effective functioning of the regional integration scheme. A good example is the arbitration mechanism (established by the Protocol of Brasilia, 1994), which is based on an *ad hoc* Arbitration Court and does not lead to a binding mechanism for solving disputes. This therefore signifies that any decision reached by the Ad hoc Arbitration Court is not legally binding. Some disputes have even necessitated the intervention of the Presidents of the four countries to solve trade disputes of a technical nature. However, the decision to establish a new arbitration mechanism and to create a Permanent Arbitration Court was taken during the meeting of the MERCOSUR Common Council on 18 February, 2002.

D. Inconsistent leadership and political commitment

Weak political commitment to MERCOSUR and its institutionalization is one of the major obstacles for effective integration. Political commitment and utilization of MERCOSUR as an institution was based on current national interest and gains from the Member States and therefore there were no consistent efforts to strengthen or expand its scope and function. Analysts have argued that the survival of MERCOSUR can be understood in terms of the convergent strategic or foreign policy interest of its two major partners, Argentina and Brazil. As the commercial relevance of the bloc weakened in importance, negotiating access to developed countries markets became essential. The focus on economic integration has resulted in a weak political integration and more importantly, it has not facilitated the participation and representation of the citizens of its Member States.

As A. Malamud (2005:63) argues, the lack of established regional institutions to guide the integration process of MERCOSUR is both cause and effect of the executive form of decision-making and the leadership of MERCOSUR by the Member State's Presidents. That is to say, all decisive power and efforts have emanated from the Presidents in power and have therefore removed the function of any structured institutionalization of decision-making. MERCOSUR was the extension of a treaty created by the Presidents of Brazil and Argentina and it was these same Presidents who pushed forward the regional integration process, which was then continued at will by their

successors. It is also said that one of the unique characteristics of MERCOSUR is the role successive Presidents have played in keeping the integration process from stalling completely and disintegrating. However, of course, this greatly depended on the current needs and contexts at the time.

The replacement of institutionalism by 'presidentialism' can be explained by the general lack of trust and confidence in national institutional channels, as they are perceived as slow and unjust in their decision-making. This is why there is a culture of engaging directly with the decision-making powers: in this case, Presidents. It is notable that civil society had not been included in the creation or the implementation of the integration process until the mid-2000s, and this was only done when the need for social and labor policies was evident (Carran, M., 2006: 813). This lack of inclusion of various sectors of the population has hindered any support the different states sought for strengthening MERCOSUR. This is a clear indication that MERCOSUR is a State (or President)-led project, with unbalanced decision-making processes, which clearly lack support and credibility.

So far, all important decisions have been taken by the Presidents and Ministers of the countries involved. This breaks and limits the institutional dynamics of integration: Firstly, because Presidents and Ministers cannot meet frequently but when they do, instead of discussing a positive agenda, they are forced to deal with petty problems which more often than not could have been dealt with at lower levels of MERCOSUR; Secondly and not least, the lack of supranational bodies or leadership greatly hinders the ability to accomplish any actions towards deepening integration (Enrique Petracchi, 2006 interview on MERCOSUR abc).

E. Inconsistent as a united negotiating bloc

MERCOSUR as a political and strategic platform has not yet resulted in any specific beneficial outcomes. During the negotiations with the EU, the talks not only stalled because of the EU's reluctance to make concessions on agricultural subsidies but also because the MERCOSUR Member States could not agree on a list of goods to offer market access to the EU. This is not only a failure in the strategic external agenda for MERCOSUR but also in the internal agenda, as expectations in lists of goods and tariffs are still a key impediment to intra-regional trade. This lack of coordination and unity towards a key global actor and trading partner greatly hampers MERCOSUR's future

negotiating power and credibility. MERCOSUR was unable to use its potential power as a negotiating bloc during these negotiations because of disagreements between the Member States and, as a bloc it clearly needs to establish unity and commitment to both its internal and external agendas. However, the recent meeting between the two parties had positive results. It seems to prove wrong the 'doubting Thomases'.

The outlook

This chapter has described the emergence of a new regionalism in South America, following the profound post-Cold War transformations of the global political economy and the change of attitude of the US, in conjunction with the dramatic changes in the buffer system of the River Plate Basin and the shift from rivalry to cooperation between Argentina and Brazil. The process started out with rapprochement between Argentina and Brazil, the two largest, most populous and most influential South American countries. Bilateral cooperation was both political and economic in nature and it should be underlined that it coincided with the democratization process in these two countries. Subsequently, the cooperation process was institutionalized in the form of MERCOSUR, with the entry of Paraguay and Uruguay. As argued above, the organization has had ups and downs. Member States have, however, risen to the occasion from time to time.

In spite of the remarkable progress already made, tension may continue to rise and challenge the regional arrangement due to the unequal size of the countries, their different development strategies and impulses generated externally. The great problem is the relationship between Argentina and Brazil and their different attitudes towards the speed and nature of the integration process and the institution building of MERCOSUR. To some extent the outcome of these contradictory forces is manifested as a 'trade war' between Argentina and Brazil. On the other hand, in these key countries, it is the commitment among the dominant elite to overcome their historic rivalry and these divergent patterns that have given rise to a hegemonic bloc and in turn sustain the new regionalism in South America.

The future of the new regionalism in South America is ambiguous. Although MERCOSUR is likely to continue to exist, at least as a customs union, its future progress beyond this stage is somewhat uncertain. The economic slump after the financial crises at the turn of the century has caused problems, and

these have already led to heated trade disputes among the key countries. Integration and disintegration go hand in hand and future progress depends on the ability to overcome challenges along the way. Institutional strengthening seems important for the consolidation of the integration process as well as broader participation by non-state actors, beyond the current state-centrism.

The aims of MERCOSUR are to deal with regional economic development to ensure that the region will become more relevant and integrated into the global economy than it currently is and to keep relative interdependence in order to have options for increasing their united international economic and political power. MERCOSUR has lived through different governments and is undoubtedly a strategic project for its member countries as they continue to commit support and resources to its progression and expansion.

From its creation, the four members have acknowledged that the endeavor of a common market would also necessitate political integration for dispute settlement and increased stable relations among member countries. Furthermore, a stated goal of MERCOSUR is to increase the equality and well-being of all Member States' citizens, an ambition that can only succeed with some level of political convergence. However, since the signing of the treaty of Asunción, few efforts have been made to harmonize the foreign policies of MERCOSUR members and integrate the Member States socially, and the bloc remains primarily a customs union with few effective levels of political integration.

The relaunching of MERCOSUR enabled the Presidents to discuss and emphasize the growing importance of political and social integration. It also strengthened the common market for the future of MERCOSUR as a social, political and economic union to fight inequality, poverty, unemployment and to guarantee the well-being of its citizens. With this in mind, a social summit was organized to bring together civil society representatives from the Member States, to take place alongside the Presidential summit. This allowed civil society to form cross-border relationships and to discuss common experiences, needs and values thus encouraging them to become involved in the integration process. This will not only help to bridge the gap between economic and political integration, but will also increase support for the integration process.

With this expanding membership, it is believed that MERCOSUR will undoubtedly become a mechanism for political integration and shift the focus away from economic integration. The successful establishment of the Parliament should also help to guide the new efforts towards political integration even

though it will not have supranational powers to legislate over national congresses. Nonetheless, Oppenheimer (2007) questions how successful these new efforts towards political integration will be as MERCOSUR is building political institutions without having implemented its most basic economic agreements. If the new Parlasur parliament helps to get each country's congress to remove trade barriers in the region, it will be a welcome development. If not, it will become just another Latin American integration bureaucracy.

The MERCOSUR Parliament was finally created in 2008, over ten years after the creation of MERCOSUR and having overcome the great reluctance of certain Member States to have a more formal institutionalization of MERCOSUR. However, the parliament has only met for one session and still needs to become a fully functioning body. As with PAP, the parliamentarians have been indirectly elected by their respective governments. They are expected to be elected by the Member States' citizens around 2014 when the system is expected to be fully functioning. The parliament will allow the Member States' representatives to interact and discuss matters more efficiently, which should produce greater results for the integration process.

The effective implementation and use of the parliament will not only make the decision-making process more democratic and informed but it would also enable the inclusion of civil society in the formulation of policies and decisions. A meaningful participation of civil society and experts would certainly facilitate the deepening and strengthening of the integration process. The parliament will also assist in creating compatibility between national political projects and policies with the political projects and policies of the bloc (Nogueira, 2007). For the parliament to fulfill its mission and purpose, it will have to be representative of all its Member States and their societies, with legitimacy and credibility. This has not been the case in the past due to the lack of institutionalization, which therefore limited the progression of regional integration (F. Pena, 2006). It is hoped that a clearer legislative hierarchy and deepened institutionalization through the parliament will greatly enhance integration and guarantee the effective implementation of decisions and policies taken by the bloc.

1. Relations with the EU

The MERCOSUR project, however, contains a drive to expand international links. Since 1995 MERCOSUR has had a Group of Foreign

Affairs shaping policy towards third countries and organizations. The strengthened cooperation between the EU and MERCOSUR has emerged as a most interesting example of interregional relations. The process began formally with the signature of the Agreement of Inter-Institutional Cooperation in 1992, whose major objective was to develop technical cooperation projects. The Interregional Framework Agreement on Trade and Economic Cooperation (December 1995) has put forward the objective of a political and economic interregional association.

MERCOSUR's progression and future as an integration system is not solely dependent on regional relations but also relies on external relations with key global players such as the EU. MERCOSUR's strategy and expansion can be described by the term 'New Regionalism', which demonstrates the new tendencies in global regional agreements. A striking feature of the New Regionalism, which characterizes MERCOSUR, is the willingness to negotiate reciprocal free trade agreements with other industrialized countries (A. Oppenheimer, *op cit*.). The negotiations for the FTAA and those with the EU were great challenges for MERCOSUR to be an effective negotiation platform and achieve better involvement in the global economy. The negotiations with the EU are part of a strategic development approach to sustainable development, macroeconomic stability, poverty alleviation and the consolidation of democracy and good governance.

These negotiations not only represent an economic alliance but also a political one between MERCOSUR and the EU. The negotiations started in November 1999 and in the first phase they were to agree on selected issues regarding political and cooperation dialogue, exchange preliminary information on tariff barriers and exchange proposals for the reduction of non-tariff barriers (P. Giordano, 2002). The negotiations for the Inter-regional Association Agreement are therefore grounded on political and economic incentives, as for both regions regional integration is an instrument to simultaneously achieve economic and foreign policy objectives. Trade talks entered the second phase in July 2001 when, through the exchange of negotiating texts for goods, services and government procurement, market access negotiations effectively started.

The Second Presidential Summit held in Madrid in May 2002 reiterated the political commitment for the conclusion of this free trade agreement between two customs unions and announced an agreement on business facilitation measures. Contrary to other integration processes that simply target the creation of free trade areas, these negotiations wish to create a common market, deepen

political cooperation and increase their respective roles in global affairs through regional integration policies. Most importantly, these negotiations with the EU help increase MERCOSUR's internal legitimacy and support and help rebuild its external credibility. For this to occur, the Member States have to be more cooperative than in the past and consolidate a common position toward the EU, which in itself will be a proof of deepening integration in MERCOSUR (Giordano P., ibid.).

2. Relations with the Americas

What is of greater interest here, however, is the future of South America and the Americas. Will regionalization expand beyond the loosely knit security and economic community in the southern cone? Is MERCOSUR part of a broader hemispheric regionalization process, reducing its distinct features? Since several paths currently exist towards a new world order, it is difficult to provide a firm answer to these questions. What we can say at this point, however, is that at present there are strong convergences both within Latin America and between Latin America and North America. The democratization process in conjunction with the convergence of liberal economic policies throughout Latin America has created unprecedented possibilities for both regional and hemispheric integration. The US proposal of an American Free Trade Area from Alaska to Tierra del Fuego is based on two approaches: the EAI and NAFTA. In the EAI context, the MERCOSUR member countries have signed framework agreements with the US. In May 1997, at an American Free Trade Area summit, MERCOSUR defended the idea of gradual hemispheric integration through the strengthening and convergence of sub regional initiatives, the so-called 'building block process'. NAFTA in the north and MERCOSUR in the south have thus emerged as the two poles of attraction in the American hemisphere. However, no formal agreement between MERCOSUR and NAFTA has been made. Their future relationship is crucial but hard to predict. MERCOSUR, for its part, is at the center of the negotiation process to establish a South American Free Trade Area, and discussions have already been initiated with the associate members Chile and Bolivia, as well as with the Andean Pact member countries (Colombia, Ecuador, Peru and Venezuela). As we shall see in the next section, there are nascent initiatives to form cross-continental links in the form of UNASUR and the Bank of the South.

Negotiations with Chile and Bolivia ended in 1996 with the creation of two separate free trade areas. These successful agreements have created a model for other intraregional negotiations as they have demonstrated the benefits that arise from having the political status of associated members of MERCOSUR. Significantly, these agreements provide the obligation of gradually and automatically dismantling all tariffs, without allowing any permanent exception. These types of agreements have a specific strategic purpose as they allow countries to experience the integration process and encourage them to seek full membership, as is the case for Bolivia. Regional expansion of MERCOSUR would certainly increase gains and resources available to help the integration process progress and be more efficient.

MERCOSUR now has two new applications for full members, Bolivia and Venezuela. The acceptance of these new members involved very important political and economic strategic decisions. Both of these countries will add valuable trade and energy sources to the bloc. However, they also have strong political stances that not all of MERCOSUR members agree with. This will affect the political integration process as well as MERCOSUR's external agenda. These controversial aspects of the new members are reflected in practical application of membership as the Brazilian and Paraguayan parliaments have taken time to ratify their membership.

In spite of these trends towards hemispheric regionalism and convergence, there is little to suggest that a genuine identity is emerging among the traditionally not very closely related sub regions: North America, Mexico and Central America, the Caribbean Basin and South America (with its northern part, dominated by the Andeans, and its southern cone). On the other hand, these sub regions are themselves internally heterogeneous. This feature is somewhat similar to South Asia, but presents a contrast with the more homogeneous and consolidated nation-states of Western Europe.

As we shall see, the new situation is above all determined by the fact that the US is acting more like a regional power, and that meanwhile, as a nation-state, it is becoming increasingly 'Latinized'. The cultural border (between 'Anglo' and 'Latino') is now being drawn within the US itself, as the *reconquista* of Texas and California makes at least the southwestern micro-region of the US Hispanic area.

In Mexico the tradition of nationalism, protectionism, and 'anti-gringoism' is still alive (as it has been ever since the early war with the US). However, the country's economic reforms have accelerated its integration into the North

American economy, previously so much feared by the Mexican left, and the search for self-reliance (financed by oil) has now lost credibility. Mexico, which earlier had some potential and ambition to become a regional power, is the first Latin American country to draw the conclusion that joining North America in the form of NAFTA is the only possible way out of stagnation. Traditionally an introvert and protectionist state, Mexico joined GATT in 1986, primarily as a precautionary measure to protect its bilateral economic relations with the US. The further integration implied in the NAFTA agreement is the first case of North-South integration and therefore offers interesting experiences for other regions to draw from.

Mexico has consequently abandoned the Third World concept, so important for the image of some of the previous Mexican Presidents. This has also tilted the small states of Central America and the Caribbean towards the north, and the same economic and geopolitical changes have put a certain pressure on South America. The magnetism or bandwagon effect of NAFTA may repeat the EU pattern in Europe, with rival organizations gradually losing relevance. It may be that South America is organizing itself for inclusion in NAFTA or at any rate in a US-centered reorientation of the Americas.

The northern part of South America, the Andean sub-region, has thus also begun to feel the pull both from the north and the south. For instance, Bolivia and Chile (at present vacillating between north and south) are invited to join MERCOSUR. With the recent addition of Bolivia who is also a member of Andean Community and Venezuela, a former member of the bloc, MERCOSUR hopes to create closer ties and cooperation between the two blocs and their Member States. They have also encouraged other Andean and South American nations to consider becoming associate members of MERCOSUR, such as Ecuador and Colombia. Further, dialogue has also been enhanced with the Caribbean nations, to possibly counter the effect of the FTAA and the bilateral negotiations. Some of the Caribbean countries have negotiated with the United States. This continental dialogue and cooperation allows not only for greater development opportunities for the countries concerned but also offers the different blocs an alternative to joining the FTAA and turns South America into a more integrated region.

The case of Chile is particularly interesting in this regard and deserves further elaboration. Chile has had a unique development path in Latin America – first of all as the first elected Marxist government (under Allende, 1970-3), then as a neo-liberal laboratory guarded by a ruthless military dictatorship

(under Pinochet, 1973-90) with a modified economic policy after 1986, then under a transition government (Alwyn, 1990-4) and, finally, in 1994 and 1999, a return to free elections. The current dynamic economy is in comparatively good shape. This is a result of an extreme openness, linking Chile to many parts of the world. Consequently, Chile does not want to be locked into any particular agreement. In Chile liberalization has gone so far as to make the regionalization option smack of protectionism and inwardness, and a fear that any regionalist scheme may reduce the number of potential trading partners. Chile is therefore skeptical towards MERCOSUR (with an eye on Brazil's protectionist record) but was nevertheless welcomed by it, and in March 1996 became an associate member. There was also discussion on whether Chile would become part of NAFTA but it would prefer to do that through bilateral agreements. It continues to want closer links with Europe (making use of the many Chileans in asylum, according to *La Nación*, 23 March 1994). The then President, Eduardo Frei, wanted open regionalism, openness as well as regional integration (ibid.).

Chile is one of those 'multitracking' countries that would like to have its cake and eat it. The world is becoming regionalized, but Chile wants to stay open by joining all blocs. This is not an unusual situation. Iceland and perhaps also Norway want to be European and Atlantic, Sri Lanka wants to be South Asian and South East Asian. To the extent that regional integration is on the agenda, the option for Chile is *regionalismo abierto* (van Klaveren, 2000). One may therefore ask what the difference is between generalized open regionalism and a global free trade regime. Regionalism and globalism are fully compatible as long as the other regionalisms also remain of the open type. In case the free trade regime should collapse, regionalism is a better defense strategy than falling back on economic nationalism.

Importantly, the political climate and tendencies in South America are changing and moving away from neoliberal theories, and this is also influencing the relaunching and strengthening of MERCOSUR. The election of leftist Presidents such as Evo Morales and Hugo Chavez, Argentina and Brazil's repayment of their entire debts to the IMF and the creation of the Bank of South are clear signs that South American leaders want a change and are searching for alternative ways to strengthen their global position as a bloc.

Carran (2006) argues that if MERCOSUR is to survive and continue forming a mechanism of integration, it must move away from neoliberal globalization and formulate an alternative, autonomous development strategy.

For this to occur, Carran posits that there needs to be greater involvement and mobilization from the citizens of the Member States to 'energize a regionalism from below'. This would lead to the democratization of the project and allow not only for a greater sense of involvement but also ownership of MERCOSUR and its future by the Member States' citizens. This change of direction for MERCOSUR's regional integration strategy is reflected in their recent endeavors described below; to not only unify MERCOSUR member countries but also South America as a continent. These endeavors show a clear commitment to progress towards a social and political integration, the development of the continent and a shift away from the purely economic focus of integration.

For a host of various reasons, external as well as internal, the new regionalism in South America, open or not, is likely to be more persistent than the old regionalism. With the exception of a few peripheral pockets, the prospects for Latin American regional stability are comparatively good; in fact the peacefulness of the continent has become its major relative advantage, and the cost of breaking this trend would be very high indeed. The other comparative strength of regionalization within the main regionalist project, MERCOSUR, is that it will only contain members committed to the integration project. It is thus to a large extent a case of 'regionalism from within'. However, its main purpose is to establish sustainable relations with emerging trading blocs, particularly NAFTA, but also the EU. In its current form, the Third Worldist posture of MERCOSUR therefore lacks credibility. The coherence of the highly elitist and hierarchical societies in South America is fragile. We are more likely to see an expansion of NAFTA to cover the whole of the Americas, in line with George Bush's EAI. The Latin American regionalist schemes seem to be a preparation for this; a continental opting out of the Third World which is a move from an intermediate to a core position in the world order of regions.

Unfolding issues

1. A Unified Constitution for Latin America

In 2006, an initiative was launched from the discussions held at the Fifth World Social Forum in Porto Alegre, Brazil, to create a unified constitution for Latin America with the objective of establishing a common minimum

standard of living and norms in the region. The initiative was produced by a group of over 90 academic specialists from Argentina, Bolivia, Brazil, Germany, Mexico, Peru, Spain, Uruguay and Venezuela, coordinated by the Federal Work Team (an Argentinean academic institution). The text includes constitutional norms that go beyond human rights, approaching new emerging themes that consider specific Latin American issues such as sustainable development, poverty, health, work, education, climate change, political and social corporate responsibility etc.

This text was first presented to the public in August 2006 in the Argentinean national senate during the XII International Congress of the Federal Work Team. It was then distributed to universities, parliaments, embassies and trade unions and made accessible to the general public. Although this initiative for a regional constitution was not produced by MERCOSUR as an institution, it was produced by its member countries and their academics and specialists, who were inspired by the importance and efforts of deepening integration of MERCOSUR and Latin America. This constitution would go beyond the Socio-Labor Declaration of MERCOSUR and would also be adopted by countries beyond South America, as Central American countries are often absent from the South American integration alliances and their declarations/treaties. If this constitution is adopted, it will not only reinforce the importance of integration and a regional unified community but also highlight the need for cooperation through laws, norms and rights rather than economic cooperation.

2. Energy integration

Acknowledging the current global issues and demand for energy, various South American Presidents met in April 2007 at the first South American Energy Summit to design an energy integration strategy for the region. During the summit, the leaders of the region discussed plans for a regional gas pipeline, the development of biofuel, the creation of the Bank of the South and the unification of South America. The Venezuelan President, Hugo Chávez, proposed a 'South American Energy Treaty' in order to guarantee energy, gas, petroleum and alternative fuels to the region for the next 100 years, as the outlook is that consumption will continue to increase rapidly and therefore efforts need to be made to meet the consumption rates (South Center Bulletin 144 May 2007).

To meet their energy needs, the member countries at the summit agreed on various ways to implement energy cooperation and integration in the region. For example, Venezuela and Brazil launched a joint petrochemical plant, which is a clear step towards energy cooperation and integration (see South Center, South Bulletin 144 May 2007). Central to their integration plans, the leaders discussed the construction of the gas pipeline known as the Great Gas Pipeline of the South, and the Trans-Caribbean Pipeline. With these pipelines, Venezuela could supply the region with their gas reserves, beginning with Brazil. Most strikingly, the pipeline is set to be built by Petrosur, a new venture between Petroleos de Venezuela, Petrobras, and Enersa, of Venezuela, Brazil and Argentina, respectively. Petrosur has already started leading three of the projects on MERCOSUR's agenda: one in the Venezuelan Orinoco oil belt, another in the Brazilian refinery 'Abreu de Lima,' and an exploration of reserves in Argentina. If this succeeds, MERCOSUR will be the world's fifth-largest oil exporter and will control the two largest natural gas reserves in the hemisphere after the US (ECLAC, 2006).

On the very controversial topic of ethanol, the leaders have managed to come to an agreement and resolve the differences between Venezuela and Brazil. Brazil had launched a plan with the U.S. to produce ethanol prior to the summit, and Hugo Chávez and Fidel Castro had criticized the plan, claiming that ethanol production could reduce the amount of fertile land allocated to produce food. They all agreed that in light of the energy crisis, ethanol is a useful and viable alternative fuel that can complement traditional fuels like gasoline, but it would be 'absolutely impossible' to use it as a replacement for gasoline and therefore more efforts should be made to find alternative solutions.

Another important initiative that arose from the summit has been the financing of the infra-structural projects in the region. Brazil directed the Brazilian development bank, *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), to finance projects that would create and develop the integration of communications (roads, railroads, waterways and ports) and the common production of energy (dams, the use of natural gas and other common natural resources such as water). The financing of these infrastructural needs across the region will help to alleviate asymmetries between countries' infrastructure and capacity, allowing them to have more access to energy and means of production (M. Guedes de Oliveira, J. Monnet & R. Schuman, 2005). In consequence, this energy integration agreement not only aims to advance regional production, transport, and distribution but also

to minimize the cost of trading energy, thus increasing and strengthening the sustainable development of the region (INTAL Newsletter, nº 116, March 2006).

The launch of the energy integration initiative among Venezuela, Brazil, and Argentina not only increases cooperation and integration in areas of energy and development but also strengthens commitment to the economic free trade agreement between MERCOSUR and the Andean Community of Nations (CAN), which is the northern trade bloc composed of Ecuador, Peru, Bolivia, and Colombia. These different forms of regional integration and cooperation have been said to be the potential future basis for what could be the South American Community of Nations (CSN), a continental free trade zone that would also include Chile, Guyana, and Surinam. This is why the launch of this energy integration agreement is so important and symbolic.

Although energy integration has been long needed because of increasing energy shortages, especially in the southern cone, critics believe it stems from political motives to gain more political support for certain governments and strengthen their global leverage by creating a strong Latin American political and economic integration system. This can explain why the energy integration initiative is solely state driven, with only state-owned companies involved, although the Latin American energy market also includes various private companies, none of which were included. According to Marcelo Mezquita, deputy head of UBS's section for Latin American research, 'The strong political interests that surround it make it highly vulnerable to political fluctuations' (N. Alvear, 2006). Therefore the continuity and funding of energy integration greatly depend on the political leadership and interests of the Member States. This could be a problem in the future.

3. UNASUR and Bank of the South

During the Energy Integration Summit in 2007 the leaders of all MERCOSUR member countries and those of other Latin American countries decided to cooperate with each other in their political and economic policies to form the Union of South American Nations (UNASUR). The aim of forming this union is to work together for the development of the continent. This Union is still in the process of being created and therefore the next step for its formation will be the election of a Permanent Executive Secretary. The headquarters of this new institution is to be located in Quito, Ecuador. This is yet another

agreement and formation of a mechanism to encourage integration and cooperation between MERCOSUR and other Latin American member countries.

At the same summit the idea of creating the Bank of the South as a development bank to further help fund development projects and combat poverty in the region was postulated. The Bank has mainly been Argentina's and Venezuela's initiative as an alternative to the World Bank and the International Monetary Fund. Unlike other international financial organizations, the Bank of the South will be managed and funded by the countries of the region with the intention of funding social and economic development without imposing conditions on the recipient countries. Among the first projects that they will fund is the 8,000-kilometer gas pipeline across South America. By creating the Bank of the South, the Member States hope to build greater solidarity and cooperation in the region for increased development results (The South Center Bulletin 144, May 2007).

Brazil will be a key addition to this multinational fund comprised of Venezuela, Argentina, Bolivia, and Ecuador. With 110.5 billion US dollars in currency reserves, it towers over Venezuela and Argentina, which have $31.3 billion and $37.5 billion respectively. Venezuela had initially agreed to inject $1.4 billion into the bank and Argentina would provide $350 million, or 10 percent of their total reserves (N. Alvear, op cit.). The incorporation of Brazil will give the fund a significantly larger capacity by almost doubling the total amount of credit available and will therefore help the region to be less dependent on donor funding from the US and EU. The Bank of the South was finally launched at Isla Margarita, Venezuela, in September 2009, on the margin of Africa-South America (ASA) summit.

Lessons from the Mercosur experience

1. Flexibility versus institutionalization

MERCOSUR did not follow the traditional path for the creation of the structure and institutionalization of an integration mechanism, as did, for example, the EU. Some of the Member States who created MERCOSUR favored flexibility, sovereignty, gradualness and independence whilst recognizing the need for regional integration and cooperation for their development and relations with other global actors. The other Member States

would have preferred an earlier institutionalization of the bloc to allow for the creation of a more coherent agenda and to better the distribution of power and decision-making. However, it has been argued that this flexibility and lack of institutionalization of the MERCOSUR agreement and infrastructure/ system was the prime condition that allowed the region to liberalize and create the free trade zone that produced significant economic results quickly after its adoption. Therefore the integration process was facilitated by the lack of 'formal and more rigid structures', as inter-governmental mechanisms were favored over institutionalization.

The disadvantage of the flexibility and lack of institutionalization is that it produced a more erratic and politicized process that often lacked coherence and consistency. The lack of institutionalization began to threaten MERCOSUR's expansion and survival and therefore created the acknowledgement and need for more formal and rigid structures to enable the integration process to progress (C. Paiva & R. Gazel, 2003).

From MERCOSUR's experience, one can observe that flexibility upon the creation of an integration mechanism can be a helpful tool to allow the Member States to integrate, adapt to and incorporate the integration process into their agenda and daily functioning to produce the desired gains. Their experience also showed that for the integration process to fully function and progress, institutionalization is also needed to guarantee coherent and consistent progression towards effective and unified integration. Importantly, one must recognize that any integration process has its learning curve and lengthy implementation; therefore, we cannot expect immediate results or institutionalization. An example of this is the MERCOSUR Parliament, which took over 10 years to be established and is yet to be fully functional.

2. Progression and leadership

From MERCOSUR's creation to its progression and even its stagnation, the leaders of its Member States were the driving force behind every policy, decision or change. The Presidents' role replaced and filled the need or function of an institutionalized MERCOSUR. As has been noted by the above outline of the development of MERCOSUR as an integration process, this has had both beneficial and prejudicial consequences on the bloc. Very often decisions or reactions of MERCOSUR stemmed from the perception of threats or possible losses from a situation, by the Presidents of Member States. For

example: when Uruguay and Paraguay's discontent with MERCOSUR was at it highest and they were negotiating bilateral trade agreements with the FTAA, Brazil's and Argentina's Presidents decided to re-launch MERCOSUR and accommodated some of the changes that Uruguay and Paraguay had previously demanded. The disputes and tensions between MERCOSUR members, especially when economic and trade-related, were often resolved via the interaction or intervention of the Presidents rather than through institutionalized channels or the dispute settlement mechanism (A. Malamud, 2005). Without the Presidents' commitment to and desire for the existence and progression of MERCOSUR, it would have continued to stagnate and the bloc could have disintegrated.

It is also the Presidents' relations and efforts to enhance the bloc that attracted more countries in the region to join as either associate or full members. It is the Presidents' vision for MERCOSUR that helped it expand and make more efforts to integrate its members but also cooperate with other blocs and global actors. Importantly, the new members' Presidents have already demonstrated their key role in the progression and development of MERCOSUR as Venezuela and Bolivia's Presidents have helped to expand MERCOSUR's activities and agenda to a wider context. Their vision and integration in MERCOSUR is not only to enhance cooperation with MERCOSUR members but also the South American continent as a whole, expanding MERCOSUR's possibilities for integration and actions.

This power and influence that Presidents have had on MERCOSUR not only shows the strength of the leadership of the bloc but also demonstrates how essential it is that Member States are driven to see the integration mechanism succeed, and their commitment is what has kept the process alive. Without committed leadership and vision, MERCOSUR would never have been able to overcome the challenges it faced and change direction towards a more holistic approach to integration. This indeed highlights the need for greater involvement from civil society and MERCOSUR citizens to also be committed to the vision of integration and strengthen its progress. It is the lack of institutionalization that has often been blamed for the exclusion of citizens and civil society in the creation and improvement of MERCOSUR. They need to be an integral part of the process as at the end of the day they are the ones who implement the clauses of any agreement that is concluded.

3. Regional integration is more than economic integration

There was a very strong focus on economic and trade integration during the creation and implementation of the integration mechanism. Macro-economic policy harmonization is necessary for the integration process to be successful, credible and to strengthen the process itself. If the Member States are able to converge on a common economic and trade policy, this will not only produce a deeper integration but can also promote both national and regional interests and be more beneficial overall. If the Member States and their citizens had been able to see the beneficial results of economic integration, this would have encouraged them to believe in and help strengthen political and social integration. However, this did not occur, as the economic integration was flawed and stagnated. The Member States failed to see the need for economic development and gave less importance to political integration, unless it was in their best interests at the time.

The stagnation of MERCOSUR on various fronts allowed its members to reassess its purpose and direction. The addition of new Member States also helped this reassessment and perhaps revealed a different perspective on what integration for MERCOSUR was and what it could become. After the re-launching, there was a clear shift in MERCOSUR with more importance and efforts made to give MERCOSUR another dimension and purpose. It began not only to increase and enhance cooperation and dialogue with its own members but also with other countries and blocs. MERCOSUR stagnated because of disunity and inconsistency in the vision of and commitment to what MERCOSUR was meant to be. Realizing this, the Member States allowed for greater institutionalization and deepening of the integration and this has allowed further progress. UNASUR, the Bank of the South, and the plans for energy integration are clear indications of the new impetus and unity that have arisen amongst MERCOSUR members. The establishment of the Parliament and its function also indicate that the leaders of the Member States believe there needs to be a more consistent and transparent leadership of the bloc to allow it to progress. MERCOSUR's integration is finally becoming more holistic, encompassing both economic and political cooperation and actions.

Conclusion

This chapter has emphatically described the emergence of a new regionalism in some Latin American countries with a specific reference to

MERCOSUR. Other integration schemes are critically examined in the next chapter. UNASUR, which is still in its embryonic stage, has not been our main focus, at least for now. However, MERCOSUR could be portrayed as an integration arrangement, which favored flexibility and improvisation to adapt to its constantly changing environment, purpose and membership. The minimal institutionalization allowed its members to shape and use this integration mechanism for the current situations and needs. Although it was not always beneficial and democratic to all its members, it provided more scope to maneuver between national, regional and global challenges and opportunities.

Overcoming the challenges of economic integration, solidifying its institutionalization and functioning and the commitment its members have shown to try and keep MERCOSUR alive and progress, have allowed political cooperation and integration to find their place and role in MERCOSUR. This redirection of integration continues to progress as its members have realized its importance and beneficial potential.

MERCOSUR did not create or follow squarely the conventional and rigid form of integration, but it continues to progress and flourish into a deepened economic and, importantly, political integration which is also slowly expanding to the rest of the South American region. In our view MERCOSUR is a work in progress. It is still finding its role and structure. The recent policies and cooperation in the region highlighted in this chapter demonstrate that MERCOSUR is definitely a maturing process with high potential and already showing results. All that is required, however, are continued sufficient political will, commitment and visionary leadership.

Chapter V
An evaluation of Latin American and Caribbean Integration Schemes

Overview

Apart from institutionally-based accounts, such as property rights theory, economic history and new institutional economics, economists have not devoted much time or energy to account for variation in regional institutions. In effect, most of the contributions have come from the field of international relations and/or political science theories. In these disciplines the major divide has been between functionalist/neo-functionalist theories vis-à-vis realists and neo-realists. According to the former the incentive to co-operate, further liberalize, lower transaction costs and develop common regulatory regimes is related to the intensity of economic inter-dependence. Realists and neo-realists, underline concepts such as hegemony, leadership and relative gains to help understand the strengths and weaknesses of regional institutions.

However, available empirical evidence does not seem to support fully any of the contending explanations. Grieco (1997) argues that in contrast to the functionalist theory, the evolution of inter-dependence does not appear to be a reliable predictor of the existence and success of regional institutions. While in some regions interdependence has risen without parallel increase in institutionalism (such as in APEC), in others there has been modest regional institutionalization even in the absence of a marked increase in interdependence (such as in ASEAN). Alternatively, the existence of a hegemonic leader does

not seem to have been either a necessary or a sufficient condition for regional institutions. In the European Union, a paradigm for 'dense' regional institutions, the largest economy (Germany) accounts for only a quarter of regional GDP and provides a market for less than a fifth of total regional exports. In contrast, in the Pacific Basin (where we see modest institutionalization in the case of APEC) the USA accounts for over half of regional output and is the market for more than a third of total regional exports.

Mattli (1999) tried to integrate these contending approaches into an eclectic framework that takes into account the role of both supply and demand factors in shaping regional institutions. According to this author, functionalist, neo-functionalist and institutional theories provide useful insights about the factors that create a demand for regional institutions. However for regional institutionalization to proceed, political leaders have to be willing and able to accommodate and respond to existing pressures towards integration. Thus realist and neo-realist explanations help to understand the strengths and weaknesses of supply-side conditions in the establishment and success of regional institutions.

A complete account of the incentives and dynamics of regional integration requires not only an adequate understanding of the internal logic of discrimination, but also of its reactive components. In effect, regional arrangements can also be fostered by defensive motivations and domino effects. Since discrimination is the essence of preferential trade arrangements, outsiders may feel enticed to react to the formation of regional agreements in one of two forms: they can either try to join the agreement or to create their own regional group. In the first case the outcome will depend on whether the original partners are prepared to share the benefits of the arrangement and on the size of the 'entry fee'. In the second case success will be closely related to the degree to which internal supply and demand conditions are satisfied. Mattli maintains that the fact that internal demand and supply conditions are generally weak can help to account for the modest progress usually recorded by defensive regional integration arrangements. It is against this backdrop that Latin American and Caribbean integration needs to be analyzed and evaluated.

I. MERCOSUR

The Treaty of Asuncion (ToA) created two collegiate and inter-governmental bodies scheduled to operate on a periodic basis: the Common Market Council (CMC) and the Common Market Group (CMG). These

bodies were empowered to further develop rules, make room for institutional innovation and enhance it during the so-called transition period. By 31 December 1994, member countries were expected to have agreed on a definitive institutional structure, including a definition of bodies, responsibilities and decision-making procedures.

The Common Market Council, the top political and decision-making authority responsible for moving towards the common market, would bring together the ministers of finance and foreign relations. The CMC was given power to create, modify or eliminate bodies and further develop rules and institutions. The CMC would meet periodically and it would be coordinated by a semi-annual rotating chair. The heads of state would take part in the meetings at least once a year. The explicit and active involvement of the finance ministers aimed to make sure that the process would go beyond a diplomatic exercise and to ensure the implementation of decisions, the bulk of which would fall under the competence of economic agencies.

The Common Market Group was comprised of four officials (and four deputies) from each country's Ministry of Foreign Relations, Ministry of Finance/Economics and Central Bank. The CMG was a sort of executive in charge of enforcing CMC decisions, undertaking and overseeing technical work required to further economic integration (including the coordination of macroeconomic and sector policies), issuing resolutions in its areas of competence and making recommendations to the CMC. To carry out the required technical work the ToA established ten working groups (*Subgrupos de Trabajo*) under the auspices of the CMG.

In 1994 the Ouro Preto Protocol (OPP) created a Trade Commission (MTC), a Joint Parliamentary Commission and an Economic and Social Consultative Forum. The OPP also expanded the responsibilities of the Administrative Secretariat and defined more precisely the role and duties of each body. Like the CMC and the CMG, the new bodies (except the Administrative Secretariat, which was given a small staff and budget) were collegiate and would meet periodically. The only new decision-making body (the Trade Commission) was also inter-governmental.

Apart from its previous duties the CMG was given responsibility to carry forward international negotiations under the guidelines set by the CMC and to participate in the operation of the Dispute Settlement Mechanism and the claims procedures. Following approval of the OPP, the CMG restructured its operations into 11 working groups, specialized meetings and ad hoc Groups.

The New CMG guidelines required new working groups (SGTs), specialized meetings and ad hoc Groups to submit negotiating proposals for the CMG to decide on priorities and a follow-up schedule.

Of the new bodies, only the Trade Commission was given decision-making powers (called directives). It consisted of eight officials from each Member State (four permanent and four deputies). Its role would be to enforce common trade policies, administer intra-regional trade-related issues and run the new process of consultations. It was also given a role at the initial stages of the DSM. Ten Technical Committees operating under its auspices would be responsible for the negotiations required to design and enforce common trade policy instruments and to administer intra-regional trade affairs.

The Joint Parliamentary Commission and the Economic and Social Consultative Forum were exclusively counseling and advisory bodies. The former consisted of eight congressmen from each Member State, chosen following the procedures set by each national legislature. Its duties would be to consider issues at the request of the CMC, make recommendations to the CMG and the CMC, oversee and request reports to other MERCOSUR bodies and facilitate congressional procedures needed to enforce decisions.

The Economic and Social Consultative Forum would represent non-governmental actors. Its maximum authority would be a plenary bringing together delegate from the four national sections. The plenary would meet at least twice a year to elaborate and put forward recommendations to decision-making bodies (mainly the CMG). Each national section would consist of representatives from business, labor and other sectors of civil society. It would be represented by nine delegates, with an equal number drawn from business as from labor.

Finally, the OPP extended the role of the Administrative Secretariat (AS) as compared to that defined by the ToA. The AS would provide operational support to all MERCOSUR bodies (and not exclusively to the CMG as established in Article 15 of the ToA), and help with the logistics of the meetings of all MERCOSUR bodies. Apart from that, the AS would continue to be a depository of documentation, also in charge of publishing and disseminating regulations. The AS was the only organ to have a small budget (made up of Member States' contributions) and a full-time staff.

The ToA established the principle of consensus as the sole decision-making procedure. The treaty also included provisions dealing with the duration of

the agreement and the mechanism to join and leave the pact. The OPP made modest progress towards the definition of rules, particularly regarding the implementation of decisions, resolutions and directives. The OPP also defined the legal sources of MERCOSUR.

Regarding implementation, Articles 38 and 42 of the OPP committed Member States to 'adopt all measures necessary to ensure' the domestic enforcement of decisions, resolutions and directives (including 'internalization' when required). The OPP also defined these acts as 'mandatory'. Article 40 established a procedure to ensure simultaneous implementation of norms in all Member States through a notification mechanism run by the Administrative Secretariat. Finally, Article 41 stipulated the legal sources of MERCOSUR, namely: a) the ToA, its protocols and related instruments; b) the agreements reached in the context of the ToA and other related instruments; and c) the decisions, resolutions and directives issued by MERCOSUR's competent bodies.

Less than a year later, the ToA Member States signed the Brasilia Protocol for Dispute Settlement (BPDS). The BPDS was regarded as a transitory arrangement to be used during the transition period, at the end of which definitive institutions and dispute settlement procedures should be in place. However, the OPP just extended the procedures of the BPDS and postponed the implementation of a permanent mechanism until full convergence towards the common external tariff in 2006. The OPP also defined the procedures to raise claims before the Trade Commission.

Dispute settlement in MERCOSUR includes three alternative procedures ranging from 'self-help' (consultations and claims) to non-binding third-party adjudication (the BPDS). Consultations offer a mechanism to solve disputes through direct negotiations subject to predetermined procedures and terms. The mechanism enables Member States to exchange information through the request of explanations and clarifications, and to manage trade frictions that do not warrant launching a claim or judiciary procedures. Consultations can be initiated by Member States on behalf of central and local administrations or the private sector.

Claims are a sort of pre-judiciary mechanism to settle trade disputes. The procedures were defined in an annex to the OPP. Claims on behalf of Member States, legal or physical persons must be initiated by a national section and they must refer to trade-related matters falling under the authority of the Trade Commission. Any such claim must be referred to a technical committee

that has to reach a conclusion in 30 days. The report of the committee is not binding and it may include more than one recommendation. If the Trade Commission fails to reach consensus the claim can be taken to the CMG, which has 30 additional days to settle the dispute. If the claim fails to be settled, the plaintiff Member State can directly activate the arbitral procedure of the BPDS.

Finally, the Brasilia Protocol established a sequential DSM with separate procedures to deal with controversies among Member States and between a Member State and a private party Member States can open a dispute over matters of interpretation, implementation or violation of rules established by the ToA and any other legal instrument (such as protocols, agreements, decisions, resolutions and directives). Formal procedures cover three stages: direct negotiations, intervention by the CMG and a judicial mechanism, each subject to (relatively flexible) time limits. All disputes need to go through the first two stages (direct negotiations and intervention by the CMG) before the judicial mechanism can be triggered (except when the issue is already subject to a claim). The judicial procedure is undertaken by an ad hoc tribunal of three members that makes 'mandatory and definitive' determinations.

The private sector cannot directly trigger the DSM. All complaints must be first submitted to the national section of the CMG, which may then take it before the CMG plenary. If the CMG does not reject the complaint (it must do so by consensus), it calls on a three-member committee of experts to decide on the next step. The committee (selected from a previously agreed national list) must reach its conclusion by unanimity and in a fixed term. If the complaint is found to be without foundation or the committee fails to reach a unanimous agreement, the plaintiff state may trigger the mechanisms set in the BPDS. If the complaint is found to be valid and the accused party does not implement appropriate measures, the plaintiff Member State can directly activate the legal procedures of the DSM between Member States.

The DSM adopted by MERCOSUR relies on third-party adjudication and a recommended remedy, with retaliation left as the only response for non-compliance. This mechanism provides flexibility for the parties and stimulates compliance on the basis of the perceived benefits of an ongoing relationship. However, its major shortcoming is a limited ability to end disputes and relatively high number of ongoing disputes.

The Institutional Performance of MERCOSUR

From the foregoing, one can argue that MERCOSUR bodies were created as strictly inter-governmental. All decision-making authority rests in the hands of government officials. Except for a small Administrative Secretariat with very limited logistic, depository and information gathering/disseminating responsibilities, there is no bureaucracy that is truly autonomous from national administrations. The creation of strictly intergovernmental bodies aimed to prevent the isolation of decision-making layers from the national agencies responsible for enforcement. The objective was to engage the national agencies and bureaucracies, particularly the Ministries of Finance, in decision-making responsible for implementation. This approach built upon the poor results of previous experiences in Latin America and the Caribbean, where 'integration bureaucracies' disconnected from the rest of the national public sector or diplomats with limited ability to push forward decisions within their own administrations usually undertook commitments that had few chances of being implemented.

The semi-annual meetings of the CMC (regularly followed by presidential summits) were to be important signaling and decision-making events. Since the members of the CMC are the ministers, usually working under very tight time constraints, the effectiveness of each meeting has varied according to the quality and extent of the preparatory work. The latter, in turn, was influenced by the changing priority attributed by national administrations to the establishment of a regional regime, the initiative and resources of the member state in charge of the *pro-tempore* presidency and, more importantly, the nature of the issues involved.

Since 1991 the CMC issued an average of 19 decisions per year, with above average figures in 1994 (the last year of the transition period, when many decisions related to the implementation of the customs union were taken) and the 1997-99 period. Two major conclusions emerge after examining the record of the CMC. In the first place, while in the initial years of MERCOSUR, trade and institutional issues accounted for most of the decisions, in the late 1990s a high and rising share was related to justice, culture, education and security. Secondly, as Biswaro (2005) rightly argues, while in the initial years of MERCOSUR the CMC produced detailed working mandates and set precise deadlines to guide the activities of lower-level bodies, since the mid-1990s no new detailed road map with targets and deadlines for lower-level bureaucracies layers has been agreed (see table below).

Common Market Council: Summary of Decisions taken between 1991 and 1999

	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
NUMBER OF DECISIONS	16	11	13	29	9	18	26	23	27	172
OF WHICH, IN PERCENTAGE:										
Trade policy	18.8	18.8	30.8	62.1	0.0	27.8	30.8	13.0	3.7	25.6
Culture, Justice Education & Security	0.0	27.3	2.0	10.3	22.2	38.9	23.1	43.5	37.0	23.8
Institutional Affairs	81.3	27.3	30.8	6.9	33.3	16.7	3.9	26.1	11.1	22.1
Other Issues	0.0	9.1	23.1	20.7	0.0	0.0	15.4	4.4	14.8	11.0
External Negotiations	0.0	9.1	0.0	0.0	11.1	11.1	23.1	0.0	25.9	9.9
'Deepening'	0.0	0.0	0.0	0.0	33.3	0.0	3.9	8.7	3.7	4.1
Technical Standards	0.0	9.1	15.4	0.0	0.0	5.6	0.0	4.4	3.7	3.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Roberto Bouzas and Hernan Soltz(in Victor Bumer, 2001) have emphatically argued that over time, the credibility and effectiveness of CMC meetings have diminished. The growing difficulty in ironing out differences in lower decision-making layers has led to issue-congestion and an over-burdened agenda at the top. The credibility of presidential summits, which started as important signaling events, also suffered as failures to implement and agree on pending issues has mushroomed since the mid-1990s. The regular intervention of the heads of state in trade and policy disputes (labeled 'presidential diplomacy') has served at critical times to unlock blocked negotiations or de-escalate conflict. However, as implementation and follow-up have usually been poor, this method has over-exposed top political leaders and ultimately damaged credibility (ibid).

The effectiveness of the CMG to undertake technical negotiations, lay the groundwork for substantive CMC meetings and enforce CMC decisions has also varied over time. The *Subgrupos de Trabajo* (SGTs) have involved collaborative work necessary to meet the targets and deadlines set by upper-level bodies. The SGTs are also regarded as the institutional vehicles to engage national bureaucracies in the process, rooting negotiations and technical work as firmly as possible in competent national agencies. Since MERCOSUR lacks a mechanism to automatically enforce legal acts, the active involvement of public sector officials with the capacity to implement and push the agenda forward within their own administrations has been a prerequisite for effectiveness. SGTs were also given responsibility for undertaking preparatory work, thus performing a mixed role as technical and negotiating fora.

Initially the activities of the CMG and the SGTs fostered mutual knowledge between national officials and contributed to developing a highly motivated team spirit, stimulating commitment and helping to base negotiations in the appropriate national agencies. After the mid-1990s, however, the effectiveness of the CMG suffered due to the large number of issues left unsolved at the top and the lack of authority vested in the technical echelons, hindering their search for common ground in contentious areas. When there was disagreement at the decision-making level about the precise content of targets, the technical echelons replicated the dissent and there was a failure to make progress. As a result, the morale of those involved and the credibility of the process suffered. These problems were made worse by the fact that national officials were frequently over-burdened, as they added new international negotiating responsibilities to their ordinary tasks. The effectiveness of the SGTs also suffered because each technical negotiating forum was disconnected from the rest, even when issues at stake were closely intertwined.

Failure of the CMG to reach consensus at the decision-making level and to set precise guidelines and targets to guide the work of the technical forum was a major factor behind decreasing effectiveness. The informal exchanges that during the initial years of the process laid the ground for substantive CMG meetings were gradually replaced by formal plenary sessions (particularly in the critical 1998-99 period) that simply reproduced disagreement over time. In this latter period, the coordinators of the national sections of the CMG even failed to meet regularly, as was previously the rule (usually once a month).

As explained earlier, the need to administer trade-related issues on a daily basis and to implement and follow-up common trade policies led to the establishment of a Trade Commission (MTC) in 1995. The MTC was created as the institutional locus where trade officials would meet and interact on a regular basis. However, the MTC (and the Technical Committees in its orbit) suffered many of the same problems faced by the CMG and the SGTs. In particular, although technical committees combined the task of carrying forward technical negotiations and administering trade disputes, the latter in practice distracted energies from the former. As Boazas and Soltz (ibid.) observed, the MTC was instrumental in channeling trade disputes through the consultations mechanism, and their number fell markedly precisely at the most critical period (1998-99). This trend is demonstrated in the table below.

MERCOSUR Trade Commission: Summary of Consultations, 1995-99

	1995	1996	1997	1998	1999	Total
Total number of consultations	134	85	65	32	39	355
Pending consultations	0	7	16	15	8	46
Pending consultation as a share of total consultations (percentage)	0	8.2	24.6	46.9	20.5	13.0

The inter-governmental structure of MERCOSUR made the process flexible and cost-effective at the initial stages. However, it also stimulated government (and executive) 'encapsulation', limiting the permeability of the decision-making process to non-governmental actors. The establishment of a consultative regional body (ESCF) in 1995 failed to fill the gap, as private actors correctly perceived that their ability to influence outcomes could be maximized if exercised at the national rather than regional level. The fact that the ESCF had no budget meant that only those organizations able to support and finance a continuous involvement were in a position to be active participants.

The record of the legislative consultative body (the JPC) has been equally modest, failing to play either a proactive or an advisory role for technical negotiation layers and decision-making bodies. Moreover, the JPC was unable to block (or even react to) measures unilaterally taken by national legislatures, such as Argentine legislation excluding sugar from free-trade commitments. The activities of the Administrative Secretariat have also been kept to a minimum.

Although all acts undertaken by MERCOSUR decision-making bodies are mandatory, they are neither 'immediately applicable' nor have 'direct effect'. In practice, this means that Member States undertake the commitments to internalize, but not necessarily to enforce, these acts. They can be conceived, therefore, as 'incomplete' legal acts, equivalent to signed but not yet ratified, international agreements.

In MERCOSUR all norms need to be transposed (internalized) through domestic legislative or administrative acts in accordance with the mechanism and procedures established by domestic legislation. Since there are neither mandatory time limits to internalize nor effective procedures to ensure that this happens, the process has been slow, uneven and highly vulnerable to the goodwill and the effective (legal, administrative or political) obstacles faced by each government.

Frequently, delays in internalization were aggravated by the fact that MERCOSUR decision-making bodies did not take into account the administrative, legal or constitutional obstacles faced by each national government to enforce a decision, resolution or directive. Therefore, decision-making bodies could easily turn out norms with few chances of being rapidly enforced. Moreover, since to become fully operative a decision, resolution or directive would need to be internalized by all Member States, the uneven pace of internalization led to significant delays in enforcement. Implementation was also postponed due to failure to report progress to the Administrative Secretariat and to the internalization of modified versions of the original norm.

After the loose mechanisms established by the OPP failed to improve performance, Member States took steps to speed up and facilitate internalization, but mostly through exhortation. In July 1998 the CMG agreed to 'undertake the maximum possible efforts' to internalize rules requiring only administrative decisions and asked the JPC to facilitate congressional treatment of decisions requiring legislative changes. The CMC, in turn, asked the JPC to speed up legislative procedures in those cases where internationalization required the participation of Congress. Technical negotiating groups (SGTs and TCs) were also asked to inform national sections of any decision, resolution or directive under consideration to facilitate the identification of potential legal or administrative obstacles to internalization. It was also established that all norms requiring only national administrative acts to be internalized should include an explicit term to complete the process and, whenever possible, an identification of agencies involved and steps required.

Since these initiatives were basically exhortative and established only indicative terms, they had very limited impact upon performance. In order to have a mechanism to follow up the process of internalization, in 1998 the Administrative Secretariat was requested to prepare regular reports identifying the current status of each norm passed. However, since these reports were confidential they made no contribution to increased transparency.

Member States made intensive use of the consultations as a first step before triggering the claims procedure or the judicial dispute settlement mechanism of the Brasilia Protocol, which have been used more sparsely. Many disputes were also managed through straight self-help mechanisms, such as diplomatic bargaining and direct involvement of high-level political authorities (presidential diplomacy).

The option to hold consultations in the Trade Commission was established in 1995 and the procedures to initiate, follow-up and terminate them were established one year later. In an attempt to prevent lengthy consultations, at the end of 1999 a directive established new procedures to speed up the process. Consultations were actively used as a mechanism to exchange information and promote adjustment, generally in non-fundamental trade-related matters. During the initial years the mechanism was used actively, but the number of consultations fell markedly after 1998.

By October 1999 only 13 percent of the total consultations were pending resolution, nearly half of which had been initiated during 1998. The relatively low level of unfinished consultations has been taken as an indicator of effectiveness. However, the termination of a consultation is not the same as the effective settlement of the underlying dispute.

The OPP also established a general procedure to make claims before the Trade Commission aimed to speed up trade-related complaints raised either by Member States or by the private sector. Between 1995 and 1999 the mechanism was used 11 times, most frequently by Argentina (nine times as against two by Brazil). Of the 11 claims raised six were settled within the mechanism, while by October 2000 three were still pending. The remaining two were taken to the dispute settlement procedures established by the Brasilia Protocol. For the claims mechanism to lead to the settlement of a dispute the parties need to reach consensus either at the MTC or the CMG. The self-help nature of the procedure is reinforced by the fact that technical committees do not play the role of a third party, as they are composed of national officials. The claims procedure has been slower than expected.

In December 1998, after two years of negotiation, Member States finally agreed on a code to regulate the implementation of the Brasilia Protocol. The code defined key terms, notification and confidentiality procedures, qualifications for both judges and experts and conditions to be fulfilled in order for the private sector to make presentations. Member States started to use the DSM shortly after the code was promulgated: in less than two years the DSM dealt with three cases, two raised by Argentina and one by Brazil.

The operation of the BPDS has faced numerous problems. One has been the possibility of delayed negotiations: if Member States agree, they can extend the mandatory fifteen-day term to undertake bilateral negotiations in the CMG almost indefinitely. In practice, this means that the triggering of a third-party

adjudication procedure can be delayed and replaced by political and diplomatic bargaining. Although it is quite desirable that a DSM provides ample room for direct negotiations, the possibility of long delays before a third-party adjudication mechanism is activated may create uncertainty on the part of the private sector.

A second problem has been that the ad hoc character of the tribunals conspires against the development of a 'body of common interpretation'. Although there is nothing like case law in the legal arsenal of MERCOSUR, permanent tribunals (as opposed to ad hoc ones) are more likely to take decisions consistent with their previous commitments.

Finally, there is the critical issue of enforcement. Although the verdicts of the ad hoc tribunals are formally final (they are not subject to an appeals procedure) and binding, the practical meaning of 'binding' in each Member State differs according to the domestic constitutional background. Since these verdicts do not have equivalent supremacy over domestic legislation in all Member States, enforceability is subject to different practical (legal) requirements. The limit case is Argentina, where international agreements have supremacy over national law and can be directly enforced by private parties before the local courts.

Thus, to understand properly the establishment and development of regional institutions in MERCOSUR, two key factors need to be taken into account. One is the relatively low starting level of interdependence between Member States. The second is the weight of 'defensive' considerations behind economic integration: although the formation and development of MERCOSUR cannot be fully accounted for by external events, these have played a key role in shaping the evolution of regional cooperation. In effect, the launching of NAFTA negotiations in 1990 set the background to the signature of the Acta de Buenos Aires (1990) between Argentina and Brazil and, shortly after, to the formation of MERCOSUR. In 1994 the preparation of the hemispheric presidential summit and the launching of negotiations towards the Free Trade Area of the Americas (FTAA) stimulated adoption of a common external tariff at the end of the transition period, when many doubted that MERCOSUR would effectively adopt the structure of a customs union.

The shape of regional institutions in MERCOSUR can be partly explained by the lack of strong functional demand pressures to reduce market fragmentation and stimulate policy harmonization. In effect, economic

intercourse in the region has been traditionally low measured either by conventional trade encapsulation indices or by other indicators of macroeconomic interdependence. Although for the smaller economies (Paraguay and Uruguay) Argentina and Brazil have been relevant trade partners for decades, this was not the case either for Argentina or Brazil. Therefore, in a context of relatively low interdependence the primary purpose of MERCOSUR was to raise economic intercourse rather than to administer its effects.

Even though the demand pressures were not significant, structural reform in the late eighties raised the potential to benefit from increased economic exchange. In effect, market-oriented policies opened new opportunities for intra-regional specialization and widened the potential to benefit from economies of scale. The nearly two-fold increase in the aggregate trade encapsulation index during the 1990s confirms the significant potential for large trade flows. As analysts put it, interdependence also increased through monetary and financial channels as demonstration and contagion effects spread throughout the region (see the table below).

MERCOSUR: Indicators of Interdependence, 1991-99

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Trade Encapsulation Index (exports to MERCOSUR as a share of total exports, %):									
Argentina	16.5	19.0	28.1	30.3	32.3	33.3	36.2	35.6	30.2
Brazil	7.3	11.4	14.0	13.6	13.2	15.3	17.1	17.4	16.4
Paraguay	35.1	37.5	39.6	52.1	57.1	63.2	60.9	61.2	41.6
Uruguay	35.5	33.6	43.5	47.0	47.1	48.1	49.7	55.4	45.1
MERCOSUR	11.1	14.3	18.6	19.4	20.5	22.7	24.8	25.8	20.4
Exports to MERCOSUR to GDP Ratio (%):									
Argentina	1.04	1.02	1.56	1.87	2.62	2.91	3.26	3.16	2.49
Brazil	0.57	1.05	1.22	1.08	0.87	0.94	1.12	1.14	0.89
Paraguay	4.14	3.82	4.17	5.43	5.85	6.86	8.49	7.89	3.64
Uruguay	5.56	4.59	5.06	5.53	5.50	6.03	6.86	7.59	5.03
MERCOSUR	0.83	1.13	1.44	1.46	1.46	1.58	1.84	1.86	1.41

The rapid rise in trade interdependence was made possible by the broader policy environment (i.e.: the overwhelming priority of unilateral trade liberalization during the early 1990s) and the mechanism adopted to implement preferential

trade liberalization during the transition period (called the Trade Liberalization Program, TLP). The TLP was ground-breaking compared to other precedents in the region because of its calendar of automatic, across-the-board and linear tariff cuts, scheduled to grant a 100 percent preference over most favored nations' tariff rates by the end of 1994. In effect, once the treaty was ratified by each Congress, tariff-cutting commitments became binding domestic legal obligations. In practice, the TLP did not mean that national governments lost all flexibility to deal with special circumstances, as suggested by episodic ad hoc interventions in 1992-93 and by the implementation of the '*régimen de adecuación*' as of 1995. However, the traditional logic of preferential trade liberalization in Latin America was turned upside-down through the adoption of a negative instead of a positive list approach.

In contrast to tariffs, commitments in the area of non-tariff barriers (NTBs) were looser: member countries agreed to eliminate all NTBs by the end of the transition period, but left the critical issues of definition and identification to technical negotiations to be undertaken by national bureaucracies. The ToA also committed member countries to negotiating and adopting a common external tariff (CET) by December 1994 and to coordinating macroeconomic and sector policies. However, the ToA made no provision about specific targets or procedures. While some objectives were met (e.g., negotiation of a CET by December 1994), others were missed (e.g., sector and macroeconomic coordination).

As unilateral and preferential trade liberalization raised interdependence, the demand for more formal, substantive and centralized institutions gained momentum. On the part of smaller countries, especially, these ambiguous and unilaterally changeable rules (particularly in the realm of market access) produced uncertainty and limited the benefits of the larger market. By the same token, the disagreement over what constituted a level playing field produced conflicts over investment location (such as in the motor vehicles industry). The slow pace of internalization and a weak DSM aggravated these grievances. The critical year of 1999 demonstrated the limited institutional rules and resources to deal with a shock such as the sizeable devaluation of the Brazilian currency. Unilateral initiatives and presidential diplomacy were the preferred modes of response, constrained only by considerations of reputation and domestic legal obligations. As the credibility of MERCOSUR bodies and procedures suffered, the asymmetry of the constraints posed by domestic legal arrangements was made more evident.

In summary, while weak demand pressures for regional institutions at the start of MERCOSUR helped to account for the lean institutional design originally adopted, this did not prevent Member States from taking hard decisions and successfully implementing them. The ensuing rapid rise in interdependence was not strong enough to alter one basic feature of MERCOSUR, namely its structurally asymmetric interdependence produced by large differences in size. Although Brazil was the member that experienced the largest relative increase in trade encapsulation, its absolute level remained too low to shift the balance from the preference for flexibility to more formal and procedural institutions. This structural feature, combined with a leadership gap on the supply side, partly helps to account for the current impasse in MERCOSUR's institutional development.

Supply factors (the conditions under which political leaders are willing and able to accommodate demands for functional integration or respond to external events) provide the other side of the coin to account for the type and pace of institutionalization that has taken place in MERCOSUR. Again following Mattli (1999), willingness depends greatly on the expected payoff of economic integration to political leaders. This, in turn, tends to be positively correlated with the prevalence of economic difficulties as a background condition.

This explanation is consistent with the record of MERCOSUR during the first half of the 1990s, when the ToA was signed and the bulk of the trade liberalization program implemented. On the one hand, the opposition to preferential liberalization from adversely affected domestic interests (one of the political costs of economic integration) was lowered in the context of a broader trade policy environment that emphasized unilateral trade liberalization and structural reform. On the other hand, the expected benefits rose stimulated by defensive considerations and the perception of an economic performance that lagged behind that of other regions in the world.

However, willingness is not enough. Politicians and Member State governments also need to be able to overcome collective action problems typical of economic integration. Repeated interactions, issue-linkage and reputation can help to overcome collective action problems typical of trade relations but, in a world of uncertainty and incomplete information these mechanisms are unlikely to provide enough guarantees against violation of agreements. This makes 'commitment institutions' (such as a DSM)

necessary to improve the chances of compliance. Commitment institutions can monitor or help enforce rules among a group of countries seeking regional integration, enhancing the chances of successful cooperation by limiting the range of possible choices in cases when self-restraint is insufficient to ensure compliance. The supply condition for success is even stronger in more demanding 'coordination games'. A focal point is needed to coordinate rules, regulations and policies and to ease distributive tensions. The role of the facilitator is normally performed by an undisputed regional leader, who is able to provide collective goods and perform other tasks on behalf of the group of countries seeking closer ties, hence the significance of the role of leadership in the integration process.

Analyzed from this standpoint, supply conditions in MERCOSUR have been very weak. During its first decade of existence repeated cajoling, arm-twisting and brinkmanship have been the most widely used vehicles to stimulate cooperation and constrain defection, possibly aided by the conviction that size asymmetries would create strong centrifugal forces towards the alignment of other Member States behind Brazilian preferences. However, opacity and self-help mechanisms have remained dominant as Member States (and particularly Brazil) have been reluctant to move towards more transparent and formalized regimes that would have raised the cost of non-compliance. Weak supply conditions help to account for lean commitment institutions and the practical absence of enforceable coordination initiatives at the regional level. In particular, they help to explain the fragility of centralized monitoring and third-party enforcement procedures in the DSM, a feature that has failed to provide certainty to private sector agents.

The fulfillment of the more demanding conditions typical of coordination games has been even rarer. Except for isolated episodes of ad hoc trade policy in the early 1990s, distributive issues have been mostly managed on the national basis with little consideration given to collective needs. The meager process recorded in policy coordination and/or harmonization on issues such as effective implementation of a CET, common customs procedures, production and investment subsidies, macroeconomic and exchange rate policy and trade negotiations with third parties suggests that Member States have been inclined to maintain autonomy and flexibility. In particular, the incentives for the larger Member State to provide the required leadership and to pay the relevant costs have been very weak.

The modest payoff obtainable for taking on the leadership role explains the reluctance of the most obvious candidate, the Brazilian Government, to fill the existing gap. More formal, centralized and substantive institutions in MERCOSUR would have constrained flexibility and discretion, in a context of limited interdependence, a volatile economic environment and no fully convergent national preferences.

From this perspective, one can argue that the main institutional traits of MERCOSUR are the strong inter-governmental bias of its bodies, the key role of consensus in decision-making and the non-existence of an autonomous legal order (including a jurisdictional body to settle disputes). These features have been consistent with an institutional model that emphasizes continuous bargaining, flexibility and adaptability. This institutional approach was very effective in increasing interdependence in a context where functional demands for integration were weak. As Khaler (1995) argues, 'state-like' institutions (emphasizing the role of explicit rules and injunctions) may not be the most efficient institutional form in all environments. Decentralized and informal institutions can be more effective when scarce and expensive information requires substantial information-gathering before additional institution-building can occur or, alternatively, when plentiful and cheap information about the preferences and reputation of partners makes reputation-based systems sufficient to ensure compliance.

In the initial years of MERCOSUR, institutions with the ability to adapt rapidly and easily to changes in the environment proved to be both effective and durable, helping to increase interdependence and develop a learning process that may eventually lead to more formal, centralized and substantive institutional forms as demand and supply conditions develop. Moreover, this institutional design did not prevent the taking of hard policy decisions, such as the TLP.

From the standpoint of furthering economic integration in the region, the institutional design of MERCOSUR seems to have reached a point of diminishing returns. Since the mid-1990s a growing wedge between commitments and implementation has developed *pari passu* with a growing credibility gap. The sharp increase in interdependence has created new functional demands for institutionalization, most evident in the case of the smaller partners. This made the shortcomings that dominate the supply side more obvious, still constrained by low and asymmetric levels of interdependence, macroeconomic fragility, vulnerability to external shocks

and divergent national preferences. This has given a premium to the maintenance of flexibility, particularly on the part of Brazil. In the future these structural factors will probably continue to shape the context in which MERCOSUR institutions evolve. Progress towards more dense institutional forms will therefore at best be gradual and slow, in view of the existing environment.

II. Andean Community

The Andean Group was found by the Cartagena Agreement signed in 1969 between Bolivia, Chile, Ecuador and Colombia. Venezuela joined the Group in 1973, while Chile withdrew in 1975. The Cartagena agreement sought to promote economic development through sectoral planning, regional trade liberalization and multilateral control of foreign investment (Hutbouer,Schoth and Clark, 1994). The Agreement created two main institutions – the Andean Commission and the Junta – at the political level for the promotion and development of regional integration. The Andean Development Corporation (Corporación Andina de Fomento) was also established in 1970 to provide technical assistance as well as financial assistance for pre-feasibility studies and investment projects. At the time of its creation, the Andean Commission consisted of one plenipotentiary representative. Although the agreement did not create a special institution comprising the heads of government, the presidents of the member states collectively provided overall direction on an ad hoc basis.

The Commission was supported both administratively and technically by the Junta which was responsible for implementing the agreement and executing the decisions of the Commission, as well as conducting studies and developing proposals for the advancement of the Andean Community. To execute its function, the Junta drew on various advisory councils in the areas of planning, money, finance, trade and fiscal policy. The decisions that were undertaken by the Commission were adopted automatically and did not require congressional ratification or approval. Although there was much dynamism in intraregional trade in the 1970s, the institutional apparatus was only partially functional with respect to the objectives of the agreement. Ocampo, (1994) argued, for instance, that the common external tariff was never approved, the liberalization of competitive goods was systematically postponed and that the sectoral programs proved to be rather cumbersome from an operational

standpoint. By the mid-1970s, therefore, it was clear that a new organization structure was required to refocus the process of Andean integration.

In 1979, three important institutions were created in the Andean Group – the Andean Parliament, the Council of Foreign Ministers and the Andean Court of Justice.

Andean Parliament: This Parliament consists of five representatives each of whom is elected from the respective national congress of the Andean member country. The Parliament promotes the harmonization of legislation of the various member countries and the growth of cooperative and coordinated relations with the Parliaments of the Andean countries.

Council of Foreign Ministers: This council is largely charged with the responsibility of formulating joint approaches to foreign policy as well as coordinating actions of the Andean Group vis-à-vis third countries, groups of countries and international organizations.

Andean Court of Justice: This judicial body is composed of five judges each representing one of the member countries of the group. The court's main responsibility lies in overseeing the application of the laws in the settlement of disputes among member states and in ensuring that laws of the group are applied uniformly in various member territories.

The Institutional Structure of the Andean Community

Type of Institution	Period of Closed Regionalism	Period of Open Regionalism
Political	· Andean Parliament (1979) · Andean Council Foreign Minister (1979)	Andean Presidential Council (1996) · Andean Council of Foreign Ministers (1996) · Commission of the Andean Community (1996) · Andean Parliament (1996)
Legal	· Andean Court of Justice of the Cartagena Agreement (1979)	· Court of Justice of the Andean Community (1996)
Administrative	· Andean Commission (1969) · Andean Junta (1969)	· General Secretariat of the Andean Community (1996)
Social		
Education	· Universidad Andina Simón Bolivar	· Universidad Andina Simón Bolivar
Health	· Hipólito Unanue Agreement	· Hipólito Unanue Agreement
Economic		
Monetary /Finance	· Andean Development Corporation (ADC) · Andean Reserve Fund (1976)	· Andean Development Corporation (ADC) · Latin America Reserve Fund
Business	· Andean Business Advisory Council	· Andean Business Advisory Council
Labor	· Andean Labor Advisory Council · Simón Rodríguez Agreement	· Andean Labor Advisory Council · Simón Rodríguez Agreement

Source: AC Secretariat

The 1970s also witnessed the creation of two important development finance institutions – the Andean Development Corporation and the Andean Reserve Fund. The member countries of the Andean Group recognized quite early that the successful implementation of the integration program required a substantial infusion of financial resources. The Andean Development Bank was established to provide financial support to group members that were experiencing structural balance of payment deficits.

The Andean Group gave considerable attention to the coordination of social activities among member countries of the group and four important social agreements were signed during the 1970s and the first half of the 1980s. The Andrés Bello agreement of 1970 provided for joint cooperation) in the areas of science, technology, culture and education, while the Hipólito Unanue Agreement of 1971 developed a series of programs to manage health and sanitation problems. Issues relating to the improvement of social and labor

conditions in the various countries were addressed by the Simón Rodríguez Agreement of 1976. This developed a number of proposals and programs for improving labor conditions in the member states, while food security, agriculture and the environment were important features of the José Mutis Agreement of 1983, as shown in the table above.

For the Andean Community, as for many other Regional Economic Communities (RECs), the 1980s were particularly difficult years. Intra-regional trade experienced a prolonged crisis during which time the Andean Community was in a state of near collapse (Ocampo and Esguerra, 1994). The road to the revitalization of the Andean scheme commenced in 1987 with the Quito Protocol. This introduced significant reforms to the Cartagena Agreement and attempted to provide a greater element of flexibility to investment procedures and industrial programming schemes, as well as to reform the safeguard measures that restricted intra-regional trade. Public investment programs were to be replaced by programs which encouraged greater private sector participation.

In 1989, a strategic plan for the re-organization of the Andean Group was devised in a bid to consolidate the process of economic integration. The Galapagos Declaration emphasized co-operation on a range of non-economic matters which included joint negotiations at the international level, strengthening of the democratic process and reducing the threat of terrorism. It was also decided that the three largest economies, Venezuela, Colombia and Bolivia, would work towards the establishment of a customs union by 1995 while the remaining economies, Ecuador and Peru, were expected to do so later. At the La Paz meeting in November 1990, a decision was taken to accelerate the time frame for the formation of a customs union.

Since 1996, several significant institutional changes have taken place. This followed the Act of Trujillo (1996) and the Modifying Protocol of Andean Sub regional Integration Agreement. At the political level, the Andean System of Integration now comprises the Andean Presidential Council, the Andean Council of External Ministers, the Commission of the Andean Community and the Andean Parliament. The Presidential Council is the highest policy body of the integration system and comprises the various heads of state of the member countries of the group. The Presidential Council meets once a year to review the actions undertaken by the various bodies and institutions of the Andean Community. The Commission consists of a plenipotentiary representative from each of the member states and an alternative member.

This Commission is responsible for evaluating integration policy in the areas of trade and investment; for coordination of the joint position of the member countries in international fora; and for negotiations with international bodies. It is also responsible for evaluating the budgetary performance of the General Secretariat and the Court of Justice and for setting the contributions of the member territories.

At the administrative and executive level, the Junta has been converted to a General Secretariat which now gives technical support to the other bodies and institutions of the Andean Integration Scheme. This secretariat is entrusted with the responsibility of undertaking technical studies as well as coordinating and managing the work program of the integration movement in accordance with the mandates of the various political arms of the movement.

In a bid to broaden the participation of civil society, the Andean Community has expanded the roles of the business and labor advisory councils. These councils, on their own initiative or at the request of the political bodies of the community, bring the opinions of business and labor into the deliberations of the community. The Labor Advisory Council is actively participating in the updating of the documents and regulations on Social Security (Decision 113 and 144, respectively) as well as on Labor Migration (Decision 116). The Andean Community has placed a great deal of emphasis on social policies and has developed a broad range of policies covering employment generation, education, health and housing (V. B. Thomas, op. cit.).

The Community has been moving much closer in recent years towards the status of a common market and the Guayaquil Act of 1998 has established general guidelines for deeper integration. Given the trend towards greater global liberalization in trade and finance, the Community has liberalized capital flows (Decision 291) and has decided also to liberalize the telecommunications market. All in all, the institutional structure of the Andean community is relatively less complex when compared to CARICOM and the CACM.

III. Central America Common Market (CACM)

As a sequel to various efforts towards cooperation between 1950 and 1960, the four Central American countries of Guatemala, Honduras, El Salvador and Nicaragua (dollar area) signed the General Treaty of Central American Integration in 1960, and along with Costa Rica completed the

ratification process by 1963. The Treaty provided a framework for fostering the development of the region through the establishment of a free trade area, customs union and common market. In order to coordinate the integration of economic activity and policies within the region, a Central American Economic Council was created comprising the Ministers of Finance of the contracting parties. This Council represented the highest political authority of the system. An Executive Council, comprising vice-ministers of Finance, was also created with specific responsibility for the implementation of the commitments made under the agreement. The Executive Council, along with other advisory councils, dealt with sectoral issues affecting agriculture, transport, finance and science and technology.

At the administrative level, the Treaty established the Permanent Secretariat of the System of Central American Economic Integration (SIECA) to serve as administrative secretariat and to provide technical support to the principal bodies. SIECA also had the task of ensuring the correct application of the treaty at the regional level and of undertaking studies on behalf of the Executive and the Economic Councils. Besides the political and administrative organizations, the integration system also included a number of autonomous regional bodies which functioned in a wide variety of areas. To facilitate the promotion of integrated economic growth, the Central American Bank of Economic Integration (BCIE) was founded, while the Central American Monetary Council (CMCA) was established to provide advice on and attempt to harmonize monetary policy through a process of regional consultations. Regimes were also established for settling payment imbalances (Central American Clearing House) and for financing member territories that experienced persistent balance of payments deficits (Central American Monetary and Stabilization Fund).

After 1963, a plethora of institutions was added to the basic structure of the General Treaty to deepen the process of integration through functional cooperation. These institutions covered the areas of education, scientific and technical development, telecommunications and air and sea transport, among others. In the field of education, the Central American Council for Higher Education (CSUCA) and the Central American Industrial Technology and Research Institute (ICAITI) coordinated research in technology as well as tertiary education in the region. Several infrastructural development organizations were also established to improve intraregional transportation and communications and include the Central American Commission for

Maritime Transportation, the Central American Corporation for Air Navigation Services, the Central American Railways Commission and the Central American Technical Commission for Telecommunications. A significant proportion of the funding of these institutions came from the United States Agency for International Development (USAID) and its Regional Office for Central America and Panama (ROCAP). Unlike the Andean Group, there was no significant emphasis on the development of institutions to support social development and environmental management.

In 1987, in an attempt to return lasting peace to a region embroiled in civil conflicts, three important political fora emerged that later became fundamental pillars of Central American integration. These were the Meetings of The Central American Presidents, Central American Vice-Presidents and the Central American Parliament.

Since 1991, the role of the SIECA has been expanded with its incorporation within the System for Integration in Central America (SICA). The SIECA not only provides administrative and technical support to the SICA, but is also the institution that oversees all economic aspects of Central American integration. The membership of the SIECA is limited to the original five countries, but the SICA also includes Panama and Belize who joined in 2000.

Institutional Structure of the Central American Common Market

Type of Institutions	Period of Closed Regionalism	Period of Open Regionalism
POLITICAL	· Central American Economic Council (CEC) (1960) · Executive Council	· Meeting of Presidents · Council of Ministers · Meeting of Vice-Presidents · Central American Parliament (PARLACEN) (1993)
LEGAL	· None	· Central American Court of Justice (CCJ) (1992)
ADMINISTRATIVE	· Permanent Secretariat of the System of Central American Economic Integration (SIECA) (1960)	· Secretary-General of the Central American Integration System (SG-SICA)
SOCIAL		
Education	· Central American Institute of Public Administration (ICAP) (1954) · Central American Institute of Research and Industrial Technology (ICAITI) (1955) · Central American Secretariat of Educational and Cultural Coordination (SG-CECC) (1975) · Commission for the Scientific and Technological Development of Central America and Panama (CTCAP) (1976) · Central American Council for Higher Education (CSUCA) (1963)	· Central American Institute of Public Administration (ICAP) (1954) · Central American Institute of Research and Industrial Technology (ICAITI) (1955) · Central American Secretariat of Educational and Cultural Coordination (SG-CECC) (1975) · Commission for the Scientific and Technological Development of Central America and Panama (CTCAP) (1976) · Central American Council for Higher Education (CSUCA) (1963)

Health and Sanitation	· Central American and Panamanian Institute of Nutrition (INCAP) (1949)	· Central American and Panamanian Institute of Nutrition (INCAP) (1949)
Social Security	· None	· Central American Council of Social Security Institutions (COCISS)
Social Integration	· None	· Central American Secretariat of Social Integration (SISCA) (1995)
Sports and Recreation	· None	· Central American Council on Sports and Recreation (CODICADER) (1992)
Housing & Settlements	· None	· Central American Council of Housing and Human Settlement (CCVAH) (1992)
ECONOMIC		
Agriculture	· Regional Council of Agricultural Cooperation of Central America, Panama and Dominican Republic (COCATRAN) (1980)	· Regional Council of Agricultural Cooperation of Central America, Panama and Dominican Republic (COCATRAN) (1980)
		· General Secretariat of the Council of Agriculture and Farming (SCA) (SG-CAC) (1991)
Banking / Finance	· Central American Bank of Economic Integration (BCIE)	· General Secretariat of the Central American Monetary Council (SCMCA) (1993)
Energy	· None	· Temporary Secretariat of the Committee of Energy Corporation of Central America (CCHAC) (1991)
Tourism	· None	· Central American Secretariat for Tourism Integration (SITCA) (1965)
Transport	· Central American Commission of Maritime Transport (COCATRAN) (1980)	· Central American Commission of Maritime Transport (COCATRAN) (1980)
	· Central American Corporation for Air Navigation Services (COCESNA) (1960)	· Central American Corporation for Air Navigation Services (COCESNA) (1960)
INFRA-STRUCTURE	· Regional Committee of Water Resources (CRRH) (1966)	· Regional Committee of Water Resources (CRRH) (1966)
	· Regional Technical Commission of Telecommunications (COMTELCA) (1966)	· Regional Technical Commission of Telecommunications (COMTELCA) (1966)
	· Executive Secretary of the Council of Electrification of Central America (SE-CEAC) (1979)	· Executive Secretary of the Council of Electrification of Central America (SE-CEAC) (1979)
ENVIRONMENT	· Executive Secretary of the Central American Commission of Environment and Development (SECCAD) (1989)	· Executive Secretary of the Central American Commission of Environment and Development (SECCAD) (1989)
	· Coordinating Center for the Prevention of Natural Disasters in Central America (CEPREDENAC) (1988)	· Coordinating Center for the Prevention of Natural Disasters in Central America (CEPREDENAC) (1988)
NARCO - TRAFFICKING		· Permanent Central American Commission against Drug Trafficking (CCP) (1996)

For much of the period between the General Treaty and the 1980s, Central American integration performed below expectations. This is not to say that certain gains were not made. During the first decade of integration, the intra-regional exports of the Central American integration system had risen by nine times although some 30 per cent of the exchanges had been between Guatemala and El Salvador (V.B. Thomas, 1997). Economic difficulties played a significant part in the under-performance and helped to thwart the effectiveness and dynamism of the integration movement. Towards the end of the 1960s, global recession led to a fall in the demand for the products of the region and a weakening of product prices. Moreover, in the decade of the 1970s, the international oil crisis stimulated an increase in the costs of imported raw materials, negatively affecting internal economic activity. The economic recession that continued into the 1980s was accompanied by regional political instability in some member states such as Nicaragua and El Salvador.

In 1991, the revival of the CACM was initiated with the signing of the Treaty of Tegucigalpa which created the Central American Integration System (SICA). This Treaty provided the legal and institutional framework for the revamping of the Organization of Central American States (ODECA) to facilitate its adaptation to the needs and realities of modern times. Certain economic and social goals were also reaffirmed as an expression of the recommitment of the contracting parties to the independence and integrated development of the region. Thus Article 3 highlighted the SICA goal of consolidating Central America as region of peace, democracy and development. Within bodies of the SICA the Treaty of Tegucigalpa instituted the following:

The Meeting of Presidents: This is the supreme body of the SICA and is made up of the Presidents of member states who ordinarily meet every six months or when it is deemed necessary. Decisions in this forum are by consensus. The role of this body is to establish and direct policies of integration and to harmonize the external relations of member states. Importantly, the Presidents have been given the role of strengthening Central American identity.

The Council of Ministers: This council comprises the Ministers of the various ministries and has responsibility for following up and executing the decisions taken in the Meetings of the Presidents. The Ministers also prepare the subjects to be discussed by the Presidents. The Ministers of Foreign Relations have the task of coordinating the work of the various bodies and

the Meeting of the Presidents. The Council is also responsible for coordinating the processes of democratization, peace and regional security. Within this council, important decisions are taken by consensus while for procedural matters majority voting is adopted.

The Executive Committee: The President of each member country appoints a member to this committee, which is charged with the efficient execution of the decisions of the Meetings of Presidents. This body acts in close coordination with the Ministers of Foreign Relations through whom they submit sectoral policies which they develop in response to the directives of the Meeting of Presidents. Other duties of the Committee include the preparation of the budget of the SICA and making recommendations to the Ministers of Foreign Relations on the formation of subsidiary bodies.

The Secretariat: The Secretary-General, nominated by the Meeting of Presidents for a period of four years, heads the Secretariat. The Secretariat has a technical and administrative role and is the only body with supranational status. It performs the function of secretary to the Meetings of Presidents and facilitates inter-institutional communication. The Secretary-General represents SICA in the international arena and executes the mandates of the Meeting of Presidents, the Council of Ministers and the Executive Committee.

The revisions under the Protocol of Tegucigalpa also covered the establishment of a **Central American Court of Justice** to guarantee respect for the rule of law in the interpretation and execution of the Protocol. The statutes establishing the Court stipulate that judges must be sent from their respective national courts to ensure their independence. The functions of the Court include decisions pertaining to disagreements among member states, complaints between juridical persons or against bodies of the SICA and judicial matters relating to integration. The **Consultative Committee** is the institution which tries to incorporate civil society in the process of integration. It includes sectors such as business, labor, academia and other representatives in the economic, social and cultural domains. The **Central American Parliament,** which was to be a body of proposal, analysis and recommendation, is a forum for analysis of political, economic, social and cultural matters.

In the Protocol of Guatemala, signed in 1993, the Central American States effectively attempted to renew the General Treaty of Integration of 1960. The countries have committed to a gradual attainment of economic union through the co-ordination, harmonization and convergence of economic policies, extra-regional trade negotiations, infrastructure and services. The Protocol created

within the SICA a Central American Sub-system of Economic Integration. This sub-system comprises a number of technical-administrative bodies and institutions. Among the most important is the **Secretariat of the Central American Integration System** (SIECA). The SIECA is the technical-administrative body of the process of Central American Integration and the Executive Committee of Economic Integration. This body has responsibility for all the economic aspects of integration. In sum, integration in the SICA has progressed at a snail's pace. Its institutional structure is by far the most complex and unwieldy of these integration schemes. For details you can also see Victor B. Thomas (2001) and P. Haegen and J. Vinals (2003) Regional Integration in Europe and Latin America.

IV. Caribbean Community (CARICOM)

An overview

The road to economic integration in the Caribbean commenced in 1968 when the Caribbean Free Trade Agreement (CARIFTA) was signed by a number of Caribbean territories. The CARIFTA arrangement only emphasized trade liberalization and it was felt that a deeper form of cooperation was needed among the English-speaking territories of the Caribbean Basin. The Caribbean Community (CARICOM), which was formed in 1973 with the signing of the Treaty of Chaguaramas, placed great emphasis not only on market integration but also on the coordination of foreign policy, the provision of common services, coordinated or joint actions in production and special and differential treatment for the less developed countries of the community. The institutional arrangements established by this community were relatively complex (Mills, 1990). The Conference of Heads of Government and the Common Market Council of Ministers were the principal bodies of the community. The Conference of Government (CHG) was the supreme decision-making body of the community and is responsible for the formulation of policy for the community through a system of unanimous votes of heads of the various government delegations. It is also responsible for the conclusion of treaties on behalf of the community as well as conducting relations between the Community and international entities.

In addition, specific institutions of the community were responsible for various sectors of regional co-operation. These institutions comprised the

Conference of Ministers responsible for health as well as Standing Committees of Ministers responsible for education, labor, finance, foreign affairs, agriculture, energy, mines and natural resources, industry, transportation, legal affairs, tourism, science and technology. These institutions were responsible for the identification and execution of programs to be undertaken by the CARICOM Secretariat and the specific regional entities. The decisions on economic integration fell under the jurisdiction of the Common Market Council which was made up of ministers or alternates, one from each member country, who met at the Heads of Government Conference to discuss the operations of the Common Market. The Council of Ministers also consulted with the Joint Consultative Group comprising the Caribbean Association of Industry and Commerce (CAIC), the Caribbean Congress of Labor (CCL) and the Caribbean Council of Consumers (CCC) on matters of significance to the region.

The CARICOM Secretariat had the key responsibility of servicing the meeting of the various committees and conferences of CARICOM implementing decisions of the meetings, initiating and undertaking studies and executing any assignments mandated by the establishment of a group of Associate Institutions of the Community. Those established under the treaty were: the Caribbean Development Bank (CDB); the Caribbean Investment Corporation; the East Caribbean Common Market Council of Ministers; the Caribbean Examinations Council (CXC); the Council of Legal Education (CLE); the University of Guyana; the University of the West Indies; the Caribbean Meteorological Council and the Regional Shipping Council (see Table below). In general, these associations formed the backbone of a relatively successful strategy of functional co-operation in the decade of the 1970s and 1980s.

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Institutional Structure of the Caribbean Community

Type of Institutions	Period of Closed Regionalism	Period of Open Regionalism
POLITICAL	· Conference of Heads of Government · Common Market Council of Ministers	· Conference of Heads of Government · Common Market Council of Ministers · Association of Caribbean Community Parliamentarians (ACCP) · Caribbean Regional Negotiating Machinery (CRNM)
LEGAL	· None	Caribbean Court of Justice
ADMINISTRATIVE	· Caribbean Community Secretariat · Caribbean Centre for Developmental Administration (CARICAD)	Caribbean Community Secretariat Caribbean Centre for Developmental Administration (CARICAD)
SOCIAL		
Education	· Standing Committee of Ministers for Education · Caribbean Examinations Council (CXC) · Council of Legal Education (CLE) · University of the West Indies (UWI) · University Law Institute (CLI)	· Council for Human and Social Development (COHSOD) · Caribbean Examinations Council (CXC) · Council of Legal Education (CLE) · University of the West Indies (UWI) · University of Guyana (UG) · University Law Institute (CLI) · Council for Human and Social Development (COHSOD)
Health	· Standing Committee of Ministers for Health · Caribbean Food and Nutrition Institute (CFNI)	· Caribbean Food and Nutrition Institute (CFNI) · Caribbean Environmental Health Institute · Caribbean Regional Centre for the Education and Training of Animal Health and Veterinary Public Health Assistants (REPAHA)
ECONOMIC		
Agriculture	· Caribbean Agricultural Research and Development Institute (CARDI) · Caribbean Food Corporation (CFC)	· Caribbean Agricultural Research and Development Institute (CARDI) · Caribbean Food Corporation (CFC)
Industry	· Standing Committee of Ministers of Industry	
Finance/Banking	· Standing Committee of Ministers of Finance · Caribbean Multilateral Clearing Facility (CMCF) · Caribbean Development Bank (CDB)	· Council for Finance and Planning (COFAP) · Caribbean Centre for Monetary Studies (CCMS) · Caribbean Development Bank (CDB)
Business/Private Sector	· Caribbean Export Development Program	· Caribbean Export Development (CEDP) · Caribbean Tourism Organization (CTO)
TRANSPORTATION	· West Indian Shipping Company (WISCO)	
ENVIRONMENTAL	· Caribbean Meteorological Institute (CMI) · Caribbean Meteorological Organization (CMO)	· Caribbean Meteorological Institute (CMI) · Caribbean Meteorological Organization (CMO) · Caribbean Disaster Emergency Response Agency (CDERA)

Source: CARICOM Secretariat.

Pursuant to unsatisfactory performance of the Caribbean Community in the 1980s, a special meeting of the Heads of Government was convened in Grand Anse, Grenada, with the specific purpose of advancing the process of Caribbean integration. This meeting established the West Indian Commission, under the chairmanship of Sir Shridath Ramphal, which was given a mandate by the heads of government to develop a proposal to prepare Caribbean society for the challenges of the twenty-first century. After a number of consultations throughout the Caribbean region, the committee prepared a comprehensive proposal for the deepening and widening of Caribbean integration. The deepening was to be achieved by the formation of a single market and economy in CARICOM, while the widening of integration required the development of formal co-operative arrangements with other regional groupings, especially in Europe, North America, Central and Latin America (Nicholls, 2000). The achievement of this revised agenda for Caribbean integration required some significant alterations in the existing institutional architecture and the West Indian Commission proposed seven key institutional 'Super-structures of Unity' for the new thrust of Caribbean integration. The recommended superstructures comprised:

- The Conference of Heads of Government;
- The Council of Ministers;
- The CARICOM Commission;
- The CARICOM Assembly;
- The CARICOM Charter of Civil Society;
- The CARICOM Supreme Court; and
- The CARICOM Commission.

The heads of government of CARICOM recognized the importance of this superstructure of unity, but they rejected completely the need for a CARICOM Commission, instead implementing other pillars in the institutional infra-structure of CARICOM. The main institutions that now exist at the political level are the Conference of Heads of Government, the Community Council of Ministers and the Association of Caribbean Parliamentarians. The 'Conference' is the supreme body of the community and provides overall policy direction. It possesses the final authority for concluding treaties on behalf of the community and for entering into relationships with the international

organizations. It is also responsible for establishing the necessary financial arrangements to meet the expenses of the community.

The Community Council of Ministers now replaces the Common Market Council Ministers and is responsible for the development of community strategic planning and co-ordination in the areas of economic integration, functional co-operation and external relations. Given the poor reporting by governments to their national parliaments, the Association of Caribbean Parliamentarians has been created to provide a mechanism by which parliamentarians can update their respective national parliaments about regional developments.

At the legal level, CARICOM has proposed a regional judicial tribunal, the CARICOM Court of Justice, to serve as a replacement for the Judicial Committee of the Privy Council. This Court is vested with powers of original and appellate jurisdiction in respect of the interpretation and application of the treaty establishing the Caribbean Community. It is seen in many quarters as a major supporting pillar for the successful implementation of the single market program in the Community.

The revisions to the Treaty of Chaguaramas have also necessitated some fundamental restructuring in other bodies. The plethora of standing committees which existed prior to the single market program has been replaced by four councils which are intended to streamline and improve the decision-making processes in the community. The Council for Finance and Planning is now charged with the responsibility of coordinating issues relating to financial intermediaries, the development of regional financial markets, regulatory issues of a prudential nature, monetary policy and investment initiatives and policy. The Council for Trade and Economic Development (COTED) is responsible for the promotion of trade and economic development in the region and co-ordinates policy relating to rules of origin, the common external tariff, trade disputes and trade in services. Relations with external states and international organizations are managed by the Council for Foreign and Community Relations (COFCOR). The Caribbean Regional Negotiating Machinery has been created as an advisory arm of this council with special responsibilities for the region. The Council for Human and Social Development manages several areas that were formerly under the jurisdiction of various standing ministerial councils. Matters relating to health, education, culture, women and development, youth empowerment and sports now fall under the purview of this council.

All administrative matters relating to the single market program and the widening of the Caribbean Community are handled by the Secretariat, whose work program has been expanded to incorporate the new developments. The Caribbean Community also possesses a range of affiliate institutions, which are engaged in various aspects of functional co-operation in the region as demonstrated in the above table.

In view of the foregoing, it is worth noting that within the Community itself, important steps have been taken to widen its membership and to deepen the process of integration. In terms of the former, the accession of Suriname and Haiti as members has increased the size of the Community from 13 to 15 members. This development has a number of implications since not only has the accession of these countries resulted in a significant increase in the population of the Community (from just over 5 million to approximately 14 million) but it has also, for the first time, expanded the membership of the Community beyond its original English-speaking core, given the fact that Suriname is Dutch-speaking and Haiti French-speaking.

Regarding the deepening of the integration process, a number of decisions have been taken which are designed to strengthen the processes of economic integration and functional cooperation among the member states of the Community. In this context, efforts have been made to strengthen the coordination of foreign policy within the Community, including the joint sponsorship of candidates for elective and/or appointed positions in international bodies. Similarly, the Community has embarked on a number of major initiatives designed to promote a comprehensive program of human and social development which encompasses activities in area such as education, health, labor, youth development, HIV/AIDS, reduction in drug use, crime and violence. Special attention has also been paid to finance and planning, given the importance of these issues in the economic development of the Community. Finally, trade and economic development have received increasing attention both in terms of intra-CARICOM relations and in respect of relations between the Community and the rest of the international system, as attested by the expanded agenda of the Council for Trade and Development (COTED).

With regard to intra-CARICOM relations, two of the most important initiatives being pursued by the Community relate to the proposed establishment of the CARICOM Single Market and Economy (CSME) and the Caribbean Court of Justice (CCJ).

The CSME is of special significance since it not only provides an opportunity for further trade expansion in the region, but also has considerable potential to promote an integrated pattern of production based on the optimal utilization of the human and physical resources in the region and thus to maximize its development possibilities. In this context, it should be pointed out that a strict focus on the size of the population of the Community might suggest that it is still relatively small compared to other integration movements. However, when judging it by its natural endowments (oil, natural gas, bauxite/aluminum, gold and diamonds, agricultural and forestry resources), together with its considerable tourism infrastructure, one can see that few other economic entities of comparable size can boast such a wide range of resources. This indicates the significant potential for the Community to embark on a dynamic strategy of production integration that could be the key to its future economic prosperity.

The CCJ is also seen as a necessary complement to the creation of the CSME since it will be responsible for the arbitration of trade-related disputes among member states a pre-requisite for the effective functioning of the Single Market and Economy. While the CCJ has provoked debate in some countries on issues such as the constitutional entrenchment of the Court, as well as the possible need for a referendum on whether it should be established, we are of the view that it is important.

The integration process is taking place within a rapidly changing international economic environment that is shaped inexorably by the twin forces of globalization and economic liberalization. In the context of negotiations in respect of the ACP-EU Cotonou Agreement, with special reference to the proposed Economic Partnership Agreement (EPA) for the Caribbean, the proposed hemispheric free trade arrangement to be embodied in the Free Trade Agreement of the Americas (FTAA); as well as the negotiations in the wider international arena taking place within the WTO.

The move towards the creation of a liberalized global trading regime implicit in the various negotiations, which is premised on the removal of the preferential trading arrangements traditionally granted to the member states of the Community, has forced the countries of the region to seek to reinforce their solidarity in order to defend special and differential arrangements that are considered necessary to protect their interests in an increasingly competitive global economic system. This effort has placed considerable pressure on the negotiating capacity of the region both to coordinate its position within the several negotiating arenas and to carry out the necessary substantive technical

preparations to sustain the effort. Fortunately, the Regional Negotiating Machinery (RNM), created by the governments for this purpose, has facilitated this process.

The past 30 years, and more particularly the last decade or so, have witnessed a significant evolution of the institutional arrangements within the Community. In addition to the annual Heads of Government Conference and the Community Council, which constitute the principal bodies of the Community, the Community has also established the Council for Foreign and Community Relations (COFCAR), the Council for Human and Social Development (COHSOD), the Council for Finance and Planning (COFAP) and the Council for Trade and Economic Development (COTED). In addition, while the Heads of Government of the Community previously met annually, it has become the custom to convene an inter-sessional meeting and, more recently, a number of special meetings of the Heads have also been convened. Moreover, the Heads of Government have constituted a Bureau, comprising the current chairman, the outgoing chairman and the incoming chairman to serve as steering committee for the management of the affairs of the Community. At the same time, individual Heads of Government have been assigned responsibility for specific issues such as agriculture, environment, health and external relations. Prime Ministerial Sub-Committees have also been formed to deal with issues such as the CSME and external trade and economic negotiations.

In the specific context of the external negotiations carried out in the various international forums, a select number of countries have been assigned responsibility for particular aspects of the negotiations at the ministerial level. For example, under the overall authority of the Prime Minister of Jamaica, who chairs the Prime Ministerial Sub-Committee on External Negotiations, the Senior Minister and Minister of Foreign Affairs of Barbados is responsible for the coordination of external negotiations at the Ministerial level. Barbados, Guyana and Jamaica have been assigned responsibility for coordinating the negotiations under the Cotonou Agreement, the WTO and the FTAA, respectively.

As was mentioned earlier, the Regional Negotiating Machinery (RNM) has been established as the technical instrument to support the external negotiations of the Community. In recent years, it has been restricted to working closely with the CARICOM Secretariat and to function under the authority of the Council for Trade and Economic Development (COTED).

Against this background, it will also be necessary to seek to further strengthen the relationships within CARIFORM, which comprises CARICOM (except Montserrat), together with the Dominican Republic, and which was created as regional mechanism for identifying and implanting joint programs funded under the ACP-EU Lomé Convention (now superseded by the Cotonou Agreement). Similarly, new and constructive links will need to be explored between the Community and the Association of Caribbean States (ACS); the latter provides a useful framework for cooperation with a number of major countries in Latin America bordering the Caribbean Sea, including Colombia, Mexico and Venezuela.

Apart from the major trade and economic issues, crime, drugs and security have featured prominently on the CARICOM agenda, given the challenges which they present to several countries in the region. Continuing attention will need to be given to the report of the Task Force on Crime and Security in order to counter the serious threat posed to the viability of Caribbean societies from this source.

Bearing in mind their ecological fragility and susceptibility to natural hazards such as hurricanes, volcanic eruptions, earthquakes and floods, environmental preservation and natural disaster reduction constitute ongoing priorities for the Community. Indeed, the experience of the devastation caused in 2004 by Hurricane *Ivan* in The Bahamas, Grenada, and, Jamaica and the earthquake in Haiti in 2010, emphasizes the need for the region to promote disaster reduction strategies with a greater sense of urgency.

The convening of CARIFESTA in Suriname in August 2003, which coincided with the 30th anniversary of CARICOM, served as a timely reminder of the role of culture not only in projecting the identity of the region, but also in sustaining the regional integration process during the past 30 years. For this reason, culture, in its various manifestations, should continue to be nurtured as a central priority of the region.

In terms of supporting institutional arrangements within the Community, a number of new institutions, such as the Regional Organization for Standards and Quality (CROSQ), have been established. However, as well as the CSME, additional institutions dealing with issues such as competition policy, intellectual property rights and overall regional development, will need to be established. This would clearly make the institutional configuration of the integration movement increasingly complex, given the significant number of institutions which already exist. In turn, this suggests the need for a review of the overall

institutional infrastructure of the Community with a view to effecting appropriate rationalizations in its structure and operation in order to promote greater efficiency.

In the context of the proposed rationalization of the institutional arrangements in the Community, increased attention will need to be given to issues such as the decision-making process, including the increased delegation of authority from the Heads of Government to Ministers, to officials and to the CARICOM Secretariat itself, as well as the improved implementation of decisions taken at the various levels. The issue of the funding of the integration movement will also need to be addressed in this context.

Beyond the formal structures of integration described above, a number of informal processes have been at work in promoting closer linkages among the people of the region. Historically, there has been considerable movement of people among the various countries as is evidenced by the ongoing migration from Grenada and St. Vincent and the Grenadines to Trinidad and Tobago. Similarly, persons from the Eastern Caribbean migrated to Guyana during the early decades of the twentieth century to work in the gold mining industry in the interior of the country. Traditionally, Guyanese have in turn migrated to Suriname, by virtue of its proximity, to work in the sugar industry and in other sectors of the economy. More recently, in the face of economic difficulties and political instability at home, Guyanese have also migrated in fairly large numbers to countries such as Antigua and Barbuda, The Bahamas, Barbados and St Kitts-Nevis, in search of employment as teachers, construction workers and service providers.

The movement of artistes and entertainers throughout the region, particularly from Barbados, Jamaica and Trinidad and Tobago, has served not only to popularize indigenous music such as reggae , zuco, calypso and sports such as soccer but has also contributed to the development of a common Caribbean cultural heritage. In other words, the process of Caribbean integration has been strongly driven by the activities of the people themselves in advance of the completion of the formal institutional arrangements to facilitate this process (Hall and Benn, 2005).

In addition, since its establishment, the University of the West Indies has played an important role in fostering a sense of Caribbean identity by bringing together on its various campuses students from different countries in the region, although this trend was much more pronounced in the early days of its establishment. More recently, the university has provided ongoing

analysis of Caribbean regional issues, in recognition of the existence of what Michal Dash, echoing Edouard Glissant, has described as the 'shared heritage, parallel sensibilities and communality of interests' of the people of the Caribbean.

The foregoing review of the evolution of the regional integration movement over the past decades suggest that the region faces a number of fundamental challenges in accelerating the pace of regional integration while seeking to protect the interests of its member states in a rapidly changing international economic environment. However, even while it seeks to achieve these objectives, the Community will need to look beyond its current preoccupations and begin the process of charting its future in order to lay the foundations for the increased prosperity of the people of the region in the years ahead.

A major challenge facing the Community in the future is the need to develop a new and imaginative system of regional governance as well as strategies aimed at optimizing the development possibilities of the region based on the integrated development of its resources. This will require the identification of new modes of integration better suited to the realities of the region. In this regard, it should be noted that over the years there has been an increasing body of literature on regional integration (Christoph, M. – 2003). Based on a review of this literature, five major theoretical approaches may be identified, namely, the neo-functionalist model associated with Haas, Nye and Schmitter, among others; liberal intergovernmentalism pioneered by Moravcsik; new institutionalist approaches, advanced by Armstrong and Bulmer; network analysis promoted by Peterson and Bomberg; and transactionalist analysis made famous by Karl Deutsch. While all of these theoretical frameworks are relevant in varying degrees to an understanding of integration processes, the reality is that most of them have been influenced to a large extent by the experience of integration arrangements among contiguous territories, mainly in Europe and Latin America. However, the attempt to integrate non-contiguous territories as in the case of the Caribbean, which comprises mainly islands, presents a number of special constructs. These may enable policy makers to identify creative possibilities for the integration of small non-contiguous entities separated by a wide expanse of sea, which itself breeds insularity and particularism. Clearly, this effort will require a conscious commitment to move beyond the prevailing mindset towards an embrace of regionalism.

Moreover, in analyzing intergovernmental relations in the context of regional integration, two broad categories of political bargaining have been identified by Lewicki, Saunders and Minton, namely, 'distributive' bargaining and 'integrative' bargaining. The former describes a situation in which the parties confront mutually irreconcilable goals while, in the case of the latter, the interests of the parties are not mutually exclusive. An appreciation of this distinction is essential to an understanding of the dynamics of the integration process in the Caribbean.

Integration processes are also characterized at different points by contradiction, competition and complementarity. In the case of contradiction, the interests of two or more member states are seen as mutually exclusive with little prospect of reconciliation, unlike a situation of competition in which two or more countries might seek the same objective in a context in which only one would succeed. Finally, complementarity implies a meshing of interests within the framework of the regional integration effort. Obviously, complementarity presents the ideal scenario for strengthening the integration process, but clearly contradiction and competition are inevitable and therefore have to be managed in order to preserve the integrity of the integration effort.

More generally, the Caribbean Community, as an expression of interstate relations, may be said to be a microcosm or sub-system within the wider international community, both in terms of its intra-regional dynamics and its relations with other actors in the international system. As such, it can be analyzed in terms of the international relations theory which has been influenced over the years by a wide range of theoretical perspectives that are embedded in the assumptions of realism, neoliberalism, structuralism, rationalism, idealism, critical theory and constructivism (to name some of the most important ones). Notwithstanding the recent dominant influence exercised by neoliberalism, it would seem that the Caribbean situation can best be understood and explained by the adoption of an eclectic theoretical perspective. This is selectively informed by the assumptions of a realism which recognizes the centrality of state power that is exercised individually and collectively; structuralism, in terms of its focus on the critical interconnection between politics and economics; and rationalism, which emphasizes the importance of promoting a form of 'emancipatory politics' in international relations, which is clearly favorable to the interests of the small states of the region.

To sum up, it is clear that all these integration schemes have attempted to restructure the nature of their institutions to cope with the new configurations

of the global economic system. The Andean Community is furthest along the road to devising a supranational architecture and has been quite parsimonious in the design of its institutional architecture as compared to CARICOM and the SICA. It has placed great emphasis on devising an elaborate institutional framework for social integration that encourages significant participation from civil society. By contrast, both CARICOM and the SICA have placed greater emphasis on the restructuring of their political, legal and administrative institutions. The institutional structure of the SICA is by far the most complex and unwieldy of these integration schemes.

Despite the flurry of new institutional initiatives and reforms that have been taking place in the region's integration schemes, the institutional architectures of integration are confronted by several important challenges and limitations as pointed out above when discussing MERCOSUR. However, one could also add the following:

(a) Lack of sufficient funds

One of the really difficult problems that limits the ability of the various institutions to execute their functions effectively relates to the inadequacy of financial support for the process of integration. In general, the programs and activities of the various regional institutions are funded in three ways: (i) from contributions from the various member states; (ii) from extra-regional grants; and (iii) from donor contributions. In the case of CARICOM, a substantial proportion of the budget for financing the activities of the various regional institutions comes from donor finance. For instance, in 1995, 49.1 percent of the budget of the CARICOM Secretariat, which is in charge of managing the various regional programs and activities, was obtained from donor finance, while 16.8 percent and 17.4 percent were obtained from contributions by member states and grants from external agencies respectively (V. B. Thomas, 2001:161).

Although estimates are more difficult to obtain for the Andean Community and the Central American Common Market, the picture is not significantly different. With regard to the Central American Common Market, the official subscription of each member government amounts to only US$200,000 making the official budget of the secretariat just US$1 million. Moreover, given weaknesses in their fiscal positions, several member states are unable to provide much by way of additional financial support to these institutions.

Indeed, the financially weak institutions that constitute the regional institutional architecture are often unable to implement effectively the various tasks to which they have been assigned or may have to alter their priorities so radically that complementary aspects of their programs vital for the attainment of goals have to be postponed. Institutions that are unable to implement their agendas quickly lose credibility and often find themselves in further financial difficulty.

An important danger that looms large in this process of integration is that the programs, projects and policies of the various regional institutions can be unduly influenced by external or donor agencies that have their own agendas. In addition, one glaring limitation that arises is the almost complete absence of public information on expenditures of the various programs and activities of the regional institutions as well as on their budgetary process. In the final analysis, the very composition and efficiency of the expenditures by these institutions does affect the growth and development prospects of the various member states of the integration grouping. A critical question therefore arises as to how the various regional programs should be funded (V.B. Thomas ibid: 162). In the past, development banks have played a vital role in partially funding the programs of these institutions at concessional rates. However, the development of regional capital and money markets could also provide avenues for financing regional programs and projects. This gloomy situation of funding is not only limited to the LAC. The AU suffers from a similar experience.

(b) Democracy and the participation of civil society in the integration process

The current process of integration in most regions remains highly centralized and organized around state-led and intergovernmental institutions. Indeed, the integration schemes are especially 'top-heavy' with respect to political, legal and administrative institutions. This highly centralized system has weakened the interface between the integration movement and various constituent elements of civil society, and there is now considerable asymmetry in the relations between these centralized institutions and the ordinary citizenry that they have been designed to serve. One striking example of this is the almost complete level of unimportance or sometimes annoyance that the ordinary citizens of these integration movements accord to the various presidential summits, meetings, communiqués and declarations organized by the regional secretariats. In the Caribbean, and to some extent in Central

America and the Andean Community, although the meetings of Heads of State and Government, are announced and advertised in the media, they fail to attract the same level of interest or attention from constituent groups in civil society as do cricket, football or foreign political developments. The real problem here is that the 'common man' does not easily identify with the various aims of the integration movement and sees these as mere tasks or concerns for government bureaucrats. This raises an important concern about the extent to which our formal institutions capture the concerns of the less fortunate in our society and allow them to participate meaningfully in the integration process. Although almost all of the integration process schemes have followed the lead of the European Union and have introduced various social charters modeled on the European example, the ordinary citizens have not voiced enough their support for these charters and are quite often ignorant of their content and intentions. A bottom-up approach in this regard is necessary.

(c) Lack of coordination

Another major difficulty which confronts the integration schemes is the lack of systematic co-ordination of the work programs and activities of the formal institutions of integration and those of the affiliated bodies. This problem of coordination appears to be more acute for the more complex institutional arrangements in CARICOM, MERCOSUR and the Central American Integration System than for the Andean Community. Indeed, as the institutional architecture becomes more complex, it is even more difficult for the associate institutions to systematically ensure congruence between their individual work programs and the agenda that has been set by regional policy-makers. Furthermore, the breadth of some of these programs and activities quite often leads to disagreements over areas of responsibility.

The new integration thrust also requires separate institutions to address competition policy, intellectual property, information technology, e-commerce and e-business, entertainment services, genetically modified organisms, labor mobility, entertainment services, trade in a host of other service categories, procurement practices and disputes settlement. Given the wide range of issues that have been introduced in the emerging global village, it is doubtful whether the existing regional bureaucracies have the capacity to manage effectively

the complex range of deep reforms that have been envisaged. It is imperative that a systematic evaluation of the regional institutions be reviewed time and again, to ensure that their functions, projects, programs and activities reflect these new developments.

(d) Governance and implementation

The question of accountability, responsibility and transparency are important issues for the governance of the integration schemes as well as for the success of their member economies. In some instances, ordinary citizens are unable to obtain important financial information about expenditures on various regional programs and projects as well as on outcomes, whether these are good or bad. Moreover, the sheer complexity in the structure and programs of the various institutions often has a negative effect on the process of decision-making as well as on the pace of implementation. A judicious management of scarce financial resources has sometimes been a problem. This can only be addressed in a transparent atmosphere, which seems to be limited in most of these regional integration schemes.

Conclusions

The process of integration in the LAC has undergone a radical transformation from the tenets of closed regionalism, with its emphasis on import substitution and greater protectionism, to one of open regionalism that is supportive of export promotion and deeper integration within the existing global economy. This shift has necessitated some modification in the institutional architecture of the various schemes to reflect existing material conditions. Although some significant changes have been introduced into these schemes, they have occurred more at the political, legal, administrative and technical levels. There are still significant weaknesses in the capacities of the regional institutions and their affiliates to manage the new issues that confront them within the contemporary global economy. Furthermore, there has not been a significant birth of new organizations and institutions to handle new issues such as competition policy and intellectual property. These new issues are already making the existing modifications to the institutional architecture ineffective and redundant. Some careful attention must be devoted to redesigning the institutional architecture of integration to encourage more effective implementation; otherwise, the new regional arrangements in these

integration schemes may never fully achieve their intended objectives. The approach needs to be holistic, taking everybody on board including the civil society organizations. It is only that way, they can face the cross-cutting challenges such as; human and drug-trafficking, money laundering, HIV/AIDS and other effects of globalization in the region.

Chapter VI
Regional integration in East Asia and the challenges of leadership

Introduction

As a region still plagued by age-old distrust and rivalries, East Asia only caught up with the idea of regional economic integration after the 1997 financial crisis. The stark contrast between America's prompt reaction to the financial crisis in Mexico and its lukewarm reaction to the East Asian contagion propelled regional states to seriously ponder, for the first time in their history, the idea of forming a more cohesive regional bloc to weather future shocks and cope with the aftermath of the crisis (Munakata 2002).

At the same time, regional states' recognition that East Asia is rapidly falling behind other parts of the world (the EU, North America) in regional integration has added a new sense of urgency toward regional integration (Shorrock 2002; Tang 2001; Radtke 2001). With even the less developed African continent forming an African Union (AU), East Asian states realize East Asia may remain fragmented for the next 20 or 30 years if they cannot get together and build an institutional foundation to take care of the long-term prosperity and security of the region.

It is within this context that the ASEAN+3 [ASEAN Plus Three (APT), also '10+3'] framework has been getting increasing attention recently, both within and outside East Asia (Stubbs, 2002). With the vision of '10+5' (including Australia and New Zealand) receiving only lukewarm reception in

the region, most regional states consider ASEAN+3 to be the most promising and feasible platform for realizing East Asian integration.

Nonetheless, ASEAN+3 has not made very much progress towards becoming a codified institution, and much of the discussion on East Asian integration remains more about vision than about tackling the practical obstacles to realizing this vision (see S. Tang in Bertrand and Webber, 2006:70).

This chapter will try to fill this gap and address the critical issue of leadership in institution building first within ASEAN and finally ASEAN + 3, keeping in view the current historical circumstances.

Contemporary context

In the past five decades, the world has witnessed dramatic changes. The Cold War has ended, and geopolitical relations among the major powers have been generally stable and tranquil. Moreover, the end of colonialism has allowed newly independent countries to play a greater role in the international arena, and countries that used to be foes have now joined hands to develop their economies and raise the living standards of their peoples. At the same time, economic integration, both regional and global, has taken a strong hold. There is a growing realization that, for the survival of the modern world, with increasing cross-country links and externalities, global cooperation is a necessity. The economic and business climate has changed remarkably. Countries not necessarily sharing political ideologies have come together to benefit from mutual interdependencies, and small nations are resorting to regionalism to enhance their bargaining leverage and to gain some degree of international political influence. Countries integrate because they do not want to lose out in the global competition for export markets and foreign direct investment (FDI). Moreover, they also realize that their lives and economic options are being determined not only by themselves, but by an international environment over which they have little control, and that the inherent risks are best minimized through group and not individual country action.

The pace of international economic integration accelerated in the 1980s and 1990s. The sweep of economic reform and spectacular economic growth in China and the commitment to market-based reforms by India have added fuel to this process. Moreover, the establishment of the World Trade Organization (WTO) in 1995 has created a favorable environment for settling multilateral international trade issues in an amicable manner. As a result of

these developments, hundreds of global, regional, and bilateral integration processes have emerged, and many of them have taken root. The number of regional trade agreements notified to the WTO from January 1995 to May 2003 was 265, although not all are in force (A. P. Moniroth, 2007:25). The Association of Southeast Asian Nations (ASEAN), a regional trade agreement established in 1967, is one of them.

While originally formed around political and security issues, this grouping, which includes Brunei, Indonesia, Malaysia, the Philippines, Thailand and Singapore, has always had an economic component. In 1977, ASEAN negotiated a preferential trade agreement. Unfortunately the amount of trade covered by this agreement has always remained small. With renewed commitment of the ASEAN member states to economic liberalization early in 1992, however, agreement was reached to transform the old preferential trade agreement into a free-trade area (FTA) over the next fifteen years. How much substance this new agreement will have remains to be seen. Intra-ASEAN trade remains relatively small and the ASEAN economies may be too similar to generate large gains from the projected liberalization. The removal of intra ASEAN barriers, however, may aid the region‘s efforts to attract still more investment. While ASEAN continues to lack substance as an economic grouping, there are regional arrangements on a still smaller scale in East Asia which have the promise of exerting considerable economic force. The most important of these is the Shenzen Free Trade Zone, which ties together Hong Kong and Guandong Province in the Peoples' Republic of China (PRC). Much of the extraordinary development of this part of the PRC in recent years can be attributed to the institution of this trading arrangement.

The great success of the Shenzen Free Trade Zone has triggered proposals to link (1) Singapore, Johore Province of Malaysia and Batam island of Indonesia; (2) China, the Koreas, Eastern Siberia and Western Japan; (3) Japan, Korea and the Coastal Province of China; (4) Hong Kong, Taiwan, China South of Shanghai; (5) Hong Kong, Guangding, Guangxi and Northern Thailand, Laos and Vietnam; (6) Myanmar, Thailand and Indochina, and (7) Thailand, Northern Sumatra and Northern Malaysia. Whereas nothing may come of most of these proposals, what is characteristic of almost of all of them is the joining together of parts of what were once heavily regulated non-market economies with other areas of East Asia that have long records of economic dynamism.

Notwithstanding the many Asian free trade area proposals made in the image of the Shenzen Free Trade Zone, the most widely discussed proposals are much more comprehensive in scope. The most known of these was made by in 1990 President Mahathir of Malaysia, who called for the formation of an East Asian Economic Group (EAEG), consisting of Japan, the East Asian NIEs, China and the other ASEAN economies. Although the precise role that such an economic grouping might play was never elaborated, it was vivid and evident at the beginning that the EAEG was meant to be the East Asian response to emerging trade blocs in Europe and the Americas. As expected, the Mahathir proposal was strongly rejected by the US, Australia and New Zealand, all of whom wished East Asian regional cooperation undertaken rather in the context of Pacific-wide economic institutions such as the Asia Pacific Economic Cooperation (APEC). Strong pressure from the United States has also led Japan publicly to oppose EAEG. Privately, however, at least some Japanese government officials and business leaders have been more supportive. Indeed, it has been suggested that Japanese encouragement may have prompted Mahathir to make his proposal in the first place.

The opposition to the original Mahathir Plan has led to changes in this proposal. EAEG is now thought of not so much as a formal grouping but rather as periodic consultative mechanism. Whether the East Asian consultation will deal chiefly with the coordination of East Asian positions on global trade policy, or whether it will extend to regional economic integration, remains to be seen.

While Mahathir has been seeking an East Asian locus for regional cooperation, Australia, New Zealand and the United States have been stressing regional cooperation on a Pacific-wide basis through the development of the Asia-Pacific Economic Cooperation (APEC). Since 1989, the foreign ministers of twelve Pacific Rim countries, Australia, Brunei, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand and The United States, have agreed to meet annually to review issues of mutual interest. More recently, in a precedent-setting arrangement, People's Republic of China, Taiwan and Hong Kong have all been admitted to APEC.

To date, APEC's accomplishments have been extremely limited. The small secretariat that has been established has confined itself almost entirely to regional information exchange and technical cooperation. The annual APEC ministerial meetings have been used primarily as fora where resolutions stressing global economic goals have been framed and endorsed. APEC has yet to

deal in a concrete way with any significant economic issues. It has yet to sponsor: (a) regional economic liberalization initiatives, or (b) harmonize regional economic policies, or (c) resolve regional economic disputes. APEC's approach to free trade has always been gradualist and voluntary. This contrasts diametrically with the growing desire of the various branches of the American government and its business lobby for a strict rule-based approach to Pacific-Asian trade with sanctions for non- compliance (Far Eastern Economic Review, 30th November 1995, p. 14). Analysts are of the view that APEC has been another Photo-taking forum.

Although the ASEAN financial meltdown of 1997/98 is beyond the scope of this chapter, it needs to be borne in mind that it had serious adverse effects on the region's integration process. In tracing the origin of the incoherence in regionalist thinking the natural place to begin is with an assessment of the political and scholarly reaction to the 1997 economic crisis. Evidently, for ASEAN enthusiasts, this unforeseen event represented the crucial discontinuity in recent Asia-Pacific international relations. Moving from the boundless optimism of the Pacific century to fiscal basket case over the space of a few months obviously delivered a great shock both to the system and to regional pride. The crisis undermined previous certainties, and left regional politicians and academics desperately searching for explanations.

The fact that the economic crisis had spread from South East Asia to ravage part of North East Asia, most notably South Korea, induced feelings of collective humiliation across the Asian Pacific. It was not simply that the once high-performing Asian economies like Thailand, Indonesia and South Korea required the assistance of the International Monetary Fund (IMF) and surrendered to externally imposed fiscal constraints in return for a financial rescue package. It was further compounded by the fact that Western countries on the Asian periphery like Australia and New Zealand, along with the United States, escaped the effect of the financial contagion altogether. It was from the perception that East Asia had lost face by submitting the region to the tender mercies of essentially Western institutions like the IMF and the World Bank that the felt need arose for a revived sense of regional solidarity (Lewis, 1999).

In particular the IMF was accused of aggravating the crisis through its too sudden and too harsh demands for economic re-structuring and financial reform *(ibid.)*. It stood accused of lacking sensitivity to local feelings. In Indonesia, Western financial institutions were guilty of ethnocentrically

misunderstanding Indonesian culture. The IMF approach helped to push General Suharto to tap into a deep strain of Javanese nationalism. The results were deadly anti-Chinese programs and the downfall of the regime. Some analysts have consistently contended that the origin of the Asian financial crisis itself was more generally ascribed to US dominated global financial institutions which recklessly transferred hot money in and out of Asian growth funds (Harding, 1998). Furthermore, a cabal of fund managers and shady futures traders in New York, Chicago and London had manipulated Asian currency markets in order to profit from their wild fluctuations. Thus, R. James Ferguson (1990:19) correctly contends that the US had first facilitated an unregulated release of financial capitalism, subsequently followed by a cynical manipulation of the IMF that sought both to limit the scale of the bailing out and demanding a strongly interventionist role in return for aid; it ultimately compounded the disaster by its unwillingness to provide a strong leadership role for Asia-Pacific recovery.

The growing belief that the outside world had neglected Asia in its hour of need fed a burgeoning sense of resentment (see Higgott, 1998). The image of ailing Asian tiger economies was never an accurate picture, but it provided suitable balm for the hurt pride of politicians and regional commentators. It was this damaged amour-propre that spurred support, once again, for the idea of East Asian regionalism. In this context, regionalism offered the seductive prospect of Asian solutions for Asian problems that would engender a sense of growing independence and inure regional economies against further externally induced shocks. The project also assumed the rejection of any further reliance on the west and its equally insensitive institutions. The years that followed therefore witnessed a pan Asian renewal. For example, Jusuf Wanandi declared that ASEAN lacked the critical mass and influence needed to face the new and formidable challenges to globalization (Wanandi, 1999a).

In the months following the outbreak of the economic crises, ASEAN promoted a dialogue partnership with Northeast Asia through the new mechanism of an East Asian Summit (EAS). The first summit was held in December 1997 in Kuala Lumpur, where the leaders of ASEAN participated in discussions with their peers from China, Japan and South Korea. Subsequently, at ASEAN's Hanoi Summit, it was agreed to formalize these meetings into the arrangement now known as ASEAN Plus Three (Hanoi Declaration 1998).

Evidently ASEAN Plus Three constitutes the most significant regional political reaction to have emerged from the aftermath of the crisis years. As Soesastro (2001, pp. 1-2) noted, ASEAN Plus Three had become the embryo of an East Asian regional organization. Probably the most distinctive feature of ASEAN Plus Three was that it reflected an exclusive understanding of regionalism. Unlike inclusive trans-Pacific groupings like APEC or AFTA, ASEAN Plus Three was notably Asian in composition, effectively drawing the boundaries of East Asia in a way that ruled out those countries on the periphery. These countries were deemed external to the region. Those most obviously ascribed outsider status were the US, Australia and New Zealand. This framework corresponded in a way with an earlier one proposed by Malaysian leader Mahathir, which aimed to serve as a counter-weight to US influence in APEC. The proposal was trampled underfoot.

The rapid progress of economic integration in the region has provoked a heated debate over its advantages. While it is more or less clear that integration would bring about stronger economic growth, it is not clear whether the economic benefits of this growth would be equitably distributed to reduce poverty. The opponents of integration argue that integration is a guise for exploiting the people in developing countries, which will cause massive disruptions of lives and few benefits to the poor. Others consider it with hostility and believe that it increases inequality within and between nations, threatens employment and living standards, and thwarts social progress in the weaker economies. The proponents point to the significant reduction in poverty in countries that have adopted economic integration, such as China, India and Vietnam. Others consider this integration as a key process for future world economic development. They believe it is inevitable and irreversible.

Key perspectives on economic integration

As argued in the Introduction, economic integration may be interpreted in several ways. In a broad sense, it may be considered identical to globalization, which might be defined as increasing economic interdependence among countries. In this context, economic integration and globalization are used here interchangeably. At a more technical level, economic integration may be defined as the rise of international trade through cross-country links in the markets for goods, services, and some factors of production. The increasing role of FDI, multinational corporations, and international capital markets in

supporting higher growth, higher employment, and the exports of several countries reflects some of the tangible outcomes of economic integration across the globe.

In general, economic integration is expected to provide benefits to consumers. It tends to result in lower consumer prices because of increasing allocative efficiency through production structures based on comparative advantage, the exploitation of economies of scale in the bigger domestic and international markets, and the adoption of new technologies. The average consumer in an economically integrated country will be better off with more trade rather than with less.

Another major benefit from economic integration is good governance, which is seen as promoting democracy. It tends to disperse power from the government towards other actors, putting power into the service of as many interests as possible. On the other hand, economic integration is thought to create problems for the poorer sectors of society, mainly because it does not focus on income distribution. This criticism is supported by the increasingly unequal per-capita income distribution that can be seen worldwide; the gap in incomes between the richest and poorest countries has widened dramatically in the last 50 years.

The most serious charge against economic integration in Asia is that it was partly the cause of the 1997-98 Asian financial crisis, which brought to an abrupt halt the smooth economic progress regional economies had been making for more than a decade. The crisis showed that regionally integrated economies might be quickly affected by a contagion arising from the economic weakness of one country in the group. Thus, economic integration may cause volatility and vulnerability in some countries due to no fault of their own.

The crisis also showed that excessive reliance on foreign capital to support higher economic growth is a high-risk strategy. Short-term capital inflows to Southeast Asia were massive in the early 1990s mostly by way of private sector commercial bank borrowings and portfolio investments. The inward surge of capital occurred in response to the strong economic growth, capital account liberalization, and domestic financial market liberalization witnessed in these countries. In the six quarters preceding the onset of the crisis in July 1997, capital inflows into Indonesia, the Republic of Korea, the Philippines, and Thailand totaled US$86.8 billion. However, in the subsequent six quarters, there was a huge outflow of US$77.9 billion. These funds were largely utilized for domestic purposes and were, by and large, not hedges against exchange

rate risks (Moniroth, A. P. in Gill, Huang and Khoras, 2007, p. 29). The pegged exchange rate provided an implicit government guarantee against exchange rate risk, spurring domestic borrowers to access the cheaper international funds. The huge capital inflows contributed to overvalued exchange rates, asset bubbles in real estate and stock markets, overinvestment in productive capacity, and falling quality in investment projects. Short-term debt was used to finance longer-term investments, resulting in risky maturity mismatches. When the crisis struck, foreign capital fled, and regional currencies depreciated sharply. Since foreign funds were huge and exceeded official reserves, central banks were unable to defend their currencies in most cases. Even though the affected economies have, by and large, adjusted since the shock, some effects of the crisis are being felt even today.

The last argument against economic integration is the threat of social disintegration. Economic integration is perceived to undermine traditional values and cultural identities because of the increasing intrusion of global, primarily Western, norms, practices, and values into societies and local communities. The Internet has increased the rapidity and ubiquity of this process. The change has been so rapid in several countries that centuries-old domestic institutions, norms, and practices have fallen by the wayside in the name of economic progress.

East Asia

Despite this experience, countries in East Asia are keen to forge ahead with economic integration. Economies such as Hong Kong (China), Korea, Taiwan (China), and the original five ASEAN member countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) opened up a long time ago to trade and investment. They have become well integrated with the world economic community. Indeed, a major goal of ASEAN is to foster this integration. The new ASEAN members are also eager to join the world community. In fact, Cambodia, the Lao People's Democratic Republic, and Vietnam opened up their economies even before they gained ASEAN membership. Overall, Asia has become a dominant supplier to consumers in developed economies. The East Asian countries were able to expand their share of global trade from 5.4 percent in 1975 to 18.7 percent in 2001, while their share in manufactured exports increased from 52 percent in 1981 to 88 percent in 2001.

However, East Asian countries wish to strengthen economic integration since they realize there is no viable alternative growth strategy to sustain growth momentum in the future. The ASEAN countries have started to put in place the structure for the ASEAN Economic Community to start by 2020. The East Asia Vision Group has proposed the formation of an East Asian Economic Community that will include the 10 ASEAN member countries, plus China, Japan, and Korea (Moniroth, op. cit.). The proposal to create this economic community has been boosted by the creation of the East Asia Summit. The rationale for the community is that some of the economies in the group are too small to be able to participate effectively in the global market, and they need to integrate with the large economies in the region to enhance the benefits from economic cooperation and integration.

Recent economic research reveals that integration has been naturally motivated by market forces, economic complementarity, and the economic dynamism of the region by both public and private sectors. However, this process has been impaired because of the Asian financial crises and the subsequent failure of the WTO world trade talks. Therefore, it has been recognized that strong government support through formal regional institutional agreements will be needed to supplement driving market forces in accelerating integration.

The driving forces

(i) Market

Related to this fast economic growth, there has been a notable expansion of intraregional trade in East Asia. In fact, intraregional trade has been expanding much more rapidly than the trade of the region with areas outside the region. A study by Ng and Yeats (2003) shows that, while the share of the trade of the East Asian countries increased threefold between 1975 and 2001, the intra-industry trade increased six-fold. The share of intraregional trade in East Asia in the region's total trade rose from 23 percent in 1980 to 41 percent in 2001 (excluding Japan). The increased intraregional trade and investments were a natural process of economic development because economies in close proximity tend to grow together by taking advantage of economies of scale.

Aun P. Moniroth (2007) argues that the export profiles of some countries in the region increasingly match the import profiles of others. This

complementarity is strong for the group comprising Hong Kong (China), Indonesia, Malaysia, the Philippines, Taiwan (China), and Thailand, which reflects the importance of intra-industry trade and the strengthening of two-way trade among these countries. Between 1985 and 2001, the share of intraregional exports in total exports increased substantially, from 9.9 percent to 27.2 percent for Indonesia, from 10.1 percent to 34.1 percent for S. Korea, and from 14.8 percent to 41.1 percent for Taiwan (China). In the same period, the share of intra-regional imports in total imports also rose significantly, from 13.8 percent to 37.3 percent for Indonesia, from 13.4 percent to 25.8 percent for S. Korea, and from 12.7 percent to 31.4 percent for Taiwan (China) (see table below).

Share of Intra-regional Trade in Total Trade, 1985-2001

Country	Exports		Imports	
	1985	2001	1985	2001
China	35.1	30.8	23.0	49.8
Hong Kong (China)	27.5	35.2	46.8	60.0
Indonesia	9.9	27.2	13.8	37.3
Korea, Rep. of	10.1	34.1	13.4	25.8
Malaysia	38.1	42.0	44.4	51.6
Philippines	17.5	34.4	34.1	37.1
Singapore	35.1	44.9	39.2	43.5
Taiwan (China)	14.8	41.1	12.7	31.4
Thailand	25.5	33.5	33.5	36.2

Source: Ng and Yeats 2003.

The increase in intraregional trade was initially accompanied by an increase in foreign investment, which was led by Japan, in the newly industrialized economies and in Southeast Asian countries in the 1980s. Subsequently,

investment from the newly industrialized economies flowed to Southeast Asia and China. In fact, the share of these countries in investment among ASEAN members continues to rise. Japan appears to be the largest investor in ASEAN countries, especially Indonesia and Thailand. Multinational corporations began to fragment their production processes into sub-processes and locate the fragmented production facilities in countries in the region according to available national factor proportions and technological capabilities. This strategy has generated a web of intraregional trade networks in parts, components, semi-finished products, and finished products within East Asia, contributing to a more efficient division of labor and deeper integration in the region. The FDI-trade nexus is a distinctive feature in the region. FDI is a complement to trade rather than a substitute for trade (Moniroth, ibid.).

(ii) Public sector initiatives

Integration in the East Asian countries has not been driven by market forces alone. Since the early 1990s, governments in the region, prompted by many motives, have played a proactive role in cementing regional economic integration.

First, the governments have had to respond to escalating pressure from a private sector clamoring for policies and strategies to facilitate trade and investment. The macroeconomic interdependence within the region has recently become stronger, as evidenced by the simultaneous contradiction of economic activity throughout East Asia in 1998 and the expansion in 1999-2000. Though regional economies may be affected by some common factors, such as economic cycles in the United States and stock-price movements in the information technology sector, many of the recent, synchronized economic activities in the region can be attributed to growing macroeconomic interdependence and the recent efforts to develop a network of free trade areas in the region by ASEAN+3 (plus China, Japan, and S. Korea), ASEAN and the Australia and New Zealand Closer Economic Relations Trade Agreement, and ASEAN and India. The increasing interdependence in trade and investment will not be sustained if there is no formal policy support from the governments. Problems such as harmonization in rules, regulations, laws, standards, procedures, dispute settlement, and so on will need to be addressed before integration may be taken to a higher level.

Second, although there has been strong economic growth in many countries in East Asia in the last two decades, the threat of rising poverty and unemployment remains. Regional governments cannot turn a blind eye to this issue. They must become actively involved in regional integration initiatives so that they are able to manage effectively the social and political fallout from economic integration. This is crucial for the sustainability of economic growth and integration. It is not a coincidence that most of the poor and the people who have been left behind in these countries are located along the borders, where infrastructure is weak and social services are virtually non-existent. Realizing this threat to the sustainability of economic integration, the governments have, of late, initiated infrastructure development and generated employment opportunities in border regions.

A notable example of shared infrastructure that forges closer trading relationships among countries with common borders is cooperation in the Greater Mekong Subregion, which includes Cambodia, Laos, PDR, Myanmar, Thailand, Vietnam, and Yunnan Province and the Guanxi Zhuang Autonomous Region in China. In 1992, with assistance from the Asian Development Bank (ADB), these countries embarked on a program of regional economic cooperation to raise the standards of living of their peoples. Through the program, three major economic corridors are being developed that, when completed, will significantly boost trade and investment across the region (Moniroth, ibid.). The Greater Mekong Subregion has emerged as a strong regional entity and one of the most rapidly growing sub-regions in the world.

As observed above, the need for strong financial governance was highlighted by the Asian financial crisis. It is now realized that poor financial and corporate governance in the affected countries contributed significantly to the deepening of the crisis and in a way was a direct result of government failure. There is a clear need for governments to engage in the prevention, management, and resolution of financial crises and contagion. Governments are responsible for ensuring that strong corporate and financial management structures are put in place so that there is no repeat of the 1997-98 catastrophe. The global initiative for a new international financial architecture was moving slowly when the crisis struck. The crisis-affected economies were also dissatisfied with the level of assistance from the European Union (EU) and the United States and the inappropriate conditionalities of multilateral financial assistance that treated the crisis as though it had originated from current account imbalances, while the problem was centered on capital account management.

Furthermore, the ASEAN countries affected by the financial crisis were not happy with the manner in which the international community responded to it. The general response was lukewarm when compared to that of Mexico. It was clear that the region had to devise self-help mechanisms to prevent and manage possible crises in the future. As we shall see, the creation of the ASEAN+3 process of regional financial cooperation is a direct result of the crisis. Since then, economic integration has become an attractive option for sustainable economic recovery because it provides better security of market access, attracts investment resources, and creates internal pressure for domestic economic reforms and restructuring.

The impasse of the Doha Round and the slow progress of Asia-Pacific Economic Cooperation have had serious repercussions on the economic welfare of many developing countries (Y. Tandon, op. cit.). While the developments in the international forums have been slow, economic integration in the Americas and Europe has strengthened appreciably. The EU is expanding rapidly by bringing eastern European countries into its ambit. The Free Trade Area of the Americas is also forging ahead. The regional governments fear that, unless they form their own free trade areas, they will be disadvantaged in global competition. Firms are being forced to adopt and adapt to regional and global strategies of doing business in order to survive and stay competitive. East Asia has been obliged to respond somehow to show the world that, even in the face of complex diversity within the region, there is an avenue for closer regional cooperation, coordination, and integration. The East Asian governments have realized that their countries will not be able to maintain the status quo in the global production network in the rapidly changing global competitive equation if there is no integration (Moniroth, op. cit.).

The East Asian economies also believe they need to secure a bigger market within their own region so that economies of scale and efficiency gains may be exploited more effectively. The region needs to establish an extensive network of regional production and trading arrangements with key economic players. This will open up and expand opportunities for economic links in the region and beyond and strengthen regional competitiveness and attractiveness globally. At the same time, closer economic integration will enhance competitiveness and bargaining leverage and offer safeguards for continued market access for exports. Obtaining all these advantages would require active government participation in regional integration processes.

Finally, regional governments have had to respond to the severe adjustment problems emerging because of the rapid economic rise of China. However, this challenge may be converted into an opportunity and strength. The emergence of China as a world economic power has led to a growing realization that the region might form a large and dynamic economic bloc by integrating with China, harnessing regional resources and efforts to resolve regional problems, and meeting the common challenges of regionalism from elsewhere. With China included, the East Asian region will hold one-third of the world's population, one-quarter of the world's GDP, and two-fifths of the world's foreign reserves.

Financial integration

Following the 1997-98 crisis, there was recognition that self-help mechanisms are needed in the region for the effective prevention, management, and resolution of financial crises and contagion. This has prompted several initiatives that should be quick in response, wide in scope, and effective in impact. Intensive policy dialogue and mutual surveillance, the establishment of regional liquidity support arrangements, and the development of bond markets denominated in local currencies are among several regional initiatives that have been launched to strengthen regional financial integration.

The East Asian economies have liberalized their financial systems to integrate them with the global financial system so that they may have better access to capital markets, especially those in the developed economies. But more efforts are needed for a better deployment of regional financial resources. Currently, a sizable portion of gross savings in Asia finds its way into debt instruments of governmental and quasi-governmental issuers in industrialized economies, while investment in Asia is financed, to a significant degree, by capital from those same countries. This reflects the relative lack of integration in financial markets in the Asian economies. Moreover, financial liberalization and innovation initiatives in East Asia do not appear to have strengthened the financial links among the financial markets of individual East Asian countries. Instead, financial liberalization has led to the diversification and strengthening of East Asian financial ties with global financial markets rather than closer financial cooperation within the region.

While individual East Asian countries have made considerable progress in deregulating and opening their financial markets, they have not been able to coordinate their liberalization efforts collectively. As a result, they have

achieved little harmonization in legal systems at the regional level for the protection of minority stockholders, for regulatory systems, and for the tax treatment of cross-border financial transactions. They have achieved little harmonization in standards governing banking, accounting, auditing, disclosure, and corporate governance. Lagging cooperation in the regional harmonization of legal and regulatory systems and standard-setting has been by far the most important cause of the slow progress in financial integration in the region.

Indeed, as financial intermediation becomes rationalized, the cost of capital for enterprises in Asia becomes lower. The dependence of regional investment on funds from non-regional sources is not only incongruous; it also exposes the region to the risk that the flows of capital might dry up abruptly because of developments in international financial markets, thus wreaking havoc on regional economic activity. A case in point is the 2008/09 financial meltdown which hit the globe leading to the world economic downturn. It started in the current world economic powerhouse.

Financial market deregulation and liberalization generally facilitate the migration of capital in the long run and the cross-border financing of current account imbalances in the short run, thereby reducing the costs of adjustment to shocks. Financial liberalization also allows the extensive sharing of the investment risks associated with macroeconomic shocks across countries because it broadens the range for diversification by including foreign bonds and equities in individual portfolios. By lowering transaction costs and eliminating exchange rate risks, the formation of a common currency area can help area members reap these benefits of financial liberalization. Therefore, countries with close international financial links would have the incentive to join a common currency arrangement.

Expanding the effective size of regional financial markets through greater integration across national jurisdiction may increase the ability of the economies to absorb the volatility of international capital movements as effectively as the European and US markets. Several official initiatives toward closer financial links in the region are bearing fruit, notably the Chiang Mai Initiative and the Asian Bond Fund.

Moreover, with financial market liberalization, domestic residents can diversify their asset portfolios internationally by holding securities issued by firms and financial institutions of other countries in addition to domestic ones. The possibility of portfolio diversification across a large array of assets means that a country suffering an adverse terms-of-trade shock could

share some of the loss with its trading partners to the extent that it holds claims on their output.

An adverse supply shock such as an oil price increase may result in a deficit in the current account in addition to an increase in unemployment and a decrease in real wages. As they adjust to the shock, countries with an open financial regime have better access to regional and global capital markets so that it is easier and less costly for them to borrow to finance their current account deficits. External borrowing sourced from international capital markets at reasonable terms might make the real adjustment smaller and less arduous for these countries.

Currente situation

While East Asian countries have been unable to coordinate their institutional reforms at the regional level, they have been pressured to adopt the codes and standards for financial sector regulation, accounting, and corporate governance developed by advanced countries. Whatever its rationale, the effort of the advanced countries to graft the Western systems and standards on East Asia has not been successful (Park, 2002). East Asia has recently realized the need to get a regional consensus on this issue, and the ASEAN+3 Finance Ministers' Meeting process has taken it up as a high priority item on its agenda.

In other areas, East Asia has made significant progress in monetary and financial cooperation. This process has been led by the ASEAN+3 group in response to the 1997-98 financial crisis and has been assisted in various ways by the ADB. In its efforts to integrate their financial markets, ASEAN+3 countries have created two important initiatives: the Chiang Mai Initiative and the Asian Bond Markets Initiative. These have been progressing well and provide major benefits to member countries. They have become a source of hope and inspiration.

A salient feature of the *Chiang Mai Initiative* is the provision of liquidity support to participating countries through a network of bilateral swap agreements. In May 2006, ASEAN+3 took a major step by strengthening the initiative and doubling the size of the swaps.

ASEAN+3 has also instituted a number of mechanisms to support policy dialogue and promote open discussion on financial and economic issues. It has implemented the *Asian Bond Markets Initiative* to mobilize

the region's vast pool of savings for direct, efficient use in the region's long-term investments. During this period, the following have been achieved:

• Various international and foreign institutions have issued bonds denominated in local currencies. The World Bank issued ringgit-denominated Islamic Bonds in Malaysia in May 2005. In Thailand, the ADB and the Japan Bank for International Cooperation issued baht-denominated bonds in May and September 2005, respectively. These were the first baht-denominated issuances by an international institution and by a foreign government institution. In October 2005, the International Finance Corporation and the ADB issued renminbi-denominated so-called Panda Bonds, in China. The ADB also issued peso-denominated bonds in the Philippines. The proceeds of the issue will be used to buy up non-performing loans from the National Home Mortgage Finance Corporation. The issuance of the Japanese Samurai Bonds recovered in 2005.

• Bonds denominated in local currencies have also been issued through securitization. The China Development Bank and the China Construction Bank issued assets-backed securities with trust investment companies as special purpose vehicles in late 2005. In Japan, the issuance amount of mortgage-backed securities by the Government Housing Loan Corporation recorded a noticeable growth. Korea started issuing Student Loan-Backed Securities based on the loans originating through the new student loan system. In Singapore, the Commercial Mortgage-Backed Securities market is thriving in line with the real estate investment trust. In April 2006, the government supported the launch of the Small- and Medium-Sized Enterprise Access Loan Scheme.

The management of integration process

Economic integration in this region has been increasing, and the process is irreversible. It is difficult to conclude a priori that integration is either good or bad for Vietnam, Cambodia or elsewhere in the region. Much will depend on how adroitly the process is managed. In any case, economic integration will definitely have both positive and negative impacts. The positive impact will have to be maximized, and the negative impacts will have to be well managed if member states are to benefit unequivocally from integration.

The government needs to maintain macroeconomic stability so as to create the proper conditions for investment and savings, to push for outward-oriented policies to promote efficiency through increased trade and investment, to promote structural reform to encourage domestic competition, and to create strong institutions to foster good governance.

Even though structural adjustment in many countries in East Asia and Africa has meant a decreasing share of agriculture in GDP, agriculture is still an important sector, providing employment and livelihoods for millions of people in rural areas. In many countries, even as the share of the agricultural sector in GDP has declined to around 30 percent, its share in total employment is still actually around 75-80 percent. Without agricultural development, it will be difficult to reduce rural poverty and release the resources needed for industrial development. In many areas, growth in the supply of basic staples is critical to ensure household food security and to sustain adequate real wages in agriculture. Moreover, the gains in agricultural productivity will reduce poverty by lowering food prices, raising farmers' incomes, and creating employment opportunities.

The agricultural sector is often characterized as a classic case of market failure. More attention to the investments by the government in this sector is needed. At the same time, to promote the growth of agricultural productivity, the government must focus on the development of adequate rural infrastructure and communication networks and take steps to minimize transaction costs. Monetary policy must be geared to improving the access of farmers to formal institutional credit, particularly short-term seasonal credit. Land reform must ensure tenure and property rights. Simultaneously, efforts must be made to diversify high-value cash crops and the provision of broader employment opportunities for the rural poor. Access to skills, information, and technology, such as access to current price information on agricultural products, to machinery, and to fertilizers should also be improved, particularly in lagging regions where market failures are likely to become more pronounced.

Despite the fact that there has been some progress, much more remains to be done to improve transparency and accountability in the formulation of public policy, in public-private relationships, and in the rules and procedures governing the allocation of public resources. To a significant extent, the issues all revolve around the requirement for a better understanding of the governance needs of the poor. These needs appear to lie in the following areas: (a) better service delivery, particularly in health care and education; (b) a reduction in

leakage in targeted antipoverty programs; (c) access to justice for all; (d) regulatory support for the informal and unorganized sectors of the economy, where a majority of the poor pursue their livelihoods; and (e) a reduction in the threats of erosion in the incomes of the poor because of various forms of income insecurity and the improper application of administrative authority. In this sense, improving governance also means improving service delivery to poor and marginalized groups. The quantity and quality of the services delivered by governments in areas of health care, education, clean water, sanitation, and so on are still lagging behind in many countries (Babu, A. M. 1994). One in three people in Asia's urban centers lack access to basic services, water, sanitation, and secure housing. The plight of those left behind has to be accorded top priority in the reform of governance.

More transparency and accountability in government expenditures and more appropriately targeted spending on the poor will definitely contribute to better service delivery. The government needs to ensure that the money it spends reaches the poor. A key requirement is the tight monitoring of the outputs and outcomes of public expenditure programs.

Decentralization is also important for improving the effectiveness of service delivery. There has been notable progress in decentralization and in achieving innovations through public-private partnerships in service delivery in several countries. The decentralization of public administration and the empowerment of local institutions have recently been promoted in many Asian countries, including Cambodia, China, India, Indonesia, and Pakistan. Decentralization has widened the scope for citizens at the grassroots to influence decision-making in resource allocation and to become responsible for the outcomes of their decisions.

Moreover, there is a need to provide social protection for the poor because most of them are vulnerable to adverse weather, economic recession, natural disasters, and ill health. Without social protection, some marginalized families may easily fall into the poverty trap. Therefore, to protect these people, governments need to create sound risk-pooling mechanisms, social insurances schemes, social security systems, and pension systems. This is easier said than done and has posed challenges even in advanced economies as well as LDCs such as Tanzania. Although the task is daunting for the developing world, it may be ignored only at the risk of perpetuating poverty. We have to start rethinking the priorities in the allocation of public spending.

Overall, economic integration has done more good than harm. However, many of the concerns of those who oppose economic integration are also legitimate, and these should not be ignored. Greater efforts need to be made by national governments, RECs and international institutions to address these concerns and assist the losers in the integration process without undermining the process itself. The winners must also contribute adequately to compensating the losers. However, there is no need to reverse direction or return to autarky. Since most of the costs of globalization are costs of adjustment, analogous costs would arise if we moved in the opposite direction.

Indeed, given how far the world has already come in the establishment of efficient global markets, continued economic integration may well be less painful for all stakeholders than a return to the inward-looking policies of the past. The best way to deal with the challenges being raised by the international integration of markets is to be open and honest in recognizing the risks involved and address these risks in a transparent and humane way. It must be a holistic process.

With all these developments, many questions arise. What and where are the driving forces to lead the process? Will ASEAN alone do the job? What could be the role of China, Japan and South Korea? Are the two traditional rivals (China and Japan) ready to bury their long-standing differences in the interests of the region? Who should cage the cat? These burning questions lead us to the critical issue of leadership in the region. This could be in both domestic and international arenas.

Leadership

i) Domestic

It is a fact that human beings are a social species. Leadership, defined as 'the process through which one member of a group influences other group members toward the attainment of specific group goals' (Yukl, 1994), has been associated with us since time immemorial. As demonstrated by ancient Greek and Chinese writings, our inquiry into it started thousands of years ago.

Modern studies of leadership, however, did not start until the birth of social psychology in the early twentieth century, because leadership is both a political and a social psychological phenomenon. Kurt Lewitt's and his

colleagues' work (published in 1939), in which they concluded that different kinds of leadership lead to great differences in group performance, marked the first serious inquiry into leadership by social psychologists (Baron and Byrne, 1997:13-15). From then on, especially with the rise of organization behavior studies, leadership remained a critical sub-field of social psychology, with a general consensus that leadership is both trait-based and situational, contradicting the conventional wisdom that leaders are mostly born rather than made (Shiping Tang, op. cit.). Today, social psychologists are developing tools for identifying potential leaders for particular situations, at least in the corporate world.

James Burns' *Leadership*, and to a lesser degree, Richard Neustadt's *Presidential Power*, marked modern political scientists' efforts to study leadership with Burns' concept of 'transformational leadership' being especially influential (Burns, 1978; Neustadt, 1960). More recently, Michael Kane's 'moral capital' added a new dimension to studies of leadership (Kane, 2001).

Political scientists' inquiries into leadership, however, seem to have ignored progress made by social psychology. They have generally followed the path taken by Max Weber and have fallen into the trap of over-personifying leadership. They usually focus on how a particular leader overcomes a string of roadblocks and finally succeeds while neglecting some obvious questions (Tang, op. cit.). Why does a leader (apparently with many traits of leadership) often have to fail many times before he can finally succeed? Is it simply because he has to learn some hard lessons (trial and error) or because he was perhaps not good at handling certain situations? If so, what constitutes successful leadership in a time of crisis? Without answering these questions, most studies of political leadership tend to be an ad hoc account of what happened, reinforcing the popular myth that a leader is a leader because he was born to be, and his/her failures are simply a necessary learning process and offer little guidance on how to manage certain situations.

Hence, even though political scientists have made some tangible contributions to our understanding of leadership, much remains to be done in our analysis of this topic. Most importantly, we have yet to discover what kind of leadership best fits what kind of task and under which historical circumstances.

ii) International

While we have many studies on leadership on the domestic front, few studies on international leadership exist. Although there are studies of

international leadership, the subject is primarily viewed through a domestic prism, with most studies taking leadership only as a question for the hegemony (on this point, see Cooper *et al*., 1991:393-394) and international leadership sometimes being a euphemism for one state bullying some other states into submission (see Nye, J.S. 2009:60-70, 290; also Koane, R. O. 2005).

However, great differences exist between successful domestic leadership and successful international leadership. First, domestic leadership usually operates in a hierarchical space (even in horizontal organizations) while international leadership is exercised in an anarchical space. Second, compared with domestic leadership, successful international leadership usually rests more on moral justification than on power per se. Third, while states do act selfishly under anarchy, successful international leadership must be based at least partly on enlightened self-interest. Fourth, while the legitimacy of leadership in the domestic arena usually rests on both institutional arrangement and performance, the source of legitimacy for leadership in international affairs is harder to pin down. Finally, international leadership requires more persuasion rather than the threat or the exercise of force (thus, simply compelling others to obey is not leadership).

In view of this, we can define successful international leadership as a process through which any combination of the following five objectives is achieved: (1) preventing conflict (leadership for preventive diplomacy); (2) winning a just war by leading a war coalition; (3) bringing conflict to an end (leadership for ending war); (4) constructing the foundation of lasting peace (leadership for building peace or reconciliation); and (5) advancing the common interest of a group of states (leadership for common interest). Leadership in institution building belongs to the fifth category of successful international leadership.

In the international relations theory, the analysis of institution building should be a natural task for neoliberals. Surprisingly, despite the fact that no institution will exist or function properly without effective institution building, neoliberals have traditionally paid little attention to this topic, perhaps because they have been more interested in opposing realist theorists on the issue of how much international cooperation is possible under anarchy (see various contributions in Baldwin, 1993, and Jervis, 1999).

Oran Young (1991) identified leadership and institutional (integrative) bargaining as the two factors critical for any successful institution building. On leadership, he contended that only two of the three types of leadership

(structural, entrepreneurial and intellectual) are needed for successful institution building (Young, 1991: 281-308). Structural leadership comes from the preponderance of power, entrepreneurial leadership means skillful diplomacy, and intellectual leadership means educating states and transforming their ideas of self-interest. Most importantly, Young contended that leadership from hegemony (structural leadership) is neither necessary nor sufficient for effective institution building.

Young (ibid.) further noted that institution building is a bargaining process because states must bargain to agree to the rules of the game and on how to enforce the rules. But bargaining over institution building and regime formation is different from distributive (or positional) bargaining. Distributive bargaining is about how to divide what we have right now, while institutional bargaining is about how first to create something so that we can share the benefits. Further, because states tend to bargain especially hard if they believe that a future institutional arrangement will be enforceable and enforced (Fearon, 1998), choosing the right issue to bargain over becomes more important. If an institution can get one or two regimes codified, the prospect of successful institution building will brighten: successful regime building can give states more confidence to move towards more difficult issue areas, thus generating positive feedback and turning institution building into a virtuous cycle. Otherwise, cooperation may be hard to realize and regime formation becomes difficult. This means that institution building through bargaining is a path-dependent process (Jervis, 1997:56-176).

An effective organization usually has a clear hierarchy and line of command. Depending on the types of organization, decision making can be achieved through a consensual or a top-down process, but in a hierarchical organization the top leadership is primarily responsible for all of the decisions made as well as for the effective working of the organization as a whole (Dewi, Fortuna, Anwa, in Bertrand and Webber, 2006:59, op. cit.).

An organization composed of sovereign states, however, is clearly very different in nature and in its operating style from other types of organization. A regional or an international organization made up of independent nation states, where every member irrespective of size is regarded as an equal, can never be truly hierarchical. Leadership in a regional or an international organization, where one state assumes primacy over the others, can become a very sensitive issue. Nevertheless, while the concept of equality among all members is sacrosanct in regional and international organizations, in practice some countries are clearly more equal than others. The ability of certain countries to lead, and the willingness

of other countries to accept that leadership, depend on many factors and falls more into the realm of arts than science.

Leadership in ASEAN is highly problematic and can only be exercised with the greatest of caution. As mostly newly independent countries, members of ASEAN have tended to guard their sovereignty jealously. It was never the intention of the founders of ASEAN that the association should become a supra-regional body subordinating the Member States. On the contrary, the objectives of ASEAN to establish regional order and stability were ultimately aimed at strengthening the national resilience of individual members. ASEAN was deliberately designed as a loose regional association, and during its early years the association was highly shy of, and even opposed to, the words 'regional integration'. No member of ASEAN would accept the proposition that its position or role is any less than the other members or that certain members should have more say than others.

As the largest member in terms of geography and population, Indonesia occupies a special position in ASEAN. While it can never be said that Indonesia was or is the leader of ASEAN, for such a clear hierarchy does not exist within the organization, Indonesia has generally been regarded in ASEAN as a *primus inter pares* or 'first among equals'. As such, Indonesia has indeed been able to exercise considerable leverage within ASEAN, particularly before the onset of the 1997-98 economic crisis. The positive role that Indonesia played in ASEAN greatly contributed to the success of the association during its first three decades of existence.

Nevertheless, Indonesia has generally avoided any attempts to assert its leadership in ASEAN for fear that it may be accused of wanting to dominate the association. Indonesia's past history of confrontation with its closest neighbors has continued to cast a long shadow up to the present day and has made the exercise of leadership within ASEAN a highly complex matter. While Indonesia's high profile role in regional affairs could be detrimental to regional harmony, it has also been generally recognized that the absence of an assertive Indonesian position leaves a vacuum that cannot be easily filled by other members.

Indonesia and ASEAN

It is no exaggeration to argue that ASEAN owes its existence primarily to Indonesia. Indonesia's policy of confrontation under President Sukarno, which

set Jakarta at odds with most of its neighbors, and the subsequent change of regime from Sukarno to President Suharto, who followed different priorities, were the main factors that led to the birth of ASEAN. Indonesia's foreign policy outlook also strongly colored the Bangkok Declaration that established ASEAN on 8 August 1967 (D. F. Anwar in Fort and Webber 2006, ibid.).

From the early days of independence, Indonesia adopted a 'free and active' foreign policy doctrine that forbids the country to join any military alliances. While many of its Southeast Asian neighbors, such as the Philippines and Thailand, which became members of the US-led Southeast Asia Treaty Organization (SEATO), were close allies of the West, Indonesia was a founding member of the Non-Aligned Movement.

Under President Sukarno Indonesia followed a radical nationalist foreign policy characterized by a strong anti-colonial and anti-imperialist stance, a legacy of its revolutionary struggle against the Dutch colonial rule. Throughout the 1950s and early 1960s Indonesia was preoccupied with the struggle to complete the decolonization process as the Dutch had persistently refused to relinquish West Irian (now the provinces of West Irian Jaya and Papua) through peaceful means. As the Netherlands was a member of the Western bloc (NATO), Indonesia looked to the Soviet Union and China for support as Jakarta prepared to liberate West Irian by force.

Jakarta's increasingly close relations with Beijing and Moscow alarmed the United States and its allies so that when regional rebellion broke out in West Sumatra and North Sulawesi in 1958, they covertly supported the regional rebels from their bases in the neighboring countries. The central government was able to defeat the rebels with relative ease, but this incident further estranged President Sukarno from the West and its allies in Southeast Asia. When the Malaysian Federation was established in 1963 with the strong support of Britain, bringing together Malaya, Singapore and British North Borneo, Sukarno saw this as an attempt to eclipse Indonesia. Sukarno regarded the continuing presence of British military bases in the region as a direct threat to Indonesia, as experienced during the regional rebellion. Indonesia therefore declared a military confrontation against Malaysia, which took place from 1963 until after the rise of the New Order government in 1966.

Indonesia's confrontation with Malaysia pushed Indonesia closer to Beijing, thereby strengthening the position of the Indonesian Communist Party; it also caused the collapse of the Indonesian economy as relations with the

West came to a breaking point. All of these developments led to a major political crisis in Indonesia that culminated in the removal of President Sukarno and the establishment of the army-dominated New Order government of President Suharto, which lasted for 32 years.

The establishment of ASEAN was, therefore, partly the direct result of reorientation of Indonesia's domestic priorities and external outlook. While Sukarno regarded neo-colonialism and neo-imperialism as Indonesia's greatest enemies and thereby flirted with Communism and Communist countries, Suharto viewed Communism as the greatest threat to Indonesian security. The new regime in Jakarta particularly regarded China as an immediate threat due to its support for the Indonesian Communist Party and for Communist-inspired national liberation movements in other countries. The New Order government believed that the best means for ensuring security were through political stability and economic development. These objectives could only be achieved if Indonesia lived in harmony with its neighbors so that neighboring territories would not be used to subvert Indonesia's national interests.

Earlier attempts at regional associations had little success mainly because Indonesia did not support them. A precursor of ASEAN, known as the Association of Southeast Asia (ASA), was formed by Malaya, Thailand and the Philippines in 1961, but this association never really took off. In 1963, Indonesia, Malaya and the Philippines established Malindo in an attempt to thwart the looming dispute about the Malaysian Federation. But, Indonesia's confrontation with Malaysia soon after doomed this regional grouping from the start.

In contrast to the earlier experience, ASEAN has enjoyed the full backing of the Indonesian government from the very beginning. In fact, throughout its development Indonesia took pains to nurture the association, for example, by deliberately adopting a low profile in ASEAN interaction.

Indonesia's strong support for ASEAN could be attributed to a number of factors. Of these, one of the most important was that the New Order government put stability and economic development as its top priorities. These necessitated developing friendly relations with other countries, particularly Western countries that were the source of most economic aid and investment. Indonesia therefore had to abandon Sukarno's radical nationalist and overtly anti-Western foreign policy. Indonesia also needed a peaceful and stable regional environment so that the government could focus its attention on

domestic issues. To that end Indonesia had to develop harmonious relations with its close neighbors. In the wake of the confrontation it was felt necessary to establish a regional body that would promote regional cooperation and understanding. Equally important was the need to restore Indonesia's tarnished regional and international image due to its bellicose foreign policy in the past. ASEAN was designed to demonstrate Indonesia's commitment to a good-neighbors policy and remove suspicions of its regional ambitions. In a nutshell, ASEAN was seen as a means to 'tame' Indonesia and transform its relations with its smaller neighbors.

It is important to note, however, that the single most important factor that made it possible for Indonesia to co-found ASEAN with Malaysia, the Philippines, Singapore and Thailand – all of them allies of Western powers – was the convergence in the security outlook among these countries. From being a close associate of Beijing, under the New Order government, Indonesia became vehemently anti-Communist and shared the fears of its non-Communist neighbors towards China, which was currently supporting Communist subversion in Southeast Asia. ASEAN was therefore regarded as a shield against possible Communist expansion from the north.

Despite this shift to the right, however, Indonesia remained committed to its non-aligned foreign policy stance. The doctrine of a 'free and active' foreign policy is regarded as sacrosanct and part of Indonesia's national identity that no government can easily ignore. One of the major political mistakes made by Sukarno in pushing Indonesia closer to the Communist camp was that he thereby violated the 'free and active' foreign policy principle. Although Indonesia cooperated with other non-Communist countries in forming ASEAN, the New Order government did not want to be accused of joining the Western alliance and abandoning Indonesia's foreign policy doctrine. Thus Indonesia exerted influence to ensure that the Bangkok Declaration that established ASEAN encapsulated Indonesia's reservations regarding the presence of foreign military bases and its aspiration that regional security should be the primary responsibility of regional members themselves. Indonesia firmly believed, and continues to believe, that external powers should not intervene in regional affairs. At Indonesia's insistence, the Bangkok Declaration stipulates that foreign military bases are only temporary in nature and that these bases should not be directed against the other ASEAN members, as they had once been in support of Indonesia's regional rebels (Anwar 1997).

A number of foreign analysts have argued that as the biggest country in Southeast Asia Indonesia has a certain sense of regional entitlement. Indonesia's confrontation policy in the era of Sukarno is regarded as proof of Jakarta's ambition for regional dominance. When a confrontational policy failed to achieve the desired objective, it was argued, Indonesia then turned to regional cooperation, but the ultimate objective remained basically the same, notably regional predominance if not dominance. It has also been argued that Indonesia's inability to exert overt influence in ASEAN has led to frustration (Leifer, 1983).

While there is some truth in the suggestion that Indonesia has a sense of regional entitlement, meaning that Indonesia expects to have a say in the management of the regional order, there is no evidence whatsoever that Indonesia ever saw ASEAN as a vehicle for exercising regional leadership or that it was frustrated with its restricted role in ASEAN. This is not to say that Indonesia was never unhappy with certain policies adopted by ASEAN or by individual members. But throughout the New Order period Jakarta always tried to put regional cohesion as a top priority. ASEAN was regarded as the cornerstone of Indonesian foreign policy and the New Order government could not do anything that would jeopardize ASEAN unity.

As mentioned above, the idea of regional integration was initially anathema to the members of ASEAN. Besides the role of nationalism, opposition to a more integrated region that would involve stronger supranational authority also reflected the low level of trust among ASEAN members. It was feared that a more integrated ASEAN would enable the larger members to become dominant. Leadership was therefore a *problématique* within ASEAN that from the very beginning Indonesia understood well.

Indonesia's most important contribution to the advancement of ASEAN has not been so much its ability to push ASEAN to follow a particular course, but rather Indonesia's willingness to restrain itself when ASEAN members follow policies contrary to Jakarta's interests. In fact, one can argue that the success of ASEAN has been predicated upon Indonesia's willingness to be treated as the equal of the smallest member of the association. Given Indonesia's past history, it can be appreciated that Indonesia's deliberately low profile in ASEAN throughout the Suharto period was not always easy and often invited criticisms at home. The policy adopted by Indonesia towards ASEAN can be contrasted favorably to India's behavior within the South Asian Association for Regional Cooperation (SAARC).

One of Indonesia's cherished long-term objectives for ASEAN is the establishment of an autonomous regional order where regional members become full masters in their own region. Such an autonomous regional order envisages the closing down of all foreign military bases so that regional security truly becomes the responsibility of regional members. To that end, Indonesia has been very keen to put into practice the concept of the Zone of Peace, Freedom and Neutrality (ZOPFAN) in Southeast Asia and to push for the acceptance of the concepts of national and regional resilience.

Even though these concepts were formally adopted by ASEAN – ZOPFAN in 1971 and the regional resilience concept in 1976 – it must be conceded that the enthusiasm and commitment of ASEAN members towards these key concepts varies. Several ASEAN countries continue to regard their defense treaties with major external powers as critical to their security. This means that the idea of Southeast Asian countries becoming more independent of external powers, particularly in security matters, has so far been nothing more than a pipe dream. Various analysts have argued that Indonesia's failure to persuade its fellow members to follow its lead in this regard is one of the main reasons why Indonesia is (allegedly) frustrated with ASEAN.

Nevertheless, while Indonesia continues to cherish the ideal of an autonomous regional order free of external intervention, it has in fact avoided criticizing the other members for pursuing different policies. Jakarta is acutely sensitive to the fact that some neighboring countries have continued to maintain defense links with external powers as security guarantees against possible aggression from Indonesia. An assertive policy from Indonesia, such as demanding that other members become less dependent on external military protection, would therefore be highly counter-productive to the long-term objective of developing a more cohesive and autonomous regional order. Any frustrations that Indonesia may have felt at the lack of progress in this field have mostly been left unsaid.

Wagging the ASEAN dog

Indonesia's unwillingness to assert its position in ASEAN on issues where it was not in total agreement with ASEAN policy could be seen in the case of the Cambodian conflict. During the Cambodian conflict from 1980 to 1991 ASEAN was very successful in adopting a united stance, which put pressure

on Vietnam to withdraw from Cambodia. The problem for Indonesia was the fact that the policy of 'bleeding Vietnam white' as proposed by certain members of ASEAN, such as Thailand, would reduce Vietnam's ability to stand up to China. But Thailand was able to set the ASEAN agenda on dealing with the Cambodian conflict as it was considered to be the front-line state. Given that Indonesia viewed China as the greater threat and that most Indonesians admired Vietnam's strong nationalism and its ability to resist foreign domination, many in Indonesia were unhappy with the official line taken by ASEAN. The Indonesian government was criticized, particularly by elements in the military and nationalist groups, for allowing 'the Thai tail to wag the ASEAN dog' (D. F. Anwar, op. cit.).

The manner in which Indonesia resolved this dilemma – namely by maintaining ASEAN unity and at the same time pursuing its own foreign policy priorities – was an interesting demonstration of non-assertive or indirect leadership. Instead of forcing ASEAN to ease its pressure on Vietnam, Indonesia decided to follow a dual-track foreign policy on the Vietnam-Cambodia conflict. On the one hand, through the Foreign Ministry, Indonesia followed the official ASEAN line of putting pressure on Vietnam. On the other hand, the Indonesian military opened a dialogue with Vietnam. Indonesia also took the initiative, outside the ASEAN framework, to host informal negotiations between the conflicting parties through the so-called 'cocktail parties' and 'Jakarta Informal Meetings'. After these unilateral initiatives Indonesia was then officially appointed by ASEAN to be its official interlocutor with Vietnam, thus formalizing an extra-ASEAN initiative into the ASEAN framework. Together with France, Indonesia co-chaired the meeting that led to the signing of the Paris Accord. The Accord resulted in the withdrawal of the Vietnamese forces from Cambodia.

Indonesia's role in the Cambodian conflict further strengthened the argument that Indonesia has never seen ASEAN as the forum or vehicle for asserting its leadership if such a role goes against the prevailing views. Instead, when it felt the need to do so, Indonesia would chart its own course outside ASEAN and allow the other members to decide for themselves whether to follow. Indonesia feels no such constraints in larger international groupings, such as the Non-Aligned Movement, where sensitivities about Indonesia's role are not really an issue.

Indonesia's policy in ASEAN throughout the New Order period was largely attributed to the leadership style of President Suharto, who was very

much influenced by Javanese culture. Suharto advocated the notion of *tut wuri handayani* ('leading from behind'). Though such a notion of leadership was never really practiced in the domestic context, where the army led from the top, Indonesia's role in ASEAN could indeed be termed an exercise in 'leading from behind'. Indonesia mostly avoided being too assertive in ASEAN, but at the same time it would not tolerate other members playing too dominant a role in the association either.

The stance adopted by the Suharto government on issues of economic integration and trade between ASEAN states was in line with this concept of 'leading from behind'. Because of Indonesia's relative economic weakness, the government long resisted proposals for intra-ASEAN trade liberalization, fearing they would disadvantage Indonesia (Lee Kuan Yew, 2000:370). ASEAN made no substantial moves towards trade liberalization until the early 1990s. These moves were then sponsored primarily by Singapore and Thailand, but were apparently accepted by Suharto, who also played an instrumental role in the adoption by APEC of a plan to liberalize Asia-Pacific trade at the organization's summit at Bogor in 1994 (Keating, 2000:102-114). Indonesia appeared to exercise a veto power over ASEAN's economic agenda and to accept significant trade liberalization only once – after a long period of rapid economic development, Suharto thought the country was strong enough to cope with intra-regional competition.

Indonesia's strong support and nurturing policy towards ASEAN mostly took place during the New Order period that lasted until Suharto's fall in 1998. This was undoubtedly related to the fact that Suharto was a founder of ASEAN and regarded the success of the association as important to his own credibility and regional vision. Suharto resisted public pressure at home to break diplomatic ties with Singapore after Singapore executed two Indonesian marines in 1968. The marines were arrested for trying to carry out sabotage attacks against Singapore during the days of confrontation. It is important to note here that some Indonesian members of parliament suggested at the time that Indonesia bombed Singapore in retaliation for the executions.

Suharto also played an important role in improving relations between Malaysia and the Philippines after the Corregidor Affair broke out in 1968. This incident related to the news that the Philippines' government was training recruits in Corregidor to infiltrate Sabah, the Malaysian state that was also claimed by the Philippines. Suharto privately intervened by meeting the foreign ministers of the two countries separately. In 1987 the president again

demonstrated his strong commitment to ASEAN solidarity by insisting on attending the ASEAN Summit in Manila against the advice of his security advisers, who were worried about the political and security problems then faced by President Cory Aquino (Anwar, op cit.).

In a nutshell, despite the fact that throughout the New Order period Indonesia refrained from asserting its leadership in ASEAN, there was never any doubt that Indonesia was regarded as the first among equals. The respect, if not deference, given to Indonesia was partly due to the personal stature of President Suharto as the longest serving leader in ASEAN and to Indonesia's own relative success in promoting political stability and economic development.

However, circumstances have changed. The country's economic crisis, political turmoil and various security threats within the country have forced the Indonesian government to become even more inward-looking than before, thereby somewhat neglecting its external commitments. The emergence of new leaders in Indonesia, mostly with little knowledge of ASEAN, has recently created problems with neighboring countries and has given the impression that Jakarta is no longer committed to ASEAN. Neighboring perceptions of Indonesia have also changed drastically from the early period.

Far from seeing Indonesia as a 'leader' in ASEAN, many neighboring countries have meanwhile begun to see Indonesia as a problem. On issues of economic integration and trade, the most developed Member State, Singapore, and Thailand have assumed the role of a joint 'engine' of ASEAN, sponsoring the project for an ASEAN Economic Community (AEC) and pushing for its more rapid realization. Significantly, ASEAN has made more progress on this front in recent years than in the area of security, where Indonesia's proposal to create an ASEAN Security Community (ASC) was greatly diluted. It remains to be seen, however, especially in the absence of enthusiastic Indonesian participation, whether ASEAN's recent trade liberalization initiatives will be implemented as intended.

Although regional integration or cooperation has not ground entirely to a halt in Southeast Asia since the fall of Suharto, a weak Indonesia has been detrimental to both the country itself and to ASEAN. This is the challenge that Indonesia and ASEAN must face together. Indonesia needs the support of its ASEAN neighbors to achieve full economic recovery and ensure its territorial integrity. At the same time ASEAN needs Indonesia to play an active role if the association wishes to sustain its regional and international standing, for, despite the 'slack' taken up by some other members, especially

Singapore and Thailand, on some issues the vacuum left by Indonesia cannot easily be filled by any other Member State.

Obviously, institution building through bargaining is inherently tied to the issue of leadership. This is because if institution building through bargaining is a path-dependent process, then choosing the right issue areas to bargain over is a part of leadership.

Regional leadership under ASEAN+3

The 'hegemony' school of institutionalism, drawing on European and US experiences, has posited that leading states in the region should take the leading role and provide medium to small states with public goods (R. O. Keohane, 2005). The 'hegemony' school argues that without structural leadership from leading states (locomotives), regional integration would likely prove unfeasible (see Tang, S., in Fort and Webber, 2006:59).

In East Asia, the search for structural leadership naturally points to Japan and China. Indeed, the weight of Japan and China in East Asia looks strikingly similar to that of Germany and France in Europe. Even more similarly, these two countries, like Germany and France, have also fought each other bitterly.

The similarity stops here, however. Unlike Germany and France, which have largely achieved reconciliation, China and Japan are far from reaching a similar accommodation, largely because Japan has been unable to offer a satisfying apology to its former victims. Indeed, other than ever deepening economic interdependence, the relationship between Japan and China remains on shaky ground due to the two countries' different perception of Japan's invasion of China during the Second World War, territorial disputes over Diaoyu (Senkaku) Island, and Japan's alliance with the US and its implications for the Taiwan question.

What is more, even if there is no possibility of war between the two states, achieving cooperation among nations is not an easy task and when it comes to leadership, it will be even more difficult, as recurrent conflicts even between France and Germany in the EU testify. With Japan and China still viewing each other as strategic rivals, the possibility that Japan and China can share the leadership of East Asia seems to be low in the near future. This calls into question whether regional integration in East Asia can actually replicate the European experience by depending upon leadership from the region's two leading economies (Tang, S., *ibid.*).

International cooperation theory has recognized that it is possible for a third state or player to serve as an enforcer or facilitator of cooperation when two states seem unable to bridge their differences, if the third party is more powerful than the two and can maintain amicable relationships with the two. Traditionally, this role would be filled by the United States. For instance, the US played a constructive role in bringing not only France and Germany together, but also South Korea and Japan (Phillips, 2001; Cha, 1999).

Unfortunately, because of the distrust between the US and China and the US-Japan security alliance, it is unlikely that China would accept the US as the enforcer of Sino-Japan cooperation. It is also debatable whether the US would want to facilitate Sino-Japanese cooperation. The key question thus becomes whether, in the absence of Sino-Japanese cooperation, there is any other state or combination of states that can lead regional integration in East Asia.

Fortunately, for the prospects of East Asian integration, empirical evidence from actual institution building processes has lent credence to the notion that small to medium-sized states can actually provide leadership when large countries do not. For instance, the ASEAN Regional Forum (ARF), with ASEAN states at its center, has certainly done a lot for regional security (Acharya, 2001). Similarly, in the GATT (now WTO) Uruguay Round of trade negotiations, the Cairns Group (Tang, S., *op cit*.), formed in 1986, 'has effectively put agriculture on the multilateral trade agenda and kept it there. Members of the Cairns Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, The Philippines, South Africa, Thailand and Uruguay.

Extending this logic to East Asia, South Korea and the ASEAN states collectively may be the only possible facilitators or enforcers of cooperation between Japan and China. As long as close bilateral cooperation between Japan and China is not on offer, the devolution of East Asian leadership to Korea and ASEAN states represents the best hope for advancing regional integration (Tang, S., op. cit.).

There are at least two solid rationales for arguing that this might occur. First, the ASEAN states and South Korea as a group enjoy the trust and support of both China and Japan. Second, letting ASEAN and South Korea take the lead may alleviate their fear that, as small or medium-sized states, they otherwise will not be able to prevent dominant powers in this case,

Japan and China from abusing their power. Are ASEAN and South Korea up to the task? Who should start it?

As stated above, social psychology has acquired a more fine-grained understanding of leadership in the past several decades, with the most significant conclusion that leadership is far more situational than previously thought. To put it differently, while there may be some truth about the notion that leadership does require certain inherent qualities, there is more truth to the notion that leadership is successful when it comes at the right time, at the right place, with the right people and with the right approach.

Leadership in institution building is a very special task on at least four fronts. First, it is both institutional and personal. This means that an egoistic person may not be the best choice for leadership in institution building. Second, it is both international and national, so the leadership has constantly to bargain at two levels. Third, the leadership's audience is not usually the general public in the region, but a group of career bureaucrats, different national leadership and non-governmental organizations (NGOs). Finally, leadership is usually based on a consensus (Tang, S., *ibid.*), otherwise it will be tyrannical.

Leading institution building may therefore require a specific mix of qualities. As a sequel to this, S. Tang (2006) has rightly identified at least four elements necessary for effective and efficient leadership in institution building. These are:

Optimism

No grand project can be carried out without a strong belief that it is feasible. Optimism is one of the essential components of effective leadership. In this aspect, the fate of the EU as the grandest experiment since the dawn of the sovereign state certainly has a lot of bearing on East Asian states' thinking about the fate of their own region. As the former Malaysian Prime Minister Dr. Mahathir himself admitted in Europe's German heartland: 'If you fall flat on your faces, then we do not have a free trade zone.'

East Asian countries are certainly applauding the rise of the euro and quietly switching some of their foreign reserves into euros. But are East Asian states now more optimistic than they would have been otherwise that there will one day be a common Asian currency? Certainly, the most important lesson from the dramatic turnaround in the Euro's fortune is that optimism generates confidence and confidence generates even more optimism (because

more people come to believe in the rise of the euro, the euro will rise, thus fueling even more optimism). Therefore, if East Asian states were to draw any lesson from the rise of euro after the new currency had initially taken a veritable beating, it would be that even a fragmented region such as East Asia could unite into a powerful player. Lander (2003) correctly argues that Europe was just as fragmented as East Asia 60 years ago, only a bit bloodier. Likewise, European states' voluntary submission of a part of their national sovereignty should give East Asian states the confidence that they can do just the same in the future.

Devotion

Great feats can be accomplished only with unflinching devotion. To realize the vision of an integrated East Asia, we will not only need East Asian states to devote political and financial capital for the goal, we will also need individuals with great devotion to the goal who are backed by intellectual presence.

If we look back at the European experience, without leaders such as Churchill, Monnet and Schuman in the early years, plus the continuous strong commitment from two key countries (France and Germany), the integrated Europe we have today would have been unlikely to have emerged so early.

In East Asia, with leaders such as the former Singaporean and Malaysian prime ministers, Lee Kuan Yew and Mahathir respectively, fading into obscurity and the former South Korean president, Kim Dae-jung, leaving behind a tarnished legacy, the region seems to be devoid of leaders with charisma, devotion and moral capital (S. Tang). Is East Asia therefore doomed?

The most interesting aspect of ASEAN's leadership in regional affairs should give us more confidence. In the past decade, while none of the ASEAN leaders as an individual played a 'transformational' role in regional affairs, the ASEAN states as a group were 'transformational': ASEAN succeeded in bringing all major powers into the ARF and constructing a better regional security environment before the 1997-98 financial crisis. The problem, of course, might be that ASEAN has yet to fully recover from this crisis, just when the grand project of regional integration demands more from it.

Therefore, it is crucial for South Korea and especially for ASEAN to retain the confidence that, despite the financial crisis, ASEAN remains a critical force in regional affairs. The fact that four ASEAN states – Indonesia, Malaysia, the Philippines and Thailand – are members of the Cairns Group,

which was successful in bringing the agricultural trade issue to the forefront of the Uruguay Round trade negotiations, should provide valuable lessons for ASEAN and South Korea in trying to bring China and Japan together (Higgott and Cooper, 1990). Only with confidence in their ability to shape the region's future can ASEAN and Korea be expected to devote political capital to the task and persist in trying to realize it, despite expected hard bargaining and impasses.

Pragmatism

Despite the general conviction among regional states that regional integration under ASEAN+3 is good for them (and for the whole region), there seem to be great differences among different East Asian leaders' vision for the region. One can detect at least three different visions for East Asian integration. For some, an integrated East Asia means a naturally developed trading bloc with the help from the powerful invisible hand of ever closer economic interdependence. For others, an integrated East Asia means a bloc, eventually with a set of consciously constructed rules governing the behavior of Member States (maybe not exactly like the EU, but at least similar to it). Finally, for some even a free trade zone is not a viable option for East Asia for the foreseeable future and ASEAN+3 is likely, therefore, to remain no more than a place for simply showing East Asian solidarity (versus others, the EU and NAFTA, say) (Straits Times, 2002).

A healthy debate on the relative merits of these different visions is certainly necessary. But such a debate would not give us all the answers to questions about the future of East Asian integration. Only real groundwork will tell us what the best choice for the region is. Countries in East Asia therefore must not take each other's visions as competing ends for regional integration, but rather as different paths or certain milestones towards a more integrated region (Shiping Tang, op. cit.).

Instead of debating which vision is the right one and holding up the real groundwork, ASEAN and Korea must be pragmatic. They must set a few deadlines with a timeframe for achieving some milestones along the road of the integration process (e.g. and ASEAN-China FTA in 2010, an Asian bond market in the not too distant future, etc.). They must then work hard to get to these destinations on time. ASEAN+3 may move forward without a clear vision for a while (we can cross the river by feeling the stone), but it cannot

survive without some outstanding achievements (this relates to the question of institutional bargaining) that make states believe in the enterprise's eventual success.

Skill

Perhaps simply because of their geographic locations, the ASEAN countries and South Korea over the years have perfected the art of maintaining a delicate balance of power and demonstrated great dexterity in diplomacy. Most of their skills, however, will have to be retooled for the new task of regional integration if there is to be any chance of ASEAN and South Korea leading East Asia as a whole along the road towards a more integrated region.

First and foremost, the present endeavor requires the ASEAN states and Korea to change their mindsets fundamentally. In the past, these states tended to play major powers off against each other so that they could maintain a delicate balance among the major powers. They pitted Japan against China for their own interest rather than for the region. Now they will have to play an entirely new role: that of facilitators or enforcers of cooperation between China and Japan in a regional context. Instead of preventing great powers from getting together and marginalizing middle powers' interest through collusion, ASEAN and Korea now must try to bring great powers together and make them work for a common regional interest. The ASEAN states must recognize that ASEAN as an economic bloc has no independent future. While ASEAN's formation of linkages with all kinds of external economic blocs may be self-gratifying, these merely reflect the fact that ASEAN cannot sustain itself without integrating into the larger East Asian bloc.

This task requires agents of ASEAN states and South Korea to be skillful diplomats not only for their own countries, but also at getting Japan and China to agree. They should bargain hard not only for their own countries' interests but also out of a sense of 'enlightened interest' in order to reach consensus among themselves and then get Japan and China to go along with them. When attempting to get China and Japan to agree on something, the ASEAN states and Korea have to behave as honest brokers in the interests of the whole region and avoid being perceived as unfairly targeting either Japan or China, although adding a dose of competition to Sino-Japanese relations to get China and Japan on board may not be an entirely bad thing. However, this should not be at the expense of cooperation and integration in the region.

As institution building is a path-dependent process, the ASEAN states and South Korea must be skillful in choosing the right path by setting and advancing the agenda. However, this must be consultation with Japan and China. Taking the wrong way can severely hinder the institution-building process and waste tremendous amounts of human, financial and political capital. The worst outcome would be a lack of progress, which would generate a vicious cycle of incompetence and inattention, rendering the vision of integration through institution building futile.

In the first instance, with regard to the task of identifying issue areas for jumpstarting regime formation under ASEAN+3, ASEAN and Korea should learn from their own and other institutions' experience of negotiation in a multilateral setting and take the lead in identifying issue areas in which great chances exist for regional countries to agree on initial action. In particular, regional states should first try to build upon existing multilateral agreements or initiatives, such as the currency-swap arrangement formulated under the Chiang Mai Initiative (CMI) in 2000. While this arrangement has yet to approach the vision of an 'Asian Monetary Fund', it does give regional states another tool with which to confront future emergencies and increases the bargaining leverage of regional states versus the IMF in time of need. Making the arrangement work on a codified regional basis (right now, it is more at the bilateral level) should give regional states more confidence that they can accomplish things through regimes and institutions.

Second, and most importantly, because there has been a clear difference in the success of regime formation in different issue areas, regional states have to identify issue areas in which they are more likely to agree so as to gather momentum for institution building and foster trust between Japan and China. Possible areas include environmental protection, water management and liberalization measures in specific sectors. The possibility of an 'early harvest' agreement reducing tariffs on agricultural products between China and ASEAN, while limited in scope and scale for now, could also be a good starting point (Lianhe Zaobao, 2002; Straits Times, 2002).

Finally, regional states should also seriously consider launching a body for coordinating economic and monetary policies in member economies, especially in large economies such as Japan, China and South Korea. At the very least, these states should get their economic and financial policy makers under the same roof and make their policy-making processes known to other Member States. Workshops on policy making in individual countries should

be offered for officials from all regional countries. While the role of supranational bodies in regime formation is still debatable, it is better to give them a chance.

All these efforts should be geared toward making institution building under ASEAN+3 a positive feedback process, making regional states more willing to cooperate by bringing cooperative benefits to member economies.

The devolution of leadership to ASEAN and South Korea represents a temporary solution for achieving regional integration under ASEAN+3. Ultimately, the success of ASEAN+3 depends upon a closer and much more cooperative relationship between Japan and China. Just as a European Union without cooperation between Germany and France, MERCOSUR without Brazil and Argentina, ECOWAS without Nigeria, SADC without South Africa, are unimaginable; an East Asia without constructive cooperation between Japan and China has no future.

Japan and China will finally have to get on board if the East Asian states are to achieve something together. Unfortunately, with domestic constraints on both sides, Japan and China seem unable to transcend their historical bitterness and forge a more productive relationship. Despite their deep economic interdependence, the two countries continue to view each other more as rivals than as potential partners. If the two countries are to work together they need to take action on a few points. First and foremost, they have to recognize that ASEAN+3 represents the best and last chance for realizing regional integration in East Asia. If, after the East Asian Economic Caucus (EAEC), AMF and various other unsuccessful initiatives ASEAN+3 cannot succeed, what else can East Asia turn to? The answer is absolutely nothing. It is therefore imperative, simply out of political necessity, that Japan and China recognize that they will have to cooperate with each other (Tang, S., *ibid.*). With their own future fatefully tied to the one of East Asian integration, they must bear the responsibility. For that, Japan and China should rise to the occasion.

Second, Japan has to face the dark side of its past with courage and dignity. It has to understand that it will be difficult for a nation that cannot overcome its 'inner demons' to become a normal nation, no matter how hard it tries. This is because a state's self-image is not a sole product of it self-imagination, but has to be confirmed by its interactions with other states. In this sense, Japan has to learn from Germany and initiate an official policy of trying to reach successful reconciliation with its past victims, just as Germany

did (Feldman, 1993; Akermann, 1994). Only then can Japan be accepted as a natural leader of Asian affairs and have a more constructive relationship with China and other regional states. In a nutshell, it needs to swallow its pride at least for a while. Furthermore, it does not need to be a prisoner of history.

Third, given that Japan is nonetheless unlikely to go back to its militarist past and become an expansionist power again, China's media and elite have the responsibility of making its own people aware of this fact. On this account, China also has a lot of work to do. Chinese media should play a constructive and reconciliatory role. Attitudinal change is absolutely critical.

Finally, both Japan and China have to forsake their illusion of singularly dominating the region: neither of them can. East Asia is a region with simply too much external presence for a single regional power to be able to hope to achieve dominance. In this connection, Japan, China and South Korea must understand that competition for regional dominance will not only be a waste of precious resources, but also a waste of a golden opportunity. They should therefore swallow their pride.

Conclusion

Essentially, East Asian integration depends largely on whether Japan and China can recognize the political necessity of cooperating with each other even though it may not be psychologically comfortable from them to do so. What ASEAN+3 can do is to bring Japan and China together under a multilateral framework, and get them, with prodding from the ASEAN states and South Korea, to learn how to cooperate. Regional states must keep in mind that only if they can bring Japan and China together will their efforts to forge closer regional integration eventually pay off. Indeed, the leadership supplied by ASEAN and South Korea must be measured partly by how successful they prove to be in bringing Japan and China together.

Finally, we come down to an area that has been relatively under-discussed in multilateral organizations: mental barriers. Reaching for the goal of regional integration in East Asia requires a fundamental change of mentality for all states in the region.

First, Japan and China have to recognize that because the two countries will not be able to overcome their mutual suspicion anytime soon, working together and learning how to cooperate under a multilateral framework is the

best way for them to build more trust, pay less attention to relative gains, and eventually achieve a more constructive bilateral relationship. They should therefore try to work together more rather than going their separate ways.

Second, while China and Japan have to assure regional states that they do not seek regional hegemony, regional states also gradually have to recognize that persistent mistrust of China and Japan's intentions will be counterproductive at some point. While expressing suspicion about China's and Japan's intentions may be good for short-term gains by squeezing more concessions from the two leading states, their goodwill will have a limit.

Other regional states must therefore make concrete efforts to let Japan and China know that regional states do appreciate the two states' good-will gestures. Moreover, regional states must also be prepared to offer Japan and China leading voices in some critical issues, once the institution-building process has gained momentum and the two states have reached a more constructive modus vivendi. Trust must be mutual: when Japan and China are willing to trust regional states, regional states must reciprocate.

Last, contrary to the fear of the political class in some ASEAN states, especially Singapore (Lee, 2002; Yeo, 2001), that a more integrated East Asia will mean the withdrawal of the US from the region (therefore leading to their submission by Japan and China), the chance of this fear materializing is very remote. Not only are there institutions such as APEC keeping the US permanently (and hopefully constructively) engaged in the region, but also neither China nor Japan wants to exclude the US from the region. Harboring such a fear can only prevent ASEAN states from taking a leadership role in furthering its regional integration agenda. The worst case scenario for East Asia is not one in which an integrated region is dominated by China or Japan, neither of which would be able to dominate it, but rather one in which there is no regional integration at all.

In the end, the future of ASEAN+3 does not depend on what ASEAN+3 has done so far – it depends on what the ASEAN+3 Member States choose to do in the future. For optimists, ASEAN+3 can achieve great things if Member States have the requisite political will and wisdom. For pessimists, ASEAN+3 has no future even if Member States try because East Asia is simply not (Western) Europe. We would opt for the former position and hope the region can get together in time to deal with future crises which are inevitable anyway. However, the process should be all inclusive.

Chapter VII
The Pan-African movement – from Manchester to Addis Ababa

Many scholars, policy makers, students etc have long thought that the process of African integration started with the birth of the Organization of African Unity (OAU). However, research has revealed that the process neither started with the birth of the OAU in 1963 nor the African Union (AU) in 2002. While it is true that the creation of both the OAU and the AU marked major milestones in the historical, political and socio-economic development of the African continent, one needs to bear in mind that these were some of the different phases of institutionalizing Pan-Africanism. Even the current quest for the United States of Africa (USA) has its roots in Pan-Africanism (Muliro, M., 2009:1). In this respect, for a fair treatment of the historical circumstances that led to the birth of these organizations, one needs to trace them within the context of the Pan-African Movement (Mazrui, A. A., 1977:68-70).

Historically Pan-Africanism, the perception by Africans in the diaspora and on the continent that they share common goals, has been expressed in different forms by various actors. There is therefore no single definition of Pan-Africanism and one can further argue that there are as many ideas about Pan-Africanism as there are thinkers of Pan-Africanism (Murithi, T., 2008). Rather than being a unified school of thought, Pan-Africanism is more of a movement which has as its common underlying theme the struggle for social and political equality and the freedom from economic exploitation and racial discrimination.

The Pan-African Movement, as a body of thought, action and ideology that has continued to transform itself, and is gaining new ideological perspectives in changing circumstances, was conceived and born in an environment characterized by domination, oppression, racism and exploitation. Pan-Africanism as a movement and ideology, therefore, that concretized and sensitized Africans to reject, *inter alia*, foreign domination, exploitation and racial discrimination within and outside Africa.

The multiple aspects of Pan-Africanism are, indeed, reflected in the varying approaches adopted by its interpreters. Pan-Africanism has been treated primarily as a "social movement"(Mckay, V., 1966:1-24). It has been discussed as a species of supra-nationalism, one of several "pan" movements. It has been viewed psychologically as "essentially a movement of ideas and emotions" (Legum, C., 1962).

St. Clair Drake, quoted by J. H. Polhemus, correctly distinguishes three types of Pan-Africanism, namely: "racial Pan-Africanism", "residential or continental Pan-Africanism", and "ideological Pan-Africanism." Racial Pan-Africanism denotes "the tendency of some Africans and New World Negroes to unite their efforts in a common struggle against racial discrimination everywhere and for African self-determination." Residential or Continental Pan-Africanism came later, emerging "as awareness grows among peoples throughout the continent of Africa of its vast potentialities and of the need for solidarity if independence and unity are to be attained as each new state emerges." Residential Pan-Africanism emphasizes "uniting all Africans in Africa to pursue common goals." Ideological Pan-Africanism refers to "the existence of groups of thinkers who try to elaborate systematic ideas about how the continent should be liberated and reorganized and what the relations of its peoples should be with other continents" (Polhemus, J., 1971:5-6).

It is interesting to note that it the global dispersal of peoples of African descent that is partly responsible for the emergence of the Pan-African movement. Hakim Adi and Marika Sherwood (2003:7) argue that Pan-Africanism has taken on different forms at different historical moments and geographical locations. The authors note that what underpins these different perspectives on Pan-Africanism is the belief in some form of unity or of common purpose among the people of Africa and the African diaspora.

Pan-Africanism is an invented notion, but it is an invented notion with a purpose. Its purpose is essentially a recognition of the fragmented nature of the existence of Africans, their marginalization and alienation whether in their

own continent or in the diaspora. Pan-Africanism seeks to respond to Africa's underdevelopment. Africa has been exploited and a culture of dependency on external assistance unfortunately still prevails on the continent. If people become too reliant on getting their support, their nourishment, their safety from outside sources, then they do not strive find the power within themselves to rely on their own capacities. Pan-Africanism in this regard calls upon Africans to draw on their own strength and capacities and become self-reliant (Murithi, op. cit.).

As we shall see, the Pan-African movement can be divided into various periods, the first period being 1900-1919, which began with the 1900 Pan-African Conference held in London. The second period covers 1919-1944, when the Pan-African movement developed out of the idealism aroused by the First World War. The third period was between 1944 and 1958. This era was initiated by the end of the Second World War, and it marked the beginning of several new developments in the Pan-African movement. Britain became the main center for the promotion of Pan-Africanist ideas. The fourth period was between 1958 and 1963. For the first time, the Pan-African movement meeting was held on African soil. Many new ideas for regional combinations developed out of these meetings. The OAU should be conceptualized within this framework. It emerged as a culmination of efforts by Africans and people of African descent to redeem themselves from the yokes of colonialism, exploitation and social subjugation and bring the African people much closer together.

The need and desire to achieve a workable institution well suited to serve the people of Africa has been the running theme since the creation of the OAU, later transformed into the AU in 2002. The ambition has always been to build: a united and integrated Africa; an Africa imbued with ideals of justice and peace; an interdependent and virile Africa determined to map for itself an ambitious strategy; and an African underpinned by political, economic, social and cultural integration which would restore to Pan-Africanism its full meaning (Constitutive Act, 2000).

Therefore, the vision of uniting the African Continent in a single federation is not a new one. What are new are the players and the environment. While this transformation reflects determination to move forward, changing circumstances, largely dictated by neo-liberal globalization, are raising new questions about making the dream a reality. While the spirit of the United States of Africa as envisaged by the founding fathers still resonates with many

on the continent and beyond, it is the implementation that is proving to be rather tricky. Many are questioning the viability of such a project on a continent that is facing a myriad of challenges. Nonetheless, the renewed desire for, and process of, integration in Africa is taking place against a background of pressure for regionalization driven by globalizing forces that have the imperatives which challenge the creation of sustainable societies. The continent cannot afford to be lethargic about these new realities.

While the origins of Pan-Africanism are not exactly clear, what is not in doubt is that the ideology represented a reaction against African racism that marked the campaign for the abolition of the Atlantic Slave Trade. Before that, Pan-Africanist feeling first became articulated in the New World during the 18th century starting from the declaration of American Independence in 1776. It also found its expression in reacting to European intrusion in Africa (Wodajo, 1964). Pan-Africanism became popular after the first Pan-African Congress that was held in 1900 and initiated by the African-West Indian barrister Henry Sylvester William. However, the concretization of the idea for the United States of Africa can be found in Marcus Garvey's poetry of 1924. As a discursive challenge to the marginalization of Africa, Pan-Africanism emerged as a sense of African self-renewal and self-reaffirmation to work towards African reconstruction. It was a challenge encompassing politics, economics, and culture. Since then, the key conceptual themes emerging from Pan-Africanism have been Africa's redemption and Africa for Africans. In this connection, Pan-Africanism is the recognition of the fragmented nature of the existence of Africans, their marginalization and alienation, whether in their own continent or in their diaspora (Murithi, op cit).

As a philosophy and movement, Pan Africanism has undergone a transformation. Pan-Africanism today manifests itself mainly in the form of regional cooperation and integration. Regional cooperation and integration is a vital strategy for ensuring Africa's economic advancement, although to date regional economic groupings in Africa have had limited success due to financial and logistical weaknesses. The notion of Pan-Africanism promotes the idea that, through African unity, the continent can remedy the effects of colonialism, alienation and marginalization. African unity is an ideal that can be traced back to the 19th century, but is often undermined by the many challenges the continent currently faces.

The attempt to forge Pan-African unity has been expressed at different points in time in various forms. According to Murithi (ibid), the first phase of

the institutionalization of Pan Africanism is represented by a number of Pan-African Congresses that were held between 1900 and 1945.The second phase of institutionalization of Pan-Africanism was the inauguration of the OAU in May l963. The third phase was the creation of the AU in July 2002. This will not be the last phase of Pan-Africanism. It is obvious that subsequent phases and organizations will bring about ever closer political, economic and social ties among African peoples.

The literature available indicates that the term Pan-Africanism was first used by Henry Sylvester William, a lawyer from Trinidad living in London and the first organizer of a Pan-African Congress in London, Westminster Central Hall, from 23rd to 25th July, 1900. Mr. H. S. William managed to bring together a good number of Africans and those of African descent then living in Europe (Nabudere, W. D., 1981:123) to deliberate on issues such as colonialism and foreign domination of black peoples, racial discrimination, the future of Africa and the international position of the only three black states existing in the world at the time, namely: Ethiopia, Haiti and Liberia.

The question of independence was not on the agenda at this Congress, but Dr. William E. Burghardt Du Bois, one of the participants, took the opportunity to introduce it into the debate and to get the Congress to urge Britain and the other colonial powers to give the right of responsible government to black colonies and those in the Caribbean. Mr. H. S. William died shortly after the Congress. Nevertheless, Du Bois took over from where H. S. William had left off and went on to organize a number of Pan-African Congresses which earned him the name "Father of Pan-Africanism." As a journalist, Du Bois established and ran a chain of newspapers in which he persistently called for the granting of what would now be described as basic human rights to the black peoples of Africa, America, and the Caribbean. Indeed, what became to be known as the African Congress series was organized by Dr. Du Bois from February 17 to 21, 1919 (Raheem, T. A., op. cit:2-4). It was attended by over fifty delegates, of whom at least twelve were from Africa.

It should be noted that this Congress was held against a remarkable backdrop: all the world's great leaders of the time, notably President Woodrow Wilson of the United States and Prime Ministers David Lloyd George and Georges Clemenceau of Britain and France, respectively, were meeting in Paris to map out a new world order from the ruins of the First World War. In this connection, therefore, the final resolution of the Congress, apart from demanding the land in the colonies to be reserved with natural resources for

the natives, urged the Allied powers to take steps to end foreign exploitation of the continent, abolish slavery and discrimination and called upon colonial powers to actively involve Africans in the governments of their territories, so that Africa be ruled by the consent of Africans. The Congress also demanded that the German colonies in Africa, namely Togoland, Cameroon, South West Africa (Namibia) and Tanganyika (Tanzania) be placed under international supervision. This demand was positively received and those countries were put under the League of Nations.

The success of this Congress inspired Dr. Du Bois to the extent that he went on to organize four more congresses on the same theme in various countries (Danneh, K., 1998:48-92). A second Congress was held in September 1921 with successive sessions in London, Brussels and Paris. The third Pan-African Congress was held between November and December 1923. The first session took place in London on November 7-8, 1923. The second session was held in Lisbon between 1st and 2nd December, 1923. The organizer wanted to have a fourth Congress held for the first time on African soil in Tunis, but these efforts were trampled underfoot by the local French colonial authority. Du Bois was, therefore, compelled to move the venue to New York where it was held in August 1927 (Raheem, T. A., op. cit:3). By this time, the Pan-African Movement was so popular that the New York Congress was attended by over two hundred representatives. Du Bois intended to hold a fifth Congress once again in Africa. This was not possible, owing to the world depression of the 1930s.

Dr. Du Bois organized the fifth Pan African Congress at the end of the Second World War in October. This Congress took place in Chalton Town Hall, Manchester, from 15th to 19th October, 1945. For the Africans on the continent the Manchester Congress remains the most important ever, considering the manner in which it addressed the question of colonialism and put the independence movement into gear.

For the first time in the history of Pan Africanism, the initiative to organize the Congress was taken over by the Africans themselves. The black American and West Indian leaders who had pioneered the earlier congresses now took a back seat. Among the leading personalities who attended the Congress were Dr. Kwame Nkrumah and Ako Adjei (Ghana), Wallace Johnson (Sierra Leone), Obafemi Awolowo, Jaja Wachukwu and Nnandi Azikiwe (Nigeria), Jomo Kenyatta (Kenya), Dr. Hastings K. Banda (Malawi), Peter Abrahams (South Africa) and George Padmore (Trinidad). African political parties fighting

for independence were for the first time represented by trade unions and student organizations such as the West African Students Union (WASU) (Raheem, T. A., ibid:4).

As opposed to the moderate approach of the small band of black elite from the Caribbean and the United States, who had organized the earlier congresses, the new organizers were almost all radical and militant in their pronouncements on how the issues facing Africa were to be addressed. For example, the 1921 Conference had pleaded for local government for backward groups, while the Manchester Conference declared that all the peoples of Africa and African descent everywhere should be freed forthwith from all forms of inhibiting legislations and influences and reunited with one another.

It is obvious from the foregoing that the Congress put emphasis on the need for speedy de-colonization of the African continent. The Congress document entitled, 'The Challenge to the Colonial Power' stated, 'the Delegates to the Fifth Pan-African Congress believe in peace … nevertheless, if the Western World continues to rule humanity by force, then Africans, as their last resort, may have to resort to force in the effort to achieve liberty …' (Du Bois, W. E. B., 1995:11).

This was a radical departure from the previous positions that had appealed to the reasonableness of the colonialists instead of proffering a direct political challenge. Pan-Africanism had, therefore, entered a new era. This may be described as the second phase of the movement. The result was that a little over a decade after the Manchester Congress unanimously approved and adopted the declaration to the colonial peoples of the world, Ghana became the first African country to win its independence, on March 5, 1957 (A. U. Directory, 2002:107).

Suffice to mention here that, while this was taking place in London, African leaders in the French dominated territories in West and Equatorial Africa had by this time also been trying to organize a united front of their own in the demand for equality with the nationals of their French rulers. This culminated in mass congress in October 1946 in Bamako, where an all-embracing political organization, the "Rassemblement Democratique Africaine (RDA)" was launched under the leadership of the late Felix Houphouet Boigny.

The Congress opened with a mass meeting of about 15,000 supporters, some of whom were delegates from all the territories that constituted what was then called French West Africa, namely: Ivory Coast, Senegal, Guinea, Mauritania, Mali, Upper Volta (Burkina Faso), Niger, Dahomey (Benin), and

Togo. The only territory that was represented from what was called French Equatorial Africa was Chad. The other territories were not represented because the local French colonial authorities did not allow them to participate.

Besides the RDA, other political organizations were also formed at the time across the territorial boundaries of French West Africa. The best known of these were the Parti du Regroupement Africaine (PRA) led by Leopold Sedar Senghor and the Union Générale des Traivailleurs d'Afrique Noir (UGTAN) led by Ahmed Sékou Touré of Guinea. At one of their rallies in Paris in February 1958, the leaders of UGTAN declared that only the unification of the African movements would enable the territories and the peoples of Africa to overcome their internal contradictions.

Up to this point, the contacts between African leaders under different colonial regimes were insignificant, even where they shared common territorial boundaries. On the other hand, African leaders from different territories under the same colonial regime who were thereby exposed to the same political, economic and cultural influences tended to work together to find common solutions to their colonial problems. For example, contacts between African leaders in British West Africa started as early as 1913 when Chasely Hayford, a Ghanaian Lawyer, held discussions with some of his compatriots and subsequently wrote to certain leading personalities in Ghana, Nigeria, Sierra Leone and The Gambia to sound them out on the holding of a joint conference. The response was positive.

It was out of that initiative that a conference was held in Accra, Ghana, in March 1920. The main theme for discussion was the British Crown Colonial System of Government which the conference, in its final resolutions, described as archaic and anachronistic. In its final resolutions the conference decided to transform itself into the national congress of British West Africa. It also decided to send a delegation of two representatives from each of the colonies to London to submit a petition on its demands to the British Government. The Congress held three more conferences: in 1923 in Freetown, in December 1925 in Banjul and finally in December 1929 in Lagos. These conferences made several significant decisions that contributed to the independence of African countries.

Independence and unity: the road to Addis Ababa

Indeed, the linking of independence with political union or federation of West Africa took a dramatic turn on November 23, 1958, when Kwame

Nkrumah and Sékou Touré, as heads of Governments of the newly independent Ghana and Guinea respectively, announced after a rather hastily arranged meeting in Accra that their two countries had united. The union was called the Ghana-Guinea Union (GGU), which they assumed would be a nucleus for West African States.

The haste with which this union was formed, and the fact that the two states were not linked by any common boundaries, created much doubt as to whether the two leaders were really serious. The significance of the announcement, however, lay in the fact that leaders of independent African states emerging from different political backgrounds, and therefore different colonial language areas (Anglophone vs Francophone), came together to make pronouncements on the general desire for West African Unity. Of course, part of explanation of this Union stems from the fact that Touré had decided to cut his ties with France. The decision had devastating economic consequences for Guinea. Nkrumah had, therefore, to step in.

This sentiment for West African Unity was soon to give way to the desire fora wider, all embracing continental African Unity. On May 1, 1959, Dr. Kwame Nkrumah and Sékou Touré signed a joint declaration in Conakry in which they expressed their intention to broaden the basis of their union to make it the nucleus of a wider 'Union of Independent States of Africa' to which Member States would surrender portions of their national sovereignty in the full interest of African community. According to the two leaders, the union was to have one flag, one anthem and one motto, i.e. independence and unity.

That declaration was followed by their meeting with Liberian President William Tubman. The meeting, which took place at a small Liberian town called Saniquellie, aimed at persuading the Liberian leader to join the union. After long and protracted deliberations, Tubman agreed only to the formation of a loose association to be known as the 'Associated States of Africa' and not a union to which he could surrender part of the sovereignty of his country.

At the end of the day, Tubman's views prevailed. Tubman's views were, therefore, included in the declaration that the three leaders signed on July 19, 1959. According to the declaration, the leaders decided to hold a special conference in 1960 of all independent states of Africa, as well as non-independent states which had fixed dates on which they would achieve independence, to discuss and work out a charter which would achieve their ultimate goal of unity among independent African states.

It should be recalled here that Dr. Kwame Nkrumah, who had been the force behind the discussions that sought to bring the independence of African states together into a political union, had in the meantime been pursuing his passion for Pan-Africanism in other directions. For instance, from 15th to 22nd April, 1958, Nkrumah convened a meeting in Accra of all the then independent African states, namely: Egypt, Sudan, Libya, Tunisia, Liberia, Morocco and Ethiopia (Ajala, A., OAU.Vol.14 – 1988:36 -37). This became the first Pan-African Conference to be held on the African continent. During the Conference, the Dr. Kwame Nkrumah observed that Pan-Africanism had finally returned home and had, therefore, ceased to be a diaspora inspired and led movement. The resolution at this conference reclaimed the central demand of the 1945 Congress in relation to self-determination for all African peoples with the added boost that there were now independent states that could offer support.

The summit also expressed support for the Algerian Nationalists who were at the time waging war against French colonialism, and they decided to send three teams of delegations to tour Europe, South America and Central America to rally world support for the Algerian nationalists. They further decided to instruct their permanent representatives at the UN in New York to co-ordinate their activities in all matters affecting the African Continent, to hold a biannual summit conference of all independent states, and to hold other conferences at ministerial and expert levels as regularly as possible. The summit also clearly demonstrated that neither religion nor the Sahara Desert could constitute a barrier between Arabs and Africans, provided the political will was there.

Apart from setting a precedent for such a conference by independent African states, the conference demonstrated that Pan-Africanism had emerged from the realm of idealism into the fields of practical politics. Furthermore, it showed very clearly that there were African leaders who were determined to see Africa not only free but also united. However, only a few territories in Africa had by then attained independence and were, therefore, qualified to attend such a Conference of Independent African States (CIAS). So if Pan-Africanism was to have a wider base in Africa, efforts would have to be made to bring together African peoples in both the independent and dependent territories. An awareness of this reality led to the convening of the All-African Peoples' Organization Conference (AAPOC) in Accra, Ghana, December 1958 (Raheem, T. A., op. cit: 6).

The conference, which comprised both independent states and nationalist movements, provided a forum for all political parties and trade unions from Cairo to Cape Town. The meeting was attended by 62 nationalist movements/ groups. Prominent individuals included: Dr. Kamuzu Banda (Malawi), Mr. Tom Mboya (Kenya), Patrice Lumumba (Democratic Republic of Congo), Holden Roberto (Angola), Rev. Michael Scott, Patrick Duncan and Mrs. Louis Hooper (South Africa).

The delegations attending were not inhibited by any restraints of governmental responsibility or diplomatic nicety as was the case in the earlier conferences. Their declarations reverberated with the radicalism and militancy of the fifth Pan African Congress which they tried to follow very closely in form and content. Dr. Kwame Nkrumah, assisted by George Padmore, his collaborator since Manchester days, did everything he could to ensure that the All-African Peoples' Conference was a success. The conference pledged moral and diplomatic support for all liberation movements and endorsed the principle of freedom by any means necessary, including armed struggle. It also sensitized the groups to the need for continental union as the goal of national independence.

The AAPC established its permanent Secretariat in Accra with George Padmore as its first Secretary-General. The Secretariat subsequently organized a series of AAPC in other African capitals such as Tunis in 1959 and in Cairo in 1961. The Secretariat also sought to organize all the youth of Africa into various bodies, such as the organization of students, teachers, journalists, writers, peasants, farmers and trade unionists.

Whereas West Africa appeared to be the powerhouse of Pan-Africanism, East and Central Africa were, at the same time, initiating their own movement towards the same goals. The first manifestation of the desire for unity in East and Central Africa made its appearance in 1958 at a meeting held in Mwanza, in the then Tanganyika on the shores of Lake Victoria.

The initial steps had been taken with the convening of a meeting of African Legislative Council members of Kenya, Uganda and Tanganyika in 1957, which formed the first step towards Mwanza. In March 1958, this sentiment was strengthened by the presence of a team of nationalists from East Africa who attended a meeting of Heads of Independent African States in Accra, Ghana, to observe the proceedings (Nabudere, D. W., opcit:125). As noted above, at this meeting, it was decided to organize the first All African Peoples' Conference in Accra, Ghana in December 1958. But before the Accra

conference, it was the considered opinion of the East and Central African leadership that they have a meeting ahead of the Accra one to harmonize their positions. Thus, the Mwanza meeting was organized and it was here that Pan-African Freedom Movement for East and Central Africa (PAFMECA) was formed by delegates from Tanganyika, Kenya, Uganda, Zanzibar, Nyasaland and Northern and Southern Rhodesia (Nabudere, D. W., Ibid:125).

The prominent personalities behind PAFMECA were Jomo Kenyatta (Kenya), Julius Nyerere (Tanganyika) and Dr. Milton Obote (Uganda); that is, the three leaders of East Africa which were then under British colonial hegemony. They were rapidly going through a series of constitutional changes that were to lead them to independence. According to Professor D. W. Nabudere, the Mwanza meeting heralded Tanzania's leading role in regional cooperation in East Africa.

The immediate goal of PAFMECA was to form a federation of its members when they became independent. The leaders of the movement, however, declared that this was a first step towards the eventual formation of continental unity. To this end, they expanded the movement's regional base in 1962 when they invited their neighboring countries to join them to form the Pan-African Freedom Movement of Eastern, Central and Southern Africa (PAFMECSA) (Shivji, 2007:231-237). The additional countries brought in at this time were Ethiopia, Democratic Republic of Congo (DRC), Rwanda, Burundi, Mozambique, Botswana, Lesotho, Swaziland, Namibia and South Africa.

The core of PAFMECSA continued to be the three East African countries, namely Kenya, Uganda and Tanzania. These three territories were bound together by certain common services in the sectors of transportation, communication and statistics, which were centrally administered by the British colonialists.

At the East African Common Services Organization (EACSO) Summit held in Nairobi on June 5, 1963, the three East African leaders met and declared through their host, the late Mzee Jomo Kenyatta that "…we the leaders of the people and governments of East Africa assembled in Nairobi on June 5, 1963, pledge ourselves to political Federation of East Africa. Our meeting today is motivated by the spirit of Pan-Africanism and not by mere regional selfish interests ... we believe that East African Federation can be a practical step towards the goal of Pan-African Unity" (Nabudere, D. W., op cit:129). With these words, the leaders set out to find a new path to unity. There was no room for slogans and words.

Meanwhile, the second conference of independent African states, envisaged both in the first conference in Accra in April 1958 and in the Saniquellies declaration in July 1959, was held in Addis Ababa in June 1960. Represented at the conference were, *inter alia*, Cameroon, Nigeria, Somalia, and the Sudan.

The signatories of the Sanniquellies declaration tried, as much as possible, to get their declaration adopted as the basis for discussion at this conference but the other countries, notably Nigeria, did not agree. The debate centered on the form that the much-talked African Unity should take and disclosed a sharp division of opinion between the countries led by Ghana and Guinea, on the one hand, which aimed at creating African Unity on the basis of firm political integration and, on the other hand, those countries led by Nigeria and Liberia which wanted only a common platform on which independent African states could co-ordinate their efforts for the achievement of their common objectives.

A short while after the Addis Ababa conference, all the territories under French colonial rule in West and Equatorial Africa won their independence. President Felix Houphouet Boigny of Ivory Coast invited the leaders of all the newly independent states to a summit in Abidjan late in October 1960. Issues dealt with at this summit centered mostly on the development in Congo-Leopoldville, the Algerian war of independence, Morocco's claim on Mauritania and the French nuclear test in the Sahara. The meeting, however, took the opportunity to discuss at some length the basis for future common action for cooperative development of their respective states.

As a follow-up to this discussion, the participating countries decided to convene another summit in Brazzaville in December 1960. All the twelve states that attended the Abidjan Summit, namely: Cameroon, the Central African Republic, Chad, Congo Brazzaville, Benin, Gabon, Ivory Coast, Malagasy, Mauritania, Niger, Senegal and Upper Volta participated in the Brazzaville Summit (Ajala, A., op cit:48-49). Collectively, these states became to be known as the Brazzaville Group, alias Union of African and Malagasy States (UAMS).

The Brazzaville Summit came up with a number of resolutions, which included setting up a commission composed of a maximum of three representatives from each state to study and propose a plan for economic cooperation and development. The commission was also expected to study and report on the form of relationship that was to exist between member states, on the one hand, and the European Economic Community (EEC), as

well as international organizations of financial and economic character, on the other.

The Summit also addressed topical issues such as the Franco-Algeria war of independence and the Congo-Leopoldville (DRC) civil war. On the Franco-Algeria war, the conference contended that the war must end on the basis of the principle of self-determination. It further supported the French President's intention to hold a referendum and a round-table conference to settle the Algerian independence issue.

With respect to the Congolese civil war, the conference expressed support to President Joseph Kasavubu in his quarrel with the then Prime Minister Patrice Emille Lumumba. In its communiqué on the issue, the Brazzaville conference condemned foreign involvement in the DRC whether by the UN or by another country, and urged that the UN should limit itself to technical assistance and not a substitute for the Congolese authorities … The practical solution to the problem, the communiqué concluded, "could only be found at round-table conference, which would group together the representatives of every party without exceptions."

Mauritania and Morocco participated in the Summit, although Mauritania was being claimed by Morocco. With the support of the then Soviet Union's veto at the UN Security Council, the Moroccan King had blocked the admission of Mauritania into the UN at independence in November 1960. On this issue, therefore, the Brazzaville Conference expressed concern over the use of veto by the Soviet Union and invited all African states anxious for the dignity and liberty of Africa to avoid the cold war on the continent and to rally behind Mauritania to be admitted to the UN.

Notable absentees from this meeting were two erstwhile French colonial territories, namely the Republic of Guinea, which had broken-off from France in 1958 and, consequently, disassociated itself from the former African French Associates. The other was Mali, which had by then broken with Senegal on the dissolution of Mali Federation that the two had formed and also drifted from its former associates.

As a sequel to these developments in Brazzaville, Presidents Kwame Nkrumah, Sékou Touré, and Modibo Keita of Ghana, Guinea and Mali respectively met in Conakry five days later, and issued a declaration in which they announced their decision to establish a union of three states. According to the declaration, the Union aimed at promoting a common economic and monetary policy. With regard to the Brazzaville Conference, which had just

wound up its business on December 19, 1960, the Conakry declaration ended by saying that the three Heads of State's recent stand was likely to jeopardize African Unity and strengthen neo-colonialism. They condemned all forms of African regrouping based on the language of colonial powers.

Ostensibly, in reaction to the decision taken at Brazzaville on Mauritania's independence and admission into the UN, Moroccan King Sidi Mohammed V invited the Presidents of Ghana, Guinea, and Mali, who had already issued a statement condemning the Brazzaville Communiqué, to a conference in Casablanca in January 1961. Moreover, the King also invited President Gamal A. Nasser of Egypt, King Mohammed Idris I of Libya and Prime Minister Ferhat A. Abbas of the Algerian Provisional Government, who were equally opposed to the position of the Brazzaville Communiqué on Algeria, as well as the Congolese Ambassador (Ajala, ibid:50).

The response to these invitations was one hundred percent positive. They all attended the conference in person with the exception of the Libyan King Idris who was represented by his Foreign Minister Abdelkader El Alham. Together, these became known as the Casablanca Group. Their world outlook was radical in comparison to that of the Brazzaville Group (Raheem, T. A., op cit:6).

The Moroccan Casablanca Conference addressed the same issues as the Brazzaville one, but disagreed with the Brazzaville position on each and every issue. In their joint communiqué issued on January 17, 1961 the Casablanca Conference condemned General De Gaulle's proposed referendum and round-table conference as a means of resolving the Algeria issue. The conference, therefore, declared its determination to support at all costs the Algerian people and provisional government of the Algerian Republic and invited all the governments which had not yet done so to recognize the provisional government of the Republic of Algeria.

On the crisis in the DRC, it expressed support to Prime Minister Lumumba and urged the UN to use force to end the Katangese secession. With respect to the Mauritanian case, the conference described Mauritania as a 'puppet state' that France had severed from the southern portion of Morocco. It, therefore, endorsed 'any step taken by Morocco on Mauritania with a view to restoring her legitimate rights'.

On the question of liberation struggle and African Unity, the Casablanca Conference took a more radical stance. It committed itself to giving material and financial support to all nationalist movements fighting against colonialism.

With respect to the issue of African Unity the Conference decided that efforts should be intensified for the establishment of an effective and efficient form of cooperation among African states in the economic, social and cultural fields. It is, however, on the approach to African Unity that the Brazzaville and Casablanca Groups differed sharply and appeared irreconcilable. While the Brazzaville Group was basically interested in economic cooperation, the Casablanca Group was advocating an immediate political union with, inter alia, a joint Military High Command.

At this point, Africa, which had successfully registered 32 independent states by 1963, had trodden on the tight-rope towards the creation of the OAU. Increasingly, however, the apparent divisions were both of emphasis and ideology between the nationalist leaders about the kind of unity desired and achievable. The immediate danger of this division was that there were clear signs of a possible showdown between a divided instead of a united Africa. What was even more disturbing about this was that the two groups were becoming identified with the two antagonistic ideological blocs of the superpowers of the day, namely the United States and the Soviet Union, which were by then engaged in a Cold War duel.

In an effort to avert the danger of turning Africa into either a theater of superpower politics or unnecessarily dividing Africa against itself, there were several efforts to reconcile the two camps. Leaders of both the Brazzaville and Casablanca groups took steps to bring the two groups together. Twice they failed (Sartman, I. W., op. cit., 1966:26-41).

The monrovia summit

The first significant endeavor in this direction was made by the then President Tubman of Liberia, who invited all the Heads of State to a Summit in Monrovia on May 8, 1961. According to President Tubman, the idea of convening such a Summit was proposed by President Sékou Touré of Guinea. In order to ensure maximum attendance, President Tubman asked five other heads of state to co-sponsor the invitation to other peers. These were Presidents Modibo Keita and Sékou Touré of Mali and Guinea respectively representing the Casablanca Camp. Other co-sponsors were President Houphouet Boigny of the Ivory Coast and Leopold Senghor of Senegal from the Brazzaville Group, as well as Haile Selassie who, like Tubman himself, was neutral.

Preparations for the conference, slated for May 1961, were in top gear when dark clouds appeared on the horizon. At the last minute, Ghana, Guinea and Mali suddenly called for postponement on the grounds that preparations were inadequate. Morocco refused to attend because of the presence of Mauritania, while Sudan and the United Arab Republic declined to attend for no apparent reason. Behind all this was the refusal to invite the Algerian Provisional Government which had, until then, participated in most conferences. On the other hand, all parties of the Brazzaville Group were in attendance. Other countries represented at the conference were Nigeria, Somalia, Sierra Leone, Togo, Ethiopia, Libya, Tunisia and Liberia.

The States that participated in this conference were subsequently called the Monrovia Group. This was, by then, the largest gathering of African Heads of State. However, participants regretted the absence of the Casablanca states and expressed hope that those states would attend future conferences.

They decided, therefore, to hold the first of such conferences in Lagos, Nigeria. Dominated as it was by the Brazzaville Camp, the Monrovia conference more or less endorsed the position that had been taken by the Brazzaville Conference on all the topical issues of the day. Unlike the Casablanca Group, the Monrovia States adopted resolutions that included one of the means of promoting better understanding and cooperation towards achieving unity in Africa and Malagasy.

In Monrovia, the leaders outlined the same principles which were deemed to govern the relationship between the African and Malagasy states, including the absolute equality of African and Malagasy states irrespective of their size, the density of their populations or their national wealth; non-interference in the internal affairs of other states; respect for the sovereignty of each state and its inalienable right to existence and development of its personality and the promotion of cooperation, based on tolerance, solidarity and good neighborliness, as well as periodical exchange of views. Expatiating further, they emphasized that the unity that was aimed at, by then, was not the political integration of sovereign African States, but unity of aspirations and actions considered from the point of view of African solidarity and political identity.

The follow up conference was held in Lagos in January 1962. In response to the invitation from the Nigerian Government, all the independent African states, including the Casablanca Group, accepted the invitation. A pre-summit meeting of the Foreign Ministers Council was scheduled to take place from 25 to 30 January 1962. The Foreign Ministers of the Casablanca Group

stopped in Accra on their way to Lagos for consultations. Their meeting took place on the night of January 20, 1962, but did not end until the early hours of the following morning when, to the surprise and disappointment of the rest of the African states, the Casablanca Group Foreign Ministers announced that they would not attend the Lagos meeting due to the fact that the Algerian Provisional Government had not been invited to the Conference.

On receiving this perturbing news, the then Foreign Ministers of Sudan, Libya and Tunisia who were already in Lagos for the conference flew back home. Twenty countries were left. They were: Ethiopia, Tanzania, Somalia, Cameroon, Central African Republic, Chad, Congo Republic, DRC, Benin, Niger, Togo, Burkina Faso, Gabon, Nigeria, Ivory Coast, Liberia, Sierra Leone, Senegal, Mauritania and Malagasy. Tanzania and DRC replaced Libya and Tunisia who had earlier on attended the Monrovia Conference.

The main achievement of the Lagos Conference was the adoption of a charter based on a draft submitted by Liberia for the formation of an inter-African Malagasy State Organization. This charter was based on the resolutions previously adopted in Liberia.

At this point, therefore, three legal documents had emerged on the continent to support moves aimed at achieving African Unity. These were the protocol of the African Charter and the Charter for the Union of African States, both emanating from the Casablanca Group, and the Lagos Charter approved by the Monrovia Group. At the end of the Lagos Conference, it was proposed that the next summit be held in Addis Ababa, Ethiopia, on a date to be decided by the Ethiopian authorities after consultation with all the independent African states.

In a bid to ensure that the major controversial issues that had led to the refusal of the Casablanca Group to attend both the Monrovia and Lagos Summits were no longer there, when the proposed Addis Ababa Conference convened, Emperor Haile Selassie waited until Algeria achieved its independence on November 1, 1962, before he began serious consultations, although he had started working together with Sékou Touré in June 1962 (Thompson, W. S., 1966:305). As a result of this calculation, it was decided that the Summit meeting be held during the third week of May 1963, and was to be preceded by the Council of Foreign Ministers of Member States.

This time around, when the conference date arrived all the independent African states were represented except Morocco, which still could not sit at the same table with Mauritania. Another absentee was Togo, whose Foreign

Minister arrived in Addis Ababa for the preparatory conference but was prevented from participating in it. This was because many African States, notably Nigeria and Liberia, were strongly opposed to his government, which had on January 13, 1963, ousted the legitimate Togolese Government in a coup d'etat in which President Sylvanus Olympio was assassinated. There were only one or two delegations, notably Ghana, which spoke in favor of Togo being represented at the conference by the government of the day.

Under these circumstances, the Foreign Ministers decided to leave the matter of Togolese Government participation to the Heads of State. The Heads of State and Government, who arrived a week later, discussed the issue only informally and decided at their pre-conference consultations to let sleeping dogs lie. None of them raised the issue formally at the conference.

The Addis Ababa summit

From 22nd to 26th May, 1963, therefore, both camps represented by thirty-two independent states met in Addis Ababa in Africa Hall, of the Economic Commission for Africa (ECA), and created the Organization of African Unity (OAU) whose Charter and governing principles were a compromise between the aspirations of the two groups (Thompson, S.W., and Zartman, T .W., 1975:4). The following countries were present: Algeria, Burundi, Cameroon, Central African Republic, Chad, the Democratic Republic of Congo (DRC), the Republic of Congo, Benin, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Liberia, Libya, Malagasy, Mali, Mauritania, Nigeria, Niger, Rwanda, Senegal, Sierra Leone, Somalia, the Sudan, Tanganyika (Tanzania), Tunisia, Uganda, Egypt and Upper Volta (Burkina Faso). Even though Morocco and Togo were not represented at the Summit, they were allowed, later on, to sign the OAU Charter as founding members.

The Summit meeting of May 1963, therefore, marked a turning point in the foreign policies of independent Africa as well as of the entire continent. The previous ideological differences that divided the continent in two blocs, notably Monrovia and Casablanca, by no means disappeared. Similarly, previous groupings withered away. These differences were submerged in the combined atmosphere of euphoria and seriousness that reigned at the Summit. At that Summit leaders like Ahmed Ben Bella, the first President of Algeria, declared in Addis Ababa at Africa Hall that "we must all be prepared to die a little for the liberation of our continent" (Salim, Sept., 2001:4).

Worth noting is the fact that the OAU was established essentially on the basis of an Ethiopian Draft, along the lines drawn from the Casablanca and Monrovia Charters. The Charter of the new Organization therefore included an annual Summit meeting, a Council of Foreign Ministers, a Secretariat led by an Administrative Secretary-General and a number of Special Commissions. Liberia, Nigeria and Ethiopia were most active in drawing up the Charter and the definition of unity in solidarity and cooperation among sovereign and equal states. They vindicated the ideas consistently expressed by Western Africa's oldest independent statesman, President Tubman, at his first meeting with Sékou Touré in 1958.

In a nutshell, four elements contributed to the success of the Addis Ababa Summit. One was the careful preparations, resulting in the Casablanca and Monrovia Groups being involved almost from the beginning. Also important was Tunisia's work toward North African harmony and the third conference of Independent African States held in Cairo in 1961. A Foreign Ministers' Meeting in Addis Ababa immediately preceded the Summit Meeting and set up an agenda and completed the year of preparation.

Another element was the nearly universal attendance which indicated that the local issues of the past had been relegated to a secondary level, although they were by no means resolved, and that the traditional division between Black and Arab Africa, between Anglo- and Franco-phone states, between radicals and moderates and among rival personalities were no longer important enough to prevent a common meeting of that caliber. Furthermore, the impressive attendance imposed on the delegates the need to come to some agreement.

In the middle of the conference when tempers had began to run high because of an apparent lack of harmony, a speech by Emperor Haile Selassie reminded the Heads of State and Government that the foreign press, only too conscious of the failures of the past attempts at unity, was scornfully predicting failure again at Addis Ababa. The Emperor's intervention roused the delegates and impressed on them the need for more than formal attendance.

Third, the result of Addis Ababa Summit merged the aims of the previous groups, alliances and organizations, eliminating rivals by absorbing their purposes. Goals of political consultations, economic cooperation and assistance to independence movements were taken over from the conference of Independent African States, the Casablanca and Monrovia Groups and the All Africa Peoples' Organization (AAPO).

Finally, the Addis Ababa meeting meant an effective resting-place in the search for African Unity. Agreement on the specific formula did not destroy the agreement of those states like Ivory Coast, which wanted non-interference by supra-national institutions, or the creation of the Pan African Federation (Thompson, W. S., op. cit:305). But it did create an initial consensus, and working institutions based on this consensus. Only after these had been tried and tested for several years could it be determined whether or not they were adequate to the needs and wishes of their members and to the changing African situation.

Some pertinent questions that immediately came to mind were: why was an organization such as the OAU established, as spelt out in the Charter adopted at Addis Ababa on May 25, 1963, rather than an organization with the objective of an African Union? Why was the suggestion put forward by Ghana rejected? To us, the reasons seem to lie in the fact that the majority of African leaders at that Summit played a leading role in the balkanization of both French West and Central Africa (both Federations) into many unviable African states which they were heading. They also witnessed the break up of the Mali Federation - an attempt at unity by both Senegal and Franco-Soudan with the attendant nightmare. The Mali experience discouraged the leaders of the day from the immediate establishment of a political union of African states at that time. Besides, the internal development within Nigeria also demonstrated beyond doubt the difficulties such a political union of African States might generate.

Further, the inter-state relations in West and Central Africa were not cordial enough, as many leaders in these sub-regions viewed the Ghanaian leader with suspicion, even accusing him of fueling subversive activities against their legally elected governments. Their fears were confirmed when President Sylvanus Olympio of Togo was assassinated in January 1963, just a few months before the Addis Summit. The incident reverberated at the Foreign Ministers' Conference and also at the Summit where the issue of assassination and subversive activities found its way into the Organization's Charter (OAU Charter, Art. 3 (5)).

In view of all these factors, the chances of establishing a different type of organization distinct from the OAU were remote. It was also apparent at the Summit that the majority of the Heads of State and Government were in favor of a loose organization. Above all, none of the Member States was ready to relinquish its sovereignty (Thompson, S. W., and Zartman, T. W., op. cit:17). All in all, OAU reflected the material conditions.

Having agreed on the purposes of the new organization the Founding Fathers insisted on the following principles to guide member states of the new body:

(a) the sovereign equality of all Member States;
(b) non-interference in the internal affairs of states;
(c) respect for the sovereignty and territorial integrity of each state and for its inalienable right to independent existence;
(d) peaceful settlement of disputes by negotiation, mediation, conciliation or arbitration;
(e) unreserved condemnation, in all its forms, of political assassination as well as of subversive activities on the part of neighboring or any other state;
(f) absolute dedication to the total emancipation of the African territories which are still dependent; and
(g) affirmation of a policy of non-alignment with regard to all blocs (OAU Charter op. cit.).

The OAU was, therefore, set up with the following objectives: to promote African unity and solidarity of African states; to coordinate and intensify their cooperation and efforts to achieve a better life for the people of Africa; to eradicate all forms of colonialism from Africa; and to promote international cooperation, having due regard to the Charter of the United Nations and the Universal Declaration of Human Rights.

In order to achieve these aims, member states pledged themselves to coordinate and harmonize their general policies, particularly in the domains of: politics and diplomacy; economics; education and culture; health, sanitation and nutrition; scientific and technical activities; and defense and security (OAU Charter Art.2 (2)).

Worth noting is the fact that both the principles and objectives of the OAU reflected the material conditions obtained on the continent at that time. For example, principle (e) of the Charter on the unreserved condemnation, in all its forms, of political assassination as well as subversive activities on the part of the neighboring or any other states, reflected the allegations that were being made at the time, that Ghana was carrying out subversive activities neighboring states. Some of these activities led to the assassination of President S. Olympio of Togo. Another example concerns the principle of non-alignment. It should be recalled that, at the time, the world was divided into East and

West due to the Cold War. Hence, it was safe for Africa to remain non-aligned. One objective fact was that Africa was still under colonialism. Thus, eradication of colonialism featured high on the agenda of the OAU (OAU Charter, ibid).

In so far as the structure of the new organization was concerned, the following organs were set up: the Assembly of Heads of State and Government; the Council of Ministers; the General Secretariat; the Commission of Mediation, Conciliation and Arbitration, as well as Specialized Commissions, among which was the Defense Commission set up instead of the African High Command advocated by Ghana and a few other Member States.

Indeed, attention was geared towards the eradication of colonialism, racial discrimination and apartheid and, as a result, the OAU Liberation Committee with a Liberation Fund at its disposal was also created. Ironically, no organ was set up for tackling Africa's economic development. This might have contributed to the OAU's economic paralysis.

Besides, the post of an Administrative Secretary-General was created to head the OAU's General Secretariat. Having watched helplessly how the UN Secretary-General acted, in exercise of the powers conferred on him under article 99 of the UN Charter during the Congo crisis, many African leaders were reluctant to have a Chief Executive with immense powers at the Head of the OAU General Secretariat. For this reason, they decided to call him an Administrative Secretary-General with drastically curtailed powers. Although the title was changed in 1971 to Secretary-General, his powers were not increased. This anomaly partly affected the Secretary-General's performance. It is worth noting that seeking admission to OAU membership was among the immediate steps of each independent African country on the diplomatic front.

Indeed, critics have described the Continental Organization as a toothless bulldog. Others counsel more sympathetic understanding, emphasizing the modest success of the organization in the early years in the area of diplomatic, political and even material support for African countries still under colonial and settler minority rule. It is, therefore, within this framework that we now embark on an evaluation of the performance of the OAU.

Chapter VIII
OAU perfomance

The establishment of the OAU in 1963 was the culmination of several attempts, both inside and outside Africa, aiming to forge a continental unity, solidarity and cooperation. Needless to say, this was an era characterized by the Cold War, colonialism and so forth. The very inception of such a continental organization was, therefore, a significant achievement.

As noted in the previous chapter, in establishing the OAU, the founding fathers were conscious of these prevailing material conditions. Thus, the objectives and principles of the new Organization reflected the challenges of the era. In this connection, the Organization's Charter had the following principal objectives, aiming to:

- Promote continental unity;
- Co-ordinate efforts to improve the life of the African people;
- Defend African sovereignty;
- Eradicate colonialism; and
- Promote international cooperation.

The principles were:

- Recognition of the sovereign equality of Member States;
- Non-interference in the internal affairs of Member States;

- Respect for the sovereign equality and territorial integrity of each country and its inalienable right to independent existence;
- Peaceful settlement of disputes;
- Condemnation of assassination or subversion by one country in another;
- Dedication to the emancipation of those territories still colonies; and
- Adherence to the principle of non-alignment (OAU Charter, 1992:4-5).

The above stated objectives and principles have remained the main strategies guiding Africa's march towards unity, solidarity and cooperation. The goals were a result of a clear perception, on the part of the African leaders, on the nature and structure of the international system within which Africa was to articulate and defend its aspirations and demands.

The founding fathers discovered the imperative necessity to formulate regional strategies and the need to initiate specific actions to strengthen their collective bargaining capacity within the international system. In this regard, the OAU member states increasingly felt the need to coordinate and harmonize their general policies in several fields, inter alia political and diplomatic; economic cooperation (including transport and communication); education and cultural cooperation; health, sanitation and nutritional cooperation; scientific and technological cooperation; and cooperation for defense and security (OAU Charter, ibid:4).

The ultimate objective for the co-ordination and harmonization of policies was largely to provide the fragile African States with a sense of collective security in its total sense. This was particularly important while they emerged from colonial rule and found themselves confronted with a hostile international political and economic environment. Worth noting is the fact that the OAU's Charter-governing principles and goals were a compromise between the aspirations of two blocs i.e. Casablanca and Monrovia.

There were many critics of the OAU, who claimed that after it had achieved its prime goal of African liberation, the continental body became a mere talking shop, a toothless bull dog that could not even bark audibly. Others counseled a more sympathetic understanding, emphasizing the modest success of the Organization, especially in the early years, in the area of the diplomatic, political and even material support for African Liberation Movements. In this assessment of the performance of the OAU over the past 39 years, this study subscribes to the latter view.

Indeed, when the OAU is seen within a dialectical evolution, including the progress and the Pan-African Movement from the 1900s onwards, it is hard not to take a sympathetic view. The Congresses started by merely drawing attention to the suffering of the natives up to 1945, after which they demanded self-determination, as well as independence without equivocation. The OAU took several steps forward, which we will examine below. It could not avoid being affected by the dynamics of the last half of the 20th century, and it now needs radical transformation to respond to the new challenges of the 21st century.

Immediately after the 1963 Addis Ababa Summit, which meant an effective resting-place in the search for African Unity, the Organization embarked on the implementation of some of the matters that were top of an agenda based on the Charter. These are examined below:

(i) Decolonization

This was an item that topped the agenda of the Founding Fathers. The debate on this subject was led by the then Algerian Prime Minister, Ben Bella, who contended that liberation of the remaining colonial territories in Africa should be the first priority of the newly born Organization. Algeria, which had just won its independence, considered it a duty and responsibility to give as much assistance as possible to other colonial territories. To this end, Algeria undertook to place 10,000 troops at the disposal of Angolan Freedom Fighters who were by then fighting against Portuguese colonialism.

The question of foreign colonial rule in Africa was the most sensitive issue on which several of the African leaders in attendance wanted to be heard. Hence, apart from Algeria, several delegations took the floor on this matter. In the end, a consensus was reached on a number of concrete steps to be undertaken to assist the African liberation movements demanding or fighting for independence. Under the consensus, all independent African states were to make monetary contributions to be given to nationalist and liberation movements to enable them to carry on independence struggles.

Where the nature of the liberation struggle demanded, independent African States were giving weapons and military training to guerilla fighters from the colonial territories to fight against colonial armies. States sharing common

borders with colonial territories that were fighting for independence were to consider it their duty to grant transit facilities to fighters and materials moving to and from the war front.

On the international scene, independent African States were to mount a concerted campaign, particularly with the great powers, to bring pressure to bear on the colonizing powers to end their hegemony over the African countries. Meanwhile, all the independent African states were to sever diplomatic and other ties with Portugal and apartheid South Africa.

For the purposes of receiving, coordinating and distributing assistance to nationalist and liberation movements from independent African States, a Permanent Committee of Nine was created. It was composed of: Algeria, Egypt, Ethiopia, Ghana, Nigeria, Senegal, Tanzania, Uganda and the Democratic Republic of Congo. The Committee was first called the Committee of Nine and later renamed the Co-ordination Committee for the Liberation of Africa or Liberation Committee.

The Committee was to be served by an Executive Secretariat. A Special Fund aimed at supporting the liberation struggle was also established. The headquarters of both the Executive Secretariat and the Special Fund were in Dar-es-Salaam, Tanzania. The struggle was successfully conducted with the OAU playing a pivotal role, and by the mid-1970s more than 41 countries had attained their political independence (Ayouty, Y. E., 1975:98).

Indeed, the importance that the OAU Founding Fathers attached to the liberation of Africa from colonial rule was not lost on the Government of the United Republic of Tanzania, which had been entrusted with the task of getting the Liberation Committee off the ground. The Addis Ababa Summit ended on May 25, 1963. By June of the same year, the Liberation Committee was holding its first meeting in Dar-es-Salaam. At the end of the year, it had held two ordinary sessions in Dar-es-Salaam and one extra-ordinary session in New York, where the then Foreign Ministers of the Member States of the Committee were attending the United Nations General Assembly (UNGA).

During the New York extra-ordinary session the then Tanzanian Foreign Minister, the late Mr. Oscar Kambona, announced that the Tanzanian Government had offered to provide accommodation in Dar-es-Salaam for the use of the Committee as its office and also to release an official of its Ministry of External Affairs in the person of Sebastian Chale, then serving as counselor at Tanzania's Permanent Mission in New York, to serve as the First Executive Secretary of the Committee. The Committee accepted both

offers with gratitude and agreed on an initial budget of 5,000.00 pounds sterling to be placed at the disposal of the new Executive Secretary to enable him set up his office. As a sequel to this meeting, Mr. S. Chale returned to Dar-es-Salaam in October 1963, to assume his new responsibilities (Amate, op. cit.).

For almost three decades after that, the OAU waged an unremitting and relentless struggle for freedom. Armed struggle became the first part of a dual strategy adopted by the continental body in support of the second, which was furtherance of the liberation struggle. The OAU, in collaboration with the UN, mobilized the international community to act and gather support for the action of the then Front Line States (FLS) in the struggle for the independence of Zimbabwe, Namibia and South Africa. This joint effort made it possible for Zimbabwe to win its independence in 1980, while Namibia was able to achieve self-determination from apartheid South Africa in 1990.

With the independence of Namibia in 1990, Africa technically closed the chapter on de-colonization, even though apartheid still remained an issue on the agenda. However, the first democratic elections of April 27, 1994 and the inauguration of the first democratic and non-racial government on May 11, 1994 in South Africa effectively closed the chapter on de-colonization. The OAU rightly attached much importance to the political process in South Africa and did whatever it could within its power to help the process of political transition in that country.

A case in point is that the OAU had an observer mission based in Johannesburg with the objectives of both monitoring violence and assisting in the process of transition. The OAU's presence in South Africa – as well as that of other international observers - not only had a moderating effect on the level of violence but also, most importantly, demonstrated Africa's commitment to the struggle to put an end to the last vestiges of colonialism and institutionalized racism on the continent.

Worth noting is the fact that the OAU remained actively seized of the conflict that erupted between the Polisario Front and the Kingdom of Morocco in 1976. Morocco occupied Western Sahara after the withdrawal of Spain (Bennett, A. L., & Oliver, J. K., 2002:136-137). The OAU's main contribution was the establishment of the ad hoc Committee of five (The Wise Men) formed at the 15th Ordinary Summit of the OAU held in Khartoum, Sudan in July, 1978, to deal with the Western Sahara dispute. The Committee's report to the OAU Summit in 1979 recommended a referendum to enable the Saharawi

people to exercise their right to self-determination. However, the UN-organized referendum has been repeatedly delayed, although the AU continues to retain civilian observers in Western Sahara.

One can note from the above that the OAU made important and, at times, notable contributions to all those territories that became independent since 1964. By all accounts, it is a monumental achievement which the OAU is justifiably proud of. As Dr. Salim A. Salim, former OAU Secretary-General correctly observed, it is true there were difficulties in the implementation of this continental agenda. But this cannot in any way diminish the magnitude of that success. Significantly, African countries played a crucial role in achieving this objective, for Africa's Unity against the twin system of colonialism and racism was unshakable (UNECA, 2002:10-20).

(ii) Conflict prevention, management and resolution

The OAU Charter recognizes the need for development. But conventional wisdom demands that development can only take place in an atmosphere of peace, security and stability. It is in recognition of this fact that the OAU grew increasingly involved in the continent's search for solutions to the many conflicts which have besieged it since 1963.

The OAU experienced a number of challenges to the continent's peace and security, including struggles for independence, inter-state and intra-state conflicts. The conflicts included: the Nigerian civil war, Chad, Liberia, DRC and Sierra Leone. This may partly explain why the Founding Fathers, being pre-occupied with African conflicts, set up a mechanism called the Commission of Mediation, Conciliation and Arbitration (CMCA) to deal with conflicts (OAU Charter, Art 19).

Needless to say, the Commission established as an autonomous body had brought with it certain "assets", given that it was the sole organ of the OAU specifically and exclusively charged with conflict resolution, and that it was conceived as a standing body. However, the Commission remained dormant all through its existence.

Moreover, even at first sight, the Commission had certain important and genuine constraints of its own with regard to the organization's preoccupation with conflict. For one thing, its jurisdiction was limited to involvement in inter-state disputes as distinct from intra-state ones; and for another it was an organ concerned exclusively with conflict resolution as distinct from conflict

prevention. Its mandate was simply meant to normalize relations between two states. In view of this, member states did not use it; instead, they mainly resorted to the Ad hoc Committee through diplomatic channels. The Ad hoc informal system, consisting of employment of individual Heads of State and Government or other eminent persons, was also applied. These methods became common in the 1960s and 1970s. As a result of this, the Commission died a natural death (Amate, E. O. C., 1986:14).

Despite the above, one can argue that during the first three decades of its existence, the OAU registered some successes in conflict management and resolution. The immediate post-independence era was characterized by a proliferation of conflicts over the definition of the international borders. This became a major factor in international relations as many of the newly independent states struggled to come to terms with the arbitrary nature of the boundaries inherited from the colonial masters and their implications for nation-building. It is in the management of these disputes in which the OAU recorded some of its significant victories.

In the 1960s and 1970s, for instance, the Organization was successful in resolving a number of border disputes, including those between Algeria and Morocco, Mali and Burkina Faso, Senegal and Gambia, Somalia and Kenya and Ethiopia and Somalia.

In spite of the successes registered, it is equally true that the OAU's performance in some cases raised more questions than it provided answers. Several factors contributed to this dismal performance between 1963 and 1993. These were, inter alia, the limitation of the OAU's mandate (e.g. Inter-State only, conflict resolution and not prevention), lack of conflict management institutions, lack of capacity, lack of experience, lack of financial resources, lack of good governance, as well as the impact of external intervention on the OAU's capacity in conflict prevention due to the fact that the continental body was at its embryonic stage (Muyongwa and Vogt, 2000:6-7).

It was in recognition of this weakness that, at its 29th Ordinary Session held in Cairo in 1993, the Assembly of Heads of State and Government decided to create a Mechanism for Conflict Prevention, Management and Resolution (MCPMR) within the OAU. This was a concrete step towards the implementation of the objectives of the 1990 Declaration. In adopting the Declaration, the African leaders were re-affirming their commitment to working together towards a peaceful and speedy resolution of all conflicts. It was also

a realization by African leaders that one of the most serious impediments to Africa's development was the scourge and proliferation of conflicts.

By establishing the MCPMR, the African leaders seized the opportunity to bring to the process of dealing with conflicts on the continent a new institutional dynamism, enabling speedy action to prevent or manage and ultimately resolve conflicts whenever and wherever they occurred. In this respect the MCPMR has a primary objective of the anticipation and prevention of conflicts. In circumstances where conflicts have erupted, the Mechanism has the responsibility of undertaking peacemaking and peace-building functions in order to facilitate the resolution of these conflicts.

The Mechanism was built around a Central Organ with the Secretary-General and the Secretariat as its operational arm. The Central Organ of the MCPMR was and still is composed of the Member States of the Bureau of the Assembly of Heads of State and Government plus the countries of the outgoing Chairman and the incoming Chairman, bearing in mind the principle of equitable regional representation and rotation.

The establishment of the MCPMR definitely gave impetus to the OAU's renewed efforts to assume its responsibilities to prevent, manage and resolve continental conflicts in the changing global situation. However, despite the expanded mandate that was given to the Mechanism, including prevention of conflicts, a lack of finance continued to be a major hindrance in the MCPMR's activities.

It should be recalled that the security problem into which the OAU's Mechanism was injected was partly evidenced by the fact that in 1993 there were 5.2 million refugees and 13 million internally displaced persons on the continent (Muyongwa, M., and Vogt., A. M., op. cit:11). Since then a number of conflicts responsible for this dislocation have ended, but others have continued while new ones erupted. Such conflicts include those in Somalia, Liberia, Burundi, Comoro, Ethio-Eritrea, DRC, Sierra Leone and the most recent in Ivory Coast.

Many of these conflicts have been complex, varying in intensity and scope. They have also ranged from smaller intra-state conflicts, such as the secession-based conflicts in the Comoros to bigger and more complicated ones in the DRC. The DRC began as an intra-state dispute and then took on an international dimension (Mpangala, M. P., 2000:105).

Indeed, during the 1990's Africa witnessed numerous conflicts. The OAU mechanism has been involved both directly and indirectly in many initiatives

aimed at managing those conflicts. These efforts have resulted in transforming the OAU into an organization that has had more impact, increased visibility, and an elevated profile in the conflict management field. This is especially true when one compares the organization's performance after the creation of the MCPMR to the preceding three decades of its existence. The increased visibility is partly due to the fact that, unlike in the pre-mechanism era when Africa was preoccupied by the liberation struggle and the proxy wars of the Cold War era, member states have been living in an environment that is less affected by external intervention. This has allowed the OAU to move from the ad hoc approach to conflict management that characterized the pre-1993 phase to a more systematic and institutionalized approach.

As noted above, even with an institutionalized approach and increased visibility, it is also clear that the OAU Mechanism has not been very successful so far in managing African conflicts such as those in Great Lakes Region (e.g. DRC, Burundi and Rwanda), the Comoros, and Liberia. In most cases, the OAU has not been able to focus on its stated priority of anticipating and preventing conflicts, i.e. early warning. Instead, it has been preoccupied with efforts to resolve existing conflicts across the continent. Whereas the creation of the MCPMR theoretically placed the Organization at the center of conflict management efforts on the continent, the fact is that the OAU has, thus far, been but an active peripheral actor in most cases. The UN and sub-regional organizations like the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have often taken the lead in managing conflicts in countries such as Sierra Leone, Liberia, Lesotho, Comoro, and the DRC.

Professor Margaret Vogt and M. Muyongwa attribute this phenomenon to a number of reasons: the OAU is relatively new to the field of conflict management and is, therefore, yet to acquire the necessary experience. The number, intensity, scope, and range of conflicts in Africa have often been overwhelming for the OAU Mechanism, and the OAU has still not been able to overcome several of the financial, organizational and mandate-related limitations that prescribed its conflict management role in the pre-1993 period (Muyongwa, M., and Vogt, A. M., op cit:7).

The performance of the OAU Mechanism since its creation reveals that, while the Organization has become involved in issues that previously would have been considered as purely "internal" ones (issues related to intra-state conflict, unconstitutional changes of government, and elections), the experience

shows that the Mechanism also continues to be hampered in its actions by key provisions in the OAU Charter. Specifically, some member states still continue to view sovereignty as sacrosanct and, by so doing, place severe constraints on the OAU's scope of action and room for maneuver.

The creation of an OAU Peace Fund to serve as a financial reserve for its peacemaking efforts raised hopes that the Mechanism would be able to overcome the financial woes that had plagued the Organization since its establishment. While the Peace Fund has been able to raise revenue from African and external sources, three issues have become obvious: first, the conflict management needs of the continent have far outweighed the resources of the Peace Fund; second, the failure of Member States to meet their financial obligations has adversely affected the work of the Mechanism; and third, if the Mechanism is to succeed, the Peace Fund must be financed on a regular and long-term basis.

Besides the increased conflicts in Africa, the OAU Mechanism's performance has also been affected by the changing international system with the end of the Cold War and Africa's reduced strategic value for external powers. This has resulted in a long and as yet unsettled debate about the role of the UN and sub-regional organizations in Africa and their relationship to the OAU. This debate has centered mainly on the appropriate division of labor among the organizations. Observers believe that the emergence of several western-sponsored conflict management initiatives in Africa (such as the U.S.A sponsored ACRI and the French sponsored RECAMP) have raised questions about the perceived dissonance between these initiatives and the OAU Mechanism (Vogt, M., and Muyongwa, ibid).

In parallel with its efforts at dealing with conflict situations, the OAU has also been involved in supporting its Member States in their attempts to promote the democratization process. In that regard, the OAU is frequently invited to observe elections by Member States. Despite the criticism that the Organization's observer missions are ineffective owing to the fact that the observers are always few and get on the ground too late, their deployment has had psychologically positive results for the contestants and has given credibility to such elections. The OAU has also been advocating the strengthening of institutions for democracy and good governance, respect for human rights and the rule of law on the continent. The real result of this crusade is yet to be seen.

(iii) The inherited colonial borders

It should be recalled that Western and Northern African relations were the first litmus test for the OAU. The most serious one was the outbreak of the Algeria-Morocco dispute over the undesignated border in early 1963. This conflict continued despite the bilateral negotiations and attempts at mediation by Tunisia, Ethiopia and the Arab League. Later on, at the suggestion of Algeria, the matter was carried before a special quadripartite summit of the OAU at Bamako where Hassan II and Ben Bella, Modibo Keita, and Haile Selassie worked out a cease-fire Agreement. The Bamako Declaration also called for an urgent meeting of the OAU. Foreign Ministers met at Addis Ababa in mid-November 1963 and established a Special Arbitration Commission.

The Commission, composed of Mali, Senegal, Ivory Coast, Nigeria, Sudan, Tanzania and Ethiopia, met in Abidjan in early December 1963, in Bamako late January 1964, in Casablanca and Algeria in May 1964. The Africanization of the problem brought several results: it symbolized North African membership in the African world and showed the greater viability of the OAU over the Arab League. By giving the new Organization something to do, the border war both put it to the test and prolonged its life.

The OAU succeeded in stopping the war because the rest of Africa was more deeply committed to unity than to belligerence. However, the war did not succeed in establishing the frontier because it was impossible to make a technical decision either on the border or on the "war guilt," and because it did not have the authority to make a political decision on either matter (Murray and Viotti, 1982:542-548).

Sensing the grave nature of such border disputes in the future, the OAU Heads of State and Government had to address this problem in their second summit in Cairo 1964. It was the then president of Guinea, the late Ahmed Sékou Touré, who introduced the resolution specifying the legitimacy of colonial frontiers. The Assembly's resolution AHG Res. 16(1) on the inviolability of borders was adopted by acclamation in Cairo July 1964. By means of that resolution, the Assembly set up a norm applying the principle of *Uti possidetis* as regards boundaries existing at the time of independence. This successful story has, since then, enabled the OAU to avoid many inter-state disputes.

(iv) Respect for sovereignty and territorial integrity

This is one of the core principles enshrined in the OAU Charter. However, the principle was put to the test during the two-and-a-half-year Nigerian Civil War. This war, which started in 1967 and ended in 1970, almost divided the continent. Nevertheless, the Assembly's position on the Nigerian Civil War, in which it reaffirmed member states' adherence to the principle of respect for sovereignty and territorial integrity and expressed their condemnation of secession in any member state (Lund, M. S., 1998:55), partly saved the country from breaking asunder. However, some have argued that the outright defeat of the secessionists by the federal army prevented Nigeria from disintegrating. It needs to be recalled, however, that there were four OAU member states which recognized Biafra. The Vatican and World Council of Churches also recognized Biafra. The OAU's position prevailed and the UN respected it.

Furthermore, the Assembly's formal role has helped to develop norms of such practical significance that African States rarely disregard its position on such issues. The UN has almost always endorsed Africa's position as articulated by the OAU Assembly and has encouraged the resolution of Africa's conflicts on the basis of the Assembly's position (Amoo, S. G., 1992:13). A case in point is the much celebrated Lusaka Manifesto of 1969 and the role of the Front Line States (FLS) in the Liberation Struggle in Southern Africa. The UNGA supported most of the OAU's decisions in these matters. As a result of this, the UN passed resolution 2704 (XXV) and subsequently decided to give material assistance to the liberation movements. Thus, UNESCO, FAO, and WHO commenced implementing the above resolution.

(v) Peacekeeping

Regional organizations have become significant players in many second generation missions and have been often involved in the peacemaking and peacekeeping processes before the U.N. devoted significant resources to the problem (Ratner, S. R. 1995:83). The OAU has not been an exception. However, one of the areas in which the OAU fared badly over the last 39 years was in the field of peacekeeping. A case in point was the Chad crisis, which furnished the first occasion ever for the OAU to mount a peacekeeping operation. Before that, however, some African countries had participated in UN peacekeeping operations in the Congo in the early 1960s. The operation

in Chad differed from other examples of the OAU military involvement in conflict management, in that it was more complex than the cease-fire observation type of mission that the OAU had been mounting up to that point. This was a peacekeeping operation.

According to the Lagos II Accord of 1979, the OAU Secretary-General was required to assemble an OAU neutral force which would supervise the cease-fire and to head a monitoring commission that would supervise both the peace process and the peacekeeping operations. The countries which were supposed to provide the neutral African force were the Congo, Benin, and Guinea. Only the Congolese contingent of 500 turned up in Chad on January 8, 1980. However, it had to be evacuated as a result of renewed fighting in N'djamena. The Bureau of the OAU's Standing Committee on Chad met in Lomé in January 1981 and decided to send a peacekeeping force urgently to Chad. Nonetheless, the peacekeeping force was unable, once again, to go to Chad. At a very late stage, when Senegal, Nigeria and the then Zaire (now DRC) decided to contribute troops, the question of funding hit a snag. The funds from member states were not forthcoming. Finally, the burden was thus borne by the contributing countries. This state of uncertainty surrounding funding not only "undermined" the morale of some troops but also jeopardized the whole operation. A similar situation continued in subsequent operations.

(vi) Socio-economic development

This is one of the basic objectives of the OAU, i.e. the achievement of a better life for the peoples of Africa. Here the OAU recorded almost total failure. The persistence in Africa of famine, hunger, poverty, ignorance, disease and economic backwardness is testimony to this fact (UNECA, op. cit:6-11).

In the OAU's first decade and even beyond, little or no effort was made to deal with the issue of economic development. A great deal of effort, time and money was spent on political matters. Reality has demonstrated that independence is hollow and unreal unless economic development underpins it, but the instability that plagues many African countries has been counter-productive to economic development. Furthermore, the economies inherited from the colonialists were deliberately arranged to suit the interests of the metropolis (Murray and Viotti). The burden of debt still exists and hinders the

growth of African countries. A few data serve to show how economic and social indicators are a cause of misery and shame. Half of Africa's population (about 340 million people) lives on less than $1 per day. Children under five years old have a mortality rate of 140 in 1,000, while life expectancy at birth is 54 years. Just 58 percent of the population have access to safe water; the rate of illiteracy for people over 15 years old is 41 percent, and only 18 land-line telephones are available to 1,000 people. This situation stands in sharp contrast to the prosperity of the developed world. Recently, over 15 million people in Southern Africa were threatened by famine. An almost equal number of the population in the Horn of Africa faced the same fate. In Ethiopia alone 5.8 million people were affected in recent years (The Monitor, September 4, 2002:1).

The continent's economies remain over-dependent on the supply of raw materials to the West and, of late to China and India. Technological development is, at best, in its infancy. It is a matter of great sorrow that a large number of the Least Developed Countries (LDCs) in the world are in Africa. However, it was not until the mid 1970's to the late 1980s that the OAU came up with strategies that could promote Africa's socio-economic development and recovery. This was prompted by both internal and external factors which militated against the socio-economic transformation of the continent.

In a nutshell, internally there were problems related to governance and economic mismanagement, corruption, lack of popular participation and insufficient trickle-down of development benefits. Externally, the collapse in international prices of primary commodities and the world economic recession all contributed to the African countries' failure to effect structural transformation. Further, the decline, or at best stagnation in resource flows, the volatility and fluctuation of exchange currencies as well as mounting debt service obligations and worsening balance of payment deficits have also contributed to the poor socio-economic performance of Africa.

It is against this backdrop that between 1973 and 1990 a series of Strategies, Declarations and Plans of Action were adopted within the framework of the OAU. They included the 1973 Declaration on Cooperation, Development and Economic Independence; the 1979 Monrovia Strategies for Economic Development for Africa; the 1980 Lagos Plan of Action (Raheem, op. cit:153); and the 1986 African Priority Program for Economic Recovery. All these initiatives were endeavors by OAU Member States to develop

collective responses to the socio-economic problems facing the continent. Despite tremendous efforts and commitment by Member States, these strategies and program did not yield positive results, partly due to the lack of indigenous capacity to mobilize domestic resources, as well as the absence of adequate international support.

Benefiting from the lessons of the past decades and taking into account the then fundamental global changes that were taking place, the OAU met in Addis Ababa in 1990 to review the condition of the continent. There it adopted a far-reaching declaration paving the way for a new departure for the continent. This historic Declaration followed a report which was presented to the Assembly on the Fundamental Changes taking place in the World and their implication for Africa: 'Proposals for Africa's Response'.

In that Declaration, the Heads of State and Government reaffirmed that Arica's development was the responsibility of their governments and peoples. They expressed their determination to lay solid foundations for self-reliant, human-centered and sustainable development on the basis of social justice and collective self-reliance, so as to achieve accelerated structural transformation of their economies. Within that context, they re-dedicated themselves to working assiduously towards economic integration through regional cooperation. They also expressed their determination to take urgent measures to rationalize the existing economic groupings on the continent in order to increase their effectiveness in promoting economic integration and establishing an African Economic Community (Abuja Treaty, June 1991).

The Summit, therefore, renewed the determination of Africans to work together towards a peaceful and speedy resolution of all the conflicts on the continent. They considered this to be conducive to the creation of peace and stability on the Continent and also to have the effect of reducing expenditure on defense and security, so releasing resources for socioeconomic development.

The 1990 Declaration, therefore, provided the continent with new impetus in its efforts to collectively address the challenges facing the African people. It was in this new dispensation that the Heads of State and Government met in Abuja in June 1991 and signed the Treaty establishing the African Economic Community (AEC). Among the objectives of the Community established under the Abuja Treaty were the promotion of economic, social and cultural development and the integration of African economies in order to increase economic self-reliance and foster indigenous and self-sustained development

(AEC). The Treaty was conceived as an operational framework for the development, mobilization and utilization of the human and material resources of Africa as an instrument to promote economic cooperation and integration as laid out in the OAU Charter.

The Abuja Treaty was thus the culmination and consolidation of all the policy issues on Africa's socio-economic development and transformation initiated by Africa between 1970 and 1990. The Treaty entered into force in 1994 and since then efforts have been made to implement its provisions. The 1997 Harare Summit convened, for the first time, as the Assembly of Heads of State and Government of the African Economic Community. Moreover, during the 67th Session of the OAU Council of Ministers, which was held in Addis Ababa, in February 1998, the protocol between the African Economic Community and the Regional Economic Communities (RECs) was signed, thereby opening the way for enhanced cooperation between the AEC and the RECs. However, as observed above, very little practical success has been achieved in this direction.

As we look back, what emerges is a feeling of elation that the Organization has survived, despite the stress and strain it has faced It is still the only effective forum for expressing Africa's hopes and aspirations, as well as a vehicle for effective participation in international politics. There is also sadness that, despite the 39-year existence of the continental organization, Africa remains today the least developed continent in the world, plagued by famine, hunger, disease, illiteracy, heavy indebtedness, poverty, high mortality rates and conflicts.

Any organization, however, is a reflection of its members. Until each African nation puts its house in order, "the OAU will remain a shadow of what it ought to be rather than what it is". Despite its many weaknesses, which are partly derived from the lack of commitment by its Member States, the OAU has helped to promote peace on the continent by reducing foreign intervention, and it has remained the only African collective organization for dealing effectively with the rest of the world.

The question now is how far have the goals and ideals set out in the Charter been achieved? Despite the twists and turns, the OAU tried, within its lifetime, to translate many of its objectives into reality. The Organization succeeded, to a larger extent, in promoting the unity and solidarity of the African States. The very fact that it survived for 39 years, should be a measure of success. It successfully implemented its anti-colonial agenda, as

well as resolving a number of inter and intra-state conflicts on the continent. A recent example is the Ethiopia-Eritrea war in which, in collaboration with the UN and the United States, the OAU brokered a cease-fire Agreement in Algeria, 2000.

Of course it has not been easy. There have been periods of strains and stresses as witnessed on various occasions. There have been, and still are, conflicts among African States. But, by and large, the OAU was able to maintain continental unity vital for all African States. It managed to achieve this through, first, its adherence to the principle of non-interference in the internal affairs of other states; and subscription to the principle of non-alignment. The latter is very vital because African countries are of various ideological inclinations. However, some leaders have abused the former. As I. W. Zartman correctly argues, adherence to the goals, even if not to the practice, of non-alignment has proved of positive value because it has prevented serious ideological conflicts which would have been counter-productive to African Unity (Ayouty, op. cit:6).

Secondly, the Organization also succeeded, to some extent, in preventing outside interference in African affairs by seeking at all times to ensure that African conflicts are not internationalized. Although this has not been wholly successful as evidenced by the Ethio-Somalia and Chad-Libya conflicts, it obviously succeeded in really establishing the norm that resolution of African conflict must first of all be attempted by Africans, and it is only when this has failed that outside bodies should intervene. To a large extent, the international community has respected this position.

Thus, the OAU succeeded in maintaining unity in diversity. And it is this unity that has provided the opportunity for Africa to play a significant role at the United Nations by ensuring the effectiveness of the African Group within that world body, thereby making it possible for the group to play a decisive role in an area very dear to the hearts of all Africans, particularly the eradication of all forms of colonialism and racism from the continent.

Indeed, the continuing passion of the African Group over this question attracted other members of the United Nations and won for it the support of that body for armed struggle by the liberation movements as a legitimate means of eradicating colonialism and racism in Southern Africa. This is based on the principle that colonialism and racism are immoral and unjust and constitute a threat to justice and peace in the world. The continent and activities of the African Group have yielded far-reaching positive results as

demonstrated by the considerable change in the political landscape of the continent during the OAU's lifetime, so much so that all countries are free.

Notwithstanding some of the above mentioned strengths and weaknesses of the OAU, the Organization's Assembly has, nonetheless, demonstrated certain limitations in terms of the speed in which it can promptly convene to respond to conflict situations. In contrast to the incidence of African conflicts, the Assembly's sessions have been irregular. The Heads of State and Government normally meet once a year and very briefly. The sessions last on average for three days. In theory, these limitations should be eliminated by the provision for extra-ordinary sessions, which should deliberate focusing on the conflict at hand. This is by virtue of the fact that the rules of procedure of the Assembly provide that the agenda of an extra-ordinary session shall comprise only items submitted for consideration.

The remarkable fact, however, is that the Assembly did not meet in extraordinary session until January 10, 1976 in Addis Ababa. It was actually to discuss the war in Angola involving the three liberation movements (i.e. MPLA, FNLA and UNITA). That did not mean, however, that there were no prior attempts made to convene extra-ordinary sessions of the Assembly. On the contrary, several calls were made in that regard. For example, as early as the later part of 1964, the late Emperor Haile Selassie and the Ad hoc Commission on the Congo had suggested that an extra-ordinary session of the Assembly be convened to discuss the Congo crisis. Again, following the Unilateral Declaration of Independence (UDI) by Ian Smith in Rhodesia on November 11, 1965 (Akpan, M. E., 1976:87), there were calls for an extraordinary session. However, none of the proposals could muster the two thirds majority quorum required.

There are several probable reasons for this failure in all of the various major crises which Africa has confronted since the creation of the OAU. Probably the most important is the fact that any attempt at short notice to convene the Heads of more than fifty states, each of whom is pre-occupied with pressing domestic or other international affairs, is cumbersome (Polhemus, J. H. 1971:81). It is easier to convene Ministers of Foreign Affairs, whose schedules tend to be more flexible and who are per force more preoccupied with international problems than Presidents.

As noted above, the Organization did not fare well in socioeconomic development, particularly poverty alleviation, food security, widespread corruption, infrastructure, management of public resources, etc. Likewise the

Organization had a disappointing record in upholding human rights. As a result, some of its leaders, like the late Mobutu, Bokassa, Iddi Amin and Mathias Ng'uema have, in the past, been notorious in their violation of human rights and corruption in their respective countries. Despite all this, the OAU's dismal performance has been partly due to lack of funds, experience and political will. Furthermore, the organizational and institutional limitations such as limited mandate, scope of conflicts and corrupt leadership have contributed to its disappointing performance.

It should also be noted that, unfortunately, being a club among Heads of State and Government, the OAU's norms discouraged for many years any significant multi-national efforts to address internal practices, disputes and conflicts. It thus tolerated some horrible abuses of their own societies by leaders like Mobutu, Amin, etc., over opposition elements of any kind within their respective states (Lund, op. cit, 1998:56). To some extent, this was the price paid for mutual respect (Biswaro, op. cit.).

Chapter IX
African integration: an assessment of its progress and prospects

The 1990s witnessed many new developments, marking a major turning point in the world in general and African history in particular. The world saw, among other things, the disintegration of the Communist bloc under the then Soviet Union, end of the Cold War, as well as the globalization phenomenon. All these developments have had a serious impact on Africa's political and socio-economic development. The continent had to take necessary steps to respond to these changes. One of them was the signing of the historic Abuja Treaty in June 1991 creating the African Economic Community (AEC), which formally came into existence in May 1994. The Abuja Treaty provided for, among other things, the establishment of a Pan-African Parliament (PAP). Furthermore, in May 1994, apartheid ended in South Africa, bringing an end to the OAU's stated claim of liberating the continent from the yoke of colonialism and apartheid. The 1990s also witnessed the flowering of democracy across the continent. By the end of the 1990s, multi-party elections took place in more than 30 countries in Africa. By the late 1990s, 'African Renaissance' had become the buzzword for the emerging generation of African leaders, the 'new Pan-Africanists' (Mathews, 2009). They started using the term as a way of comparing the 'Old Africa' with the 'New Africa' in order to chart the path to a future of genuine continental change.

The creation of the African Union (AU) can be considered as the third phase of Pan-Africanism's institutionalization. The AU came into existence in

Durban, South Africa in July 2002. It was supposed to usher Africa into a new era of continental integration, leading to deeper unity and a resolution of its problems. The evolution of the AU from the OAU was therefore timely and visionary. As observed in the preceding chapter, the OAU had somehow failed to live up to its norms and principles. Africa, at the time of the demise of the OAU, was a continent that was virtually imploding owing to pressures that included endless conflicts, poverty, under-development and public health crises like malaria, tuberculosis and HIV/AIDS. To a great extent, the organization had not lived up to its original ideals of promoting peace, security and development in Africa. The AU has emerged as a home-grown initiative to put the destiny of the continent into the hands of the African people. To what extent it will achieve this objective remains to be seen. This chapter seeks to examine its progress and prospects. Our point of departure is the interrogation of its evolution and some of the provisions of the Constitutive Act (CA).

Evolution

At its 35th Ordinary Session held in Algiers, Algeria, from 12 to 14 July, 1999, the then OAU Heads of State and Government agreed to meet in a 4th Extra-Ordinary Session in the Great Socialist People's Libyan Arab Jamahiriya. The extra-ordinary summit was to deliberate on ways to strengthen the Continental Organization so that it could be more effective in keeping pace with the political and socio-economic developments taking place within and outside the continent. Accordingly, the 4th Extra-Ordinary Session of the Assembly was convened in Sirte, in the Great Jamahiriya, from 8-9 September, 1999 (The Sirte Decl. 1999). By the Sirte Declaration adopted on September 9, 1999, the Summit decided, inter alia, to:

(i) Establish an African Union in conformity with the ultimate objectives of the OAU Charter and the provisions of the Treaty Establishing the African Economic Community (AEC);

(ii) Accelerate the process of implementing the Treaty Establishing the AEC and in particular:

(a) shorten the implementation periods set out in the Abuja Treaty;

(b) ensure speedy establishment of all the institutions provided for in the Abuja Treaty, such as the African Central Bank, the African

Monetary Union, the African Court of Justice and the Pan-African Parliament; and

(c) strengthen and consolidate the Regional Economic Communities (RECs) as the pillars for achieving the objectives of the AEC and realizing the envisaged Union.

Based on the above core aspects of the Sirte Declaration, the Heads of State and Government mandated the Council of Ministers to take the necessary measures to ensure its implementation and, in particular, to prepare the constitutive legal text of the Union, taking into account the OAU Charter and the Treaty Establishing the AEC. The Summit also requested the Secretary-General, as a matter of priority, to take all the necessary measures to follow up on implementation of those decisions. The Council was further requested to submit its Report to the 36th Ordinary Session of the Assembly of Heads of State and Government to be held in Lomé, Togo, in July 2000.

As part of the Sirte Declaration implementation process, the then OAU Secretary-General, Dr. Salim A. Salim, convened a meeting of legal experts and parliamentarians in Addis Ababa, Ethiopia. The aim was to consider a Draft Treaty on the establishment of the African Union and a Draft Protocol to the Treaty establishing the African Economic Community relating to the Pan-African Parliament.

The meeting was held from 17 to 21 April, 2000, and attended by Members of Parliament, Ambassadors, Diplomats, Legal Experts, academics and other representatives from: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Republic of Congo, DRC, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Ghana, Guinea, Kenya, Lesotho, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Saharawi Arab Democratic Republic, Rwanda, Senegal, Sierra Leone, South Africa, the Sudan, Tanzania, Chad, Tunisia, Uganda, Zambia and Zimbabwe.

In his opening statement, the Secretary-General remarked, among other things, that the Sirte Declaration was a collective commitment by the Heads of State and Government for reinvigorating the quest to attain the vision espoused by the Founding Fathers of the OAU in forging closer unity among African countries. On the purpose of the meeting, it was stated that the session aimed to help with the preparation of the legal instruments that would enable realization of the spirit and content of the Sirte Declaration. Dr. Salim

underscored the fact that although the leaders had not adumbrated the specific form, model or models that the proposed African Union and Pan-African Parliament should assume, they had emphatically underlined that the proposed Union should take the continent a major step forward from where it was, and that it should be provided with sufficient powers and authority to be able to act with vigor and dynamism in pursuing its collective interest and in advancing the national endeavors of Member States. Similarly, the proposed Pan-African Parliament needed to be adequately empowered to represent, articulate and pursue the collective desires and concerns of the peoples of the continent and in consolidating African Unity, and not simply be a rubber stamp mechanism.

The Secretary-General underscored five important issues. First, the spirit of Sirte was to transcend the existing structures for cooperation and integration by creating a new institutional framework that evolved from those existing bodies but in a superior format, without duplicating other institutions albeit with different nomenclature. Secondly, the Sirte Declaration constituted a unique and significant opportunity in the history of the Continent, which received the support of ordinary men and women from different parts of the continent. Thirdly, there was urgency underlying the Declaration and a need to work speedily and resolutely so that the final texts for the African Union and the Pan-African Parliament could be submitted to the Summit in July, 2000. Fourthly, it was important to learn from the experience of other regions of the world, such as the European Union (EU). Finally, the General Secretariat was committed to ensuring that the responsibilities entrusted to it were carried out in a manner consistent with the spirit and urgency of the decisions taken by the leaders in Sirte (Salim, A. S. Addis Ababa April 17, 2000).This first meeting of legal experts and parliamentarians was followed by a series of similar sessions culminating in a report which was submitted to the 72nd Ordinary Session of the Council that took place in Lomé, Togo, in July 2000.

The Lomé summit

The 72nd Ordinary Session of the OAU Council of Ministers was held in Lomé, Togo, from 4 to 8 July 2000. The Council was followed by the 36th OAU Summit at the same venue. In his Report to the 72nd session of Council, the then OAU Secretary-General Dr. Salim A. Salim indicated that since the 71st Ordinary Session of the Council of Ministers, a number of developments had taken place towards establishing the African Union and Pan African

Parliament. Two meetings of Legal Experts and Pan-African Parliamentarians had been held, prior to the convening of the Ministerial Conference in Tripoli, Libya (Biswaro, op. cit., 2005).

The Secretary-General reminded the august Assembly that the first meeting of experts and parliamentarians had been held in Addis Ababa, Ethiopia, from 17 to 21 April 2000 (Keita, ibid: 249), attended by representatives of 45 Member States, and had adopted two preliminary draft texts on the establishment of the African Union and the Pan-African Parliament, respectively. The second meeting was convened in Tripoli, Libya, from 27 to 29 May, 2000 with the purpose of further examining these preliminary drafts. The meeting noted, inter alia, that a number of issues had arisen during the sessions in Addis Ababa and in Tripoli that required political guidance or decisions. It was followed immediately by the ministerial conference at the same venue, which was attended by 51 Member States.

The deliberations at Meetings of the Legal Experts and the Parliamentarians, as well as the Ministerial Conference, were characterized by an open, frank and transparent exchange of views. As observed earlier, it was generally agreed that the issue before the meeting was not to establish an African Union, but what form the proposed Union should take and how to go about its creation.

In this regard the Ministerial Conference, in particular, reaffirmed its commitment to the establishment of the African Union in keeping with the Pan-African vision that the Founding Fathers of the Continental Organization had enunciated in 1963. It emphasized that the African Union was intended to be a transformation of the existing institutional framework into a qualitatively higher form of integration and cooperation that would better meet the aspirations of the peoples of Africa for greater unity and solidarity in line with the vision of the Founding Fathers (Biswaro, ibid).

At the end of the Ministerial Conference, the Ministers adopted the Draft Constitutive Act of the African Union. As regards the Draft Protocol on the establishment of the Pan-African Parliament, the Ministerial Conference exchanged views and agreed on the main outstanding issues that required political guidance or decisions and requested the General Secretariat to submit the amended draft protocol to the 72nd Ordinary Session of the Council of Ministers for consideration.

The Report of the Ministerial Conference on the Establishment of the African Union and the Pan-African Parliament as well as the annexes thereto,

namely: the Draft Constitutive Act of the African Union and the Draft Protocol to the Treaty Establishing the African Economic Community relating to the Pan-African Parliament were, therefore, submitted to the 72nd Ordinary Session of the Council of Ministers for consideration, adoption and appropriate recommendation to the 36th Assembly of Heads of State and Government [CM/2162 (LXXII)].

This document had been circulated before the Lomé Council of Ministers, who were almost the same Ministers as those who had attended the Tripoli Ministerial Conference and agreed upon the Draft as presented by the Working Group chaired by Mali. Unsurprisingly, therefore, the new draft did not generate acrimonious debate. However, some delegations did raise substantive issues which had been overlooked by the drafters. A case in point was an issue raised by the Tanzanian delegation on the transition period and devolution of the assets and liabilities of the OAU. This Article, which became Article 33, was accepted on Tanzania's formulation (Constitutive Act).

Another Article on which Tanzania intervened and was consequently amended was Art. 4 (h) and (j), on the circumstances under which intervention could be made and sought. Tanzania, supported by South Africa, argued that these circumstances should be spelled out clearly rather than being automatic. The august Assembly accepted the amendments.

In a nutshell, the Draft Constitutive Act was finalized and submitted to the 36th Ordinary Session of the Assembly of Heads of State and Government for adoption, in July 2000, in Lomé. At the close of the session, on July 12, 2000, after formal adoption of the Constitutive Act on July 11, 2000, the following 27 Member States, represented by their Heads of State and Government or Other Plenipotentiaries, signed the AU Constitutive Act: Algeria, Benin, Burkina Faso, Burundi, Central African Republic, Chad, the Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gabon, the Gambia, Ghana, Guinea Bissau, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Niger, Saharawi Arab Democratic Republic (SADR), Senegal, Sierra Leone, the Sudan, Togo and Zambia.

In a bid to ensure that the African Union was quickly established, efforts were deployed immediately to encourage Member States to sign and ratify the Constitutive Act. All Member States who had not yet done so were reminded of their solemn commitment in Sirte and Lomé, and urged to sign the Constitutive Act. To this end, the then Secretary-General sent out individual letters to all Heads of State and Government of the Member States concerned.

In addition to the written communication, during bilateral contacts with some leaders, the Secretary-General took the opportunity to remind them of the urgent need to have the Constitutive Act signed and ratified expeditiously. The then OAU Chairman, the late President Eyadema of Togo, communicated with his peers on the same issue and also took initiatives to have the Constitutive Act signed and ratified as soon as possible.

The 5th Extraordinary Summit was held in Libya from 1 to 2 March, 2001. At that Summit, the Secretary-General reported that since Lomé, a number of countries had signed the Constitutive Act. They were Botswana, the Comoros, Côte d'Ivoire, Egypt, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, São Tomé and Principé, Seychelles, Somalia, South Africa, Tanzania, Tunisia, Uganda and Zimbabwe. Thus, as of February 26, 2001, the total number of countries which had signed the Constitutive Act stood at 44.

As per Article 28, the Constitutive Act requires ratification by a two-thirds majority of all Member States in order for it to enter into force. The minimum number of ratifications thus required is 36 out of the 53 Member States of the Organization. As of February 26, 2001,21 of the signatories mentioned above had ratified the Act and deposited the instruments of ratification with the General Secretariat or formally informed the General Secretariat that they had ratified the Constitutive Act [EAHG/2(v):4]. Those were: Burkina Faso, Burundi, Central African Republic, Chad, The Comoros, Djibouti, Equatorial Guinea, the Gambia, Liberia, Libya, Malawi, Mali, Niger, Saharawi Arab Democratic Republic, Senegal, Sierra Leone, Somalia, The Sudan, Togo, Tunisia and Zambia. Furthermore, a number of other countries which had signed the Constitutive Act indicated that they were in the process of ratifying it.

Indeed, the adoption of the Constitutive Act marked a turning point in the long process of strengthening African Unity and Solidarity, in the historical quest for an economically and politically integrated Continent. In view of the critical importance attached to this perception, the Fifth Extraordinary Summit held at Sirte, Libya, on 1 - 2 March, 2001, therefore proclaimed the establishment of the African Union. Nevertheless, the Constitutive Act had to wait until 26 May 2001 when it entered into force. This was a few days before the Lusaka Summit in July 2001 that decided a one year transition period for transformation from the OAU to the AU. In its decision 160, the Summit directed the establishment of the four key organs of the Union, namely:

The Assembly, The Executive Council, The Permanent Representative's Committee (PRC) and the Commission.

Indeed, it has been argued elsewhere (Biswaro, op. cit., 2005, Mathews, op. cit., 2009) that the transformation of the OAU into AU is not simply a case of removing the 'O' from the OAU, as some analysts have contended. This transformation represents, rather, a qualitative change in the evolution of intra-African cooperation and integration. It can be expected that this transition will impact positively on the living conditions of Africans, and in the long run lead to political and economic union of the continent. A critical examination of the CA shows up similarities and dissimilarities.

Similarities and dissimilarities between OAU/AEC and AU Treaties

From the above, it can be argued that, essentially, the Treaty of the African Union was a merger between the OAU Charter of 1963 and the Abuja Treaty of 1991 that established the AEC. The Hon. Jakaya M. Kikwete, the then Minister for Foreign Affairs and International Cooperation of the United Republic of Tanzania, has correctly and eloquently argued that the AU Treaty had taken on board many of the basic provisions enshrined in the two treaties. Nonetheless, the goal of African Liberation which had been one of the main objectives of the OAU is not reflected in the Constitutive Act of the African Union, primarily because this task has been successfully accomplished. Besides, the policy of the Non-Aligned Movement has also not been included in the Constitutive Act (Kikwete, J. M., Statement delivered at UDSM on AU: 17).

However, there are certain important provisions in the OAU Charter and the Abuja Treaty that have also been included in the AU Constitutive Act. Some of these provisions have been taken, word for word, from the two treaties and incorporated into the Constitutive Act. For instance, the following provisions in the Constitutive Act of the African Union are taken from the OAU Charter:

a) To achieve greater unity and solidarity between the African countries and the peoples of Africa; Article II (1) of OAU Charter and Article 3(a) of the AU Constitutive Act;

b) To defend the sovereignty, territorial integrity and independence of its Member States; Article II (1)(c) of the OAU Charter and Article 3(b) of the AU Constitutive Act;

c) To encourage international co-operation, taking due account of the Charter of the United Nations and the Universal Declaration of Human Rights; Article II (1)(e) of the OAU Charter and Article 3(e) of the AU Constitutive Act;

d) Sovereign equality and interdependence among Member States; Article III (1) of the OAU Charter and Article 4(a) of the AU Constitutive Act;

e) Non-interference by any Member State in the internal affairs of another; Article III (2) of the OAU Charter and Article 4(g) of the AU Constitutive Act; and

f) Peaceful resolution of conflicts among Member States of the Union through such appropriate means as may be decided upon by the Assembly; Article III (4) of the OAU Charter and Article 4(e) of AU Constitutive Act (Kikwete, ibid: 7).

On the economic front, all the important provisions of the Treaty establishing the African Economic Community (AEC) have been included in the Constitutive Act of African Union. Indeed, many of these provisions have been incorporated in extenso. For instance:

a) The African Parliament Article: 7(1)(c) of the AEC Treaty and Article 5(1)(d) of the AU Constitutive Act;

b) The Court of Justice Article: 7(1)(e) of the AEC Treaty and Article 5(1)(d) of the AU Constitutive Act;

c) The Specialized Technical Committees: Article 7(1)(g) of the AEC Treaty and 5(1)(g) of the AU Constitutive Act; and

d) The African Central Bank: Article 6 (f)(iii) of the AEC Treaty and Article 19(a) of the AU Constitutive Act (Kikwete, ibid: 9).

Moreover, the new Treaty and the two old treaties are similar in the sense that both have the Assembly of Heads of State and Government as the supreme organ in all matters of decision making. Furthermore, they are both similar in having the Council of Ministers as the organ, hierarchically next to the Assembly of the Heads of State and Government. The only difference with regard to these three treaties is the nomenclature used for the two institutions; otherwise, the institutions referred to are the same (Kikwete, ibid: 9).

On the other hand, the African Union brings in new areas different from the OAU and the AEC. For example:

(i) Issues of Gender Equality, Respect for Democratic Principles, Human Rights and the Rule of Law and Good Governance: Articles 4(l) and 4(m);

(ii) The right of the Union to intervene in the internal affairs of a Member State in case of grave circumstances such as war crimes, genocide and crimes against humanity subject to the decision of the Assembly of the Union Article 4(h);

(iii) The right of member states to request intervention from the Union in order to restore peace and security Article 4(j);

(iv) Also Article 30 of the Treaty stresses that Governments that come to power through unconstitutional means shall not be allowed to participate in the activities of the Union; and

(v) On the economic front, the Treaty establishing two financial institutions does not exist in the AEC Treaty. These include the African Investment Bank and the African Monetary Fund (Kikwete, ibid: 11).

It was not long before the Constitutive Act of the African Union entered into force on May 26, 2001. This was a few days before the Lusaka Summit in July that decided the one year transition period for transformation from the OAU to the AU.

From this perspective, one can argue that the AU is seeking to promote a aradigmatic shift in continental affairs. Unlike the OAU, it is endowed with the right to intervene in the internal affairs of its member states in circumstances involving war crimes, crimes against humanity and genocide [Constitutive Act, 2000:4 (h)]. As noted earlier, the Constitutive Act also includes provisions for promoting and ensuring the rule of law, democratic governance and respect for human rights. Interestingly, article 30 explicitly forbids the unconstitutional change of government (AU, Constitutive Act 2000). The AU's peace and security architecture includes innovative structures for peacemaking, peacekeeping and peace building, such as the Peace and Security Council (PSC), the African Standby Force (ASF), the Continental Early Warning System (CEWS) and the Panel of the Wise.

In terms of governance and development, the AU has established the New Partnership for Africa's Development (NEPAD) program and its offshoot, the African Peer Review Mechanism (APRM). However, with the departure from the active political scene of some of its outstanding pioneers, the likes of T. Mbeki and O. Obasanjo of South Africa and Nigeria respectively, and because of various criticisms, NEPAD seems to be losing momentum. The continental judicial framework is expressed in the form of the African Court

of Justice and Human Rights. The AU's consultative mechanisms also include the Pan African Parliament (PAP), and the Economic, Social and Cultural Council (ECOSOCC).

From the foregoing it can be pointed out that by this transformation, the AU seeks to promote a more integrated and cooperative continent. Unlike its predecessor (OAU), and as correctly argued elsewhere, the AU has the right and power to intervene in the internal affairs of its member states in grave circumstances, such as war crimes, genocide and crimes against humanity. It is tasked with ensuring respect for democratic principles, human rights, the rule of law and good governance. Since its inception, the AU has advocated the rejection of impunity, political assassination and acts of terrorism. The organization condemns and completely rejects unconstitutional changes of government. The AU has been conceived as an institution with a re-invigorated vision and mandate to improve the livelihood of the people of the continent.

The AU has challenged the notion that it is another 'talking shop'. Since its inauguration in July 2002, the establishment and operationalization of the AU's institutions have moved along at a relatively rapid pace. The Peace and Security Council (PSC), which is central to the AU's objectives, was inaugurated in May 2004. In establishing the PSC the AU recognized that without peace and security there can be no economic development. The PSC is composed of 15 members and is complemented by other institutions such as the Continental Early Warning System, an African Standby Force (ASF) and a peace Special Fund. The AU also adopted a Non-Aggression and Common Defense Pact in 2005. Despite its limited resources, the AU is making a concerted effort to resolve the continent's conflicts. It has taken the leading role in Darfur (Sudan), Somalia, Ivory Coast, Burundi and recently in the Comoros. It also played a key supportive role to the UN in the Democratic Republic of Congo. The deployment of the AU Mission in Sudan (AMIS) in June 2004 demonstrated once again the resolve of African leaders to tackle conflict situations on the continent.

The Pan-African Parliament was formally launched in 2004. Two hundred and two representatives from 36 member states were sworn in with an understanding that for the first five years the PAP will not have full legislative powers, but only consultative and advisory powers. The Parliament has a vital role to play in the implementation of the objectives and principles enshrined in the AU's Constitutive Act of 2000, particularly with regard to the protection of human rights, consolidation of democratic institutions and good governance.

The creation of the African Peer Review Mechanism (APRM) in 2002 is another positive innovation. It will encourage member states to ensure that their policies and practices conform to agreed norms, values, codes and standards. As we have argued before, despite the various criticisms against it, this is a home-grown and managed process that will assess the levels of democracy and political governance and management, corporate governance and socio-economic development of the continent (Biswaro, op. cit., 2005). It is a voluntary system and, to date, several AU member states have agreed to subject themselves to review. The existence of the APRM is in a sense a manifestation of Pan-Africanism in action (AHG/235/2003).

In May 2004 the AU Commission provided a grand vision for the full integration of Africa in the short term by 2007, in the medium term by 2015, and in the long term by 2030. It has also provided a detailed Plan of Action to speed up the integration of the continent. There are several policies that can contribute towards fulfillment of this vision, including strengthening the leadership role of the AU in promoting peace and security on the continent and building a greater capacity to respond rapidly and effectively in crisis situations in Africa The AU needs to coordinate regional peace, security and development mechanisms through her current eight recognized RECs, namely: the Common Market of Eastern and Southern Africa (COMESA); the Community of Sahel-Saharan States (CEN-SAD); the East African Community (EAC); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Inter-governmental Authority on Development (IGAD); the Southern African Development Community (SADC); and the Arab Maghreb Union (UMA). Special attention should be paid to enhancing post-conflict reconstruction and addressing the needs of refugees and displaced persons. It is important to operationalize the AU's Common Defense and Security Policy, as well as Specialized Technical Committees (STCs) as stipulated in the Constitutive Act. This will deter the protagonist states from slipping back into conflicts. Even for optimists, there is no question that there is a long way to go before this vision and mission are realized.

As an expression of renewed Pan-Africanism, there needs to be an increase in support for the AU. The AU should work closely with all its member states to find innovative ways to mobilize resources for its key projects and programs. This would require popularizing the AU and making its vision widely shared. For example, it can mobilize the African people around this vision by celebrating Africa Day (25 May), AU Day (9 September) and African

Integration Week (22-29 May) across the continent (Mathews, op. cit.). The promotion of cultural Pan-Africanism can be achieved through establishing Pan-African Universities, centers of excellence, schools and other institutions, encouraging use of indigenous languages etc. Linked to this issue is the need to develop effective infrastructure in Africa in order to facilitate the movement of persons, goods and services through the continent, by road, rail and air transport networks.

To effectively stop violent conflicts, there has to be an effort to promote disarmament in Africa. Spending on arms and ammunition must be cut to below 1.5% of Gross Domestic Product (GDP) and African states must commit themselves to decreasing their defense budgets during the next ten years. The funds thus made available should be invested in peace and development, and in particular in education and health as one way of capacity building. The promotion of democracy, human rights and good governance in all African countries should be encouraged, and African countries need to join and respect the APRM.

Depending on the level of integration, at an appropriate time, the AU can strive to introduce an African common currency to facilitate trade and economic integration on the continent, to operationalize the African Central Bank and to establish an African Monetary Fund and the African Investment Bank. In a similar vein, it can introduce a Pan-African Passport in addition to regional passports, and abolish visa requirements for African citizens entering other African countries (Mathews K., 2009:35). The AU should also strengthen ties between Africa and foreign actors such as the EU, ASA, the Arab League, UNASUR, ASEAN, China, India and the wider international community.

Pan Africanism and prospects for the United States of Africa today

In spite of all the achievements that the AU has registered so far, it cannot be denied that it has recorded limited successes within the context of regional integration. This dissatisfaction with the speed of integration has revived once again a continental debate on the matter, spear-headed by Libya and like-minded countries. For them, Libya and others would have liked to have the Union government as a forerunner of the United States of Africa yesterday if not now. On the other hand, as in the 1960s, there are those who want it to be implemented gradually. The gradualists have made a strong case for consolidating and strengthening the institutions of the AU rather than rushing

into the creation of a Union Government for Africa. This brings us to the question of what creating a Union Government for Africa would entail.

It should be recalled that the current agenda to establish a Union Government for Africa was launched in 2005. The need to create several ministerial portfolios for the AU was discussed during the 4th Ordinary Session of the Assembly of Heads of State and Government, held in Abuja, Nigeria on 30 and 31 January 2005. The AU agreed to the proposals made by the Libyan government regarding the establishment of ministerial portfolios for the organization. For the Brother Leader Kaddafi, this has been unfinished business since the Sirte Declaration of 1999. Specifically in the 6th Ordinary Session of the Executive Council of the AU, Libya proposed establishing the posts of Minister of Transport and Communications, Defense and Foreign Affairs [AU 2005a: EX.CL/Dec.188 (VI)]. In order to respond to these proposals the AU Assembly decided to create a Committee of Heads of State and Government under the Chairmanship of Yoweri Kaguta Museveni, President of the Republic of Uganda. Other leaders were from Botswana, Chad, Ethiopia, Niger, Senegal and Tunisia, as well as the Chairperson of the AU Commission. They were requested to submit a report by the next summit in July 2005 [African Union 2005b: Assembly/AU/Dec.69(IV)].

In November 2005 the Presidential Committee convened a conference held at Muyongo in Uganda under the theme 'desirability of a Union Government of Africa.' This meeting included members of the committee, representatives of the regional economic communities (RECs), technical experts, academics, civil society, Diaspora and the media. The conference came up with four key conclusions, including: recognition that the necessity of an AU government is not in doubt; that such a union must be of the African people and not merely a union of states and governments; that its creation must come about through the principle of gradual incrementalism; and that the role of the RECs as building blocks for the continental framework should be highlighted.

Based on the finding of this conference, the Assembly mandated the AU Commission to prepare a consolidated framework document defining the purpose of the Union Government, its nature, scope, core values, steps, and processes as well as an indicative road map for its achievement. The Assembly reaffirmed that the ultimate goal of the African Union is full political and economic integration leading to the 'United States of Africa' [AU 2005c: Assembly/AU/Dec.90(V)]. The Assembly also established a Committee of Seven led by President Olusegun Obasanjo of Nigeria, then Chairperson of

the AU. Other members were from Algeria, Kenya, Senegal, Gabon, Lesotho and Uganda. More specifically, the Assembly requested the Committee to consider further the steps that need to be taken for the realization of this objective, the structure, the process, the timeframe required for its achievement and the measures that should be undertaken, in the meantime, to strengthen the ability of the Commission to fulfill its mandate effectively [AU doc. 2005c: Assembly/AU/Dec.90 (5)].

In July 2006, President Obasanjo submitted a detailed report entitled "A Study on an African Union Government: Towards the United States of Africa" to the 7th Ordinary Assembly in Banjul, the Gambia. Some of the key themes emerging from this report highlighted the fact that Africa is over-dependent on the external world, particularly with regard to expatriates, technicians and technology. It also noted that Africa had not fully exploited its potential at national, regional and continental levels with respect to trade, education and health. It pointed out that a United Africa would have the unique potential of producing most types of food and agricultural produce throughout the year (AU 2006:7) and also that in the context of globalization, the challenges of over-dependence and under-exploitation of its potentials have increased the marginalization of the continent in world affairs (AU 2006:8). The Study further outlined the strategic areas on which an African Union Government should focus, namely: continental integration; education; training; skills development; science and technology; energy; environment; external relations; food; agriculture; water resources; gender; youth governance; human rights; health; industry and mineral resources; finance; peace and security; social affairs and solidarity; sports and culture; a trade and customs union; infrastructure; information technology and biotechnology (AU doc. 2006:8-13). The study noted that the design and functioning of the Union Government as a tool for integration would have far-reaching implications for the existing institutions and programs of the African Union (AU doc. 2006:14).

At the 8th Ordinary Summit held in Addis Ababa in January 2007, it was decided that the following summit be dedicated to this issue. Thus, the 9th Ordinary session of the Heads of State and Government that took place in Accra, Ghana, from 1st to 3rd July 2007 was devoted to this Grand Debate. As a sequel to the acrimonious debate, the summit produced the Accra Declaration, which reiterated the commitment of the AU-member states to accelerating the economic and political integration of the African continent, including the formation of a Union Government for Africa with the ultimate

objective of creating of the United States of Africa. Since the Accra Declaration, the vision of the Union Government for Africa has gone through a metamorphosis. There have been several amendments and some redefinition to reach a compromise, though not without debates on modalities, strategies and priorities. For example, the review of the proposed Union Government initiative has been postponed time and again for African leaders to reflect better and 'reduce the uncertainty angles'.

At the 10th Ordinary Session of the AU held in Addis Ababa, in January 2008, a Committee of Twelve Heads of State and Government was formed to interrogate the issue, led by H. E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania and AU Chairperson at the time. The Committee was mandated, among other things, to identify the "contents of the Union Government concept and its relations with national governments." The Committee brainstormed the matter at a retreat in Arusha, Tanzania. It later submitted its recommendations to the 11th AU Summit held in Shamra Al Sheikh, a tourist resort in Egypt, in July 2008. The Committee recommended that the Union Government "shall be a union of independent and sovereign states through a gradual process, and the accelerators and benchmarks, with their timeliness, as recommended by the High Level Panel on Audit of the African Union."

The High Level Panel led by Prof. A. Adedeji recommended, inter alia, the following as accelerators: (a) the free movement of peoples across borders as contained in both the Abuja Treaty and the Constitutive Act of the AU; (b) the development of transcontinental and inter-regional infrastructures; (c) multinational African firms as accelerators of Africa's integration; and (d) the early establishment of the continental financial institutions identified in Art. 19 of the Constitutive Act of the AU, notably the African Central Bank, the African Monetary Fund, and the African Investment Bank.

The Panel also identified the following as benchmarks: (a) Coherence, effectiveness and efficiency of institutional frameworks; (b) popularization and internalization of the core values underpinning the CA of the AU; (c) engagement and mobilization of the peoples of Africa for the unity and integration project; (d) Free movement of the peoples of Africa; (e) Rationalization of the regional economic communities (RECs); (f) fast-tracking of the move towards an African Common Market and the AEC; (g) acceleration of steps towards the establishment of continental financial and monetary institutions; (h) orientations of the African entrepreneurial

elite towards regional and continental investment projects that advance unity and integration.

Following brief interventions, the debate on the Committee of Twelve's recommendations was postponed to the next Summit, which took place in Addis Ababa January 2009. The deliberation on this sensitive matter, which at times threatened to split the organization, was again ably chaired by H. E. President Jakaya Mrisho Kikwete. After a long and heated debate, President Jakaya Kikwete put a proposal to the august assembly that the AU Commission be transformed into an AU authority. This proposal was unanimously endorsed and therefore saved the Organization from splitting.

Reverting to the Panel's report, the whole report reveals several differences and concerns that have emerged on the debate on feasibility of the proposed Union Government. One area of concern is the political and constitutional framework to guide the relationship between the AU and Member States, especially in the case of the devolution of powers from Member States to an AU Government in a number of critical areas, designated as 'strategic policy areas'. There is concern also about the assignment of competences between the AU Government and the Member States based on the principle of 'subsidiarity', which states that 'competence in a particular policy area should be reserved for the tier of government that can best perform it efficiently' (Jinadu, 2009). In practice this system may produce some challenges. On this, Adele Jinadu says: 'The logic of subsidiarity requires that the Union Government shall occupy a legislative field of competences, where it clearly has comparative advantage. This means that it shall do so only if, and in so far as the policy area (a) cannot be sufficiently undertaken by Member States' governments; (b) can only be better achieved by reason of its scale, scope and or effects at the level of the Union Government. But what subsidiarity also means in effect is that most legislative competence shall be reserved for the domestic jurisdiction of Member States. As the result, this may slow down (frustrate) the pace of integration on the continent.

The catalogue of disappointments in regional integration schemes in Africa, from OAU through AEC to AU, and also the RECs, makes one wonder whether there are areas of competences for the proposed Union Government, measured in terms of the previous performances and track records of regional integrations in Africa. Also, it is not as simple as supposing that Member States will always devolve their legislative competence to a supranational body for their enlightened national interests and also for the sake of advantages

accruing from economies of scale. They may not be ready to commit suicide. These are some of the hurdles that need to be addressed.

However, the emergence of Libya's Muammar Gaddafi as AU Chairman at the 12th Ordinary Session of Heads of State and Government of the AU held in Addis Ababa, Ethiopia, in January 2009, once again revived the discourse on the feasibility of the 'United States of Africa'. In his inaugural speech as the new chairman, he vowed to pursue his vision of a United States of Africa: "I shall continue to insist that our sovereign countries work to achieve the United States of Africa". He admitted, however, that African leaders were "not near to a settlement" on the issue.

The proposed Authority is expected to have a President, a Vice President and Secretaries with portfolios based on areas of shared competencies. The proposed AU Authority is expected to have slightly more powers than the Commission in areas dealing with poverty, infectious diseases, education, and legal issues. The proposal to change from Commission to Authority represents an opportunity to institute some recommendations called for by the Audit Report, especially those pertaining to the Commission's independence and capacity. The Authority, with its expanded mandate, will almost certainly have the exclusive right to initiate proposals and coordinate, implement and monitor decisions. In so doing, the proposed Authority will certainly be much more powerful than a Secretariat of the Union.

At its 12th extraordinary meeting in Libya in April 2009 the Executive Council of the AU adopted a report on the creation of an Authority to replace the existing AU Commission. The Council also agreed on the structures and the plan of action for the proposed Authority. The proposal is for the Authority to replace the current Commission, which in the near future will have ten secretaries in addition to the chairperson and the vice chairperson. The issues concerning foreign affairs, security and defense, however, remained unresolved and were rescheduled for debate at the summit of heads of state and government in July 2009 when the AU Authority was expected to be launched. Unfortunately, at the time of writing it is yet to be launched. The debate continues.

While the details of what will be done to give the Authority more powers (or sharper teeth) for its mandates are being worked out, it suffices to say that what was decided was an arrangement that will change the current trend that leaves the top AU policy making organs, the Assembly and the Executive

Council and, to some extent, the AU Commission embedded in the domestic politics of Member States. As expected, this has hindered the performance of the AU and in some instances has left the Commission on a collision course with the Permanent Representative Committee (PRC). Thus, it is imperative that the proposed Authority becomes independent from the various policy-making organs of the continental organization. Are member states ready to commit suicide?

Furthermore, in order to enhance the independence of the Authority and in the process increase the impact of its work, there is an urgent need to consider creating some co-decision-making arrangements between the AU and other continental organs. For example, the Pan-African Parliament can be empowered and transformed into a decision-making body that represents the interest of African citizens. This will enhance the work of the Authority as it will not be subjected to political exigencies of Member States alone, instead becoming accountable to the African people. In addition, to promote transparency and accountability, there is need to create an AU Ombudsman and an independent accounting and auditing mechanism to ensure and sustain the operational and financial health of the Authority. In a nutshell, the proposed AU Authority is a positive step towards continental integration. Otherwise, it remains a work in progress or an unfinished agenda. Its success or failure will largely depend on member states' political will and commitment. Or else it remains business as usual.

On the one hand, one can argue with some conviction that the prospects for economic and political integration of Africa are bright. The need for closer integration among African countries cannot be overemphasized in view of the ongoing globalization processes, increasing interdependence and the growing desire for deeper regional integration in virtually all the regions of the world. A series of problems compel us to embark on this path, among them the recent global financial crisis and the many challenges confronting African countries, such as peace-keeping, security, poverty, underdevelopment, poor infrastructure, inefficient communication and transportation systems, food insecurity and a host of other social, political and economic problems. The approach and strategy for African integration must necessarily represent a political weapon that can address and confront the social, political and economic dynamics underlying development deficits in Africa. Recent trends show many African countries being on the side of increased commitment to regional integration in the long-run, within the framework of the United States

of Africa. Given the untiring efforts of these countries, as well as the renewed interest of the political elites in Pan-Africanism, which achieved first the establishment of the AEC and, more recently, the inauguration of the AU, one can conclude that efforts in this direction will continue today and tomorrow.

The rekindled interest in closer cooperation and integration among African countries has been largely influenced by developments at national, regional and global levels. At the global level, the external environment has become increasingly unfriendly to African economies. The international economic environment has become increasingly characterized by a depressed world commodity market, discriminatory protection, debt crisis, and continuing distortions by transnational corporations. On the positive side, there is a new global consensus on the essence and relevance of supranational institutions and structures for effective operation of integration schemes. The dominant idea, which is rooted in contemporary thinking on effective decision-making in international organizations, is that effective and efficient operation of supranational structures guarantees success in regional integration. This arguably is underscored by the fact that many integrative arrangements in the world today pursue the goals of regional integration through supra-national bodies. The proposal to transform the AU Commission into the AU authority reflects this global current in some respects.

At the level of national politics, some progress has been recorded with respect to political reforms and resurgence of constitutionalism in many African countries. This, in turn, is enhancing the political capacity of African countries to engage in a self-reliant development process, including support for regional integration in Africa (Biswaro, op. cit.). It should be noted that the democratic space in many countries has been expanded and politics has become increasingly inclusive. The idea of encouraging civil society to participate in regional integration is now a welcome development and common way of living in Africa. This is likely to enhance the role and status of the AU, which in turn is concerned to involve civil society in the development process. For example, some of the organs and institutions in the AU, such as the PAP and ECOSOCC, are expected to give ordinary Africans a greater say in their continental leadership.

The increased commitment of some African states to the goals of African unity and regional integration through the AU continues to enjoy strong domestic support in their respective countries. Such domestic support was demonstrated in many African countries by the quick response to the signing and ratification of the AU Constitutive Act. Some of us who witnessed the 27 then OAU member

states signing the Constitutive Act in Lomé on 12th, July 2000 could not believe it. This was a record in recent times. Yet it was a reality in changing circumstances. Given this level of commitment to procedures that facilitated the ratification of the Constitutive Act, it is expected that future participation in the AU programs and projects will continue to enjoy support across all segments of African society.

On the other hand, there are concerns that need to be addressed, or else the dream of a United States of Africa will likely remain a mirage. These include continued adherence to the classical notion of sovereignty by some countries, lack of initiative and readiness to undertake the necessary internal socio-economic restructuring and the dominant pattern of accumulation which enriches a few, at the expense of many. There are the crises and contradictions that arise from the misuse of state power, corruption and lack of transparency in governance procedures, wastefulness and misplacement of priorities. And national governments often appear to be incapable of making their economies become more interlinked in an integration framework; all are potential hindrances to the formation of a United States of Africa. The lack of regime continuity which is a dominant feature of African politics and governance, and the manipulative and technological power of transnational corporations also constitute impediments to the pursuit of serious integrative processes in Africa. Lack of funds and political will and the uncalled-for donor dependency syndrome, which at times compromises the organization's agenda, contribute to failures. It should also be said that the class configuration within Africa, particularly the domination and control of state power and societal resources by a largely unproductive dominant class, has often led to isolationist and pseudo-nationalist policies which jeopardize regional integration.

As pointed out above, regional cooperation and integration has recorded limited successes in Africa. At times it has been frustrating. This raises questions about what is actually being pursued, about the goals and the strategy. It is, however, interesting to note that a new awareness is growing in Africa. More are seeking an explanation of the performance of existing regional integration schemes beyond allegiance to the theories of European integration, especially those that accord prominence to the gradualist strategy that takes social and economic cooperation as the necessary first step towards regional integration. It has been observed that there are defects in the application of such western theoretical constructs when taken wholesale to the African setting. For instance, there are political factors which are critical to the evolution and operation of African integration, and which these western models – functionalism, neo-

functionalism, market integration and the customs union theories – sometimes conceal, in the bid to neutralize the political and ideological aspects of a regional integration process. Such considerations include the question of power relations (national and regional), nature and orientation of the state, control over foreign capital, the dominant ideology, and the direction of class struggle and social conflicts (national, regional and global levels). All these are essential factors in determining the outcome of integrative and co-operative initiatives in Africa.

Conclusion

In this chapter, we have argued and tried to demonstrate that regional integration and cooperation schemes, despite the twists and turns, remain necessary and relevant in the 21st century. These processes, however, need to be articulated clearly and practiced genuinely. In the case of Africa, the OAU was Pan-Africanist to the extent that it sought the political independence of all African countries from the yoke of colonialism (Mathews K., ibid.) and apartheid. However, it was not very successful in protecting African people from the excesses of state power, corruption and human rights abuses.

Pan-Africanism as an ideological movement is committed to the socio-economic and political emancipation of Africans and descendants of Africans in Diaspora. It is constantly evolving. The creation of the AU represents the institutionalization of this ideological movement. For the successful implementation of the AU's programs to take place, national policies must be harmonized with the objectives of the AU. This not only means that states must be prepared to surrender part of their sovereignty to the AU, but that there also needs to be convergence on key policies, such as economic integration and the free movement of people. This is bound to be a challenge, as African states throughout their post colonial history have been possessive about their sovereignty.

The inauguration of the AU in 2002 was yet another historic milestone for the continent. It offers a major opportunity for Africa to establish an effective legal and institutional mechanism to promote unity and prosperity. There are many hurdles to overcome to turn the AU vision into a reality. The implementation of AU policies will obviously pose a significant challenge. In the past, Africa has had a poor record in its failure to implement treaty obligations. This was mainly due to resistance from countries to incorporating international treaties into domestic law and transferring powers to supra-

national bodies. Slowly, some member states are now realizing this fact. They have started taking hard and serious steps of to respect their own decisions.

Furthermore, formal structures for multi-party democracy are in place in some sub-regional communities such as the SADC. The effectiveness, however, with which these relatively new nations practice democracy, varies from the admirable to abysmal support for the promotion of democratic "best practices" throughout the region. This has generated increased momentum and achievements by key partners in the development in regional standards in areas such as anti-corruption initiatives, conduct of elections and political processes as well as media diversity. If sustained, these strengthened standards will make undemocratic behavior less tolerable at both regional and national levels. In order for the AU to succeed, therefore, there has to be a genuine commitment to unity and a strong political will to implement its plan of action.

The catalogue of disappointment in regional integration schemes in Africa, from the OAU through the AEC to the AU and also the RECs, makes one wonder whether there are areas of competences for the proposed Union Government, measured in terms of the previous performances and track records of regional integrations in Africa. Also, it is not as simple as some envisaged that Member States will always devolve their legislative competence to a supranational body for their enlightened national interests and also for the sake of advantages accruing from economies of scale. They may not be ready to commit suicide. These are some of the hurdles that need to be addressed.

Without creating a strong, democratic, independent and self-reliant new Africa, the continent will remain easy prey to the penetration of external economic interests. A united Africa will be able to withstand its multitude of challenges. But, if Africa remains divided, it will continue to be beset by crises (Mwl. J.K Nyerere; 2000). In this respect, there are many obstacles to overcome on the way to making the AU vision of an integrated, prosperous and peaceful Africa a reality. The formation of a Union Government towards the United States of Africa, with one army, is now within the realm of possibility. The AU has laid the foundation for such an evolution. This compels us to draw a lesson from the historical example of the 13 original American colonies that had the vision to unite into a confederation in 1787 to form the United States of America. Today they are part of one of the most powerful nations in the history of humanity (Mathews, op. cit.).

Africa's new Pan-Africanists through the AU should hold on to their vision. They have an opportunity to learn from the mistakes of the past and prepare Africa for its rightful place in the community of nations in the 21st century. All that

is needed is the true political will and commitment to the Pan-Africanist ideology. Pan-Africanism needs to be utilized as a rallying point for all Africans and descendants of Africans in Diaspora. Indeed, the African Union is an idea whose time has come. Africans are one people and have one destiny, regardless of artificial barriers created by colonialists without their involvement. Mwalimu J. K. Nyerere once correctly rejected the glorification of the nation-state which we have inherited from colonialism, and the artificial nations that are trying to forge themselves from that inheritance. "We are all Africans trying very hard to be Ghanaians or Tanzanians. Fortunately for Africa, we have not been completely successful. The outside world hardly recognizes our Ghanaian-ness or Tanzanian-ness. What the outside world recognizes about us is our Africanness" (Shivji: 2008). In this connection, therefore, there is only one way forward. Africa must unite or disintegrate individually. Without unity there is no future for Africa.

The late Kwame Nkrumah advocated the political unity of Africa and formation of Africa as an immediate project (Shivji, ibid.). When he presented this project in the 1960s, it seemed utopian. But it was a program well suited to the real and long-term needs of the people of Africa. Pan-Africanism as an ideal has not lost its validity with the passage of time. On the contrary, Pan-Africanism remains the most effective vehicle to addressing and deliberating problems of Africa. Africa cannot be developed using externally imposed economic paradigms, culture and models. Africa is in need of an African cultural renaissance. An African socio-cultural renaissance is essential, not only for sustainable growth and development, but also to reverse the ongoing marginalization of the continent in the age of globalization. A united Africa will be able to manage the natural resources of the continent in order to become globally competitive, and this can only be in the interests of the African people.

The benefits of regional integration, and indeed globalization, remain therefore an immense and a critical part of Africa's workable development strategy. The era of isolated tiny national economies has to give way to strategic alliances that harness knowledge – and resource-based comparative advantages through integration. This, however, does not come effortlessly and at no cost: a lot of dedicated planning and hard work must be put first. Some decent planning has already been taking place. The next step should be to expedite implementation through greater resolve, speed and effectiveness in translating the good intentions into concrete, implementable, and results-oriented actions on the ground. This would hopefully see the African Union and other initiatives realizing the continent's dream of a United States of Africa.

Chapter X
Reflections and concluding remarks

As can easily be seen from the many examples given throughout this book, regional integration and cooperation have become a pervasive feature of international relations. Within the World Trade Organization (WTO), by July 2005 only one WTO member (Mongolia) was not party to any regional agreement. A total of 330 such agreements had been registered (Baylis J., 2008:436). Regional peacekeeping forces have become active in many parts of the world. Regionalism in recent decades has become one of the forces challenging the traditional centrality of States in international relations.

That challenge comes from two directions. The word 'region' and its derivatives denote one distinguishable part of some larger geographical area. Yet they are used in different ways. On the one hand, regions are territories within a State, occasionally crossing State borders. On the other, regions are particular areas of the world covering a number of different sovereign States. The issues raised for international relations have some elements in common. In this book, however, we have tried to look at regionalism in the international context: the range of special relationships between neighboring countries which represent more than normal diplomatic relations, but in which the component parts retain legal personality under international law.

The first chapter presented some conceptual issues, dimensions and debates. The subsequent chapters placed both regional cooperation and integration in a global context without claiming to be exhaustive, and reviewed

the main developments in Europe, the Americas, Asia and Africa. Chapter 3 has been devoted to the issue of sovereignty, due to its centrality in any cooperation and integration arrangement.

As argued before, regionalism has various dimensions. The term regionalization is often used to refer to the growth of societal integration within a region and the often undirected processes of social and economic interaction (Hurrel, 1995:39). Such a process produces interdependence and may also constitute deepening perception of common interests and identity, including self-awareness as a region. Yet the very nature and membership of regions may be contested, and there are very different forms of interaction between the various dimensions and dynamics of regionalism. Regional agreements cover different mixtures of economic, social and political concerns; and there are different forms of interaction between regionalization and the various ways in which the State may promote regional cohesion. In some cases, State-led actions have been responsible for an increase in real interaction. In others, the development of ties has arisen more from market-led integration.

When considering the different kinds of arrangements which may be agreed between countries, there is always a distinction between cooperation and integration (Biswaro, op. cit.). Regional cooperation has different forms. Functional cooperation refers to limited arrangements which are agreed between States in order to work together in particular areas, for example, in transport, energy, or health. Economic cooperation refers to agreements which cover some degree of commercial preferentialism, but with no harmonization of domestic rules or any obligation for common action in international affairs. Political cooperation entails mutual support and commitment in implementation of certain values and practices within the countries. Cooperation in foreign policy and security means that governments systematically inform and consult each other, try to adopt common positions in international organizations, and may even implement joint actions elsewhere. There are no necessary connections between these different areas of cooperation. And none of this has any consequences for the international status of participating countries beyond normal obligations under international law.

Formal regional integration refers to processes by which States go beyond just removing obstacles to interaction between their countries and create a regional space subject to some distinct common rules. With regard to economic integration, several degrees or phases are normally discernible, namely: preferential trade area, free trade area, customs union, common market,

economic and monetary union. Whereas cooperation may address short-term and temporary projects, integration focuses on long-term and permanent programs, sometimes leading to political union or federation.

While this distinction does involve clear and fundamental choices, it should be treated with some caution. Cooperation and integration are not mutually exclusive general approaches for regional governance so much as options which may be pursued by different sectors and dimensions of regional relations. All regional systems, including the EU today, have a mixture of both.

The formal institutional arrangement of a regional system cannot be assumed to be a measure of the real depth or dynamics of the regional integration process. If regional goals are complex and long term (e.g. to create a full common market), States may set up 'commitment institutions' in order to increase the prospects of effective compliance over time (Mattli, 1999). States therefore agree to cede some degree of sovereignty and to delegate powers to supra-national bodies (Moravscik, 1998; Abbot et al. 2000). This has mainly been the case in Europe.

The institutional structure of the European Community, however, has often been imitated elsewhere. In some cases formally supra-national bodies exist with little real connection with national or transnational life. Conversely, strong formal commitment may not be required to achieve important results in some fields in certain conditions: the Nordic countries, for example, established both a passport union and a common labor market in the l950s without any supranational framework (Best, 2006).

At this juncture, a question arises as to why states decide to pursue regional integration, and what dynamics may explain the evolution of such regional arrangements A first theme historically has been the "management of independence", that is, the need for a newly independent State to settle down in its relations: (1) internally, (2) with the former colonial power, and (3) with other, often rival, powers. This may be summarized as the process of consolidating international identity and 'actorhood': how do sets of societies want to participate in international affairs? A federal union has been the result in some cases. In others, regional organizations of one sort or another have been an important instrument for managing this often conflict-filled process.

A second set of issues may be grouped as the management of 'interdependence.' This partly refers to economic and social interaction; be it the adoption of State-led integration schemes intended to increase such interaction, or of measures to ensure stability where there is market-led

integration, but also to issues of peace and security. Regional organizations can foster security communities by promoting cooperation, establishing norms of behavior, and serving as sites of socialization and learning (Adler and Barnett, 1998b).

A third theme may be summed up as the management of internationalization, that is, the interrelationship between regional arrangements and the rest of the world. The debate about the implication of regionalism for multilateral processes of liberalization was termed the 'building blocks or stumbling-blocks' question by Bhagwati (1991). Proponents of regionalism as building blocks argue that: (1) such arrangements promote internal and international dynamics that enhance the prospects of multilateralism; (2)regionalism can have important demonstration effects in accustoming actors to the effect of liberalization because each successive arrangement reduces the value of the margin of preference; (4) regional agreements have often more to do with strategic or political alliances than trade liberalization; and (5) regionalism has more positive than negative political effects.

On the other hand, opponents of regionalism have been concerned that: (1) the net result of preferential agreements may be trade diversion; (2) there may be attention diversion, with participating countries losing interest in the multilateral system, or simply an absorption of available negotiating resources; (3) competing arrangements may lock in incompatible regulatory structures and standards; (4) the creation of multiple legal frameworks and dispute settlement mechanisms may weaken discipline and efficiency; and (5) regionalism may contribute to international frictions between competing blocs (Bergsten, 1997; World Bank, 2005).

The historical context in which this tension plays itself out has changed considerably. In the first wave of post-war regionalism, notably in Latin America, this largely took the form of State-led efforts to reduce dependency on exports of primary commodities and to achieve industrialization through import substitution, with widespread suspicion of foreign direct investment.

The new regionalism taking place since the late 1980s has been more a response to new forms of globalization, as well as taking place in a multi-polar world after the end of the Cold War. Various common features could be seen in the 1990s. Regional arrangements tended to be more open than before in terms of economic integration, as well as more comprehensive in scope. The new open regionalism, indeed, seems to be loose. Some of the most defining characteristics of regionalism form part of the global structural

transformation. Within this framework, non-State actors are active and manifest themselves at several levels in global system, so they cannot be understood only from the point of view of the single region (Hettne, 1999:7-8).

Yet regionalism may also be seen as one of the few instruments which are available to States to try to manage the effects of globalization. If individual States no longer have the effective capacity to regulate in the face of uncontrolled movements of capital, then regionalism may be seen as a means to regain some control over global market forces and to counter the more negative social consequences of globalization. The debate is far from over.

It is against this backdrop that we have tried to interrogate regional integration in various parts of the world, starting with Europe. In Europe regionalism after 1945 has taken the form of a gradual process leading to the emergence of the European Union. Initially, it was a West European creation between the original six member States born out the desire for reconciliation between France and Germany in a context of ambitious federalist plans. Yet the process has taken the form of a progressive construction of an institutional architecture, a legal framework, and a wide range of policies, which in 2007 encompassed 27 European countries.

The European Coal and Steel Community was created in 1951 (entering ino force in 1952) followed by the European Economic Community and the European Atomic Energy Community in 1957 (in force in 1958). These treaties involve conferring community competence in various areas: the supranational management of coal and steel, the creation and regulation of the internal market, and common policies in trade, competition, agriculture, and transport. Since then, powers have been extended to include new legislative competences in some fields such as the environment. Since the 1992 Treaty on European Union (the Maastricht Treaty, entering into force in 1993), the integration process has also involved the adoption of both stronger forms of unification, notably monetary union, as well as other forms of cooperation, such as non-binding co-ordination in economic and employment policy, or more intergovernmental actions in foreign and security policy.

From very limited beginnings, both in terms of membership and scope, the EU has therefore gradually developed to become an important political and economic actor whose presence has significant impact, both internationally and domestically. This gradual process of European integration has taken place at various levels. The first is the signature and reform of the basic treaties. These are the result of intergovernmental conferences (IGCs), where

representatives of national governments negotiate the legal framework within which the EU institutions operate. Such treaty changes require ratification in each country and are the 'grand bargains' in the evolution of the EU.

Within this framework, the institutions have been given considerable powers to adopt decisions and manage policies, although the dynamics of decision-making differ significantly across different arenas. There are important differences between the more integrated areas of economic regulation on the one hand, and the more intergovernmental pillars of foreign policy and police or judicial cooperation in criminal matters on the other. In some areas, a country may have to accept decisions which are imposed on it by a (qualified) majority of member States. In other areas it may be able to block decisions.

To understand the integration process one needs to take account of the role played by member States and supra-national institutions. Moreover, Member States are not just represented by national governments, since a host of State, non-State, and transnational actors participate in the processes of domestic preference formation or direct representation of interest in Brussels. The relative openness of the European policy process means that political or economic interest groups will try to influence EU decision-making if they feel that their position is not sufficiently represented by national governments. That is one reason why the EU is increasingly seen as a system of multilevel governance, involving a plurality of actors on different territorial levels: supra-national, national and sub-State.

The complexity of the EU's institutional machinery, together with continuous change over time, has spawned a lively debate among integration theorists (Rosamond, 2000; Wiener and Diez, 2004). Some approaches are applications of more general theories of international relations: the literature on both realism and interdependence has contributed to theorizing integration. Other scholars have regarded the European Union as *sui generis* – and therefore in need of the development of dedicated theories of integration. As alluded to earlier, the most prominent among these has been neo-functionalism, which sought to explain the evolution of integration in terms of spill-over from one sector to another as resources and royalties of elites were transferred to the European level. More recently, as aspects of EU policies have come to resemble the domestic policies of States, scholars have turned to approaches drawn from comparative politics.

However, it had been the exchange between supra-national and intergovernmental approaches which has had the greatest impact on the study

of the European integration. Supra-national approaches regard the emergence of supra-national institutions in Europe as a distinct feature and turn these into the main object of analysis. The politics above State level may be here to stay, but so are differences between the kinds of regional arrangements that are being developed in different parts of the world.

Indeed as earlier stated, the dream of the United States of Europe can be traced as way back as Dante in the fourteenth century. According to J. M Rochester (2010), it was not until after World War II that the idea of a "European Community" was seriously pursued. At first, only six states on the Continent the "inner six", joined together to form the European Coal and Steel Community in 1951. The same six countries expanded their cooperation by signing the Treaty of Rome in 1957, creating the European Economic Community (EEC or Common Market). The Community expanded to nine in 1973, with the addition of the United Kingdom, Ireland and Denmark, then to ten with the admission of Greece in 1981, and twelve with the entrance of Spain and Portugal in 1986. German unification brought the former East Germany into the Community in 1990, and Austria, Sweden and Finland were added in 1995. The next large expansion came in 2004, when ten new members were welcomed mostly former Soviet bloc Eastern European states that were judged to have made sufficient progress in adopting Western political economic reforms to merit membership. The last expansion was in 2007, when Romania and Bulgaria were added. A number of other states applied for membership and remain on waiting list, most notably Turkey.

Although some of the founders of the European Community envisioned eventual political unification among the members, most of the national leaders have viewed the undertaking in more narrow terms as a vehicle for economic integration. A main rationale behind the project from the start was the desire to emulate the economic model of the United States, where the absence of trade and other barriers to interstate commerce (between, say Illions and Missouri) made efficiency and prosperity for Americans as a whole. Although economic integration was not an ambitious goal as political unification, it nonetheless represented an unprecedented attempt at cooperation on a continent whose members had fought major wars in twentieth century.

The plan was to proceed in several stages notably: (1) a free trade area, in which all tariff barriers would be eliminated between the Member States; (2) a customs union, whereby all member states would impose a common external tariff on all goods which not only goods exported to the Community

from non-Member States; (3) a common market in which not only goods and services but also workers and capital would be able to move freely across national boundaries (so that, for example, Belgian beer could be sold in the German market even if it did not meet "beer purity" standards specified by the German government, and a Dutch physician could practice medicine in Italy without worrying about work permit, licensing, or other obstacles); and (4) economic and monetary union in which all member states would harmonize their economic policies and accept a single European currency in place of their individual national currencies.

The last two stages, in particular, posed daunting challenges. The European experiment seemed to stall during the 1970s, leading "Euroskeptics" to ask whether European integration could be described as "forward march, parade rest, or dismissed?" However, by 1993, with the signing of the Treaty of Maastricht, all four stages were moving toward completion, and what had been called the European Community changed its name to European Union, still the EU has not fully achieved the goal of total economic integration and is a long way from realizing the larger aspiration of political unification harbored by some founders. Despite substantial progress, a number of problems have persisted, especially given the uneven levels of economic development between the original members of the Community and the latest entrants (e.g., the UK has a per capita income of $38.000, compared to Bulgaria's $3.450).

Indeed, the EU has faced specific challenges. One problem involves the dismantling of travel restrictions across national boundaries. Under the Maastricht Treaty, all nationals of the twenty-seven member states are "EU citizens "while retaining their individual national citizenship. The treaty gives all EU citizens the right of free movement and residence throughout the Union and the right to apply for work subject to certain restrictions. When traveling abroad, all EU citizens carry a similar burgundy-colored passport that has the words "European Union" on it along with the name of their country. Within the EU, under the Schengen Agreement, virtually all internal border controls have been eliminated (so that cars and trucks can cross expeditiously between, say France and Germany without border checks) and a common set of controls of external borders have been established (so that the EU member states have a common visa policy). However, to date, the United Kingdom and Ireland are still not part of Schengen Agreement, while Cyprus, Romania and Bulgaria do not yet fully participate. This has been an extremely difficult issue, given the sensibility national governments have towards ensuring secure borders

and regulating the movement of would-be terrorists, drug traffickers, illegal aliens and refugees. Even among the Schengen members, there have been some snags in implementation because of concern about liberal drug policies in the Netherlands and lax enforcement of immigration restrictions on the part of some members; the fear is that the end of border controls could mean that drug traffickers and terrorists might be free to roam around the continent.

A second problem involves the common currency. A common EU currency, the euro, was introduced in 1999, with the aim of replacing French francs, German deutschmarks and other national currencies of EU members. Currently, only fifteen states are part of "Euroland", the United Kingdom, Denmark, and Sweden having opted out and remainder of the EU membership having not yet met the conditions for adopting the single currency (e.g., reducing their governmental budget deficits). While the euro has enjoyed considerable success, it has complicated economic policymaking at the national level and reduced national autonomy, since the existence of a common currency means that individual governments are less able to use the traditional levers of monetary policy to help fine-tune their national economy (such as lowering interest rates to stimulate a recovery during a recession or devaluing currency to stimulate exports). According to one expert, "economic policy in Europe is no longer made in national capitals" but through EU institutions based in Brussels. Other worry that the lead economy in the EU, Germany, will dictate policy as states lose their "independence to new central bank dominated by Germans."

A third problem has been the harmonization or product standards as well as social standards among the twenty-seven member states. Although Belgian beer no longer has to meet German beer purity standards to be sold in Germany, there have been ongoing controversies over myriad issues, for example, whether there should be a uniform EU-wide standard for past (the Italian government having insisted at one time that all past sold in Italy had to be made hard wheat of the sort Italians used) and a standard EU-wide condom (the British insisting that recommended specifications would not fit most British men). In addition to its absence from the Schengen Agreement and Euroland, Britain has also been one of the major hideouts against the imposition of a EU-wide Social Charter that would guarantee all workers throughout the Union the same minimal set these regulations as representing excessive interference in national affairs and as founded. Among the more difficult problems of the EU continues to face is the need to reconcile the demands of

member governments that tend ideologically to favor a larger welfare state and those that favor a more laissez-faire, deregulated state.

A fourth problem has been the formation of a common foreign policy. Under the Treaty of Rome that created the European Community, the decision-making competence of the EU institutions generally extended only to economic matters, with the Community having no authority to deal with defense issues. Attempts to coordinate foreign policy through a process called "European political cooperation" have at times produced some degree of unity, but more often have resulted in Europe over whether to support the US invasion of Iraq in 2003. The Maastricht treaty called for a "common foreign and security policy including the eventual framing of a common defense policy which might in time lead to common defense [single European army]. Even though in 2000 the EU announced that "a single foreign and security policy czar would speak for Europe", none has yet been appointed other than powerless high representative for foreign policy. Even the United Nations and that "European Union is being viewed increasingly as a distinct actor to be negotiated with not only over economic issues but also over international environmental, narcotics and other issues". Moreover, EU contigents of soldiers have been sent as peacekeepers to various fronts in recent years, including to Bosnia in 2004 and Georgia in 2008. Questions have been raised about the future of NATO should EU army be created, although that remains unlikely development in the near future.

A fifth, and core, problem has to do with the decision-making machinery of the European Union, headquartered in Brussels. The Treaty of Maastricht and subsequent treaties (the Treaty of Nice and Treaty of Lisbon) have attempted to promote, first, greater transparency and accountability (as the EU has suffered from a "democratic deficit" in that European public feel far removed from the EU institutions, and power seems to be exercised as much by EU bureaucrats as by elected officials) and, second, greater efficiency (as EU decision-making procedures have been extremely cumbersome and prone to "Eurosclerosis", a condition exacerbated by the addition of so many new members).

The European Council, comprising the heads of state of the twenty-seven member countries, conducts summit meetings few times each year to set broad policy. Brussels, the "capital" of the EU, is where the Council of Ministers meets. The Council of Ministers, composed of members of the national cabinets from each state (usually the foreign ministers but sometimes agriculture or

environmental ministers or other cabinet officials, depending on the issues to be discussed at monthly meetings), is the most powerful decision-making body in the EU other than European Council. On paper, the Council of Ministers seems to operate in an almost supranational fashion, with each state allocated weighted votes have 29 votes, while Poland and Spain have 27, Romania 14, Malta 3, and so forth) and decisions on most issues based on qualified majority rule formula requiring a triple majority. A proposal passes only if a majority of the 27 member states approve, plus it receives at least 73 percent of the total weighted votes (255 out of 345), and the majority coalition must represent at least 62 percent of the EU population. The voting formula is expected to be simplified in the future. In actual practice, most decisions are taken by consensus. Moreover, on few high-politics issues, such as foreign and security policy, taxation, and immigration, decisions still require unanimous approval. While consensus and unanimity procedures are designed to safeguard sovereignty, such procedures become potential recipe for paralysis as more member states are added to the union.

The Council of Ministers increasingly is having to share power with European Parliament, the legislative arm of the EU. The Parliament used to be merely a watchdog institution with little legislative power. However, recent EU reforms have made it practically coequal with the Council decisions is needed on many issues before the decisions can become EU "law". The members of the Parliament were appointed from the individual legislatures of each country until 1979, when citizens were allowed to vote directly for their representatives in the European Parliament with seats allocated to countries based on population. There are now 785 members serving 5-year terms, although voting turnout in most countries is considerably lower than for national elections, given continued public uncertainty over the Parliament's role. An interesting feature of the European Parliament is that the political parties are organized across national lines, with Socialists from Italy sitting with Socialists from France and other states, with Christian Democrats sitting together, and so forth. The Parliament has been criticized for its "travelling circus" dysfunctionality, since its committee meetings are held in Brussels, its plenary sessions in Strasbourg, France, and its administrative secretariat situated in Luxemborg, requiring "$200 million (more than 10 percent of the EU budget)" to move "MEPs, staff and files back and forth."

The European Commission, the executive arm of the EU in Brussels, plays an important role in the EU political process, both at the front end

(where it helps set the agenda of issues to be discussed by the Council of Ministers) and the rear end (where it is charged with implementing Council decisions). Each of twenty-seven member states is entitled to nominate a commissioner. However, if the EU expands beyond twenty –seven members, this is expected to change, due to concerns about the unwieldy nature of such a large body. Although nominated by their governments for renewable 5-year term, these "Eurocrats", along with the 25.000 EU employees under them, are expected to represent the interests of the EU as a whole and, indeed tend to exercise considerable independence. Each commissioner is assigned a portfolio for which he or she is responsible (e.g, fisheries, transport, health).

Important decisions are increasingly being taken in Brussels across a wide range issue-areas that affect people throughout the Union. Consequently business, labor, and other interest groups have been organizing transnationally and establishing offices in Brussels to lobby at the EU level. The EU political process, then is a complicated one that involves governmental, intergovernmental and nongovernmental actors. In addition to the political institutions just described, there is also a European Court of Justice that sits in Luxembourg and adjudicates disputes related to the Treaty of Rome and other EU treaties. The Court has handled hundreds of cases ranging from hiring and firing grievances filed by EU civil servants to equal pay suits filed by airline stewardesses and other female employees against own governments.

Despite the above challenges, the future of the EU is bright .The question remains however, whether the substantial progress made thus far toward economic integration will lead to political integration and whether that progress is sustainable without further development of the Union's political institutions. The tensions surrounding this issue were evident in the disagreements over the wording of the 1993 Maastricht Treaty, particularly the use of the "F. word". While most states agreed to an early draft containing the word "federal" as an eventual goal of the treaty, the United Kingdom rejected any mention of the term, thus resulting in the following substitute language: "This treaty marks a new stage in the progress of creating an ever closer union among the peoples of Europe." Federalism reentered the discussion in 2002, when Germany Constitution was submitted to the member states for ratification in 2004. However, the Constitution, which required unanimous approval by the entire EU membership, proved to be too supranational even for such a staunch EU advocate as France and never took effect. In its place, in 2007 the Lisbon Treaty was approved, which attempted to salvage some of the key elements

of the Constitution (e.g. the creation of a new post of EU president) but without posing as direct threat to sovereignty.

As one observer writes, "The work of the EU is compromised by the competing sense of affiliation that Europeans have toward their home states and toward the EU; most Europeans still feel closer to their home states, owe them their primary allegiance, and often think of the Member States as competing with one another rather than being involved in a joint endeavor. Although two in every three EU residents feel an identity with the European Union, with rates ranging from a high of 60-64 percent in Italy, Luxembourg, Hungary, Poland and Belgium to low of 27-34 percent in Lithuania, the Netherlands, Finland, Estonia and Cyprus." The blurred, competing identities were evident in the recent complaints of fans of the Barcelona soccer team, which has often led the "Spanish first –division league," over the fact that there have been more Dutch players than Spanish players on the team. Since a 1995 EU ruling that, even though teams are limited in the number of foreigners, they can field, players from other EU countries and are not counted as foreigners.

For the foreseeable future, it is likely that the EU will continue muddling along in what has become a halfway house between a collection of sovereign states and a supranational actor. New challenges may complicate the community building process. For example, Turkey's application for membership has raised alarm bells. Not only is Turkey predominantly Islamic country different in culture from much of Europe, but it would be the second largest state in population after the Germany and would have heavy influence in weighted voting in the Council of Ministers. There is the more basic question about the optimal size of the Union: How large and diverse can it become and still remain viable in terms of the ability to reach mutually agreeable decisions? This has become known as the "widening vs. deepening" dilemma – the more states that are added, the harder it will be to develop a closer sense of community and build fully supranational institutions. Further complicating the picture are sub national ethnic tensions and pressures for greater regional autonomy within some EU states (e.g. Scotland and Wales seeking greater home rule from the British Parliament in London and, in the heart of the EU, French speaking Belgians in Wallonia and Dutch-speaking Belgians in Flanders threatening to split Belgium in half). As the European Union endeavors to advance its experiment in regional integration and governance, other regions of the World are conducting their own, more modest experiments with much to learn from Europeans successes and disappointments.

Africa

Regional integration in Africa is characterized by its diversities. Next to the continent-wide regionalism, there are the many overlapping sub-continental regional organizations as well as micro-regional collaborations (Fredrik Soderbaum).Current regionalism in Africa emerged with the politics of anti-colonialism but on the basis of pre-existing colonial arrangements. French West Africa was a Federation between 1904 and 1958, and a common currency known as the CFA franc was created in 1945. After several organizational transformations, Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo have become members of the current West African Economic and Monetary Union (WAEMU).

In Central Africa, a monetary union guaranteed by France and a formal customs union were created in 1964. These were transformed into the Economic and Monetary Community of Central Africa (CEMAC), which fully took over in 1999. It is a monetary union using the CFA franc (now pegged to the Euro) with a common monetary policy, and is formally a customs union, aiming to become a single market by 2014.

The Southern African Customs Union (SACU) was originally created in 1910. An agreement was signed in 1969 with the independent countries of Botswana, Lesotho, Swaziland, and Namibia. This has included a common external tariff and revenue sharing mechanism, as well as a Common Monetary Area (except for Botswana) with currencies pegged to the South African rand. A new treaty came into force in 2004.

Colonial Kenya and Uganda formed a customs union in 1917, which Tanzania (then Tanganyika) joined in 1927. After independence, cooperation continued under the East African High Commission, followed by the East African Common Services Organization. An East African Community was created in 1967 but collapsed in 1977 as a result of political and economic differences. Following efforts at re-integration in the 1990s, the present East African Community EAC) was established in 2000. A customs union formally came into force in 2005.

In the 1970s and 1980s, a variety of other regional organizations emerged, often cutting across the previous arrangements. With Nigerian leadership, the Economic Community of West African States (EOWAS) was created in 1975 between the Francophone countries that are also members of WAEMU, and the Anglophone countries of West Africa. A Preferential Trade Area (PTA)

cutting across eastern and southern Africa was created in 1981. This was succeeded in 1994 by the Common Market for Eastern and Southern Africa (COMESA), which in 2006 had 19 Member States stretching from Libya to Madagascar. In 1983, the French Central African countries, together with the members of the Economic Community of the Great Lakes Countries, created in 1976, and Sao Tome and Principe, established the Economic Community of Central African States (ECCAS). Finally, straddling the Continent from Senegal to Eritrea is the Community of Sahel-Saharan States (CEN-SAD) established in 1998.

Some organizations had particular political aspects to their foundations. The aim of the then Frontline States to reduce dependence on apartheid South Africa prompted the creation in 1980 of the Southern African Development Coordination Conference (SADCC). This was transformed into the Southern African Development Community (SADC) in 1992, which post-apartheid South Africa joined later.

Others have started with a particular special mandate which was then extended. The Inter Governmental Authority on Development (IGAD) in East Africa was founded in 1986 with a narrow mandate to deal with drought and desertification, but did little in view of tensions between its members and as a result of the situation in Somalia. In 1996 it was given a broader mandate covering conflict prevention and management. Sub-regional cultural identity has played a particular role, for example, in the case of the Arab Maghreb Union (AMU), which came into being in 1989.

The first serious stage of Pan-African organization was primarily political in nature. The Organization of African Unity (OAU), created in 1963, was essentially dedicated to ending colonialism and to fostering political liberation. The continental agenda has subsequently broadened. The Abuja Treaty of 1991, which came into force in 1994, created the African Economic Community (ECA). In 2002, the OAU was transformed into the African Union (AU) modeled on the EU.

There was also a move towards continental co-ordination of the multiple regional arrangements. A 1997 protocol formalized relations between the AEC and the 14 Regional Economic Communities (RECs) mentioned above. The RECs have had some success in functional cooperation. However, they suffer from various institutional weaknesses which have been exacerbated by the multiplicity of arrangements, prompting recent initiatives for rationalization. Moreover, the factors necessary for deep integration remain elusive. There is

little complementarity across economies. There are few strong regional focal points. Integration has a limited domestic constituency, in the sense of pressure from business interests or civil society. And there remains a general unwillingness to consider sharing sovereignty.

There has been a certain evolution in this respect, reflected in NEPAD adopted in Lusaka in 2001, which includes an African Peer Review Mechanism (APRM). In addition, regional organizations have become active in conflict prevention, management and resolution. The best known is the ECOWAS Monitoring Group (ECOMOG), created in 1990 to intervene in Liberia. It also served in Sierra Leone and Guinea Bissau in the 1990s, before being put on a formal basis in 1999. Since then, it acted in Côte d'Ivoire in 2002 and Liberia in 2003, while the AU deployed a Peace Mission in Burundi (AMIB) in 2003, and a Peace Mission in the Sudan in 2004 as well as in the Comoros in 2008.

Asia

In Asia, regionalism has followed quite different patterns. South-East Asia is not a region with a clear historical identity. The very term South-East Asia seems to have come to prominence internationally to describe the areas south of China that were occupied by Japan in the Second World War. The first post-war organizations, notably the 1954 South East Asian Treaty Organization (SEATO), were USA-backed bodies made up of an international range of interested powers. Malaya, the Philippines, and Indonesia briefly formed the Association of South East Asia (ASA, 1961) and MAPHILINDO (1963) as a means to promote regional solidarity. Britain had looked to federation as a means to ease its withdrawal from colonial territories. However, these efforts were interrupted by the intra-regional conflict, The Federation of Malaya, created in 1948, formed a new federation of Malaysia in 1963, together with Singapore (until 1965), Sarawak, and British North Borneo (Sabah). A period of confrontation ensued between Malaysia and Indonesia, while the Philippines claimed Sabah. The confrontation ended in 1966.

Asian countries started serious regional cooperation in the 1960s with different motivation and cooperation formats. The establishment of the ASEAN in 1967, between Indonesia, Malaysia, the Philippines, Singapore, and Thailand was thus motivated less by a sense of common identity than by a realization that failure to prevent conflicts within the region would invite external

intervention, which would in turn exacerbate intra-regional tensions. No supra-national elements were foreseen. Regional cooperation was to be built by an 'ASEAN Way' based on consultation, consensual decision-making, and flexibility. ASEAN would proceed by small, informal, and voluntary steps, which could eventually become more binding and institutionalized.

Although economic cooperation was foreseen, the evolution of ASEAN was driven by political and security concerns. The first new step was taken among the regional uncertainties following the fall of Saigon in the Vietnam War and the Communist victories in Laos and Cambodia in 1975. ASEAN leaders held their first summit in 1976, signing the Declaration of ASEAN Concord and the Treaty of Amity and Cooperation in South East Asia, which reaffirmed the principle of mutual respect, non-interference, and peaceful settlement of differences. The next turning point came at the beginning of the 1990s as the ASEAN sought to affirm its identity and centrality. On the security front, in the context of the withdrawal of Vietnam from Cambodia and the end of the Cold War, a succession of proposals culminated in the creation of the ASEAN Regional Forum (ARF). This came into effect in 1994, with the aim of pursuing confidence-building measures, preventive diplomacy, and eventually conflict resolution. Other steps were taken in response to the creation of the Asia Pacific Economic Cooperation (APEC).

APEC was formed in 1989 on the principle of open regionalism. It was not to involve any discrimination ***vis-à-vis*** other countries. Nor did it reflect any distinctive regional identity so much as "the desire of non-Asian states" of the region to consolidate links with the open market-oriented economies of East Asia (Higgott, 1995:377). In response, Malaysia under Dr. Mahathir one of the key defenders of Asian values in Asian regionalism, proposed an East Asian Economic Caucus, excluding Australia, Canada, New Zealand and the USA. The USA in turn put pressure on Japan and South Korea not to participate. It was agreed in 1992 to establish an ASEAN Free Trade Area (AFTA).The Asian financial crisis of 1997-1998 provided renewed impetus for regional cooperation and also led to a new format of cooperation with China, Japan and South Korea as ASEAN plus Three (APT), seen by some as a realization of the idea underlying the East Asian Economic Caucus.

In 2003, the member States agreed to create an ASEAN Security Community, an ASEAN Economic Community, and an ASEAN Socio-Cultural Community by 2020. The Economic Community is a 'Free Trade Area plus,' aiming at a single market but with no external tariff, and restricted flows of

labor. While not pursuing supra-nationalism, it was agreed to strengthen ASEAN's institutional arrangements. A new formal dispute settlement mechanism was created, and the role of the Secretariat was reinforced, together with a Development Fund and increased institutional involvement for the business sector. The development gap between old and new members (Vietnam, Myanmar/Burma, Laos and Cambodia) also prompted new efforts to promote solidarity through the Initiative for ASEAN Integration and the Economic Cooperation Strategy.

Asian regionalism in the mid 2000s is thus evolving on two planes. On the one hand, ASEAN is moving towards some institutional deepening as a means to preserve its own position. The strengthening of ASEAN integration through accelerated establishment of an ASEAN Community by 2015, which was agreed at the January 2007 summit, was explicitly intended to reinforce ASEAN centrality and its role as a driving force in charting the evolving regional architecture (ASEAN 2000). On the other hand, regional agreements reflect the continuing competition between the major powers. A comprehensive economic cooperation agreement between ASEAN and China was signed in 2002, and China (with Malaysia) promoted an East Asian Summit in 2005, bringing together the APT countries and (at the insistence of Japan, Singapore, and Indonesia) Australia and New Zealand as well as India but not the United States. A framework agreement on Comprehensive Economic Cooperation between ASEAN and India was signed in 2003. Japan made a series of proposals for an East Asian Community (including Australia and New Zealand) in 2002 and, in 2006, an East Asian Free Trade Area, with an offer to provide major funding for a Comprehensive Economic Partnership in East Asia. It is worth noting that the regional cooperation institutions in Asia are very different from regional arrangements in Europe, North America, Latin America and Africa.

The Americas

The American continent has been characterized by multiple and often competing levels of regional integration and cooperation. The basic tensions date back to independence. The former British colonies in North America eventually settled down into two international actors: one federal union, the United States of America, in 1865, and one confederation, Canada, in 1867. Portuguese Brazil ended up as a federal republic in 1889. In former Spanish

territories, in contrast, efforts at Union failed. Two short-lived federal republics were formed: the Federal Republic of Greater Columbia (1819-1831) and the Federal Republic of Central America (1823-39). The Unity of Spanish America was the dream of Simon Bolivar, who in 1826 convened the Congress of Panama, proposing 'Treaty of Union, League, and Perpetual Confederation' with a common military force, a mutual defense pact, and a supranational parliamentary assembly. Bolivar's vision was not anti-North American, but he preferred not to include the United States. And like the federal republics, his treaty soon succumbed to civil wars and rivalries between governing *caudillos.*

Latin American regionalism has gone through different phases over the last decades and alliances are once again being re-configurated in the 21st century. Due to the recent avalanche of new events and discourses, academic work seems often to be reduced to commenting on past events and speculating about future events. In addition, interdisciplinary research is very scarce so that regular academic output does not always address the complexity of the regional integration processes in the region. Latin American regionalism has thus played itself out against the background of the conflict-ridden consolidation of the current States, in which national sovereignty became a dominant feature of actorhood, and a love-hate relationship with the United States of America continued. There has been partial acceptance of a continental identity as 'America,' but also a widespread perception of an identity as 'Latin America', often in opposition to the USA.

Hemispheric regionalism began with the first Pan–American Conference in Washington in 1889-90. Nine such conferences took place, and in the 1930s and 1940s, following decades of USA interventionism, these led to several agreements on peace and security. The Pan-American Union became the Organization of America States (OAS) in 1948. An Inter-American system grew up, including the Inter-American Development Bank and the Inter-American Court of Human Rights. During the Cold War, however, it was seen with suspicion in much of the Americas as an instrument of USA foreign policy.

USA policy on regional agreements changed in the 1980s. It began in 1986 to negotiate a free-trade agreement with Canada. Negotiation then began between the United States, Canada and Mexico, leading to the establishment, in 1994, of the North American Free Trade Agreement (NAFTA). This is broader in scope than most such agreements. Agriculture is covered, and the

treaty was accompanied by supplementary agreements on labor and the environment, although there are no supra-national elements. A first summit of the Americas was held in Miami in 1994, with the aim of achieving a Free Trade Area of the Americas (FTAA) as well as deepening cooperation in drugs, corruption, terrorism, hemispheric security, sustainable development, and the environment. By the fourth summit, in Argentina, in 2005, however, the political context of Inter-Americanism had significantly changed.

Latin American regionalism in the post-war decades was shaped by the model of state-led, import-substituting industrialization. In order to overcome dependence on exports of primary commodities, a combination of protection and planning was to make it possible to reduce manufactured imports. Regional integration was a response to the limitations of this approach at the national level. This first wave produced the Central American Common Market (CACM, 1960), the Latin American Free Trade Association (LAFTA, 1961) and the Andean Pact (1969), all of which had limited success.

A wave of new regionalism began in the 1980s and took off in the 1990s. The Central American Integration System (SICA) was created in 1991. The Common Market of the South (MERCOSUR) was created in 1991 by Argentina and Brazil, together with Paraguay and Uruguay. A common market was proclaimed in 1994, although exceptions remain. MERCOSUR has not adopted a supra-national institutional system, but there have been important political dimensions. In the early phases this included mutual support to consolidate democracy and end rivalry between Argentina and Brazil.

In 1990, the Andean countries also re launched their integration process. A Common External Tariff was announced in 1994. The group was renamed the Andean Community of Nations (CAN) in 1997, with the aim of consolidating a common market by 2005. The institutional system is modeled on the EU, with elements of formal supra-nationalism: Andean norms are to be directly applicable and to enjoy primacy over national law, and they are monitored by common institutions, including a Court of Justice.

The new forms of integration in the America were seen as fundamentally different, part of broad-based structural reforms to ensure commitment in a context of unilateral and multilateral liberalization. It also seemed that there might be a new convergence of hemispheric and Latin American initiatives.

Yet developments in the 2000s have brought this into question. A proposal to bring Andean integration and MERCOSUR around a continental project began in the 1990s. This initiative speeded up in 2000 with the adoption of

the South American Regional Integration Initiative, supporting major projects in transport, energy, and communications. South American summits were held in 2000 and 2002. The creation of a South American Community of Nations was announced in 2004. In 2005, CAN and MERCOSUR mutually recognized associate membership of each others' member countries. In 2006, Venezuela, under President Hugo Chavez, left the Andean Community and joined MERCOSUR. Bolivia applied at the beginning of 2007 and Ecuador seemed likely to follow. The expanded MERCOSUR at the heart of this new South American Community of Nations has raised a strong question mark over the future of the Free Trade Area of the Americas.

On Saturday, 5th December, 2009 representatives of the EU and MERCOSUR signed a historic Accord in Montevideo to promote sustainable development. This is the largest Accord ever signed between these two regional blocs – although it is not a Free Trade Agreement. Under the Agreement, the EU will contribute 12m Euros and the four MERCOSUR Member States will pay 4m Euros. This will promote a program to boost progress toward economic integration and sustainable development of the MERCOSUR bloc. Meanwhile, the negotiations on the FTA between the two blocs continue. These free trade talks first began in 1993 and were stalled in 2005 because of differences on mutual market access questions.

On a relatively close vote (35 to 27), on 15th December, 2009 the Brazilian Senate approved the MERCOSUR protocol for Venezuela's admission as a full member of MERCOSUR (D. Fleischer, Brazil Focus, 12-18 Dec. 2009, p. 8). This protocol had already been approved by the Chamber of Deputies. Although Uruguayan and Argentinean legislatures have also approved this protocol, it is yet to be approved by the Paraguayan Congress.

On 16th December, 2009, Brazilian Foreign Minister CelsoAmorim praised the Senate for this decision, which was a result of broad and democratic debate in the Brazilian legislature. It reinforces Brazil's efforts to advance integration in South America. With Venezuela as a full member, this bloc will have 270m people and a joint GDP of over US$2 trillion.

In 2008, Brazil exported US$5.15bn to Venezuela and imported US$540m. That same year, Brazil exported US$21.74bn to the other MERCOSUR countries and imported US$14.93bn. Thus, Brazil's trade flow with Venezuela is favorable.

Opposition senators were concerned about lack of democracy with regard topress, court and legislature that would disqualify Venezuela from membership

under the present MERCOSUR Charter. On 27th October, 2009, the Caracas mayor Antonio Ledezma, a leading opposition leader to the Chavez Government, told the Brazilian Senate that even though Venezuela is not democratic, he favored full membership in MERCOSUR so that the South American trading bloc would have leverage to enforce this Group's rules and protocols, as well as achieve a stronger position to negotiate FTAs with the EU, for example. This protocol stipulates that as of 2012, exports from Brazil and Argentina to Venezuela will have zero tariffs. The admission of Venezuela into MERCOSUR shows the seriousness and determination by Member States to expand and deepen the integration process in South America during the 21st century. This is a positive step in the right direction, and other regions which have embarked on a similar road would do well to emulate it.

Reflections, observations, recommendations and concluding remarks

In spite of the existence of various blocs, which have Secretariats and regular technical and ministerial level meetings and summits of Heads of State and Government, in certain regions, like Africa, integration efforts have had limited impact so far. Perhaps because reality on the ground does not match ideals in treaties, protocols and Memoranda of Understandings (MOUs), the degree of integration in some places remains highly superficial. Thus, results have to some extent fallen below expectations. This has been due to a number of constraints, including:

Membership issues. On a continental basis and also within sub-regions, for example, many African countries belong to several groupings or sub-groupings that sometimes compete, conflict or overlap amongst themselves rather than complement each other. This adds to the burden of harmonization and co-ordination, and is wasteful duplication in view of constrained resources.

Slow ratification of protocols and reluctant implementation of agreed plans. Probably due to low political commitment and/or perceived or real losses and sacrifices involved, a number of countries have been reluctant to fully implement integration programs on a timely basis. This has been partly caused by the lack of prior cost-benefit analysis and broad internal consultations on the part of the member countries concerned. In some cases, changes in the socio-economic and political dynamics within the member States involved

have also militated against implementation of regionally agreed programs, especially where socio-economic sacrifices are concerned.

Socio-economic policy divergence. Inconsistency or incoherence at the macroeconomic level has also been a source of problems for the systematic implementation and "internationalism" of the regional integration agenda into national programs. It has been impossible to integrate regionally where there have been continuously glaring inconsistencies involving policy, implementation and information at the national level. There is, therefore, a need for an appropriate policy mix and co-ordination at the national level that targets low inflation and fiscal discipline.

Limited national and regional capacities. The lack of mechanisms and resources for effective planning, co-ordination, implementation, monitoring and pragmatic adjustment of programs on the ground has been another constraint on regional integration. As a result, many programs and projects remain on the shelves of various offices without being implemented.

In the area of trade and mobility of factors of production, integration has been relatively more outward-looking at the expense of intra-regional trade. In the case of Africa, xenophobia has partly hampered labor movement among members, while capital mobility has been constrained by largely undeveloped financial markets. This was evident in East Africa during the debate aimed at fast-tracking the ECA integration process in 2006/007. Some citizens of the regions rejected the process on the grounds that integration would declare them jobless as more skilled workers from other Member States would take up their posts and land. Xenophobia was also demonstrated by regional riots that erupted in South Africa in 2008, wounding or claiming the lives of many people, especially foreigners.

Domestic and international financial and investment constraints, especially in the Third World, have also hampered regional integration, which requires considerable resources to plan, coordinate, implement and monitor progress in its implementation. There is low saving as a percentage of GDP, while foreign direct investment (FDI) remains elusive in Africa, Latin America and The Caribbean. Furthermore, official development assistance (ODA) has also been dwindling in some of these countries due to donor fatigue.

Lack of full private sector involvement at both planning and implementation stage has not elicited maximum deliberate input from this important sector, which usually has the financial resources and owns productive capacity. In most countries the private sector remains weak and is still not

well organized. Civil society involvement has also been wanting. In this connection, public and private sector partnership needs to be encouraged at all levels.

There is also a high degree of vulnerability to exogenous shocks, including heavy and unsustainable external debt burdens (the majority of HIPCs are in Africa), inadequate and erratic external resource inflows, adverse weather patterns, natural disasters and unfavorable terms of trade. Civil strife itself a result of abject poverty and other forms of socio-economic and political instability has also exacted its toll.

It needs to be recalled, however, that names given to most regional groupings have tended to reflect the goal rather than stage of integration that has actually been reached. Some use the name "Community", others "Common Market" to indicate the aspiration. Elsewhere in the world the name of the grouping usually reflects the stage of integration which has actually been attained. Experience so far seems to indicate that groupings with fewer members tend to be more successful and show better progress than large groups. The examples of the EAC and SACU/CMA support this view. Now circumstances have determined that they be resuscitated, but this time around for economic reasons. Much has already been done to raise awareness of the indispensability and viability of African sub-regional and regional integration in the face of the risks of marginalization and the loss of opportunities offered by globalization. Participation in the globalization process should be increasingly carried out from a regionalized continental platform to enhance the bargaining power of countries in the regional groupings. The benefits of regional economic integration in this regard would include: benefits through synergy and symbiosis; bargaining bloc power in the international arena; viable size for foreign direct investment; and improved scope for diversification and its risk-lowering benefits.

The way forward

Progress has been rather slow, and the reality has fallen far short of aspirations in most regional integration schemes. So there is ample room for improvement when it comes to implementation. Practical measures could be geared towards:

Eradicating wasteful or costly duplication of multiple memberships and rationalizing some overlapping sub-regional blocs. This should be based on

priority needs and efficiency from comparative advantage. To deal with this challenge, the reasons for belonging to various groupings or for forming sub-groups should be carefully studied. There is a need to rationalize the number of blocs and membership of them, based on thorough analysis of comparative advantages and cost and benefit. Inter-regional interaction should also be cultivated to sell the logic and benefits of rationalization.

Securing irrevocable commitment beyond mere political rhetoric amongst member countries of the various sub-regional blocs to the ratification and meticulous and punctual implementation of treaties, protocols and decisions etc., without inefficiencies, lapses or reversals is necessary. Prior informed analysis and internal consultations, including bringing civil society and the private sector on board much earlier, should precede integration and cooperation programs to enhance ownership that motivates full implementation among all stakeholders. The process should be all-inclusive and participatory. At the national level, there should be coherent co-ordination, awareness, engagement of the private sector and civil society, whole-hearted political will, and rules' implementation and accountability.

Strengthening technical capacity for conducting informative cost benefit analysis and ensuring fair and equitable sharing of the costs and benefits of integration should be the starting point among Member States. They should also plan for dealing with changes in country circumstances that may militate against implementation of integration programs or diffuse their impact.

The capacity for comprehensive and consistent planning, policy formulation and implementation at the national level should be strengthened in the member countries to reduce the risk of conflicting policy objectives, and enhance synchrony and complementarity. Capacity also needs to be sharpened to effectively tackle all stages of integration: from planning, to co-ordination, implementation, monitoring and evaluation of impact. This calls for human and institutional capacity-building covering planning, policy analysis/formulation, implementation and monitoring programs. Data availability and credibility and other information requirements should also be addressed. This is where sub-regional and regional institutions, complemented by targeted and regionally coordinated international expertise that cross-pollinates regional capacities, can play a meaningful role.

Providing the necessary financial and technical resources, in part through international, regional and national private sector involvement at all stages of integration is important. Foreign direct investment, equity investment,

development of financial markets and increased technical and financial support through international development partnerships should be mobilized for this purpose. Member States and sub-regional blocs, for their part, should create an enabling legal, institutional, socio-economic and political environment that supports and attracts financing for integration. Member countries should pay the agreed financial contributions fully and punctually. Considering that assessed contributions from member countries and external donor assistance may not be enough to fund integration programs and projects, other non-traditional sources of funding need to be explored, including imposition of selected taxes or charging levies where feasible. Besides, Secretariats should observe judicious management of the scarce resources at their disposal. This requires strict adherence to the financial regulations of each organization as stipulated in their rules of procedure. Experience shows that some of the Secretariats misuse the funds for unproductive missions. Rationalization would also have a cost-saving effect.

Depending on the level of asymmetry, the solidarity principle needs to be encouraged and adopted. This could involve introducing trust funds which cater for specific projects in less developed Member States. A good example is that carried out in the MERCOSUR countries, whereby a trust fund has been created to serve specific projects in Paraguay and Uruguay, as agreed by the organization. This compensation mechanism is very important to integrating States.

Development, harmonization and integrating of national and regional financial markets, including elimination of barriers and reducing risks affecting free movement of labor and capital, e.g. cross-border and foreign direct investment could be another step. Such markets would also help to finance the integration process itself in other relevant sectors. Harmonization of financial markets also reduces the risks of differences in the impact of monetary policy measures that may be taken by common central bank under a monetary union.

Effective pooling of resources and expertise to tackle cross-cutting regional challenges, such as environment, terrorism, drug and human trafficking, infrastructure, governance, gender, HIV/AIDS, peace, security and conflict prevention and resolution, etc., can help to reduce the average costs of delivery, and also assist in harmonizing and raising standards.

Regional integration treaties, protocols, leadership and priorities should be unambiguous in providing binding rules-based frameworks and results-oriented milestones to guide national, sub-regional and regional actions required

for envisaged eventual continental integration. Effective monitoring, follow-up and corrective mechanisms should be put in place and enforced. The regional and continental bodies should be adequately staffed and resourced, with authority to act as necessary.

In Third-World regional integration schemes such as in Africa, negotiation capacity, especially in the area of multilateral trade, needs to be strengthened from a regionalized vantage point. A good example to emulate is that of CARICOM.

There is a need to strengthen and empower the institutions that implement and monitor regional integration programs both at the regional and country levels. Any central authority overseeing convergence and integration should either be above or independent of all national influences. It should have a mandate that is well anchored in the agreed key objectives, such as ensuring price stability, with sufficient authority to enforce (and possibly supervise) compliance by all members for the attainment of the shared objectives. The roles for national central banks and the common central bank in this context should also be clearly defined beforehand.

The time-frame for transition to macroeconomic and monetary convergence should be agreed by consensus among all member countries. An amicable decision that is realistic for all members should be reached on whether the transition will be gradual or fast-track, based on analysis of the pros and cons and cost and benefits of either option, as well as on ability of members to comply. Applying variable geometry and multi-speed principles that accommodate the effects of circumstances confronting Member States and sectors is a more pragmatic approach. This has worked well for the EU.

It is critical that planning and implementation of the regional integration agenda becomes highly inclusive and participatory at all stages, including formulation of strategic frameworks, action plans, rolling programs of action, monitoring, evaluation and reviews. There should be clear milestones, and enhanced co-ordination and management systems that incorporate results-based management at the regional, country and sectoral levels. It should be all-inclusive from the grassroots to the top. Recent history has proved that the bottom-up approach to regional integration process is bound to succeed.

The reduction of the goals of regional integration to strictly economic matters usually defeats the purpose of regional integration in Africa and elsewhere. With regional integration conceived strictly in terms of economic relations among the States involved, the role of regional schemes in most

cases is nothing more than creating some infrastructures where commodities can be exchanged at a reasonable price. In this regard, exchange and markets are set up to facilitate movements of goods and people, and special attention is also paid to tariff matters. Beyond trade and tariff matters, regional integration should be conceived of as a dialectical unity of social, economic and political processes (Cocks, 1980). Within this framework three phases of regional integration are conceivable. We refer to these here as the national, regional and global. First and most important, individual countries need a new national development program for reversing underdevelopment. This implies embarking on internal changes in areas of political mobilization and participation, popular access to opportunities for the majority, the overhaul of the inherited socio-economic and political institutions and the redefinition of relations with transnational corporations (TNCs) and other external forces.

Second, the above phase should be followed by extending structural changes made at the national level, initially to sub-regional and later to regional levels. The strategy here should encourage and seek means of facilitating an increase in intra-regional trade, improving transportation and communication systems in particular and infrastructure in general, creating political institutions that would assist in the improvement of political relations and understanding, and also making efforts to redefine the role of the region in the international division of labor. Policies need to be initiated towards the promotion and co-ordination of efforts to control the activities of TNCs within the region, promote industrialization as a means of checking constant vulnerability to changes in the global economy, the stimulation of the regional market and specialization, as well as the development and growth of transnational civil society at the regional level through networks of civil society groups across national borders. The third phase requires a restructuring of the global system. This implies a collective regional effort that seeks the redefinition of the existing unequal hemispheric power relations, for example between Africa and the North and by extension South-South or Africa-South America (ASA), etc.

These are prescriptions with several political ramifications, demanding complex institutions and structures and extensive political will, as well as unity of objectives and commitment. It is good to note that some of the propositions presented above depend largely on sufficient participation from civil society; the people and their representatives in associations, professional societies, farmers' groups, women's groups, youths, political parties, trade unions, business communities, etc. Without sufficient participation of these groups

either in the political process where decisions relating to regional cooperation and integration programs and projects are taken or through adequate consultations, efforts and initiatives face the risk of becoming easy prey for sabotage. Although there is some thinking in this direction which, in the case of Africa, is already expressed in NEPAD and the AU, these new initiatives need to be translated into a concrete agenda and programs for civil society engagement with the State and other structures and processes of regional integration. In the final analysis, they are not only stakeholders but also the engine for the process.

Furthermore, absence of democratic governance and prevalence of authoritarian reversals are constraints on effective regional integration. In this regard, the relationship between regional integration and democratic governance in Africa and beyond requires scholarly attention. How, for example, does a supra-national body promote good governance in national affairs? What are the links between democracy and regional integration? Are minimum and common levels of democracy required in the countries wishing to integrate? What are the models to be designed for power-sharing between the supra-national body and Member States, and how does the former monitor the compliance of Member States with regional agreements? Other issues for in-depth study and research include the role of the external environment in the case of African integration, the potential and actual capacity of domestic forces, such as civil society, to promote and popularize regional integration, the prospect of transnational civil society and cross-border socio-economic networking, and the idea of mainstreaming gender into regional integration programs (50%), as well as the role of language and culture in this process. Broad-based intellectual efforts that go beyond the limitations of western orthodoxies and prejudices should be encouraged. Such efforts are necessary for a more balanced understanding of the dynamics of both new and old actors' engagements in Africa's integration. This calls for encouraging regular debates at national, sub-regional and continental levels on issues that cut across continental boundaries.

Finally, some of the propositions above would definitely require further research, to identify and define issues more precisely. Thus, efforts at promoting regional integration should necessarily consider the importance of scientific research, which entails data and information gathering, analysis, collating and sharing results. For example, Africa is the most balkanized region of the world. Countries in the region are at varying levels of development. Additionally,

there are wide differences in the historical and political backgrounds, the administrative and legal systems and monetary regimes, as well as heterogeneous levels of development and resource endowment. There is a need to generate a lot of information to determine the characteristics of the countries and their economies. Research programs would be needed to generate reliable and regular data flow on the countries in the region.

We can conclude this overview of the development of various mechanisms of regional cooperation and integration in the 21st century with several brief observations, as follows: First, regionalism is a truly global phenomenon and therefore imperative. It is not the case that the entire world is engulfed in a single process of globalization, or that the world is being divided along simple fault-lines based on ideology or civilization. Rather, different parts of the globe are looking for different ways to accommodate themselves within the globalized world order, and regional arrangements are one important way of doing so. There is thus no paradox, and even less a contradiction, between regionalism and globalization. Instead, regionalism is one aspect of the process of globalization, and developments in one region inform and indeed feed into developments in others. Second, within the global trend of regionalism there are important differences in the types of organization that are being set up, ranging from rather loose and non-binding agreements to the complex institutional architecture set up, say, by the European Union, depending on the scope and depth with which members seek to address issues of transnational governance. Thirdly, there is no blueprint, simple or single path of regionalism. The way in which different regional mechanisms develop is contingent upon a multitude of factors, both internal and external to the region. Both the driving forces for more regional integration and cooperation and the obstacles which may limit those aspirations vary across the different continents, as indicated in the case studies above. Above all, one of the challenges that stands out and cuts across all regions is the challenge of ceding sovereignty. But even this varies from one regional integration scheme to another. In spite of all this, regionalism is a global phenomenon.

From this study it can be further concluded that Regional Integration and Cooperation in the 21st century in Africa and beyond is a reality and relevant. Each regional integration arrangement will undertake the process, bearing in mind the specific conditions. For example, the EU is the oldest and most highly developed institutionalized integration process. Since its establishment in the early 1950s, the EU has moved from the shallow integration of dismantling

trade barriers to the deep integration of accepting common policies on agriculture, environment, transport, and working conditions; common rules on competition, merger and financial transfers; and common law in the domestic courts of Member States.

The EU experience is a successful example of integrating of national economies, but how far should those promoting regional integration in Africa and other regions look to the EU as a model? Can regional and global integration proceed harmoniously? In recent years, deep integration has presented a challenge to national identity, forcing policy-makers to confront issues of sovereignty, political commitment, and regional balance. The EU provides a number of important cautionary lessons for those promoting regional integration in Africa and beyond. However, it does not provide a model that these areas can easily emulate. This is due to the fact that the experience of West European integration during the Cold War period will do little to reconcile global and regional integration in the post-Cold War world; the political and security concerns are no longer the same. Be that [it] as it may, each process of regional integration will be undertaken bearing in mind the existing material conditions.

Indeed, the journey towards a fully fledged regional integration in Africa and beyond could be long, rough and tough. Challenges and fears are enormous, but hopes, opportunities and prospects for the Promised Land are immense. The resulting mission is, however, inevitable. Some difficult decisions must be taken for it to take shape. It can be done if each one of us, individually or collectively, plays our part.

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Formato	*15,5 x 22,5 cm*
Mancha gráfica	*12 x 18,3cm*
Papel	*pólen soft 80g (miolo), duo design 250g (capa)*
Fontes	*Times New Roman 17/20,4 (títulos),*
	12/14 (textos)