

RETHINKING REGIONALISM BEYOND EUROPEAN INTEGRATION

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ABSTRACT

The post-Cold War era has witnessed a notable proliferation of regional organizations in Asia, Africa, and Latin America. This “new regionalism” wave stands distinct from the process of European integration following World War II, as it is characterized by its expanding scope, diverse nature, fluidity, and heterogeneity. Traditional Eurocentric theories of economic integration, which presumed the establishment of supranational institutions, possess limited applicability when regionalism evolves as an intergovernmental endeavor among sovereign states. Consequently, the prevailing notion of Europe as a model for regional integration worldwide is challenged by this regional trend. This article aims to provide a theoretical framework for understanding the phenomenon of “new regionalism” that is compatible with the socio-economic and political realities of developing countries, particularly considering their reluctance to compromise political sovereignty. It begins by examining the evolution of Eurocentric theories of economic integration and underscores their limitations in the context of the developing world. The concluding section presents a theoretical framework that extends beyond Europe for comprehending regionalism.

Keywords: Regionalism, Europe, Integration, New Regionalism.

INTRODUCTION

The impetus behind regionalism primarily stems from the anticipation of material gains derived from enhanced trade between nations. Nations are motivated to pursue deeper regional engagement due to the potential for significant economic and geopolitical benefits. Regionalism is leveraged as a means to secure national interests and elevate global standing (Börzel, 2011). The pursuit of inter-state economic cooperation leads to collective goods that foster economic progress within the region and benefit all participating nations. Moreover, economic integration at the regional level facilitates the resolution of political and security differences among nations with hostile relations, cultivating collaborative interests in peaceful coexistence within the competitive globalized environment (Cameron, 2010).

Conceptually, regionalism can be understood as a multifaceted phenomenon that encompasses a scale ranging from regional cooperation, characterized by intergovernmental collaboration, to regional integration, characterized by the establishment of supranational institutions. Regional cooperation involves the coordinated utilization of state-based political authority within intergovernmental structures, aiming to address collective action predicaments spanning economic, political, and security domains. In contrast, regional integration entails the creation of supranational organization endowed with the political authority delegated by the member-states, enabling it to make collectively binding decisions. These decisions encompass various critical endeavors, including facilitating unrestricted economic and social exchange by dismantling national barriers, mitigating adverse consequences of liberalization, and pacifically resolving international conflicts (Scharpf, 1996).

European Integration Theories

Regionalism emerged in post-World War II Europe, marked by the establishment of the European Coal and Steel Community in 1952 and the subsequent formation of the European Union (EU) in 1992, uniting 27 European countries, some with a history of violent conflict. European leaders have pursued an institutional pathway to integration, achieving open borders, free trade, a common currency, and common defense and security policies over the past three decades. However, the nature and scope of integration under a supranational institution have sparked ongoing theoretical debates.

One early theory, introduced by Deutsch in the 1950s, is transactionalism, which highlights the establishment of a cohesive sense of community through robust institutions and practices. Transactional exchanges, including trade, migration, tourism, cultural interactions, and physical communication, contribute to the formation of a social fabric that fosters a collective consciousness and shared purpose among citizens. This fabric serves to foster a sense of communal identity not only among societal elites but also among the broader masses, thereby nurturing a collective consciousness and shared purpose among the citizenry. Deutsch emphasized the importance of building a pluralistic security community as the core of integration and peace in Europe (Deutsch et al, 1977). However, transnationalism was criticized for its emphasis on quantitative measures of transaction flows that ignored various international and domestic constraints and opportunities, which government leaders and policy makers face in pursuing integration policies (Inglehart, 1968).

As a result, in the 1960s, Mitrany formulated functionalism based on two assumptions: political divisions cause conflicts, and shared international challenges necessitate the establishment of international institutions for collective problem-solving. Functionalism posits that functionally specific organizations can lead to the formation of ever-widening circles of social and economic integration. By promoting cooperation in “low politics” domains such as economics and technology, greater political collaboration among nation-states may ensue, potentially resulting in the emergence of supranational institutions (Mitrany, 1928). Nonetheless, functionalism faced criticism for its limited consideration of political factors and the natural progression from “low politics” to “high politics” cooperation (Dougherty & Pfaltzgraff, 1990).

Hence, the key assumptions of functionalism were refined in terms of neofunctionalism. Its main exponents were Haas and Lindberg, who argued that integration is a transformative process in which political stakeholders realign their allegiances and political endeavors towards a novel center with jurisdictional authority over existing nation-states. They proposed the notion of “spillover,” suggesting that trade liberalization can lead to the harmonization of broader economic policies, eventually cascading into political realms and the establishment of a political entity (Haas, 1968). Neo-functionalism recognizes the interconnection between economics and politics, highlighting the indivisibility of economic, social, and political challenges in the integration process (Lindberg, 1963).

However, neo-functionalism faced a setback when the European Economic Community experienced a major crisis in 1965, as French President Charles de Gaulle refused further integration. Critics argued that the advancement of regional integration is influenced by system capacity, domestic support, demand for integration, and leadership preferences, alongside the role of regional actors and supranational institutions (Hoffmann, 1966). This led to the emergence of inter-governmentalism theory in the 1970s, rooted in neorealism, which emphasized the efficacy of economic integration in low politics but acknowledged barriers when vital national interests were involved (Waltz, 1979). Inter-governmentalism recognizes the series of bargains between government leaders or policymakers who may be reluctant to sacrifice national sovereignty for common goals (Grieco, 1990).

However, in the 1980s, critics began to argue that inter-governmentalism placed excessive importance on states within the international system, neglecting the domestic factors that drive state motivations in regional integration (Huelshoff, 1994). In response, in the 1990s, scholars like Moravcsik reevaluated inter-governmentalism and developed a revised version known as liberal inter-governmentalism. This perspective views states as the primary driving forces behind integration, emphasizing the pursuit of state interests influenced by domestic policy preferences within a liberal context (Moravcsik, 1993). Decision-making in the EU occurs through bargaining among member states, where the relative bargaining power of governments plays a significant role in shaping policy outcomes (Cini, 2004).

Liberal inter-governmentalism highlights that national governments actively pursue their state interests based on their domestic policy preferences within a liberal domestic framework. However, when it comes to decision-making at the EU level, these decisions are strategically formulated through bargaining processes among member states. Consequently, the relative bargaining power of governments becomes crucial in influencing policy outcomes. Member states with greater bargaining power inherently assume a pivotal role in shaping the final policy outcomes.

Liberal inter-governmentalism focuses on the relationship between domestic preferences, government bargaining, and supranational institutions in the regional integration process. It seeks to integrate the emphasis on relative gains from inter-governmentalism and the focus on mutual gains

from neofunctionalism. By doing so, it avoids the pessimism of inter-governmentalism and the optimism of neofunctionalism regarding the prospects of regionalism. It acknowledges the central role of member states in a regional setting while recognizing their mutual benefits from operating under a supranational authority.

The EU was established in 1992 with the adoption of the Maastricht Treaty, operating within a liberal inter-governmental framework. This framework aimed to address the divergent national preferences among member states and expedite the decision-making process. Consequently, it enhanced the influence of key member states like Germany and France, which had stronger negotiating power and played a pivotal role in advocating for further EU reforms.

Throughout the 2000s, intense discussions concerning the future of the EU dominated the agenda. These deliberations culminated in the signing of the Lisbon Treaty in 2009. The Lisbon Treaty introduced significant legal amendments that emphasized the reinforcement of neofunctional approaches to European integration. As a result, it highlighted the increasing authority of supranational institutions such as the European Commission, indicating a shift towards greater integration and cooperation at the EU level (Eylemer, 2015).

Since then, the EU has faced formidable challenges, questioning the validity of liberal inter-governmentalism to the European project. The public faith in deeper integration had started to erode with the Eurozone crisis after the 2007-08 global financial crisis. The post-Arab Spring wave of ISIS-sponsored terrorism and refugee influx from Syria and Libya as well as the British exit from the EU and the devastating impact of Covid-19 pandemic on European economies have escalated tensions between EU members, further eroded public support for deeper integration and contributed to the rise of populist/nationalist parties, which formed the governments in Hungary, Poland, Greece and Italy (Grenade, 2016).

As we have seen in the above analysis, the scholarly debate on European integration reflects an oscillating trend between inter-governmentalism and supranationalism: the preservation of state sovereignty versus the empowerment of supranational authority. Liberal inter-governmentalism's contention that major powers have greater bargaining power to determine the pace and direction of the EU was challenged when its two major powers, Germany and France, failed to help Spain and Italy during the peak of the pandemic. The Brexit happened, as the British public perceived EU membership to be too costly for socio-economic survival and stability at home. The European Commission did eventually muster a collective European response to contain the virus. It has also muddled through other pivotal challenges. The Brexit has not caused a domino effect, even though it seems to have validated inter-governmentalism (Kelly, 2016).

On the whole, therefore, liberal inter-governmentalism remains a valid theory of European integration, even while its relevance for deeper regional integration under a supranational body, especially in terms of being a role model for regionalism in the developing world, has become controversial in the light of recurrent EU crises in the past well over a decade (Zheng, 2016).

New Regionalism Theories

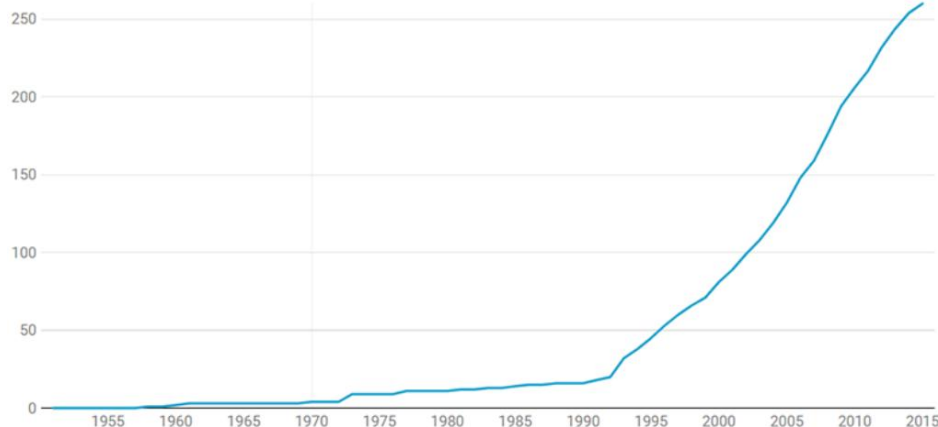
New regionalism refers to the phenomenon that began to emerge in the 1980s and gradually became a worldwide trend. It is denoted by a 'contagion effect,' which implies that the successful evolution of regionalism in one part of the world encourages regionalism processes in other regions. New regionalism is either a by-product of globalisation or a response to it. The dynamic relationship between globalism and regionalism manifests in a manner that alternates between mutual reinforcement and occasional contradiction. The emergence of new regionalism is intricately connected to numerous structural shifts within the global system, such as the conclusion of the Cold War and the heightened interdependence among nations (Shultz et al, 2001).

As the US-Soviet ideological rivalry receded in the 1980s, the developing countries of Asia, Africa and Latin and Central America began to pursue regional trade initiatives to reduce their economic dependence on the developed world, secure greater access to global markets and increase collective bargaining power in the global economy (Walley, 1968). The expansion of European integration and formation of North American Free Trade Agreement in 1994 reinforced their fears of being marginalized in the global economy. The European integration also had a demonstration effect for new regionalism, which was also supported by global powers and institutions.

Consequently, a host of regional trade agreements and organizations came into being in the Global South and the previous ones started to see tangible growth. Across Asia, the South Asian

Association of Regional Cooperation was established in 1985, the Asia-Pacific Economic Cooperation in 1991 and the Shanghai Cooperation Organization in 2001. The Association of South-East Asian Nations created a Free Trade Area in 1992, besides expanding its membership to 10 Southeast Asian states. Latin and Central America saw the emergence of Mercado Comun del Sur in 1994 and Central American-Dominican Republic Free Trade Agreement in 2004. In Africa, Southern African Development Community was born in 1992, and East African Community in 1999. In the Arab world, the Gulf Cooperation Organization came into being in 1981, the Arab Maghreb Union in 1989, the Greater Arab Free Trade Area in 1997 and the Agadir Agreement in 2008.

FIGURE: Regional Trade Agreements, 1955-2015



Source: World Bank Database.

As clear from the Figure above, regional trade agreements spiked after 1990, from almost 50 in 1995 to over 250 in 2015. Since then, their number has increased, and scope also expanded. The global trend has been towards concluding deep trade agreements, which cover multiple policy areas beyond tariffs that affect trade and investment in goods and services (Smillie, 2018).

The surge of these trading arrangements and regional organizations defies the pessimistic views of Eurocentric integrationists about the impossibility of regionalism outside Europe due to the absence of enabling factors in developing countries such as their acute level of poverty, preoccupation with the nation-building process and dependence on external sources of capital, markets and technology as well as the absence of enhanced rates of economic transaction, pluralistic socio-political structures, high degree of complementarity and necessary organizational and political skills among people (Hansen, 1969). Such constraints may have disrupted the process of new regionalism, yet the fact that it has continued to grow cannot be overlooked.

Like in Europe, new regionalism is accompanied by regionalization trends. Unlike the formal economic or security cooperation that takes place through state representatives and institutions under regionalism, regionalization defines an increase of region-based activity characterized by economic and social interactions between the private sector, including business firms and trading companies, and non-government organizations (Shultz et al, 2001).

The distinctive nature of regionalism in the developing world, in contrast to Europe or the developed world, can be explained by various theoretical perspectives. In the 1960s, Haas, a neo-functional scholar, compared the Western world with the Middle East and the Warsaw Pact members of Europe. His findings indicated that the necessary conditions for integration observed in the European Economic Community, like free-market economy and democracy, were absent in other regions. Consequently, he argued that each region would have its own unique functional objectives and approaches to integration. Haas proposed a communitarian-based “Asian Way” to regionalism, which rested on three key preconditions: “firstly, regional cooperation should commence with less contentious issues to facilitate consensus; secondly, political actors should adopt an incremental approach rather than pursuing grand designs; and finally, the focus should be on fostering cooperation rather than pursuing full integration” (Hass, 1968).

In recent times, Acharya and Johnston have put forth a compelling argument suggesting that the legalistic sovereign integration model, exemplified by the EU, may not be the optimal organizational framework in all global regions. Their assertion posits that regions where nation-states prioritize the preservation of existing regimes are more inclined towards organizations that bolster

sovereignty and legitimacy (Acharya & Johnston, 2007) Acharya additionally offers a social constructivist perspective, which emphasizes the role of values and norms in shaping the contours of regionalism in the developing world. According to his perspective, constructivism has fostered novel approaches to examining regionalism in non-Western regions like Southeast Asia, Latin America, the Arab world, and Africa. These areas place significant emphasis on culture and identity as critical factors, and their contributions primarily lie within the normative realm. However, their formal regional institutions do not possess integrative characteristics in the neo-functionalist sense (Acharya, 2012).

Both communitarian and constructivist perspectives conform to the liberal inter-governmentalism of Moravcsik, who considers regional cooperation as an inter-governmental mechanism to deal with the expectations of state actors in economic and non-economic spheres. These expectations, as well as the willingness of the state actors to play by the common rules of conduct and enter into reciprocal commitments and obligations, are shaped considerably by domestic political considerations (Moravcsik, 1993). These considerations, according to Dash, include the respective state preferences and interests regarding relative gains from a regional setting and the kind of political setup, influence of special interests and public opinion. In his opinion, the implementation of any international agreement depends upon the level of domestic political support. Thus, there exists close link between domestic politics and foreign policy (Dash 2008).

Putnam provides a comprehensive analysis of the interrelationship between regional cooperation and the political dynamics within the member-states of a regional organization. He characterizes regional cooperation as a two-level game, wherein office holders engage in coalition-building efforts at the national level while concurrently engaging in negotiations at the international level. The primary objective of these negotiations is to strengthen their position domestically by meeting the demands of influential interest groups. Consequently, the strategic decisions made by decision-makers within a nation are significantly influenced by the scope and feasibility of a regional cooperation agreement that garners sufficient support from domestic constituencies, referred to as the win-set. A broader win-set increases the likelihood of political leaders pursuing regional cooperation, whereas a narrower win-set reduces such prospects. Therefore, according to Putnam, the alignment of domestic support and regional negotiations is crucial for the successful progression of cooperation endeavors (Putnam, 1988).

Foreign policy preferences of states, which remain central to regionalism in the developing world, are constituency-driven and situation-specific. These preferences shift in accordance with the changes in a country's political and economic situations (Rouis & Tabor, 2012). Hence, for the sake of regime stability, leaders will pursue regional economic cooperation if it serves their political constituencies, and vice versa. Moreover, when the economic situation deteriorates, the probability of domestic political support for such cooperation increases (Dash 2008). The Brexit proves that supranational institutions can work only up to an extent in a region of diverse nationalities and economies. In the end, it all comes down to the political choices that regimes make when the socio-economic cost of such undertakings becomes unbearable.

Security considerations, either intra-regional or extra-regional, also play a part in determining political actors' regional cooperation policy preferences (Lake & Morgan, 1997). After all, the EU emerged in the backdrop of the perceived security threat from the communist Soviet Union and its membership later expanded to Central and Eastern Europe nations, as they feared Moscow's domination. Regionalism is also motivated by the countries' desire to prevent another war, as happened in the case of post-war Europe. The persistence of conflict is a barrier to regional integration. Hence, conflict resolution is essential for viable regionalism to begin and produce tangible outcomes.

In terms of political, economic and security motivations, a region's stronger states have greater interest in regionalism by virtue of the largeness of their geography, demography and economy. According to Hurrell, the presence of a hegemonic power can serve as a catalyst for regionalism and the establishment of regionalist institutions (Hurrell, 2006) According to the scholarly perspectives of Nye and Keohane, hegemony is characterized by the dominance of a single state that possesses sufficient power to uphold the fundamental principles that govern interactions between states, and is willing to undertake such a role. (Nye & Keohane, 1977). In a regional grouping, a hegemonic state can provide a focal point around which policy coordination can take

place. Germany and France as major European powers play such a role in the EU. Indonesia and Malaysia in the ASEAN, China and Russia in the SCO, and Saudi Arabia in the GCC are the major driving force of regional cooperation.

KEY FINDINGS

It is evident from the preceding discussion that the developing world has peculiar political, social and economic conditions that limit the application of integration theories related to supranationalism. Instead, a synthesis of inter-governmentalism and liberal inter-governmentalism, including its communitarian and constructivist articulations, offers a more logical explanation of the evolution, process and outcome of the current and emerging regional initiatives outside the European continent.

First, regional organisations in Asia, Africa and Latin America are based on inter-governmentalism, where the member-states consider their state interests supreme in the interplay of domestic and regional political and economic dynamics. They pursue economic cooperation without the need for pooling sovereignties through a supranational institution. Unlike democratic Europe, the political framework of the developing world is diverse, ranging from authoritarian states to electoral democracies, which is why its governments have been reluctant to transfer any sovereignty to supranational bodies.

Second, while the focus of new regionalism remains on cooperation rather than integration, its underlying principles include a state-driven, incremental, informal and consensual approach to cooperation, a strong attachment to sovereignty and non-interference in the internal affairs of the member states, and the avoidance of formal and legalistic modes of problem solving. Domestic political considerations conforming to liberal inter-governmentalism play an important part in the process. Regime stability remains a primary concern for the leaders, who pursue regional initiatives as long as they serve the interests of their political constituencies.

Third, regional organizations in Asia, Africa and Latin America are yet to create a common regional identity like Europe, where the EU has helped bridge the racial and regional divide among the European states. That SAARC member-states remain poles apart, despite sharing history, ethnicity and culture is a reality. But this has much to do with the lack of progress in its smooth historical evolution. Elsewhere, from the SCO to the ASEAN and even the African Union, the population of the region across national frontiers has, indeed, gradually developed a sense of belonging to the same region.

The GCC region has also overtime seen the emergence of a common Gulf identity, which confirms a constructivist trend. The GCC has evolved into a regional organization whose existence is taken into account by individual governments when setting their national policies. From time to time, differences among the GCC states do crop up over political and economic issues. However, internal security is one area where they have achieved a high level of cooperation, largely due to a common perception of regional threats as well as a shared interest in state integrity and regime survival. In the economic sphere as well, the GCC countries have been able to create integrative institutions such as the Customs Union and Common Market on the EU pattern, even though without compromising their sovereignty.

In sum, unlike the EU, where the member states and their respective populations were willing to transfer national sovereignty to the supranational institutions for mutual gains, a mix of inter-governmentalism and liberal inter-governmentalism trends may continue to determine the pace and scope of new regionalism in the foreseeable future. However, as long as individual states remain unwilling to forego their respective national identity and embrace a common regional identity, the constructivist notion of shared values and norms playing a part in regional integration will be of limited value.

Beyond the identity question, however, in the long-run, credible paths to regionalism in the developing world would have to imply innovative ideas and mechanisms to negotiate supranational institutions and transfer of state sovereignty. Therefore, by directing attention towards areas of collaboration that involve fewer concerns about sovereignty and offer substantial economic benefits from collective efforts, it is possible to enhance the level of support for the current regional initiatives spanning Asia, Africa, and Latin America.

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