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***The EU and Inter-Regional Cooperation:
In Search of Global Presence?***

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I. Introduction

The European Union has for long been regarded as a political light-weight in international relations, explained in large part by the absence of a common foreign policy and a common defence and security policy. As a political community of sovereign member states, it remains reluctant to mobilise the financial resources and indeed the political commitment to launch even the most basic defence force. Months after the US-Iraq war ended in the Spring of 2003, the EU was still struggling with the establishment of the promised Rapid Reaction Force, a unit intended for peace-keeping and humanitarian efforts in trouble spots around the world.

Yet in the economic arena the European Union is considered to be a major player in the global economy, and the volume of trade, investment, and financial flows stand as testament to the economic strength of the bloc. A significant aspect of the EU policy emerged in the past decade with the signing of many regional cooperation agreements, and the enhancement of inter-regional relations (Panagariya, 2002; Sapir, 2000; Tharakan, 2002). The question often asked in international relations ‘why do states cooperate’ is modified in this chapter to become ‘why do regions cooperate?’

Regions are understood here as supranational regions, encompassing sovereign states in some form of cooperation or integration arrangement – such as European Union, Mercosur, Association of South East Asian Nations (ASEAN). The particular question to be addressed in the chapter is how and why does the European Union engage in institutionalised cooperation with other regional blocs. In answering the question, one can of course consider the explanatory power of the traditional approaches to international relations. Realism and liberalism still have much to offer by way of explaining the interests of the state actors, and the importance of institutions in structuring international relations (Jackson and Sørensen, 2003). Yet, these two well-worn sets of lens through which we view the behaviour of states in the international system fail to capture the nuances of behaviour and the motivations that drive cooperation between states, and even less so the phenomenon of EU cooperation

with other regional groupings such as Mercosur, ASEAN and the African, Caribbean and Pacific (ACP) states.

This paper develops the argument in the following sections, starting with a brief review and comment upon the theoretical literature and a subsequent consideration of the empirical evidence. It presents a possible alternative theoretical explanation for regional cooperation, in the cooperative hegemony approach developed by Pedersen (Pedersen, 2003). Subsequent sections examine the nature and scope of existing policy towards inter-regional relations, examining a selected number of inter-regional agreements with Asia, Africa, Eastern Europe, and Latin America. Limitations of space prevent a detailed examination of each agreement, so the aim will be to highlight differences and common elements with respect to such issues as institutional arrangements, objectives, processes and scope.

The cooperative hegemony approach is complementary to existing theoretical perspectives on European integration, but it goes further to answer the question why states (as a collective entity) engage in cooperation (Rosamond, 2000; Pollack, 2001; Vayrynen, 2003). Pedersen makes the claim that cooperative hegemony constitutes a partial theory of regionalism (Pedersen, 687). However, instead of seeing this as a limitation to the approach, it may more properly be considered as an acknowledgement of the complexities that characterise the international system, requiring a multi-faceted analysis of the driving forces and elements that combine to shape the system (Geyer, 2003).

The paper is not directly concerned with the motivation of an individual state to engage in regional cooperation. Instead, we are interested in the motivation of the community of states that is represented by the European Union. So, we can assume that there are collective benefits for the political community over and above the advantages to be gained by an individual state.

II. Why Cooperate? Theoretical Pluralism

The realist perspective retains its relevance for understanding the broader motivations behind the EU's actions in the international system (Jackson and Sorensen, 2003). In

particular, the realist view of the self-interested and power-seeking state remains true also for the group of states acting collectively through the European Union. We can extend the perspective to allow for the possibility that the pursuit of power is conducted through the exploitation of economic means and strength, rather than by war and aggression, or other coercive means. This can be seen as an extension of the rationale for the creation of the European Union, and the goal of its founding fathers.

The successive attempts to deepen integration over the past two decades, notably through the Single Market programme and the introduction of the euro, have served to consolidate the internal strength and dynamic of the European community. However, the community requires larger markets outside the EU-15 in order to extract the maximum economic benefit from deeper integration. With increased interdependence and an intensified competition at the global level, and against the background of an international system with a dominant power, the EU must fight to defend and extend its position internationally. One way of securing these economic interests and ultimately the power of the EU is through inter-regional cooperation.

Liberalism shares with the realists the view of individuals (and states) as self-interested and competitive. But there is also a willingness to cooperate across international boundaries on the basis of shared interests in the pursuit of prosperity and increased welfare. Interdependence is both a causal factor in international cooperation, and also the result of political cooperation among sovereign states, international organisations and non-state actors.

States and other actors may be willing to cooperate in the international system. But even powerful states require some framework to facilitate international cooperation, given the fact that risk, insecurity, or lack of knowledge can make decision-making difficult. Institutional liberals claim that international institutions help to promote cooperation, and that a high level of institutionalisation significantly reduces the instability of the system (Lake, 2001; Oye, 1986; Keohane, 1989).

Institutions may be regarded as more than simply apolitical actors facilitating international cooperation by providing information, reducing transaction costs, and playing an enforcement or monitoring role. Institutions, and the European Union in

particular, can be considered as political actors motivated by self-interest and influenced by considerations of position and power in the international system. In the pursuit of both absolute and relative gains, regional cooperation and inter-regional relations in particular may be heavily influenced by geopolitical and security considerations.

Geopolitical and security considerations are given particular attention in much of the international political economy literature (Strange, 1988). The history of regional cooperation in Europe, Asia and in Latin America suggests that states initiated cooperation in order to foster the emergence of binding security communities, or as a response to external threats either affecting military or economic security (Solingen, 1998). More recently, the existence of a hegemonic power has been recognised as a driving force for regional cooperation by way of a counter-hegemonic response (Hurrell, 1995).

The past decade witnessed many, and often contradictory, views regarding hegemonic influence and the possible nature and scope of hegemonic power itself (Kupchan, 2002). Some analysts considered the possible decline of the United States as the world's sole hegemon (Kennedy, 1988). However, the declinist literature generated widespread rebuttals, and these were backed up by the consolidation of the US position as the dominant power in the 1990s (Cox, 2001; Nye, 1990). In the absence of any direct challenge to the reign of the hegemon, inter-regional cooperation remains as the indirect reaction to the pervasive influence and might of the world's super-power.

For the realist, the question is how the international power distribution can benefit the individual states within the system. For the institutionalist, the key question is how power politics can be mediated through cooperation with the framework of international institutions, taking for granted that the growing material interdependence among states and societies makes such cooperation not only necessary but also inevitable (Keohane, 1989). International institutions can shape both the context in which states decide and the actual behaviour of states and non-state actors. It is by creating international norms, rules, routines, and expectations defining appropriate behaviour that international institutions exert a positive influence

on state behaviour, managing or preventing conflict, and framing the context within which power politics operate.

Hegemony is not always conceived of as requiring support for cooperation or needing the legitimacy that cooperation might bring. It is viewed differently by the elites who gain directly from hegemonic practice, and those groups (inside the hegemonic state and outside it) who regard the existence of hegemonic policies as detrimental to their interests. These conflicting perspectives stem from the different ways in which hegemonic power can be exercised: to create a transnational order, underpinned by rules and laws, producing a cooperative system (the benign hegemon); where the hegemonic state fails to observe the international rules and laws, effectively abusing or misusing its power; and, where the hegemon gains structural power and advantages from the fact of its position at the heart of the international cooperative system it has created (Palan et al., 1996). How can inter-regional cooperation be interpreted under these conditions?

III. Cooperative Hegemony – A Strategy for Cooperation?

While the European Union cannot claim the degree of power and influence of the United States in the international system, it has an increasing degree of influence through the economic power it has aggregated for itself (Keohane, 2002). Overall, its capacity lies in the use of ‘soft power’ (such as cultural and ideological/ideational assets), rather than the ‘hard power’ (in the form of military and economic capabilities) that gives the US its crucial advantage and leading edge.

For the political economist, what is of interest is the way in which the EU uses the economic power to secure political ends and in doing so extends its economic power base even more. As we will see in the following section, inter-regional cooperation is pursued through the exploitation of soft power for greater economic gain. And, as the example of Eastern Europe shows, issues of security are seen in terms of the possible impact upon this pursuit of economic power. Insecurity is regarded as an obstacle to be removed along the pathway if it could directly hinge upon economic interests. The question is whether the exercise of soft power in the particular context of the EU’s inter-regional relations can constitute an exercise of

‘cooperative hegemony’ and a gradual extension of European influence in the international system.

The cooperative hegemony approach involves the use of soft power through engagement in cooperative arrangements linked to a long-term strategy (Pedersen, 2003). Implicit in the strategy is the notion that states have freedom to devise strategies, to incorporate new ideas and to revise strategies. Under cooperative hegemony, institutions and ideas are combined to offer a framework through which a regional order is constructed. While it is a strategy that is open to militarily weak powers, or to powers in search of global reach, it is also a viable counter-strategy in an international system where a dominant state holds power. In this case, the model is proposed as a useful explanatory approach in understanding the EU strategy of inter-regional cooperation.

Realist approaches fail to capture the dynamic of cooperation among states, and in this particular context the greater emphasis upon the state as the unitary actor makes the theory less plausible for understanding the behaviour of supranational/international entities. Similarly, the liberalist perspective does not adequately capture the complex intermingling of ideas, institutions, and power that are combined together in coherent and long-term strategies by a regional (supranational) political actor.

The question is, when can cooperative hegemony be useful, and under what conditions can such a strategy be developed? Here, we explain what is envisaged in cooperative hegemony before going on to consider the approach as a way of understanding inter-regional cooperation among groups of sovereign states. Pedersen proposes the cooperative hegemony approach as a strategy for regional cooperation that could be used by a large state in the region, with three crucial preconditions:

- the large country in the region must be able to harness the support of the neighbouring states for its political project – the ‘power aggregation’ strategy;
- the large country must be able/willing to share power with the smaller states – ‘power-sharing’ capacity;

- there should be a commitment among all the states in the region to a long-term regionalist strategy.

These are the essential requirements for regional cooperation to develop. It is clear that these conditions call for a high degree of institutionalisation in order to facilitate the power-sharing capacity. In the case of asymmetrical regionalism, where there is a large state and many smaller states, a strategy of cooperative hegemony may require compensatory and redistributive mechanisms, at least in the early stages of cooperation. The use of these mechanisms, which Pedersen refers to as side-payments, enables the larger state to win over the political support of the other states.¹

A cooperative hegemony approach has certain advantages that make it an attractive strategy for both large and smaller countries in the region, since it can embrace the interests of all the countries while facilitating the strategic considerations of the large country. For one thing, there are advantages in cooperation to create a larger and more integrated regional market. Hence, the larger country/bloc in a regional/inter-regional cooperation arrangement will seek to pursue power aggregation strategies linked to economic advantages. In the case of a large, economically efficient country, there are major benefits to be derived from an integrated regional market.

A second advantage concerns the possibility of generating stability and security externalities through regional cooperation based upon extensive extra-territorial economic presence. Whenever stability is important to a large state, there is a high level of motivation to develop cooperative strategies. The case of European Union eastward enlargement is an example of using cooperative hegemony to secure security externalities. The current European Union policy towards the countries on the eastern border of the future EU-25 – Russia, Ukraine, Belarus, and Moldova – is in large part driven by the need to ensure stability on the enlarged Community's eastern, often volatile frontier.

¹ Within the European Union, a similar strategy was adopted when the member states agreed to the doubling of the Structural Funds budget in the late 1980s, coinciding with the launch of the Single market liberalisation programme. Later on, the Cohesion Fund was introduced to support the four poorest countries of the EU in their preparations for monetary union.

A strategy of cooperative hegemony can also have inclusion advantages, whereby the large state can access resources, raw materials, and markets directly through the incorporation of other states into the regional cooperation arrangement. Equally, there may be an inclusion advantage associated with the possibility of integrating dispersed interests through regional institutionalisation. The principle of inclusion allows for the possibility of creating regional order and stability without the need to resort to coercive influence and extra-territorial control.

The fourth advantage relates to the possibility for diffusion of ideas, norms, and rules. It is here that the central feature of cooperative hegemony, regional institutionalisation, plays a key role in locking in the other states to the ideas and values of the hegemon. As the next section will show, the European Union plays a major role in diffusing its own particular set of ideas and intrinsic values respecting human rights, the rule of law, and good governance in the conduct of inter-regional cooperation. The question is, what makes cooperative hegemony work?

It is important to have one large country (regional power) with the capability and the credibility to persuade and convince its neighbours that there are gains to be had from participating in and supporting the political project of the hegemon. Persuasiveness in this case is closely aligned with leadership skills, and crucial to the project is the willingness to exercise leadership on an ongoing basis. Cooperative hegemony differs from the traditional hegemony in that the latter describes the unipolarity of one dominant state with the capacity to influence the behaviour and the environment of other states, without needing to resort to cooperation or other institutional arrangements and power-sharing.

Cooperative hegemony does require power-sharing, but it also requires an asymmetrical distribution of power in the region, favouring the large state. Pedersen warns, however, against a power distribution that is too asymmetrical, with the consequent risk of alienating the smaller states. Where there is an extreme asymmetry of power, the large state might consider that power-sharing was not in fact necessary to secure its goals. Such unwillingness to cooperate with smaller neighbours could result in the alienation of the other states, and the ultimate failure of regional cooperation.

Regional asymmetrical relations can pale into insignificance in the face of external threats, leaving smaller states more willing to accept a regional power distribution that they might not otherwise be willing to countenance. The existence of large powerful, and aggressive states outside the region can have its own effect in shifting the power balance within a region. These external threat considerations are particularly relevant in the context of Latin American countries within Mercosur, against the backdrop of the proposed Free Trade Area of the Americas (Klom, 2003; Patomäki and Tluvainen, 2003).

Why would a regional power want to share power through the medium of institutions? Obviously, if the costs of not sharing are higher than the benefits of keeping power unilaterally, then the rational decision is to share power. Most important is the willingness of the big state to share power, and this may be determined by historical, cultural, and political traditions. The EU has a history of internal and external cooperation, so the existence of domestic coalitional interests with a culture of power-sharing will be most likely to produce regional strategies of cooperative hegemony. There is a greater guarantee of regional power-sharing where the domestic group or groups share a discourse that is supportive of power-sharing as a way to serve their interests.

The foregoing discussion suggests that we can assess the possibility for cooperative hegemony through the possible existence and interaction among a set of indicators:

- asymmetry of power
- credible regional actor
- commitment to leadership over the long-term
- power-sharing arrangements
- regional institutions
- the use of soft power (ideas, ideology)

How will the cooperative hegemon act? There are a number of possible strategies, all intended to secure the support and on-going commitment of the other states for the political project. It is possible to co-opt smaller states through the offer

of side-payments and economic incentives for collaboration, while states of all size can be co-opted through locking-in strategies linked to trade and investment. Of particular importance are regional integration strategies that emphasise common interests and a common identity in relation to the 'outsider' big power. The next section examines the EU's inter-regional cooperation against the above set of indicators.

IV. The Empirical Evidence

From its inception, integration in the European Union was based upon internal liberalisation combined with protectionism against non-members. In recent decades, the EU has adopted an outward orientation with the rise of international interdependence. Possessing a dominant share of global trade, the EU is also one of the largest sources of foreign investment and contributes the largest amount of the inward investment in the United States. In addition, it attracts significant foreign investment from the United States, Japan, and the rest of Asia. Contrary to fears that the European Single Market would create a 'fortress' Europe, the EU has gone on to extend its global economic reach.

The lack of a common foreign policy, in direct contrast to the success of the common commercial policy, has inhibited the evolution of the EU as an international political actor. Nonetheless, the EU has developed a comprehensive set of cooperation agreements, bilateral arrangements, and inter-regional relations that define the international political role of the Community, using economic channels just as the founding fathers set out to build a political community through economic integration. The issue we need to consider is to what extent this international community, based around the portfolio of EU inter-regional arrangements, was co-opted by the strategies of cooperative hegemony.

EU and ASEAN

The ten-member ASEAN originated in the 1960s as an organisation whose main task was managing security in the region. The member countries relied on the gradual development of cooperation and trust among themselves as the principal method of preserving security. Consequently, they avoided the kind of substantive binding

agreements that have characterised the European Union (Bowles and MacLean, 1996). In this sense, ASEAN constituted a 'soft security' organisation, without any desire to use military resources to deal with conflict, whether internal to a member state, or throughout the region and its close environs. In fact, ASEAN was little concerned with economic integration until the early 1990s when the countries agreed to set up a free trade area.

Internally, ASEAN favoured a looser approach to integration and fostered the principle of non-interference in the domestic affairs of the member states, a position they held throughout the Asian financial crisis (Dieter and Higgott, 2003). After the Asian financial crisis in 1998 there was much discussion about the possibility of monetary cooperation (Ahmed and Ghoshal, 1999; Bowles, 2002). In general, ASEAN maintained a low degree of institutionalisation and remained an inter-governmental organisation. It is therefore not surprising that in the inter-regional relations with the EU, the same low degree of institutionalisation is evident (Rüland, 2001). Instead, the EU gives great emphasis to the ideational factors, and to the transfer of norms, principles, and rules as part of the dialogue with policy-makers, and through the consultations with experts and bureaucrats.

From the beginning of the 1980s, EU-ASEAN inter-regional dialogue began in earnest and was conducted largely on an informal basis in dialogue and meetings at ministerial level. The Asia-Europe Meeting (ASEM) began in 1996 as an informal process of dialogue and cooperation, covering political, economic, and cultural issues, and bringing together the EU-15, the European Commission, and the ten Asian states (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. ASEM, like the Asia Pacific Economic Cooperation (APEC) forum, incorporate as members some countries that belong to no regional organisation, so the weak culture of cooperation through regional institutionalist frameworks is reflected in the way inter-regional relations with the EU are managed (Forster, 1999; Richards and Kirkpatrick, 1999).

The degree of informality in the inter-regional framework meant no binding arrangements were made, although cooperation did serve the purpose of stimulating agenda-setting across a variety of issues (concerning such issues as refugees,

Cambodia, Afghanistan). It can be said that this approach to inter-regional cooperation served a useful purpose in developing the profile of the EU and of ASEAN as international actors. With international profile comes prestige and a strengthening of the legitimacy of the regional actor.

From the beginning of the 1990s, the dialogue between the EU and ASEAN was strained by political differences over such issues as human rights and democracy, marking the clash of values between the two regions. At times, the Asian states also adopted a strategy of balancing the EU with APEC, so that negotiations with the EU were often shaped by the weight of external political factors. The EU was anxious to retain cooperative ties with the dynamic (at least until 1997) economic region, but after the financial crisis the normative considerations returned to the inter-regional dialogue, generating a more value-based political dialogue.

ASEM has taken over many of the functions of the ASEAN-EU dialogue, and offers greater significance for the EU since it includes China, Japan, and South Korea as members. It can be considered a counter-weight to APEC, and a way to reduce the American influence in the region. Like ASEAN, ASEM is non-binding, informal and consensual, but the weak institutionalisation has limited the capacity of the framework to arrive at substantial decisions (Hamilton-Hart, 2003). Despite the common interests of the two regions in areas such as trade and investment, the framework could not facilitate agreements on common positions nor agenda-setting for the global institutions. But the weak institutional framework was only one constraint limiting the cooperative relations. A more substantive limitation to deeper cooperation rested on the fact that the ideational aspects of the cooperative strategy failed to address the question of the different values and principles in the two regions.

In 2001, the EU sought to redefine its relations with Asia, announcing a new strategic partnership for the region. The new strategy signalled what amounted to a declaration of intent, to strengthen the EU's political and economic presence in the region, 'raising this to a level commensurate with the growing global weight of an enlarged EU'. Significantly, the new Asia strategy also embraced ideational considerations, with human rights protection, democracy, good governance and the rule of law given prominence (CEC, 2001, p. 18).

The new strategic partnership is still at an early phase as far as substantive inter-regional cooperation is concerned. However the geographic scope is much broader than before, since it extends to include Australia, a country with which many of the Asian countries have close economic ties. The strategy rejects the idea of focusing exclusively on the regional organisation and opts for trans-regional rather than inter-regional cooperation. In recognising the regional diversity within and across Asia, the EU proposes to develop a web of relations extending to the regional power that is China, with India as another regional power, while also addressing the security concerns of South-East Asia, and the different interests of Japan.

A cooperative hegemony approach needs to engender support for the project among the other states if it is to be successful. In the case of the new strategic partnership with Asia, the EU proposes a shared political project based on promoting peace and security at the global level, enhancing the effectiveness of the UN, and managing the global environment. This partnership extends to shared responsibility for dealing with trans-border issues such as crime, illegal immigration, drugs, and terrorism.

Economic issues occupy an important place in the EU strategy towards Asia, and at the heart of the matter is the EU's desire to enhance liberalisation within the framework of the WTO system of rules. The European Union also favours a stronger institutional framework in order to 'allow for a more coherent approach' to Asia-EU relations, on the basis that it would 'give a clear public signal of the commitment of both parties to raise our relationship to a new level' (CEC, 2001, p. 12). The overall strategy envisages extending the reach of the EU across issue areas in which previous engagement was limited. One such issue area is social policy, where the EU proposes to engage in further dialogue on social policy issues by presenting the 'European model' as an exemplar of best practice with the 'links between trade and social development, including the promotion of core labour standards'.

Certain elements of the new strategy for Asia suggest that the EU has adopted a cooperative hegemony approach in inter-regional relations. The EU discourse surrounding the Asia strategy is firmly linked to concepts such as partnership and the sharing of power. At the same time, the discourse reflects the ideas and normative

framework that is the hallmark of the European system (Nicolaidis and Howse, 2002). The EU wants to simultaneously diffuse its ideational-institutional model within and across Asia, while co-opting the Asian countries to support the European Union position in the international fora, at the UN, the WTO, and on the global stage.

EU and Latin America

As with Asia, regional cooperation with Latin America reflected the recognition of diversity in the region. The result was a series of agreements and policy statements by the EU directed at the region as a whole, and at the sub-regions within the continent, including Mercosur, Central America, and the Andean Community. Initially, the roots of this policy were to be found in the EU's development programmes and based upon Article 177 of the treaty establishing the European Community. By the start of the millennium, a new strategy with Latin America announced a partnership to 'place human development and the civil society at the heart of the relationship between the two regions'. Three priority areas of cooperation were identified by the European Commission: the promotion and protection of human rights; the promotion of the information society; and the reduction of social imbalances by means of a global approach to the campaign against poverty. In more concrete terms, the new Latin American strategy focused upon monetary and financial stability, the support for the peace process in Colombia, immigration, drugs-trafficking, and the WTO rules (Hurrell, 1998).

The current EU strategy paper for Latin America marks a shift away from traditional development policy, and must be seen against the failure of the development models of the 1970s and 1980s. It can also be seen in the context of the proposal to create a Free Trade Area of the Americas (Wroebel, 1998). Both of these facts lend a sense of urgency to the regional political agenda. There are normative considerations driving the EU position, in the stated concerns with poverty, democracy, and the rule of law. But there are also strong political economy forces behind the EU support for Mercosur (Naillant and Ons, 2002). While the EU supports the Mercosur integration process and the creation of a 'strategic inter-regional partnership', an over-riding motivation for the EU is to counter-balance the likely

influence of the proposed FTAA (Mercosur-European Community Regional Strategy paper 2002-2006).

As the fourth largest economic group in the world after the EU, NAFTA, and Japan, with a GDP of \$1100bn and a population of 220 million people, the Latin American region has enormous economic significance for an economic bloc such as the EU. In this regard, a major focus of EU efforts is support for the completion of the Mercosur internal market, the external liberalisation of the community, and the enhancement of the institutional structure. Current EU strategy towards Mercosur has entered a new phase with the negotiations for the Inter-Regional Association Agreement. The focus of this agreement is economic cooperation, largely dealing with trade and aimed at securing bilateral, gradual and reciprocal trade liberalisation in accordance with WTO rules. The EU is therefore endeavouring to prise open what it regards as a potentially lucrative market.

The European Union has sought to legitimise and justify cooperation by referring to common political values, and shared interests and common agendas in the international community (Manners, 2002). From its inception, Mercosur adopted a similar (although more limited) institutional design to that of the EU, and a proposal to deepen the institutional arrangements, to create a dispute settlement system, establish a common competition policy and eliminate non-tariff barriers reflects the continued influence of the EU model (Kanner, 2002; Sanchez Bajo, 1999). Despite this, it remains an intergovernmental organisation (Mecham, 2003). Parallel to this inter-governmentalism, there continues to be a weak institutionalisation of the inter-regional cooperation framework for the EU and the Latin American region.

For Mercosur, and for Latin America in general, there are possible gains associated with inter-regional cooperation. Collaboration with the EU may serve to raise the profile in the international geo-political arena, an aim that is particularly relevant for Brazil. But there is also the possibility for Mercosur to engage in balancing strategies, not least in the context of the negotiations around the proposed Free Trade Area of the Americas (FTAA). Inter-regional cooperation with the EU could also be a way for Latin American to secure greater autonomy outside the US sphere of influence.

From the perspective of the EU, the strategy is part of the quest for greater international presence and 'international actorness' (Ginsberg, 1999). The model of strategic partnership between the EU and Mercosur bears some of the hallmarks of the cooperative hegemon. It reflects an ideational/institutional structure, although at the moment the ideational aspects are more prominent. It is a model that allows the EU to pursue political goals largely through economic means, and at the same time to transmit certain normative values and ideas such as good governance, the importance of human rights, and the necessity of democracy.

EU and Africa

Inter-regional cooperation between the European Union and the African continent has its origins in the former colonial ties between certain member states and the African region. The Lomé agreement came about as certain European countries preferred to retain the relations with former colonies after the European Community began. Successive Lomé agreements were devised as instruments under the European development policy. The agreements offered duty-free access to the European market to the African, Caribbean and Pacific (ACP) producers in the area of primary products, without the requirement of reciprocal access in return.

The Lomé agreements promised a radical departure in development policy, going beyond the offer of market access to include a declaration of the equal partnership between Europe and the ACP and were hailed as innovative in terms of relations between developed and developing countries (Holland, 2002). Nowadays, EU policy statements abound with references to partnership. But, as the Lomé agreements have shown, there was a mismatch between the rhetoric and the reality.

Despite the creation of an institutional framework for the conduct of political dialogue and implementation of policies, the partnership singularly failed to produce a concrete results in terms of development or the reduction of dependency. The ACP economic bargaining power was instead much weakened, and the group had to accept the imposition of conditionality clauses by the EU. These conditionality clauses were added in the negotiations for the fourth agreement, which took effect in 1990 for a ten-year period. Under conditionality provisions, the ACP states were required to

adopt clauses on good governance, democracy, and the rule of law and any ACP states that failed to meet the criteria and standards became subject to censure and the suspension of financial assistance. With the move towards conditionality, the EU shifted its policy stance from partnership towards paternalism, and the ACP countries could no longer rely upon privileged access and financial assistance.

The Cotonou Agreement of 2000 was the successor to the Lomé agreements. The new agreement retained the notion of partnership, but now extended to include the participation by all sectors of society. It also brought two new elements: local ownership, and differentiation among the ACP states. The earlier notion of equality of partnership was, in the new agreement, set against the requirement for a local ownership of development strategies – in other words, the developing countries should set their own development programmes and targets. The second element of the Cotonou agreement was the decision to follow a strategy based upon differentiation in the arrangements for ACP countries and regions, which allowed for bilateral and sub-regional agreements below the ACP-bloc level.

Noteworthy in the Cotonou agreement is the replacement of the non-reciprocal agreements with the reciprocal Economic Partnership Agreements (EPAs) between the EU and selected groups of countries within the ACP bloc. These new agreements are intended to be reciprocal and in addition to be compatible with the GATT/WTO rules. Negotiations have already begun with the European Commission and it is envisaged that the EPAs should take effect by 1 January 2008, with a period of transition to full liberal trade spread over twelve years.

Cotonou is itself a new model of partnership in inter-regional cooperation between the EU and ACP. It recognises the different levels of development among the countries, and proposes a multi-speed approach to development and regional cooperation. Under the Cotonou agreement, development and economic growth are premised upon free trade, and bilateral regional integration based upon economic liberalisation.

Does the cooperative hegemony approach explain the evolving EU policy towards the ACP group of states? From the beginning, the concept of partnership was

central to the conduct of EU/ACP inter-regional cooperation, and implicit in the agreement was the notion of power-sharing. Until the Cotonou agreement, the EU favoured power-sharing strategies over power aggregation strategies in its relations with the ACP group of countries. However, the relationship was highly asymmetrical and the power-sharing was more illusory than substantive. Despite the offer of market access to the ACP producers under the various Lomé agreements, the ACP group actually lost significant share of the European market over the period of these agreements.

The Cotonou agreement marked a shift in EU policy towards the ACP group of countries in the direction of greater focus on power aggregation strategies. Development policy also changed to emphasise the links between trade and development (CEC, 2000). In fact, regional integration may be seen as a new form of conditionality clause in the current policy towards the ACP group where bilateral agreements between the EU and selected (not yet identified) groups of African countries, intra-regional cooperation agreements among groups of African countries, and inter-regional relations between the EU and regional organisations are all part of the new framework for cooperation.

More than ever before, the EU is relying on an ideational realism in shaping its strategy towards the African region. The dialogue reflects support for liberalisation and endorsement of the values and principles that are to be found in EU strategies elsewhere – support for governance, the rule of law, respect for human rights. Although the strategy recognises the existence of wide regional diversity among the developing countries as far as capability to integrate into the global economy is concerned (as we saw with Asia and Latin America), the EU has largely opted for the policy of comprehensive trade liberalisation and regional integration agreements that conform to the WTO rules. This approach serves the economic interests of the European Union, in particular since the strategy is based upon securing market access for European producers while selling the concept of the European ‘model’ of regional integration.

The question remains whether the African countries will buy into this trade liberalisation under the guise of regional integration strategy. Concerns have already

been raised by many of these countries over the continued viability and relevance of the ACP bloc given the European Commission's intention to negotiate bilateral agreements at the sub-regional level. The EU bilateral strategy of negotiating with groups of countries rather than the ACP bloc impinges on the cohesiveness and unity of the regional grouping. Further fragmentation is a possibility as the gap between the poorest developing countries and those gradually integrating with the global economy widens. The recent European initiative on Everything But Arms (EBA), which gives market access for every product except military hardware and armaments to the 49 poorest countries is a separate element under development policy. The poorest countries are party to both the Everything But Arms initiative and to the Cotonou agreement. However, the EBA offers the best conditions for the poorest countries (non-reciprocal market access for all products) and if they opt for the EBA it could undermine the market access guaranteed by Cotonou and, ultimately impact upon the viability of the ACP group.

EU and Eastern Europe

Inter-regional cooperation between the EU and the Central and Eastern European states (CEECs) has evolved over a number of phases since the collapse of communism in the late 1980s, to culminate in the planned accession of eight new Eastern European states in 2004.² With this latest stage of East-West relations, inter-regional cooperation metamorphoses into full integration as the accession states meet the specified criteria regarding their eligibility for membership.

Prior to 1989, the relations between the EU and the CEECs were extremely limited and confined mainly to initiatives by individual European countries (for example, Germany's *Ostpolitik*) and to occasional trade policy initiatives aimed at individual CEECs, with the intention to try to divert trade westwards rather than towards the Soviet Union. After 1989, the European Union was somewhat uncertain how to react to the political changes taking place following the collapse of the Soviet Union. While Western Europe responded with aid, macroeconomic and technical

² Poland, Hungary, Czech republic, Slovenia, Slovakia, Lithuania, Latvia, Estonia – the other two accession states being Cyprus and Malta.

assistance, the response was in general ad hoc and uncoordinated, lacking any strategic long-term focus.

The overwhelming concern of the EU as a whole was with the potential destabilising forces on its eastern borders. Eventually, the EU decided on the Association (Europe) Agreements with Poland, Hungary, and Czechoslovakia in 1991, and two years later with Romania and Bulgaria (Mayhew, 1998). These agreements involved trade liberalisation, and also imposed EU competition and state-aid rules on the signatory countries. But the agreements went further than trade liberalisation, to include multi-faceted, preferential agreements of unlimited duration containing clauses on human rights, democracy, and the principles of the market economy. Additionally, the agreements provided for political dialogue on all topics of 'common interest' at the highest level, with an institutional framework to facilitate cooperation. Although not initially offering membership, the agreements with the Eastern European states were subsequently modified in the wake of the Copenhagen Council meeting in 1993 when the EU member states agreed to accept the membership of the countries that met the eligibility requirements.

The Copenhagen declaration on the criteria for eventual membership marked an important change in EU policy towards the CEECs. The criteria set out the benchmarks for the Eastern European countries to follow in order to be eligible for accession to the European Union:

- Stable institutions (guarantee of democracy, rule of law, human rights and minority rights);
- Functioning market economy, and the ability to compete inside EU;
- Ability to adopt the *acquis communautaire*, the body of EU legislation, and to accept the aims of political, economic and monetary union,
- And provided that the EU has the capacity to absorb new members without any adverse impact on the momentum of European integration.

This new shift in policy towards the CEECs characterised two of the elements to be found in the cooperative hegemony approach. Firstly, the ideational orientation of policy, with the EU insisting that the applicant states should accept and incorporate the core European values as a pre-condition of membership. Joining the club was conditional on the observance of the rules, and the acceptance of the ethos of its existing members. Secondly, the inter-regional relations were structured around a

deep institutionalisation that facilitated political dialogue and involved the political actors of the CEECs at the highest level. The institutionalised processes also helped to broaden the scope of dialogue by bringing in new actors and also new issue areas.

The pre-accession strategy was the conduit through which European values were to be transferred. In essence, it contained the following elements:

- preparation of the associated countries for joining the European internal market – setting up a competition policy in each country, in conformity with EU competition rules; limiting the use of state aids to domestic firms; adopting the internal market body of legislation;
- promotion of economic integration – by creating a physically integrated region, trade and commercial policy, and the adoption of law on rules of origin.
- cooperation between the applicant countries themselves;
- cooperation in the three pillars of the Maastricht Treaty – in such areas as education and training, environment policy, in justice and home affairs, and in foreign policy.

The implementation of the pre-accession strategy was conducted on the basis of further institutionalisation, with the European Commission playing a prominent leadership role in a top-down approach to monitoring the progress of the accession states towards meeting the criteria. As part of this monitoring, the Commission produced annual reports on the progress of each candidate country, which in itself served to rally the political institutional systems in the applicant states around the political project of enlargement (CEC, 2002). The annual reports were the markers along the road to accession, benchmarks against which each country was assessed and its progress compared against that of the other candidates in the path towards the ultimate prize – entry to the rich club that is the European Union.

The countries that showed progress as measured by how well they could adopt and adapt to the European model – based on a market economy, rule of law, respect for human rights, and a system of ‘good governance’ – were rewarded for their capability to imbibe the values, norms and principles and ultimately their ability to converge to the model (Pridham, 2002). The pre-accession strategy therefore determined that the accession states would conform to the hegemonic ‘state’ that is the European Union, rather than the applicants having the opportunity to transform

the identity of the EU. Thus, the EU shaped the candidates in the image of the 'European model' even before these countries became full members.

In sum, the pre-accession strategy had both psychological effects and political/behavioural effects. It created a set of expectations around the future of accession to the EU (Sjursen, 2002). It also suggested the inevitability of accession, and the responsibility and accountability of the governments and political actors in each state to ensure that the accession strategy would be adhered to, at least to the extent necessary to secure entry to the European Union. In line with the psychological effects, the strategy had a parallel and linked effect on the behaviour of the authorities and actors in the applicant states. Since membership of the European Union required changes to the legislation in each country, to the administrative and legal structures and to the policy mix therein, the overall outcome of the pre-accession strategy was a transformation of the entire institutional framework.

In this regard, one of the pre-conditions for cooperative hegemony – the power-sharing capacity of the hegemon – was met at best by 'encapsulated power-sharing' (Pedersen, p. 689). This conclusion is qualified because a careful examination of the Pedersen approach suggests that the degree of power-sharing will be influenced by a number of factors – the balance of fear directed at the biggest state in the region; the willingness of the large state to share power; and the nature of the political system as far as how much power-sharing actually took place at the domestic level. Strategic considerations may prompt the large state in a region to share power as part of a larger recompense to be gained by pursuing its power aggregation strategy – if there is a greater gain to be had from a power aggregation strategy. In the case of the CEECs, political and practical considerations around the absorption of so many countries with diverse political, economic, and social conditions meant that the logical strategy was to prepare them beforehand. In practice, the CEECs had very little influence in the processes and the Copenhagen criteria were essentially decided upon by the EU-15.

Indeed, the criteria and the conditions set out in the pre-accession strategy imposed their own sense of urgency, and this was compounded by the turmoil and social crises surrounding the transition to democracy. Governments were left with the

unmistakable conclusion they needed to produce some workable solutions to retain the support of their citizens. With few options available to them, it is perhaps not surprising that the states were willing to accede to the programme produced by the European Commission on behalf of the EU-15.

Already weakened politically and institutionally as a result of the transition to democracy, they were unable to shape the power-sharing capacity of the EU. The result was that the EU power-aggregation capacity was enhanced, and ultimately dominated the other two pre-conditions for cooperative hegemony identified by Pedersen: the sharing of power in common institutions with broad competences; and the EU's (as large regional power) capacity to commit to a long-term policy of regional institutionalisation.

The EU and the Wider Europe

The latest enlargement of the EU has enormous implications both for the internal structure and also for the external relations of the community. With a new set of borders, the EU-25 will be required to review and adapt relations with neighbouring countries that are not members of the EU (White et al. 2002). How these new sets of relations will develop is yet to be determined. It is clear, nonetheless, that the enlarged EU may face insecurity and instability on its borders with the risk of internal repercussions.

Geo-strategic considerations highlight the need for the EU to develop a coherent and substantive policy for the conduct of relations with its neighbours on the eastern borders. Romania and Bulgaria are tentatively scheduled to become members of the EU in 2007. Russia has not declared an interest in joining the EU, nevertheless it remains an influential actor in the region with an interest in closer relations with its western neighbour. Ukraine and Moldova are not currently considered ready to be candidates for EU accession.

Common interests abound for both the EU and these neighbouring states on the borders of the future EU-25. Not least is a shared interest in the provision of security, sustainable development, and cooperation for the management of cross-border problems such as drugs, illegal human trafficking and migration flows. For the

EU, the over-riding consideration is security and stability on its borders. It is this interest that has dominated the Wider Europe strategy programme introduced by the European Commission in 2003 (CEC, 2003).

The strategy itself suggests many of the elements in the cooperative hegemony approach. Emphasising shared values, the European Commission highlights notions of partnership and cooperation, stressing the interdependence and need for collective decision-making by the EU and its neighbours on the new eastern frontier. The 'ring of friends' strategy offers the eastern countries sharing borders with EU-25 the prospect of a stake in the EU's internal market in return for their commitment to adopt the values and norms of the EU. It is envisaged that political and economic relations between the EU and its neighbours should become as close as relations within the European Economic Area, while maintaining a strategy of differentiation among those Eastern European border countries. In concrete terms, the EU is presenting a carrot-and-stick policy by offering the benefits of closer economic and political ties in exchange for progress by the eastern partners in political and economic reform.

The 'Wider Europe' strategy represents a radical step forward from the previous cooperative and partnership arrangements with Russia and other Eastern European countries. Current policy offers the promise of preferential treatment for trade, and calls in return for the partners to accept a timetable for extensive regulatory approximation. The neighbours are being asked to adopt much of the *acquis communautaire*, to embrace the values and norms of the EU, and to commit to political reform towards the goal of creating a system that is a mirror image of the European Union in its normative design and value systems.

At the moment, 'the ring of friends' strategy is in a formative phase and so it is difficult to assess how well it may work. Both the EU and Russia have common interests, and not least for both is the question of security. In addition, for the EU there is the wish for greater political involvement in conflict prevention and crisis management. Russia is interested in closer economic ties with the EU and in adopting the rules and standards of the European Single Market it sends a signal to the foreign investors that the country is a competitive partner. On the other hand, Russia is still searching for an identity in post-USSR and is still involved in state and nation-

building. At the same time, the country's leadership is seeking to establish a leading role in global affairs and the international security frameworks, and to carve out new relationships with the EU, with the United States, and the neighbouring countries in the region.

V. Conclusion

We are witnessing the emergence of the EU as an international actor in a manner that plays upon its strength as an economic giant, while implicitly acknowledging its weakness as an international political actor (Nye, 2000). It is worth recalling the origins of the European Union, and in particular the aim of the founders to create a political community by economic means (Haas, 1958). The premise of this chapter is that the European Union is replicating its internal success at the international level, and pursuing the goal of becoming an international political actor by extending its economic reach through inter-regional cooperation (Hennis, 2001). This is essentially the political project that is inherent in the current European strategy of inter-regional relations.

Since the EU is not a military power and is constrained by the lack of common foreign and security policy, it must act on the basis of the strengths that it already has. These strengths relate to its influential position as an economic power in the global economy, a power that is generally recognised and accepted. Hence, the EU can use its global economic strength in the pursuit of inter-regional cooperation, with the ultimate goal of increased international political presence (Ginsberg, 2001).

A major part of this inter-regional cooperation strategy is based upon the support for regional integration, as is the case with policy towards Latin America and Africa. In this respect, the EU is taking advantage of the growing interest in regional integration and cooperation, even among countries such as America or Japan that have not pursued such policies in the past. Now, there is a competitive wave of regional integration on a global scale (Radtke and Wiesebron, 2002). European policy-makers have harnessed this wave of cooperative endeavour to build support for its own project of establishing an international and global presence.

There are other advantages of a more immediate nature that inter-regional cooperation can elicit for the European Union. In the case of the EU and Eastern Europe, there are clear advantages of scale from the enlarged market, and advantages of stability from the strategy towards the Eastern neighbours, Russia, Ukraine and Moldova. Relations with the African, Caribbean and Pacific (ACP) group of countries were developed out of the colonial ties of member states that wanted to retain economic links, and preserve sources of raw materials – cooperation that resulted in advantages of inclusion for the European Union.

Following the Cotonou Agreement, the EU is pursuing a distinctly different strategy with the ACP, based upon free trade and regional cooperation and integration. Under this new framework, there is a shift from securing advantages of inclusion to advantages of diffusion. In other words, the EU is making use of the evolving institutional framework for EU-ACP cooperation to diffuse its ideas and values – economic liberalism, human rights, democracy, the rule of law. The proposed Economic Partnership Agreements are intended to lock in the ACP states into a system with a set of rules determined by the EU.

Regional cooperation within Asia has evolved slowly and often in very different ways (Higgott and Stubbs, 1995). With the new strategy towards Asia, the EU has proclaimed the direct aim of increasing its presence in the region (CEC, 2001). The strategy combines a number of distinct advantages for the European Union, advantages that will become even more important for the future in the context of strengthening the EU as a global actor. There are clear advantages of scale in terms of expanding market share in a dynamic region, particularly with China which has been targeted as an important partner for the European Union.³ Perhaps more importantly, there are advantages of diffusion in the spreading of European values and norms, and the enhancement of mutual awareness and understanding. Ultimately, the aim is to build a basis for future cooperation on issues of common concern and create a possible ally in international negotiations. However, these are long-term strategies.

³ EU exports to China increased four-fold between 1990 and 2000, and China has now replaced the United States as the largest recipient of foreign direct investment. The Chinese financial authorities hold significant foreign exchange reserves, while the countries of east Asia now account for 70 per cent of global foreign exchange reserves compared with only 30 per cent in 1990. However, it is noteworthy that most Asian central banks keep 80 to 90 per cent of their reserves in dollars, rather than euros (Financial Times, 29 August 2003).

Cooperation with Asia could also be relevant to the strategy of developing a counter-weight to US hegemonic influence.

How well does the cooperative hegemony approach serve as an explanation for the EU approach to inter-regionalism? In its emphasis on the role of ideas, the importance of state actors and the necessity of creating institutions as a framework for cooperative action, the cooperative hegemony approach encapsulates a coherent explanation for regional cooperation. Traditional international theories such as realism emphasise the primacy of the state as an actor in the international system, with little interest in cooperation and where institutions have only a marginal role. Liberalism, on the other hand, conceives of regional cooperation in the context of international institutions devoid of state interest politics.

The three pre-conditions for cooperative hegemony put forward by Pedersen – power aggregation capacity; power-sharing capacity; commitment capacity – do not necessarily have equal importance in a regional cooperation strategy. In the case of the EU, it is possible that a particular pre-condition or combination of conditions may have significance in a given region, but a different combination is relevant for another region. In the inter-regional cooperation between the EU and eastern European countries, power-aggregation strategies were more in evidence than power-sharing strategies. With the ACP countries, the EU adopted power-sharing strategies from the beginning. However, given the enormous asymmetrical distribution of power between the two regions there was little regard for power-sharing and the ACP found itself reacting to agendas rather than setting the agenda.

Additionally, the ideational-institutional framework varies from region to region in the context of European inter-regional cooperation. ASEAN-EU relations rest on a very weak institutionalisation, whilst EU-Eastern Europe has perhaps the strongest degree of institutionalisation. The analysis of EU cooperative relations suggests that the degree of institutionalisation varies with the commitment of the large state to that region, and the culture with respect to institutionalisation. ASEAN, for instance, has a low degree of institutionalisation, and cooperation is very much intergovernmental. Nevertheless, there is a strong interest in regional and inter-

regional cooperation on the part of political and economic actors (Hamilton-Hart, 2003).

For the EU as a global actor with ‘soft power’, the cooperative hegemony strategy is reasonable and ultimately essential to retaining its position of influence. Given its strength in areas such as economics, technology, culture and ideology, and institution-building, the EU is therefore well-placed to pursue a cooperative hegemony approach. The European Union has the internal cohesion and political unity that is needed to harness commitment from the member states and the supranational institutions for what is ultimately a long-term strategy, and the leadership skills and the policy-making capacity of the European Commission are prerequisite for the conduct of such a strategy over a sustained period. The effective use of soft power depends upon such influence being exercised in a coherent way across a number of areas and issues simultaneously. While it is more difficult to assess the outcomes of soft power compared to ‘hard power’, where the impact can be easily and readily identifiable, it is a strategy that retains the commitment and support of the European societies to whom all the member states must ultimately be accountable. However, it remains doubtful whether such a strategy can be pursued in the long term without a common foreign policy in the European Union given the growing complexity and the challenges in international relations generally.

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