UNU-CRIS Occasional Papers

0-2006/5

The Ascent of Regional Integration[*]

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Introduction

Globalization is one of the major phenomena challenging the existing world order based upon sovereign states. Societies are more and more confronted with global issues linked to international trade and development, environment and security concerns. One of the main questions is at which level of governance these issues should be tackled. On the one hand, states are still the main actors in the international arena but they are limited in the ways they can act to solve problems of trans-national nature. International treaties and regulations both limit the sovereignty of states and regulate cross-border and inter-state processes. However, this only happens after states having accepted such regulations by ratifying treaties. So, the paradox is that the ultimate policy authority of tackling global issues and problems still belongs to States, while the origin of the problems and solutions is located at trans-national level. On the other hand, international organizations with global vocation, such as the United Nations and the Bretton Woods Institutions, are faced today with structural problems and reforming attempts, which sometimes weaken their prompt reaction.

One solution could be the further development of a middle layer of governance between the state level and the global level. This middle level can be called the regional level as it consists of regional organisations (such as Mercosur, the EU, the AU, Asean, the LAS and so on) that have emerged as a result of processes of regional integration. The concept of integration refers to a process in which units move from a condition of total or partial isolation towards a

complete or partial unification. Applied to the interaction between independent sovereign states, the concept refers to a process of complex social transformations, which may or may not imply some kind of permanent institutional structure or mutual cooperation. Integration between sovereign states is a process of large-scale territorial differentiation characterised by the progressive lowering of internal boundaries and the slow raising of new external boundaries. As a result, the volume of flows – of people, goods, services, capital etc. – between the integrating actors becomes proportionately more compared to their total global transactions. Regional integration thus is characterised by the intensification of relations between independent sovereign states that gives rise to some kind of structure for mutual cooperation based on recurring and stable patterns of behaviour, that is, to institutionalisation.

"In medio stat virtus": regional agreements

Present to some extent since the beginning of international trade, regional agreements flourished all around the globe after the end of the II World War. They dealt primarily with trade related issues and eventually managed to transform into more political structures with more ambitious goals (the EEC established in Rome in 1957 is maybe the most powerful example). As a consequence of the decolonization process in the 1960's, the newly independent states of Africa and Asia agreed to establish regional trade agreements. The surge of agreements continued since the early 1990's when, following the collapse of the communist system, a new wave of regionalization filled-in partially the *vacuum* left by the end of bipolarism. Between 1995 and now at least some hundred new regional trade agreements were formed. The result is a patchwork that covers the whole world and that some have called the 'spaghetti bowl' of regional integration.

Nowadays, regional agreements are spread to such extent that according to the WTO Committee on Regional Trade Agreements, by July 2005, only one WTO member (Mongolia) was not part yet to a regional trade agreement, 330 had been notified to the WTO and over 180 are currently in force, others are believed to be operational although not yet notified[2].

From the First Generation Regionalism to the emergence of a Third Generation

Today's regionalism is more extrovert than introvert, taking the name of "open regionalism" that combines very well with the neo liberal approach to free market, the dominant ideology of globalisation.

In identifying the origins and developments of the process, most of the literature mixes a primarily chronological approach (several waves of regionalism) with a qualitative one (distinction between "old" and "new" regionalism). One of the defining characteristic of the New Regionalism is that is takes place in a multipolar global order, whereas old regionalism was marked by bipolarity. The use of the term generations (instead that the commonly used "waves") avoids the strict separation in "chronological clusters" as we are still witnessing today the births of "first generation" agreements, which develop themselves next to a more updated second generation regional construction such as the EU, Asean, and Mercosur. This idea has also been underlined by Söderbaum (2002) who defines the "identification of new patterns of regionalization more relevant than chronological separation between them". The "**first generation**" of regionalism is based upon the idea of a linear process of economic integration involving the combination of separate (national) economies into larger economic regions. This process begins with a free trade area and moves through various stages of integration (customs union,

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[2] WTO Committee on Regional Trade Agreements, Regionalism: Friends or Rivals?, http://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm

common market) until the economic union. One classic example is the creation of the European Economic Community with the Treaty of Rome. There are nevertheless other examples world wide of first generation regional agreements. The European market integration has become the trigger for a creation of similar market and free trade areas in the Middle East, Africa, the Pacific and the Americas doing the 1960's and 1970's. First generation regionalism is still a booming phenomenon and has expanded its scope to all continents of the worlds. Although a purely economic process, the original intentions behind first generation regional agreements can be political, as was the case in Europe, where the integration was based on the will to prevent another war and to link together peacefully France and Germany.

The development of a political dimension is the main characteristic of **"second generation"** regionalism, which coincides with what is generally defined as "New regionalism", based on the idea that one cannot isolate trade and economy from the rest of society: integration can also imply non economic matters such as justice and security. The emergence of the "new regionalism" can be historically related to a series of transformations of the world. "New regionalism" can be seen as an attempt by states to react to the complex impact of financial technological and market globalisation on their traditional territorial state power by enforcing regional control when traditional centralised national sovereignty no longer functioned. The European Union is the most developed example of second generation integration; we are in the presence of a multi-level governance system with a deeper co-operation between states. Another way it to see it, may be that the EU is on the edge between second and **"third generation"** regionalism and this might open the path for other organisations to follow. Even though second generation integration is still a very limited phenomenon, the EU shows that the contours of a third generation of regionalism are becoming apparent. There are three main characteristics, which distinguish it from the previous generations. First, in third generation integration the institutional environment for dealing with "out of area"

consequences of regional policies are more present (European Constitution). Second, in third generation regions become more proactive engaging in inter-regional arrangements and agreements. Thirdly in third generation regions become more actively engaged at the UN level. Leonard (2005) even argues that the EU's strategy of fostering inter-regionalism is also a catalyst for the creation of new regional integration and cooperation processes that in the long term will benefit the regional global cooperation.

The EU is certainly not a model for the rest of the world, but it does represent an unprecedented benchmark of multi-level governance. And notwithstanding recent stagnations, the rest of the world still looks at how European integration proceeds. Southeast Asian states, through ASEAN, are increasing their economic as well as their political cooperation. Africa has been developing regional organisations based on the EU model at subcontinental level (i.e. ECOWAS, SADEC, COMESA) as well as continental (the African Union). The A.U. with its Peace and Security Council brings new hopes to control the continent's security and order issues. South-American states are making new progress in forming stronger regional institutions. And even the emerging new economic giants such as India and China are flirting with regional integration.

Benefits and risks of regional agreements

Regionalization can prove to be an important tool in tackling globalization and thus, an important level of governance that complements states and international organizations. Regionalism facilitates the reaching of inter-state agreements as it entails more proximity, both geographically and culturally. Identity can play a major role in fostering good cooperation among states, even though sometimes regionalization itself helps the birth or the acknowledgement of a common identity.

Moreover, there are cases where regional agreements proved to be very effective in security issues. Multilateral and multinational peace keeping actions come sometimes too late, while regional responses are faster, get better information and are more eager to deliver and act because stability is essential to the mere existence of regions themselves (Felicio, 2005). At regional level there can be a better knowledge and better understanding of the situation to be dealt with. A good example is the case in Darfur (Sudan) where in 2004 the African Union sent troops while the UN Security Council was still debating over the measures to be taken (Leonard, 2005).

As far as the WTO system is concerned, the Doha declaration (2001) recognises that regional trade agreements (RTAs) can play a fundamental role in fostering the liberalization and expansion of trade and, thus, helping development. Regional integration can go beyond WTO's regulation in several sectors, namely services, government procurement, labour mobility and environment regulation. RTAs can have a harmonizing role and foster cooperation and technical assistance among regional partners.

Beyond trade integration, regional integration initiatives have the potential to fulfill other important functions (Van Langenhove, 2003):

- the creation of an appropriate enabling environment for private sector development;
- the development of infrastructure programmes in support of economic growth and regional integration;
- the development of strong public sector institutions and good governance;
- the reduction of social exclusion and the development of an inclusive civil society;
- contribution to peace and security in the region;
- the building of environment programmes at the regional level; and
- the strengthening of the region's interaction with other regions of the world.

However, one should not underestimate the potential negative aspects that regionalism can have in limiting multilateralism or the efforts to master globalization on a larger scale. Regional agreements can make it harder for countries outside the region to trade with those inside and may discourage further opening up of markets. RTAs can have a negative impact on third countries as far as investments are concerned, regarding anti-dumping measures or mutual recognition agreements. Moreover, regional organisations can face a concrete risk of bureaucratisation and of increased gap between theirs institutions and the population. This is one of the major problems that the EU is dealing with today: Brussels based institutions are seen with more and more suspicion by national public opinions and euro scepticism has been growing in the last decade. It is, therefore, important to assure a character of openness to regionalism ("open regionalism") not excluding third countries and complementing the work and the action of global institutions. As argued in Thakur and Van Langenhove (2005), regional governance is not incompatible with and does not negate global governance.

The Social Dimension of Regionalism

The Universal Declaration of Human Rights (1948), the "bible" of the basic-level protection of human rights, recognises the right to personal security and social protection as fundamental values of human life. Several conventions signed under the umbrella of the United Nations, such as the Covenant for economic and social rights (1966), stressed the major importance of the social dimension in international relations.

Nevertheless, despite the long list of international declarations and conventions, one of the new challenges in the globalised world is not only to

affirm universal rights that should be followed by States within their national borders, but also to establish global social policies beyond the national level.

The history of the European Union construction is a good example of the difficulties in agreeing on common social standards in the treaties. In 1991 the Social Policy Agreement was signed after a fierce debate among the Member States and the decision of the UK to opt out at that time. The agreement sets out the policy objectives for which the 1989 Social Charter paved the way: promoting employment, improving living and working conditions, combating exclusion, developing human resources, etc. All of this is now inserted in the EU's Charter of Fundamental Rights (2000).

On a more global level, WTO/GATT's approach to the issue of labour and environment standards reflects the primacy of market-access concerns in GATT. Its rules allow each member government to choose its own domestic standards without as long as no prejudice is done to the existing market-access commitment.

The International Labour Organisation (ILO) established, in February 2002, the World Commission on the Social Dimension of Globalization. The Commission looked at the various facets of globalization, the diversity of public perceptions of the process, and its implications for economic and social progress. It released a report entitled: "A fair Globalization: creating opportunities for all" (2004) with recommendations addressed to all States. A section of the report analyzes the special importance that regional integration can have on the social dimension of global governance. According to the report, regional integration can promote a more equitable pattern of globalization in three ways. First, it can help in better managing economic global forces by giving more stable markets and helping small countries in better negotiating at international level. Second, it can help develop capabilities to master global opportunities, and last (but not least) it can improve the

conditions under which people live and work. Moreover, cross-border cooperation can be useful in the fight against people trafficking and in preventing health emergencies. In order to enhance this dimension, the report brings forward several proposals, the main one being the need to enforce participation and democratic rules, social dialogue between workers and employers. Next to this, there should be clear social targets in regional integration supported by mechanism and regulations to achieve concrete results. Finally, regional resources are required, following the model of Structural Funds in the EU that have helped poorer regions to develop both economically and socially.

Regional financial institutions are needed and therefore a deep level of political cooperation is required. In this respect, Tsoukalis (2005) proposes the adoption of a "globalisation fund" that could help those people affected negatively by international trade and globalisation.

Global governance and regional integration

Considerable potential exists to develop and apply inter-linkages at and across all levels of governance. In recent years, attention has been focused on improving inter-agency coordination at the global institutional level. A recent OECD study looked at the relations between regional trade agreements and it concluded that regional integration can be complementary to the economic multilateralism but cannot replace it. The relation between regionalism and political multilateralism has been shaped by the UN Charter. Chapter VIII allows for regional security arrangements as a support of the primary role exercised by the Security Council in the maintenance of peace and security. Nevertheless, at the time of the establishment of the UN regionalism was still in the first stage of its evolution and the Charter didn't provide any mechanism for the implementation of the relationship.

In the last decade of the XX century the UN started to recognise the importance of the regionalization on a global scale and the potential involvement of regional agencies in the UN system. Moreover, establishing a more effective cooperation and more adequate distribution of labour between the UN and regional and other intergovernmental organisation is more and more acknowledged to be the key for the rehabilitation of multilateralism.

The UN is seeking to develop a "regional-global security mechanism" for the 21st century. The 6th High level meeting between the UN Secretary General and Regional Organisations, organised in July 2005, has put forwards the dialogue between the UN and 22 regional organizations. Kofi Annan stated on that occasion that the relationship between the UN and regional organisation is a major part of the effort to reform the UN. The joint statement at the end of the meeting confirmed that a structured relationship between the UN and regional an intergovernmental organisation needs to be developed. In order to increase coordination it was decided to identify one high level official in each organisation for the purpose of liaising with the United Nations and with one another. It was also agreed to hold annual meetings and, more importantly, to establish a Standing Committee. The first meeting of this Standing Committee is scheduled for 23 and 24 February 2006.

A new vision of global/regional partnerships is emerging not only within the UN. Changes are occurring also within the regional organisations. The African Union, for instance, has been the first regional organisation to establish a clear relationship with the UN as it is consciously aspiring to closely coordinate, if not integrate, its mission planning and execution of peace and security action with the prevailing structures and plans of the U.N. In Europe, the commitment to multilateralism is a defining principle of EU's external policy. The European Commission Communication of September 2003, "The European Union and the United Nations: the choice of multilateralism", underlines Europe's attachment to multilateralism and to the United Nations as

the pivot of the multilateral system. The communication highlighted two aspects in particular: first the EU's contribution to the effectiveness of multilateral legal instruments, and second for the capacity of other countries to implement their multilateral commitments effectively. It also stated the need to lay the foundations for a wider EU-UN partnership going beyond development and build a co-operation in peace, security, conflict prevention etc.

So it seems that regionalisation itself is developing towards a global level, creating an intricate network of relations that leaves no choice but to embrace multilevel multilateralism as the strategic choice for global governance.

Conclusion

Regional integration is a powerful process that can play a role in 'taming' globalization. But there are a number of challenges:
- Unlike states and international organisations, the system of regional organisations has yet to be fully conceptualised as a system.
- In recent years and months we are witnessing the development of regional partnerships with the UN in which regional agencies are commencing the task of building their capacities in peace and security. In this respect the African Union has taken significant initiatives which may serve as a model for other regions elsewhere. But the uneven spread of regionalism across the globe poses problems.
- While progress is made in the field of peace and security cooperation between the UN and regional organisation, still a lot needs to be done in other areas such as combating poverty, achieving sustainable development and promoting global social policy.

The present Westphalian world-order based upon sovereign states and global institutions such as the UN and the Bretton Woods organisations, is characterised by some structural weaknesses. Amongst those are the

imbalances of power between individual states. A regional governance system that operates within the global multilateral system has the potential to overcome such deficiencies by balancing the power of big states and increase the powers of poor states.

The world of business seems to have fully understood the importance of the regional reality. As highlighted by Ghemawat (2005) in a recent article in the Harvard Business Review: *"It is often a mistake to set out to create a worldwide strategy. Better results come from strong regional strategies, brought together into a global whole"*. It could well be that this holds not only for companies but also for states and that the new way forward for multilateralism lays in the development of multiregionalism.

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