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Towards Common Principles and Benchmarks of Regional Integration?

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Abstract

This paper seeks to define a list of fundamental principles that outline common advantages for any regional integration entity and can be used as benchmarks to assess progress. Yet we also include critical arguments for each of the six principles to show that there should be strategic thinking in world society, focused on negotiation and agreement for a balanced, multidimensional, constructive, and consensual approach to integration. In this sense, regional integration is (the six principles):

1. **a project for peace.** Describing the European Union, for example, as the greatest peace project in history means that European integration has overcome the legacy of violent conflicts and secured stability for big and small countries. Yet this assumption has come under criticism, as the EU and other entities have engaged in conflictual geopolitical economic and social rivalries.
2. **a voluntary, pragmatic association of willing states,** unlike empires in history. States may join or leave the contemporary integration entities. Yet, from different perspectives, various scholars have raised the point that full-fledged integration entities start behaving like empires.
3. **increasing efficiency in various dimensions because of the pooling of countries' resources.** Yet interdependence can work both ways: making integration systems more efficient than the sum of their constitutive elements or increasing conflict among them.
4. **helping less developed members develop faster and converge with the rest of the group.** Yet we observe more and more pronounced differences and rising discontent, when developed members see integration as a burden, while less developed ones do not see enough commitment from the rest.
5. **based on and supporting democracy.** Arguably, democracy is a factor producing enduring political stability in a region because of the legitimacy of its political systems. Some regional integration organizations (EU, Mercosur, the African Union) declare allegiance to democracy as part of their remit. Yet this value-laden approach is challenged by the legacy of such organizations as ASEAN or discontent of the 'democracy deficit' in top-down entities like the EU.
6. **providing regional solutions to global challenges,** meaning that there is a subsidiarity between the global and regional responses to fundamental issues for humanity. Any global issue should be approached through the lens of the structural specificity of each region, while all of them should be brought together through global collaboration. Yet regional integration solutions can also become the source of problematic fragmentation in the search for solutions to global problems

We live in a rapidly changing world. The wave of regionalism from the 1990s is receding, giving way to scepticism, 'exits', de-globalization, the rise of nationalism and violent conflicts. All of these incur a significant cost to society, requiring support for some rational principles of regional integration.

Keywords: regionalism, regional integration, peace, international security, international cooperation, economic integration, democracy, sustainable development, world society, de-globalization, European Union, ASEAN, Mercosur, African Union.

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Introduction

In his 1990 essay “Back to the Future: Instability in Europe after the Cold War” John Mearsheimer expressed, from his neo-realist perspective, disappointment about the loss of stability and predictability of the bipolar system of the Cold War.¹ The Berlin Wall had fallen the previous year, and the Cold War structure of international relations was unravelling, giving way to chaos in a re-emerging multipolar world. At the same time, the end of the Cold War and its ideological divisions infused a sentiment of renewed unity for the development of Europe and the world. The global surge of regional integration projects indicated a hope that world society had found a remedy, establishing the foundations for a new structure and stability, in humans’ inherent search for order in their society. This would be a new global social edifice, constituted of regional integration entities as building blocks. Regionalism became the new buzzword for politicians, diplomats, and development planners. This optimistic vision of a peaceful, stable, and harmoniously developing system dominated public debate until the financial crisis of 2008, the clash of two regional integration projects over Ukraine in 2014, and the refugee crisis of 2015. The Covid-19 pandemic and the 2022 war in Ukraine raised new concerns about regional integration.

In this context, this paper raises the following question: can we define some features or principles that would be common to any regional integration project? This set of principles would display the advantages of regional integration and would be valid for any regional integration entity, regardless of geographical location or socio-political circumstances. Then, they may serve as general benchmarks to assess the advancement of any regional integration project, guiding countries and policymakers on their path to regional integration. What is proposed here is a high-level qualitative exercise, different from the sustained efforts to develop indicator-based monitoring of regional economic integration, as described by De Lombaerde and others in numerous publications since 2002.² Such indicators, used in scoreboards in different regions of the world, look at the performance of members of regional entities in the transposition of the provisions of regional integration treaties and other legal acts in national legislation and their implementation. They assess the level of economic integration, preconditions for further integration, performance and contributions of individual countries, development of regional integration policies, donor support, needs and merits for assistance, and similar issues. The set of principles listed below refers to the overall political *raison d’être* of regional integration entities.

This paper will start by identifying six features that are most often identified as universally valid objectives of regional integration. We will then briefly outline two views for each: that they are ubiquitous to any regional integration, or their applicability is contested. In this sense, regional integration should be understood as a:

¹ Mearsheimer, John. “Back to the Future: Instability in Europe after the Cold War”, *International Security*, vol.15, no.1 (Summer, 1990), pp. 5-56.

² See De Lombaerde, P., Saucedo Acosta E.J. (eds). *Indicator-Based Monitoring of Regional Economic Integration* (fourth world report on regional integration), Cham, Springer 2017; xxxiv-360 p.

1. **peace project:** like the EU which has the image of 'the greatest peace project in history' that brought together the archenemies of the two world wars: Germany and France.
2. **voluntary, pragmatic union of willing States:** Unlike empires, a country joining a contemporary regional integration entity may join or leave freely.
3. **institutional arrangement to raise economic efficiency due to economies of scale:** Integration presumably helps achieve optimum market size.
4. **platform to support less developed countries to catch up:** Regional integration helps countries with different levels of development to pursue prosperity together.
5. **product and active promoter of democracy:** This value-laden approach is central in the EU and a goal of integration in Africa (AU), yet not in ASEAN or other entities.
6. **provider of solutions to complicated universal issues:** such as the SDGs, climate change, jobs for all, pandemics, human rights, etc., from the perspective of the region.

We detected these six principles in either political discourse or the core normative theory literature on regionalism. Ernst Haas wrote about Neofunctionalism, the theoretical school on regionalism he helped to establish, "I wanted to show that there are other ways to peace than either power or law. In this, I was heavily influenced by E. H. Carr and by David Mitrany."³ He advanced, on a clearly more feasible regional level, the Functionalist postulate of Mitrany that cooperation in the functional, non-political areas of human activity was the best possible road to peace. Hence the concept that the European integration project, about which Haas wrote, is "the most successful peace project in history", which even earned the European Union the Nobel Peace Prize in 2012. Article 2.1 of the Lisbon Treaty on the functioning of the EU states "The Union's aim is to promote peace, its values and the well-being of its peoples."⁴ Further, on the second principle here, Haas defines his theory of regionalism as "seeking to explain the success of regional integration, of the entirely voluntary submersion of national sovereignties in a larger entity,"⁵ which is our next 'principle' - the voluntary nature of bringing together countries, governments and societies for regional integration. The link between integration and efficiency is related to both systems theory (a system should be more efficient than the sum of its constitutive elements) and the basic tenets of classical political economy. David Ricardo argues that countries have comparative advantages that bring pure benefits for everyone from free trade. Practically all economists agree on the advantages of free trade over protectionism. The question under debate, starting from Jacob Viner, is whether regional or global trade liberalization is the way that brings more efficiency. Richard Baldwin, one of the highest authorities on trade and economic regionalism today, provides evidence to show that trade creation (and consequently wealth creation) in regional trade agreements "dominates trade diversion by about one order of magnitude".⁶ Regional convergence is an objective enshrined in EU

³ Haas, Ernst. *The Uniting of Europe: Political, social, and economic forces 1950-1957* (new Introduction in 1968), Notre Dame: University of Notre Dame Press 2004, p. xiv.

⁴ http://publications.europa.eu/resource/cellar/688a7a98-3110-4ffe-a6b3-8972d8445325.0007.01/DOC_19

⁵ Haas, Ernst. *The Uniting of Europe*, p. xiii.

⁶ Baldwin, Richard, and Freund, Caroline. "Preferential trade agreements and Multilateral Liberalization" in Jean-Pierre Chauffour and Jean-Christophe Maur (eds.) *Preferential Trade Agreement Policies for Development. A Handbook*. Washington, World Bank 2011, p. 136.

Treaties but the level of disparities between regions remains very high (3 times the difference in GDP per capita between the richest and poorest 20% of sub-regions in the EU).⁷ Article 2.3 of the Lisbon Treaty notes that the EU shall promote economic, social and territorial cohesion and solidarity among Member States. Regarding the support of regionalism to democracy, evidence ranges from Europe's support to fledgeling democracies in Greece, Spain, Portugal and Eastern Europe, to Mercosur's mutual support for democratization in Latin America. Genna and Hiroi argue that democratic conditionality in the regional integration process in Mercosur made a real impact.⁸ Regarding the contribution of regional entities to solving global problems, this is also enshrined in the EU's constitutional document - the Lisbon Treaty's article 2.5: the EU "shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter."

Evidence from the history of regionalism since World War II has shown that it is very difficult to define such principles that would be equally valid for any regional integration entity. We have identified six in the discursive practices and normative literature, yet there can be others. These were the ones that came up most often and were supported by common sense. There are different sources of motivation and different policy objectives. Regional integration is not a linear process, as even European integration has shown.

The key argument of this paper is that it is very important to see these high-level principles and regional integration from the perspective of the dynamics of integration in the varying regions around the world - to examine the forces and processes that produce change inside the regional systems and in their relations to other regional groups. This dynamics also determines the speed of regional integration - certain factors give insights into the acceleration or slowing down of regional integration processes. Many regional integration entities were born in the two global waves of enthusiastic activism - in the 1960s and 1990s. Each wave was produced by specific social, economic, and political triggers, notably an intensification of the European integration process, and each was followed by sobering periods of fatigue and lowering expectations. In recent decades, European intellectuals even developed a fashion of displaying sobriety (if not cynicism) regarding the prospects of deepening integration or preserving what has already been achieved in the European Union (EU).⁹ The series of crises that plagued Europe in the early 21st century marked public attitudes to regionalism. The rising concerns with terrorism after the attacks on 11 September 2001, for instance, accentuated differences between Christians and Muslims globally. The refugee crisis fifteen years later revealed deep cracks in Europe's self-identification as the bearer of a universal open culture, showing the depth of hitherto hidden divisions.

In the next pages, we will formulate and discuss the applicability of these principles or benchmarks to various forms of regional relationships and integration models. In each section, we will look both at the positive underlying meaning and experience with a

⁷ Pina, Álvaro, and Sicari, Patrizio. "Enhancing Regional Convergence in the European Union", *OECD Economic Department Working Paper No. 1696*, Paris: OECD 3 January 2022.

⁸ Genna, Gaspare M. and Hiroi, Taeko. *Regional Integration and Democratic Conditionality: How democracy clauses help democratic consolidation and deepening*, New York and London, Routledge 2015, p.6.

⁹ Offe, Claus. *Europe Entrapped*, Cambridge, Polity Press, pp. 61-66.

particular principle and at critical observations that the principle under question does not reflect the real situation in many cases of regional integration entities.

Regional Integration is Essentially a Project For Peace

Building regional integration may be seen as a step in the human drive to harmony, order, and achieving a Kantian type of universal peace. The assumption is that pragmatic, rational regional cooperation eliminates the risks of political and economic conflict. People usually fight with neighbours. Freud has called this aggressiveness between closely related neighbouring communities “the narcissism of small differences”.¹⁰ Well-organized regional integration is needed to frame and solve this problem.

Concerning Europe, qualifying the EU as ‘the greatest peace project in history’ means that European integration has overcome the legacy of violent rivalry between the two hegemonies on the continent (France and Germany) and secured the stability of a whole complex of smaller and bigger countries around them, while projecting peace and security into neighbouring regions.

Arguably, nations that engage in trade, economic, social, and political integration with each other are less likely to engage in war. European integration has accomplished many objectives that arguably guarantee international peace. It took time for France’s elites after World War II, but finally, they embraced the perspective of regional integration with a revitalized Germany, as a better option for their future. A crucial motivation that accelerated the process was the need to face together the threat from the Soviet Union. In the end, Germany’s centrality in the new European economic and security architecture presumably made it harmless for its neighbours who also participated in the integration project. Regional integration is thus a means to temper the historically aggressive behaviour of a regional hegemon. It also helps bring two or more hegemonies into a harmonious relationship (like France and Germany) that can define the regional dynamics to the benefit of all. As a distinct actor in international politics, united Europe developed the ambition to play a key constructive role in building international peace, tempering existing or prospective conflicts in its neighbourhood, using both soft and hard power. As a pluralist entity with decades of experience in providing coherence and peaceful collaboration, Europe has ostensibly become a role model for other regions. Alternatively, a fight for the leadership or simply the inertia of confrontational legacy between two hegemonies, as in the cases of India and Pakistan, China and Japan, Kazakhstan, and Uzbekistan, can poison regional relations.

Yet this assumption has come under criticism in the last decades. First, the literature on regionalism raises questions regarding the self-congratulatory claims of regional entities to be the standard foundation for peace. The question is whether the postulates of Neofunctionalism on regionalism, developed in the 1950s and 1960s¹¹, still hold. Economic interdependence and deepening economic, social, cultural, and other non-political ties serve as a source of stability and security in many cases. Yet under certain conditions, this interdependence may well become the source of conflict and insecurity, and it can unleash

¹⁰ Freud, Sigmund. *Civilization and Its Discontents*, London, Penguin 2002, p. 65.

¹¹ Haas, Ernst B. *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957*, Notre Dame, Notre Dame University Press, 2004; xxxix-552 p.

completely different dynamics. If some participants in a regional system focus more on the negative aspects of interdependence with neighbours, then existing interdependence can exacerbate bad relations. A wilful political effort to maintain regional cooperation is necessary to prevent a spiral of violence.

The overall impact of economic interdependence on interstate relations is not clear. "The liberal view has been criticized by mercantilists and many realists who insist that unfettered economic exchange can undermine national security."¹² Katherine Barbieri, for example, highlighted empirical evidence against the argument that trade promotes peace. "I find that interdependent dyads are more likely to engage in militarized conflicts than those with less extensive trade ties." "Interdependence may create more opportunities for conflict to arise and more issues over which to conflict".¹³ Structural factors in the international economy reinforce the asymmetry in socioeconomic development between richer and poorer countries. This is related, among others, to an asymmetry of commercial relations in a richer country's favour.¹⁴ Barbieri concludes that such an asymmetry does not hinder military conflict, just the opposite. Historically, trade has been very important in the evolution of international society, yet not necessarily in a positive direction for human progress.¹⁵ Even if regional integration is still widely regarded as a venue to achieve peace, this principle is not cut in stone. The internal drive to oppose an enemy may evolve in changing situations, yet a major motivation for bringing countries and people together remains the formation of a closed circle that forms around a Freudian psychological drive of hostility to others.¹⁶

East Asian relations offer an illustration of the dilemma of interdependence as a case of the more general liberal-realist dilemma in international relations theory. "Given that industrialization inevitably carries with it increasing capabilities for military production, how are other states to deal with unliberal, revisionist, modernist states such as... China? To pursue trade and investment with them is to gamble that the liberal logic of interdependence and domestic transformation (from market to democracy) will work more quickly and powerfully than the realist logic of strengthening an opponent that one day you may have to fight."¹⁷

The rising tensions between the US and the West with Russia and China in the 2020s and the breaking of the established economic relations provide another example. Strengthening connections between the two parts of Europe after 1989 acted for decades as a channel for rapid economic and social convergence. Deeply interdependent at the turn of the 21st century, 'greater Europe' (from Lisbon to Vladivostok) developed a symbiosis

¹² Mansfield, Edward D. and Pollins, Brian M. (eds.) *Economic Interdependence and International Conflict: New perspectives on an enduring debate*, Ann Arbor: University of Michigan Press 2003, p. 3.

¹³ Barbieri, Katherine. *The Liberal Illusion: Does trade promote peace?* Ann Arbor, University of Michigan Press 2008, pp.121, 123.

¹⁴ Hegre, Håvard. *The Limits of Liberal Peace*, Oslo: Department of Political Science, University of Oslo 2004, p. 259.

¹⁵ An example is the triangular slave trade, which played a crucial role in establishing the trans-Atlantic complex. Even countries with proud historical record in transparency and human rights as Denmark and Switzerland cope with shady heritage regarding slave trade, not to speak about the major players. See Illien, Noelle. „Banking and Slavery: Switzerland examines its colonial consciousness“, *The Guardian*, 19 November 2020. Online: <https://www.theguardian.com/world/2020/nov/19/banking-slavery-switzerland-examines-its-colonial-conscience>, and Gøbel, Erik. *The Danish Slave Trade and Its Abolition*, Leiden: Brill 2016; 306 p.

¹⁶ Freud, Sigmund. *Civilization and Its Discontents*, p.64-65.

¹⁷ Buzan, Barry, and Weaver, Ole. *Regions and Powers: The structure of international security*, Cambridge: University Press 2003, p.169.

between a technologically advanced Europe and a natural resource-rich Russia. Yet this growing interdependence was accompanied by a mounting pile of tensions over issues like geopolitical hegemony and threats, human rights, projection of influence over smaller neighbouring countries, etc. The interconnectedness with Russia became a conduit for raising awareness of differences. As in Ivo Andrić's Nobel-Prize-winning novel *Bridge over the Drina*, a bridge between communities may be seen as a channel for exercising power and control over the other, thus becoming a source of conflict in greater Europe. These tensions also give a fascinating insight into the internal group dynamics in the West and the East - urging them to close ranks in both economic and security regional organizations. Aiming to offset concerns about unfriendly regimes receiving the benefits of global value chains and offshoring, politicians promote a newly constructed concept of 'friend-shoring' rather than 'offshoring'; while Western companies moved out of Russia after it invaded Ukraine. From the beginning of European integration in the 1950s, the motivation was opposition to 'the other' - the then Soviet Union. This factor did not disappear with the end of the Cold War. It may be becoming important again in the transformation of the EU after the Russian attack on Ukraine on 23 February 2022. We have concentrated on the centrality of economic and social interaction for regional integration. Yet security concerns can change or speed up the dynamics of regional economic cooperation and integration.

While the EU has managed to maintain peace inside the union and this is now taken for granted, Europe has not delivered on many of its promises, for example, regarding peace in its southern and eastern neighbourhoods, in several Arab, South Caucasian, former Yugoslav countries, and Ukraine, where problems with the violent use of power have gone beyond control. The EU has not always done enough to prevent conflict in its neighbourhood. Even if a regional integration entity may have tackled the task of tempering the egoistic ambitions of a hegemonic power, managing relations with other hegemonic powers in other regions remains an issue.

Regional Integration is a Voluntary, Pragmatic Association of Willing States

This is the second of the two most broadly accepted principles of regional integration projects. There is a clear distinction between the concept of an empire, with one or a limited number of ethnic or social elements dominating the others, and a modern-day regional integration entity, where countries are free to join or leave, following their pragmatic interests, based on defined rules. Today's regional integration builds on a consultative process, which helps deal with hegemonic tendencies and provides the possibility for smaller nations to participate in decision-making processes with full respect to diversity and a common purpose. On that basis, Europe, for example, has developed a mechanism to self-control dangerous legacies, such as xenophobia, aggressive nationalism, religious intolerance, authoritarianism, or imperial ambitions.¹⁸

While reasoning on the decline and decay of empires (Russian/Soviet, Habsburg, and Ottoman), which had reigned over a large part of Eurasia for centuries, Charles Tilly notes that "to the extent that we regard such international compacts as the EU, GATT, and NAFTA

¹⁸ Offe, Claus. *Europe Entrapped*, p. 63.

as embodying imperial designs”, today’s requiem of empires may be premature.¹⁹ Tilly defines an empire as a “large composite polity linked to a central power by indirect rule”, which is exercised by intermediaries, while the centre retains control over the key instruments of power (military, administration). Due to the simplicity of such an arrangement, imperial expansion had sometimes occurred with startling rapidity, combining military conquest with political co-optation as in the brisk periods of expansion of the Ottoman, Austrian and Russian empires. Those empires were built around ideological justifications, like the defence of Islam for the Ottomans and the defence of Christian populations for the Austrian or Russian Empires. The content is different, but the similarity of ideological motivation with contemporary regional integration is there. From a different perspective, integration processes in Latin America also indicate the influence of ideology. Mercosur, for example, was more dynamic at the time when its members were all led by left-wing governments. The Pacific Alliance has a conservative underpinning, focused on a market-based liberal agenda, like the political orientation of the governments of its members.

Some of the historical empires (or parts of them) could achieve some level of democracy that corresponded to the basic criteria of democracy (broad and equal citizenship, binding consultation, protection of citizens from arbitrary state action). Yet in general, empires remain undemocratic, favouring one or several segments of society to the detriment of others. When regional integration evolves on the territory of a former empire, the transformation from imperial to democratic rule entails the dismantling of a prior imperial structure into a regional system of institutions that lend themselves to equal citizenship with consultation and protection. In other words, the transition from empires to nation-states can be explained as the dissolution of indirect rule in an empire towards a more direct, uniform citizenship generating sets of a more equal relationship between centre and peripheries in a more equitable regional setting.

However, today we observe a massive decline in public confidence in the democratic process in Europe. European citizens lack trust in the impact of their participation in public voting, which is reflected in the surprise results of referenda, when a vital issue is put to voting in an EU member State, illustrating what is often called democratic deficit. Ulrich Beck and Edgar Grande note that even if Europe is composed of democratic states, the Union is not a state, but more of ‘an empire of consensus’, where the same democratic principles do not apply. Based on that, the notion ‘the more integration the less democracy’ gains popularity.²⁰

Our initial assumption distinguishes between an empire (a polity under the hegemonic power of one or several groups) and a regional integration entity as a higher form of social organization, where members are associated through a free expression of their will, pragmatic choice, and remain free to leave. However, some scholars compare the evolution of regional integration entities to that of empires from a surprising perspective. Jan Zielonka, for example, describes the EU from such a perspective in “*Europe as Empire: The Nature of the Enlarged European Union*”.²¹ Empires have common characteristics, but they also differ in the same way as states, cities, or private firms. Zielonka argues that the EU

¹⁹ Tilly, Charles. «How Empires End”, *After Empire: Multi-ethnic Societies and Nation-Building. The Soviet Union and the Russian, Ottoman and Habsburg Empires*, London, Routledge: 1997, p.2.

²⁰ Beck, Ulrich, and Grande, Edgar. *Cosmopolitan Europe*, Cambridge : Polity Press 2007, p.21

²¹ Zielonka, Jan. *Europe as Empire. The Nature of the Enlarged European Union*, 1st ed., Oxford: Oxford University Press, 2006, 293 p.

resembles a 'neo-medieval' empire, where political authority is exercised by a range of non-territorial and overlapping agents (religious institutions, princes, city-states in the Middle Ages and international organizations, provincial governments, etc., today). He starts from two challenging developments: the failure of the European Constitution and the expansion of the EU to Eastern Europe, which generated both internal asymmetry and external pressures. The failed attempt to adopt a European Constitution allegedly exposed mistakes in the interpretations of European integration from a statist approach spread among EU leaders. The EU is not a Westphalian type of mega-state with defined borders. Zielonka questions the effectiveness and legitimacy of improving governance in Europe through the adoption of a European Constitution, the creation of a European army, or the introduction of a European social model. The EU should rather be perceived as a 'neo-medieval' empire with both a polycentric system of government with overlapping jurisdictions and a single locus (the European institutions) through which the system of power is put into practice. The EU is still characterized by striking cultural and economic heterogeneity, fuzzy borders, and divided sovereignty.

This approach to European integration has its advantages, emphasised in Zielonka's recommendations for a European system of economic and democratic governance that would address better the growing challenges of interdependence, modernization, and globalization. Geopolitically, such a 'neo-medieval' understanding of the EU suggests a flexible polity with concentric circles of governance that would be better positioned to compete with other great powers by pulling together vast European resources, while building on Europe's greatest strength: its pluralism and diversity. Such a pluralistic polity would be well suited to help prevent conflict in its neighbourhood. Based on its democratic legitimacy it can bring governance structures closer to the citizens and make the system more transparent and open. A new approach to European integration is needed now, in a period of growing nationalism, de-globalization, and new divisions, when the war in Ukraine is changing the EU itself, returning it to its original purpose as a group of countries facing together an external threat. The question is whether this concept of an empire is the correct one, and whether the traditional idea of 'imperial expansionism' - the inherent drive to expand into new territories of an entity which is already a conglomerate - would fit this definition of an empire.

In the new situation in 2022, the broader economic and security system in 'greater Europe', based on synergies, is falling apart. The status of the EU and the North-Atlantic Treaty Organization (NATO), the other pillar of Euro-Atlantic regional cohesion, as well as their member states, are changing. Security concerns are speeding up the integration of like-minded entities, while more amorphous syncretic systems in greater Europe are slowing down. Yet there is a significant cost to society and the economy of unravelling the more syncretic systems, starting from the cost of Brexit, incurred by the United Kingdom and its European partners, to the cost of unravelling the European-Russian relations in the wake of the invasion of Ukraine by the Russian Federation.

Nationalism has an important role here. It played a crucial role in the dynamics of the dissolution of empires - Ottoman, Habsburg, British, as well as the Soviet Union and Yugoslavia. Nationalism is on the rise again from Russia and Ukraine to the rest of Europe and North America, with developing countries following the trend. This time it carries an omen for the future of regionalism, which should not be neglected.

Another element which brings our discussion on today's integration entities closer to the concept of empires is the changing meaning of borders. Bjorn Hettne noted that regions

and their borders, like nations, are the fruit of human imagination. A region's borders are not a given fact, predetermined by a higher order. They can be changed or fixed in human minds. They are fluid, leaving open the option for free expansion, as in so many empires. For Europe, we can figure out at least three 'regions' with their overlapping territories and borders: those of the EU, NATO, and broader Europe (OSCE), and they are open to changes and expansion. We can make a distant comparison between them and the interpretation of Gallagher and Robinson of imperial expansion in Africa.²² Arguably, the moving force for the expansion of the free-trade imperial states was the drive to secure their periphery against incessant trouble, e.g., attacks on trading posts on the African coasts. Unclear borders are a feature of empire. In this sense, a paradox is developing today, as contemporary China has become a Westphalian state par excellence, staunchly defending the inviolability of its international borders, including Tibet and Xinjiang, while Europe is more like old-day China, with its open borders towards dependent smaller countries. Europe had established the Westphalian system based on national sovereignty and fixed borders in 1648, having learnt from the massacres of the Thirty Years War, caused by the reshuffling of territorial arrangements stemming from royal marriages and territorial transfers. Yet now the motivations and the situation have changed, as Western Europe has moved towards regional institutional integration, while East Asia has not. The implications of these changes for international security are not yet clear.

Regional Integration Increases Efficiency Using Economies of Scale

The key point of this principle is to see whether there is an increase in efficiency in the various dimensions of regional integration, stemming from the pooling of countries and resources in a region, compared to the performance of a country on its own or in comparison with efficiency of cooperation and integration on the global level. Very important here is the efficiency of economic integration, to which we dedicate the latter part of this section, and the purpose of which is to increase the welfare of citizens and countries by opening economies to each other and pooling their resources together. Yet we should keep in mind that regional integration has a variable geometry and should be interpreted from an interdisciplinary perspective.²³ Regional integration is expected to increase efficiency in such diverse fields as trade and economic performance, migration, human rights, security, and health systems. Regional economic communities (RECs) and regional trade agreements (RTAs) in Africa, for instance, provide "a framework for initiatives... including trade, investment and capital, while also extending further into transport, security, water, electricity supply, as well as agreements for the management of common resources such as river basins".²⁴ Higher efficiency is expected to stem both from the initial assembling of efforts of several governments to save human, financial and other resources to achieve better governance, and from producing higher quality regional public goods, reducing frictions in their implementation to the minimum.

²² Gallagher, John; Robinson, Ronald (1953). "The Imperialism of Free Trade". *The Economic History Review*, 6 (1): pp. 1-15.

²³ See Aalto, Pami, Harle, Vilho, and Moisiu, Sami. *Global and Regional Problems: Towards and Interdisciplinary Study*, Farnham, Ashgate 2012, pp. 2-5.

²⁴ Gathii, James Thuo. *African Regional Trade Agreements as Legal Regimes*, Cambridge, University Press 2011, p.5.

Efficiency in the field of security, for instance, demonstrates this variable geometry of regionalism. For example, NATO, as a military alliance with a clearly defined tangible goal to work for the “security and freedom of nearly one billion people”, with like-minded membership and identifiable potential enemies, proved its efficiency as a ‘hard’ security organization in the North Atlantic, under the guidance of the US Administration of President Biden in 2021-2022. Yet the other security organization in Europe, the ‘soft’ Organization for Security and Cooperation in Europe (OSCE) with eclectic membership in ‘greater Europe’ did not fare so well in this period, underscoring a crisis of multilateralism. The OSCE covers all ‘greater Europe’ from Lisbon to Vladivostok (or Vancouver to Vladivostok), comprising an eclectic membership, and has no legal personality. Its efficiency was proven in the period after 1975 that led to the end of the Cold War, and especially in the 1990s, when it was a major instrument in preventing violent conflicts in Eastern Europe and the former Soviet Union. In 2022, however, it is marred by disagreements between members, the clash between Russia and the West, a lack of decisions on its budget, and a loss of direction for action.

If we take peace, economic, societal, and political security as the objective, it is not clear that overall efficiency in security has advanced. The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. The IMF noted in April 2022 that “economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. Global growth is projected to slow from an estimated 6.1 per cent in 2021 to 3.6 per cent in 2022 and 2023. Beyond 2023, global growth is forecast to decline to about 3.3 per cent over the medium term. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 per cent in advanced economies and 8.7 per cent in emerging markets and developing economies. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.”²⁵ Integration is a multifaceted phenomenon and has to be analysed from the perspective of the interplay of integration and disintegration and their mutual interplay. One cannot understand regional integration without analysing the opposite trend (in a similar way that one cannot understand democracy without studying autocracy).²⁶

Let us now focus on the traditional area of trade and economic integration and efficiency. De Lombaerde and others have reviewed efforts to improve the efficiency, correctness, and completeness of the transposition of community treaties and legislation into national legislation, infringement proceedings, substantial implementation and enforcement in various regional integration entities.²⁷ Beyond that, there is a niche for research on the efficiency of pooling countries and resources in a region, as compared with a standalone national or global focus for economic activities.

High regional institutionalization can be very helpful in increasing trade and economic efficiency in a regional setting. A top-down regional entity like the EU leverages regional cooperation to boost intra-EU trade and overall growth. Exports of goods among EU

²⁵ International Monetary Fund. *World Economic Outlook, April 2022. War Sets Back the Global Recovery*, Washington, IMF 19 April 2022, Online: <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>

²⁶ See Zielonka, Jan. *Is the EU Doomed?* Cambridge, Polity Press 2014; xvi-128 p.

²⁷ De Lombaerde, P., Saucedo Acosta E.J. (eds). *Indicator-Based Monitoring...*, pp. 21-23.

Member States reached € 3,428 billion in 2021 or 62 % of all exports from EU members with a strong impact on improving the efficiency of production and regional supply chains.²⁸ Yet regions with limited integration institutions, like East Asia, also demonstrate high GDP growth (8.1% in 2021 in China), focusing on global trade ties. Bottom-up integration based on regional supply chains is a key factor in East Asia. In 2021, China's exports to Japan reached \$ 166 billion and to South Korea \$ 169 billion; while Japan's export to China reached \$ 164 billion, to Hong Kong, SAR, \$ 36 billion, and to the Republic of Korea \$ 53 billion.²⁹ As reflected in the 'flying geese' model advanced by Japanese economist Kaname Akamatsu in the 1960s, the expansion of foreign direct investment and regional production and supply chains (and not so much regional institutions) are essential for the East Asian pattern of regional cooperation and development.³⁰

The effect of establishing a regional economic arrangement (regional trade agreement, customs union, common market, or economic union) on wealth and trade is a key measure for the success of regional economic integration. This integration is expected to increase welfare, create trade, and raise GDP more than if the countries had not joined the regional arrangement. As economies merge by liberalizing trade in goods and services, opening intra-regional capital flows and investment, and harmonizing immigration rules for labour mobility, efficiency rises. The product of amalgamation is a system that is more efficient than the sum of its constitutive elements.³¹ Arguably, given the right clustering algorithm is endorsed, corresponding to a sound economic logic, integration helps achieve the optimum market size and optimum currency areas. International integration schemes have been relatively successful in the developed world, measured by trade creation and GDP growth. The EU has consistently delivered on its promise of economic prosperity and social inclusion, building on full market integration with the four freedoms of movement and eliminating border-crossing transaction costs for trade and production.³²

Yet there is evidence from regional integration projects in several groups of developing countries which is less optimistic.³³ Joseph Nye has argued that "higher integration does not necessarily mean higher welfare, only higher interdependence".³⁴ This begs the question: how will this interdependence influence stability and efficiency?

The debate about whether regional or global trade liberalization leads to more efficiency and welfare has been at the centre of discussions on regional economic integration since 1947. In the second part of the 20th century, the global rules-based trading system under the GATT and the WTO recognized that there was no threat from regional economic integration agreements to global liberalization. So, the exception in GATT Article XXIV to the most-favoured-nation (MFN) principle of the GATT,- which allows for preferential trade agreements and customs unions, was maintained. Indeed, the number of free trade areas

²⁸ Eurostat, online: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods#Further_Eurostat_information

²⁹ Data from UNCOMTRADE, online: <https://comtrade.un.org/data/>

³⁰ Kojima, Kiyoshi. "The 'flying geese' model of Asian economic development: origin, theoretical extensions, and regional policy implications", *Journal of Asian Economics*, Volume 11, Issue 4, Autumn 2000, pp. 375-401.

³¹ Bertalanffy, Ludwig von. *General System Theory: Foundations, development, applications*, New York, George Braziller, 1968; xv-289 p.

³² Offe, Claus. *Europe Entrapped...*, p. 61-63.

³³ See Jovanović, Miroslav. *The Economics of International Integration*, 2nd ed., Northampton, Massachusetts 2015, pp. 516-517.

³⁴ Nye, Joseph. "Comparative Regional Integration: Concept and measurement", *International Organization*, no. 22, 1968, p.862.

and customs unions marked an impressive increase after 1995, which demonstrates their resilience.

Economists agree that trade liberalization has a positive effect on welfare creation, yet there is no unanimity as to whether regional integration is a worthwhile contributor to global trade liberalization and growth. High-level experts like Jacob Viner, Jagdish Bhagwati and Pascal Lamy argue that regional trade agreements divert resources, hamper global liberalization, create impediments to efficiency and wealth creation globally, and should be recognized only as a second-best choice for liberalization. Yet others, like Richard Baldwin, provide evidence to show that trade creation in regional trade agreements “dominates trade diversion by about one order of magnitude”, on average.³⁵

There are several types of economic agreements involving developing and transition economies, which focus on trade liberalization, specialization in production, or simply trade facilitation. There are both positive and negative experiences in these countries. For example, the creation of the Eurasian Customs Union raised concerns at the time that “further negative GDP and welfare trade diversion effects (that is, the dislocation of trade flows to less-efficient trade partners because of the introduction of a trade ‘tax wedge’) may be greater than any potential positive trade-creation ones, resulting in a regional trade arrangement that will be detrimental to the economies of the countries involved.”³⁶ The selected common external tariff (CET) of this customs union was the tariff of the Russian Federation, as it had the strongest weight in the union. This created imbalances that seriously affected the countries, their foreign trade, and their mutual economic relations.

Another area of growing importance related to the efficiency of regional integration is data sharing: tell me whom you share data with, and I will tell you who your allies are. In an increasingly digitalized and interconnected world, data is the lifeblood of economic and social interactions, as defined by the European Strategy for data.³⁷ The opportunities offered by digital infrastructures like the Internet, the proliferation of devices, growing computing power, the ability to deliver more data at greater speed, and the dropping costs of data storage, have altered the ways government, businesses and private lives operate. Data has transformed the ways of production, global supply chains, military operation, the delivery of services, commodities, financial operations and even food. Yet, when data is shared across international borders and jurisdictions, new concerns arise, related to privacy and security, trust in agents operating in the digital space, and the ability to scale economic and social activities. The multiplicity of applicable data regimes creates uncertainty for governments, businesses, and individuals.³⁸ Regional cooperation in managing data sharing is a critical level for addressing issues of technological and legal interoperability, trust, and reliability of data for various regional organizations. Today, data sharing that uses big data, artificial intelligence, and machine learning is essential for military alliances and their operations, as they prioritize systems that reduce cognitive overload and improve decision-making. In regional economic integration entities, data sharing is improving the

³⁵ Baldwin, Richard, and Freund, Caroline. “Preferential trade agreements and Multilateral Liberalization” in Jean-Pierre Chauffour and Jean-Christophe Maur (eds.) *Preferential Trade Agreement Policies for Development. A Handbook*. Washington, World Bank 2011, p. 136.

³⁶ de Souza, Lúcio Vinhas. “An Initial Estimation of the Economic Effects of the Creation of the EurAsEC Customs Union on Its Members” in The World Bank. *Economic Premise*, no.47, January 2011; pp. 1-7.

³⁷ European Commission. *A European Strategy for Data*, Brussels, the European Commission 2020, online: [Chapeau COM version for ISC \(europa.eu\)](https://chapeau.com/version-for-isc)

³⁸ OECD. *Mapping Approaches to Data and Data Flows: Report of the G20 Digital Economy Task Force*, Paris: OECD 2020;44p.

efficiency of economic operations. The European strategy for data aims at creating a single market for data that will ensure Europe's global competitiveness and data sovereignty. The development of common European data spaces and data-driven applications will create safer and cleaner transport systems, new products and services, improve health care, sustainability, and energy efficiency, and reduce the costs of public services. The new Regulation on European data governance (Data Governance Act)³⁹ and Regulation on harmonised rules on fair access to and use of data (Data Act)⁴⁰ are planned to address the standing issues of data management in the EU.

Regional Integration Helps Achieve a Similar Level of Economic Development Among Participating Entities

The key postulate here is that regional integration helps less developed countries catch up economically, as a regional integration entity assists laggards to develop faster and converge with the rest of the group. Arguably, achieving a similar level of development creates the dynamics necessary for a regional integration association to succeed. Asymmetrical regional integration arrangements between Western and Eastern Europe, but also new North-South agreements like the FTA of the US, Mexico, and Canada (USMCA) are becoming the norm. This indicates a trend of including and helping less developed countries and parts of countries in regional integration to speed up development in a viable regional setting. Such arrangements are seen as major steps in providing developmental assistance for convergence globally. Asymmetry has thus become part and parcel of integration projects, as integration is meant to help countries with different levels of development advance in harmony. Yet the point is that differences are becoming more and more pronounced, instead of disappearing.

The 2004 enlargement was different from previous EU enlargements in that income disparity between new and old Member States was much more significant. As a result, great imbalances developed: capital flew from West to East and workers travelled mainly from East to West. Also, economic convergence in Eastern Europe was not necessarily coupled with social convergence, thus undermining economic performance. This concern, especially among East European policymakers and scholars, urged the EU to pay more attention to East-West imbalances and consider new strategies for cohesion.⁴¹ A major question is whether the EU's eastern part can continue to catch up without aggravating socio-economic polarization, exacerbated by at least three crises: the refugee crisis, the Covid-19 pandemic, and the Russo-Ukrainian war with its massive impact on Central and Eastern European economies. Whether EU membership has been positive for the new Member States is something that cannot be measured only in terms of GDP.

From another perspective, experts insist that divergence may persist among parties to regional trade agreements and economic unions. Convergence is not included among the criteria of the Optimum Currency Area (OCA) theory, which suggests that a common

³⁹ Regulation on European data governance (Data Governance Act), online: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0767&from=EN>

⁴⁰ Regulation on harmonised rules on fair access to and use of data (Data Act), online: [Data Act | Shaping Europe's digital future \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0767&from=EN)

⁴¹ Andor, László. "Fifteen Years of Convergence: East-West Imbalance and What the EU Should Do About it", *Intereconomics*, Volume 54, 2019, Number 1; pp. 18-23.

currency area like the Eurozone can operate without convergence. The reasons for divergence are mostly inside member countries, usually because of institutional arrangements that reflect national social and political preferences. Charles Wyplosz argues that as far as we usually do not observe any economic and social convergence inside member countries, there is no necessity to pursue convergence among countries in a regional integration arrangement.⁴² Arguably, problems in income convergence, macroeconomic balance and fiscal discipline are not necessarily a problem for integration. The problem is that “under specific historical, political, and institutional conditions, inequality becomes self-sustaining through the politics of institutional choice”.⁴³

Zielonka sees pluralism and diversity in the EU as a major advantage, the essence of its dynamism. Asymmetries can and will continue to provide an incentive for development. Yet further reform is needed to bring together what he defines as the ‘two Europes’.⁴⁴ Wyplosz sees the problem in the behaviour of European politicians, who define convergence and balance as a political objective. Politicians, he argues, misuse Europe by approving common decisions that they know are unpopular, only to go home and blame Europe, using it as a scapegoat. Arguably, the Eurozone and other crises are the product of this kind of behaviour.⁴⁵

Combining countries with different levels of development in a regional integration entity is sometimes seen as a recipe for disaster. Some claim that a united Europe made sense when it had 15 members, all Western developed democracies, but after poorer countries to the East and South joined, it does not. The ‘Polish plumber’ is not a problem just for the receiving countries in the West, where he would take jobs away from local workers. The problem is also for countries of origin in the East, which are being deprived of qualified workers, emigrating to the West in the pursuit of higher payment. Moreover, integration and imbalance in revenues attract to the West well-qualified specialists: medical doctors, nurses, engineers, etc., whose education has had a cost that is irreparably lost to their native countries in the end.⁴⁶ The dream of European unity has become a reality, but it faces widespread hostility in nearly all member countries. Even if the prevailing evidence is that asymmetry is pushing development and innovation, many see it as a source of imbalance.⁴⁷

Economic interdependence in a region is influenced by the way people think about it. Interaction and integration in regions where political regimes are like-minded, as in the EU, is different from integration in regions with an eclectic combination of different types of regimes, as in the Association of Southeast Asian Nations (ASEAN). Even in regions with like-minded regimes fragmentation and tension may occur at any time. With the diminishing role of the welfare state, entire social groups feel less protected. The sovereign debt and the Euro crisis demonstrated that differences between ‘core’ and ‘periphery’ countries and between areas inside countries persist. “Europe no longer simply represents a credible promise of neither greater nor even more fairly distributed prosperity, least of all for a socio-economic convergence of old and new member states or that of core and

⁴² Wyplosz, Charles. “Divergence? What Divergence?”, *Intereconomics*, Volume 54, 2019, Number 1, p.39.

⁴³ Beramendi, Pablo. *The Political Geography of Inequality: Regions and redistribution*, Cambridge : University Press 2012, p. 227.

⁴⁴ Zielonka, Jan. *Is the EU Doomed?* Cambridge, Polity Press 2014; xvi-128 p.

⁴⁵ Wyplosz, Charles. “Divergence?...”, pp.39-41.

⁴⁶ “The shortage of doctors and young specialists is becoming a national problem for Bulgaria”, Bulgarian National Radio, 29 June 2022, <https://bnr.bg/en/post/101669305/the-shortage-of-doctors-and-young-specialist-is-becoming-a-national-problem-for-bulgaria>

⁴⁷ Andor, László. “Fifteen Years of Convergence...”; pp. 18-23.

peripheral countries".⁴⁸ The new East-European EU Member States still have to prove that they can create a smart, sustainable, and inclusive development path, which will allow for convergence towards Western social models and not only the EU income average. On the other side, the old members need to show more solidarity by sharing production and supply chains with their partners in the East, even if they must forgo the logic of going to the most efficient location, most often an economy like China, India, or Malaysia. The issue of distribution and redistribution of resources in economic and political unions is part of an intricate interplay between the constitutional foundations of the union and its constitutive entities, public political representation, decentralization (including of the fiscal system(s)) and the distinction between interpersonal and interregional redistribution.⁴⁹ This need for a social and political will to work for the achievement of convergence is a necessary condition not only in Europe.

Regional Integration is Based On and Supports Democracy

The unprecedented growth of regional integration projects since the 1990s stems out of the pursuit of regional economic prosperity, yet it also points to the strong link to domestic politics in the member states, something that affects the social and political underpinnings of economic transactions. In this sense, Genna and Hiroi argue that democracy is a factor producing enduring political stability in a region because of the legitimacy of political systems, where leaders can be changed by the people if their acts contradict the interests of those who elect them. So, there is "no wonder why regional integration organizations promote democracy among their member states".⁵⁰ Hence, many regional integration organizations declare allegiance to democracy as part of their remit and require democracy as a condition for accepting aspiring members - a 'democratic conditionality'.

The European Communities and the EU have a record of embracing fledgeling democracies with the aim of supporting and preserving them. This was the underlying reason that fostered the acceptance of Greece, Portugal, and Spain, after the end of dictatorships there, as well as the young post-Communist democracies in Eastern Europe. Mercosur defends democracy in a region that has long-known military coups, dictatorships, and human rights abuse. Since the adoption of a democracy clause in the Ushuaia Protocol of Democratic Commitment in 1998, the risk of coups and backsliding to dictatorships has tangibly diminished. The African Union and some of Africa's Regional Economic Communities, such as the Economic Community of West African States (ECOWAS), have declared the promotion of democracy as their goal. ECOWAS has even endorsed the rule of deploying military force to maintain democratic stability in its member states. Low economic interdependence, however, has hampered the ability of ECOWAS to impose joint solutions and deliver on its commitment.

To support this dynamics of incubators for democracy, the EU paid special attention to democracy, the rule of law, and human rights, in its 'Copenhagen criteria' for countries seeking accession to the Union. The concluding document of the European Council meeting held in Copenhagen in June 1993 stated that "membership requires that a candidate country has achieved stability of institutions guaranteeing democracy, the rule of

⁴⁸ Offe, Claus. *Europe Entrapped*, p. 67.

⁴⁹ Beramendi, Pablo. *The Political Geography of Inequality*, pp.244-247.

⁵⁰ Genna, G.M. and Hiroi, T. *Regional Integration and Democratic Conditionality...*, p.6.

law, human rights, respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union."⁵¹ EU's negotiations with candidate countries focus on meeting the Copenhagen criteria, and progress is regularly monitored. The EU political bodies then make decisions as to whether and when a country can join, or what actions it needs to take to comply with the criteria. These criteria are defined in three documents: the Maastricht Treaty of 1992, the conclusions of the Copenhagen European Council meeting in 1993 and the framework for the accession of each candidate country. They are inscribed in the EU's body of law agreed upon among the countries, the *acquis communautaire*. Their adoption and advancement have become a major motivation for change in the countries aspiring for accession to the EU.

Arguably, 'democracy clauses' in accession procedures enhance democratization, good governance, transparency, coherence, and overall commitment to integration among member states. Regional integration organizations play the role of external actors, contributing to the democratic evolution of applicant countries. Negotiating chapters for the EU accession of Eastern European countries and Turkey is a demonstration of democratic conditionality. Moreover, if a member state strays away from the established democratic principles, the regional organization may suspend its membership. Regional integration thus creates an environment where sanctions for authoritarian behaviour can be very efficient, as they incur costs, due to the strong interdependence among participants in a regional system. This fosters the acceptance of democratization as a general principle of regional integration.

In a nutshell, regional institutions that embrace democratic conditionality mould perceptions and preferences among people in the countries, thus contributing to democracy and stability. A diffusion of democracy among neighbours seems natural as the likelihood of a successful transition to democracy is higher when there are many democracies in the region to which a country belongs. Much of the EU's success is based on the institutionalized commitment to protect and promote representative and democratically accountable governments.

The EU is thus focused on a value-based democracy-focused approach to national, regional, and global governance, putting at the centre the rule of law, international law, human rights, sustainable development, and access for all to international public goods. At the global and regional levels, the EU aims at strengthening cooperative regional orders and rules-based global governance, supporting multilateralism and non-violent conflict resolution. "The European Union, unlike the Habsburg Monarchy, is a 'democratic empire' a voluntary quasi-federation of democratic states in which citizens' rights and freedoms are guaranteed and that only democracies can join".⁵²

However, this value-driven, pro-democracy approach does not go unchallenged. Other, apparently successful regional organizations, such as ASEAN or the Shanghai Cooperation Organization (SCO) – currently the largest international organization that has not been created nor controlled by the West – offer a different perspective. ASEAN brings together

⁵¹ European Council in Copenhagen, 21-22 June 1993. *Conclusions of the Presidency*, Brussels, European Council, 1993, p. 13, online: <https://www.consilium.europa.eu/media/21225/72921.pdf>

⁵² Krastev, Ivan. *After Europe*, Philadelphia, University of Pennsylvania Press, 2017, p.63.

countries with very diverse regimes, such as Burma, Brunei Darussalam, Laos, Malaysia, and Singapore. The imposition of democracy clauses into an international arrangement is even seen as cultural imperialism in large parts of the world. One of the arguments is that some of the major democracies today were already established democratic regimes when they were colonial powers committing atrocities and human rights abuses.

The second point of criticism relates to the issue of 'democracy deficit' in such a top-down model as the one of the EU. This concept followed the evidence of a series of negative responses in national referenda on fundamental acts of the EU. Danish and Irish electorates rejected the Maastricht and Nice Treaties when they were put up for a vote in 1992 and 2001. This necessitated follow-up referenda until a positive result was achieved. French and Dutch voters toppled in May and June 2005 the draft Treaty Establishing a Constitution for Europe. Above all, UK's Brexiteers won the crucial referendum on 23 June 2016 that drove their country out of the EU despite the assurances of the Prime Minister at the time, David Cameron, that the referendum will be a plebiscite on the loyalty of the UK to the EU. As the Brexiteers argued, "the EU is increasingly perceived as a political entity that deprives the familiar institutions of national democracy of some of their democratic content".⁵³ Beyond that, some state and corporate actors have damaged the image of the rule of law in Europe to such an extent that several East and South European countries have demonstrated a paradoxical tendency to return to authoritarian methods of government.

There are different opinions as to the causes, side effects, and possible remedies to this democratic deficit. Follesdal and Hix explain it with the lack of possibility for the contestation of the political leadership and debate over the direction of the policy agenda.⁵⁴ Contestation is eliminated, as the processes of deliberation and party contestation, essential elements of all democracies, are limited. Instead of following voters' preferences shaped by a democratic process, outcomes are produced by enlightened technocrats. Such policy outcomes may not be those that would be preferred by a political majority after a debate.

This aspect of democratic processes in top-down integration policies can and does backfire. People in Europe demonstrate disillusionment with the concept of the primacy of democracy. Only a third of Europeans believed in 2017 that their votes counted. Only 18% of Italians and 15% of Greeks believed that their votes counted even in their own countries. With the refugee crisis, the demand for democracy in Europe was taken over by a call to defend one's own political community and a demand for exclusion rather than inclusion. This created populist dynamics, in which the European project was increasingly seen in opposition to other regional projects. This perception was sadly reconfirmed in February 2022, when the world was reminded that European integration was, originally, a product of the Cold War, when a group of countries came together to face 'the other' - the then Soviet Union.

⁵³ Offe, Claus. *Europe Entrapped*, p. 69.

⁵⁴ Follesdal, Andreas, and Hix, Simon. "Why There is a Democratic Deficit in the EU: A Response to Majone and Moravcsik", *Journal of Common Market Studies*, 2006, Vol.44, Number 3, pp. 533-4, 545.

Regional Integration Provides Regional Solutions to Global Challenges

This aspect of our discussion is related to the concept of subsidiarity between the global and regional levels of tackling fundamental issues for humanity. Subsidiarity, defined as a principle that decisions should be taken at the lowest possible level or closest to where they will have an impact, applies also to the relationship between the regional and global levels of addressing universal issues, such as security, trade, human rights, the environment, climate change, health, and other risks. There is no *a priori* 'right level' of decisions and implementation, yet regionalism makes much sense as a possible organizational tool for people to cope with problems in a context that is closer to the possibility to understand the problem and find a remedy. "The added value of the regional organizations to global governance is straightforward. On the one hand, there is the cultural affinity, shared history, and deep ties that make regional organizations better placed than the UN to grasp a local situation on the condition that there is legitimacy, and that impartiality is preserved. On the other hand, there is a possibility of burden-sharing."⁵⁵ Especially for small countries, environmental degradation and climate change, innovation, and more complicated issues, such as military, human, and environmental security, necessitate a regional approach.

Global interdependence is unavoidable today. Acts of protectionism or purely disentangling groups of countries away from established economic, social, and environmental interdependence have created costly problems. Allegedly, the UK's GDP is 5.2 per cent smaller than what a model indicates it would have been in a UK that had not left the EU; investment is 13.7 per cent lower, and goods trade is 13.6 per cent lower, mostly due to Brexit.⁵⁶ The war in Ukraine and the disentanglement of the Russo-European system have had a strong effect on all sides, beyond the devastating toll on Ukraine. A tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022. Global output contracted in 2022, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide - especially in the United States and major European economies, triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting new COVID-19 lockdowns; and negative spillover from the war in Ukraine. The IMF growth forecast slowed from 6.1 per cent in 2021 to 3.2 per cent in 2022. In July 2022, lower growth reduced household purchasing power and tighter monetary policy drove down growth forecasts by 1.4 percentage points for the United States. In China, further COVID-19 lockdowns and the deepening real estate crisis led growth to be revised down by 1.1 percentage points, with a global spillover. In Europe, significant downgrades reflect the effect of the war in Ukraine and tighter monetary policy. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances, anticipated to reach 6.6 per cent in advanced economies and 9.5 per cent in emerging market and developing economies.⁵⁷ The war in Ukraine led to unprecedented risks: a sudden stop of European gas imports

⁵⁵ Van Langenhove, Luk. "Regional Organizations and UN Reform: Towards a Flexible Interaction Mechanism", Chapter 5, in *Reforming Multilateralism in Post-Covid Times: For a more regionalized, binding and legitimate United Nations*, Mario Telò (ed.), Brussels: Foundation for European Progressive Studies 2020, p.119

⁵⁶ Springford, John. "What can we know about the cost of Brexit so far?", London, Brussels, Berlin: Centre for European Reform, 9 June 2022, online:

https://www.cer.eu/sites/default/files/pbrief_costofbrexit_8.6.22_0.pdf

⁵⁷ IMF World Economic Outlook, July 2022, online:

<https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

from Russia; inflation spinning out of control and tightening of the labour markets beyond expectations. Energy is the main spillover channel for Europe as Russia is a critical source of natural gas imports. Only in the UK, which imported only 5 per cent of its gas from Russia, wholesale gas prices at the end of July 2022 were six times higher than what they had been a year before.⁵⁸

Unprecedented sanctions on Russia impair financial intermediation and trade, causing a recession. The rouble's depreciation is fuelling inflation, further diminishing living standards. Wider supply-chain disruptions may also be consequential. These effects will fuel inflation and slow the recovery from the pandemic. Eastern Europe will see rising financing costs and a refugee surge. It has absorbed most of the 3 million people who recently fled Ukraine. European governments also may confront fiscal pressures from additional spending on energy security and defence budgets. All this is at the expense of lowering attention and funds for sustainable development globally. While foreign exposures to plunging Russian assets are modest by global standards, pressures on emerging markets may grow should investors seek safer havens.⁵⁹ The protectionist elements in the foreign economic policy of the Trump Administration in the US gradually waned after Mr Trump was not re-elected in 2020. Yet this does not mean that interdependence should be left out to act as an invisible hand. Just the opposite. Regional and global organizations may contribute even more to regional and global governance, given that a proper negotiating mechanism is established.

The analysis of any global issue reveals that it should be approached through the lens of the structural specificity of each region. Take, for example, climate change and its implications in East Asia. To evaluate the economic development of a region and its impact on the environment and climate change, we need to see the structural patterns of economic growth and the direction of economic changes, not just growth. Regarding East Asia, export-driven industrialization and mutual interdependence through regional supply chains, where production is split and shared across borders, have enhanced trade volumes and economic performance. Even though this rapid development creates significant added value, that added value does not necessarily stay and benefit the region. Part of it increasingly flows out to the United States, Japan, and other regions. The mutual dependence of East Asian nations in terms of trade, economic expansion, and environmental issues, is growing. The accompanying rapid increase of CO₂ emissions and other polluting waste reflects not only the fast economic expansion of the East Asian economies, but also the transmission of environmental problems, such as the CO₂ emission load, from the developed countries (the United States, Japan, and Europe) to East Asia. The East Asian pattern of economic growth has its weaknesses, captured by the phrase 'impoverished growth' coined at the beginning of the 21st century. Kazuhiro Ueta writes about the specificity of the region in terms of two Asias today: an 'Asia of growth', exemplified by the rapid growth of China and other countries, and the 'Asia with vulnerability' as, for example, Bangladesh, where 30 million out of its 130 million people live in coastal areas vulnerable to rising sea levels, while 36% of the population lives on less than a dollar a day.⁶⁰ The evolution of East Asia concerning environmental challenges and

⁵⁸ Nanji, Noor. "Gas prices soar as Russia cuts German supply", BBC News, 27 July 2022, online: <https://www.bbc.com/news/business-62318376>

⁵⁹ <https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/>

⁶⁰ Ueta, Kazuhiro. "Global Sustainability. Globalization and Sustainable Development" in *Achieving Global Sustainability: Policy Recommendations*, ed. by Takamitsu Sawa, Susumu Iai, and Seiji Ikkatai, Tokyo: United Nations University Press 2011, pp. 31-33.

climate change should be followed closely in the years to come, including on such issues as deteriorating environmental conditions and rising social response to them in China.

Another issue is that regional integration solutions can become the source of problematic fragmentation in the search for solutions to global problems. For instance, a paradox of European integration is that it has achieved a level of guaranteeing respect for human and minority rights and universalist market values, such as the free movement of people, goods, capital, and services, yet only in its limited locus, based on institutions and a shared sense of belonging. Beyond that, there is a combination of foreign policy priorities regarding other societies and policies in such a way that it is increasingly evident that regionalism and universalism do not always make a perfect match.

Conclusions

The value of regional cooperation and the six principles of regional integration outlined above is beyond doubt. The story of the EU is a clear example: regardless of the plethora of questions on the institutional machinery of European integration, it has demonstrated a strong ability to overcome crises and continue functioning. It is better to have a working system, even if with hiccups, than not have a machine at all. Yet, as Zielonka noted in a recent commentary, it is much easier to define global or regional governance (for instance as “the exercise of authority across national borders as well as consented norms and rules beyond the nation-state”) than to explain the forces pushing this governance in the opposite direction: deepening and decline.⁶¹ For our purposes of examining the dynamics of regional integration, we have to pay attention to both directions in order to understand the moving forces behind, first, regional cooperation and integration and, second, disintegration, chaos and anarchy.

This paper intends to define a list of fundamental principles, which outline common advantages for any regional integration entity and can be intuitional benchmarks to assess progress. The inclusion of critical arguments in this paper had to outline the positive rationale of a working system of regional integration. This inclusion was not meant as a push for a scepticism that regionalism “is doomed”, but that there should be strategic thinking in world society, focused on all-encompassing negotiation and agreement to enhance the political foundations of regional integration projects. There is a need for a constructive, consultative, and consensual approach to building regional integration, based on institutionalized but flexible respect for diversity.

None of the principles or objectives listed above should be taken for granted, nor should be dismissed outright. My argument is that a conscious and coherent effort and a will for intra- and inter-regional dialogue are indispensable. Sustainable peace within a regional integration entity and with its counterparts is a core objective, even if regional cooperation alone cannot guarantee it. Deep analyses of the causes and conduct of conflicts, avoiding exceptionalism, and promoting dialogue internally and between regions are a prerequisite here. Respect for the free will of each member to partake in the objectives and burden of achieving Pareto improvements through regional integration is the logical foundation for a modern regional integration entity. At the same time, flexibility and consideration for sub-

⁶¹ Zielonka, Jan. “Book Review: Michael Zürn. ‘Theory of Global Governance: Authority, Legitimacy and Contestation’”, *Society*, 8 July 2022, <https://doi.org/10.1007/s12115-022-00747-3>

regional, national, and local differences are a must. The EU must be understood and operationalized as a qualitatively new pluralistic polity to assure its continued success and project its values to willing neighbouring regions. Convergence among members of a regional entity can be interpreted from at least three perspectives: in terms of a dignified political objective; an unnecessary discussion, as asymmetry is part of development; or a doomed utopia, as existing differences will cause any regional union to fall apart. Responses to pending global issues (sustainable development, security, health, etc.) inevitably need a regional-level analysis so that these responses are focused on the level that will most likely produce the optimal impact. A balanced, multidimensional approach, based on fair representation and redistribution is key.

We live in a rapidly changing world, as the wave of regional integration from the 1990s is receding, giving way to scepticism, 'exits' from regional integration projects, de-globalization, the rise of nationalism, and the return to 'chaos' and violent conflicts. All of these incur a significant cost to society. In this situation, it is even more important to support, based on rational choice, the purposeful realization of the above principles in regional integration entities. Asymmetries naturally exist in regional integration entities, and all countries and people should look at tailored, smart, sustainable, and inclusive development paths that will allow for the convergence of economic and social models.



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