Chapter 5

The Role of Leading States in Regional Integration
Regionalism in the Third World is being shaped by many factors. Many times, the influence and role of regional powers shape regional politics. In view of their size and economy and position as sub regional powers, they know that their views have to be considered by the international community. For them, regionalism can be used as an instrument to assert their own positions within the region. The leading states in any region can be identified mostly by their economic and military might. More often than not, it has been the view, opinion and policy outlook of these leading states that has had the deepest impact of the decision-making process of any regional organisations. This ultimately and invariably changes the nature of regionalism. This has been particularly true in the Third World where the strong among the weak play the pivotal role. This chapter deals with the roles played by the leading actors in Southern Africa, Southeast Asia and Latin America in the regional programmes of integration, inter and intra-regional relations and economic cooperation. It discloses how regional powers can influence and direct the course of smaller states. It also reveals that regional powers, at the same time, embark on protectionist policies when their interests are felt to have been threatened. It will also show that no region or regional power is an exception to the rule that national interests determine the external interactions.

The role of Brazil and that of Argentina, the two biggest players, both in terms of size and economy determine the success or failure of MERCOSUR. Following Jack Child’s (1985) classification, the states of the southern cone region can be generally classified into major actors, buffers and peripherals. The major players include Brazil, Argentina, Chile and Peru; the buffer states include Uruguay, Paraguay and Bolivia; while Ecuador, Colombia, Venezuela, Guyana, Suriname, French Guiana and others are included in the peripheral states. Militarily, due to geographical factors, the region is dominated by the core areas consisting of the major players. For Brazil, the initial policy for creating MERCOSUR was mostly to protect its industries. Brazil need not restructure its industries within MERCOSUR. But progress has been made slow as Brazil, the only country in Latin America to challenge the regional dominance of the US, remains committed to industrialisation as a path to development. Even then, for Brazil, MERCOSUR provides a regional market making up for its unsuccessful insertion into the global economy, and allows for both Brazil and Argentina to increase exports and decrease dependency on the US.
market. MERCOSUR thus provides a platform to Brazil for exercising its long-held belief of its leadership in Latin America and wrest it from US control. Since Brazil has been quite protective because of its elites to adopt a policy of liberalisation, it advocated a loose intergovernmental structure, where decisions are made at the presidential summits. Brazil also champions MERCOSUR as an alternative integration model within the Americas and as a step forward towards a South American Free Trade Area (SAFTA) and a Free Trade Area of the Americas (FTAA). Thus, the role of Brazil, which accounts for about 70 per cent of the total GDP of MERCOSUR, has "a major impact on the overall development of the integration process, its methodology and its negotiating agenda". (Motta Veiga 1999: 25)

An important issue that comes to the fore is the impact of Argentine-Brazilian rivalry. While Brazil projects itself as a leader in the region, this causes concern among other states of the region. Brazil being the lone Portuguese-speaking nation, the other Spanish-speaking nations, led mainly by Argentina, seek to contain this movement of Brazil and of the Portuguese-speaking world. Argentina and the other states view Brazil "as acting as surrogates for their English-speaking masters (first England and later the United States)" (Child 1985:99). The importance of this factor is the impact that it has on South American regional integration movements. When these two countries (Argentina and Brazil) are involved, the whole South America becomes invariably involved. While this rivalry is not likely to lead to an outright war, the rivalry does exist and is a constant factor.

MERCOSUR itself was the result of the improved relations between Brazil and Argentina. Its fate, therefore hangs on the relationship between the two. On several occasions, this relationship has been tested. The divergent policy approach between Brazil and Argentina weakened MERCOSUR as a trading bloc. While Brazil adopted an active industrial policy, Argentina had abandoned its industrial initiatives. The Brazilian currency crisis of 1999 led to an economic recession in both Brazil and Argentina. The volume of bilateral trade was significantly reduced. It also led to several trade disputes. The Argentine government imposed a variety of restrictions on trade with Brazil. Brazil responded with similar countermeasures. Things finally came to a head when the Common Market Group failed to reach an agreement. Brazil announced that all negotiations with Argentina had been suspended and threatened to
dissolve MERCOSUR. This dispute was however settled by the end of 1999. Another economic crisis, this time in Argentina, led to a new round of trade disputes. But once again, MERCOSUR was saved by Argentine-Brazilian presidential diplomacy. Through these and several other policies and roles played by Brazil and Argentina, MERCOSUR is continually shaped and its policy outlook changed.

The role of South Africa in the SADC and Southern Africa is as important, if not more, as that of Brazil’s and Argentina’s in South America. It was due to the desire and the decision of the founding members to break free from their economic dependence on South Africa that the SADCC was first established. Even without being a member for more than a decade, the shadow of South Africa never disappeared within the SADCC. As Petersson (1998) notes, “The region is dominated by South Africa, which accounts for about 30 per cent of the total GDP. South Africa’s industrial production is five times greater, and the capacity in sectors such as transport, energy and financial services is greatly superior to the rest of the region”.

The founding members of the SADCC were, in a way, compelled to form a unit to face South Africa because of its aggressive approach towards them – which will be dealt with later in the chapter. Earlier South Africa had planned to form a constellation of states to consolidate its position as the dominant regional power. It was also designed to keep the South West African Peoples Organisation (SWAPO) and the African National Congress (ANC) in check. In the first session of the SADCC in Lusaka on 10 April 1980, it was declared that, “In the interest of the people of our countries, it is necessary to liberate our economies from their dependence on the Republic of South Africa (RSA) to overcome the imposed economic fragmentation and to coordinate our efforts towards regional and national economic development.”

South Africa for its part followed a policy of destabilisation and military action in its neighbouring countries. It also adopted the policy of economic pressure where neighbouring countries’ revenues and trade suffered heavily. But the 1990s opened up a new phase for Southern African regionalism. The end of the apartheid regime in South Africa, its admission to the SADC has created optimistic expectations all around. Its membership has resulted in the enlargement of the size of the market and strengthened SADC’s bargaining power. This follows what Nelson Mandela said, “South Africa cannot escape its African destiny. If we do not devote our energies to this continent, we too could fall victim to the forces that have brought ruin to its
various parts.” (Mandela 1993: 89) This shows the importance of South Africa as a regional power that could lead the SADC towards economic integration for mutual benefit.

ASEAN’s predecessor, the Association of Southeast Asia (ASA) was set up in 1961 comprising of Malaysia, the Philippines and Thailand. But due to the absence of Indonesia, an important regional power, and internal disputes between members, ASA was rendered ineffective. Several factors, including the effect of the Cold War, insurgency and secessionist movements and the desire to achieve security in Southeast Asia led to the formation of ASEAN in 1967. With the insistence of Indonesia, ASEAN adopted the non-aligned policy during the Cold War. As regards to economic integration and cooperation, it was quite limited due to the lack of complementarities between members. Despite the open nature of the Singapore economy, there were few interests that could be disadvantaged by integration. Moves to open the economies was opposed by Indonesia, and Malaysia still adopts a policy of protectionism. As long as the three could not agree on a point, the rest could not matter. But since the beginning of the 1990s, proposals were being made for the establishment of an ASEAN Free Trade Area (AFTA). ASEAN has also approved the recommendation of the ASEAN Economic Community as the end-goal of ASEAN economic integration. In 1990, the ASEAN+3 was established and a proposal to establish an ASEAN-China Free Trade Area was endorsed in November 2001. For long Malaysia and Indonesia had been weary of China's influence in the region. These recent agreements seem to have marked a change in policy outlook and relations. Much still depends on the role of the principal actors – Malaysia, Singapore and Indonesia – in the future role and development of ASEAN. Thus following Barbara Haskel (1974), policies may be divided as expansive, distributive and dependency reducing. The first refer to those policies that are designed to create benefits, the second implies those that would assure an equitable share of regional benefits between members; and the third refers to those that would empower the region or reduce external influences in the region. These result from differences in size, type and levels of developments and commitments of members. Therefore, more developed and open economies tend to adopt a more “expansionist” policy while others smaller states in ASEAN, SADC and MERCOSUR would prefer policies that guarantee them a share from any regional benefits and lessen their dependence on
others. Within MERCOSUR, Brazil is more independent and more relatively economically sound than others. Therefore, it advocated a loose structure while others insist on an institution that would give special treatment corresponding to relative levels of development.

**SOUTH AFRICA AND THE SADC**

A study of the Southern African Development Coordination Conference (SADCC) or the Community (SADC) cannot be complete without the role of South Africa even though South Africa became a member only after a decade since its formation. The importance of South Africa strategically, economically and politically in Southern African politics cannot be overstressed. For a long time, it has played (and still plays) the leading role in the region and the SADC in particular. In 1996, South Africa alone accounted for 50 per cent of the total intra-SADC exports and imported less than 10 per cent from the rest. Simply put, South Africa has the biggest economy in the SADC region. Although its population accounted for less than one fourth of the SADC population, the GDP (real) of South Africa for 1980, when the SADCC was formed, was almost five times bigger than all the SADCC countries put together. Even at the time South Africa became a member of the SADC in 1994, the statistics still stood in favour of South Africa. The GDP of South Africa was more than five times more than that of all the SADCC members put together in 1980. This disparity did not change even when South Africa became a member of the SADC in 1994. By 2002, the total GDP of Angola, DRC, Lesotho, Swaziland, Tanzania, Zambia, Mozambique and Namibia was only US $1,91,140 million as compared to US $1,82,281 of South Africa the same year (World Bank 2002). This can be seen from the following table:
GDP (real)
Millions of US $ (constant 1995 prices)

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<td>5604</td>
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<td>6458</td>
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<td>7531</td>
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<td>894</td>
<td>933</td>
<td>1026</td>
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<td>South Africa</td>
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<td>8291</td>
<td>8233</td>
<td>7831</td>
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<td>Mozambique</td>
<td>1938</td>
<td>2216</td>
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<td>Namibia</td>
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<td>3503</td>
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In 1980, the year that the SADCC was founded, the GDP of South Africa was almost six times more than that of the other countries listed in the table. By the time South Africa became a member of the SADC in 1994, this disparity in the GDP still remained with the GDP of South Africa still more than four times bigger than that of the other countries put together. Moreover, it can be seen that most of the other countries had registered meager growth during the SADCC period, while some had registered decline during the same period. This may have been the result of the repressive policies of the RSA against the SADCC countries. It was also the result of the many ills that infected Southern African countries including civil wars, political instability, weak economies and discrepancies in the maintenance of natural resources.

South Africa is the major force that shapes and directs events in southern Africa. Without doubt, the disparity of the GDP, seen from the above table, shows it all. In addition, its armed forces are more powerful, better trained and better equipped compared to its neighbours. South Africa’s regional policy affects the whole region. Therefore, the security perception, both external and internal, its relationship with the
West and its domestic imperatives play important roles in the region. In order to fully understand where South Africa stands in the politics and regional set up of Southern Africa, we first need to understand the country, take a trip back in time and see how its economy and policies developed.

The Historical Perspective

Colonial South Africa was founded by the Dutch East India Company during the seventeenth century. The British took over the colony from the Dutch later. The discovery and exploitation of diamonds and gold on the banks of the Vaal River and in other places transformed South Africa. The labour organisation in the diamond and gold mines now shaped the socio-political structure and future of South Africa. The mining industry intensified the division between skilled white labour and unskilled black labour. South Africa was not yet united. There was war between several groups for control of territories. The process of unification was hard and tough. After the Boer War, the British annexed the Republics – the Transvaal and Orange Free State. The political union of the four colonies – Transvaal, Natal, Orange Free State and Cape Province finally resulted in the Union of South Africa which was inaugurated on 31 May 1910 with Louis Botha as its first Prime Minister. This was the result of long and hard bargaining sessions between October 1908 and May 1909. One compromise that was reached was to maintain the franchises of the four colonies – that is, only men could vote. In this, only a few blacks, coloured and African men could vote under the most stringent rules. In addition, only white men could become Members of Parliament.

Few voices were raised in protest, but these voices and accompanying actions failed to have any effect. In order to protect their rights, the South African Native National Congress was formed in 1912. This organisation became the African National Congress (ANC) in 1925. The policy of segregation began. Notable Acts that were passed include the Natives (now Black) Land Act of 1913 and Native Trust and Land Act of 1936. The acts first established a legal distinction between African reserves and white farms. This meant that Africans could no longer purchase land from the whites. The latter gave the government powers to intervene in agricultural production. Boycotts, strikes and other militant activities began to surface.
The May 1948 white election brought the National Party under D. F. Malan to power. The election was won under the slogan ‘apartheid’ which literally means ‘separateness’. Thus began the overt policy of racial discrimination and suppression of the majority by the minority whites. The living condition of Africans during this time was appalling and horrid. Opposition to this policy emerged from everywhere. Both the ANC and the Pan Africanist Congress (PAC) announced campaigns against the government. Things finally came to a head in March 1960 when police opened fire at protestors in Sharpeville killing more than 50 blacks. The response of the ANC and the PAC to the Sharpeville Massacres was to go underground and form a military resistance. The ANC formed the Umkontowe Sizwe (The Spear of the Nation, or MK); the PAC the Poqo (Pure). Faced with guerilla wars, the South African government felt the need to neutralise its neighbours abetting the ANC and the PAC. It thus aided the armed movements of the RENAMO (Resistencia Nacional Mocambicana) against the Frente de Libertação de Moçambique (FRELIMO/Mozambican Liberation Front) government in Mozambique, and the Uniao para e Independencia Total de Angola (UNITA) against the Popular Movement for the Liberation of Angola (MPLA) government in Angola. South Africa’s actions resulted in massive destruction and great loss of lives and properties.

The life of the blacks deteriorated and their impoverishment was most clearly visible in the rural labour reserves. Unemployment rose during the 1970s and 1980s with only 14 per cent of the entrants to the labour market finding a job by 1980 (Ross 1999: 157). Although successive governments in South Africa had terrorised the region, the P. W. Botha regime initiated the militarisation of South African politics. Under his government, the South African Defence Force (SADF) began the program of “Total Strategy”. As the South African Department of Defence White Paper on Defence and Armaments Production (1973: i) stated, this program of the SADF was a counter revolutionary action against the onslaught against South Africa “instigated by monolithic organisations... in absolute control of all the means available to their states”. Therefore, the appropriate response for South Africa should be a total onslaught. The “Total Strategy” of the SADF was “an aggressive and responsive strategy” (Grundy 1983: 278). In line with this strategy, South Africa was projected as a bulwark of freedom against the rise of communism in Africa. It found it very useful to distort the communist threat to further its own interests. In fact, it was the
communist forces that opposed South Africa's apartheid policy the most. It was also the communist states that provided shelter, training and arms to the two most powerful organisations – the African National Congress (ANC) and the South West African Peoples Organisation (SWAPO). South Africa therefore sought to intervene in neighbouring countries militarily and in various covert ways supported the rebels to destabilise them. Mozambique and Angola were particularly targeted. Moreover, since the invasion of Angola in 1976, the Defence Act was amended so as to enable the South African Defence Force to operate beyond the territories of South Africa (RSA 1977:9). South Africa also occupied Ovamboland in northern Namibia ostensibly to prevent infiltration. Civil wars ruined the economies of South Africa’s neighbours as a result. The importance of the SADF and the role it played in South African politics and military field is well known. All through the years, particularly during the apartheid era, it was an “active participant in policy making... in military matters, in wider security issues, both domestic and external, and even in matters concerning the homelands and economic and foreign policy” (Grundy 1983: i).

The militarisation of South Africa and the increasing importance of the SADF must always be considered with changes in the national and international situation. By the end of the Second World War, despite Western interests, South Africa’s Western allies were forced to distance themselves from their support because of South Africa’s racial policies and aggressive policies. The international arms boycott and the international isolation of South Africa catapulted the SADF’s agenda for the protection of the state (Frankel 1984). The “Total Strategy” was adopted as a result of changes in the national and international situations.

Military operations and raids against Namibia, Angola, Mozambique, Zimbabwe, Botswana, Lesotho and other countries were carried out under the pretext of flushing out ANC and SWAPO guerillas. But South Africa’s strategy of projecting itself as a bulwark against communism failed terribly. International opinion turned against it. Economic sanctions and calls for the end apartheid only intensified. The SADCC was established during this time by the suffering neighboring countries struggling desperately to become independent of South Africa and its terror tactics.
In 1984, a new constitution was inaugurated by the South African government elevating the President as a powerful ruler of the country. Opposition to the constitution resulted in the formation of the United Democratic Front (UDF), the largest and most effective movement against apartheid. In several areas, revolts began and spread to others as well.

In 1989, F. W. De Klerk became the National Party President and thus became the South African President. Slowly, the bans on the ANC, South African Communist Party, PAC and other organisations were lifted. On 11 February 1990, Nelson Mandela was freed. The next three years were bloody. There were those trying to establish control and consolidate their positions in KwaZulu Natal, those attempting to stop the negotiation process, and those burning their ways into townships to settle.

After prolonged negotiations, South Africa went to the polls in the first all-race election in its history. The ANC won the elections and on 10 May 1994, Nelson Mandela, the previous prisoner was sworn in as the President with F. W. De Klerk and Thabo Mbeki as the two Vice-Presidents of a united country of nine new provinces – Northern Cape, Western Cape, Eastern Cape, Free State, KwaZulu Natal, Gauteng, North West, Northern Province and Mpumalanga. Mandela, in his inaugural speech said, “Let freedom reign. God bless Africa” (quoted in Ross 1999: 197).

SADCC and Apartheid South Africa
The Lusaka Declaration of 1980 established SADCC with the principal goal of reducing members’ dependence on South Africa. Until 1992 the adverse policies of the Republic of South Africa (RSA) aimed at destabilising the economies of member states. This resulted in enormous loss of lives and property and was to have long term effects on the economy of neighboring countries and consequently on regional trade and development.

During the 1980s, South Africa tried to promote a constellation of Southern African States (CONSAS) including Bantustans (Bophuthatswana, Lebowa, Venda, Gazankulu, Kangwane, Kwandebele, Qwaqwa, KwaZulu, Transkei and Ciskei). The idea was to create an economic network against the debilitating and destabilising communist onslaught. This was also the result of RSA’s attempt to project itself as a
balance against communist forces. Robert Jaster (1986) divides the policy of destabilisation into three important objectives. The first concerned the domestic South African politics, to demonstrate that the leadership was unyielding to attacks both from within and without and that it could carry out an independent policy in the region with or without Western approval. The second objective involved two components – crippling the SWAPO and ANC militarily and applying sanctions and economic pressures on states providing sanctuary to them. Thirdly, the policy of destabilisation had the objective of bringing about a situation in which South Africa could dictate terms in the region through a series of bilateral accords. The Swazi-South African Agreement, the Nkomati and the Luanda Accords were such bilateral agreements put forth by South Africa. About three months after South Africa came up with its proposal for a constellation of states, the Frontline States (FLS) – Botswana, Mozambique, Angola, Zambia and Tanzania – initiated a counter plan for regional cooperation, the Southern African Development Coordination Conference (SADCC).

In addition to these Front-line States, Lesotho, Swaziland and Malawi joined the SADCC. However, South Africa went ahead with its plan and implemented its proposals with the remaining states: Transkei, Bophuthatswana, Venda and Namibia. In July 1980, a summit meeting was held from which a Special Constellation Committee was established (Jaster 1986: 45-48). However, this scheme failed to take off (see Uys 1989; Davies 1990; Grundy 1986). As Gibb (1998: 292) noted, “Southern African regionalism during the apartheid period was therefore characterized by an exceptional degree of economic integration running alongside marked political divisions and hostility.”

Although the SADCC was established to “liberate [members’] economies from their dependence on the Republic of South Africa (RSA) to overcome the imposed economic fragmentation and to coordinate [their] efforts towards regional and national economic development”, it could not achieve the desired objectives due to the policy of destabilisation, economic blackmail, sabotage and intervention of RSA towards the SADCC. On the other hand, the SADF was convinced that through “forceful military action” and “firm actions”, it has shown its neighbours “the dangers of Russian imperialism” and thereby “created a successful strategy of deterrence” (RSA Dept. of Defence 1984: 3). RSA had intervened in Angola during 1975-76. In 1978, a large scale military strike in southern Angola was launched. By 1982, military
actions by RSA and the UNITA had caused 10,000 deaths according to a statement by the Angolan Government at the UN. Likewise, large areas of Namibia were under RSA. The purpose was to stabilise the region for the RSA and push the SWAPO forces as far back as possible. As a result, many lives were lost and hundreds of SWAPO insurgents were killed. The SADF also launched several cross-border raids against Mozambique during the 1980s. The first, in January 1981, was aimed at alleged ANC offices near Maputo. Many others followed including an air-strike on the suburbs of Maputo in May 1983. These raids and attacks were all aimed at "ANC targets". In addition, RSA’s sponsorship of the MNR was most damaging to Mozambique. Until the Nkomati Accord was signed in 1984, South Africa continued to finance, arm and direct the RENAMO.

Towards smaller states like Lesotho, nonmilitary tactics of destabilisation were utilised pressuring the government to stop being friendly to ANC and anti-RSA elements. RSA also employed the threat to withdraw financial support, prohibit certain imports and support to the Lesotho Liberation Army fighting against the Lesotho government. In similar fashions, RSA sought to weaken its neighbours – Zimbabwe, Botswana, Swaziland and even Seychelles – through propaganda, assassinations, economic pressures, blackmail and other coercive activities. RSA’s policy of destabilisation was estimated to have cost the region $6,246 million during the 1980s (Hanlon 1987). The largely, but not wholly, successful South African policy of destabilisation gave the leadership more confidence, particularly in its military strength.

Such was the policy of apartheid South Africa during the 1970s and 1980s inhibiting any regional cooperation between Southern African states. The role played by South Africa was thus instrumental in the formation of the SADCC. The response from South Africa to the formation of the SADCC has been discussed and seen. The end of the apartheid regime marked a new history for the whole region and for SADC in particular. South Africa became a member of the SADC in August 1994. The post-apartheid policy of South Africa and the SADC is discussed under.
Post Apartheid Era

The successful conclusion to the April 1994 elections marked a turning point for political and economic relations throughout the region. It is only natural to think that the transformation that has occurred in South Africa, given South Africa’s relative economic superiority, could result in South Africa leading the SADC towards better regional cooperation and filling the gap that has been left wide open for a long time. But the performance of South Africa during the last decade has not been impressive with an annual average growth rate of -0.1 per cent.

On the part of the SADC, the new aim is to incorporate the new South Africa to the fold of the SADC. Therefore, the aim of reducing dependence on South Africa was removed at the 1992 Treaty. South Africa officially became a member of the SADC on August 1994. Several trade protocols between members followed, with emphasis on the reduction and elimination of import duties, harmonisation of policies and integration of several sectors. The Democratic Republic of Congo (DRC) and Seychelles also became members in 1997.

In spite of the transformation in southern African politics, regional and economic disparities still remain. The SADC still has to effectively tackle the imbalanced growth and regional inequalities and go for the restructuring of the organisation for a more effective regional integration process. In this sphere, South Africa must lead other members to manage and lessen inequalities amongst its member states.

SADC leaders complain that South Africa has not done enough to lead the region and repay the sacrifices they had made for the liberalisation of South Africa. But the truth is that South Africa is still undergoing internal change and reform.

As a result of the South African insertion to the SADC market, the value of intra-regional trade exports rose from US$ 108 million in 1980 to US$ 4124 million in 1995 and to US$ 4380 million in 2000 (UNCTAD 2003). The SADC has also agreed on an ambitious plan that will free 90 per cent of intra regional trade within eight years. A lot more work needs still to be done. But the destructive role that South
Africa played during the 1980s can be transformed and is being transformed to a constructive and useful role. Today, southern Africa has become more and more attractive to foreign investors. Of concerns are the difficulties faced by the neighbours in gaining access to the South African market. While many of the countries of southern Africa had transformed and adopted economic liberalisation, the country with the biggest economy had adopted a protectionist policy which discriminates against the regional imports. In 1996, the SADC agreed upon a Free Trade Protocol for the negotiation of a free trade regime. This was however delayed by the South Africa-EU negotiations. It seemed that South Africa has not completely committed itself towards the SADC. It is thus necessary for South Africa and other SADC members to overcome their differences so that the goal of regional integration and economic cooperation is achieved without delay.

**ROLE OF LEADING STATES IN ASEAN**

As mentioned earlier, ASEAN was established as a security organisation to protect itself against the spread of communism in the region. Its establishment was preceded by several changes in the region – change of regime in Indonesia, expulsion of Singapore from the Malaysian Federation, Cultural Revolution in China, the Vietnam War, great power struggle in the region, the end of the British presence and the view that Southeast Asia should bear more responsibility in security matters (Dixon 1999: 117). With the change of regime in Indonesia – when General Suharto took over from President Sukarno – relations improved between Indonesia and Malaysia. Earlier, Malaysia had been depicted as a neocolonial entity by Sukarno. The new relations between Indonesia and Malaysia were to form the core of the newly established ASEAN. But ASEAN was immediately denounced by both China and Vietnam as a proto-imperialist organisation and an American bloc. This was mainly because of the members’ stand against communism and relations with the United States. Political or economic integration was never its intention.

Until the end of the Cold War in the late 1980s, ASEAN was centered mostly on the five original members – Indonesia, Malaysia, Thailand, the Philippines and Singapore. It was these five members that began the course that ASEAN took till date.
In Indonesia, there is a close correspondence between domestic and external policies. Therefore, what happens inside manifests outside. Soon after independence in December 1947, Indonesia attached itself to the nonaligned movement. Under the “guided democracy” of President Sukarno, West Irian (Irian Jaya) was acquired. There was also an armed conflict with Malaysia which was seen by Indonesia as a neocolonial entity. The army, seeing itself as the ultimate protector of the Indonesian state, took over in 1966 under General Suharto. Suharto abandoned most of Sukarno’s policies and ended its confrontation (konfrontasi) with Malaysia. This resulted in a situation in which ASEAN was established just a year later.

Malaysia was formed as a federation in 1963 to include Serawak and Sabah in northern Borneo, Singapore and peninsula of Malaya. The ethnic issue between Malays and the Chinese occupied much of Malaysian politics for a long time. Since the end of the konfrontasi and the beginning of a new understanding between Malaysia and Indonesia, ASEAN committed itself to the strengthening of the economic and social stability to prevent external interferences and to accept the temporary character of foreign bases which were not to be used to interfere with other states in the region.

The Philippines, after gaining independence on 4 July 1946, continued to accept its dependence on the United States militarily and economically. By 1950, the US had declared the Philippines as a part of America’s strategic defence parameter in the Pacific. Because of its attachment to the US, and notwithstanding its shared linguistic and ethnic origins with its near neighbours, the Philippines was somewhat set apart and somewhat aloof from its regional concerns. It joined Malaysia and Thailand in the formation of the Association of Southeast Asia (ASA) in 1963. ASA floundered because of Manila’s claim on Sabah. In spite of this issue, the Philippines became a founding member of ASEAN. But its membership to ASEAN did not make much of a difference initially because its attitude towards its neighbours was guarded.

Thailand is the only country in Southeast Asia that did not experience colonialism. Like the Philippines, it moved closer to the US and became a party to the 1954 Manila Pact. Bangkok became the headquarters of Southeast Asia Treaty Organisation (SEATO). When Vietnam invaded Cambodia, Thailand being the
frontline state forged an alliance with China alongside its existing relations with the US. The US link was mainly because of the ASEAN members’ perception of China as the biggest threat to them, and not Vietnam.

In the beginning, unlike other regional groupings, ASEAN had been much more influenced by the prevailing international atmosphere and collective security concerns than by the particular role played by specific members. This was because it was born out of the Cold War and the Vietnam War situation. It was thus formed to protect the sovereignty and strengthen the newly independent member governments from outside influence and interference. Members sought to protect themselves by bringing themselves together and resolve any intraregional disputes so that the region would have stability and at the same time preserve the domestic order. This goal, however, was given less public attention. Emphasis and limelight was given to the economic, social and cultural cooperation.

With the Indonesia insistence, ASEAN adopted a nonaligned policy. But the threat perception of members – seeing Chinese and Japanese influence – has led them to see American presence in the region as an assurance of their security. Even the two ostensibly nonaligned states of Malaysia and Indonesia called for continued US presence in the region.

In 1971, a Zone of Peace, Freedom and Neutrality Declaration (ZOPFAN) was signed by the ASEAN foreign ministers. At Indonesian insistence, all references to external guarantees were removed. But with regard to the presence of American military in Singapore, a considerable public debate and discussion was held. In the end, ZOPFAN was abandoned as its credibility was in doubt in the light of Malaysian, Indonesian and Singaporean continuance of offering port facilities for “economic” reasons. Thus, on the political front, members’ perceptions and the desired policy with their actions did not go hand in hand.

While the ZOPFAN Declaration was not very effective, the Cambodian issue was a different matter. It revealed the contribution of each member. Vietnam invaded Cambodia in December 1978 and established a pro-Vietnamese government there. Being the frontline state, Thailand’s national security was threatened. ASEAN assured
Thailand that it would come to its aid in the event of a Vietnamese incursion in Thailand. ASEAN also refused to recognise the pro-Vietnamese government in Cambodia and continued to maintain links with the deposed regime. The Vietnamese invasion of Cambodia failed to change the perception of China as the biggest threat to Southeast Asia. But through the concerted efforts of ASEAN members a Coalition Government of Democratic Kampuchea (CGDK) was set up outside Cambodia. The CGDK managed to retain the UN seat with ASEAN vote at the UN General Assembly. With the important role of Indonesia, a breakthrough of some sort was achieved when it initiated the Jakarta Informal Meeting in July 1988. This led to the International Conference on Cambodia in August 1989 which, in turn, led to the Vietnamese military withdrawal from Cambodia in September 1989. By the end of 1991, the Paris Peace Agreement was signed with the active participation of other actors. Free elections were held and a new government assumed office in October 1993. The Cambodian issue pushed ASEAN in the limelight because of its persistent stand against the Vietnamese regime in Cambodia.

On the economic and integrative front, the role of the major actors reveals that ASEAN states are no exception to the rule that national interests determine the external interactions. When the ASEAN Industrial Projects (AIP) was first discussed, Singapore called for a more liberalised intra-ASEAN trading system while Indonesia opposed it because it felt that openness would hurt its national interests. In the end, out of the five major industrial projects agreed in 1976, only two urea plants, one each in Indonesia and Malaysia had been constructed. By the time the Basic Agreement on ASEAN Industrial Projects was formally signed in 1980, Singapore had become reluctant to participate because that would mean buying from high cost ASEAN producers instead of cheaper international suppliers. In addition, the percentage of the equity shares of each member could not be properly worked out. The whole episode only demonstrated what has been mentioned before: that each member, particularly the leading ones, opposed or sought to skirt any project or back out of any commitment that was contrary to its national policy.

The following years, the ASEAN Industrial Implementation (AIC) and the ASEAN Industrial Joint Ventures (AIJV) were agreed to. Still, intraregional trade is quite limited in ASEAN. Although it has risen since the 1980s, there is little sign of it
becoming significantly more important. For the last three decades, intraregional trade had fluctuated between 16 to 21 per cent (IMF various years).

During the 1970s, Singapore made various attempts to introduce free trade in the region. In 1977, a limited Preferential Trade Agreement (PTA) was signed. Nevertheless, trade liberalisation fluctuated and only about 5 per cent of the total items originally covered by the PTA were actually traded (Abad 1996: 247). This was because each member had an exclusion list; Indonesia had the longest list and Singapore the shortest. With the exception of Singapore, the major portions of trade items are primary goods. Thus, the industrial policies of other members prompted protectionism of the local industries and opposition to economic liberalisation. But by the 1980s there had been an expansion of export-oriented manufacturing, leading to an increased freedom in trade. But still in Malaysia and Indonesia, the protection of their agricultural sector is an important developmental goal.

Overall, by the early 1990s, little progress has been made towards regional economic integration. Thus, even after the ASEAN Free Trade Area (AFTA) was established in 1992, the structure and role of the ASEAN states casts doubts over the future of trade liberalisation and increased intraregional trade flows.

Singapore has dominated intraregional trade for a long time because of its pivotal position within Southeast Asia. Indeed, Singapore has tried to promote itself as the economic hub of the region. However, other ASEAN members did not share this vision. During the 1980s, a ‘growth triangle’ involving the Malaysian state of Johor, the Indonesia islands of the Riau group and Singapore (SiJoRi) had emerged. However, the unequal labor costs between the three areas led to relocation and disaggregation of production. Besides, it was feared that this could arouse ethnic and political tensions and inter-state disputes arising from uneven distribution of economic benefits (Acharya 1995).

Likewise, Thailand has also tried to promote itself as the centre of an economic zone, mostly for mainland Southeast Asia – linking Myanmar with the Indo-Chinese states. This was the reason behind Thailand’s support for the admission of Cambodia, Laos and Myanmar to ASEAN. Several negotiations to exploit the
natural resources of these countries were initiated. But this only seems to benefit Thailand disproportionately (Hirsch 1993: 11). On trade issues too, Thailand is seen as trying to make its near neighbours dependent on it (Rigg 1995, 1997). This has created friction between them.

The ASEAN financial crisis of the late 1990s took everyone by surprise because most of the Southeast Asian economies had registered annual growth rates of about 8 per cent in the years preceding 1997. The crisis first manifested itself in mid 1997 with the collapse of the Thai baht. Heavy short-term borrowing, overvaluation of the baht and poor financial regulation may be cited as the cause of the collapse. This crisis soon spread to other Southeast Asian countries as well. These countries already had large current account deficits in the years prior to the crisis. Thailand had a deficit of 8 per cent of its GDP in 1995-96; Malaysia, 10 per cent in 1995 and 5 per cent in 1996; Indonesia, 3.5 per cent in 1995-96; the Philippines, 5 per cent in 1996 and Vietnam, 16 per cent in 1996 (Garnaut 2000: 10). In Indonesia, this crisis led to the downfall of Suharto, but the appointment of A. Wahid in 1999 could not save the economy either. Wahid’s replacement in 2001 by Megawati Sukarnoputri helped a bit in restoring people’s confidence in the Indonesian economy once again. Meanwhile, ASEAN was disappointing although several remedial steps were taken (Soesastro 1999). Late in 1998, in a meeting of the heads of government, a Statement on Bold Measures was made that laid down ASEAN’s strategies to deal with the crisis. Southeast Asian countries have since then been on the way to recovery although the effects and traces of the crisis remain (Figure).

### ASEAN Growth Rates % 2000-2003

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>2.8</td>
<td>1.5</td>
<td>3.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.9</td>
<td>3.4</td>
<td>3.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.5</td>
<td>0.3</td>
<td>4.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>6.0</td>
<td>3.0</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>9.4</td>
<td>-2.4</td>
<td>2.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>4.8</td>
<td>2.1</td>
<td>5.4</td>
<td>6.3</td>
</tr>
</tbody>
</table>
In retrospect, in spite of the recovery and growth, ASEAN economies are not complimentary. This has caused unequal distribution of incomes as well as protectionism. In addition, the opening up of the Indo-Chinese states and the much touted ASEAN+3 could cause more friction between members. This would only militate against the successful establishment of AFTA and the successful contribution of ASEAN as a political and diplomatic force.

**ROLE OF LEADING STATES IN MERCOSUR**

The last two decades, for Latin America, has been a period of momentous changes. The 1970s had witnessed the collapse of regionalism within the region – mostly brought about by the oil price hike, the Panama Canal Dispute, excessive dependence on American capital investment, half-hearted efforts towards regional commitments and struggle for power. Coupled with the process of democratisation, Latin American countries adopted adjustment and liberalisation policies with emphasis on reducing government control and intervention to achieve macroeconomic stability. This trend continued in the 1990s. The 1990s has witnessed the stabilisation of the macroeconomic policies with the opening up of the economies to foreign trade and reduction of the public sector. This happened after decades of dependence on heavy government and isolationist policies. Different factors drove policy changes in different countries: in some, it was to combat hyperinflation; in others it was to combat economic crises.

The process of democratisation and the end of the Cold War with the collapse of the Soviet Union has also contributed to these moves towards a more open economy. Beginning with the integration and cooperation treaty of PICAB (*Programa de Integración y Cooperacion Económica Argentina-Brasil*) in 1986, the Treaty of Integration and Cooperation in 1988 and the Treaty of Integration, Cooperation and Development in 1989, the process for the formation of MERCOSUR had started. In March 1991, through the Treaty of Asunción, MERCOSUR was established between
Argentina, Brazil, Paraguay and Uruguay. Chile and Bolivia became associate members in 1996. MERCOSUR became a customs union in 1995 and is currently engaged in negotiations for the establishment for a Free Trade Area of the Americas (FTAA) with other countries.

The region underwent a severe economic crisis during the late 1990s. Trade disputes between the two biggest economies – Argentina and Brazil – rocked the regional organisation. Doubts about the continuance of MERCOSUR were even raised during this time. In 2000, Argentine and Brazilian officials met to discuss development plans. An “Adelante MERCOSUR” (MERCOSUR Forwards) programme was proposed. The same year, a regional physical integration was also suggested (Philips 2003). Brazil has also accepted the need for a fiscal responsibility pact (Bulmer-Thomas 1999). It was during this time that an important step was taken from a “structural” to a “monetarist” view of regionalism. Three important steps were taken towards laying the foundation of a future common currency in December 1999 at Montevideo: “the harmonisation of national statistics (starting in September 2001); the establishment of common standards for “fiscal responsibility” (to be announced in March 2001); and the obligation to report on efforts at achieving economic stability at future summits” (Philips 2003: 573). Therefore, at the XVI Summit of MERCOSUR Heads of State in Asunción in June 2000, MERCOSUR was “relaunched”, and steps were taken for convergence including “market access; the incorporation of MERCOSUR norms into the legal structures of member countries; the strengthening of the administrative Secretariat and other institutions; the perfecting of the Brazilian Protocol system of dispute resolution; the common external tariff; competition policy; trade relation with extra regional parties’ macroeconomics coordination; incentives to investment, production and exports; and external relations” (Philips 2003: 573-574).

At the outset, the formation of MERCOSUR was brought about by the transformation of Brazilian policy towards its neighbours, resulting from the changed perspectives of its state elites and national political interests (Grugel and Medeiros 1999). During the previous decades, it has been Brazil that was not fully committed to integration. That had greatly hampered hemispheric integration, because Brazilian participation and commitment has always been essential for the success of any regionalist schemes. With the overarching US security and trade concerns, protection
of its industries and the preservation of military rule had been the determinants of the Brazilian state elites' external policy.

Just prior to the MERCOSUR treaty, Brazil was the least open economy with 13 per cent openness while Argentina was 18 per cent, Paraguay, 43 per cent and Uruguay 37 per cent open. The continued protectionism of Brazil created dissatisfaction within MERCOSUR. Reduction of trade barriers could also not move in a linear fashion because of protectionism. This has led Argentina to develop a safeguard formula. In such a situation, regional integration often occupies the back seat.

Brazil put forward the idea of a South American Free Trade Area (SAFTA) in March 1994. It became a MERCOSUR policy in May 1994. For SAFTA, there is a need to have close links with the Andean Pact countries. It was good for MERCOSUR that Chile and Bolivia became associate members of the MERCOSUR soon afterwards.

The divergent policy approach between Brazil and Argentina has also weakened MERCOSUR as a trading bloc. The Brazilian currency crisis of 1999 led to an economic recession in both Brazil and Argentina. By the early 1990s, Brazilian exports to Argentina had increased from US$ 1,320 million in 1990 to US$ 5,395 million in 1993. This volume of bilateral trade decreased with the crisis. A variety of restrictions on trade were imposed by both the countries. The trade dispute flared up with intensity when the Common Market Group failed to reach an agreement. Even the very existence of MERCOSUR was under threat. This dispute was however settled by the end of 1999. Another economic crisis, this time in Argentina led to a new round of trade disputes. But once again, MERCOSUR was saved by Argentine-Brazilian presidential diplomacy. Through these and several other policies and roles played by Brazil and Argentina, MERCOSUR is continually shaped and its policy outlook changed.

The relationship between Brazil and Argentina represents a very significant case because of their relative size and importance within MERCOSUR. This rivalry has deep historical roots going way back into the nineteenth century. After Portugal
invaded Banda Oriental (today's Uruguay) in 1817, Brazil and Argentina fought over this territory after these two countries become independent. Disputes, protracted arms races and interferences continue to occur between the two countries till the First World War. While an outright war was avoided, there was a high level of mutual threat perception all around. Argentina was seen from the Brazilian quarters as trying to gain control of the Spanish-speaking countries surrounding Brazil and thus seeking to isolate it (Hurrell 1998). During the 1970s and early 1980s, there was an uneasy tension between other countries of the region and Brazil – mostly because Brazil, from the late 1960s experienced a high growth rate of about 10 per cent a year till 1974. Termed as an “economic miracle", it was fuelled by the high levels of foreign and state investments. This growth rate continued on till the late 1970s. Being an economically advanced country, Brazil's commitment to regional integration agreements and regionalism was at best ambiguous. On one hand, it championed regional organisations in order to propel its image as leader within the region; on the other, it was weary of moves towards integration as they would involve granting concessions to weaker members (Hurrell 1998).

In spite of its growth, Brazil remains the country with the most inequitable distribution of income. The state officials in Brazil were well aware of the importance of Brazil. From the 1970s, Brazil tried to take on a leading position within Latin America and began to adopt a critical stance against US protectionism. But by the late 1970s, in its quest to maintain the high production levels in the face of the oil price hike, Brazil began to borrow on a massive scale. By 1980, its total external debt had amounted to US$ 60 billion (Grugel and Medeiros 1999: 50). The most pressing issue for democratic Brazil became the unequal distribution of income. The experiences of the debt crisis had cast doubts about the agenda of economic liberalisation in Brazil. The beginning of the 1990s had Brazil opening the economy with systematic reforms.

The relationship of hostility and rivalry slowly began to change during the late 1970s with the signing of the Amazon Pact in 1978 to assist in the joint development of the Amazon Basin. This was followed by a series of reciprocal visits and agreements by and between the two countries. This rapprochement picks up speed from mid-1980s with the signing of the Integration Act that established the Economic and Cooperation and Integration Programme (PICE) followed by the
Treaty of Integration and Cooperation in 1988 and the Treaty of Integration, Cooperation and Development in 1989. The strengthening of ties led to the formation of MERCOSUR in 1991. In the nuclear field, there was also an increased mutual confidence because of the greater transparency.

The announcement in 1990 by the US of an Enterprise for the Americas (EAI) led to a flood of initiatives on the part of the Latin American countries for a more open economy. But then, it was felt that the Southern Cone was relatively far from Washington and hardly a priority. Brazil tried to project the MERCOSUR as an alternative organisation for free trade within the Americas. For Brazil, MERCOSUR was important for several reasons: it raises the possibility of expanding its exports; Brazil need not restructure its industries to participate in MERCOSUR and at the same time assures Brazil a regional market; it serves as a challenge to the NAFTA; it reduces its dependency on the US market; and most of all, it is the most important tool to put the Southern Cone, led by Brazil, in the international economic map.

CONCLUSION

The chapter has dealt with the roles played by the leading states in shaping the outcome of regional initiatives in Southern Africa, Southeast Asia and South America. What can be discerned is that, as mentioned before, the Third World is no exception to the rule that leading states will back out of commitments or employ protectionist tactics when they feel that their national interests are under threat from regionalism. This particular issue also demonstrates the weakness of regional integration movements in the Third World. If the leading states continue with their policies of protectionism and at the same time talk about the need to go for deeper regional integration, the smaller states will only continue to suffer at the hands of the powerful few.

Leading states have also played destructive roles, as the case of South Africa has clearly shown. But that was before it became a member of the SADC(C). The case of South Africa was unique in the sense that even before it became a member of the SADCC; it has played a leading role and was the cause of its formation. The great disparity between leading states and other members also needs to be addressed.
Critics of SADC’s regional integration movement have mentioned its skewed nature because of the absolute dominance of South Africa in all matters (see Söderbaum and Taylor 2003). Alden and Soko (2005: 377-379) have also outlined the difficulties of SADC regional integration process that include (1) lack of significant institutional problems, particularly the managerial expertise; (2) paralysis of the organisation because of SADC’s principle of non-interference; (3) hindrance posed by Southern African Customs Union (SACU); (4) danger from the ongoing Economic Partnership Agreement (EPA) negotiations to weaken economic integration in the SADC region; and (5) South African domestic politics threatening to wreak havoc in the regional integration momentum. The role-play of leading states must be tuned more towards addressing this problem.

One other point to be noted relates to the differences of policy outlook and security perceptions of members. Thus when Vietnam invaded Cambodia in 1978, Thailand’s concerns and the Indonesian and Malaysian concern were entirely different. In the case of Brazil and MERCOSUR too, Brazil had held a long held political ambitions for leadership within the region. This ambition can be achieved through the pursuit of economic growth by its participation in and leadership of MERCOSUR. An unfortunate aspect of South America is the sense of rivalry between the Spanish-speaking nations and the lone Portuguese-speaking nation, Brazil (Child 1985: 9). This rivalry is an important factor because Brazil’s ambition for leadership in South America causes unease and concern among other states, particularly Argentina. This rivalry gains more importance when Argentina is involved because Brazil-Argentina rivalry or disputes invariably affect the whole of South America.

Thus, leading states played important roles in shaping the course that regional organisations have taken. Usually, it is their policy, perception and aspirations that manifest in the regionalist policies. As important as they are, their weaknesses are also mirrored in their respective regional organisations. Thus, the most important issue to be addressed are their policy of protectionism and the consequent disparity of income and regional benefits distribution, so that everyone acquires proportionate share from any regionalist ventures.