Chapter 1

Introduction
The growth of regional integration arrangements (RIAs) and regionalism is one of the most significant developments in contemporary international relations. This trend towards regional integration and the setting up of RIAs has accelerated particularly after the Cold War ended. Out of the 108 RIAs notified to the General Agreements on Tariffs and Trade (GATT) over the period 1948-1994, 33 of them had been established in the early 1990s. By the year 2000, almost half of the 220 RIAs notified to the World Trade Organisation (WTO) are initiated after the Cold War (WTO 1995; World Bank 2000: 1). In fact, 168 Regional Trade Agreements that were notified to the GATT/WTO and in force were created after the Cold War according to the latest table available with the WTO.¹

This trend has been particularly significant in the Third World, which had, till the beginning of the 1990s, been an area where scant attention was paid. Some scholars have pointed out that this is because of the economic marginalisation of much of the South during the Cold War period; new economic policies and a fear of and reaction to the trend towards a globalised economy (Grugel and Hout 1999; Fawcett and Hurrell 1997). This new phase also coincided with, and to an extent was caused by the diminishing US predominance,² the emergence of new economic giants and the adoption of new economic reforms.

Debates have been raging in academic circles regarding regionalism and multilateralism.³ Critics of regionalism feel that the ideal of UN multilateralism is being threatened and warn of the world becoming divided into separate regions. They warned of trade diversions that would harm world efficiency and other GATT/WTO members whose trade will be diverted to less efficient members of the free trade area (Bhagwati 1990a, 1990b, 1991, 1993; Bhagwati and Krueger 1995). Jagdish Bhagwati (1993) says that regional blocks tend to be closed by giving access only to certain states. It is, therefore, a second best solution. It has also been argued that states

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² This diminished predominance is mostly in Latin America where many countries of the continent have built up new relationships between each other instead of having only bilateral relations with the US, as it was during the Cold War period. The leftist leanings of Latin American states in recent years is expected to widen the dichotomy between the US and Latin American states.
³ These debates can be seen in “Regionalism Vs. Multilateralism”, American Economic Review, 86 (2), May 1996.
are less likely to liberalise and more inclined to protectionism when they get higher market power through regional agreements (Mansfield 1998).

At the same time, others believed that this trend of regional integration would provide a better deal for the poor regions and help in reducing domestic and regional conflicts. RIAs would be more efficient in bridging the gap between the rich and the poor and be more efficient in solving domestic and regional conflicts (Lawrence 1991; Grugel and Hout 1999; Gamble and Payne 1996). The UN Charter also gives the UN supremacy over all other international agreements. Article 103 states, “In the event of a conflict between the obligations of the members of the United Nations under the present Charter and their obligations under any other international agreements, their obligations under the present [UN] Charter shall prevail.”

Overall, a WTO study on the relationship between the multilateral system and regional agreements reveals that it is “at least satisfactory if not totally positive” (WTO 1995). But at the same time, it warned that, “When regionalism is seen as a substitute for multilateralism, it can be a danger to the more vulnerable economies.” (WTO 2001: 5)

This renewed interest and moves towards new regional tie ups is generally known as the new regionalism. Robert Z. Lawrence (1996: 6), noting the divergence of the “new” from the “old” stated, “Unlike those in the 1950s and 1960s, the initiative is to liberalise and open their economies to implement export – and foreign – investment-led policies rather than to promote import substitution.”

This chapter will deal with regional integration from two perspectives: the theoretical and historical perspectives. The first part takes up the various concepts, theories and approaches involved with regional integration. Secondly, it will deal with the growth of regionalism and regional integration through the years so that it will become easier to understand the dynamics of the present trend of regional integration all over the world.
Regional integration, simply put, is the process by which states, usually of a region are organised on the basis of common interests. The term regional integration is used here to mean the formal or institutionalised regionalism that has emerged as the predominant form. But what does a “region” mean — does it simply mean a geographical area or is it something else in the context of integration and regionalism? This, and many other concepts, needs to be dealt with to get to the bottom of what regional integration is. This section will deal with the various concepts, approaches, types, and theories of regional integration.

Region
There is no settled conception of what a region is. Its definition differs from person to person. While Edward D. Mansfield and Helen V. Milner (1997) emphasises geographical proximity and specificity to characterise a region, Frankel (1997: 375) emphasise the effects of borders that are politically made and states, “the effects of sharing a common language, even for far removed countries, is very similar in magnitude to the effect of sharing a common border.”

Bruce Russett (1967: 11), using a vast amount of empirical data and elaborative techniques, delineated regions on the premises of social and cultural homogeneity, political attitudes on external issues as manifested in the voting of governments in the United Nations, political interdependence as indicated by participation in inter-governmental networks, economic interdependence as indicated by intra-regional trade in relation to national income and geographical proximity. Therefore, the community in the region would have:

1. Common culture and historical tradition;
2. A sense of homogeneity, of shared values and interests, and of a common identity;
3. A sense of common interests as opposed to those outside the community; and

Raimo Vayrynen (1992) talks of two approaches to a region – the inductive and deductive approaches. The inductive approach involves the division of the territorial units of the world into regions. This is done based on the premises provided by Bruce Russett (1967). The deductive method deduces the concept of a region from certain theoretical premises. Vayrynen criticises the inductive method as state-centric and static, and finds the deductive method as more appropriate for the study of regional security complexes.⁴

Louis Cantori and Steven Spiegel (1970a; 1970b: 6-7) write about a subordinate system and define it as “two or more geographically proximate and interacting states, which share in some degree, common ethnic, linguistic, cultural, social and historical bonds and whose sense of identity is sometimes increased by the actions and attitudes of states external to this.” They divide regimes into three sectors – core, periphery and intrusive. The core sector is a group of states that shared certain organisational, cultural, economic, social and political commonalities. The peripheral sector consists of states that are alienated by the core due to economic, social and political and organisational factors. The intrusive sector consists of politically significant participation by external powers.

Michael Brecher (1963) also conceptualised the subordinate state system as a system that is subordinate to the dominant system. Brecher recognised five such subordinate systems – Middle Eastern, American, South Asian, West European and West African. He also accepted that other such systems may also emerge, and pointed out six criteria for a subordinate state system. It must be of limited geographical scope; consist of at least three members; be recognised by others; be considered as distinct by other members; be inferior to the dominant system and be more affected by changes in the dominant system than vice versa.

⁴ Barry Buzan (2000: 2) defines a security complex as “a set of states whose primary security perceptions and concerns are so interlinked that their national security problems cannot reasonably be analysed or resolved apart from one another.”
Warner J. Feld and Gavin Boyd (1980: 3-17) have also listed the configurations of a region, which they built upon by mapping the basic attributes of the states in the area and their major pattern of relations. "The significant features of a regional configuration," they wrote, "are its relative degrees of balance and complementarities and the extent to which its states are oriented toward integrative behaviour."

William R. Thompson (1973) has also addressed this question and concluded that there is no coherence among scholars of international relations in their use of the term "region". He specifically made an inventory of twenty one attributes that were expressed by analysts for identifying regional subsystems, and then made a "dyadic index of inter-analyst agreement". He concluded that the analysts disagree most of the time. There were only two attributes that are included by over 80 per cent of the analysts – geographical proximity and the pattern of relations and interactions having a certain degree of regularity and intensity. What this implies, according to Thompson, is that the concept of regional subsystem is very immature and is incapable of relating to and explaining the existing empirical universalisation. Thompson lists four attributes that were both necessary and sufficient for a regional subsystem to exist: (1) regularity and intensity of interaction so that change at one point affects other points; (2) the actors are generally proximate; (3) internal and external actors recognise the subsystem as a distinctive area; and (4) the subsystem consists of two or probably more actors.

From the discussions above, it can be concluded that there is no fixed or ideal definition of a region. Referring to the elusiveness of the subject, Kym Anderson and Hege Norheim (1993: 26) wrote, "While there is no ideal definition [of a region], pragmatism would suggest basing the definition on the major continents and subdividing them somewhat according to a combination of cultural, language, religions, and stage-of-development criteria." Still, some scholars argue that regardless of locations, countries sharing a communal identity comprise a region (see for example Kupchan 1997). Katzenstein (1997: 7) thus notes, "geographical designations are not 'real,' 'natural' or 'essential'. They are socially constructed and politically contested and thus open to change." However, from the agreements of most scholars, a region may be thought of as an area where the states are politically
and economically interdependent, evidenced through their relations and interactions, geographical proximity, and social, cultural, linguistic, ethnic and historical bonds or commonality.

Integration

Integration, like region, is an ambiguous concept. The terms integration and interdependence have been sometimes used interchangeably (see for example Balassa 1961; Nye 1968; Cooper 1968; Tollison and Willett 1973). While Bela Balassa (1961) talks of interdependence of economic factors in the integration process, Nye (1968) saw the European Economic Community (EEC) as a complex web of interdependencies.

Rober O. Keohane and Joseph S. Nye (1975) saw integration as both a process and as an end, which can be at any level. They see integration as a structural and interest-based process that often takes place within an institutional framework (Keohane and Nye 1975: 368). They also see integration as a policy condition among states which was affected by transactions between transnational actors (Keohane and Nye 1975: 375). Integration can thus be seen in two ways – as a process and as a condition.

Haas (1968: 16), taking up the first view defined integration as, “the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states.” Therefore, a regional integration theory would be “concerned with explaining how and why states cease to be wholly sovereign, how and why they voluntarily mingle, merge, and mix with their neighbours so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts between themselves. Regional cooperation, organisations, systems and subsystems may help describe steps along the way: but they should not be confused with the resulting definition”. (Haas 1970: 610)

Leon N. Lindberg (1963: 6) looks at integration along the same lines and defines it as, “1. The process whereby nations forego the desire and ability to conduct foreign and key domestic politics independently of each other, seeking instead to
make joint decisions or to delegate the decision making process to new central organs; and 2. The process whereby political actors in several distinct settings are persuaded to shift their expectations and political activities to a new centre.”

On the other hand, Karl W. Deutsch (1957) sees integration as “community building”. Rather than a process, integration becomes a condition or “the attainment within a territory, a sense of community and institutions and practices strong enough and widespread enough to assure, for a ‘long’ time, dependable expectations of ‘peaceful change’ among its populations”. (Deutsch 1957: 5) Amitai Etzioni (1965), while evading the problem of defining integration, focused on unification. According to him, a state, which possessed effective control over the use of the means of violence, which have a centre of decision-making and is the dominant focus of a political unification is “a political community and this condition could be seen as the culmination of the process of political unification” (Etzioni 1965: 2). He defines unification as a “process in which the integration of a system is increased…” (Etzioni 1965: 34)

The different views expressed show the ambiguity of the term integration. But, these views are nevertheless important because, from them, one can conclude that integration is both a process in which states or actors come together towards a new centre and a condition in which a sense of community, belonging and well being is formed towards that same centre.

Third World

Although the term “Third World” is not central to the study of regional integration, the term is nevertheless considered here because it is central to the topic at hand.

The term Third World, according to a more general understanding, emerged at the end of the Second World War when the world became divided into two antagonistic camps – one led by capitalist US and the other led by socialist Soviet Union. The capitalist states came to be characterised as the “First World” while the socialist states came to be known as the “Second World.” The remaining (mostly) poor states came to be known as the “Third World.”
This phase has become largely anachronistic since the collapse of the Soviet Union and the end of the Cold War, because the Soviet Union and its satellite countries constitute the Second World. But as J. P. Thérien (1999) notes, the tendency, now, have become to replace the First, Second and Third World classification with a North-South divide.

During the 1970s, a peculiar twist to the notion of the First-Second-Third World notion was given by Mao Zedong and became known as Mao’s Theory of the Three Worlds. This theory held that "The US and USSR are the First World. In the middle Japan, Europe and Canada belong to the Second World. We are the Third World. The US and the USSR have many atomic bombs and are rich. The Third World has a large population. All Asia, except Japan belong to the Third World. All Africa belongs to the Third World." This Three Worlds theory has become redundant and open to interpretations since the beginning of the 1990s with the collapse of the Soviet Union.

Many problems face the definition of a Third World. The very existence of a Third World has also come under attack (see Wolf-Philips 1979; Worsley 1979; Muni 1979; Love 1980; McCall 1980; Berger 1994; Thomas 1983; Harris 1986). At the same time, others talk of "Fourth" and "Fifth" worlds (see for example Shaw 2000). Since the term Third World has its origins in the Cold War, one can ask if it is still relevant in post-Cold War international politics. Several criteria are associated with the term Third World: ex-colonies, artificial constructs, underdeveloped, and unstable. Therefore as long as these features are present, there will always be a "Third World". According to Jacqueline Braveboy-Wagner (1986: 2), "The term "Third World" is used to refer to those countries that in a general way share at least these characteristics: a political background of colonialism, quasi-colonialism or neocolonialism; a socioeconomic and technological position of relative underdevelopment vis-à-vis Europe and North America, which industrialised earlier in the eighteenth and nineteenth centuries; a relative lack of and interest in adopting (sometimes adapting) modern (western) economic and social advances; and, with

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5 Purported words of Mao, cited in B. Chen, “Changes in China’s international strategy and goals for the new millennium,” talk at the Institute for the Study of Diplomacy, Georgetown University, May 1998, available online at http://ciaonet.org/wps.bog01 p. 3
varying degrees of commitment, an unwillingness to become involved in the politics of the superpowers and ‘great’ powers, and a commitment to economic and social changes toward greater world equality." The Third World is also characterised by weak, divisive and unstable socioeconomic and political structures; dependence on the industrialised countries; lack of basic amenities, overpopulation, social inequality, low productivity and high military expenditures, to name a few. But it is also important to note that these characteristics are not absolute. Many “Third World” countries have industrialised and registered huge growth rates now.

A debate has been raging as to why Third World countries are “Third.” Some see it as deeply rooted in their colonial legacy. Traditional liberalists believe that Third World underdevelopment is caused by weak factors of production. They suggested that foreign trade, aid, investment and free enterprise can overcome this. Dependency theorists, or dependentistas, as they are known, lay the blame on the capitalists saying that it is exploitation by the capitalists that the Third World is poor. Because of the “pillage of the Third World”, the capitalist countries are economically well off. This “pillage” led the Third World to depend on the capitalist world. This process goes on in a cyclical manner. Dependentistas argue that this cycle can be broken only by evicting multinational firms, abolishing capitalism and adopting policies that are more independent. They stress economic independence, equal distribution of wealth and participation in decision-making (see Chilcote and Edelstein 1974; Jaguaribe 1973; Gunder Frank 1979). On the other hand, these arguments are refuted as false claims, propaganda and unrealistic notions (see Revel 1987; Ray 1983). Strongly refuting the Third Worldists’ notion, Jean François Revel (1987) argued that the Third World’s worst enemy is Third Worldism itself, and suggests “democracy, free enterprise and freedom of information (including freedom of scientific research, with the resultant technological progress it makes possible).”

Whatever the case is, and however underdeveloped the Third World is, a new phase seems to be emerging. In recent years the Third World is undergoing rapid changes. Even in places where development is still to take place, attempts were made to develop with the adoption of neo-liberal reforms. Parallel is the revival of regionalism. Changes can be seen in most Third World areas. These changes will however be studied later.
Several theories of integration have been put forth through the years. These theories have evolved historically, moving along with developments particularly in Europe. Soon after the Second World War, the main approach was federalism (Burgess 1989). This approach was mostly borrowed from the US experience. After the federal approach, functionalism came to the fore followed by neo-functionalism, communicative interactionism and other theories.

Federalism

Federalism envisaged a supranational goal, i.e., a supranational system that would possess sufficient collective security for its members while the federated parts would have local autonomy. Federalists see integration as a political process with the division of power between governments and the establishment of a supranational state. There are two streams of federalism – classical and sociological. Classical federalism adopts a constitutional standard to determine integration while sociological federalism advocates the end product as a federal political community. Amitai Etzioni (1965: 15) explains a federal political community as a single administrative-economic unit and a focal point of political identification for its citizens.

This theory has come under much criticism. David Mitrany (1965: 127) has examined it and calls it “an old idea which has appeared often in plans and literature” and that “it always expressed some antagonism.” On the question of membership, federalism “is bound to be closed and exclusive” and that “a federal constitution is a balancing act in regard to a whole range of social and political factors. With any change in membership the whole structure may have to be re-organised and probably re-negotiated.” (Mitrany 1965: 141)

Functionalism

Traditional functionalists like Mitrany (1946) and Inis L. Claude (1971) sees the ultimate goal of integration as an international organisation that would perform the functions of welfare state. Functionalists attempt to identify common international economic and social problems and construct organisations (regional or global) to deal...
with these problems. Their method is to create a web of international activities and agencies. These agencies would be mono-functional. Functionalists envisaged that this would result in the removal of sovereignty from the state and the reduction of sentimental attachments of individuals towards these organisations. Mitrany (1946: 9-14) states, "By entrusting an authority with a certain task, carrying with it command over the requisite powers and means, a slice of sovereignty is transferred from the old authority to the new; and the accumulation of such partial transfers in time brings about a translation of the true seat of authority." Functionalism thus, "would... overlay political divisions with a spreading web of international activities and agencies, in which and through which the interests and life of all the nations would gradually be integrated."

As people begin to perceive increased benefits and the greater efficiency of the regional organisation to solve problems, the functionalists argued, demands would be raised for the solution of other problems by the creation of functionally specific organisations. They call this effect "spill-over." "The strategy, therefore," as A. J. R. Groom (1975: 94-95) maintains, "suggests itself that functional organisations should start from those spheres in which welfare is maximised through transnational cooperation so that the domain of legitimised politics gradually expands while that of power politics gradually contracts." That is, the international activities and agencies must be confined to issues that have a low salience in terms of sovereignty and nationalistic attachments. This would make it easier for the individual to redirect his attention to the international organisation.

While spill-over is a possibility, functionalists also note that one condition does not inexorably lead to another (see Claude 1971: 355). Haas (1961: 376) also wrote, "There is no dependable cumulative process of precedent formation leading to ever more community-oriented organisational behaviour." Thus, integration in one particular area does not necessarily spread to another area in which different groups were involved and held power.

Concerning the contribution of functional tie-ups towards the prevention of violence and the maintenance of peace, Nye (1971: 10) states, "The argument is that regional organisations, particularly those involving economic integration, are the best
setting for functional cooperation that can make states less prone to exercise their sovereign power for violent conflict. Along with this cooperation, a sense of community or positive feeling may develop between people of different states. The emphasis is not so much on diminishing sovereignty but on making it less dangerous by tying states in a tight web of functional relationships. While such relationships would not necessarily prevent states from resorting to violence, they would introduce additional pacific influences and raise the cost of violence for any particular leader."

Functionalism could not deliver all that it promised. The failures of functionalism prompted Haas (1968) to point out that politics cannot be kept separate from the process of regional integration. He also added that instead of the evolutionary process, incremental growth should be stressed. Lindberg and Scheingold (1970) and Schmitter (1970a) also warned of "spill back" and "encapsulation". Schmitter (1970b) wrote, "In response to tensions, actors consequently withdraw from their original objective, downgrading their commitment to mutual cooperation."

**Neo-functionalism**

Neo-functionalism emerged when plans for the unification of the coal and steel markets in Europe were suggested in the 1950s. Then, it was felt that functionalism lacked political realism. The reality was that the member states of the ECSC were unwilling to share even the smallest degree of sovereignty. Neo-functionalism was thus born with certain innovations on the previous approach.

Nye (1971: 51) comments, "Basically, the neo-functionalists were federalists in functional clothing, pursuing federal ends, through what appeared to be functional means. Thus while the Schuman Plan looked rather functionalist it was functionalist with two important innovations. First, the neo-functionalists avoided the approach of quiet technical self-determination that seemed to lead to political irrelevance. Rather, they deliberately chose a sector that was politically important, yet that could be planned by technocrats and did not demand immediate commitment to federal institutions. A second important neo-functionalist departure from classical functionalism was in its deliberative design of institutions that would lead to further integration… In short, the neo-functionalists argue that power and welfare cannot be
kept radically separate and that true technical self determination on non-controversial
topics will be condemned to triviality.” Charles Pentland (1973) had similar views as
Nye and sees neo-functionalists as federalists in functional clothing.

Ernst B. Haas (1968), Leon N. Lindberg and Stuart A. Scheingold (1970) also
made important contributions towards the neo-functional approach. For the neo-
functionalists, politics cannot be kept separate from economics or other welfare
functions. Haas (n d: 78) remarked, “there is no longer a distinctly political function,
separate from economics, welfare or education, a function which finds its reason for
being in the sublime heights of foreign policy, defense and constitution making.”

Nye (1971: 59) notes, “The important actors in the neo-functionalist model are
integrationist-technocrats and those interest groups which, for a variety of convergent
aims, persuaded governments to create a regional economic organisation. Once
established, and depending on the degree of initial commitment, these organisations
would, it was thought, unleash new forces of sector imbalance and engrenage,
increase flows of transactions, and involve an increasing number of social groups
which would gradually focus their activities on the regional level.”

Neo-functionalism makes several assumptions about the prerequisites of an
integration process:
1. the inherent functional linkages of tasks;
2. increasing flows or transactions;
3. deliberate linkages and coalitions; and
4. economic pressure groups

In addition to these assumptions, subsequent research added at least three
more to the list – involvement of external actors, regional ideology and intensification

Neo-functionalism had its own difficulties and problems. As Charles A. Duffy
and Warner J. Feld (1980: 505) argued, the efforts of revision “led to further
theoretical difficulties. The overemphasis on process, as characterised by Lindberg
and Scheingold’s adaptation structural-functional analysis led to the abandonment of
the key notions of beginning and ending. Little attention was paid to the question of why regional integration efforts were undertaken, and what would be the final or ultimate shape of institutional arrangements”. One major shortcoming of neo-functionalism was that it “always had more to say about the ongoing role of institutions than about the factors that explain the birth of regionalist schemes”.

(Hurrell 1994:60)

During the 1960s, there was a slowdown in the European integration process that led some to question the validity of the predominant paradigms of the time (see Keohane and Nye 1975). By the 1970s, when European integration faltered, theories of integration received another blow. Feld (1966: 395) argued that there was a serious flaw in the regional integration theory because of the underestimation of the difference between national governments and other “interested” actors.

Haas, since 1965, has also moved away from his earlier claims. In 1975, he wrote, “I agree that the familiar regional integration theories are obsolete in Western Europe and obsolescent – though still useful – in the rest of the world.” He continued, “The theories we have developed for describing, explaining and predicting regional integration have a tendency not to predict very accurately the events which come about. It has been suggested that we can probably devise better theories which would lead to more dependable findings. But the effort is probably not worth our while”. (Haas 1975: 1)

However, others suggested adjustments in scope and activities and that integration must be seen in the context of a changing international system. Keohane and Nye (1975: 394) wrote, “We seem to have moved into an era in which, at least among developed nonsocialist states, the manipulations of economic interdependence is an increasingly important means of influence, and the use or threat of force is less dominant. If so, integration theory, suitably shorn of its regional limitations, will become increasingly relevant to the analysis of world politics.”

Transactionalism/Communications
The central issue of transactionalism is communications, and for this reason, it is sometimes called the communication, communicative interactionism or pluralist
approach. This approach owes its origins to Karl W. Deutsch who provided several key foundations. The main concern of communication approach is to develop a "sense of community". According to Deutsch, integration takes place amongst states when mutual conflicts are resolved, and when the conflicts are resolved, the community is created. By "sense of community" Deutsch means, "a belief on the part of the individuals in a group that they have come to agreement on at least this one point: that common social problems must and can be solved by process of peaceful change". (Deutsch 1957: 5)

Deutsch (1979: 182) breaks down his idea of community into two types: 1) an amalgamated security community and 2) a pluralistic security community. The difference between them is the absence or presence of real central decision making institutions. The former is identified by the presence of a central governing institution while the second is composed of interacting, but separate and different sovereign states. Deutsch (1957: 6) defines amalgamation as "the formal merger of two or more independent units, with some type of government after amalgamation." It is thus the coming into being of a political system. Describing Deutsch's model of integration, Puchala (1981: 156) wrote that "political unification – national or international – consists in moving first from communities to community, and from community to state. This follows from initial functional linkage, increased transaction, social assimilation, community formation, and ultimately political amalgamation." To form the community, there are several essential conditions to be fulfilled, according to Deutsch, that include mutual compatibility of main values; a distinct way of life; the expectation of stronger economic ties or gains; a marked increase in political and administrative capabilities of at least some particular units; unbroken links of social communications; a superior economic growth of at least some particular units; broadening of political elites; mobility of persons; multiplicity of ranges of communications and transaction; a compensation of flows of communications and transactions; not too infrequent and considerable mutual predictability of behavior.

Besides these approaches, there are also the nationalist and consociationalist approaches to integration. Lindberg and Scheingold (1970: 7) call them "rebuilders". The main concern of the nationalists, as the name implies, is the maintenance of national sovereignty. Consociationalism is associated with Arendt Lijphart (1968) and
Paul Taylor (1990). Consociationalists usually look at only one case – European integration. They are concerned with the nature of relationships between national political elites and European integration.

**TYPES OF INTEGRATION**

There are basically three types of integration – political, economic and social. Nye (1970) maintains that there are three aspects of political integration – the existence of some rudimentary structure, certain interdependence in policy formation and a sense of mutual identity and obligation. He calls them respectively, institutional, policy and attitudinal integrations.

Ali M. El-Agraa (1984: 79) defines economic integration as “the discriminatory removal of all trade impediments between the participating nations and with the establishment of certain elements of cooperation and coordination between them.” It is commonly defined as the formation of “trading blocks”6 – the formation of preferential trading arrangements between groups within a region.

Political and economic factors are both important and interdependent in economic integration – while political motives may lead to economic integration, economic motives can also lead to integration (Balassa 1961: 7). Pentland (1973: 135) argues that there can be three aspects to economic integration – liberalisation, development and coordination of policies. According to Balassa (1961: 2), there are five progressive stages of regional economic integration: 1) Free Trade Area (FTA); 2) Customs Union (CU); 3) Common Market (CM); 4) Economic Union (EU); and 5) Total Economic Integration.

A Free Trade Area is defined by the absence of tariffs and quotas, and is the weakest form of economic integration. As El-Agraa (1984: 79) stated, an FTA is “where the member states remove all trade impediments among themselves but retain their freedom with regard to the determination of their policies vis-à-vis the outside world (the non-participants).” Thus, while an FTA is being created, member countries

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6 Schott (1991: 1-2) defines a trading bloc as “an association of countries that reduces intra-regional barriers to trade in goods... [that] seek(s) to (1) generate welfare gains through income and efficiency effects and trade creation, (2) augment negotiating leverage with third countries, and (3) sometimes promote regional political cooperation.”
retain their autonomy to formulate their own external trade policy. In a Customs
Union, besides the absence of tariffs and quotas, there is a common external tariff.
That is, all members must conduct common external commercial relations. Thirdly, a
Common Market will have, in addition, factor mobility, i.e. the free flow of the forces
of production. Factors of production will enjoy freedom of movement within the
arrangement. Fourth, in an Economic Union, there will be harmonisation of policies
and complete unification of monetary and fiscal policies. There is the suppression of
restrictions on commodities and factor movements with harmonisation of national
economic policies. Finally, Total Economic Integration is where the members become
“one nation”. It is marked by the formation of a common political institution and the
abolition of the sovereignty of member states. These five stages of economic
integration define the structural process of economic integration. The economic
integration also succeeds in fusing national markets without directly addressing issues
of sovereignty (Balassa 1961: 2).

In addition to the political and economic aspects of integration, social
integration is equally important. Political and economic integration also requires
convergence of interests between states, policy coordination and consultation among
Social integration is also promoted by transnational business collaborations (Feld
1970). These transnational and business collaborations and transactions can also
reduce the potential for conflict and promote economic integration. This sectoral
cooperation and the business elites led the way for European integration since the
1980s (Hoffman 1989) and acted as powerful lobbies for a large European market
(Tsoukalis 1991).

Positive and Negative Integration
Integration involves both the removal of all obstacles as well as the creation of
conditions favourable for it. The former is known as negative integration and the latter
is known as positive integration. El-Agraa (1984: 80) defines negative integration as
“the removal of impediments on trade between the participating nations or to the
elimination of any restriction on the process of trade liberalisation,” and positive
integration as, “the modification of existing instruments and institutions and, more
importantly, to the creation of new ones so as to enable the market of the integrated
area to function properly and effectively and also to promote other broader policy aims of the union.”

**STATIC CUSTOMS UNION THEORY**

Traditional customs union theory has been mostly attributed to Jacob Viner (1957). It mostly deals with detrimental preferential trading arrangements (static welfare effects of lowering tariff barriers of a trade area) and is known as a ‘static customs union theory.” J. E. Meade (1955) and R. G. Lipsey (1957) are also associated with this theory. It was Viner’s argument that only a second best position could be achieved by any regional integration arrangement.

Viner based his theory on his concepts of trade creation and trade diversion. He said that the tendency towards protectionism in free trade could result in “trade creation” or “trade diversion”. Trade creation entails the replacement of domestic production by cheaper imports from a partner. Trade diversion, on the other hand, is the replacement of cheap imports from outside (non partners) by expensive imports from a partner. Viner (1950: 43) argued that while trade creation is beneficial (“a good thing”), trade division is harmful (“a bad thing”). He wrote, “Where the trade creating force is predominant, one of the members at least must benefit, both may benefit, the two combined must have a net benefit, and the world at large benefits... Where the trade diverting effect is predominant, one at least of the member countries is bound to be injured, both may be injured, the two combined will suffer a net injury, and there will be injury to the outside world and to the world at large”. (Viner 1950: 44)

**DYNAMIC CUSTOMS UNION THEORY**

While static customs union theory focuses on the allocative efficiency, dynamic customs union theory delves on the long-term advantage and how productive capacity will be affected. It deals with the dynamic gains from the creation of larger markets by the movement to freer trade. The dynamic gains include economics of scale, greater competition and the stimulus of investment. These dynamic gains would increase the attractiveness of a region as a location for more investments. Because of
the initial gains and output, new savings and investments that contribute towards more output growth could be generated (Baldwin 1989).

Market enlargement under customs would give more opportunities for firms to take advantage of economies of scale. Specialisation of workers and machinery and more efficient use of equipment are some of the results. Such enlargements in the market promote greater competition among firms. Increased competition would result in price reduction, better technologies and efficiency in the market. Capital investment is bound to rise in such conditions. Besides, the terms of trade would greatly improve. Nevertheless, the exact link between integration and the dynamic gains are not well specified and these benefits are simply vague and speculative (Smith 1992).

We have studied the many concepts and theories related to regional integration. The next section will look into the formation of regional integration arrangements all over the world and delve into their history.

II
REGIONAL INTEGRATION: HISTORICAL PERSPECTIVES

The European Context
It is difficult to place the real origins of regionalism much before 1945. However, the first movements towards regional integration can be seen after the French Revolution when the rules impeding the free traffic of goods and people and the application of extra national customs duties were abolished. The Napoleonic Integration Arrangement known as Napoleon's Continental System was designed to isolate Britain and was an early example of European integration.

In 1834, eighteen German states formed the Zollverein Customs Union integrating their markets and railway networks. This union eventually paved the way for political unification of Germany in 1870. In 1860, the Cobden-Chevalier treaty was signed whereby France could access superior and cheaper British coal and iron. Other attempts at integration were made in Europe during this time, but most of them
failed. Some of the failed attempts were: the proposal of Hungary for the creation of a Central European Union in 1885-1886, French efforts to forge a customs union with Germany in 1888 and the various proposals for the establishment of a Central European Economic Association between Austria-Hungary, Belgium, Denmark, Germany, Holland, Italy, Romania, Sweden and Switzerland.

Very few regional groupings existed during the inter-war period (1918-1939). This was because of the impact of the First World War. This period was aptly referred to as a period of “national economic integration and international disintegration” (Myrdal 1956). However, during this period, there were a growing number of international public and private associations. The General Postal Union and the International Law Association were such associations formed during this period.

After the Second World War, the picture changed. Regional integration regained a new importance, and soon many regional groupings emerged. On the international level, international organisations such as the International Monetary Fund (IMF), General Agreements on Tariffs and Trade (GATT), the International Bank for Reconstruction and Development (IBRD) and the United Nations (UN) were formed.

In 1948, the Organisation for European Economic Cooperation (OEEC), later known as the Organisation of Economic Cooperation and Development (OECD) was formed to assist in the reconstruction of post-war Europe. The same year, the Benelux Nations (Belgium, Netherlands and Luxembourg) established a customs union. In addition, in 1949 and 1954, the Council for Mutual Economic Assistance (CMEA) and the Western European Union were respectively formed. The CMEA or COMECON was founded to facilitate and coordinate the economic development of the Soviet Union and its satellite countries. While Europe braced itself for the future Union after the Second World War, this organization provided an alternative for the Soviet bloc. Its original members include Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. Other members like Albania and the German Democratic Republic joined later. Since political changes in Europe in late 1980s, this organisation has lost much of its erstwhile powers and influence. Since 1991, it became the Organisation for International Economic Cooperation.
On 18 April 1951, the most ambitious regional arrangement, the European Coal and Steel Community (ECSC) was established by the Paris Treaty between France, Germany, Italy and the Benelux countries. The United Kingdom did not join the community because it was more interested in forming an intergovernmental association. However, steps towards the creation of a single European political system failed when the European Defense Community (EDC) was defeated in the French National Assembly. The European Political Community (EPC) could not see the light of day. But the ECSC became the forerunner of the European Economic Community (EEC), which was signed on 25 March 1957. The European Atomic Energy Community (EAEC) was also established in 1958.

Elsewhere, the European Free Trade Area (EFTA) was formed by Austria, Denmark, Norway, Sweden, Switzerland, Liechtenstein, Portugal and the United Kingdom (UK) in 1960 as a rival regional arrangement to the EEC. As the name suggests, EFTA was less ambitious in its intentions than the EEC. Finland and Iceland became members in 1961 and 1970 respectively. But of late, the future of EFTA has become quite uncertain with its members leaving the arrangement largely because of the growing importance of the European Union.

In 1967, the merger treaty of the three communities – ECSC, EAEC and EEC was signed giving birth to the European Community (EC). The UK, Denmark and Ireland acceded to the EC in 1973, Greece in 1981 and Spain and Portugal in 1986. The accession of the two Iberian countries was very important because the economies of these two countries were relatively weak. The competitive position of Spain and Portugal was also very weak. Since their accession, Spain and Portugal have been undergoing adjustments inciting some of their citizens to question the advantages of joining the Community. But in another sense, economic adjustments are bound to happen anyway with the risks of rising unemployment and the privatisation of the welfare systems. On a whole, the advantages and benefits that these two countries are expected to get from the membership is bound to be more than the disadvantages. It has resulted in the end of isolationism, higher foreign investments, more influences in the policy decisions on the course that Europe is to take, structural and economic adjustments, and most importantly, economic growth. In 1986 the Single European
Act (SEA) was signed which committed the signatories to an eventual single currency. The Maastricht Treaty on European Union was signed in 1991. The single currency was envisaged by as early as 1997 or 1999 at the latest between the majorities of the EU. The treaty was finally ratified on November 1993. At the Madrid Summit on December 1995, the EU leaders decided upon the name “Euro” for the future single currency.

<table>
<thead>
<tr>
<th>Date</th>
<th>History of European Union Membership</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>Belgium, France, West Germany, Italy, Luxembourg, Netherlands, founding members</td>
<td>6</td>
</tr>
<tr>
<td>1973</td>
<td>Denmark, Ireland, United Kingdom</td>
<td>9</td>
</tr>
<tr>
<td>1981</td>
<td>Greece</td>
<td>10</td>
</tr>
<tr>
<td>1986</td>
<td>Portugal, Spain</td>
<td>12</td>
</tr>
<tr>
<td>1990</td>
<td>The territory of East Germany as part of unified Germany joins the EC</td>
<td>12</td>
</tr>
<tr>
<td>1995</td>
<td>Austria, Finland, Sweden</td>
<td>15</td>
</tr>
<tr>
<td>2004</td>
<td>Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia</td>
<td>25</td>
</tr>
<tr>
<td>2007</td>
<td>Bulgaria, Romania</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 1
EU Membership
Euro notes and coins were finally circulated on 1 January 2002 amid a glittering ceremony in Brussels, Europe's administrative capital. Though the Euro had existed since January 1999, it was only for inter-bank transactions. Euro single currency notes and coins were introduced across twelve Euro-zones countries, while the UK, Denmark and Sweden opted out of it. It now meant that Europeans could pay for goods anywhere in these twelve countries with the same money. The arrival of the Euro in physical form is a great landmark in the movement towards complete European integration. It completed the European Monetary Union, aimed at securing greater prosperity and security. As former Spanish Prime Minister Jose Maria Aznar said, “The Euro is the symbol of the strength of our union.”

The American Context

North America

The Organisation of American States (OAS) was established in 1948. Though it was not a regional integration arrangement, it brought together countries in the Americas.
In North America, the Canada-US Auto Pact was signed in 1965. It established free trade between its two signatories in the automobile industry. In 1988, the two countries signed an agreement on the formation of the Canada-US Free Trade Agreement (CUSFTA). The CUSFTA led to the formation of the North American Free Trade Agreement (NAFTA) in 1993 with the incorporation of Mexico.

The NAFTA grew out of the free-trade agreement between the US and Canada that was signed on 1 January 1989. Negotiations on the terms of NAFTA, which includes Mexico in the free trade area, were concluded in October 1992 and the Agreement was signed in December. The accord was ratified in November 1993 and entered into force on 1 January 1994. The NAFTA Secretariat is composed of national sections in each member country. Under NAFTA, almost all restrictions on trade and investment between Canada, Mexico and the US were to be gradually removed over a 15-year period.

Map 2
NAFTA Members

It can be said that since the beginning of 1980s, the US interest in regionalism has significantly been growing. This recent US interest may have been due to what Bhagwati (1990b) coined as the "diminished giant syndrome". Besides, the growing
trend in Europe and other parts of the world towards regional exclusivism, the immense domestic pressure on US regional policy to change because of the growing interdependence between states, the change in the systems of government from authoritarianism to democracies in Latin America, and the changed attitudes of Latin American countries towards the US may have also added to the transformation of US strategy towards regionalism in general and towards Latin America and the Caribbean in particular. The transformed US strategy was shown by the announcement of the Enterprise for Americas Initiative (EAI) by Bush on June 1990, and its endorsement by Clinton at the Miami Summit held in 1994. Unsurprisingly, the share of Latin America in total US exports during 1980-1987 had also rose from 32.2 per cent to 38.2 per cent.

As with the US, other countries also began to show their interest in regional arrangements. Canada became a member of the OAS in 1990. After 1980, the Mexican government was forced to adopt liberal market economic policies and to open up the economy. Mexico apparently realised that it stood a chance of being marginalised if it remained shut because of the increasing trend toward new regional economic tie-ups. Mexico, as a result entered the GATT in 1986, and subsequently joined a trilateral free trade agreement with Canada and the US.

South America

In the south, contemporary regionalism began after the Second World War. As the world became divided into blocs, the Latin American and Caribbean (LAC) region was effectively cut-off from the rest of the world – the region being under US influence. The OAS became the means of transmitting US policy over the region. However, the UN Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), created in 1948 gave Latin American regionalism much of its shape during this period.

By the 1960s, the drive for integration led to the signing of the Montevideo Treaty aimed at the organisation of a broad free trade area in Latin America. Thus, the Latin American Free Trade Area (LAFTA) was born in February 1960. It was the first regional integration arrangement and was established between Mexico and the Spanish and Portuguese speaking nations of South America. The LAFTA failed to
make much headway. Its place was taken by the Latin American Integration
Association (LAIA/Aladi), established in 1980. The LAIA acted as the umbrella
organisation for all negotiations and agreements between its members. It had, as its
objective, the inauguration of a single Latin American market.

In 1969, Bolivia, Colombia, Ecuador, Peru and Venezuela signed the Andean
Pact with the objective of creating a free internal trade by 1992, the establishment of a
customs union between Peru, Colombia and Venezuela by 1993 and a common
market by the end of 1995. Disparities between member countries soon led to a split
in the Pact and subsequent attempts to revive the Pact could not work either. Two
other regional integration attempts – the Rio Plata Basin Group (1969) and the Treaty
for Amazonian Cooperation (1978) – were made. These attempts however did not
prove to be effective enough.

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Integration Arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>Organisation of American States (OAS) formed</td>
</tr>
<tr>
<td>1965</td>
<td>Central American Common Market (CACM) formed</td>
</tr>
<tr>
<td>1960</td>
<td>Latin American Free Trade Agreement (LAFTA) formed</td>
</tr>
<tr>
<td>1965</td>
<td>Canada-US Auto Pact</td>
</tr>
<tr>
<td>1965</td>
<td>Caribbean Free Trade Association (CARIFTA) formed</td>
</tr>
<tr>
<td>1969</td>
<td>Andean Pact formed</td>
</tr>
<tr>
<td>1969</td>
<td>Rio-Plata Basin Group formed</td>
</tr>
<tr>
<td>1973</td>
<td>Caribbean Common Market (CARICOM) formed</td>
</tr>
<tr>
<td>1978</td>
<td>Treaty for Amazonian Cooperation signed</td>
</tr>
<tr>
<td>1980</td>
<td>Latin American Integration Association (LAIA/Aladi) formed</td>
</tr>
<tr>
<td>1988</td>
<td>Canada-US Free Trade Agreement (CUSFTA) signed</td>
</tr>
<tr>
<td>1988</td>
<td>Treaty of Integration and Cooperation between Brazil and Argentina</td>
</tr>
<tr>
<td>1989</td>
<td>Treaty of Integration, Cooperation and Development between Brazil and Argentina</td>
</tr>
</tbody>
</table>
The Caribbean

In the Caribbean, the Caribbean Free Trade Association (CARIFTA) was formed in 1965 giving rise to the Caribbean Common Market (CARICOM) in 1973. By 1984, the Caribbean Basin Economic Market Recovery Act was signed by the US and 28 Caribbean and Central American countries with the aim of enabling duty free entry to the US on selected products. In Central America, the Central American Common Market (CACM) was established in 1960 with Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica as members. But this arrangement broke up in the 1970s. New plans have been made for integration and free trade arrangements among its members, but not much progress has been made.

In most cases, the objectives of regional integration were only partially achieved. This was because of the many problems facing the LAC countries during the 1970s. The oil price hike and the consequence of worldwide economic disequilibria, the Panama Canal dispute, ideological disputes, excessive dependence on the US for capital investment, half-hearted efforts of members towards the objectives and conflicts for power were some of the problems facing regional integration in the LAC. Regionalism therefore practically collapsed in the 1970s.

The free-falling Latin American regionalism bounced back with the formation on the Contadora Group, comprising of Mexico, Venezuela, Colombia and Panama in the early 1980s. This initiative was mostly taken to deal with the destabilising military conflicts in El Salvador, Nicaragua and Guatemala. An Integration and Cooperation Programme (PICAB) was also established followed by the Treaty of Integration and Cooperation and Treaty of Integration, Cooperation and Development on November 1988 and August 1989 respectively.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Announcement of the Enterprise for the Americas Initiative (EAI)</td>
</tr>
<tr>
<td>1991</td>
<td>MERCOSUR established</td>
</tr>
<tr>
<td>1993</td>
<td>North American Free Trade Agreement (NAFTA) formed</td>
</tr>
<tr>
<td>1995</td>
<td>Association of Caribbean States (ACS) formed</td>
</tr>
</tbody>
</table>

Table 2
American RIAs
The second half of the 1980s saw increased cooperation and confidence building between Argentina and Brazil. This cooperation was mainly in the economic, political and military fields. Being the two biggest economies in South America, this cooperation between the two had a big effect. An integration Act was signed by these two in 1986 and in 1991, by which they agreed to lower tariffs and to remove all non-tariff barriers between them. Thus, through the Treaty of Asunción, signed in March 1991 between Brazil, Argentina, Paraguay and Uruguay, the Common Market of the Southern Cone – MERCOSUR (MERCOSUL in its Portuguese acronym) was created. It was transformed into a customs union at the beginning of 1995. It created new opportunities for more inter and intraregional cooperation and trade. Chile and Bolivia became associate members in 1996. A framework agreement was also reached with the Andean Community in early 1998. On June 1999, a mandate was finally agreed to for a Framework Agreement between the EU and MERCOSUR just a few days before the first-ever EU-MERCOSUR Summit in Brazil. Besides, MERCOSUR is involved in negotiations for a Free Trade Area of the Americas (FTAA) with several countries. This project was launched on December 1994 but formal negotiations could begin only in November 1998.

The Asian Context

The growth of Asian regionalism during the last few decades was indeed remarkable. Trade within the continent grew from 40 per cent in 1970 to 50 per cent in 1993 (Dent 1997: 51). According to a World Bank Report (World Bank 1994: 166-167), in 1992, the combined size of the economies of Japan, the Newly Industrializing Countries (NIC) of Asia, ASEAN states and China amounted to 25.5 per cent of the world's GDP. Intra-Asian trade has also been growing at an amazing rate.

The establishment of the Southeast Asian Treaty Organisation (SEATO) in 1954 gave an important impetus for the formation of more regional organisations in the region. Though the SEATO was not an organisation with integration as its aim, it sowed the seed nonetheless.

In the early 1960s, under the Japan Economic Research Centre (JERC), the concept of Pacific Economic Cooperation (PEC) was articulated. This concept
however died out. In 1961, the Association of Southeast Asia (ASA) was formed by Malaysia, Thailand and the Philippines. This association, within a few months began to lose support and started to linger in a shadowy form. In 1966, another broad-based structure, the Asia and Pacific Council (ASPAC) was established by Japan, South Korea, Taiwan, Australia, New Zealand, Malaysia, the Philippines, Thailand and South Vietnam. The ASPAC, it was agreed, would promote economic cooperation between member countries. But it could not work properly and by 1974-1975 it had ceased to operate effectively.

In 1966, the Asian Development Bank (ADB) was set up in the United Nations Economic Committee, Asia and the Far East (ECAFE) under the Japanese leadership. The ADB had Manila, the Philippines as its headquarters. That same year, the Japanese government convened the Ministerial Conference on Economic Development in Southeast Asia (MCEDSEA). Like all the rest, the MCEDSEA could not function properly and by 1975, it ceased to meet.

A relatively successful organisation, the Pacific Basin Economic Council (PBEC), a nongovernmental organisation, was formed in 1967. Annual meetings of the PBEC were held with business persons and enterprises from different Asian states participating in it. Such an initiative led to the establishment of the Pacific Trade and Development Conference (PAFTAD). The PAFTAD met for the first time in Tokyo in 1968. These nongovernmental organisations, rather than focusing on political negotiations, emphasised personal networking and exchange of information.

Attempts to revive the ASA resulted in the beginning of a new era of cooperation among its members, with Indonesia and Singapore becoming additional members. This gave way to the establishment of the Association of Southeast Asian Nations (ASEAN) on August 1967. ASEAN was, thus far, the most advanced regional organisation in Asia. The aims and objectives of ASEAN were set out in the Bangkok Declaration of August 1967. During the 1970s, ASEAN entered into negotiations with other countries and organisations. In 1973, through the special coordinating committee of ASEAN nations (SCAN), it entered into negotiations with the EEC and the GATT through the ASEAN Geneva Committee. It also conferred with Japan and Australia during the same period. In 1979, a Preferential Trade
Agreement was signed. But until recent years, ASEAN functioned only as a forum for debates and was not able to deliver any concrete achievements. However, the 1991 and 1995 Summits of ASEAN heads of states broke new grounds. The outcome was their decision to adopt the proposal for the formation of the ASEAN Free Trade Area (AFTA) by 2003.

Through the joint initiative of Japan and Australia to encompass Asia-Pacific in regional integration arrangements, the Pacific Economic Cooperation Conference (PECC) was formed in 1980. In November 1989, another regional arrangement, the Asia-Pacific Economic Cooperation (APEC) was established with its Secretariat located in Singapore. Being a mere consultative forum, APEC discusses investment regulations, liberalisation of trade, fisheries various other topics.

In South Asia, the South Asian Association for Regional Cooperation (SAARC) is the biggest regional cooperative organisation. SAARC was formally launched in 1983 and institutionalised on December 1985. At the Dhaka Declaration of 1985, it was agreed and pledged that SAARC would play an important role in bringing about social and economic development, peace, self-reliance, progress and stability and South Asia and the world.

Building upon previous ideas, the Malaysian Prime Minister Mahathir Bin Mohammad proposed, in 1990, the formation of the East Asian Economic Grouping (EAEG). This would become an alternative to the APEC. However, due to lack of support from most Asian states and strong US opposition, Mahathir's idea of EAEG was changed to the East Asian Economic Caucus (EAEC).

The African Context
Several attempts at integration were made in Africa. But most of these attempts were unsuccessful or failed to emulate the successes of Europe and some other regions. Of late, the African states have begun afresh with some successes. The formation of the Economic and Monetary Union of West Africa (UEMOA) in 1994 was one of the recent integrative attempts in Africa creating a monetary union between its members. Its members include Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo.
In 1963, the Organisation of African Unity (OAU) came into being. The OAU (now African Union) till today remained an important regional body. Dissensions in the OAU led to the establishment of the Africa Malagasy Organisation for Economic Cooperation (AMOEC) among the French-speaking states of Africa. They are sometimes known as the Brazzaville Group. In 1964, a Central African Customs and Economic Union, the Douanière et Economique de l' Afrique Centrale (UDEAC) was established. One of its objectives was the formation of a monetary union. The East African Community (EAC) was established in 1967. Its members were Kenya, Uganda and Tanzania. But the EAC could not continue and was dissolved in 1977. In January 2001, the EAC was revived with the signing of the EAC Free Trade Areas in Arusha, Tanzania. The main aim of the EAC is to create an East African Federation with one president by 2010. The Southern African Customs Union (SACU) was also formed in 1969 with Botswana, Lesotho, South Africa and Swaziland as its members. In 1969 with Botswana, Lesotho, South Africa and Swaziland as its members.

In the West, two countries – Liberia and Sierra Leone formed the Mano River Union (MRU) in 1975. It established a customs union between them. Guinea became a member in 1980. It now has links with UEMOA and UDEAC. Another arrangement, the Economic Community of Western African States (ECOWAS) was also established in 1975 with the objective of creating a common external tariff. The membership of ECOWAS consists of sixteen French and English-speaking West African states. However, since its inception and formation, ECOWAS was plagued with problems and could not function effectively.

Similarly, Burundi, Rwanda and Zaire established the Communauté Economique de Pays des Grands Lac (CEPGL) in 1976. The CEPGL sought liberalisation in agriculture, energy, technology and finance.

A significant step towards successful regionalism was taken when the Southern African Development Coordination Conference (SADCC) was established in 1980. The SADCC comprised of nine Southern African states – Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. It was mainly formed to promote regional cooperation among its members and to reduce
members' dependence on South Africa. The SADCC was transformed into the Southern African Development Community (SADC) through the Windhoek Treaty of 1993 with South Africa becoming a member of the new Community in 1994. The SADC in 1994 signed a cooperation agreement with EU which would cover trade and economy.

A preferential trade area for Eastern and Southern Africa was established in 1981. The PTA has recently made attempts to create a common market arrangement for Eastern and Southern Africa. In 1983, another community, the Communauté Economique des Etats de l’Afrique Centrale (CEEAC) was formed with future plans for liberalisation of trade and common external tariff.

Sadly enough, many of the regional integration attempts could not deliver the desired objectives and most of them could not even function properly. In 1989, the Arab Maghreb Union (AMU) was established representing a fairly serious attempt at regional integration. The AMU removed trade barriers between members and set up cooperative arrangements. Algeria, Libya, Mauritania, Morocco and Tunisia are its members. But again, the AMU could not forge desired links between members and in the late 1990s, began to face great domestic and economic problems.

In the Middle East, the Arab League, formed in 1945, became the first non-Western regional organisation. The Organisation of Petroleum Exporting Countries (OPEC) and the Gulf Cooperation Council (GCC) are playing important roles as well. The GCC, formed in 1981, has been fairly successful in bringing its members towards some reductions in tariffs and some monetary policy.

**CONCLUSION**

Since the Cold War ended, many regions of the world, which had previously been under its shadow awakened. New international relations and paradigms emerged in the international and interregional relations. A very significant development that regained new impetus and importance was the spread of regionalism and regional integration arrangements.
It was the intention of this chapter to introduce the concept and to trace the trends of this immensely important development. In order to understand it better, this introductory chapter has dealt with the concepts and theories of regional integration that scholars, through the years, have discussed. We have also seen that many of these theories are not applicable to the Third World. It was because of the very nature of the Third World countries that are inherently different from those of the Western countries as we have discussed.

While, regional integration movements were initiated with much success in Europe, the same could not function properly in the Third World where politics, security concerns, suspicions, poverty and underdevelopment reigned. What is needed is a new paradigm to explain Third World regional integration efforts and processes. Any concept of Third World regional integrative efforts should thus have in mind the external influences, policy position of members, vulnerability to financial crises, underdevelopment, regional disparities and the primacy of strategic politics. As we have also briefly surveyed the role of the leading states, the security politics and the external influences on Third World regional integration, it has been discerned that the process of regional integration must be handled in tandem with these factors in mind. All these factors and their effects will be studied later.

The next chapter will introduce regional integration in the Third World in general. It will look into the experiences of Third World regional integration and into the nature and main characteristics.

The next chapter after that will introduce regional integration in the Third world by taking a look into the three regional organisations, ASEAN, MERCOSUR and SADC, the member states and the problems and prospects that they have been and will face. It concludes by stating that in spite of these difficulties, these organisations have readjusted to the changing times by reorganising industrial competitiveness and emphasising external negotiations. While security in terms of military might is still seen as important, this is slowly eroding as economic and environmental security is slowly taking the forefront.
The next three chapters after will deal with the three important factors mentioned before – the role of the leading states, security politics and external factors that influence Third World regional integration. Firstly, it is stated that security does not simply refer to the military dimension but also to the whole range of the state’s existence which includes internal security and nation building, secure systems of food, health, economy, trade and environment. To some, security also means countering internal subversion and keeping internal order at any cost. Secondly, leading and influential states like Brazil, Argentina, South Africa and Indonesia have been playing an active role in shaping and leading the regional integration movements in the Third World. But, as the chapter will show, the leading states can also play destructive roles sometimes, and in other cases play the truant by adopting protectionist policies. Such states have also employed regional organisations to establish their own positions within the region. Thirdly, the role of outside powers in the formation, shaping, direction and future of Third World regional organisations is looked at. Thus, in Latin America, Southern Africa and Southeast Asia, external forces have exerted their influences in shaping regional integration for a long time.