Chapter 2

Regional Integration in the Third World
From the introductory chapter, we have investigated the growth of regional integration all over the world. In this chapter, we will look into the growth of regionalism and of regional integration movements in the Third World. This will introduce the study Third World regional integration. This chapter will, at large, be concerned with the general nature of Third World regionalism in order to identify the problems and prospects of the same.

When the Second World War ended, many Third World countries entered into close relationships and military alliances with Western powers for reasons of security and economic assistance. This brought into being explicit military groupings such as the Rio Pact, the Central Treaty Organisation (CENTO) and the Southeast Asian Treaty Organisation (SEATO). But such arrangements, instead of bringing states closer and ensuring peace, only created further rifts between them and other groupings. Even security could not be effectively maintained. These kinds of arrangements were soon discredited.

It was during this period that some Third World countries began to come together and adopt a nonaligned policy. An Afro-Asian Conference was held in Bandung, Indonesia in 1955 with thirty five Afro-Asian nations participating. It was here that nonalignment as a movement began. Jacqueline Braveboy-Wagner (1986: 70) noted, “The importance of this conference lies in the fact that it marked the first attempt at a broad Third World solidarity in the postcolonial period.” The Nonaligned Movement (NAM), besides neutrality, also supports decolonisation and the resolution of disputes, not only among its members, but also those that arise out of Cold War enmity. Thus, nonalignment became an attractive option for many Third World countries that wanted to keep out of the Cold War politics. NAM also forged closer ties and articulated the feeling of unity among the Third World countries. But in the final analysis, even the nonaligned countries could not keep their hands clean from the dirt of the Cold War. NAM’s functioning continued to be dogged by outside influence.
The second phase of Third World regionalism saw some important initiatives taken by the Third World leaders. The Organisation of African Unity (OAU), Association of Southeast Asia (ASA), Latin American Free Trade Area (LAFTA), Caribbean Common Market (CACM), Central African Customs Union (UDEAC), Asia-Pacific Council (ASPAC) and other regional groupings were formed with more active participation from the Third World. This period witnessed the real beginning of regionalism and regional integration movements among Third World countries. It was also during this time that the Asian Development Bank (ADB) was set up in the United Nations Economic Commission for Asia and the Far East (ECAFE). This was a significant phase in that for the first time, the Third World really involved itself in regionalist activities and processes. Previously, their membership was largely confined to the United Nations. However, the objectives of the various regional organisations could not stand the test of time.

The establishment of the Association of Southeast Asian Nations (ASEAN) opened up a new phase of regionalism for the Third World countries. ASEAN's aims included social, cultural and economic growth and cooperation. Its rise was preceded by changes in the regional and national situations in Southeast Asia, change of regime in Indonesia, expulsion of Singapore from the Malaysian Federation, Cultural Revolution in China, the Vietnam War, end of the British presence and the view that Southeast Asia should bear more responsibility in security matters (Dixon 1999: 117). At the same time, the Andean Pact was also formed with the objective of creating free internal trade, a customs union and a common market within a time frame. But then, much of the regionalist efforts in the Third World were hampered by bloc politics. Ideological conflicts, struggle for power, political instability, economic weakness and lack of interdependence were some of the problems faced. Regionalism practically collapsed in the 1970s and 1980s, although the Economic Community of West African States (ECOWAS) and the Southern African Development Coordinating Conference (SADCC) were formed in 1975 and 1980 respectively.

New developments in Europe in the 1980s and the end of the Cold War ushered in a new phase of Third World regionalism. In March 1991, Brazil, 

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1 The OAU has changed its name to African Union since July 2002. All countries in Africa except Morocco are members of the African Union.
Argentina, Paraguay and Uruguay established the Mercado Común del Sur (MERCOSUR), one of the more advanced regional groupings in the Third World. This development was preceded by improved relations and cooperation between Brazil and Argentina, the two biggest countries in Latin America, both in terms of economy and geographical size. Chile became an associate member in 1996. MERCOSUR is at the moment negotiating for the formation of a Free Trade Area of the Americas (FTAA). The Association of Caribbean States (ACS) was also formed in 1995 between some Caribbean and non Caribbean states. ASEAN is also currently involved in the formation of an ASEAN Free Trade Area (AFTA) by 2008 at the latest. As a result, intra and interregional trade among and between Third World countries is on the rise. For example, the share of intraregional trade in Latin America's trade rose from 41 per cent in 1979 to 51 per cent in 1995. Africa does not register that much growth, but it rose from 6 per cent to 10 per cent between 1979 and 1996 (Anderson and François 1998: 34).

Though Third World regionalism is now more economic in nature, it was highly political and strategic in the earlier years. This was mainly because regionalism was under the influence of the Cold War. Mutual suspicion, external interference, dependence on the rich and influential west and political instability and economic weakness became the cause and effect of the nature of Third World regional integration movements at that time. Regionalism in the earlier phases, as J. G. Ruggie (1972: 888) pointed out, therefore appeared to resemble much more closely the kind of international organisation which states join in order to "facilitate or enhance a particular national capacity – to enlarge the range of what is technically possible for each member, in the performance of a particular task." What was lacking was the spirit of cooperation and integration for the better.

**REGIONAL INTEGRATION: THIRD WORLD PERSPECTIVES**

In the previous chapter, we have seen regional integration from the theoretical and historical perspectives. In the Third World, regional integration attempts were not very successful. Most of the arrangements for the purpose failed miserable mostly due to lack of interests, shared values and belonging, suspicion and lack of proper
implementation of decisions. This experience and problems of Third World regional integration will be dealt with in more detail in the next chapter.

A notable feature of Third World regional integration is that it lacked any strong formal institutionalisation. Even after some developments had been made in integrating markets, the institutions could not make similar progress. This has particularly been a feature of Asian regionalism. As Grieco (1994: 14-15) points out, Asian regionalism "presents an almost perfect case of the absence of successful regional institutionalisation in economic affairs. That is, while some modest efforts have been made to create a stronger institutional manifestation of regional ties – in particular AFTA, EAEG/EAEC, and APEC – these efforts have either failed completely or seemed to face uncertain prospects at best." Katzenstein (1996: 142) also argued that while weaker powers advocate formal institutionalisation, stronger powers like China and Japan oppose such moves. Peter A. Petri (1993: 43) attributes the lack of strong formal institutions in Asia to "the great diversity of the region's countries and by the preferences of many of the region's countries for informal, negotiated (as opposed to formal, legalistic) approaches to policy." Adding more factors to the list, Peter Katzenstein (1996) includes the US promotion of the principles of bilateralism in Asia and multilateralism in Europe after the Second World War, the refusal of Asian political actors to subscribe to the idea of creating a distinct community, and the distinctive character of Asian states.

Third World approaches to and control over regionalism is also greatly varied. The most obvious reasons being the locational and developmental factors, historical legacy, security perceptions, external influences and approaches to developmental, integrational and other policies. During the Cold War, some Third World regions were more isolated from the rest of the world than others who were much more exposed to global trends. Southeast Asia, in particular became an important pawn in Cold War politics. Therefore, the region's approach towards regional integration is quite different from those of other regions. Latin America and Africa, in comparison to Southeast Asia lived in the shadows of the Cold War.

Because of such differences, the Third World is often divided into the "periphery" and "semi-periphery" with both weak and strong points. Comparative
studies will show that while the strong are fairly in control of the process of regional integration, the weak are apprehensive that any regionalist ventures would only benefit the economically strong countries. Thus, 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. For Brazil, the initial policy for creating MERCOSUR was mostly to protect its industries. 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. It 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).

In Southern Africa, 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. 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. 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.

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 the policy of protectionism. As long as the three could not agree on a point, the rest did not matter. For long Malaysia and Indonesia had been wary of China's influence in the region. These recent agreement seems 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.

On security matters, the task for these states, however, is quite different from those of developed countries because of the many problems that are unique to the Third World. As they are mostly poor, underdeveloped and postcolonial states, they inherited their colonial economies, political structures and security perceptions. Some are pre-modern and weak, characterised by low levels of sociopolitical cohesion and poorly developed structures of government. The securities of these states are therefore shaped by these characteristics. To the authoritarian governments of the Third World, security also means countering internal subversion and keeping internal order at any cost. The security agendas of the Third World states therefore had an immense impact on the process of regional integration and on the nature and function of the regional organisations.

External factors also play important roles in regional integration in the Third World. In Southeast Asia, the US presence within the region had in fact created an atmosphere conducive to the formation of ASEAN itself. ASEAN's suspicions of the Soviet Union during the Vietnam War led many to label it as a pro-American bloc. In the game of politics played out between the superpowers in Southeast Asia, many countries became pawns. The ASEAN states therefore have to deal with the presence of the two antagonistic camps within the region and at the same time maintain some level of resilience in the pursuance of their goal. Forces in Japan, the Philippines, Thailand, Vietnam, Singapore and other places were a constant source of contention for both the ASEAN leaders and the superpowers. In Latin America, the US influence was such that during the Cold War, it cut all possibilities of relations with other regions. While the US purportedly supported democracy, it allowed the formation of antidemocratic forces against governments with communist leanings. In recent years too, the US favoured the formation of the Free Trade Area of the Americas (FTAA) as soon as possible. In southern Africa, while the United States government condemned
the Republic of South Africa’s apartheid policy, it supported its destabilisation and economic blackmail policies because of its huge investment in its mineral resources and the fears of Soviet and Cuban military presence in southern Africa, especially in Angola and Mozambique. Thus, after their independence, southern African countries faced both internal and external problems. Internally, their problem includes poverty, weak political systems, weak economy, violence and wars of all sorts. Their external problem consists in their dependence on South Africa and the Western markets. All these problems play an important role in shaping the outcome and perspectives of states within the region. The Southern African Coordination Conference (SADCC) was formed to address these problems. All these factors will be studied in much more detail in later chapters.

Overall, since the end of the Cold War, many Third World countries that were under the shadows of the Great Power politics emerged to play important role in world politics. New international relations and new paradigms began to emerge in international and interregional relations. A significant development that arose was the spread of regionalism and regional integration movements. While the period just after the First World War was referred to as a period of “national economic integration and international disintegration” (Myrdal, 1956), the period after the Cold War could be said to involve national economic disintegration and international and regional integration. As we have seen from the introductory chapter, by the year 2000, almost half of the 220 RIA s notified to the World Trade Organisation (WTO) are initiated after the Cold War. We have also seen that this trend became especially significant in the Third World regions; the causes for which has been argued to be the economic marginalisation of much of the south during the Cold War, the process of economic and political reconfiguration that finally led to democratisation in much of the Third World regions and the decentralisation of the international system (Grugel and Hout 1999; Fawcett and Hurrell 1997). This new trend of regional integration has occupied a very important place in international relations since the Cold Ward ended.

Mostly drawing their inspiration from the successes of European regional integration, many Third World countries had formed regional organisations that attempt to bring member countries towards closer economic integration and interdependence. From the introductory chapter we have seen the growth of regional
organisations all over the world. Whether it was in Asia, Africa, South America or Europe, many regional integrationist projects have been taken up. Debates, however, had raged as to the benefits or detriments of regional integration. But as a whole, this trend reflects the desire of many countries to make huge progresses in economic and political relationships with other countries while benefiting from it in the process. An interesting point to note here is that while the period during preceding the Second World War was marked by the formation of nation states, the period after the Second World War marked the formation of regional organisations and regional integration with nation states as members. While the Cold War period saw states, nations, regional organisations and people pitting against each other, the period towards the end of the Cold War saw the disintegration of such enmities. It marked the beginning of a movement towards better cooperation and confidence building between old enemies. It truly was a remarkable period. Thus, the renewed interest and regional tie-ups has generally become known as the "new regionalism".

But from the theoretical point of view, the uniqueness and distinctiveness of the Third World becomes quite conspicuous when the existing theories of regionalism are applied to Third World specific cases. We can see that while many regionalist studies and analyses have been done, they were developed taking the example of a single region – Europe. Studies of Third World regionalism are therefore hampered by the fact that most theories of integration have been based on the European experience. The wide differences between Europe and the Third World pose enormous problems. For instance, the functionalist theory of integration cannot be applied to the Third World where political and strategic factors play the all-important role. Therefore, any study of Third World regionalism must always include the primacy of politics and the external and strategic factors. The nature of the Third World undermined the neo-functionalist logic of spill over. As a result the nature of regionalism differs from one region to another.

It must also be clear that not every regional integration attempts were successful. In fact, most of the Third World regional integration attempts in the early years were mostly failures. The major reason for this failure has been the lack of interests, shared values, indifference towards others, suspicion and threat perceptions. In all these, the role of the three variables that were studied in the previous chapters
becomes very important, as they all play indescribably important roles. In spite of these failures, the Third World countries recognise the need to join hands to combat their backwardness and to adjust themselves to the ever-changing world order. However, as we have seen from the first two chapters, underdevelopment, low levels of income, limited savings, lack of skilled labour, poor industrial infrastructure and proper technology, lack of shared social, cultural and political feelings, social inequalities, high military expenditures, policy problems and many other problems and policy outlook stand in the way of proper integration and cooperation. In matters of cooperation and trade, these countries produce the same kind of goods so that there is nothing to trade between them. As a result, these countries continue to be oriented towards the developed countries and not towards each other. With changes in their economic policies, changes can be seen all over the Third World countries with an increase in intraregional trade. From an economic point of view, the Third World countries were more in need of integration than the more developed countries. In contrast to the Third World economies, the developed countries had markets that allow the exploitation of optimal economies of scale. The Third World, with constrained markets and low per capita incomes should integrate to attract more investments from abroad. Recognising their common needs and the imperative to correct and eradicate their mutual problem of poverty and backwardness, they have to come together. Nevertheless, the Third World still has many problems to face and solve and it will be a long shot for all Third World regional organisations to achieve their ideals that were enshrined in their planned objectives unless most of the problems associated with Third World regional integration are somehow overcome. How far has the Third World come in achieving these goals, what steps have been taken and what are the prospects that Third World integration movements have will be dealt with in the following sections through the overview of the chapters dealing with the role of the leading states, the role of external influences and the security politics.

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Several problems stand in the way of regional integration in the Third World. First, these countries produce the same primary goods, which limit the scope of any intraregional commerce, cooperation and integration. This may be attributed to the weakness of the forces of production (land, labour and capital) and poor industrial and other infrastructure and technology. Besides, some countries are landlocked without any access to the sea for trade and transport. This greatly hampers productivity. While labour is quite plentiful, there is also the lack of skilled labour. Low levels of income and limited savings result in low capital for investment. All these factors combined have an adverse effect on the productive capacity of a Third World country. In addition, poor industrial infrastructure and technology limits productivity, regional trade and economic growth. There is also lack of access to clean drinking water, sanitation, food, medicine and a vast array of other basic amenities that developed
countries take for granted. The result is that developing countries become oriented towards developed countries and not towards each other. This accounts for the failure of many regional integration attempts in the Third World, often because there is nothing to integrate. Many Third World countries are still dependent on developed countries for donations and for their security and political stability. Development with industrialisation becomes the basic objective of these countries. Since Third World countries are poor, produce the same primary products, have no bargaining powers, and are dependent on donors and external aid, intraregional trade for them is simply not an attractive option because all benefits would go to the rich members. At the same time, other options for trade do not provide any attraction for them either as any form of trade would not really benefit the poor, because they are poor and do not have anything to trade.

Another problem is the lack of shared social, cultural and political feelings. As a result, Third World countries tend to involve themselves in petty quarrels, worthless accusations and personality politics. Members’ perceptions of unequal distribution of benefits have also stood in the way of proper integration. In the Third World countries, there are also social inequalities that disturbed equal distribution of wealth with the poor remaining poor while the advantaged groups amassing all forms of wealth and power. The high military expenditures of Third World countries coupled with wrong policies and perceptions have also adversely affected proper coordination of regional policies. Security remains the biggest concerns for these states. Germánico Salgado Peñaherrera (1980: 68) identified several problems for Third World regionalism which included “(a) incompatibility of political systems with integration in general or with the machinery selected for implementing it; (b) Problems of political relations between states, frequently with territorial implications (geopolitical problems); (c) Differences among member countries in the degree of industrial development they have achieved and their political or capacity for such development, the main expression of which is the dissatisfaction of some of these countries with the distribution of benefits and the costs of integration; (d) Other differences in economic structure between the member countries which affect the machinery, and therefore the objectives of integration.” While the first two are political, the other two, he said, are more economic. He argues that in the Andean Group, the present form of fundamental incompatibility emerges while CARICOM
and EAEC have functional incompatibility. Hostility between members also stands in the way of integration. LAFTA, UDEAC, CARICOM and others face difficulties because of members' dissatisfaction with the resulting trade flows. This is precisely caused by differences in the levels of industrial development. In such a situation, the more advanced countries have more advantages over the weaker members. Lastly, Peñaherrera's argument points out the differences in the scope of the activity of the state. Such differences, he said, would affect the scope and method of integration.

As a whole, in much of the Third World, there is a low level of regional trade. This is because most members are similarly endowed and produce, export and import the same sets of goods and also because many of them failed to reduce regional trade barriers. For example, the share of intraregional exports in total exports in Southern Africa registered only a marginal growth between 1980 and 1990, from 2.1 per cent to 4.8 per cent (Foroutan 1993: table 8.3).

In Southern Africa, allocations of industries are done by bureaucratic negotiations and decisions. Such haphazard and inefficient allocations of industries lead to inefficiency and low levels of production. Another problem is the refusal of many members to relinquish part of their sovereignty to the organisation. In addition, many of the members also belong to another organisation leading to overlapping memberships. Instead of providing multiple opportunities, this often creates enormous problems and ultimately leads to slow growth.

In this chapter, we have conducted a general review of the problems associated with regional integration in the Third World. How far has the Third World come in achieving these goals, what steps have been taken and what are the prospects that Third World integration movements have will be dealt with in the following chapters. In the chapters that follow, we will analyse critical variables that have had an impact upon regional integration in Southeast Asia, southern Africa and the Southern Cone of South America.