Chapter 3

A General Survey of ASEAN, MERCOSUR and SADC
The rapid transformation of the international system since the end of the Cold War has led to momentous changes in the Third World. For almost fifty years after the Second World War, the world was largely divided into two antagonistic camps with both sides piling up arms and developing new ones. By the mid 1980s, the scene began to change with the rise of Mikhail Gorbachev as the Soviet leader. The next half decade proved to be one of the most eventful periods that eventually led to the collapse of the once-mighty Soviet Union in 1991. Events during this time included the Chernobyl nuclear accident in 1986, the implementation of the policies of glasnost and perestroika for the reformation of Soviet economy and bureaucracy and the Autumn of Nations— which included the fall of the Berlin Wall, the Soviet coup attempt of 1991 and the collapse of the Soviet Union. With the collapse of the Soviet Union, the erstwhile bipolar world suddenly collapsed too. The Third World countries suddenly found themselves struggling against all forms of changes and transformations around them.

One significant development that resulted was the growth of regionalism and regional integration arrangements all over the world. As we have seen from the introductory chapter, more than 200 regional trade agreements had been notified to the GATT/WTO up to December 2002. In the Third World, this trend has resulted in the formation of more Regional Trade Agreements (RTA) and Regional Integration Agreements (RIA). The Third World, hitherto an almost nonexistent force in world politics, became the center of attention. This new phase coincided with, and to an extent, was caused by the collapse of the Bretton Woods International System,¹ the diminishing US economic predominance and emergence of new economic giants and the adoption of new economic reforms. It is also pointed out that this renewed interest is the result of the Third World’s reaction to its economic marginalisation during the 1980s, the decentralisation of the international system, its political reconfiguration during the political and economic turmoil at the end of the Cold War,

¹ The Bretton Woods International System was an international monetary system of convertible currencies, fixed exchange rates and free trade set up by delegates of 45 nations in July 1944 at Bretton Woods, New Hampshire, to deal with the recovery of post-war Europe and unstable exchange rates and protectionist policies. However, overtime, exchange rates became uncompetitive because of the infrequent changes in parities. There were also large destabilising flows of currency and lack of freedom for countries to pursue their own monetary and fiscal policies because of the fixed exchange rate system.
democratisation, new economic policies and fear of and reaction to the trend towards a globalised economy (Grugel and Hout 1999; Fawcett and Hurrell 1997).

This renewed interest and moves towards new regional tie-ups is generally known as the new regionalism. Björn Hettne (2000: xix) defines new regionalism as “a multidimensional form of integration which includes economic, political, social and cultural aspects and thus goes far beyond the goal of creating region-based free trade regimes or security alliances.” Thus, Robert Z. Lawrence (1996: 6) noted, “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.”

Critics of this trend feel that the ideal of UN multilateralism is being threatened. They warned that this could lead to the division of the world between Europe, America and the Asia-Pacific. They also warned of trade divisions that could harm world efficiency and other WTO members, thus putting at risk the world trading system (Bhagwati 1990, 1991, 1993; Bhagwati and Krueger 1995). If that would be the case, the world would degenerate into chaos and bloc divisions all over again, as was experienced after the Second World War. The WTO also warned, “When regionalism is seen as a substitute for multilateralism, it can be a danger to the more vulnerable economies.” (WTO 2001: 5)

However, others believe that this trend would provide a better deal for the poor regions and help in reducing domestic and regional conflicts. Regional Integration Arrangements (RIA) 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 gave the UN supremacy over all others. Article 103 stated, “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 agreement, their obligations under the present Charter shall prevail.”
Thus, it can be seen that the Third World, since the end of the Cold War has entered into a new phase of regional integration. So far, we have looked into regional integration in the theoretical and historical perspectives in addition to Third World regionalism. We shall now make a general survey of the three regional organisations on which this study is based in order to understand their history, nature and functioning. We will take up each regional organisation and look into the structures, activities and functioning to have a general understanding of the organisations to be studied and compared with the variables of security, role of leading states and external influences. These variables will, however be studied in the next three chapters.

ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

Southeast Asia, in recent years, has increasingly been accepted by scholars, policy makers and public opinion as a major region. This was mostly facilitated by the region’s uniqueness and distinctiveness from other regions of Asia – in culture, language, and even economically and geographically. The term “Southeast Asia” is generally used to mean the region east of India, south of China, and north of Australia – a region comprising of Myanmar, Laos, Thailand, Cambodia, Vietnam, Malaysia, Brunei, the Philippines, Indonesia and Singapore. Several political and economic agreements for mutual cooperation have been made in the region. The Association of Southeast Asian Nations (ASEAN) provides the vehicle for these agreements and plans. ASEAN is generally known as one of the most successful regional organisations. Since its formation, it has undergone several changes. When ASEAN was formed in 1967, its objectives, as stated in the Bangkok Declaration simply read:

1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations;

2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
5. To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples;
6. To promote South-East Asian studies;
7. To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

(Bangkok Declaration 1967. see appendix I)

It was when ASEAN was formed that the Cold War manifested itself in the region in the form of the Vietnam War. In the beginning, ASEAN was simply regarded as a pro-American bloc. Political or economic integration was not its immediate intention. But in time, more economic policies, rather than the immediate need for security and political aims, were adopted. It was thus transformed from a rather weak and unstructured association that was set up to resolve interstate conflicts to one that promotes free trade, economic regionalism and integration.

Southeast Asia: Then and Now
From the earliest times, Southeast Asia has held an important position in world trade. It linked important trading centers while also producing spices, pepper, ginger, silk and many other products. The region soon caught the eye of colonialists. By the sixteenth century, the Portuguese and the Spanish had made inroads in the region. But there was no way that these initial explorers could control the Asian economy or confront any major states of Asia (Dixon 1991: 6). The Dutch and the British came next, to trade. By the nineteenth century, Southeast Asia came under the control of the
Europeans. The Americans came much later. These European and American powers thus began to shape Southeast Asian economies.

By the beginning of the Second World War, Southeast Asia was divided into British Malaya, British Burma, Thailand (Independent Siam), French Indo-China, Netherlands East Indies and the US-dominated Philippines. At the end of the Second World War, Southeast Asian nations became independent. Thus, Burma (Myanmar) gained independence in 1948; the Netherlands East Indies became independent in 1949 and came to be known as Indonesia; Malaysia, comprising of the not-yet-unified Malay states gained independence in 1957; and the US-dominated Philippines in 1946. Indo-China had a bitter experience of decolonisation. Attempted reoccupation of Indo-China by the French, the rise of the Vietminh and American involvement resulted in a long and bloody civil war. Many lives were lost, not to mention the loss of property, infrastructure and other developmental opportunities. It was during this time that ASEAN was formed.

ASEAN: The Beginning

In a bid to rally support for its global movement against the spread of communism, the United States, along with Thailand and the Philippines formed the Southeast Asian Treaty Organisation (SEATO) in 1954. Due to lack of support, SEATO could not last for long. This experience, however, led to the idea that a regional organisation could better resolve regional conflicts and at the same time promote cooperation among members. The Association of Southeast Asia (ASA) was born out of this realisation in 1961. ASA was formed with Malaysia taking the initiative. Other members included the Philippines and Thailand. The formation of Malaysia and the territorial disputes it brought along rendered ASA quite ineffective. There was a dispute over Sabah between Thailand and Malaysia. To ease the tension, Malaysia, the Philippines and Indonesia formed a new organisation – Maphilindo. Before Maphilindo could work out any solution, the dispute was resolved due to changes in policies and the domestic situations of both the countries involved. Maphilindo was therefore no longer needed.

New attempts were made to revive the ASA. In the process, the Association of Southeast Asian Nations (ASEAN) was born in August 1967 at Bangkok. Formed
mainly to diffuse regional conflicts and promote better cooperation between members, ASEAN became the most important organisation in the region. Indonesia, Thailand, Malaysia, Singapore and the Philippines constituted the five original members of ASEAN that signed the Bangkok Declaration of 1967. ASEAN's share in Third World Foreign Direct Investment (FDI) was 10.2 per cent in 1973, which rose to 1.9 per cent in 1986 (Dixon 1991: 12). In matters of trade, its share of Third World foreign trade rose from 4.6 per cent in 1978 to 6.4 per cent in 1986 (Dixon 1991: 18). Its membership also expanded steadily. Brunei became a full member in 1984; Vietnam in 1995; Laos and Myanmar in 1997; and Cambodia in 1999. In terms of membership and the area it has covered, ASEAN can be said to be a true association of Southeast Asian states today.

Map 1
ASEAN Member states

Organisation and Activities
The objectives of ASEAN, as stated in the Bangkok Declaration, were sought to be achieved with a rather unstructured machinery (Thambipillai 1994), which simply called for an annual meeting of Foreign Ministers, a Standing Committee, ad hoc committees and National Secretariats. But in time, it became better organised with
Summit Meetings, Ministerial Meetings, a Standing Committee, a Permanent Secretariat and a number of committees and Senior Official’s Meetings.

The highest authority of ASEAN is the Summit Meetings between heads of government. Since 1992, Summit Meetings were held every three years. Next to Summit Meetings are ASEAN Ministerial Meetings (AMM) held every year in each member country by rotation. The AMM coordinates the activities of ASEAN and provides guidelines. The Standing Committee of ASEAN meets every two months and consists of the Foreign Ministers of the host country and the ambassadors of other members. The central coordinating body, the ASEAN Secretariat, was established in 1976 at Jakarta, Indonesia. It has one Secretary General assisted by two Deputy Secretaries General. The Secretary General holds office for a term of five years. There are also committees on culture and information, science and technology and social development. Senior officials meetings are also held from time to time.

The activities of ASEAN can be largely divided into the economic and political. During its early years, an ASEAN Industrial Project (AIP) was set up with partial success. As a step towards industrial integration, an agreement on an ASEAN Industrial Complementation (AIC) was signed in 1981. Another agreement, ASEAN Industrial Joint Ventures (AIJV) was signed in 1983 to accelerate industrial cooperation among member countries. In 1996, the ASEAN Industrial Cooperation (AICO) was instituted to encourage joint manufactures. The same year, a permanent ASEAN-CCI (Chambers of Commerce and Industries) Secretariat was set up at the ASEAN Secretariat.

As for trade and economic integration, ASEAN members had concluded an accord for the establishment of an ASEAN Preferential Trade Agreement as early as 1977. However, this had little on intraregional trade. This was because of the lack of complementarities and interest in free trade among the ASEAN countries and opposition to trade liberalisation (Dixon 1999: 121-123). A new step was taken in this direction in January 1992 when then ASEAN heads of government meeting in Singapore signed an agreement to create an ASEAN Free Trade Area (AFTA) by 2008. This dateline was subsequently reduced to 2003, and then to 2002 in 1998. But
the newer members still has to reach the 0-5 per cent tariff for intra-ASEAN trade by 2010. The vision is to establish an ASEAN Economic Community (AEC) by 2020.

Foreign Direct Investment to ASEAN has steadily increased from $11.7 billion in 1992 to $28.8 billion in 1996. It dropped to $26.9 billion in 1997, and then to $19.0 billion in 1998 and further to $15.6 billion in 1999 (Buszynski 2001: 279). This change in the financial situation took many people by surprise because most of the Southeast Asian countries had registered annual growths of about 8 per cent in the years preceding 1997. This financial crisis first manifested itself in mid 1997 with the collapse of the Thai baht. Heavy short-term borrowing, overvaluation of the baht and poor financial regulation may be cited as the cause of the crisis. In addition, Southeast Asian countries had large account deficits in the years prior to the crisis. Thailand had a deficit of 8 per cent of its GDP in 1995; Malaysia, 10 per cent in 1995 and 5 per cent in 1996; Indonesia 3.5 per cent in 1995-96; the Philippines, 5 per cent in 1996 and Vietnam, 16 per cent in 1996 (McLeod and Garnaut 2000: 10). In Indonesia, this crisis led to the downfall of Suharto, but the appointment of A. Wahid in 1999 did not help much. Wahid's replacement in 2001 by Megawati Sukarnoputri helped to some extent in restoring other's confidence in the Indonesian economy once again. Meanwhile, the state of ASEAN was disappointing, although several remedial steps were taken. Late in 1998, in a meeting of the heads of government, a Statement on Bold Measures laid down ASEAN's strategies to deal with the crisis. Southeast Asian countries have since been on the way to recovery although the effects, as well as traces of the crisis remain.

A new agreement was made in a meeting of ASEAN leaders, China, Japan and South Korea in November 1999. Calling themselves ASEAN+3, they aim to establish a common market and a currency. The Asian Economic Crisis of 1997-1998 coincided with the initial meetings of ASEAN+3. This crisis proved to be a major catalyst for a number of reasons – (a) it added to the sense of a common history; (b) it demonstrated the ineffectiveness of APEC and ASEAN; (c) it fuelled "the politics of resentment" (Higgot 1998) against the policies of the IMF and the US government that are seen as exacerbating the crisis (Stubbs, 2002). As Kevin Cai (2001: 11) noted, the crisis resulted in a "dramatic change in thinking among both political and business leaders in Northeast Asia and a growing realisation of the urgent need for the creation
of a formal regional mechanism to deal with any similar crisis in the future and to maintain the economic growth of the region.” The Chairman’s Press Statement of the 8th ASEAN+3 Summit and ASEAN-China Summit states, “We stressed the importance of harmonizing products and streamlining customs procedures. The liberalisation of intra-ASEAN trade in services requires strengthening transport links, interconnecting telecommunications, increasing the use of information and communications technology and liberalizing investment within ASEAN.” During 5-6 November 2001, the Summit Meeting of ASEAN was held in Bandar Seri Begawan, the capital city of Brunei. In this summit, a proposal to establish an ASEAN-China Free Trade Area within ten years was endorsed. This is an important step for ASEAN as it reaches out and does not confine itself to itself. It also must keep in view the growing importance of China in world politics and economy, and further, China’s recent entry into the World Trade Organisation (WTO).

In 27 November 1971, a Zone of Peace, Freedom and Neutrality (ZOPFAN) Declaration was signed by the Foreign Ministers of ASEAN. It stated that the member countries are “determined to exert initially necessary efforts to secure the recognition of, and respect for, South East Asia as a Zone of Peace, Freedom and Neutrality, free from any form or manner of interference by outside powers” (Zone of Peace, Freedom and Neutrality Declaration, Kuala Lumpur, 27 November 1971). Though ZOPFAN was not very effective, it reflected ASEAN’s desire for peace and security within the region. More recently, on 15 December 1995, a Southeast Asian Nuclear Weapons Free Zone (SEANWFZ) treaty was signed by ASEAN heads of government in Bangkok. This treaty prohibits the manufacture and storage of nuclear weapons within the region. It established a Commission for the SEANWFZ comprising of the Foreign Ministers to oversee the implementation of the treaty and ensure compliance with its provisions.

In order that better cooperation in security matters is achieved within the region, the 1993 meeting of ASEAN Foreign Ministers sanctioned the establishment of the ASEAN Regional Forum (ARF). The ARF was designed to include China in regional dialogues. Even though China has been seen as a threat to them, ASEAN leadership has calculated that the political and economic benefits of closer ties with China outweigh the military risks.
In response to the 11 September 2001 attacks on the World Trade Center (WTC) and the Pentagon, ASEAN leaders in November 2001 issued a Declaration of Joint Action to Counter Terrorism. Through it, ASEAN leaders reiterate their resolve to “counter, prevent and suppress all forms of terrorist acts in accordance with the Charter of the United Nations and other international law, especially taking into account the importance of all relevant UN resolutions.” This was especially significant in that ASEAN countries had always have the problems of terrorism, insurgency and secessionist movements. This can be seen as a turning point in the policy outlook of ASEAN in the new world (dis)order.

MERCADO COMÚN DEL SUR (MERCOSUR)

The last two decades, for Latin America has been a period of momentous changes. The oil price hike, the Panama Canal dispute, excessive dependence on American capital investment, half-hearted efforts and struggle for power led to the collapse of regionalism in the region in the 1970s. The debt crisis of the 1980s adversely affected the Latin American economies and revealed their inherent weaknesses. Yet, some of the Latin American countries adopted adjustment and liberalisation policies and began to transform themselves. New and pragmatic policies were adopted with emphasis on reducing government control and intervention and achieving macroeconomic stability. Therefore, the hyperinflation and economic crisis during the 1980s contributed in a way, to the transformation of the Latin American economies and with it, the prospect for successful regionalism. Another important factor for the resurgence of Latin American regionalism was the process of democratisation. As we have seen before, MERCOSUR was formed due to the improved relations and changed systems in this region. With the coming of MERCOSUR, a new phase of Latin American regionalism can be said to begin.
In order to better understand the dynamics of Latin American regionalism, we must first understand the domestic socio-economic and political conditions and background that shaped much of the policy outlook of the Latin American countries. The following is a brief study on the socio-economic and political condition in Latin America.

Despite the great economic leaps made recently, disparity in the distribution of income and standard of living continue to be the basic social problem facing Latin America. Wealth remains concentrated in a few hands while the poorest of the population earn just enough to sustain themselves. With an increase in the population in the region, the poor people encounter even more hardships. Even the United Nations Economic Commission for Latin America (ECLAC) did not foresee any improvement in the distribution of income in the near future, the region being the firm establishment of an occupational profile that influences labor income. Studying the link between income distribution and overall occupational structure, it shows that while the majority of the wage earners in the poorest 40 per cent are mostly composed of unskilled laborers (manual workers, security guards, waiters and domestic servants) the richest 10 per cent is made up of professionals, technicians and managers. In addition, the ECLAC report (1998b: 87) stated that “in most recent cases of growth,
the gap has widened between the wage levels for the most common occupations among the top 10% of income earners, which improved by 7% per year, and those of the bottom 40% of income earners, which rose by 3.5% per year”.

While illiteracy as a whole is falling, there is a marked increase in urban unemployment. Argentina, during 1990-1999 registered an increase of urban unemployment from 7.4 per cent to 14.5 per cent, Brazil from 4.3 per cent to 7.6 per cent, Chile from 9.2 per cent to 10.8 per cent and Colombia from 10.5 per cent to 19.4 per cent - all during the same period (CEPAL/ECLAC 2001: 39).

With such a social picture, what is needed is a policy of all round development policy that benefits all sections of society. The ECLAC (1998b: 87) suggested, “It is therefore essential to design integrated policies that aim not only to correct the whole range of short comings and needs affecting economically disadvantaged groups, but also to do away with the structural determinants [demographic education, employment and property] hindering the attainment of greater equality.”

Politically, Latin America has been plagued with instability, coups, countercoups, authoritarian governments, disputes, internecine wars, insurgency and protracted military rule, sometimes brought about by petty squabbles. Unlike most Third World countries, Latin American countries experienced early independence from their Spanish and Portuguese colonisers. It was from the colonial rule that the landed class emerged. This class wielded power and authority after colonial rule. Struggle for power between political elites and the failure of the political parties to govern, and their inability to cope with rising expectations in the popular social sectors led the military in most Latin American country to take over the reins of power in the 1960s and 1970s. Most of these countries then came under protracted military rule. However, Gary W. Wynia (1990: 18) wrote, “it was not long before bickering among the military service chiefs over (how to) handle (power)... opposition began to tear the ruling junta apart.” It was then that the process of democratisation started.

Economically, the countries of this region had always been unstable too. During the colonial times, the economy was mostly agrarian. Independence brought
about new trade relations and the economy grew. But wealth, as noted earlier, came to be concentrated in a few hands. The great depression of the 1930s greatly affected these economies, and they took recourse to industrialisation policies that sustained them for some time. However, low domestic savings led the economies to stagnate after the boom years of the 1960s and 1970s. After the 1982 economic crisis, new economic policies were adopted with emphasis on liberalisation and reduction of government controls. The economies recovered, but slowly. According to the ECLAC (1996: 11), by 1987, the region’s investment coefficient had slowly recovered and “by 1994, this recovery had brought it to slightly fewer than 22% of GDP, but this was still below the levels of the early 1980s.” Besides, there have been significant capital inflows to Latin America since the initiation of economic reforms. Net capital inflow to Latin America rose from US $ 15 billion per annum during 1986-1990 to US $ 40 billion per annum during 1991-1995. However, the reduction of controls on international capital movements and such high levels of capital inflows has been a strain on the weaker markets (Mewes 2000).

In late 1994, the economies of the region faced another recession with the devaluation of the Mexican peso. This was caused by the overvaluation of the peso, excessive dependence on capital flows, and erosion of confidence in the stock market “precipitated by political unrest and poor currency management by the Mexican government” (Mewes 2000: 118). This crisis particularly affected Argentina and Uruguay. Meanwhile, Chile, Colombia, Peru and Ecuador registered decline mostly due to their close economic ties with each other (ECLAC 1995). Mexico recovered quickly, but just as the Mexican crisis was ending, crisis in Asia in 1997 and Russia in 1998 began to undermine the economies of Latin American countries once again. Growth fell from 5.3 per cent in 1997 to less than 2 per cent in 1998 – a contraction of about 1.3% (UNCTAD 2001). The Asian crisis affected Latin America through three channels: “Trade (a decline in the volume of exports to Asia, lower commodity prices, competition from cheap Asian exports, negative spill-over from intraregional effects in Latin America itself); Finance (speculative attacks on exchange rates, weakening stock markets, scarce and/or more expensive foreign capital); and policy responses (tighter fiscal and monetary policies)” (ECLAC 1998a: 13).
Yet another crisis shook Latin America in 1999 with the Brazilian real devaluation. For the first time in the 1990s, Latin America’s GDP stagnated. Following the successful implementation of the Real Plan in 1994, inflation was brought down from 50 per cent to 2.5 per cent in 1998 (Bulmer-Thomas 1999). While it was a positive development, it also created imbalances in Brazil’s external account. This, and other problems, most notably the exchange rate problems and the impact of the Asian Crisis, led to the devaluation of the real in January 1999. MERCOSUR was greatly affected, with its very survival being questioned. But within a year, the real began to take on a new life again. Latin American trade deficits improved significantly in 1999. Deficits reduced from $87.5 billion (4.5 per cent of GDP) in 1998 to $56.5 billion (3.2 per cent of GDP) in 1999 (UNCTAD 2001).

Even now, Latin America still faces daunting problems. Crisis in Argentina in 2002, insurgencies and drug trafficking and scores of other problems continue to weigh over these countries. But the region has great potential to be one the biggest Free Trade Areas with the huge resources that it has. In order to overcome the difficulties, these countries need to let MERCOSUR be the driving force that brings them together to a new level of development and cooperation, thereby bringing about prosperity and all-round development.

We have seen the transformations that took place in Latin America – the transition of the political systems and the liberalisation policies adopted by the countries of the region. The transitions from authoritarianism to democratic rule led to increased regional cooperation. This was particularly true for Brazil and Argentina. In 1986, the two signed an integration and cooperation treaty – the *Programa de Integración y Cooperacion Económica Argentina Brasil* (PICAB), followed by the Treaty of Integration and Cooperation in 1988 and Treaty of Integration, Cooperation and Development in 1989.

In March 1991, through the Treaty of Asunción, MERCOSUR, the Southern Cone Common Market was established between Argentina, Brazil, Paraguay and Uruguay. Chile and Bolivia became associate members in 1996. MERCOSUR became a customs union in 1995 through the *Protocolo de Ouro Preto* (Ouro Preto Protocol) signed in December 1994. Besides reaching framework agreements with the
European Union and the Andean Community, it is also engaged in negotiations for a Free Trade Area of the Americas (FTAA). The US-sponsored free trade area is envisaged to encompass 34 countries of the three Americas with the exception of Cuba and is expected to be over by early 2005 according to the agreed timetable.


The Mexican financial crisis that affected some MERCOSUR countries was quickly overcome. However, the period from 1997-1999 witnessed a drastic fall in Latin American GDP and intraregional growth. This can be attributed to the Asian and Russian financial crises of 1997 and 1998; adverse weather conditions and the Brazilian real devaluation of 1999. The Asian and Russian crisis resulted in the contraction of growth of about 1.3 per cent during 1997 and 1998 (UNCTAD 2001). Secondly, El Niño, a weather phenomenon, adversely affected Latin American countries in 1998. Bringing with it drought and floods, it was estimated to have cost US $ 15 billion in damage and production losses (UN 1999). The El Niño of 1982-1983 had inflicted an estimated US $ 13 billion in damage and claimed some 2000 lives. Thirdly, the Brazilian financial crisis of 1999 also adversely affected the Latin American economies. It particularly affected other markets for MERCOSUR members who are forced to find alternative markets for their exports. This crisis also brought about a big political crisis within MERCOSUR where its very existence came under question. The Brazilian government, in early 2000 had even talked of the option of abandoning MERCOSUR, while in Argentina there was a call for the suspension of MERCOSUR (Philips 2001). Brazil was also said to have adopted a policy of protectionism (Grugel and Medeiros 1999). The imperfection of MERCOSUR prompted Paul Cammack (2001) to remark, "[MERCOSUR] is an ineffective regional association with little remaining capacity to contribute to regional or global integration, and little capacity to promote other goals. It is likely to be marginalised
by profound differences of perspective between its major partners, and overtaken by broader processes such as the move towards a Free Trade Area of the Americas.”

Thus Mecham (2003) identified areas that might have constrained the scope of the MERCOSUR project: political constraints (dependency avoidance and Brazil’s non-subordination of its political agenda to the international process); structural constraints (elitist and statist dominance); institutional constraints (lack of independent judicial body to interpret and apply agreements) and judicial constraints (lack of rules).

However, Brazil and Argentina’s dispute over trade issues following the crisis slowly ebbed. In 2000, Argentinean and Brazilian officials met to discuss development plans. An ‘Adelante MERCOSUR’ (MERCOSUR Forwards) program was proposed. Brazil has also accepted the need for a fiscal responsibility pact (Bulmer-Thomas 1999). Three important steps towards laying the foundation of a common future currency were taken in December 1999 at Montevideo, including the harmonisation of national statistics, establishment of common standards for fiscal responsibility and the obligation to report on efforts at achieving economic stability at future summits (Philips 2001). Therefore, at the XVI Summit of MERCOSUR heads of state in Asunción in June 2000, MERCOSUR was “relaunched” and steps were taken for convergence including “market access” the incorporation of MERCOSUR norms into the legal structures of member countries; the strengthening of the administrative Secretariat and other institutions; the perfecting of the Brazilian protocol system of dispute resolution; the common external tariff; competition policy; trade relation with extra regional parties; macroeconomic coordination; incentives to investment; production and exports; and external relations’ (Philips 2001: 573-574). Thus, as Hurrell (2001: 211) stated, politics returned to MERCOSUR with a vengeance “despite the undoubted strains, tensions and conflicts since early 1999.”

At the XXIV Presidential Summit in Asunción, Paraguay, MERCOSUR leaders committed themselves to strengthen the political agenda and expand regional integration creating a genuine single market by 2006. Recognising the lack of political dimensions, MERCOSUR leaders have also announced the creation of a directly elected MERCOSUR parliament and the expansion of the organisation to include the Andean countries, particularly Peru. On 7 May, 2007, the new parliament of the
member states of MERCOSUR was inaugurated in Montevideo, the Uruguayan capital. On 8 May 2007, the first session of MERCOSUR was held with 72 members. The MERCOSUR parliament will meet once a month.

Organisational Structure
The organisational structure of the MERCOSUR, as stated in the Treaty of Asunción includes two main organs: The Council of the Common Market and The Common Market Group.

The Council is the highest organ of the common market, with responsibility for its political leadership and for decision-making to ensure compliance with the objectives and time-limits set for the final establishment of the common market. It consists of the Ministers for Foreign Affairs and the Ministers of the Economy of the member states and meets at least once a year.

The Common Market Group is the executive organ of the common market and is coordinated by the Ministries of Foreign Affairs. Headquartered at Montevideo, the Common Market Group has the duties to monitor compliance with the Treaty; to take necessary steps to enforce decisions adopted by the Council; to propose specific measures for applying the trade liberalisation program, coordinating macroeconomic policies and negotiating agreements with third parties; and to draw up programs of work to ensure progress towards the formation of the common market.

Under these two principal organs are the Group of Services, Working Groups and MERCOSUR Trade Committees. These groups are responsible for the sector of communication, mining, technical rules, financial issues, transport and infrastructure, environment, industry, agriculture, energy, labor, health and investment. Recognising the lack of political dimensions, MERCOSUR leaders have now announced the creation of a directly elected MERCOSUR Parliament.

The Ouro Preto Protocol that established MERCOSUR as a Customs Union also established MERCOSUR's Common External Tariff and defined its institutional structure and set forth a mechanism for the resolution of conflicts between member countries (Protocol of Ouro Preto, Brazil, 17 December 1994). The agreement created
two political bodies (the Common Market Council and the Common Market Group),
two consultation bodies (the Common Parliamentary Commission and the Economic
and Social Consultation Forum), and two executive bodies (MERCOSUR’s Trade
Council and the Administrative Secretariat). The MERCOSUR’s Trade Council has
the responsibility to see that member countries comply with all the resolutions of the
political bodies, to coordinate all technical working groups and to propose
amendments (if necessary) to the common external tariff. The Administrative
Secretariat supports all the other bodies.

None of these entities, however, have any enforcement power or any real
influence. All decisions in MERCOSUR are taken by consensus of the parties.
Although MERCOSUR’s formal structure resembles a Customs Union, little has been
achieved at the practical level. Controversies have either been resolved politically or
have not been resolved. The executive organs and consultative bodies have no real
influence.

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The Southern African Development Coordinating Conference (SADCC), the
forerunner of the Community was established in April 1980 comprising of Angola,
Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and
Zimbabwe. The SADCC was formed with four principal objectives:

1. To reduce member states dependence, particularly, but not only, on apartheid
   South Africa.
2. To implement programs and projects with national and regional impact.
3. To mobilise member states’ resources in the quest for collective reliance, and
4. To secure international understanding and support.

The Southern African scenario during the establishment of the SADCC can
best be understood by recognising the predominance of apartheid Republic of South
Africa within the region. In order to maintain its dominant position within the region
and continue to hold strategically important ports, mines and bases, it adopted the
policy of exerting pressure on its neighbours and maintained a relationship of terror and aggressiveness towards them. It also adopted an anticommmunist policy and came out strongly and harshly against any socialist orientation. Angola and Mozambique having chosen this path were particularly targeted.

During the 1970s, the Republic of South Africa (RSA) conceived the idea of a constellation of states to implement its plan for regional security and maintain its dominant position. It was also meant to deter its neighbouring states from supporting and harboring the South West African People’s Organisation (SWAPO) and African National Congress (ANC) guerrillas, to prevent black states from calling for sanctions against it and to strengthen its own position within the region.

It was in such a background that the SADCC emerged. It was felt by the founding members that they would have a better chance of ensuring regional peace and security if they stick together. This was stated in the Lusaka Declaration of April 1980:

In the interest of the peoples of our countries, it is necessary to liberate our economies from their dependence on the Republic of South Africa, to overcome the imposed economic fragmentation, and to coordinate our efforts towards regional and national economic development. 2

Although the headquarters of the organisation was set up in Gaborone, Botswana, much of its work was decentralised with every member country being assigned the job of coordinating activities in a particular field. The members were assigned their responsibilities as:

<table>
<thead>
<tr>
<th>Country</th>
<th>Responsibility</th>
</tr>
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<tbody>
<tr>
<td>Angola</td>
<td>Energy</td>
</tr>
<tr>
<td>Botswana</td>
<td>Crop Research and Animal Disease Control</td>
</tr>
<tr>
<td>Lesotho</td>
<td>Soil Conservation and Land Utilisation</td>
</tr>
<tr>
<td>Malawi</td>
<td>Fisheries, Wildlife and Forestry</td>
</tr>
</tbody>
</table>

2 These objectives were set forth in "Southern Africa: Toward Economic Liberation - A Declaration by the Governments of Independent States of Southern Africa, made at Lusaka, on the 1st April, 1980";
This sectoral responsibility approach resulted in a highly decentralised organisational structure with a small Secretariat at Gaborone. It also resulted in a highly uneven distribution of efficiency and effectiveness within the various sectors. But at the same time, it also fostered a sense of common identity and responsibility amongst member countries. Efficiency was sacrificed for decentralisation, and it proved to be very costly. Moreover, many of these countries, being poor, could not coordinate activities. They ultimately had to depend on donors for funds. This ailed the SADCC for a long time. While high priority was given to food production and to ensure food security, progress was slow. In the industrial development sphere, some progress was made. In the field of transport and communications, by 1987, there were 207 projects in the program of the Southern African Development and Communications Commission set up by the SADCC (Herald 1987).

While steps were being taken for regional cooperation and development, RSA on its part created disorder on every front. Attacks on Angola and Mozambique resulted in the deaths of tens of thousands. These attacks were carried out under the pretext of hot pursuit operations against SWAPO guerillas. The RSA also trained mercenaries to destabilise its neighbors. To other members, it applied pressure and blackmail tactics, sabotage and sanctions that ruined their economies. Thus by the mid 1980s, the SADCC countries had suffered property damage worth $ 10.1 billion. Also, 250,000 men had lost their lives and over 100,000 had become refugees (Gupta 1990).

The dramatic transformation that took place all over the world since the beginning of the 1990s, and in particular, in Southern Africa has changed the atmosphere of enmity and suspicion. This has opened up new opportunities for both South Africa and the SADCC countries to work together. The transformation of the
SADCC into the Southern African Development Community (SADC) through the Windhoek Treaty of 1992 shows the cognizance of the Southern African countries to changes both at the national and international levels and their willingness to adjust with these changes. The end of the apartheid regime in South Africa and its admission to the SADC has created optimistic expectations. Another important point to note about the transformation of the SADCC to the SADC was that the SADCC has become too unwieldy an organisation to accommodate changes in the global economy and the new political and economic realities of the region. The focus has now shifted from the traditional military-political security to a broader definition of security that includes economic and environmental security. The membership of South Africa has enlarged the market size and strengthened SADC’s bargaining power. Whatever the new South African government may have, Nelson Mandela (1993: 84) said that, “South Africa cannot escape its African destiny. If we do not devote our energies to this continent, we too could fall victims to the forces that have brought ruin to its various parts.”

Over the last decade, SADC membership has been increased with Namibia joining in 1990, Mauritius in 1995, the Democratic Republic of Congo (DRC) and Seychelles in 1997 and Madagascar joining in late 2005.

Map 3
SADC Partner Countries
Since the mid 1990s, there has emerged a pattern of military intervention and peacekeeping operations within the region – in Lesotho, Swaziland, Angola, Mozambique and the Democratic Republic of Congo (DRC). By the end of the 1990s, much of the long drawn-out wars in Angola, DRC and Mozambique and other places appear to come to an end. Peace efforts in the DRC and Angola have opened up new opportunities for collective peace and security that the SADC needs to push forward for economic cooperation and integration. In the DRC, the formation of a new government of national unity has been quite successful. Many refugees have also been repatriated. In Angola, the opposition UNITA (Uniao para e Independencia Total de Angola) even stated that “Peace in Angola means a lot for regional security” (Chanda 2003). This was brought into being by the death of Jonas Savimbi, a veteran rebel leader in early 2002.

The SADC Protocol on Free Trade was made in 1996 that was planned to free 90 per cent of intraregional trade within eight years. But this has taken longer to ratify than was expected. Because of the low level of industrialisation, heavy reliance on primary commodities in most of the SADC members, intraregional trade liberalisation was simply unrealistic as most of the benefits would go to South Africa. But by any measure, the value of intraregional trade within the SADC has risen. It rose from US $ 108 million in 1980 to US $ 1058 million in 1990 and further to US $ 4494 million in 2001 (UNCTAD 2002). The SADC has also embarked on a project to develop and liberalise its internal market and to standardise its good and services, as well as putting in place appropriate infrastructure to accelerate regional trade.

**Institutional Framework**

The principal institutions of the SADC are:

**Summit:** The Summit consists of the heads of state or government of all member states and is the supreme policy-making institution of the SADC. The Summit is responsible for the overall policy direction and control of the functions of the SADC and meets at least twice a year.
The Troika: Since the Maputo Summit meeting of August 1999, a Troika system was adopted consisting of the Chair, Incoming Chair and Outgoing Chair of the SADC. The system provides policy direction and enabled the organisation to execute tasks and implement decisions.

Organ on Politics, Defense and Security: The OPDS was inaugurated in June 1996. It is the institutional framework of security cooperation in the SADC. It is coordinated at the level of Summit on a troika basis. The OPDS became the Organ on Politics, Defense and Security Cooperation (OPDSC) through a protocol signed in 2001.

Council of Ministers: The Council of Ministers consists of one minister from each member state, usually the minister responsible for foreign or external affairs. The Council meets four times a year, and is responsible for overseeing the functioning and development of the SADC; overseeing the implementation of the policies of SADC and the proper execution of its programs; advising the Summit on matters of overall policy and efficient and harmonious functioning and development of SADC; approving policies, strategies and work programs; directing, coordinating and supervising the operations of the institutions subordinate to it; recommending, for approval to the Summit, the establishment of directorates, other institutions and organs; creating its own committees as necessary; recommending to the Summit persons for appointment to the posts of Executive Secretary and Deputy Executive Secretary; determining the Terms and Conditions of Service of the staff of the institutions of SADC; developing and implementing the SADC Common Agenda and strategic priorities; convening conferences and other meetings as appropriate, for purposes of promoting the objectives and programs of SADC and performing such other duties as may be assigned to it by the Summit or by the SADC Treaty.

Standing Committee of Senior Officials: It meets at least four times a year and coordinates regional policy in particular fields. It consists of one permanent Secretary or an official of equivalent rank from each member state. It reports and is responsible to the Council.
Integrated Committee of Ministers: The Committee aims at ensuring proper policy guidance, coordination and harmonisation of cross-sectoral activities. It consists of at least two ministers from each member states and oversees the four directorates of trade, industry, finance and investment; infrastructure and services; food, agriculture and natural resources; and social and human development and special programs. It is also its responsibility to monitor and control the implementation of the Regional Indicative Strategic Development Plan in its area of competence; provide policy guidance to the Secretariat; make decisions on matters pertaining to the directorates; monitor and evaluate the work of the directorates; and create such permanent or ad hoc subcommittees as may be necessary to cater for cross-cutting sectors.

The Secretariat: The Secretariat is the principal executive institution of the SADC and is responsible for strategic planning, coordination and management of SADC programs. Headed by an Executive Secretary, it is headquartered at Gaborone, Botswana. The Executive Secretary is assisted by the Deputy Executive Secretary in the execution of his or her functions.

SADC National Committees: Each member state of the SADC is to create a SADC National Committee that is responsible to provide input at the national level in the formulation of SADC policies, strategies and programs of action; coordinate and oversee, at the national level, implementation of SADC programs of action; initiate projects and issue papers as an input to the preparation of the Regional Indicative Strategic Development Plan, in accordance with the priority areas set out in the SADC Common agenda; and create a national steering committee, subcommittees and technical committees.

The Tribunal: The Tribunal was provided for in the SADC Treaty in terms of Articles 9 (1), 16 and 32 for the purpose of settling disputes that might arise from interpretation of the SADC Treaty. But by 2002, the Tribunal had not been established because of the members' fear of losing parts of, or aspects of their sovereignty.
CONCLUSION

The Chairman’s press statement of the 8th ASEAN Summit, 6th ASEAN+3 Summit and ASEAN-China Summit states that, "We stressed the importance of harmonizing products and streamlining customs procedures. The liberalisation of intra-ASEAN trade in services requires strengthening transport links, interconnecting telecommunications, increasing the use of information and communications technology and liberalizing investment within ASEAN." In addition, ASEAN and Chinese leaders have also signed the framework agreement on ASEAN-China Economic Cooperation to establish a Free Trade Area by 2010 for the older ASEAN members and 2015 for the newer members with flexibility on sensitive commodities. Likewise, MERCOSUR is also undergoing a "redefinition" by constructing the region through market-led and other regionalisation project, reorganizing the project investment attraction and industrial competitiveness, constructing a rules-based governance foundation for the emerging regional market place and focusing on external negotiations (Philips 2003).

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. From the previous case studies, it can be discerned 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. In contrast to the Western position as the 'core', Third World countries are sometimes divided into the

3 ASEAN+3 include ASEAN, China, Japan and South Korea.
periphery and the semi periphery with both weak and strong points. It is also seen, in particular in Asia, that there is a lack of any strong formal political institutions despite rapid developments in the market. That is, regionalism is mainly sought to be achieved through the market.

From the general survey of the organisations of ASEAN, MERCOSUR and SADC, we have seen how they have originated and how they are set up. From the study, we can discern that since the beginning of the 1990s, there has been a resurgence of regionalism in the Third World. This was mostly brought about by changes in the international system and changes in the policies and attitudes of the Third World countries coupled with their cognisance of the changes and their willingness to adjust themselves with the changes in the international system. Even though security in terms of military might is still seen as an important, this is slowly eroding as economic and environmental security is slowly taking the foreground. Both ASEAN and the SADCC were formed for security reasons – ASEAN, to diffuse the volatile situation that was brought about by Cold War enmity in Southeast Asia and the SADCC, as a reactionary move against the apartheid regime of the RSA. But, whilst being criticised, attacked – both physically and in words – these organisations have mellowed and improved, because of their openness to changes and their willingness to adjust to changes. Now, their focus is now more on economic issues, liberalisation and reduction of trade barriers and tariffs. ASEAN, essentially, a political organisation is now emerging as the world’s largest exporter. MERCOSUR has become a Customs Union – although an imperfect one. With the admission of Chile and Bolivia, MERCOSUR has expanded to represent 230 million inhabitants, that is, 45 per cent of the total population of Latin America.