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2 Values and Interests in Processes of Macro-Regional Integration[1]

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INTRODUCTION

Since some decades, processes of macro-regional integration are going on all over the world. Most of them look at European integration as their model. From several points of view, European integration was a spectacular success. First, never before has a large group of independent countries been able to go so far in developing close economic and political cooperation than the European Union. The common governing institutions provide the European Union with the character of a new political community. Second, this new community is highly attractive for the neighboring countries not only in Europe, but also in North Africa and the Near East. Since six nations have founded the European Economic Community (EEC) in 1956, six rounds of enlargement have taken place. The European Union now comprises twenty-seven members, more than half of all European countries, and about 70% of the continent's population. Third, regional associations between states have been established all over the world, and many of them claim to follow the pattern of European integration.

The first regional association was established as early as in 1703, when England and Scotland entered into an economic union (Landau 2001: 86). Up to the 1970s, about a dozen regional associations were established. Afterward, their number increased sharply. At the beginning of the twenty-first century, about two hundred such associations existed around the world (Figure 2.1). But many associations have also dissolved later (Table 2.1). This is a fact that indicates the problems related with many of them.

Political elites are very proud of these achievements and sing praises of European integration. In a Europe-wide survey, over 90% of top decision makers say that the membership in the European Union is a good thing and has been of benefit for their countries (Haller 2008a: 21, 248). The positive view among the "makers" of European integration is shared by renowned social scientists. They argue that European integration is a revolutionary historical process and that the European Union represents a new kind of "cosmopolitan community" (Beck and Grande 2004) that

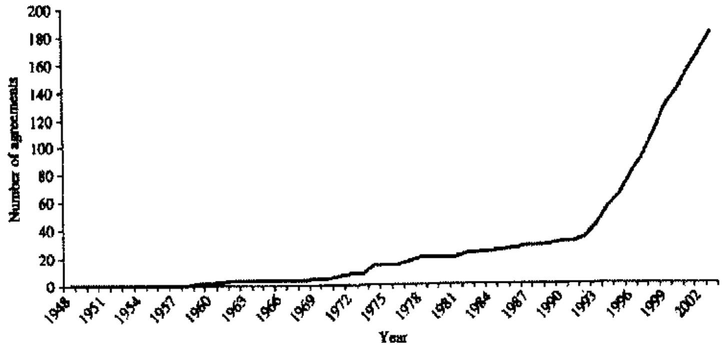

Figure 2.1 The development of regional economic associations, 1948–2002.

Source: Jovanovic 2006:5.

upholds the principles of tolerance, openness, and democratic legitimacy. Jeremy Rifkin (2004) compares Europe with the United States and finds that Europe performs better in most regards. The *European Dream* (so the title of his book) proposes "a new history which is concentrating on life quality, sustainability, peace and harmony" (Haller 2008a: 310).

In view of this success and its enthusiastic interpretation among the elites, it is surprising that the citizens in Europe are much less exalted about the achievements of European integration. Only 40% to 50% of them think European integration has brought benefits to their country, if asked the same questions as the elites (Haller 2008a: 316f.). A survey, comparing the popular evaluation of North American, European, and East Asian integration, came out with similar results (IMO 2005): 50% of Mexicans and about one-third of US-Americans and Canadians evaluated the results obtained through the integration of the three North American countries in the NAFTA as good or excellent. But 38% of Mexicans evaluated it as bad or very bad, and 61% of Mexicans and about one-fourth of US-Americans and Canadians think that their personal quality of life had not been improved as a consequence of integration.

For Mexicans, quite similar to Europeans, the worst results of supranational integration have been obtained in the aim of generating employment. An interesting finding emerged concerning the question, how the three regional associations—NAFTA, the European Union, and APEC (the Asia-Pacific Cooperation)—are being evaluated elsewhere. In many countries, regional associations at other continents were considered as having had better results than that in which the one's own country participates. The European Union was considered as the most successful of all three by the Canadians and US-Americans. APEC was considered as most successful by

Table 2.1 Failed, Grown Irrelevant or Dissolved Macro-Regional Associations (A Selection)

Association (years of existence)	*Aims*	*Effects*	*Reason for dissolution*
EFTA—European Free Trade Association (1957–)	Purely commercial reaction to EEC	Very little	Withdrawal of most important members
CMEA—Council for Mutual Economic Assistance (1949–1991)	Reaction to the West European integration; economic and political	Limited; negative for the more developed countries	Breakdown of the communist regimes in Eastern Europe
CEFTA—Central European Free Trade Arrangement (1992–2004)	Reaction to breakdown of CMEA; waiting place for access to the EU	Very limited	Withdrawal of members
EAC —East African Community (1967–1977)	Relict of common colonial past under British rule	Negative effect: enforcement of internal conflicts	Political and ideological differences
PTA—Preferential Trade Area for East and South African States (1984–1994)	Economic	Limited	Absorbed by COMESA (Common Market for Eastern and Southern Africa)
CIS—Community of Independent States (1991–)	Reaction to down break of USSR; economic and political	Limited effects	Withdrawal of members; inactivity

the British, French, and Germans. Some 60% of the Japanese considered the European Union as most successful, while only 8% of them evaluated APEC in this way (IMO 2005).

We can assume that processes of macro-regional integration have many positive effects in economic exchange and political cooperation, thus contributing to economic growth and peace. In this regard, they are an important aspect of *upgrading the rationality of regional responses to globalization*. However, we must take also a critical look at these processes of integration. I would like to propose and substantiate four points. (1) Some achievements are attributed to European integration while they were caused by other factors than integration. (2) There are different reasons and motives behind processes of regional integration that we can see only by comparing them all over the world. The analysis will show that successful macro-regional integration requires preconditions that are not met in many parts of the world. (3) Processes of macro-regional integration will not replace the present-day system of nation-states. (4) European integration is a specific model that neither supersedes the nation-state system nor is a new form of cosmopolitan community.

EUROPEAN INTEGRATION: CAUSES AND CONSEQUENCES OF ITS ACHIEVEMENTS

Two main achievements are attributed to European integration. First, it is the securing of peace in Europe. Second, it is the achievement of economic growth and prosperity. Let us look shortly at each of them.

Peace and Democracy are Preconditions, but Not Consequences, of European Integration

As far as peace in Europe is concerned, it seems obvious to attribute it to integration. After two most devastating world wars within half a century, Europe has experienced an unprecedented long period of peace. Charismatic political leaders, such as Robert Schuman of France and Konrad Adenauer of Germany, decided in the early 1950s to end the century-old hostility between their countries once and for all by entering into a close economic and even political union. Ever since, politicians are eager to point to this alleged association between economic integration and peace. Yet, a general thesis and several historical facts challenge this thesis (Haller 2008a: 284–285).

We have to look at the connection between wars, peace, and democracy. The theory of democratic peace, established by Immanuel Kant in 1795, says that the most effective precondition for the preservation of peace between countries is their democratic constitution (Rauch 2005). Democracies are not inclined to enter into war against another democracy since citizens will recognize that such a war would only have negative consequences for them. There exists no single case that clearly disproves this theory. Democracy is certainly a basic value of the European Union. In a recent analysis, it has been shown that governmental associations facilitate the diffusion of democracy in the world (Torfason and Ingram 2010). Within Europe, however, other factors rather than integration might have been more important. In the 1950s, many states in Southern and Eastern Europe were not yet democracies. It is a matter of fact, however, that the former fascist Southern and communist East European countries were accepted as members of the European Union only after they had become democracies.

Yet, the transition to democracy was their achievement. The membership in the European Union supports the democratic system at home, but it is not a guarantee against non-democratic tendencies, as they happened in Italy under the government of Silvio Berlusconi.

The Weak Connection between Economic Growth, Prosperity, and Integration

Since 1945, Europe has experienced an unprecedented period of economic growth. Yet, this achievement cannot be attributed mainly to integration. Three facts are relevant in this regard. First, the spectacular "economic miracle" of the 1960s and 1970s, particularly in Germany and Italy, was due mainly to the fact that these countries could catch up fast in terms of the production of mass consumer goods. Their production in the United States had begun already between the 1920s and 1940s. Second, economic growth was not less spectacular in other European countries like Austria and Sweden that joined the European Union only in the 1990s or that have not joined it up to the present day (Switzerland and Norway). Third, a comparison of the EU member countries with other large and advanced nations, such as the United States and Japan, shows that the growth in Europe was in no way exceptional. In terms of employment and unemployment, Europe was much less successful than these countries (Haller 2008a: 249).

In fact, integration has produced not only winners, but also losers. The unemployed in Western Europe and large segments of the population in Eastern Europe can be considered losers of integration. EU citizens are concerned about inflation, lowering of social standards, and rise of criminality. In nearly all these aspects, higher proportion of people in the fifteen old EU members states believe that the European Union plays a negative role than a positive one (Haller 2008a: 251). Losers like unskilled workers, women, indigenous people, lagging regions—all are found as a consequence of regional integration also in other parts of the world (Landau 2001: 241).

The modest achievements of European integration concerning economic growth and the reserved attitudes of citizens in this regard are not a unique phenomenon. In his comprehensive work *The Economics of International Integration*, Miroslav N. Jovanovic (2006: 771–786) draws a similar conclusion concerning most other regional associations around the world. He shows also that the problems of econometric measurement of the effects of economic integration are formidable because of the complexity of the economic integration, the problems in disentangling the relevant effects, and the smallness of the measurable gains. Particularly for developing countries it is questionable if integration can be a cure for their economic problems. They may fare better by integrating with developed countries like Mexico did with the United States and Canada (Duncker 2002).

Jean Baechler (1975) argued that the rise of capitalism and the economic growth has been possible in Europe because many competing centers existed. They were connected by economic exchange: "In places such as the United States, Sweden, Switzerland, or England, where historically the state has been reduced to its simplest expression and the passion to administer has been limited, economic activity has been more intense" (94). The impressive growth of the new EU bureaucracy and above all of its regulatory activities may well turn into an obstacle for growth. This has been confirmed even by high EU politicians. For years, the European Union has tried to reduce the amount of regulations (Haller 2008a: 152ff.). M. Jovanovic asks the following crucial question: "[I]f there are so many serious objections to regional trade agreements and little hard quantitative evidence about their clear beneficial effects, wherein lies their fatal fascination and justification?" (2006: 796). His answer is that regional trading agreements may be a response to uncertain resource costs related to multilateral negotiations and multilateral deals. In the 1950s and 1960s, worldwide free trade was preferred by many states as well as the United Nations. Later on, regional associations were preferred because negotiations on the global level turned out as slow and inefficient (Kaiser 2003).

REASONS FOR REGIONAL INTEGRATION: A TYPOLOGY

The discussion so far has shown that integration may fulfill many different functions in the eyes of its proponents. We may distinguish at least five: feeling of being threatened by others, balancing out for the small size of one's own country, economic weakness, reaction to the formation of other associations, and wish to restore lost size and influence. Each of them played a significant role in specific associations.

Feeling of Being Threatened by Large Powers

Elisabeth Fix (1992–1993) has investigated the history of the emergence of regional federations from the times of ancient Greece up to Europe in the nineteenth century. In all cases, the main reason for an alliance was to gain security against a large and threatening, mostly despotic foreign, state. Such alliances usually were created also in times of internal crisis. This thesis can be applied rather well to integration in Europe and in other parts of the world.

During the twentieth century, two aspects have changed the situation of Western European states significantly. After the Second World War, France, Germany, and Italy came out as rather weak politically and morally. The Soviet Union emerged as a new power in the East. It was felt as threatening already after the Bolshevist revolution in 1917. For Richard Coudenhove-Kalergi (1894–1972), an influential propagandist of European integration, the "new-born Soviet Union created a danger of first order for Europe. It threatens it from within and from the outside" (1953: 14). This threat was increasingly recognized in Western Europe

Table 2.2 An Overview on Macro-Regional Associations, Classified by the Main Intent at the Time of Their Foundation

Types and Names of Associations/ Year of Establishment/ Number of Member States	*Main Aim*	*Immediate Cause for the Establishment*
Feeling of being threatened by large powers		
EEC—European Economic Community (later EC/ EU) 1956: 6 nations; 2009: 27 nations	Economic integration, with aim of comprehensive political integration	Threat by the USSR; economic recovery of Western Europe
ASEAN—Association of Southeast Asian Nations 1967: 4 states (5 more later)	Political-military security	Vietnam war; threat by China and other communist countries
SADC—Southern African Development Coordination Conference; 1980: 9 states	Reduce economic dependency on South Africa	Apartheid regime in South Africa
Balancing out for the small size of one's own country		
Benelux 1943/1958: 3 countries	Economic, political and cultural cooperation	Occupation by Nazi Germany
Nordic Council 1952/53: 4 (5) countries	Close cooperation in all areas	Hostility against bureaucratic supranational organizations
CER—Closer Economic Relations 1983: Australia and New Zealand	Economic cooperation in many areas	Territorial distance from similar western countries
Economic backwardness		
LAFTA—Latin American Free Trade Association 1960/62: 6 states	Economic integration	Economic backwardness and crisis-ridden, compared to North America and Europe
MERCOSUR – Mercado Comun del Sur; 1991: 4 states	Economic integration with the aim of a monetary union	Economic backwardness and crisis-ridden, compared to North America and Europe
ECOWAS—Economic Community of West African States (dominant country: Nigeria), 1955: 15 states	Economic integration, with the aim of political integration	Economic weakness and internal political instability

(continued)

Table 2.2 (continued)

Types and Names of Associations/ Year of Establishment/ Number of Member States	*Main Aim*	*Immediate Cause for the Establishment*
OAU—Organisation for African Unity/ AU - African Union 1963: 53 states	Economic, political and military	Unification of Africa, in order to provide it with more influence in the world
Reactions to the formation of other associations		
EFTA—European Free Trade Association; 1957: 6 countries	Economic integration	Reaction to the foundation of the EEC
CMEA—Council for Mutual Economic Assistance 1949:6 countries	Economic integration, political collaboration	Reaction to the Marshall-plan and establishment of OEEC
Wish to restore lost size, power and influence		
EEC/ EC / EU—European Economic Community/ European Community/ European Union 1956: 6 countries; 2009: 27 countries	Economic integration with far-reaching aims of political integration	Reaction to the rise of new global powers; economic and political competition with USA, Japan

when the USSR was not ready to give up its grip on the Eastern European countries that only through its intervention had become Soviet style communist states. This was also a reason why the United States strongly supported the European integration (also in connection with the Marshall plan for the recovery of Germany).

The feeling of being threatened by large foreign powers was also the midwife for the foundation of ASEAN (the Associations of Southeast Asian Nations) in 1967 by Indonesia, Malaysia, the Philippines, and Singapore (later joined by Brunei, Vietnam, Myanmar, Laos, and Cambodia). It was founded during the Vietnam War and was intended as a bulwark against the communist bloc, led in the Far East by China. From economic point of view, this was a peculiar association from the beginning:

> It is hard to imagine an integration scheme that unites such diverse countries as the *Association of South-East Asian Nations* (ASEAN). The member countries not only vary markedly regarding their size and level of development, but are also heterogeneous due to a host of social issues such as language, history, religion and culture (Jovanovic 2006: 695).

ASEAN established only a light institutional structure; the aim was merely "to cooperate in areas of regional interest" (696).

A significant role played the motive of uniting against a strong and unloved neighbor—in this case, South Africa with its system of Apartheid—also for the establishment of the Southern African Development Coordination Conference in 1980. This association was formed by nine states in southern Africa in order to reduce dependency on the Republic of South Africa. In 1992, the member states created the Southern African Development Community (SADC). In 1995, South Africa which had abolished the Apartheid and some further countries joined the association.

The fact that most of these associations, although often with only weak internal economic relations, persist till today clearly shows that it is mainly political will which lies behind their establishment and maintenance.

Balancing Out for the Small Size of a Country

A motive that is somewhat connected with the foregoing is the interest of two or more states to compensate for their small size and weak power in relation to large neighbors and on the international scene. The members of such associations are usually neighbor states. They share many elements of culture and have similar political institutions.

A first case here is the association between the Benelux-states. In 1943, the exile governments of Belgium, Netherlands, and Luxembourg signed a treaty for free circulation of their currencies in London. After the Second World War, the treaty was extended to a customs union and, in 1958, to the Benelux treaty. The Benelux treaty also foresaw cooperation in military terms. Its aim was to provide economic and political independence to the three small countries. They are surrounded by large states, particularly Germany, which occupied the Benelux countries during the Second World War.

Another case in point is the Nordic Council, established in 1952 by Denmark, Iceland, Norway, and Sweden. Finland joined it in 1955. This treaty foresaw regular meetings of the national parliaments and since 1971 also of ministers to discuss issues of common interests in all areas. The economic relations between these countries have traditionally been rather close, although the most important trading partner for most of them was Germany. Recently, around 70% of exports and imports of these countries go and come from the European Union (Fischer Weltalmanach 2008). However, the Norwegians rejected the membership in the European Union already twice. This fact clearly disproves the thesis that one has to be a member of a regional association in order to have close economic relations with the members of that association. The same holds true for Switzerland. It is more closely integrated with the EU common market than many EU member states.

A close cooperation of this kind has been established at the other side of the globe between Australia and New Zealand. They entered into a free trade agreement in 1966 and established the treaty for Closer Economic Relations (CER) in 1983 (Jovanovic 2006: 701). It led to free trade of goods and services and close economic cooperation in many areas. In this case, the strengthening of one's own position at the international scene plays a role since these two islands are far away from Europe and North America but much nearer to East Asia. In recent times, Australia and New Zealand try to enter into a policy of integration with the ASEAN countries.

Economic Backwardness

The main motive for the emergence of regional associations in the Third World is the economic weakness of the countries together with their wish to foster economic development. These countries try to achieve this aim either by intensifying the regional economic relations or through joining more prosperous regional associations.

In Latin America, regional associations have a long history. In 1960, Argentina, Brazil, Mexico, Paraguay, Peru, and Uruguay concluded the Treaty of Montevideo, which in 1962 led to the Latin American Free Trade Association (LAFTA). The member states hoped to create a free trade zone and common market. However, its scope was limited in political and economic terms. By 1970, four more Latin American countries joined the Association. In 1980, it was reorganized into the Latin American Integration Association (ALADI). These associations had limited success due to three major reasons (Jovanovic 2006: 681). First, the national economies of many member countries (especially of Brazil with its huge domestic market) were more inward looking than oriented toward the other members. Second, the economic relations included countries with different levels of development and with close bi-lateral relations with the United States and Europe (especially with Portugal and Spain). Third, transnational corporations from the United States, Europe, and Japan have been competing throughout the area. Within LAFTA, a sub-regional group, the Andean Pact, was formed in 1969. In 1996, it was renamed Andean Community because of the anxiety of the small countries that the large partners might economically oust them.

The second large Latin American association is MERCOSUR (the Southern Common Market). It was initiated as cooperation between Brazil and Argentina and formally established in 1991 as the *Mercado Común del Sur* (Mercosur). The ambitious goal of this association was the establishment of a large common market, covering 70% of the South American territory with over 200 million consumers. It is among the largest trading blocs worldwide. The objectives of MERCOSUR included the elimination of tariffs, common trade policy, coordination of economic policies, and harmonization of laws. Decisions are made by consensus (mainly because Brazil does not want to submit its sovereignty to smaller countries). The institutional structures are kept at a minimum. The economic achievements

are modest. There are no commitments to mobility of production factors, and macroeconomic policies are not coordinated. Thus, while "economic and monetary union was once stated as a goal, there has been no progress towards achieving it" (Jovanovic 2006: 685). The reasons are related to the deficient transport infrastructure, diverse economic policies of the member countries, conflicts about specific economic issues, and obstructive actions by the United States, which is worried by the strengthening of MERCOSUR. Two positive developments were supported by the integration, namely, the pledge to create a more liberal trade regime and the reinforcement of the rule of democratic governments.

Most of the factors impeding the further development of regional integration in Latin America have been valid for African initiatives as well. Here, a myriad of efforts have taken place. Some of them have been discussed already. Others include eleven French-speaking central and West African countries (among them Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo). In 1983, they formed the Central African Customs and Economic Union (ECCAS, French abbreviation UDEAC). A forerunner of this integration scheme was the Brazzaville Treaty in 1966. ECCAS was superseded in 1999 by the Economic and Monetary Community of Central Africa (CEMAC). This association had also political aims. In particular, it tried to find lasting and peaceful solutions for the conflicts in the Great Lakes area and in Congo. The progress in economic integration was weak. The reasons were the competition to attract foreign investors, lack of any coherent industrial planning, uneven distribution of benefits, and an absence of an effective regional financial institution (Jovanovic 2006: 702f.). The deficient traffic and transport system was also a big handicap.

A comparable association for mostly, but not exclusively, English-speaking countries is the Economic Community of West African States (ECOWAS). It was spearheaded by Nigeria in 1975 as a means to reduce the French influence in the region. Since the member countries produce similar goods, internal trade is low. The established Fund for Cooperation has limited influence due to poor means. Constant tensions between the leading member Nigeria and others hinder progress in integration. Several sub-groups emerged within the association contributing to a limitation of the overall integration. The Common Market for Eastern and Southern Africa (COMESA) was founded in 1994, replacing the Preferential Trade Area (established in 1984). The Common Market unites some twenty countries in a vast area from Libya and Egypt down to Zambia and Zimbabwe in a preferential trading area. However, its success is modest due to a weak commitment of the members to the goals and an absence of common FDI rules. Several countries withdrew from the association.

The most ambitious and comprehensive regional association is the African Union (AU), established in 2001. It is the successor association of the Organization for African Unity (OAU), which was established in 1963.

AU includes all fifty-three African states with about 930 million people. The only exception is Morocco. Morocco is against the independence of West-Sahara, which is supported by most AU member states. The aims of the AU are far-reaching. They include economic and political integration and implementation of peaceful conflict resolution between member states (also with intervention of own military forces). The AU institutions (domiciled in Addis Ababa) are molded after the European Union. Among them are the pan-African parliament, a Commission, a Court of Justice, an African Central Bank, and cultural institutions. Political personalities and their international ambitions played a significant role in the establishment of the organization. It was strongly supported by the Ethiopian emperor Haile Selassie and promoted by the Libyan "revolutionary leader" Muammar al-Ghadaffi. He was successful because he promised to fund the new institutions. Both political leaders are not distinguished by their love for democratic institutions.

The OAU "was widely derided as a bureaucratic 'talking shop' with little power or a Presidents' club for wining and dining" (Dagash 2006: 9). How could it be possible to unite a whole continent, four times as large as Europe and seven times as large as the EU, internally differentiated by thousands of languages and different political systems, as well as divided by the Sahara desert and the Central African tropic woods into three nearly separated sub-continents? It is doubtful if there exists a common cultural heritage of all African societies in the distant past, as the respected first president of Senegal, Leopold Senghor, wrote (Dagash 2006: 19).

It is astonishing to note how similar the proclamations calling for African unity were to those calling for European integration. Kwame Nkrumah (1909–1972), another highly respected African leader of the first generation, wrote in this regard,

> We have already reached the stage where we must unite or sink into that condition which has made Latin-America the unwilling and distressed prey of imperialism after one and a half centuries of political independence. If we don't approach the problems in Africa with a common front and a common purpose, we shall be haggling and wrangling among ourselves until we are colonized again and become the tools of a far greater colonization than we suffered hitherto (quoted in Dagash 2006: 21).

It is a recurring theme among the proponents of European integration at least since the mid-1980s that Europe must integrate or else run into "Euro-sclerosis" with a persistent economic crises, stagnation, and decay, and political irrelevance in the world.

The OAU and its successor organization, the AU, certainly has some value in bringing together heads of states and governments to discuss common problems and to press for peaceful solutions of conflicts and for better governance throughout Africa. The outcome of the AU is still open in many regards. The ideology of a cultural unity of Africa is doubtful (Hielscher and Falkson 2007) and has been disproved by African history since independence. The huge size, internal heterogeneity, and very weak interlacement of the parts of the continent make real integration difficult if not impossible. Integration processes on a smaller scale and between relatively equal countries might be more successful. One example is the East African Community. It was re-established in 1999 and includes five countries between the Indian Ocean and lake Victoria (Burundi, Rwanda, Uganda, Kenya, and Tanzania). The region has the advantage of two lingua franca's, English and Swahili.

Reaction to or Imitation of Other Associations

The formation of a new regional association as a reaction to the formation of other associations might be regarded as a general tendency. In a world that is highly interconnected, the institutional innovations in one place are frequently taken over or imitated in other places (Meyer 1987). Two historical examples are paradigmatic in this regard.

In 1957, the European Free Trade Association (EFTA) was formed as a direct reaction to the foundation of the EEC by a group of six countries, led by Britain and including Austria, Norway, Portugal, Sweden, and Switzerland. Later, three more countries joined. It was planned as a temporary organization with the aim to develop free trade between the partners. It was seen as a precondition for a larger European free trade area that should have embraced also the European Commission member states. Contrary to the EEC, a political integration was not foreseen. The background for its foundation was the unwillingness of the member states to join the EEC. The reasons were the close ties with other countries (such as Great Britain had with the United States) or the fact that their political-economic philosophy differed from the interventionist stance of the European Commission (Britons were more liberally minded). Another reason was the wish to preserve the political neutrality (Austria, Sweden and Switzerland). Since Britain applied for EEC membership one year after the foundation of EFTA, it "looked stillborn" and had a "kind of negative identity" (Jovanovic 2006: 670). It has achieved little and became less and less important after more members had joined the European Commission/European Union. In 1993, a treaty was established between the European Commission and most EFTA members about the European Economic Area (EEA). It allows the non–European Union members to participate in the Common Market, but retain their economic-political independence.

After the decision of the United States to support the recovery of Germany by the Marshall plan and to enforce the Western European integration, another organization was formed which in part was also reactive. The Soviet Union established, together with five East European countries

(Czechoslovakia, Hungary, Poland, Bulgaria, and Romania), the Council for Mutual Economic Assistance (CMEA which is also known as COMECON). Later, half a dozen further members, including Cuba and Vietnam, joined the association. Its aim was to support economic development of the member states within the frame of state-socialist economies and to establish a functional division of production between the countries. Its institutions were a Council, an Executive Committee, and a Secretariat. However, they all had little power. Bilateral balancing of trade was reducing the extent of trade between all members. Reforms had no success. For the more advanced member states, such as Hungary, Poland, and Czechoslovakia, the more or less forced membership in the CMEA certainly had a negative impact on the economic development. In this way, they were cut off from the Western European trade, competition, and innovation. After the down break of the state-socialist regimes, CMEA dissolved in 1991. A small new organization was formed, the Central European Free Trade Agreement (CEFTA), but it also disappeared after their members entered into the EU in 2004.

WISH TO RESTORE LOST SIZE, POWER, AND INFLUENCE

European integration means very different things for the different member countries (Haller 2008a: 199ff.). For most countries in the south and east, it is a mainly a means to participate in economic growth and prosperity. For the Germans, it is a substitute for national identity and pride. For continuously crisis-ridden countries like Greece and Italy, it is perceived as a crutch. The Britons see it as a necessary evil. At least for one country, France, European integration is a means to restore lost international power and influence (in part, this is true also for Germany). France turned out quite weak from the Second World War when its official government collaborated with Hitler's Nazi Germany. In the postwar years, the country lost its colonies. In economic terms, France was always lagging behind Germany. It is understandable that French politicians were leading the process of European integration (Siedentop 2001). In the early 1950s, they even proposed a European Defense Community (this proposal was rejected by the *Assemblé Nationale*). By establishing a strong European Community, French politicians wanted to regain global influence in an indirect way (Milward 1992). This aim of the French political leaders is clearly supported by the citizens. The main reason for the supporters of the EU Constitution in the referendum of 2005 was the wish to strengthen the global power and influence of France vis-à-vis the United States and China.

The aim of making the European Union a global player is supported by the economic elites throughout Europe and by the European Commission. For large industrial, commercial, and financial entrepreneurs, the creation of a huge home market was an important strategy to strengthen their position on the global scene. In the 1980s, the impulse for a new dynamic of

integration came from the European Round Table of Industrialists (ERT). In it entrepreneurs from EU member and non-member countries (such as Sweden and Switzerland) played an active role. Their aim was to develop common industry and trade policy and to support the emergence of "European champions" in the form of huge business concerns that could compete on equal footing with American, Japanese, and other rivals on the global scene. This program has been realized to a large degree. The European Union strongly supports the formation of large enterprises and their scientific-technological efforts with large subsidies. Cross-border firm mergers and acquisitions of small by large firms are going on in Europe all the time at a fast pace (Haller 2008a: 117–129).

WILL REGIONAL ASSOCIATIONS SUPERSEDE THE NATION-STATE?

The political and economic elites are enthusiastic about the benefits of regional associations and continue to establish new associations everywhere. One recent example is the proposal of the French president Nicolas Sarkozy to create a Union of the Mediterranean (*Union pour la Méditerrané*). The way in which this union came into existence is a telling example. It proves that the establishment of regional associations often is just a political gag. For some politicians, it seems to be the way to gain votes at home and prestige at the international scene.

The idea of the union was first developed by Sarkozy as part of his electoral campaign in 2007. Exactly the same reason led the president of Uganda, Yoveri Museveni, in 2003 to propose an East African Union in order to legitimate his re-election, which was prohibited by the constitution. After Sarkozy's victory in the presidential elections, he went on to realize the plan whose intents were wide and incoherent. The plan was received with reserves or even opposed openly by other EU member states. Consequently, Sarkozy reduced its ambitions. Now it should focus on concrete projects, such as the cleaning of the Mediterranean, the establishment of transnational ship lines, on the catastrophe protection and the exploitation of solar energy in the Sahara. The plan was signed under the name of *Union pour la Méditerrané* in Paris on July 13, 2008. Forty-three heads of states—all EU member states and the heads of twenty-one Mediterranean countries in North Africa and the Near East—were present at the founding ceremony. Several institutions are connected with this association. A Secretariat is being established in Barcelona. Bi-annual meetings of the member states are scheduled.

Three reasons might be mentioned why political leaders are so eager to propose new regional associations. First, such proposals prove that a leader is thinking in a global horizon and planning far into the future. Second, the proposal may appear as appealing for many of the participants by promising them to become part in a grand venture. Third, the political elites can materialize their own individual interests. A new international association creates possibilities for presenting oneself at the prestigious international scene, to travel around, and to participate in festive meetings and grand dinners. It creates new jobs that are open for politicians whose political career has been terminated at home. Last but not least, it opens new possibilities for political influence by providing means that can be distributed at home to one's own political clientele. All these advantages go to democratic and non-democratic political leaders alike. In the *World Development Report* (2006: 67), it is noted that the representatives of many countries to international organizations often are not fully accountable to their citizens.

It becomes understandable in this way why political leaders are so ready to propose and enter into new regional associations. But why are also some well-known political analysts so enthusiastic about such processes? Martin Albrow (1998) argues that the modern nation-state loses its capacity to control the forces connected with globalization. It is particularly the transnational corporations which contribute to this since world-wide free trade means de-nationalization of the economy. The new distribution system is the world economy as a whole where certain states or regions specialize in the production of specific goods or services. A global, transnational power elite and managerial class emerges. Michael Zürn (1998) argues that the relevance of space and geography as a determinant of international communication and interaction vanishes. The power of the nation-state becomes undermined. But an exclusive "negative integration" is problematic. He sees also tendencies toward positive integration, which enables "governing beyond the nation state." Three forms are mentioned: international economic and political regimes like GATT and WTO; new kinds of international networks like the G-7; and international organizations like the United Nations, the World Bank, and the like. It is "the sum of all these institutions which constitutes global governance beyond the nation state" (175). It is quite clear that all these institutions represent only diverse forms of cooperation between states or, if they are true organizations (like the World Bank), they are clearly subjugated to the power of nation-states. Zürn argues that only international organizations can be considered as being based on universalistic principles. David Held (1995) defines the "cosmopolitan model of democracy" as

> multiple and overlapping networks of power involving the body, welfare, culture, civic associations, the economy, coercive relations and organized violence, and regulatory and legal relations . . . All groups and associations are assumed to have a capacity for self-determination which can be specified by a commitment to the principle of autonomy. (271)

It seems that such a concept and the underlying idea of "global governance" is so diffuse and washy that it loses sight of the significant differences in the structures and mechanisms of real political power and influence in the world today.

There are some principal flaws in these discussions of the relation between globalization and the nation-state. We can analyze this issue in a systematic way by cross-tabulating two dimensions: the size of political units and their basic orientation as nationalistic-egoistic or universalistic.

The main argument of the authors who perceive the European Union so positive is that it represents Type D. It is just that new kind of political community that (a) is necessary in a globalized world and that (b) is also universalistic in its basic orientation, contrary to the nation-states, which in principle are inward looking, closed, protectionist, and egoistic. There are three errors in this kind of argumentation.

First, it is not true that small nations (or nations in general) are not able to cope with the new problems of globalization. This thesis is disproved most clearly by the case of a country like Switzerland, which has not become an EU member but has been very open to international trade for long. Today it is among the five richest countries of the world. There exists a general fascination with size that is misleading. Contrary to much-received wisdom, larger units—be they firms, organizations, or nation-states—might be less efficient in carrying out their tasks than smaller units (Kohr 1983).

Second, it is also untrue that small nation-states are only egoistic, while large political communities or regional associations are universalistic. For large nation-states, it is evident that they most often violate principles of human rights and respect for smaller nations. This is true not only for semi-authoritarian states like Russia and China, but also for the United States (Chomsky 2003). On the other side, it may be significant that the highest amount of development aid per capita for the Third World, for instance,

Table 2.3 The Relation between the Size of Political Units and Their Basic Value Orientations

	Basic Value Orientation	
Size of the Political Unit	*Particularistic*	*Universalistic*
Small	A. Egoistic small states	B. Open-minded, universalistic small states
Large	C. Egoistic large states	D. Universalistic large political units/ Regional associations

comes from smaller states like the Netherlands and Sweden. Small nations have very seldom, if ever, initiated wars. Therefore, the oldest stable borders in Europe are not around the large states, but exactly around the small states (Haller 2008b). It is certainly true that the European Union is not a military power and cannot aspire (at least in the foreseeable future) to become one and to act as an imperial power. However, it is well possible that it will do so in the longer term. It is already establishing its own military forces. Moreover, it is a matter of fact that the European Union has strong influence and can exert high pressure on many smaller nations in economic and political-diplomatic terms not only in her neighborhood but also around the world.

Third, the diagnoses of the end of the nation-state grossly underestimate the persistence of the nation-state principle. Linda Weiss (1998) has shown that the thesis of the loss of power and control by globalization is overdrawn (see also Landau 2001; Haller and Hadler 2004–2005). Nation-states have certainly lost influence in some regards, but not in others. The power of states was limited also in earlier times. Politicians and liberal economic advisers have an interest in proposing this thesis. That the idea of a "powerless state" is in fact a myth can be shown most easily in the case of the largest nations of the world. In the United States, Russia, China, and India, nobody is arguing for the formation of a larger regional political association along the lines of the European Union, thus giving up the principle of national sovereignty. If they have entered such associations—such as the United States with Canada and Mexico, or Russia with Belorussia—the larger partner patronizes the smaller ones to a considerable degree.

Thus, we come to the conclusion that the European Union has been a remarkable success of macro-regional integration. Many of its stated aims are very positive, and it has also achieved some of them. However, it would be quite erroneous to assume that it can be a model for the world in proposing macro-regional integration as a new, globalization-fitted form of effective political community. It might also be an error to assume that the basic principles of the European Union are generally more universalistic than those of the democratic nation-states. There exist many other possibilities for cooperation between nation-states than that of integrating them into larger economic and political communities. Inequality between countries has increased strongly in the recent past (Deutsch 1966; Milanovic 2005). Maybe this happened not in the least because of the forming of regional trade blocs between the developed or between the less developed countries.

While more trade between poor countries certainly is good, it is highly doubtful if integration between them is conductive to development. What they mostly need is more connection to the developed world in a form that takes into consideration the fact that they are much weaker in many respects. Other promising possibilities for international cooperation are horizontal and dialogue-oriented forms of political governance in transnational spaces between nation-states or neighboring sub-regions of nation-states that do not require large political and bureaucratic apparatuses. The Great Lakes Regime in North America, which covers issues of environment, is an example (Klinke 2009). Another one is international law, which is a way to combine complexity with integration (Bohmann et al. 1997). Many political mechanisms that reduce complexity as regional associations with a large bureaucratic apparatus also restrict democracy. This is quite evident in the case of the European Union. Most commentators agree that it is characterized by serious democratic deficits. The problem of the democratic deficit and the increasing negative effects of over-regulation by the European Union could be overcome by a different self-understanding of the European Union. It should not aspire to become a "government of Europe" but define itself as a "*community of law*" (Haller 2008a: 313–360). Such a community would limit itself to establish the basic rules for economic, social and political processes.

NOTES

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3 The European Union and NAFTA as Models of Regional Organization

Jan-Erik Lane

THE BACKGROUND

A number of regionally based trade blocs have emerged recently to promote trade between member states through trade liberalization measures. Several blocs also have political goals—notably the European Union. Economic blocs include free trade areas and customs unions with preferential trade agreements somewhere in between.

From an institutional point of view, there is a variation in the modes of regional organization that is worth an explanation that goes beyond the original Balassa (1982) framework, modeling a linear trend from free trade areas to monetary unions. Regional organizations tend to develop according to two different logics, namely, that of the free trade agreement (NAFTA model) and that of the common market (EU model). Why do some regional blocks choose one mode of organization and not another one?

Regional organization is intimately linked with the incentives of the governments who lead their states into these modes of organization. The economic interests behind regional trading blocks cannot be doubted, given the global emphasis on trade and trade liberalization. It is when governments take further steps beyond the simple bilateral Free Trade Agreement (FTA) or Preferential Trade Agreement (PTA) to set up some regional mechanisms like a secretariat or a disputes settlement tribunal that they have to clarify what interests they aim at pursuing in terms of a specific organization. Regional organization, from the Forum model to the Community model, comes with costs that have to be picked up by the participants, who also need to take into account the risks involved. When regional organization replaces various aspects of state organization, then the participant governments need to be well aware of the benefits and the costs.

On the one hand, bilateral regulation of reciprocities between states may appear as extremely heavy concerning transaction costs. On the other hand, multilateral solutions may not be achievable or very slow in the making. Thus, regional organization is more promising, but once it is actually done it also comes with a cost bill.