

Political Economy of Regional Integration: Europe, East/Southeast Asia, Latin America Compared¹

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Abstract

Despite resilient trends towards globalized economy, the post-cold war landscape of international political economic relations has been characterized by wide-ranging regional arrangements. The process predominantly aims at easing trans-border management in the frame of liberalizing economic (in terms mainly of trade) relations. The regionalization processes modeled after that of the European one highlight the development of regional integration elsewhere around the globe. East/Southeast Asian and Latin American regional arrangements in particular are among major examples. The establishment of AFTA (ASEAN Free Trade Area) covering 10 (ten) Southeast Asian countries which recurrently to be engaged with their East Asian neighboring partners (the so-called ASEAN+3) and MERCOSUR (Mercado Comun del Sur/the Common Market of the South) consisting of 4 (four) southernmost countries of South American continent is the milestone to further regional economic integration in each respective area.

Keywords: Regional integration, international, political economic relations.

In line with such a context, the paper aims at exploring comparative processes in regional integration of those of Europe, East/Southeast Asia (with specific reference to AFTA) and Latin America (with particular focus on MERCOSUR). Questions addressed include theoretical perspectives, practical or actual development of the (economic) integration stages/processes, and groundwork assessment on the political economic consequences of such a process, both at domestic and international levels.

Conceptually-speaking, two contending approaches on the issue are at stake

here, namely the neo-functionalist and the inter-governmentalist. The three cases explored offer challenging discussion on the two approaches as the Asian/Latin American cases involved a large body of governmental involvement in the process while they have been seen as copycatting the functionalist European model. Practical observation though reveals more dynamic nature of state-societal and state-market relations in each case. Epistemic communities which were deliberately attached during talks on the arrangement have gave clear indication of the dynamics as the communities are principally composed of state bureaucratic apparatus as well as societal and market representatives. Hypothetically, the consequences of such a process would bring about pressures among domestic players (but also between these domestic political economic interest groups and their international counterparts) on how decisions should be made, on whose

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benefits and costs, and finally how political mechanism eventually negotiate the process.

A. Background

Both as part of contemporary international affairs and of the development of conceptual frameworks in the study of international relations since the end of the Cold War era, regional integration need to be observed as phenomena of policy processes, coordination and regimentation. Political economic comparative approach to the issue offers insights by which regional integration processes further explored. Occurrences in the context of European integration since the 1960s onward pose substantial body of comprehension to the processes. They indicate policy making and formulation processes in seemingly endless efforts to coordinate policies over exchanges of goods, services and people among member countries. They ultimately conclude the process by consenting regimentation on various political economic fields, ranging from trade, investment, immigration, to parliamentary decision making bodies.

Regional integration modeled after that of Europe is basically a prototype of policy coordination regime in economic affairs (international trade, investment, and production) as well as socio-political ones (employment, immigration, and various types of development cooperation) among member countries. Regimentation of policy coordination has been the main feature in regional economic cooperation in the cases of ASEAN AFTA and Latin America MERCOSUR since the early 1990s. Although the two cases have not yet reached a high level of political

coordination, recent trends however show strong tendencies toward deeper negotiations on how the integration processes need to be designed fully in terms of regional political accession. The endeavors of an East Asian Community/EAC (in the case of ASEAN+3) and South American Community of Nations/CSN (in the case of MERCOSUR++) demonstrate a robust willingness of extensive political commitment among leaders in each of respective region.

B. The Issues/Questions

The paper addresses, first of all, how political economic perspective acknowledges and develops theorization and conceptual framework on the subject of regional integration. Secondly, it traces the development of regionalization in European, East/Southeast Asian and Latin American context with specific reference to EU, AFTA/ASEAN+3, and MERCOSUR respectively. Finally, it endeavors to examine its consequences and implications to member countries' domestic and international political arena.

C. Theoretical Perspectives

Political economic explanations on the phenomenon of regional integration are quite diverse. Hurrell identify 3 (three) different clusters of this specific category of study:³ (1) the systemic theories, which emphasize the importance of the broader political and economic structures within which regionalist schemes are embedded, (2) the interdependent theories, which consist of neo-functionalism and neo-liberal institutionalism, and (3) the

³ Hurrell "Regionalism in Theoretical Perspectives" in Fawcett and Hurrell (1995).

domestic-level theories, which highlight interest-group politics and societal pressures over foreign economic policy.⁴ The paper considers this three-level categorization as essential foundation in order to comprehensively comprehend the dynamics of regional integration processes.

Early theorization and conceptualization of regional integration processes (that is empirically referred to European experience) could be traced back to the works of Ernst B. Haas⁵ and Bela Balassa.⁶ Haas portrayed the early unification processes of western European countries and their efforts prior to the establishment of ECSC (European Coal and Steel Community). He maintained that regional integration in the case of ECSC onward is a process, not a status, nor a normative belief. The process he believed as rested on perceptions of the interests of groups, individuals, governments involved in the effort. He therefore focused his analysis on the actors, their motives, ideologies and conduct by which steps towards integration are adopted.

⁴ The 3rd cluster underlines the distributive consequences of economic policies for domestic groups. Those groups suffering losses due to a particular policy or change in policy will oppose it, while those benefiting from the policy will support it. Various domestic groups thus will demand different policies. A government's policy choices often will reflect the underlying preferences of the strongest and best-organized interests within society. See also Mansfield & Milner (1997) for the discussion on this level of analysis, pp. 12-14 and Chapter 2 (by Stephan Haggard) "Regionalism in Asia and the Americas."

⁵ The most frequent cited work on this particular topic is Haas (1958) *The Uniting of Europe: Political, Social and Economic Forces (1950-57)* (Stanford: Stanford Univ. Press)

⁶ Balassa's efforts to theorize the phenomenon were compiled in his work: Balassa (1961) *Theory of Economic Integration* (Homewood, IL: RD Irwin)

Balassa's work is complementary to Haas in the sense that it is the economic integration that further fostered growth of the economies involved. Various dynamic factors contributing to the growth include large-scale economies for wider market, lessening uncertainty in intra-area trade, and faster rate of technological change. In the case of industrialized countries, like the European ones, Balassa maintains that economic integration would serve to avoid discrimination caused by trade-and-payments restrictions and increased state intervention, and it is designed to mitigate cyclical fluctuations and to increase the growth of national income.⁷ As for underdeveloped nations, he believes that considerations of economic development are of key importance in initiating and creating economic integration.⁸

Those initial arguments by Haas and Balassa then sparked the long-standing debate on the issues between the neo-functional theories (which are typically in line with Haas and Balassa) versus the inter-governmentalist theories (which offer counter-explanation to the phenomenon with Stanley Hoffman as the major figure).

Despite referred mainly to the works of Haas and Balassa, neo-functionalism is a novel synthesis of David Mitrany's theory of functionalism and Jean Monnet's pragmatic strategy of European integration. Mitrany's offer the view that international integration, i.e. the collective governance and 'material interdependence' between states, develops its own internal dynamic as states integrate in limited functional,

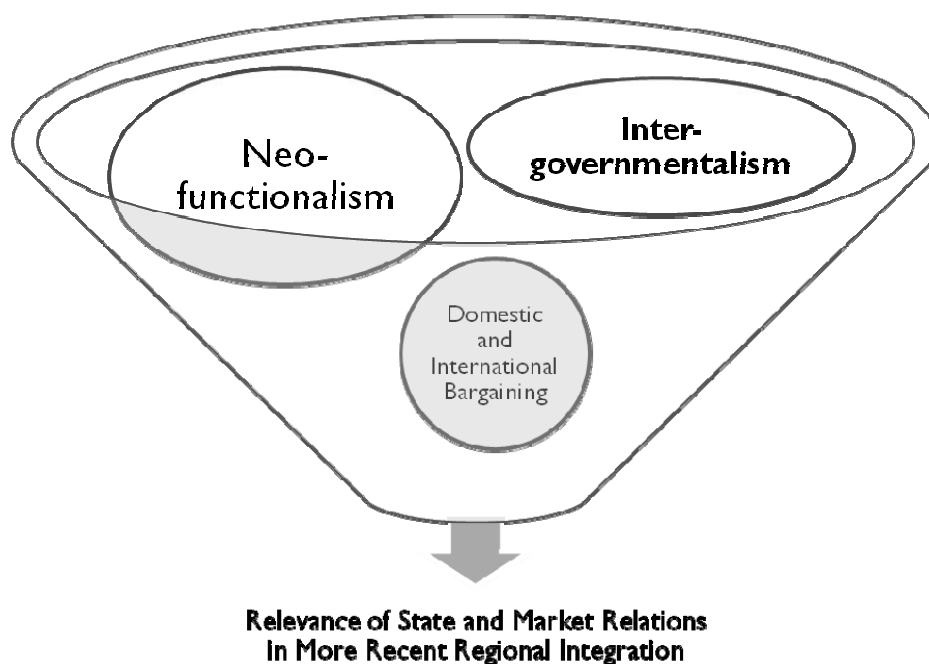
⁷ Balassa (1961) p.6

⁸ *Ibid.*

technical, and/or economic areas.⁹ Jean Monnet’s works (as the Secretary General of ECSC among others) meanwhile contribute to the establishment and actual operation of the modest association of ECSC. The neo-functionalists therefore consider that spill-over effects of functional activities among member states (begun in the ECSC era onward) would eventually generate integration of various economic and political activities. It however recognizes the importance of national states in the foundation of regional organizations. It furthermore emphasizes the roles of non-state actors: interest associations, social movements, and secretariats of the organization. Charles de Gaulle’s *realpolitik* backlash against integration during the 1960s marked the self-demise of neo-functionalism (as asserted by Haas himself). However, it was reborn following the 1980s easy agreement on scores of European integration treaties that finally lead to the full integration of Europe under EU-scheme.

Arguing against the spill-over effects explanation of neo-functionalism, inter-governmentalist theories –under their major figure of Stanley Hoffman— developed the approach in the mid of 1960s. Building on realist premises, it rejects the idea of neo-functionalism of loosely-designed and developed integration. Rather, it proposes the idea that integration is a convergence of national interests. Roles of domestic interests are significant in helping define national state preferences in the regional associations. National governments therefore control the level and speed of integration. According to these theories, the focus of regionalization is more on its major sets of inter-state bargains (especially inter-governmental conferences) and on the decision-making of the Councils of Ministers, rather than on the roles of the Commission, European Parliament, or societal actors.

D. An Alternative Approach?



⁹ David Mitrany (1943/1966) *A Working Peace System* (London/Chicago: RII/Quadrangle Books)

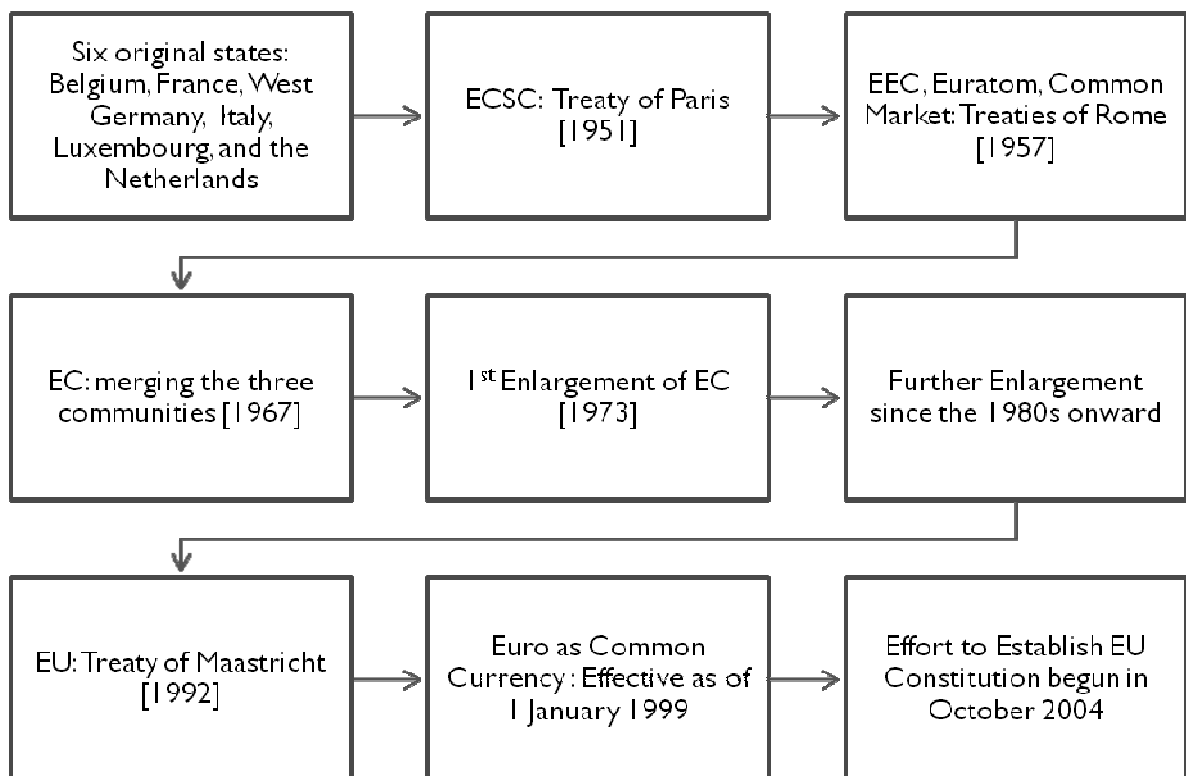
E. Hypothetical Statement

Alternative approach to recent phenomenon of regional integration elsewhere is needed here, i.e. to capture how transformation of ASEAN, AFTA, ASEAN+3 and finally EAC took place in the context of East/Southeast Asian regional integration efforts, and how MERCOSUR with its CMC body would eventually lead to association with other similar groupings in the area under the so-called CSN scheme. On these particular cases of East/Southeast Asian and Latin America, the nature of regionalization is neither fully functional nor fully inter-governmental. Rather, they have been deeply influenced by market and governmental forces designed mainly in the milieu of trade and economic liberalization.

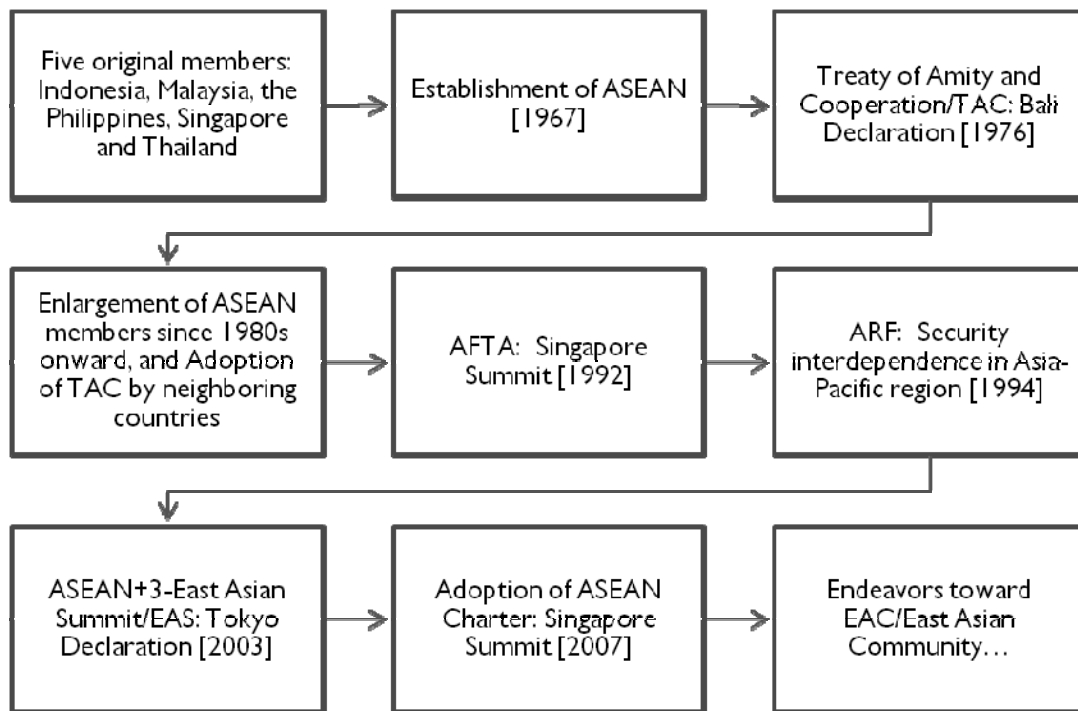
It is therefore crucial to apprehend nature of these forces relations –both at domestic and international levels— in acquiring any regional scheme negotiation, talks, and agreement. Hypothetical arguments to be developed here are that:

- 1) The nature of state-market relations on the case of ASEAN/EAC is likely to be more state-driven amidst its fast nature of integration processes; and
- 2) The nature of state-market relations on the case of MERCOSUR/CSN tends to be dominated by non-state and capitalist forces amidst its slow process of integration.

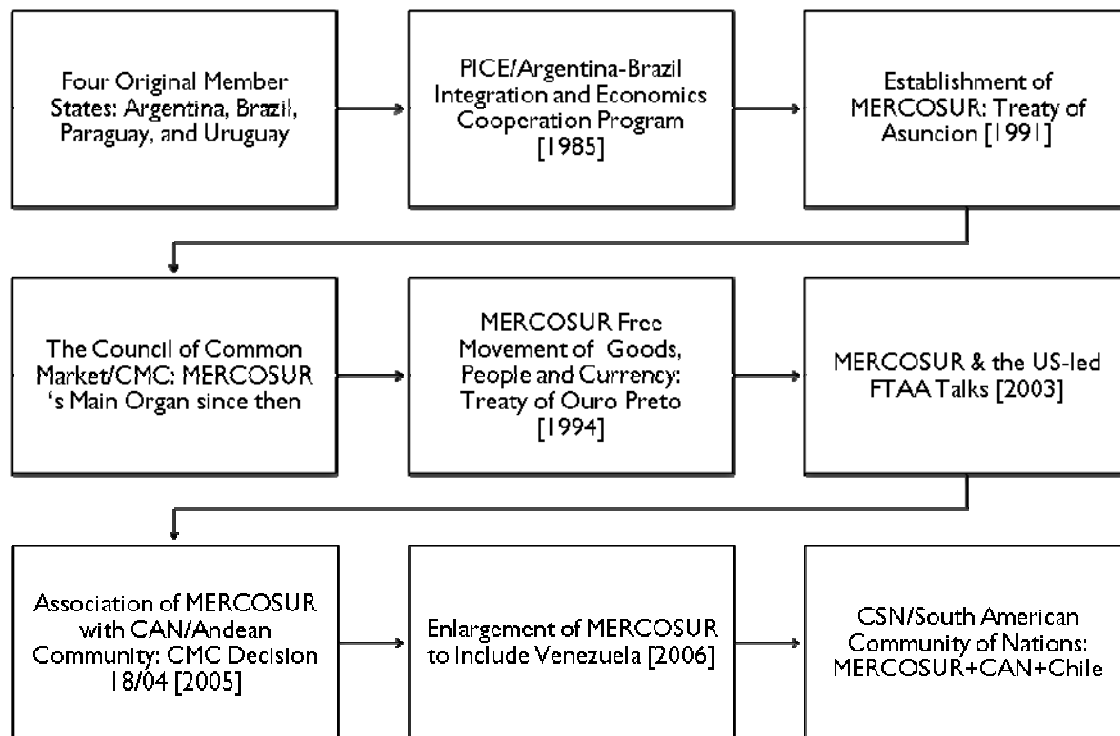
F. The Prototype: Europe



The #1 Hybrid: ASEAN+3/EAC



The #2 Hybrid: MERCOSUR++/CSN



G. Preliminary Assessment

Two breeds of analysis are proposed here. First is the type derived from the empirical encounters of that of East/Southeast Asian regionalism, and we shall call it as “State-Driven Regionalism.” Second is the Latin American sort of encounters when dealing with regionalism, and we shall call it as “Capitalist-Driven Regionalism.”

1. State-Driven Regionalism

The East/Southeast Asian case reflects an intense and constant involvement of state and governmental apparatus in pacting the regionalization arrangement. The early historical outlook of ASEAN formation is highly politicized. It is appropriately explained in terms of the Cold War era marking the ASEAN national governments commitment to ‘neutrality’, the term that is only nicely applied to the fields of diplomacy, but not to military, economy and political ones. Militarily-speaking, all of the five ASEAN founding countries are heavily depended and relied on the US/Western powers since their successes in crushing Communist and other socialist forces domestically in the late 1960s onward. ASEAN economy was since then designed as parallel to the interests of the US/Western governments and businesses. Politically, there is no room to maneuver for ASEAN governments beyond the US/Western model of developmental political regime –be it authoritarian, soft-authoritarian, semi-democratic, or democratic. Their East Asian counterparts –especially Japan and Korea, but also later China— shared similar historical backgrounds.

Accordingly, ASEAN arrangement

and its ensuing development in the fields of economy, politics and military is deeply influenced by intentions to keep on tracks of neutrality, economic development needs, political and military amity among neighbors (under the hegemonic power of the US), and non-interference conception on any domestic affairs. The intention would then have been manifested in the notion and practice of Treaty of Amity and Cooperation (TAC). The TAC paved the foundation of the so-called “ASEAN Way” as a principle in solving disputes among member countries. This has ultimately been the major landmark in the enlargement of ASEAN. The membership of Brunei Darussalam in the mid 1980s constructed the ASEAN-6 which then completed with the memberships of four additional Southeast Asian countries (Cambodia, Laos, Myanmar and Vietnam) in the 1990s to form the ASEAN-10. Inter-regional dialogues between ASEAN and its partners open the way to broader regional arrangement to include the ASEAN+3 (China, Japan and Korea) which is then peaked in the idea of EAC (East Asian Community).

ASEAN institutionalization processes demonstrate almost completely how the state and its governmental apparatus have taken substantial roles in decision-making that will eventually lead to regionalization processes. The most recent proposal of the ASEAN Community (which is idealistically designed as consisting of three main pillars of economic (AEC), socio-cultural (ASCC), and security (ASC) affairs) confirms the position of state as dominant and leading actor in realizing the idea of regionalism via ASEAN Community. The signing and adoption of ASEAN Charter highlights the final phase of institutionalization process

of ASEAN. Burdens and challenges ahead are apparent however. They –resulted for the most part from this type of state-driven regionalism— include questions on the basic principle of non-interference (as ASEAN shall confront with issues in human rights, liberal democratic practices, trafficking in persons, drugs, etc., environmental issues), on the application of economic regionalization processes under AFTA and other bilateral FTA schemes, and on the regional identity (i.e. whether they have the ability and capability to define themselves as East/Southeast Asianers).

2. Capitalist-Driven Regionalism

The Latin American case reproduces deep and continuous influence and operation of Western capitalist market in the area. The historical standpoint to the continent’s regionalization efforts illustrates the basic tenet of capitalist-induced processes. At its early stages of regionalization processes of MERCOSUR, all of the four founding members are in the middle of economic liberalization route –guided by and as a part of the IMF structural adjustment programs. Despite the apparent roles of governmental agencies in conducting the program and paving the way to regionalist liberalization scheme, forces of non-state actors are dominant in decisions leading to various regional agreements. In another case of regionalization which directly involved the US and Canada, NAFTA, involvement of business interests in the ensuing processes are evident as they demand liftings of regulations blocking free movement of capital and other modes of production in bordering areas of Maquiladora.

The arrangement of MERCOSUR furthermore is a response to the NAFTA and other capitalist-regionalization efforts in two meaningful senses. First is in the context of counter possibilities of protectionist measures. And second is in the framework to capture under-absorbed and spill-over capitals and investment ready to pour to the area. Organizational structure of MERCOSUR which puts trade (and other economic) negotiations under the establishment of CMC as its main focus demonstrate emphasize more on economic affairs than on conventional political ones. It reflects the idea of having more liberalized borders in terms of goods, services, people exchanges. It reversely discards the idea of having agreements on diplomatic wrangles as for example demonstrated in the case of whether MERCOSUR should be incorporated to and be part of Bolivarian-type regionalization scheme currently under aspired by Venezuelan’s President Hugo Chavez.

Challenges ahead for this specific type of capitalist-driven regionalism could be resulted from unequal exchanges among member countries and international players involved. This could lead to traditional political cleavages and struggles –between factions in favor of more liberal type of policies and factions in favor of more nationalist, independent, populist political agenda— which have been key characteristic of domestic Latin American politics. Democratic regimentation and transitional era to democracy however is the main arena of those kinds of political contestation nowadays, even in countries like Venezuela and Bolivia where socialist-type democracy spurred massively. Countries of MERCOSUR all have been experiencing the contestation during

the last two decades with quite an ease, signaling positive and more optimistic assessment of how the political system could coop with such a situation. Brazil and Argentina have particularly been dealing with those traditional political struggles with a result of productive discussion of how domestic economic policies could respond creatively to international pressures.

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