

# **Interregionalism and International Relations**

**Edited by Heiner Hänggi,  
Ralf Roloff and Jürgen Rüländ**

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# Interregionalism and International Relations

Over the last two decades, globalization and regionalization have led to the emergence of an increasingly differentiated multi-level system of global governance. One characteristic of this system is the growing level of interaction among regional organizations and groups of states, and these interregional relations constitute a novelty in international relations, one that varies greatly in form, in function and also in level of institutionalization.

*Interregionalism and International Relations* is the first attempt to summarize the state of the art in this rich new field of international relations research. It provides a comprehensive, theory-guided introduction into the numerous facets of this new phenomenon. Following a theoretical explanation and a typology of interregional relations, subsequent parts of the book examine key interactions between major world regions such as Asia and America, Asia and Europe, America and Europe, and Africa and Europe. This book also presents comparative analyses and borderline cases that transcend the standard manifestations of interregionalism.

With high-level contributors noted for their expertise in international relations and interregionalism, this volume will appeal to scholars of political science, diplomats and those with an interest in global and regional diplomacy.

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*Ralf Roloff and Jürgen Rüland*

# **Interregionalism and International Relations**

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# Preface

Though scarcely noticed by the wider public, the number of institutionalized relations between world regions has rapidly grown over the past two decades. Today, interregionalism has become an important feature in international relations and one that has attracted the attention of scholars and practitioners alike. The study of interregionalism promises new insights into how international institution-building affects the emergence of a multilayered system of global governance. Yet, research on this subject is still in its infancy and therefore lacks a systematic framework. It is against this background that the editors of this volume launched a research project on “Interregionalism in International Politics” in 2001. The project brought together a group of scholars from different parts of the world, but with a shared interest in this novel field of international relations research. They were all asked to prepare studies on specific interregional relationships, which were presented and discussed at an international conference held in Freiburg, Germany, from January 31 to February 1, 2002. Jointly hosted by the Arnold-Bergstraesser-Institut and the Department of Political Science at the University of Freiburg, this conference was a first attempt to bring scholars of interregional relations together, for empirical stock-taking and theoretical reflection. The Freiburg conference was a most stimulating and beneficial exercise which triggered an intensive process of additional research and substantive redrafting. The process, which proved to be more time consuming than initially anticipated, resulted in the publication of this volume. It is hoped that this volume will contribute to a better understanding of the phenomenon of interregionalism, both empirically and theoretically, and provide a basis for further research on the topic.

This project could not have been successfully carried out to completion without the efforts of a number of people. In particular, we wish to express our deep gratitude to the Volkswagen Foundation, Hannover, Germany, for funding the Freiburg conference. We would also like to sincerely thank all those who contributed in one way or another to the organization of the Freiburg conference – Angela Herrmann, Petra Bauerle and Dr. Michael Radseck (Arnold-Bergstraesser-Institut),

Dr. Heribert Saldik, Jürgen Müller, M.A., Franziska Scheuble, M.A., Julia Rohe, M.A., Ingo Geisel, M.A., and Stefan Rother, M.A. (Department of Political Science, University of Freiburg) – as well as those who have provided invaluable administrative and editorial assistance during the course of this project – Ursula Böhme, Christoph Fenner, M.A., Astrid Fritz, M.A., David Frogier de Ponlevoy, M.A., Désirée Kleiner, M.A., Benjamin Köhler, Annette Pölking, M.A. and in particular to Kerstin Priwitzer, Helga Aichele, M.A. and Stefan Rother, M.A. (Department of Political Science, University of Freiburg) as well as to Wendy Robinson (Geneva Centre for the Democratic Control of Armed Forces). We are indebted to Heidi Bagtazo of Routledge who steered us through the publication process with both patience and encouragement and to two anonymous reviewers for their thoughtful suggestions which found their way into the volume. Last but not least, we would like to express our special gratitude to the contributors to this book who did a wonderful job in meeting the great many demands the editors made on them.

*Heiner Hänggi, Ralf Roloff and Jürgen Rüland*

# Abbreviations

ABAC	APEC Business Advisory Council
ABC	American Broadcasting Company
ABC	ASEAN Brussels Committee
ACP	Africa, Caribbean and Pacific states
ADB	Asian Development Bank
AEBF	Asia–Europe Business Forum
AEMM	ASEAN–EU Ministerial Meeting
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIP	ASEAN industrial projects
ALCSA	South American Free Trade Association
AMF	Asian Monetary Fund
AMM	ASEAN Ministerial Meeting
ANZSCEP	Agreement between New Zealand and Singapore on a Closer Economic Partnership
APEC	Asia-Pacific Economic Cooperation
APIAN	APEC International Assessment Network
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEF	Asia–Europe Foundation
ASEM	Asia–Europe Meeting
ASLAF	Asia–Latin America Forum
AWEPA	Association of West European Parliamentarians for Africa
BIS	Bank of International Settlements
BLNS	Botswana, Lesotho, Namibia and Swaziland
BLS	Botswana, Lesotho and Swaziland
CACM	Central American Common Market
CAN	Comunidad Andina (Andean Community)
CAP	Common Agricultural Policy
CARICOM	Caribbean Community Common Market
CARIFTA	Caribbean Free Trade Association
CBI	Cross-Border Initiative

CEEC	Central Europe and Eastern Europe Countries
CEPT	Common Effective Preferential Tariff
CER	Australia–New Zealand Closer Economic Relations Agreement
CFSP	Common Foreign and Security Policy
COE	Council of Europe
COMESA	Common Market of Eastern and Southern Africa
CRFTA	Cross Regional Free Trade Agreement
CSCE	Conference for Security and Cooperation in Europe
CUSFTA	Canada–United States Free Trade Agreement
EAC	East African Community
EAEC	East Asian Economic Caucus
EAEG	East Asia Economic Grouping
EAI	Enterprise for the Americas Initiative
EALAC	East Asia–Latin American Cooperation
EALAF	East Asia–Latin America Forum
EAPC	Euro-Atlantic Partnership Council
EAS	East Asian Summit
EBA	“Everything but Arms”
EBIC	European Business Information Centers
EC	European Community
ECIP	EC Investment Partners Programme
ECO	Economic Cooperation Organization
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EFEX	European Financial Expertise Network
EFTA	European Free Trade Association
EIB	European Investment Bank
EMIFCA	Interregional Framework for Cooperation Agreement
EMS	European Monetary System
EOI	Export-oriented industrialization
EPA	Economic Partnership Agreement
EPG	Eminent Persons Group
EU	European Union
EU–ACP	EU–Africa–Caribbean–Pacific
EU–LAC	EU–Latin America Cooperation
EVSL	Early Voluntary Sectoral Liberalization
FDI	Foreign direct investment
FEALAC	Forum for East Asia–Latin America Cooperation
FIC	Forum Island Countries
FICCI	Federation of India Chambers of Commerce and Industry
FSAP	Financial Sector Assessment Program
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
G7/8	Group of Seven/Eight

G8	Group of Eight
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution strategy
GSP	Generalized Systems of Preferences
HDI	Human Development Index
HLTF	High Level Task Force
IAP	Individual Action Plan
ICT	Information Communication Technology
IFIOR	International Forum for the Indian Ocean Region
IMF	International Monetary Fund
INGO	International non-governmental organization
IOC	Indian Ocean Commission
IOMAC	Indian Ocean Marine Affairs Cooperation Council
IORAG	Indian Ocean Rim Academic Group
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IORBC	Indian Ocean Rim Business Centre
IORBF	Indian Ocean Rim Business Forum
IORCBN	Indian Ocean Rim Consultative Business Network
IORF	Indian Ocean Rim Forum
IORI	Indian Ocean Rim Initiative
IORN	Indian Ocean Research Network
IORNET	Indian Ocean Rim Network
IPAP	Investment Promotion Action Plan
IPE	International political economy
IPR	Intellectual Property Rights.
IRCC	Inter Regional Coordination Committee
ISEAS	Institute of South East Asian Studies
ISI	Import-substitution industrialization
ITA	Information Technology Agreement
JCC	Joint Cooperation Committee
JSC	Joint Steering Committee
JSEPA	Japan-Singapore Economic Partnership Agreement
KBE	Knowledge-Based Economy
KEDO	Korean Energy Development Organization
KFOR	Kosovo Forces
LAC	Latin America and the Caribbean
LDC	Least Developed Country
LTCM	Long-Term Capital Management hedge fund
LTTE	Liberation Tigers of Tamil Eelam
M&A	Merger and acquisition
MEI	Multilateral Economic Institutions
MERCOSUR	Mercado Comun del Sur
MFN	Most Favored Nation

MITI	Ministry of International Trade and Industry
MNC	Multinational Corporation
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NCAER	National Council of Applied Economic Research
NEA	Northeast Asia
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
NIC	Newly Industrializing Country
NIE	Newly-Industrializing Economy
NTA	New Transatlantic Agenda
OAS	Organization of American States
OAU	Organization of African Unity
OCT	Overseas Countries and Territories
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OPDS	Organization for Politics, Defense and Security
OSCE	Organization for Security and Cooperation in Europe
P-5	Pacific-5
PCB	Printed circuit board
PECC	Pacific Economic Cooperation Council
PMC	Post Ministerial Conference (ASEAN)
PT	Partido dos Trabalhadores (Workers Party)
PTA	Preferential Trade Area
R&D	Research and development
RDP	Reconstruction and Development Program
REPA	Regional Economic Partnership Agreement
ROO	Rules of Origin
ROSC	Reports on Observance of Standards and Codes
S&T	Science and Technology
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Co-ordination Conference
SAFTA	South American Free Trade Area
SARS	Severe acute respiratory syndrome
SCCAN	Special Coordinating Committee of ASEAN Nations
SDI	Spacial Development Initiative
SEA	Single European Act
SEATO	Southeast Asia Treaty Organization
SEFTA	South African-European Union Free Trade Area
SICA	Central American Integration System
SME	Small, Medium-sized Enterprise
SOM	Senior Officials Meeting

SOMTI	Senior Officials Meeting on Trade and Investment
SPS	Sanitary-Phytosanitary Standards
STABEX	Export stabilization scheme
STAR	Secure Trade in the APEC Region
TAFTA	Transatlantic Free Trade Area
TDCA	Trade, Development and Cooperation Agreement
TEP	Transatlantic Economic Partnership
TFAP	Trade Facilitation Action Plan
TILF	Trade and Investment Liberalization and Facilitation
TNC	Transnational Corporations
TPA	Trade Promotion Authority
TPAP	Trade Promotion Action Plan
TPE	Triadic political economy
TRIPS	Agreement on Trade-Related Intellectual Property Rights
UAE	United Arab Emirates
UDROP	Universal Debt-Rollover Options with a Penalty
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USTR	United States Trade Representative
WEU	Western European Union
WGTI	Working Group on Trade and Investment
WHFTA	Western Hemisphere Free Trade Area
WTO	World Trade Organization



# **Part I**

# **Introduction**



# 1 Interregionalism

## A new phenomenon in international relations

*Heiner Hänggi, Ralf Roloff and Jürgen Rüland*

APEC, ASEM, FEALAC, EU-LAC, IOR-ARC, FTAA – all of these are more recent additions to the bewildering world of acronyms which has become a hallmark of international relations. Many of them are little known to the wider public and even the media tend to restrict their attention to the colorful photo sessions of the extensive summitry that go hand in hand with these new international forums. But what is somewhat obscured by unfamiliar acronyms – institutionalized relations between world regions, i.e. interregionalism – has become a new phenomenon in international relations and one that may even become a new layer in an increasingly differentiated global order. The fairly recent phenomenon of interregionalism has begun to arouse the interest of scholars and has given rise to a new field of studies in international relations. Given the novelty of the field, it does not come as a surprise that the views which have been offered so far on the nature of interregionalism run the gamut from “Much sound and fury about nothing” to “A building block in an emerging multi-layered system of global governance.” Against this background, the volume at hand attempts to review and structure the scholarly discourse by taking stock of both empirical facts observed and theoretical explanations offered on the phenomenon of interregionalism. This introductory chapter traces the emergence of the phenomenon and discusses the state of research on interregionalism. It concludes with an overview describing how this volume is organized.

### **From regionalism to interregionalism**

One of the major changes affecting international relations in the 1980s and 1990s was a resurgence of international regionalism. After the first wave of regional organizations in the 1950s and 1960s, the 1980s and 1990s saw a second wave of regional institution-building. Unlike in the first wave, when regional organizations primarily emerged in Europe and Latin America, in the second wave they proliferated all over the world, even in regions which hitherto were known as “regions without regionalism” such as the Asia-Pacific. The 1980s and 1990s were not only decades

of newly emerging regional organizations such as the South Asian Association of Regional Cooperation (SAARC), the North American Free Trade Agreement (NAFTA), or the Mercado Comun del Sur (MERCOSUR), but also saw a deepening and widening of older regional organizations such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) and a rejuvenation of moribund groupings such as the Andean Group. It was thus hardly an exaggeration when Walt W. Rostow spoke of the “Coming Age of Regionalism” (Rostow 1990). The “New Regionalism” (Palmer 1991; Hettne/Söderbaum 1999) of the late twentieth century was facilitated by a marked regionalization of international economic relations (Borrmann 1995): No less than fifty of the altogether 126 regional trade agreements registered by the World Trade Organization (WTO) were formed in the 1990s.

Regionalism and regionalization are now universal phenomena. Regionalization defines a trade-driven, bottom-up process (Gilson 2002a) of intensifying interactions and transactions of private economic and other non-state actors, especially business firms, which leads to increased interdependencies between geographically adjacent states, societies and economies. Externally, it is characterized by a relative decline of interdependencies (Roloff 1998: 72). Regionalization thus not only produces trade diverting and trade creating effects, as outlined in Viner’s classical economic integration theory (Viner 1950), but also creates or diverts interdependencies. Following the widely accepted definition of Keohane and Nye, we speak of interdependence when interactions cause mutual costs (Keohane/Nye 1977).

Regionalism, on the other hand, is a conscious policy of nation states for the management of regionalization and a broad array of security and economic challenges originating from outside of the region. Regionalism may thus adopt both proactive as well as defensive dimensions (Gilson 2002a: 6). The institutional form it takes ranges from informal inter-state cooperation to regime-building and the formation of intergovernmental and/or supranational institutions. As regionalism is usually imposed on societies and economies, it represents a much more top-down process than regionalization.

By “region” we mean a geographical area consisting of independent states which pursue shared economic, social and political values and objectives (Yalem 1965). We thus leave behind older definitions which perceived regions as natural entities, with geographical contiguity as the chief or even only criteria for “regionness” (Hettne/Söderbaum 1999). While we do not intend to dismiss geography as a factor in region-building, we nevertheless argue that region-building is a more complex process. As pointed out by Daase, regions are not static, but rather the result of processes and hence dynamic entities (Daase 1993). Nation states respond to both domestic and external impulses which define and re-define their interests towards regional cooperation. Moreover, region-

building also has a functional dimension, with regions differing according to the functions they are supposed to perform. In other words, regional organizations that are formed for security purposes may not be congruent in terms of membership, organizational structure and cooperation principles with those created for the purpose of economic cooperation. This means that international regions are constructed socially and politically (Katzenstein 1996), a fact that has major repercussions on their collective identity (Daase 1993; Higgott 1994; Hänggi 1997). However, the idea that the constructivist perspective entails a certain degree of contingency of what constitutes a region should not be overlooked. This problem is reflected in the literature, and also by some of the articles contained in this volume. Can Asia-Pacific Economic Cooperation (APEC), by applying a constructivist concept of regionness, be considered a region or is it a transregional forum? And what about the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) which seems to defy all existing definitions of inter- and transregionalism? But then, is it a region? Thinking it is, however, also does not constitute a persuasive proposition as from a certain size on, when a region covers a whole continent or an ocean rim, the concept becomes tenuous.

Initial disagreement among scholars as to what extent regionalization/regionalism and/or globalization/globalism constitute building blocks of the emerging post-Cold War international order has now given way to the view that regionalization and globalization, regionalism and globalism are not mutually exclusive but rather complementary processes (Wyatt-Walter 1995; Schirm 1997c; Roloff 1998, 2001; Hettne/Söderbaum 1999). Regionalization has been interpreted as a preceding phase of global economic, political and social denationalization and transcending borders (Ohmae 1995), making it, in effect, a catalyst for globalization. Regionalism is also a response of nation states to the border crossing pathologies of globalization and the intensifying economic competition for markets, capital and technologies. Growing transactions and interdependencies create problems across the borders in areas such as transportation, custom procedures, tax administration, mobility of persons and environment, to name but a few. As these problems transcend the regulatory reach of nation states, thus eroding the former congruence between social action and political boundaries (Zürn 1998), nation states have an incentive to build mechanisms and institutions that allow them to manage regionalization in a coordinated and cooperative manner.

But states also form or strengthen regional organizations when they are exposed to external challenges related to economic and security governance. The European single market and progress towards monetary union, the formation of APEC, the creation of NAFTA and the looming collapse of the Uruguay Round of trade liberalization talks under the auspices of the General Agreement on Tariffs and Trade (GATT) had indeed set in motion or accelerated regional institution-building elsewhere in the

world, such as the creation of an ASEAN Free Trade Area (AFTA) or the formation of MERCOSUR. Moreover, through the pooling of resources and sovereignty, states (and especially the smaller ones) hope to contain the disruptive and disquieting forces of globalization, to increase their bargaining power in global multilateral forums such as the WTO, the International Monetary Fund (IMF) or the numerous United Nations (UN) world conferences and to curtail the growing influence of transnational actors such as international non-governmental organizations (INGOs) and transnational corporations (TNCs).

With the proliferation of regional cooperative arrangements, regional organizations began to develop their own external relations, in other words gradually became actors in their own right in international relations. Although some regional organizations such as the EU and ASEAN developed regular group-to-group relations as early as the 1970s, the number and intensity of interregional dialogues increased markedly in the 1990s. In addition, with the so-called transregional forums new forms of interregional cooperation emerged which in the case of the APEC and the Asia–Europe Meeting (ASEM) even developed (modest) actorness capacities of their own, i.e. the capacity to perform certain functions which are usually attributed to actors in international relations. Some authors, in analogy to the new regionalism, therefore also speak of a “new” interregionalism (see Hänggi, chapter 3).

These inter- and transregional forums may thus be considered a novelty in international relations. They seem to have contributed to a marked differentiation of international relations, constituting components of a fledgling multi-layered system of global governance. The most elaborate and intensive inter- and transregional dialogues linked the so-called Triad regions, the leading regions in the world economy, namely North America, Europe and East Asia (Northeast and Southeast Asia). In the meantime, more such forums have emerged, linking the Triad with non-Triadic regions and connecting regions at the periphery of the Triad with each other.

### **Interregionalism as an object of study**

Research on inter- and transregionalism is still in its infancy. Comprehensive monographic studies are few, with most of the literature appearing in the form of short articles in journals and edited volumes. Until now, most studies have mainly concentrated on the inter- and transregional forums in the Triad, with the most attention being paid to ASEAN–EU dialogue relations (Dahm/Harbrecht 1988; Dreis-Lampen 1998; Dent 1999a), ASEM (Camroux/Lechery 1996; Rüländ 1996a; CAEC 1997; Hänggi 1999; Stokhof/Van der Velde 1999, 2001; Gilson 2002a, b; Yeo 2003; Pereira 2003; Bersick 1999a, 2004; Löwen 2004; Doidge 2004), APEC (Dieter 1994; Hellmann/Pyle 1997; Aggarwal/Morrison 1998; Ravenhill

2001; Rüländ *et al.* 2002) and the Transatlantic cooperation (Kahler/Link 1995; Thiel 1997; Roloff 2001; Kupchan 2002a, b), though the latter two relationships were usually not explicitly discussed as inter- or transregional dialogues. Outside the Triad, EU–MERCOSUR relations have attracted most scholarly interest (Müller-Brandeck-Bocquet 2000; Diedrichs 2003; Faust 2003). Otherwise, little is known about interregionalism transcending the Triad. The pioneering volume edited by Geoffrey Edwards and Elfriede Regelsberger on the so-called group-to-group relations of the EU at least examines the links of a Triadic player with non-Triadic regional groupings (Edwards/Regelsberger 1990). Research on interregionalism thus reflects at an institutional level the frequently deplored fact that globalization is an uneven process, restricted to an increasing density and intensification of political, social and economic interactions within the Organization for Economic Cooperation and Development (OECD) world and a few newly industrializing countries, while marginalizing large parts of the global South (Hirst/Thompson 1996). Indeed, it has been noted that the phenomenon of “unevenness” applies to interregionalism itself (Hänggi 1999: 67–69).

Most existing studies have so far failed to contribute to a better understanding of this new layer of international relations. The majority of them are descriptive and policy-oriented in an often narrow and at times even anecdotal way. Theoretical explanations, albeit rare, have been primarily deductive, at times even speculative, and mostly lacking sufficient empirical evidence. Whilst running the risk of simplifying matters, we view existing research on interregionalism as covering five major issues, summarized below.

### *The form of interregional relationships*

Scholars studying interregional relationships have been puzzled by the multiplicity of appearances of these phenomena, rendering their classification difficult. The least controversial relationships in this respect are the group-to-group dialogues established by the EU with at present more than a dozen partner organizations. Other regional organizations such as ASEAN, MERCOSUR, the Andean Group, the Gulf Cooperation Council (GCC) or the Southern African Development Community (SADC) have also initiated such group-to-group relationships, but contacts in many cases have been ad hoc-ist, intermittent and noncommittal, giving rise to the question of in what way these contacts have achieved some regularity and, hence, at least a modicum of institutionalization. More difficult to classify are forums such as ASEM, APEC and the IOR–ARC which have developed some actor capacities of their own but whose members are, strictly speaking, not regional groups but individual nation states. In all cases, regional groups are not fully represented in them; yet regional groupings to varying degrees – formally or informally – coordinate their

interests in these forums, which in some cases (APEC, IOR–ARC) have even developed their own organizational roof in the form of secretariats. Alternative concepts proposed for them include “mega-regionalism” (Yamamoto 1996), “transregionalism” (Aggarwal 1998; Rüländ 1999a, 2001a, 2002a; Köllner 2000), “transcontinentalism” (Roloff 2001), “intercontinentalism” (Hilpold 1996) or “pan-regionalism” (Gilson 2002a: 97, 177). A third category is continental summits such as the Europe–Africa and the Europe–Latin America summits, while dialogues between regional groupings and large powers such as between the EU and the United States may constitute a further category of interregionalism (see chapter 3).

### *Institutionalization*

Another concern of studies on interregional relationships has been the latter’s degree of institutionalization. As a novel phenomenon in international relations, they were interpreted by most authors as derivatives of the new regionalism which is distinguished by more recent research from the old regionalism of the 1950s and 1960s. While the old regionalism was seen as being characterized by “thick” or “deep” institutionalization, homogeneity of membership, a penchant for protectionist trade policies, “positive” integration (i.e. integration strengthening regulatory capacities of the state) and selective supranationalism, the new regionalism was categorized as an “open regionalism” (Garnaut 1996). Relatively open co-operation mechanisms were regarded as an adequate answer to the increasingly complex interdependencies of international relations and the world economy (Hettne/Söderbaum 1999: 7). Newly formed regional organizations were thus characterized by flexible and informal structures, shallow and lean institutionalization, intergovernmentalism and adherence to the principle of non-interference in the affairs of member states. They are more heterogeneous in membership, consisting of industrialized as well as developing countries and including multiple memberships of nation states in regional organizations (Bowles 1997). More than in the case of old regionalism, they are vehicles of promoting free trade and, hence, pursuing a strategy of “negative” integration, i.e. integration which aims at dismantling state intervention in the economy (Scharpf 1999).

The member states of newly formed regional organizations, the majority of which are developing countries, were particularly keen to transfer these institutional characteristics to their interregional relationships. They usually opted for a consultative forum, avoiding binding decisions and the high governance costs (Lake 1999) usually associated with an elaborate organizational set-up. The extent of the repercussions on the effectiveness and efficiency of interregional relationships is an open question which needs more systematic study.

Closely related to the issue of institutionalization is the question of the “actorness” capacities of the regional groupings involved in interregional

relations. While research has been carried out on the actorness of the EU, highlighting a number of characteristics such as “presence,” “autonomy” and “coherence” (Sjöstedt 1977; Allen/Smith 1991, 1998; Hill 1993; Bretherton/Vogler 1999b; Doidge 2004), little of the same exists for other regional organizations. Yet, it is clear that newly formed regional organizations are much less cohesive than the EU. What such asymmetries mean for interregional cooperation also needs closer scrutiny (see Weiland, chapter 12).

While interregional relations have grown in the 1980s and 1990s, it would be wrong to assume that they reflect a linear trend of institutionalization in international relations. On the contrary, their evolution and institutionalization is prone to reversals, as illustrated by the Asian currency crisis of 1997/1998 which became the litmus test for regionalism in Southeast Asia and, as a corollary, for interregional relations in the Pacific Rim and between Asia and Europe. The Asian currency crisis – and to a lesser extent the Brazilian and Argentinian crises as well – have amply exemplified the limited crisis management capacities of the new regionalism (Chun 1998; Funston 1999; Wesley 1999; Acharya 1999), an assessment which – shared by most authors – has nevertheless led to contradictory conclusions in the literature (see Dieter and Higgott, chapter 15). Nevertheless, most observers agree that one of the outcomes of the Asian financial crisis was an institutional atrophy in two of the three interregional relationships within the Triad, i.e. ASEM and APEC (Rüland 2000, 2002a, b).

### *Cultures of cooperation and collective identity-building*

While some of the literature on the new regionalism seemed to relate the institutional format of newly formed regional organizations and, by coincidence, interregional relationships, to functional prerogatives associated with globalization, there are studies which attribute the loose structure of these institutions to certain cultural properties of the member states. Although such an argumentation is always endangered by the pitfalls of cultural essentialism, studies have shown that regions may indeed develop a specific culture of cooperation which is derived from the imagined and widely shared cultural predispositions and behavioral norms in a given region (Rüland 1995, 1996b; Acharya 2001; Johnston 1998; Busse 1999; Gilson 2002a). Where they have been meeting, distinct regional cultures of cooperation have also spurred collective identity-building. As argued by Gilson, in East Asia interregional interaction with the EU has sharpened regional identities (Gilson 1998, 2002a). The latter are mental representations of historical legacies of contacts between Europe and Asia which sunk into the collective memory of Asians. Preponderant among these legacies are the perceived humiliations of colonialism and the asymmetries of a predominantly donor–recipient relationship in the early

post-independence period. More recently, however, economic success paired with growing political self-confidence resulted in the formation of an East Asian identity stressing emancipation from the former colonial masters. This emancipation became embodied in Asian cultural relativism which rejected European universalism as cultural homogenization and Westernization. The Asian values hypothesis and its surrogate in international relations – the “Asian way” – even enabled East Asians to develop their own flavor of “soft power” (Nye 2002) and some modest capacity to influence global standard-setting processes (Hänggi 2002). Its trademark is norms such as personalism, pragmatism, flexibility, informality, consensual decision-making, lean institutionalization, intergovernmentalism and the noninterference principle. That East Asians have been able to impose these norms and standards of interaction on APEC and, perhaps to an even greater extent, on ASEM, is testimony of their – at the time – heightened stature in world politics. Where regional organizations relying on “hard law” interact with those subscribing to “soft law,” the question arises as to the nature of the effects that varying cultures of cooperation have on inter- and transregional dialogue forums, their scope of action and their problem-solving capacities.

Yet, the ASEM process suggests that inter- and transregional cooperation may also cause reverse pressures of adaptation. As ASEM unfolded, the Asian side came under increasing pressure by the well-oiled coordination machinery of the EU. In order to increase their own efficacy in this dialogue, East Asians were somehow forced to develop their own mechanisms of coordination (Soesastro/Nutall 1997). As in the case of MERCOSUR and SADC, the EU has thus worked as an “external federator.” Gilson (1998, 2002a) and Hänggi (1998, 2003) have termed these two-way processes “regionalism through interregionalism.”

### *Theoretical approaches*

A convincing theory of interregionalism is still outstanding. As far as theoretically guided studies exist, they reflect a general trend of the more recent theoretical discourse in international relations research: The divergence of neorealist and (neoliberal) institutionalist arguments (Baldwin 1993) and the search for new approaches bridging and transcending the realism–liberalism paradigm. This divergence corresponds with the growing insight that international relations are neither driven entirely by power nor exclusively by cooperative motivations. They are thus more adequately characterized as a complex mix of policies informed by neorealist and institutionalist principles. The variations of this mix are dependent on context as well as cognitive factors, i.e. how previous interactions and historical experiences and the resultant role expectations have shaped actor perceptions.

In his comprehensive study on interregional relations within the Triad

(Roloff 2001), Roloff approaches the subject from a systemic perspective by combining the structural or neorealist approach to international relations (Waltz 1979) with interdependence theory (Keohane/Nye 1977). Roloff was thus able to show that interregional relations are the result of cooperative behavior of actors and the result of (institutional) balancing. Economic globalization created new competitive pressures to which nation states respond with regional cooperation. The emerging regional blocs, however, are characterized by (economic) power disequilibria, to which regional organizations seek to adjust by (institutional) balancing. It is this management of interdependence and polarization through balancing and bandwagoning which in the first place give rise to the emergence of flexible interregional structures of cooperation (Maull 1997; Maull/Tanaka 1997; Roloff 1998, 2001; Rüländ 1999a; Hänggi 1999). Link has termed these processes “cooperative balancing” (Link 1998). Recent attempts to classify transregional forums such as ASEM and APEC as meta-regimes (Aggarwal 1993; Yeo 2003) and regimes (Bersick 2004) are also driven by the desire to combine the advantages of realist and liberal institutionalist approaches.

Some authors have also invoked a constructivist logic in order to explain the phenomenon of interregionalism, particularly in the context of ASEM and APEC (Gilson 2002a; see also chapter 14). Gilson, for example, argues that interregional relations are not so much driven by the balancing games inside the Triad but rather the interactions of regions per se which transcends them into “reflexive agents that both constitute and are constituted by their interregional interaction and their ongoing ‘externalization’ within this form” (Gilson 2002a: 12).

Some theoretical reflection has also been devoted to the functions of inter- and transregional relationships. Five such functions have been proposed by Rüländ: (1) balancing, (2) institution-building, (3) rationalizing the decision-making in global multilateral forums, (4) agenda-setting and (5) collective identity-building (Rüländ 1999a, 2001a). *Balancing* refers to the fact that the major players of the Triad utilize inter- and transregional forums as institutional devices for maintaining an equilibrium among themselves and of peripheral players for adjusting to the dynamics of the Triad. *Institution-building* means that inter- and transregional forums contribute to the diversification of the international system by adding an additional layer of institutions. As interregional interactions create a greater need for intraregional coordination, they may also enhance the institutional cohesion of regional organizations. *Rationalizing* acknowledges the fact that multilateral global forums have to contend with an increasingly complex and technical nature of policy matters and a growing number of actors, often representing diverse interests. In the light of the resultant agonizingly slow pace of decision-making of global forums, inter- and transregional relations may thus disaggregate decision-making and, by serving as clearing houses for global forums, streamline the overburdened agenda

of global organizations. Closely related to the rationalizing function are the *agenda-setting* functions of inter- and transregional forums. The latter provide convenient platforms for building broad-based coalitions for introducing new themes into global forums. Finally, the legacies of previous interactions, the dynamics of current inter- and transregional interactions and the ensuing need for greater regional cohesion may spur collective *identity-building* and thus strengthen regionness. Yet, as these functions are more theoretically deduced than empirically substantiated, they are the object of controversial debate (see chapters 7, 14 and 19).

The emergence of inter- and transregional forums has further been linked to the proliferating globalization literature which has developed several models of global governance (Rosenau/Czempiel 1992; Messner/Nuscheler 1996; Prakash 1999; Hettne/Söderbaum 1999; Rüländ 1996a, 1999b, 2002a, b). Inter- and transregional relations are portrayed here as part of a multi-layered system of global governance which is vertically differentiated into global multilateral forums, inter- and transregional forums, regional cooperation arrangements, subregional transborder structures and bilateral national interactions. Horizontally it is differentiated by a vast array of sectoral international regimes covering specific policy fields (Rüländ 1996a, 2002b). This pattern of global governance becomes even more complex if we add to it the cross-cutting networks of non-state actors which increasingly become part of global, regional and interregional dialogue forums and to which Reinecke refers as “horizontal subsidiarity” (Reinecke 1998).

A political economy approach is pursued by Robles in his studies on EU–ASEAN development cooperation. Robles’s analyses unveil the EU’s development cooperation with ASEAN as being far from altruistic; it is more of an asymmetric, interest-driven policy strengthening Europe’s economic foothold in Asia in which the EU gains more than ASEAN (Robles 2004).

### ***Policy orientation***

Apart from the aforementioned issues, the overwhelming majority of studies on interregionalism are policy-oriented and descriptive. Such studies mainly review the results of ministerial meetings and summits and speculate about their impact on international security and economic cooperation, in some cases even offering advice for further political action. Others discuss ways to overcome the cultural divide between regions (Stokhof 1999) and strategies towards fostering better understanding at the civil society level, including the role of non-governmental organizations (NGOs) and harnessing more democracy in these forums (Bersick 1999b). Some of these contributions have been authored by officials directly involved in these dialogues as participants (Ong 1996; Pou Serradell 1996; Westerlund 1999; Stranzel 2002; Reiterer 2002). More

often than not these studies may lack distance from their subject and may be caught in the trappings of diplomatic rhetoric, often legitimizing the institutional status quo and thus unwittingly foreclosing the options to turn these dialogues into more advanced tools of global governance, as is proposed in Dent's concept of "multilateral utility" for global governance (see chapter 7). Certainly, it would be wrong and presumptuous to dismiss these studies as worthless. The more elaborate ones at least provide interesting factual insights, the empirical "flesh" from which theoretically inspired studies must draw.

### About this volume

The chapters of this volume can certainly not claim to remedy the gaps and shortcomings of this novel field of international relations research. Yet, it is an attempt to summarize the state of the art and to build a platform for further research. In so far, the volume is an effort at a first empirical stock-taking of interregionalism in its various shades, an attempt to draw some theoretical conclusions and to identify questions for further research. Authors, who in their majority have previously been involved in the study of interregionalism or are renowned regional experts, have been presented with two overriding questions:

- Which *forms* of interregional relations can be distinguished? What degree of institutionalization characterizes them? Are they marked by "hard" or by "soft" institutionalization? and
- Which *functions* do inter- and transregional forums exert? Are they exhibiting all or some of the five functions enumerated above? If they perform such functions, how effective and efficient are they in performing them?

Other questions addressed in the contributions to the volume may be summarized as follows:

- What global and intraregional factors gave rise to the emergence of inter- and transregional forums? What catalysts are supporting the formation of inter- and transregional forums? What barriers are blocking their evolution?
- Do inter- and transregional forums differ in terms of intensity of interaction? What are the reasons for variations in the intensity of interactions? How do regional organizations interact? Are there major differences in terms of actorness of component regional organizations?
- How do inter- and transregional relations respond to crises and external shocks (i.e. the Asian financial crisis, Brazilian and Argentinean crises, etc.)? What kind of crisis-management capabilities do they

exhibit? How is their stability and cohesion affected by crises? Is there variance according to the type of interregionalism?

- To what extent are interregional relations contributing to a system of global governance that transcends the “loose set of cross-national policy patchworks” (Reinecke 1998: 10) by avoiding overlapping arrangements, developing a global division of labor and creating nodal points in a multilevel system of international relations?
- Are there differences between inter- and transregional relations outside the Triad and those within the Triad in terms of structure, functions, intensity of interaction and performance?

The answers to the questions listed above that the contributors have put forward reflect the multifaceted nature of interregional forums, the novelty of these phenomena and, consequently, still tentative scholarly approaches. These answers are far from uniform, sometimes even contradictory, making the volume a true forum for academic debate.

This brings us to the organization of this volume. Following this introduction, Part II seeks to outline a theoretical and conceptual framework for the study of interregionalism, providing a systemic explanation of interregional relations (chapter 2) and proposing a typology of interregionalism (chapter 3). Part III consists of case studies of interregional relations between major world regions such as Asia–America (chapters 4 and 5), Asia–Europe (chapters 6 and 7), America–Europe (chapters 8, 9, 10 and 11) and Africa–Europe relations (chapters 12 and 13). Part IV is composed of comparative analyses and borderline cases which seem to transcend the commonly accepted manifestations of inter- and transregionalism (chapters 14, 15, 16, 17 and 18). The volume concludes in Part V with an attempt at summarizing and evaluating the findings of the previous chapters and by providing a basis for further research on the topic (chapter 19).

## **Part II**

# **The concept of interregional relations**



## 2 Interregionalism in theoretical perspective

### State of the art

*Ralf Roloff*

#### Introduction

The number of interregional links between world regions or regional groupings is growing. The European Union (EU) is enlarging its interregional relations as well as most other existing regional groupings. Interregional summit meetings are big events with high publicity in the calendar of international conference diplomacy. The objective of this chapter is to offer an explanation why interregionalism has risen in the 1990s, what are the conditions under which interregionalism has appeared, and what are the preconditions and the limitations for successful interregional relations. Related to globalization and new regionalism interregionalism has become an important feature in international politics during the last decade. What does it mean to international politics? A fresh look at the subject offers three alternatives.

First, we are witnessing the emergence of “rival regionalism” (Scherpenberg/Thiel 1998) and the creation of regional blocks where interregional cooperation is used as an instrument to balance the dominance of other regional groupings. A large number of volumes about regionalism in world politics published at the beginning of the 1990s underline this argument (Gibb/Michalak 1994; Stubbs/Underhill 1994; Cable/Henderson 1994; Fawcett/Hurrell 1995). Regionalization of world politics, characterized as the “coming age of regionalism” (Rostow 1990), was seen as opposed to globalization. In this view interregionalism is important because it is an instrument of “cooperative competition” (Link 1998) between world regions and the leading powers of the regions.

Second, we are witnessing the emergence of an interregional concert within the Triad composed of the EU, North America and East Asia and the efforts of the other regions to cooperate with the world’s leading economic and political regions. Globalization and regionalization shape the new international system (Rotte 1996; Schirm 1999; Hettne *et al.* 1999; Roloff 1998). They create a system of complex interdependencies and of a cooperative competition between international regions and their leading powers. The management of complex interdependencies and an

equilibrium of power and interdependencies between the three leading regions demand for concerted action by the regions, their leading powers and economic actors (Roloff 1998, 2002).

Third, we are witnessing the occurrence of an interregional interlocking trap, which may lead to an institutional overstretch in the emerging global governance. Global governance emerges as a multi-layered system. It is composed of multilateral, transnational, global, continental, regional, interregional, national and subregional levels which are overlapping, interrelated and interconnected and which are in a state of competition, complementarity and subsidiarity (Rüland 1996a; Hilpold 1996; Löwen 2004). In such an international network regions are building a society of regions instead of a mere system of regions as it occurs under the conditions of multipolarity and rival regionalism (Kohler-Koch 1995). The interlocking of the different levels can thus lead to an interregional interlocking trap (Scharpf 1985), where the institutional overstretch ends up in political paralysis and ineffective interregional structures (Roloff 2001).

Is the emergence of a growing number of similar political institutions evidence of an important and relevant phenomenon of international politics? A closer look at the poor performance of interregional forums such as the Asia–Europe Meeting (ASEM) and the Asia-Pacific Economic Cooperation (APEC) during the Asian currency crisis underlines the relevance of the question. Increasing proliferation of international institutions can result in an ineffective and even counterproductive institutional overstretch: much ado about nothing – to use Shakespeare’s words. In other words: Is quantity equivalent to a qualitative change in international politics? Does the network of interregional relations change the structure of the international system? Is interregionalism of relevance for the international system? Is there a noteworthy change in cooperative relations through the emergence of interregionalism?

To cut a long story short: Does interregionalism matter? If so, how does it matter and why does it matter? These are the questions that have to be answered concerning interregionalism, intercontinentalism, transregionalism or however we categorize the relations between international regions.

The subject of interregionalism, which is here defined as a process of widening and deepening political, economic, and societal interactions between international regions (Roloff 2001:20), is not entirely new. Already in the 1960s and early 1970s, a period which is also known as the first wave of regionalism, the question of external factors for regional integration and cooperation was discussed (Nye 1968a). During the Cold War, under the conditions of bipolarity, the European Community (EC) started a set of group-to-group dialogues (Edwards/Regelsberger 1990) which scholars began to analyze empirically and theoretically from the 1990s onward. However, lacking systematic analysis, interregionalism at the time was of interest for international relations theory only as a by-

product or a special case of regionalism and of integration theory (Zimmerling 1991). With the decline of regionalism in the 1970s and 1980s interest in the impact external factors have on integration subsided. However, after the end of bipolarity, new regional organizations proliferated in many parts of the world, generating much scholarly interest in this “new” or “open” regionalism. As, more than before, these regional organizations began to interact, interregionalism became a matter of fact. Obviously, interregionalism seems to be a variable or a function of regionalism.

With a view to the format of interregionalism, international relations theory has to answer the following question: Why did nation states create or reinforce interregional instruments which are weakly institutionalized and legally non-binding? Why do they create this kind of cooperative instrument under the conditions of globalization and regionalization and under the conditions of growing competition between states (Cerny 1990) in the international economy? What does it tell us about the role of the state as an international actor in the international system? Michalak suggested that “contrary to some commentators who insist that nation states are becoming increasingly irrelevant (...), the political and economic interests of nation states allied into regional blocs are the principal factors reconstructing the international economic environment. The state has a strong and historical role in structuring trade activity” (Michalak 1994: 65). Wolf supported the argument of the increasing relevance of nation states in multi-level games of international bargaining (Wolf 2000). The increasing international cooperation, he argues, leads to a loss of democratic control in global governance because governments use the logic of the two-level game to reinvigorate their position in international negotiations as well as in national decision-making processes (Putnam 1988).

As explained by Edwards, “whatever the assumptions made, group-to-group relations [and I add: interregionalism; RR] can raise interesting and highly relevant questions about the nature of international relations and not least about the role of the state in the international system” (Edwards/Regelsberger 1990: 211). In so far, interregionalism matters as a subject of international relations and of international relations theory as well.

In this chapter I will explore interregionalism from a systemic perspective. I am following an outside-in perspective (Neumann 1994; Roloff 2001) for answering the question if, how and why interregionalism matters to international politics.

The international system that evolved since the end of the Cold War has four characteristics:

- the supremacy of the United States;
- the process of globalization, which includes the processes of transnationalization and transnational threats and challenges such as

international terrorism, organized crime, trafficking of small arms, proliferation of weapons of mass destruction, irregular migration, etc. (to name but a few);

- the process of regionalization; and
- the fragmentation of political order and the failure of states.

I shall argue that interregionalism is a phenomenon linked to the twin processes of globalization and regionalization. Globalization and regionalization present a twofold external challenge to states. They respond to this challenge by strengthening regionalism and building interregional institutions. Based on this assumption, I will present a set of six theses which I first developed in a research project entitled “*Europe, America and Asia between Globalization and Regionalization*” (Roloff 2001) in order to explain the emergence and performance of interregionalism. It rests on a combination of structural realist, political economy and neoliberal institutionalist approaches, and draws from recent studies on international trade negotiations and integration research on the EU.

### **Dealing with interregionalism: three approaches**

With the resurgence of international regionalism in the 1990s the academic debate about regionalism has been revitalized. Much emphasis has been placed on the relationship between globalization and regionalization. Unfortunately, at this early stage of the debate, the impact of growing regionalism on the relationship between regions has not been discussed. The question of cooperative or confrontative relations among regions (Link 1998) was discussed more or less as a question of building or stumbling blocs for multilateralism. Interregionalism offered the chance to bring together the debates on regionalism, regionalization and globalization, and of the restructuring of the international system after the Cold War (Rotte 1996; Link 1998; Roloff 1998; Fawcett/Hurrell 1995).

Interregionalism can, similar to regionalism, be examined from an outside-in perspective and an inside-out perspective (Neumann 1994: 53ff). Outside-in approaches focus on external factors or on geopolitics and systemic factors. Inside-out approaches concentrate on internal factors and cultural integration. Typical inside-out approaches of regionalism are Deutsch’s concept of a security community and Etzioni’s integration theory. Deutsch argues that cultural interaction can become so intense that a region eventually forms a security community (Deutsch 1957). Etzioni explains the existence of regions and regional institutional cooperation by focusing on common cultural “background variables” (Etzioni 1965). Most of the research on interregionalism starts from an inside-out perspective and is interested much more and sometimes exclusively in the effects of interregionalism on regional systems and on the “new regionalism” in world politics. The thesis of “regionalism through

interregionalism” (Gilson 1998, 2002a; Hänggi 1998, 2003) for explaining recent developments of an emerging regional identity and a regional cohesion in East Asia is a good example of this approach. Rüländ’s work on the political and sociocultural factors of cooperation and integration in Asia-Pacific (Rüländ 1996b) is another example.

The regional inside-out perspective seems to be the most widespread approach in the existing literature on interregionalism. How does interregionalism affect regional integration and/or cooperation processes? This line of research follows the argument of Zimmerling that external factors are relevant for regional integration and regional cooperation (Zimmerling 1991). Interregionalism is seen as one possible explanatory variable for the emergence of the “new regionalism.” Another explanatory variable is globalization (Schirm 1999). The guiding question then is: How does interregionalism affect regionalism? How does it affect regionalization, regional awareness and identity, regional inter-state cooperation, state-promoted regional economic integration and regional cohesion (Hurrell 1995b: 334)? Research on interregionalism is thus a part of regional integration theory. It provides deeper insights into the processes of regional integration but less on the regionalization of world politics and the impact of regionalization and interregionalism on international politics.

To answer questions on the performance of interregionalism, Jacobs recently proposed an analytical framework using systems theory. It provides a set of variables which combine international, interregional, regional and domestic levels of analysis (Jacobs 2001). Although his work concentrates on European–Arab cooperation, it is nevertheless useful for other interregional structures as well. Jacobs identified eight variables or factors which are of importance for the performance of interregionalism:

- distribution of power in the *international* system;
- distribution of power in the *interregional* system;
- distribution of power in the *regional systems* which are part of an interregional system;
- *domestic politics* in the nation states which are parts of a regional system;
- divergence in interests and positions between regions and nations;
- differences in perception of relevant actors;
- distribution of gains of cooperation;
- institutionalization.

Jacobs’ interregional approach helps us to analyze the performance and format of interregional cooperation. But his analytical framework understates the external challenges to interregional institutions. It is still unclear how interregional cooperation affects the international system. The distribution of power is by no means the only aspect shaping the international

system. There are other relevant elements to add: changes in specification of functions of differentiated units, and changes in the ordering principle of the system (Roloff 1998). Transnational globalization and regionalization are processes which reshape the structure of the international system and thus affect interregional cooperation (Roloff 1998). What Jacobs explains very convincingly is how interregional cooperation affects regional and national systems and vice versa. Yet, he understates the interrelation between the global and the interregional level of the international system.

Hurrell identified three levels in regionalism research: a systemic, a regional and a domestic level. What Hurrell identified for regionalism is, *mutatis mutandi*, the case for interregionalism: interregionalism can be examined as a matter of the international system (Roloff 1998, 2001), as a matter of interregional systems (Jacobs 1998, 2001) and as a matter of regionalism (Edwards/Regelsberger 1990; Hänggi 1999; Rüländ 1996a). Both lines of reasoning are in a positive sense reductionist by focusing on one level of analysis without neglecting the importance of the others (Roloff 2001: 74). Of importance is how these three levels are interrelated (Hurrell 1995b: 357ff.): (1) concentration on one level; (2) interaction of the levels; (3) phased stage-approach, i.e. in different phases of regional integration different approaches explain the development. Theoretically the most ambitious is the second. The third one may be the most promising in explaining regional developments. A concentration on the systemic level can explain a few important things: it explains the structural changes in international politics and the international factors that drive regionalization and interregionalism in world politics (Roloff 2001: 74), which are understated in inward-out approaches.

### **A systemic approach to interregionalism**

The Asian currency crisis of 1997/1998 led to a paralysis of two important interregional fora in the Triad: APEC and ASEM. This provokes questions such as *cui bono*? What is the value of interregionalism in international relations? What does interregionalism add to an emerging multi-layered system of “global governance” and what does it add to the management of “complex interdependence” (Keohane/Nye 1989)? How does it affect power structures in international relations?

These are the questions of importance in a systemic perspective and they suggest that interregionalism calls for an approach of paradigmatic complementarity (Link 1989; Edwards/Regelsberger 1990; Hurrell 1995b; Roloff 1998, 2001) for explaining the emergence and the performance of interregionalism. The impact of interregionalism on the international power structure brings in the realist point of view. How interregional institution-building affects the international system as an incipient system of “global governance” adds the perspective from institutionalism. The

impact of interregionalism on the management of complex interdependence links the debate to political economy issues. Of less importance from an outside-in perspective is the effect of interregionalism on processes of regional and interregional community building or epistemic community building (Haas 1990; Hänggi 1998, 2003). This approach, which adds the constructivist paradigm (Wendt 1995) to the interregionalism debate, is of course not irrelevant. An approach which combines different paradigms can explain much more convincingly the obviously competing perspectives of interregionalism: Does it constitute rival regionalism, an interregional concert or an interregional interlocking trap?

### ***Interregionalism between globalization and regionalization***

The systemic explanation starts from two observations: First, that the world economy is tripolar (Roloff 2001: 80ff.). The three leading regions – North America, EU–Europe and East Asia – are involved into a highly competitive “race into the twenty-first century” (Seitz 1998) and they are integrated into a dense network of complex interdependence. Second, a cooperative interregionalism between the leading regions of the world economy has appeared in the 1990s. Its three pillars are APEC, the New Transatlantic Agenda (NTA), and ASEM, engaging the three leading regions in a cooperative balance, including all relevant regional powers and bringing in transnational actors (Roloff 1998, 2001). Yet, it is an imbalanced triangle.

What are the conditions and limitations of such an interregionalism? Is it an accidental development in international politics or is it a strategic instrument? To answer these questions, one may refer to the fact that globalization and regionalization have produced a multipolar and plurilateral structure in international politics. Such a flexible order demands from the nation states an orientation toward a logic of balance of power and a logic of complex interdependencies.

Globalization produces a plurilateral structure of international relations. International politics is gradually approximating a system of global governance characterized by pragmatic and flexible international cooperation and competition on different levels – regional, interregional, bi- and multilateral. States and transnational actors are building coalitions flexibly and pragmatically. This is what Susan Strange called “triangular diplomacy” (Strange 1996). Nation states have to be fit for such a transgovernmentalism (Slaughter 1997). Accordingly, the concept of national sovereignty has to be reconsidered. Under the conditions of globalization, states must be able to develop a modern concept of sovereignty. This means a willingness for pooling sovereignty, and a willingness to cooperate supranationally, transnationally and multilaterally (Reinecke 1998).

States are strategically placed in this multi-layered system of global governance as central decision-makers and moderators. They are not

withering away and they do not lose control, as partly suggested by the globalization literature (Ohmae 1995; Beck 1997). They rather exercise control in a changing environment, and they exercise it smartly. The logic of the two-level game strengthens their position in international negotiations as well as in national decision-making processes. This is what Wolf called the “new *raison d'état*” (Wolf 2000).

Interregional cooperation is thus in danger of being rubbed between the different levels of such a multi-layered system of global governance. Interregionalism is embedded into a network of subsidiarity, complementarity and rivalry between the different layers of global governance. Interregionalism is entangled in an interregional interlocking trap.

Globalization has stimulated regionalization in international politics (Schirm 1997a, c). The creation of open regional blocs has led to a tripolar structure in international politics. The tripolarization necessitates concertation and balancing of the regions. If concertation and balancing of the regions fails, a rival regionalism will appear that facilitates confrontation as the dominant pattern of interregional relations. Interregionalism thus is oriented toward a concert of regions. The logic of a balance of power underlying the concert of regions does not mean a confrontation but a cooperative competition of regions.

From an outward-in perspective there are two complementary logics at work: The logic of complex interdependence and the logic of balance of power. A systemic approach that follows only one of these two logics is misleading in explaining the emergence and performance of interregionalism. A more promising approach is one that combines neorealist and political-economy perspectives of international relations theory. It is able to explain the emergence of interregionalism as a deliberate response of nation states to the external challenges of globalization and regionalization (Roloff 1998).

Globalization and regionalization pose a twofold external challenge to nation states. They respond to it by strengthening regionalism (Wyatt-Walter 1995) and by establishing interregional cooperation. Globalization creates pressure for the nation states. States have to perform in a highly uncertain and competitive environment. Complex interdependencies are growing rapidly. They build a dense network of international and transnational relations. States try to improve their position in the global competition by enforcing regional cooperation (Schirm 1999). Regional cooperation leads to a regionalization of the globalized world. The trend toward regionalization in the world economy of the 1990s is evident in trade and direct investment (Roloff 2001: 84ff.). States react to the trend toward regionalization by counterbalancing regional asymmetries. Widening or deepening of regional cooperation increases the competitive advantages of the states. This explains the dramatic increase of regional agreements in the 1990s, when more than half of all existing regional agreements were notified to the General Agreement on Tariffs and Trade

(GATT), respectively the World Trade Organization (WTO). A protectionist and closed regionalism is not an adequate response to the increase of complex interdependencies. The newly created regional interdependencies are economically not as beneficial as the classical theory of custom unions assumes (Viner 1950). Therefore, regional cooperation structures are still open. This is why some observers called “open regionalism” an “anti-regionalism” (Arndt 1993). The management of interdependence and the polarization by regional balance of power lead to the creation of flexible interregional structures of cooperation. Transnational actors are involved in these structures to balance the shift of power from states to markets (Strange 1996).

To further elucidate the relation between globalization and regionalization, and between regionalism and interregionalism, I will subsequently present six theses and illustrate them with empirical evidence from interregionalism in the Triad.

### ***Six theses why interregionalism matters***

*Thesis I: globalization and regionalization are external challenges to nation states. Nation states respond twofold to the twofold challenge: By regionalism and interregionalism with transnational elements.*

The basic assumption of this thesis is that both globalization and regionalization are driving forces of the same importance for interregionalism. Empirical evidence, however, shows that in contrast to the assumption globalization is a considerably greater challenge. Especially in the Asia-Pacific and in the transatlantic view, globalization contributed to a considerably greater extent to interregionalism than regionalization. In fact, APEC was in the first place a response to the seemingly collapsing multilateral trade liberalization negotiations under the Uruguay Round of GATT. Second, APEC was designed to prevent the rise of discriminatory regionalism. APEC can thus be interpreted as an effort to strengthen multilateralism by interregional cooperation. Open regionalism and interregional cooperation in the Asia-Pacific region thus served as a springboard to multilateralism.

Transatlantic interregionalism also depends more on globalization than on regionalization. However, interregional cooperation between North America and Europe is a special case because the transatlantic area is the core of the economic globalization process that revolves around the Organization for Economic Cooperation and Development (OECD).

Initially, European–Asian interregionalism was directed toward globalization and regionalization in the same way. Although initially the motive to create the missing link in the interregional triangle might have been predominant, strengthening multilateralism under the auspices of WTO soon began to override the idea of interregional trade liberalization.

To sum up: Globalization and regionalization are external challenges of different priority. Globalization is the dominant external challenge, regionalization is a second-rate external challenge.

*Thesis II: the trigger of interregionalism is regionalism, not regionalization. Globalization serves as a catalyst for interregionalism. If states build regional cooperation or integration structures as a result of external and internal challenges, they will develop – under the conditions of globalization – forms of cooperative competition, especially interregional forms.*

In the initial phase, all interregional structures in the Triad were directed against a regional or interregional challenge: APEC against the European single market and the idea of the North American Free Trade Agreement (NAFTA); the NTA against APEC – from the Europeans' point of view. It should balance the impact of North American regionalism in NAFTA and the deepening of European integration since the Maastricht Treaty. ASEM is a device to balance APEC and NAFTA. For the Europeans the ASEM project gained high priority after APEC even refused to grant the EU observer status. The Asian side in ASEM seeks by interregionalism to prevent a decoupling from developments in Europe's integration process.

In all cases interregionalism is strongly oriented toward complementarity and subsidiarity of overlapping zones of integration and to a lesser degree toward a multipolar interregional concert of powers. Consequently the danger of an interregional interlocking trap of national, subnational, regional, interregional and multilateral structures is much more realistic than the danger of confrontative interregionalism based on interregional and regional shifts in the balance of power.

Regionalization is a variable of secondary importance to interregionalism. The orientation toward the logic of balance of power is closely connected with the orientation toward vertical subsidiarity. Nation states try to prevent any discriminatory effects of regionalism by using interregional structures. Interregionalism is a defensive strategy. It seeks to balance regionalism and multilateralism. Hence, regionalism is a negative stimulator for interregional cooperation.

*Thesis III: the higher the interdependence between regions, the more intense is the interregional cooperation. An increasing level of interdependence increases the potential for confrontation especially in the case of asymmetrical interdependencies.*

The level of interdependence between the regions of the Triad varies. The highest degree of interdependence in the realm of trade and direct investment exists between North America and Europe. Asia-Pacific is also highly interdependent. However, compared to the transatlantic rim, interdependence in Asia-Pacific differs in quality. Interregional trade is much higher than foreign direct investment. The degree of interdependence in

Asian–European relations is not very high compared to the other two interregional arrangements. Increasing the interregional interdependence while at the same time transforming the asymmetries in interdependence to a more symmetric relationship has been an underlying idea of ASEM. Following that line of argument, it is no surprise that intensity and scope of interregional cooperation in the Triad differs according to the degree of interdependence. Despite its economic bias, the NTA is much broader than APEC and ASEM. In contrast to studies diagnosing a deepening rift between America and Europe in recent years (Kupchan 2002a, b; Kagan 2003) and the developments since the Iraq campaign, with its transatlantic acrimonies, the dense network of political, security and societal relations across the Atlantic distinguishes transatlantic interregionalism from other interregional relationships. APEC and ASEM are a far cry from this broad and dense network of interregional relations.

The degree of interdependencies can have some impact on the way in which trade disputes are resolved in interregional and multilateral fora. McCall Smith recently showed that economic asymmetries and the depth of cooperation structures are responsible for the way in which trading partners resolve their conflicts. Binding legal mechanisms are unlikely where asymmetry is high or integration is shallow (McCall Smith 2000). His analysis is based on empirical research about nearly sixty regional agreements. Confrontation or cooperation in interregional relations depends on the degree of economic interdependence and on the degree of institutionalization of interregional cooperation. The thesis on the relevance of interdependence for interregionalism has to be connected to the institutionalization of interregionalism.

*Thesis IV: the shape of interregionalism depends on the shape of regional structures that form an interregional system.*

Interregionalism depends on internal factors as well as on external factors. Jacobs verified this hypothesis very convincingly for European–Arab cooperation (Jacobs 2001). My own analysis of the NTA showed that the critical point of cooperation between North America and the EU has been the internal structure and the internal decision-making process of the EU (Roloff 2001). Where the EU has been able to act as a unified actor, progress in interregional cooperation has been made. Where the EU was unable to act in a coordinated manner, interregional cooperation failed. Interregionalism strengthens regional cohesion and regional identity: institutionalism matters for interregionalism (Gilson 1998, 2002a; Hånggi 1998, 2003). The results of recent research on the relevance of institutional design for political outcomes must be included in the analysis of interregionalism. Meunier showed how the EU's mandate for trade negotiations determines the outcomes of such negotiations with the United States (Meunier 2000). The institutional restrictions which often

derive from the internal power struggles of member states are relevant for interregional cooperation as well.

*Thesis V: the shape of interregionalism depends on the shape of competing inter-regional and regional systems/structures, which are perceived as external challenges or threats. Interregionalism thus follows the logic of balancing, and it has the character of a “strategic alliance.”*

We have already discussed the aspect of balancing in the context of the second thesis. Of importance here is the fact that the “strategic alliances” are defensive. They are directed toward defending multilateralism. The interregional balance of power serves the re-arrangement of the poles within the Triad and of the balance between regionalism and multilateralism. This function, in both directions, can be found in all three inter-regionalisms in the Triad and it underlines the importance of inter-regional structures in the global governance. A proactive interregional cooperation of North America and Europe could dominate the international political economy. Stuart Eizenstat, the former US ambassador to the EU, believes that the rest of the world would listen if these two regions cooperate. The formation of APEC as a strategic alliance put the EU under pressure and eventually ended the Uruguay Round. ASEM also has the potential of “multilateral utility” (see chapter 7). ASEM may function as a corrective or balancer against US predomination in international relations. The common position of ASEM ministers of environment to keep the Kyoto Protocol intact in January 2002 is a case in point.

It is obvious that the logic of complex interdependence and the logic of balance of power are interrelated, as I will explain and illustrate in thesis VI.

*Thesis VI: the relative balance of power between the leading regions in world politics promotes interregional cooperation. More specifically, symmetries in the balance of power tends to facilitate interregional cooperation. The balance of interdependencies between the leading regions impact on interregional cooperation as well. More specifically, symmetries in interdependence promote interregional cooperation because the perception of the states is that gains of cooperation seem to be symmetrical.*

Interregionalism in the Triad during the 1990s has been cooperative. A relative balance of power between the three leading regions seemed to have been established. In other words: The effort to prevent a regional dominance by interregional arrangements seemed to be successful. Since the formation of ASEM the regions of the Triad are involved in an inter-regional concert. The interregional balance was dramatically shaken by the Asian currency crisis. APEC and ASEM were paralyzed and a shift from cooperative to confrontative interregionalism became more than a hypothetical worst-case scenario. The interregional concert fell into a “stand-by

modus.” Global multilateral and minilateral fora were of greater importance for crisis management. Interregionalism did not pass the litmus test as a crisis manager. The shift to multilateralism and China’s accession to WTO on the one hand, and an emerging freetrade bilateralism on the other (Dent 2003; Desker 2004) make APEC and ASEM less important. But these changes may not rule out that in the future interregionalism can regain its function as a clearing house for disputes. Confrontation or cooperation depends on how states perceive the distribution of the gains from cooperation.

The balance of power is closely linked to the balance of interdependence. This is relevant for all interregional arrangements. A shift to asymmetrical balances tends to confrontative interregional relations. Symmetrical balances tend to faster cooperation.

## **Conclusion**

Matter of fact, or much ado about nothing? Accidental by-product, or instrument of strategic relevance in the emerging plurilateral and multipolar international order? Does interregionalism matter to international politics, and if so, how? From a systemic perspective the answer is very short – by quoting the title of a poem from German lyric Gottfried Benn: “Teils-teils” – “partly partly.” It is still unclear whether interregionalism will tilt toward rival regionalism, interregional concert or an interregional interlocking trap. But we can identify the conditions and limitations for the shift from cooperative to confrontative interregionalism.

Interregionalism is a dependent variable in international politics. Shape and performance depend highly on the development of globalization and regionalization. Interregional cooperation or confrontation is closely interrelated to the development of interdependence and the distribution of power between international regions. In so far the future perspectives of interregionalism depend on the interests of nation states to adapt the interregional relations to the tension of interlocking and polarization emerging from globalization and regionalization.

A further emergence and performance of overlapping zones of integration demands interregional management of blocs (Hilpold 1996), and makes it more difficult at the same time. The processes of globalization and regionalization result in a structure composed of multipolarity, bipolarity and entanglement. In order to avoid inherent conflicts, concertation among the leading powers of international regions is a necessary, albeit not a sufficient, precondition.

The division into head and body nations, to use Rosecrance’s distinction (Rosecrance 1996), as a result of the comparative advantages of nations following the Heckscher–Ohlin theory can result in a new international fault line. The uneven participation in globalization is another hotbed for international conflict.

Interregionalism needs to be adapted to changing distributions of power in international regions and between international regions. Bringing isolated regional powers into interregional cooperation is important. It is important both to the interregional arrangements, and to the Group of Eight (G8). Integrating emerging economic powers and regional powers is necessary for coordination, rationalization and conflict prevention in the international political economy. If interregionalism fails to take account of the changing international power structure it will become irrelevant to international politics. Exercises of community-building between different international regions would be fruitless. An ever higher degree of economic interdependence would produce permanent tensions related to the international power structure. The economic bias of the existing interregional arrangements makes interregionalism a link between regionalism and multilateralism. The concepts of open regionalism with their anti-regionalist components connected with interregional structures could not promote smoothly complementarity and subsidiarity of overlapping zones of integration. The function of interregionalism is to ensure the willingness of competing regions to cooperate multilaterally.

Interregionalism is faced with the dilemma of stumbling into an interregional interlocking trap, or running out of business. Under the given conditions concertation of the regional powers could give a possible way out of the dilemma. It promises to benefit by both regionalism and multilateralism.

Sufficient interregional sanction capabilities will promote cooperative interregional structures and thus support the multilateral system. A multi-layered system of global governance consisting of national, regional, interregional and multilateral levels demands a stable interregional concert.

This gives interregionalism a strategic relevance in international relations that can be preserved only if the actors take into account three aspects:

- first, keeping the leading international regions in a cooperative balance;
- second, keeping all leading regional powers and actors in interregional structures; and
- third, keeping transnational actors in interregional structures.

The consolidation of the interregional concert decides, first, whether interregionalism tilts toward interregional interlocking traps or toward rival regionalism, and, second, whether interregionalism degenerates into an institutional by-product in international relations or becomes an indispensable instrument to manage the cooperative competition of regions. The question – matter of fact or much ado about nothing? – is still open.

### 3 Interregionalism as a multifaceted phenomenon

#### In search of a typology

*Heiner Hänggi*

#### Introduction

Interregionalism is not an entirely new phenomenon in international politics. However, since the early 1990s the number of institutionalized relations between regional organizations as well as among groups of states from two or more regions<sup>1</sup> has entered a remarkable period of growth. At present, almost all regions and subregions engage in some sort of institutionalized interregional activities. Chronologically, the proliferation of interregional relations began after the end of the Cold War period, with its causal factors seeming to have been the major forces at work in restructuring the post-Cold War international system: globalization and regionalization, both primarily economic processes which tend to undermine the political control of nation states and limit their policy choices. According to Roloff (1998, 2001), globalization and regionalization constitute external challenges, which encourage nation states to engage in enhanced regional cooperation in order to manage the increasingly complex interdependence jointly (liberal-institutionalist explanation) and to balance off regionalist challenges from other regions (neorealist explanation). This new wave of regionalism – labelled new regionalism (Palmer 1991) against the backdrop of the experience in the Asia-Pacific – was followed by the upsurge in interregionalism that is mentioned above.<sup>2</sup> Thus, regional actors such as regional organizations, groups of states, or individual states increasingly began to engage, or to increase their involvement, in interregional relations in order to manage and to balance relations among themselves in the emerging multi-layered system of global governance (Hänggi 2003). The position of interregionalism in the context of globalization, regionalization and new regionalism seems to reflect an emerging consensus in both the academic debate on the present world order as well as the discourse of practitioners in international affairs. As an illustration of the latter, the *Singapore Discussion Paper on the Future of ASEM*, put forward by the host country at the first Asia–Europe Meeting (ASEM) foreign ministers' meeting in February 1997, refers to globalization and regionalization as the relevant global context of ASEM,<sup>3</sup> which is often

considered as the prototype of new interregionalism (Bersick 1999a; Steiner 2000; Maull 2001a) – in analogy to the notion of new regionalism.

During the Cold War period, at the time of old interregionalism, interregional relations were also global in scope, but resulted from different factors. Under the conditions of systemic bipolarity, interregional relations were largely confined to the European Community's (EC) so-called group-to-group dialogues with other regional organizations or groups of states. These dialogue relationships had gradually evolved since the 1970s to cover almost all the regions by the end of the 1980s (Regelsberger 1990). Some authors have considered the long-standing dialogue partnership between the EC and the Association of Southeast Asian Nations (ASEAN) as *the* model of interregional cooperation (Lukas 1989; Mols 1990). Given the fact that the EC was the most advanced regional organization, and due to the absence of interregional relations among the EC's partner organizations, the interregional network of the Cold War period looked like a "hub and spokes system"<sup>4</sup> gravitating around Brussels. The EC's dominant position in old interregionalism made it more than just a model of regional cooperation, which influenced other regions by means of "extra-regional echoing" (Zimmerling 1991). The Community actively used interregional cooperation mechanisms as an instrument for promoting intraregional cooperation among partner countries in other regions as well as a means to position itself in the international arena as an actor in its own right. The practice of group-to-group dialogues helped the Community to strengthen internal cohesion and develop an international presence as a "civilian power" (Nutall 1990: 156; Maull 1990/1991).

In short, the earlier interregional relations – old interregionalism – were a novel and specific mode of international cooperation developed and dominated by the most advanced regional organization, which at the time was cautiously emerging as a new kind of international actor within the narrow framework of systemic bipolarity. Though a novel approach and one of global scope, old interregionalism was an actor-centered phenomenon of rather limited relevance for the international system (Regelsberger 1990: 14).

As a system-centered phenomenon, new interregionalism tends to have a much greater impact on the international system. The rapid growth of the network of interregional relationships in the past decade and the gradual integration of almost all countries to a greater or lesser extent into this network seem to make new interregionalism a lasting feature of the international system. Though the EC – in the meantime, the European Union (EU) – is still a, if not the, major actor in the expanding network of new interregionalism, the number of interregional relations beyond the "hub" of the past has been growing rapidly. ASEAN – the EU's first group-to-group dialogue partner – and regional organizations in Latin America have been the primary movers behind this development. Furthermore, new interregionalism has produced new types and forms of

interregional relations, such as the Asia-Pacific Economic Cooperation (APEC) forum, which often transcend interregionalism properly speaking and may be viewed as regionalism of a higher order.

Consequently, the distinction between old and new interregionalism refers to the difference in terms of causal factors – specific type of actor (agency) versus systemic change (structure) – rather than the difference in types of institutionalized interregional relations. Indeed, the paradigmatic case of old interregionalism – the EC's group-to-group dialogues – took a variety of forms<sup>5</sup> and still accounts for the greatest number of interregional linkages in the age of new interregionalism.

Given the number and variety of actors involved, contemporary interregionalism exhibits a wide array of types and forms of interregional relations. The broad context of new interregionalism calls for a conceptual framework, which is as simple as possible so as to permit comparative analysis and as complex as necessary in order to cover the whole range of cases, including borderline and contested cases. The purpose of this chapter is to contribute to the development of such a framework by formulating a tentative typology based on the analysis of all<sup>6</sup> those international relationships which are, in one way or another, labelled as “interregional.”

As with all analytical devices, systems of classification – which is what typologies are – can only be ancillary to our study of the subject matter and create no realities. The borderline cases are frequently more numerous than the “typical” ones. A typology is neither “correct” nor “wrong” in itself, but only a tool for clarifying ideas for ourselves and others: it aids understanding by making a comparison possible and helping to highlight similarities and differences between otherwise shapeless collections of facts. Given the novelty of interregionalism as a research area and the bewildering variety of interregional relations, a tentative typology may be a worthwhile contribution to the clarification of the object under study. However, one of the difficulties of establishing a new system of classification is that there is no consensus about the criteria upon which such a system should be based. Which criteria should be used to classify interregional relations: Geographical situation? Structure? Function? Issue-areas covered? Intensity of interaction? Degree of institutionalization? Performance? Relevance for global governance? As interregionalism refers to structured interactions between regions, it may help to look at what type of “regional actors” represent regions in interregional relations and to classify interregional relations according to the types of “regional actors” involved (bearing in mind that a “regional actor” is more often than not a framework for action of member states rather than an actor itself).

## External relations of regional organizations

Given the history of interregionalism, it makes sense to use the external relations of regional organizations as a point of departure. Regional organizations, being the major actors structuring relations between regions, exhibit two basic forms of external relations: relations with third states and relations with other regional organizations. From an interregional perspective, only external relations with states and groups of states in other regions matter. In addition to these two categories, regional organizations are also, either directly as a group or indirectly by way of some or all or of their member states, involved in interregional mechanisms of a wider and more diffuse nature, which are closely associated with the phenomenon of new interregionalism and are often referred to as transregional arrangements (see chapter 19).

Thus, from an interregional perspective, three forms of external relations of regional organizations may be discerned:

- relations with regional organizations in other regions;
- relations with third states in other regions;
- direct or indirect involvement in other interregional (or transregional) mechanisms.

As Tables 3.1–3.3 show, the EU and ASEAN have developed the most impressive communication networks with other regional organizations and third states in other regions. Both of them are, either directly or indirectly, involved in most of the interregional mechanisms of a wider and more diffuse nature, too. In other words, ASEAN and the EU are the major actors and often the shaping factors of all three forms of external relations of regional organizations. In this context it may not come as a complete surprise that the long-standing ASEAN–EU relationship is, as already mentioned, widely considered to be the model of interregional relations – despite the fact that this relationship has come under heavy pressure in the 1990s and is still awaiting a successful reinvigoration (Rüland 2001a).

Apart from the EU and ASEAN, regional organizations in Latin America – namely the Andean Community (CAN), Mercado Comun del Sur (MERCOSUR) and the overarching Rio Group – embarked on the development of a network of external relations. In most cases, this process started by way of a partnership with the EC and/or ASEAN, which both still seem to be the most attractive dialogue partners for other regional organizations or third states in other regions – hence their role as nodal points in the evolving web of interregionalism.

The interregional network of the leading proponent of old interregionalism, the EC, has its roots in the early 1970s and developed steadily until the end of the 1980s (see Table 3.1). Throughout this period, there was an

Table 3.1 European regional organizations in interregional relations

<i>Regional organization</i>	<i>Relations with third states</i>	<i>Relations with other groups</i>	<i>Involvement in other interregional mechanisms<sup>a</sup></i>
EU	EU-Canada (1976/1990/1996) EU-China (1978/1985/1998) EU-USA (1991/1995/1998) EU-Japan (1991) EU-Chile (1996) EU-South Korea (1996) EU-Mexico (1997/2000) EU-India (2000) EU-Indonesia (2000)	EU-ASEAN (1972/1978/1980) EU-CAN (1980/1983/1992/1996) EU-SICA, San José Dialogue (1983/1996) EU-SADC (1986) EU-Rio Group (1987) EU-GCC (1988) EU-MERCOSUR+2 (1992/1995/1998) EU-SAARC (1994/1996) EU-ECOWAS (2000)	EU-ACP (1975) ARF (1993) Euromed (1995) ASEM (1996) EU-LAC (1999) Africa-Europe (2000)
EFTA	EFTA-Canada (1998) EFTA-Mexico (1999) EFTA-South Africa (1999)	EFTA-ASEAN (1996) EFTA-GCC (2000) EFTA-MERCOSUR (2000)	
COE	COE-Canada (1996) COE-Japan (1996) COE-USA (1996) COE-Mexico (1999)		
OSCE	OSCE-Japan (1992) OSCE-South Korea (1994) OSCE-Thailand (2000)		

Note

a. Either as a group or through all or some of its member states.

Table 3.2 Asian and African regional organizations in interregional relations

<i>Regional organization</i>	<i>Relations with third states</i>	<i>Relations with other groups (in other world regions)</i>	<i>Involvement in other interregional mechanisms<sup>a</sup></i>
ASEAN	ASEAN-Japan (1973) ASEAN-Australia (1974) ASEAN-New Zealand (1975) ASEAN-USA (1977) ASEAN-Canada (1977) ASEAN-South Korea (1991) ASEAN-China (1991/1996) ASEAN-Russia (1991/1996) ASEAN-India (1993/1995) ASEAN-Pakistan (1997)	ASEAN-EU (1972/1978/1980) ASEAN/AFTA-CER (1995) ASEAN-ECO (1995) ASEAN-EFTA (1996) ASEAN-MERCOSUR (1996) ASEAN-SADC (1996) ASEAN-CAN (2000) ASEAN-GCC ASEAN-Rio Group ASEAN-SAARC	ASEM (1996) APEC (1989) ARF (1993) FEALAC (2001) IOR-ARC (1997)
CER		GER-ASEAN/AFTA (1995) GER-MERCOSUR (1999)	APEC (1989) FEALAC (2001)
GCC		GCC-EU (1988) GCC-EFTA (2000) GCC-ASEAN GCC-Rio Group	IOR-ARC (1997)
SAARC		SAARC-EU (1994/1996) SAARC-ASEAN	ARF (1993) IOR-ARC (1997)
ECOWAS		ECOWAS-EU (2000) ECOWAS-MERCOSUR (2001)	Africa-Europe (2000) EU-ACP (1975)
SADC		SADC-ASEAN (1996) SADC-EU	IOR-ARC (1997) Africa-Europe Summit (2000)

Note

a Either as a group or through all or some of its member states.

Table 3.3 American regional organizations in interregional relations

<i>Regional organization</i>	<i>Relations with third states</i>	<i>Relations with other groups (in other world regions)</i>	<i>Involvement in other interregional mechanisms<sup>a</sup></i>
CAN		CAN-EU (1980/1983/1992/1996) CAN-SICA (1997) CAN-MERCOSUR (1998) CAN-APEC (1999) CAN-CARICOM (1999) CAN-ASEAN (2000)	EU-LAC (1996) Summit of the Americas (1994)
CARICOM	CARICOM-Japan (1995)		
MERCOSUR	MERCOSUR-USA (1991) MERCOSUR-Canada (1998)	MERCOSUR-EU (1995) MERCOSUR-ASEAN (1996) MERCOSUR-CAN (1998) MERCOSUR-CER (1999) MERCOSUR-EGOWAS (2001)	EU-LAC (1999) Summit of the Americas (1994) FEALC (1999/2001)
Rio Group <sup>b</sup>	Rio Group-China (1990) Rio Group-Canada Rio Group-Japan Rio Group-Russia	Rio Group-EU (1987) Rio Group-ASEAN Rio Group-GCC	APEC (1989) EU-LAC (1999) FEALAC (1999/2001)

Notes

a Either as a group or through all or some of its member states.

b Special case: A regional organization, yet possesses its own external relations.

emphasis on relationships with other groups of states, and this reflects the Community's traditional "group-to-group" approach. In the 1990s, the EU's interregional network expanded principally through the establishment of relations with third states and participation in other interregional mechanisms. ASEAN's external relations during the period of old interregionalism were limited to a number of dialogue partnerships with third states. At the time, ASEAN was involved in only one group-to-group relationship – that which was established with the EC (see Table 3.2). This changed with the emergence of new interregionalism. In the 1990s, ASEAN's interregional network mainly grew through the establishment of group-to-group relationships and participation in other interregional mechanisms.

Almost all other regional organizations were latecomers in the sense that they only began to engage in interregional activities within the context of new interregionalism – using the full range of relationships – relations with third states and with other groups as well as participation in other interregional mechanisms (see Tables 3.1–3.3).

Despite the emergence of new actors engaging in interregional networking, the EU and ASEAN remained the leading actors of new interregionalism. What distinguishes the EU from other regional organizations is the fact that its interregional relationships exhibit a much higher level of institutionalization than those initiated by ASEAN and its kind. This is characteristic of the rather high level of regional integration achieved by the EU, which is unmatched by any other regional organization.

What conclusions can be drawn from this empirical stocktaking with a view to developing a typology of interregionalism? First, regional organizations' external relations with counterparts in other regions constitute the "ideal type" of interregional relations, which originates in old interregionalism, but continues to be a basic feature of new interregionalism. Second, regional organizations' external relations with third states in other regions are to be considered as a borderline case of interregionalism. The examples mentioned earlier, namely ASEAN's dialogue partnerships with its major trading and security partners, were hardly reflective of any interregionalist rationale.<sup>7</sup> However, such relationships began to spread beyond ASEAN's specific practice of external relations during the course of the 1990s under the conditions of new interregionalism. Third, regional organizations have often been the major proponents, or at least components, of other interregional mechanisms, which in most cases are associated with the emergence of new interregionalism. This category exhibits a wide array of types and forms, some of them being structured in a similar way to relations between two regional organizations, and others coming closer to regionalism rather than interregionalism. Consequently, this category needs to be further differentiated.

The third category of regional organizations' external relations comprises three different types:

- relationships between a regional organization (represented as such and/or by its member states) and a more or less coordinated group of states in another world region (e.g. ASEM);
- relationships between two more or less coordinated groups of states in two different regions which may encompass two or more sub-regions (e.g. Forum for East Asia–Latin America Cooperation [FEALAC]);
- relationships among states, groups of states and regional organizations from two or more regions and subregions (e.g. APEC).

One basic difference exists between the former two categories and the latter one: The former two are characterized by the fact that, despite recurrent and often vast differences in terms of institutionalization, two groups of states represent two different regions. In most cases, regional groups may take a variety of forms, such as “Asia” (composed of ASEAN member states and their three Northeast Asian dialogue partners) in ASEM, “Latin America” (composed of the member states of the Rio Group and the Caribbean Community) in EU–Latin America Cooperation (EU–LAC), or “Africa” (composed of the member states of the former Organization of African Unity [OAU] plus Morocco) at the Cairo summit. These groups constitute regions which are, indeed, “socially constructed and, hence, politically contested” (Katzenstein 1996: 133). In contrast to regional organizations, these groups have in essence been formed for the sole purpose of engaging in a specific interregional relationship. They may, however, develop a life of their own beyond the relevant interregional relationship. A good point in case is the East Asian regional entity, known as “Asia-10,” which had been “constructed” in the context of ASEM but was later on used as a stepping stone for East Asian regionalism in the ASEAN Plus Three (APT) format – a phenomenon which could be called “regionalism through interregionalism” (Häggi 1998, 2003). The emergence of such regional entities for the sole purpose of interregional interaction may, to a large extent, be explained by the sharp asymmetry in terms of regional actor quality (or actorness) in all those cases where the EU is a counterpart of a regional group of states. In face of the well-established coordination machinery of the EU, the states from the partner regions are almost forced to engage in some sort of regional coordination in order to deal with the EU and its member states. However, in the case of FEALAC, two loose regional groups were formed for interregional interaction even without such pressure emanating from a much stronger regional actor such as the EU.

The latter category – relationships among states, groups of states, and regional organizations from two or more regions and subregions – differs from the two other ones in so far as the member states are not grouped together in two entities, each representing a region, but constitute component parts of an overarching entity encompassing states from two or

more regions and subregions. APEC is a good case in point. It includes, amongst others, all or almost all member states of the North American Free Trade Agreement (NAFTA), the Australia–New Zealand Closer Economic Relations Agreement (CER), ASEAN, and “Asia-10,” thereby providing some sort of an interregional link between North America and the Asia-Pacific. The (sub-)regional entities just mentioned do not, however, interact as cohesive groups within APEC; there are no region-based coordination mechanisms as in ASEM or FEALAC. APEC was conceptualized as a regional endeavor rather than an interregional one but, at the same time, it triggered off the process of new interregionalism within the Triad (Hänggi 1999, 2003). This makes it rather difficult to conceive APEC and its kind as interregional endeavors, and helps to explain the search for alternative terms and concepts such as megaregionalism (Yamamoto 1996), transregionalism (Aggarwal 1998; Rüländ 1999a) or transcontinentalism (Roloff 2001).

Thus, relationships among states, groups of states, and regional organizations from two or more regions have to be considered as borderline cases of interregionalism in the same way as regional organizations’ external relations with third states in other regions.

### **Setting up a typology of interregional relations**

Against this background, a typology of interregionalism can be set up which covers the broad spectrum of all empirical cases of institutionalized interregional relations. As the initial step, the subject matter is approached from the two ends of the spectrum – from the borderline cases, which may be considered as interregional or not depending on the specific context. Accordingly, regional organizations’ external relations with third states in other regions and relationships among states, groups of states and regional organizations from two or more regions are viewed as *interregional relations in the wider sense*, whereas all types and forms of interregionalism that fall in between are considered as *interregional relations in the narrower sense* (see Table 3.4). This definition of interregional relationships takes into account the broad context of new interregionalism as well as the wide use of the term in policy and academic discourses. Indeed, two out of three basic relationships within the Triad fall into the category of borderline cases: despite their importance in the interregional network, neither APEC nor EU–US relations would pass for interregional if the term were solely applied in its narrowest sense.

At the “lower” end of the spectrum, we find relations between regional organizations and third states in other regions as borderline cases of interregionalism – or interregional relations in the wider sense. These relationships may serve as a substitute for group-to-group relations because one of the two participating regions is void of a regional organization or a regional group of states that is able to act as a counterpart. This holds particularly true for relationships where regions and subregions are

Table 3.4 Typology of institutionalized interregional relations

Type	Region A	Region B	Form of interregionalism
1	Regional organization / regional group <sup>a</sup>	Third country	Quasi-interregional relations
2	Regional organization	Regional organization	
3	Regional organization	Regional group	Interregional relations (in the narrow sense)
4	Regional group	Regional group	
5	Group of states from more than the two core regions		Megaregional relations
			Interregional relations (in the wider sense)

Note

a. Special case of a regional group which possesses its own external relations (e.g. Rio Group).

involved, which are dominated by great powers such as North America, Northeast Asia, and South Asia. Given the fact that these relationships constitute an essential component part of relations between two regions, they may be called *quasi-interregional* – they play a similar role as interregional relations in the narrower sense.

At the “upper” end of the spectrum, we find relationships among states, groups of states, and regional organizations from two or more regions as borderline cases – or again, interregional relations in the wider sense. These relationships may have been formed as “regional” arrangements encompassing two or more component (sub-)regions from different continents; they nevertheless serve de facto as overarching links between at least two (sub-)regions. This holds particularly true for the transpacific APEC forum, which, though initially conceived as a Western Pacific grouping in response to the emerging free trade arrangement in North America, built a transpacific bridge between East Asia/Australasia and North America, which was later expanded to connect additional Pacific Rim countries. Given the fact that institutions such as APEC play an interregional role regardless of their conception as regional arrangements of a higher order, they may be called *megaregional* – they constitute very large regions, or megaregions linking two or more component regions.

*Interregional relations in the narrow sense*, which fall in between the two above-mentioned categories, refer to relationships between two more or less coordinated groups from different regions. As previously mentioned, these groups may exhibit degrees of institutionalization which differ greatly given the variety of actors involved, ranging from highly integrated regional organizations such as the EU, to poorly institutionalized regional organizations such as ASEAN, down to loosely tied groups of states, which may have only been “constructed” for specific interregional interaction. Three types can be discerned:

- Relationships between two regional organizations. Such relationships link two regions represented exclusively by the member states of two regional organizations. They are the paradigm of old interregionalism and still represent the most widespread form of new interregionalism.
- Relationships between a regional organization and a regional group of states. Such relationships link two regions through two very different types of actors: A regional organization on the one hand, and the more or less coordinated group of states on the other.<sup>8</sup>
- Relationships between two regional groups of states. Such relationships link two regions through two loosely tied groups of states, which each represent a region. The regions represented may be “constructed” or even “imagined,” and the groups of states are formed, initially at least, for the sole purpose of specific interregional interaction.

## **Taking stock of interregional relations**

The typology developed above allows us to embark on an empirical stock-taking of interregionalism, which is defined as institutionalized interregional relations. The results presented in the following section are unavoidably far from complete. Interregionalism is still undergoing rapid growth, and each round of new research generates new types and forms. Moreover, every typology creates its own difficulties by reducing the complexity of the “real world.” Consequently, a number of classifications may be contested on the basis of deeper analysis. Moreover, the adoption of a broad definition of interregionalism, which allows for borderline cases to be accommodated, makes establishing delimitations even more difficult.<sup>9</sup> Notwithstanding this, the typology proposed above generates a number of insights, which may facilitate comparative research on interregionalism.

As previously stated, the earlier examples of relationships between regional organizations and third states in other regions hardly reflected any interregional rationale. This particularly applies to ASEAN’s early dialogue partnership system. That said, during the course of the 1990s relationships between regional organizations and third states in other regions rapidly increased in number and became an important feature of new interregionalism (see Table 3.5). This development was led by the EU and ASEAN, which both already had a tradition of external relations with third states. Yet, other regional organizations also began to establish similar relationships, and this was particularly true of organizations in Europe such as the European Free Trade Association (EFTA), and the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE). Among the partner states of regional organizations figure sizeable powers (of varying strengths) in the Triad regions: The United States, Canada, and Mexico in North America; China, Japan, and South Korea in East Asia. Relations between the EU and United States constitute the fundamental triadic link between North America and Europe, whereas the EU’s relations with China and Japan are important elements of the triadic link between Europe and (East) Asia.

The EU and ASEAN again transpire to be the leaders in numbers when it comes to relationships between regional organizations (see Table 3.6). The former has been the pacemaker of such relationships in the times of old interregionalism by means of its long-standing “group-to-group” dialogue approach (Edwards/Regelsberger 1990) and continued to be the privileged partner of all those regional organizations which developed such relationships during the course of the 1990s. In quantitative terms, ASEAN has established itself as the second “hub” after the EU in the network of relations between regional organizations. In qualitative terms, however, the EU still dominates the “hub” because the “spokes” linked to that “hub” are more institutionalized than others; they always include a political element such as dialogue on human rights and democracy and

Table 3.5 Quasi-interregional relations (Type 1)

<i>Year of inception</i>	<i>Regional organization</i>	<i>Third country<sup>a</sup></i>	<i>Regions covered</i>	<i>Framework</i>
1973	ASEAN	Japan	SEA-NEA	ASEAN Dialogue Partnership
1974	ASEAN	Australia	SEA-Australasia	ASEAN Dialogue Partnership
1975	ASEAN	New Zealand	SEA-Australasia	ASEAN Dialogue Partnership
1976/1990/1996	EU	Canada	Europe-North America	EU's Bilateral External Relations
1977	ASEAN	USA	SEA-North America	ASEAN Dialogue Partnership
1977	ASEAN	Canada	SEA-North America	ASEAN Dialogue Partnership
1978/1985/1998	EU	China	Europe-NEA	EU's Bilateral External Relations
1990	Rio Group	China	Latin America-NEA	Rio Group Dialogue Relationship
1991/1995/1998	EU	USA	Europe-North America	EU's Bilateral External Relations
1991	EU	Japan	Europe-NEA	EU's Bilateral External Relations
1991	ASEAN	South Korea	SEA-NEA	ASEAN Dialogue Partnership
1991/1996	ASEAN	China	SEA-NEA	ASEAN Dialogue Partnership
1991/1996	ASEAN	Russia	SEA-NEA	ASEAN Dialogue Partnership
1992	OSCE	Japan	SEA-NEA	OSCE Partner for Cooperation
1993/1995	ASEAN	India	Euro-Atlantic-NEA	ASEAN Dialogue Partnership
1994	OSCE	South Korea	SEA-South Asia	OSCE Partner for Cooperation
1995	CARICOM	Japan	Euro-Atlantic-NEA	OSCE Partner for Cooperation
1996	COE	Canada	Caribbean-NEA	OSCE Partner for Cooperation
1996	COE	Japan	Europe-North America	Japan-CARICOM Cooperation
1996	COE	USA	Europe-NEA	COE Observers
1996	COE		Europe-North America	COE Observers

1996	EU	Chile	Europe–Latin America	EU's Bilateral External Relations
1996 (1989)	EU	South Korea	Europe–NEA	EU's Bilateral External Relations
1997/2000	EU	Mexico	Europe–Latin America	EU's Bilateral External Relations
1997	ASEAN	Pakistan	SEA–South Asia	Sectoral Dialogue Partnership
1998	EFTA	Canada	Europe–North America	EFTA Third Country Relations
1998	EFTA	Canada	Europe–North America	EFTA Third Country Relations
1998	MERCOSUR	Canada	South–North America	
1999	EFTA	South Africa	Europe–Africa	EFTA Third Country Relations
1999	COE	Mexico	Europe–North America	COE Observers
2000 (1988)	EU	India	Europe–South Asia	EU's Bilateral External Relations
2000	EU	Indonesia	Europe–SEA	EU's Bilateral External Relations
2000	OSCE	Thailand	Euro-Atlantic–SEA	OSCE Partner for Cooperation
n.a.	Rio Group <sup>a</sup>	Canada	Latin/North America	Rio Group Dialogue Relationship
n.a.	Rio Group <sup>a</sup>	Japan	Latin America–NEA	Rio Group Dialogue Relationship
n.a.	Rio Group <sup>a</sup>	Japan	Latin America–NEA	Rio Group Dialogue Relationship
n.a.	Pacific Island Forum	Canada, China, France, Indonesia, Japan, Malaysia, Philippines, South Korea, United Kingdom, USA		Pacific Island Forum Dialogue Partnership

Note

a Special case of a regional group which possesses its own external relations.

are often based on framework cooperation agreements. It is noteworthy that the two “hubs” – EU and ASEAN – are also important building blocs of relations among Triad regions: the EU almost exclusively represents “Europe” in its relations with East Asia and the United States, whereas ASEAN has been a driving force in the establishment of ASEM and plays a prominent role in the structure of APEC. Though relationships between regional organizations have been the most widespread type in the period of old interregionalism, they are also an important feature of new interregionalism.

On the other hand, relationships between a regional organization and a regional group (see Table 3.7) appear much more as a consequence of new interregionalism. Most of them were formed during the 1990s, and their creation is closely linked to the emergence of the EU as a shaping actor of new interregionalism. Indeed, the EU’s current network of interregional relations with (East) Asia, Africa, and Latin America is characterized by overarching relationships of this type, i.e. ASEM in the case of Asia, EU–LAC in the case of Latin America, and the Cairo process in the case of Africa. Similar arrangements have, however, also existed in the earlier period of the EC’s “group-to-group” dialogue, when most of the EC’s dialogue partners were groups of states rather than regional organizations (Regelsberger 1990). This still applies to the EU–Africa–Caribbean–Pacific (EU–ACP) relationship, which has its roots in old interregionalism.

Relationships between two “loose” regional groups certainly are a consequence of new interregionalism, though the empirical basis for this statement is rather weak given the fact that there is only one case available (see Table 3.8). The fact that this type did not occur during the period of old interregionalism must not come as a surprise given the dominant position of the EC as an interregional actor for that period of time. However, the fact that this type of interregionalism occurred at all is rather remarkable in view of the alternative options available: The East Asian, Australasian, and Latin American states which participate in FEALAC could also have grouped together in an APEC-like manner because there was no pressure to adjust to the overwhelming institutional capacity of the EU (as in the case of ASEM and EU–LAC). Nevertheless, the relationship between East Asia and Latin America was structured along the lines of the interregional ASEM model (type 3) rather than the megaregional APEC model (type 5).

Interregional-like relationships among states, groups of states, and regional organizations from two or more regions have emerged primarily in the wake of new interregionalism (see Table 3.9). APEC can be considered as the paradigmatic case of this category. Its creation paved the way for transpacific economic megaregionalism and set the stage for the emergence of new interregionalism. Megaregional arrangements with interregional features tend to be dominated by a hegemon: India in the

Table 3.6 Relations between two regional organizations (Type 2)

<i>Year of inception</i>	<i>Regional organization<sup>a</sup></i>	<i>Regional organization<sup>a</sup></i>	<i>Regions covered</i>
1978/1980	EU (25)	ASEAN (10)	Europe–Southeast Asia
1980/1983/1992/1996	EU (25)	CAN (5)	Europe–Latin (South) America
1983/1996	EU (25)	SICA (7)	Europe–Latin (Central) America
1986	EU (25)	SADC (13)	Europe–(Southern) Africa
1987	EU (25)	Rio Group <sup>b</sup> (19)	Europe–Latin America
1988	EU (25)	GCC (7)	Europe–Middle East
1992/1995/1998	EU (25)	MERCOSUR (4) + 2	Europe–Latin (South) America
1994	EU (25)	SAARC (7)	Europe–South Asia
1995	ASEAN/AFTA (10)	CER (2)	Southeast Asia–Australasia
1995	ASEAN (10)	ECO (10)	Southeast Asia–Middle East
1996	ASEAN (10)	EFTA (4)	Southeast Asia–Europe
1996	ASEAN (10)	MERCOSUR (4)	Southeast Asia–Latin (South) America
1996	ASEAN (10)	SADC (13)	Southeast Asia–(Southern) Africa
1997	CAN (5)	SICA (7)	South America–Central America
1998	CAN (5)	MERCOSUR (4)	South America
1999	CAN (5)	CARICOM (15)	South America–Caribbean
1999	CER (2)	MERCOSUR (4)	Australasia–Latin (South) America
2000	ASEAN (10)	CAN (5)	Southeast Asia–Latin (South) America
2000	EFTA (4)	GCC (7)	Europe–Middle East
2000	EFTA (4)	MERCOSUR (4)	Europe–Latin (South) America
2000	EU (25)	ECOWAS (15)	Europe–(Western) Africa
2001	ECOWAS (15)	MERCOSUR (4)	Europe–Latin (South) America
n.a.	EU (25)	Pacific Island Forum <sup>b</sup> (16)	Europe–Australasia
n.a.	ASEAN (10)	GCC (7)	Southeast Asia–Middle East
n.a.	ASEAN (10)	SAARC (7)	Southeast Asia–South Asia
n.a.	ASEAN (10)	Rio Group <sup>b</sup> (19)	Southeast Asia–Latin America
n.a.	GCC (7)	Rio Group <sup>b</sup> (19)	Middle East–Latin America

Notes

a ( ) indicates number of member states.

b Special case: A regional group rather than a regional organization, yet possesses its own external relations.

Table 3.7 Relations between a regional organization and a regional group (Type 3)

<i>Year of inception</i>	<i>Interregional arrangement</i>	<i>Regional organization<sup>a</sup></i>	<i>Regional group<sup>a</sup></i>	<i>Regions covered</i>	<i>Characteristics</i>
1975	EU-ACP	EU (25)	ACP <sup>b</sup> (79) = 48 African, 16 Caribbean and 15 Pacific countries	Europe, Africa, Latin America, Australasia	Component regional organizations: ECOWAS, SADC, CARICOM, Pacific Island Forum Component interregional linkages: EU-ECOWAS, EU-SADC, EU-Pacific Island Forum
1996	ASEM	EU (25)	"ASEM-Asia" (13) = ASEAN-10, China, Japan, South Korea	Europe, East Asia	Component regional organizations: EU, ASEAN Component interregional linkages: EU-ASEAN
1999	EU-LAC (Rio Summit)	EU (25)	"LAC" (33) = Rio Group-18, CARICOM-15	Europe, Latin America	Component regional organizations: EU, CAN, CARICOM, MERCOSUR, SICA Component interregional linkages: EU-CAN, EU-MERCOSUR, EU-Rio Group, EU-SICA
2000	Africa-Europe (Cairo Summit)	EU (25)	"Africa" (54) = OAU-53, Morocco	Europe, Africa	Component regional organizations: EU, ECOWAS, OAU, SADC Component interregional linkages: EU-ECOWAS, EU-SADC

Notes

a ( ) indicates number of member states.

b Special case: A combination of three sub-regional groups rather than a single regional group.

Table 3.8 Relations between two regional groups (Type 4)

<i>Year of inception</i>	<i>Interregional forum</i>	<i>Regional group<sup>a</sup></i>	<i>Regional group<sup>a</sup></i>	<i>Regions covered</i>	<i>Characteristics</i>
1999/2001	FEALAC (former: EALAF)	“East Asia” (15) = ASEAN + 3 (ASEAN-10, China, Japan, Korea) plus CER-2 (Australia, New Zealand)	“Latin America” (15) = CAN-5, MERCOSUR-4, Chile, Costa Rica, Cuba, El Salvador, Mexico, Panama	East Asia and Australasia, Latin America	Component regional organizations: ASEAN, CAN, CER, MERCOSUR Component interregional linkages: ASEAN– MERCOSUR, ASEAN–Rio Group, CER–MERCOSUR

Note

a ( ) indicates number of member states.

Table 3.9 Megaregional relationships (Type 5)

<i>Year of inception</i>	<i>Arrangement<sup>a</sup></i>	<i>Member states</i>	<i>Characteristics</i>
1975/1995	CSCE/OSCE <sup>b</sup> (55)	2 North American 48 European 5 Central Asian	Component regional organizations: EU Component interregional linkages: EU–USA, EU–Canada
1989	APEC (21)	12 East Asian 3 North American 2 South American 3 Australasian 1 European (Russia)	Component regional organizations: ASEAN, CER, NAFTA Component interregional linkages: ASEAN–CER
1993	ARF (23)	15 East Asian 3 Australasian 2 North American 1 South Asian (India) 2 European (EU and Russia)	Component regional organizations: ASEAN, EU Component interregional linkages: ASEAN–EU
1994/1998/2001	Summit of the Americas [FTAA] (34)	3 North American 7 Central American 14 Caribbean 10 South American	Component regional organizations: CAN, CARICOM, MERCOSUR, NAFTA, SICA Component interregional linkages: CAN–CARICOM, CAN–SICA, CAN–MERCOSUR

1995 (1975)	Euromed <sup>c</sup> (35)	17 European 4 African 5 Middle Eastern (and the Palestinian Authority)	Component regional organizations: EU Component interregional linkages: none
1997	IOR-ARC (18)	7 African 4 Middle East 3 South Asian 4 Southeast Asian 1 Australasian	Component regional organizations: none Component interregional linkages: none
1997	EAPC (46)	2 North American 39 European 5 Central Asian	Component regional organizations: EU Component interregional linkages: EU-USA, EU-Canada

Notes

a ( ) indicates number of member states.

b "Organization," but of a mega-regional nature.

c "Med" is a borderline case of an "imagined" regional group which, however, does not (yet) act as a group.

case of the Indian Ocean Rim Association for Regional Cooperation (IOR–ARC) and the United States in most of the other cases examined here. The hegemon may use such megaregional arrangements for anti-regionalist purposes. APEC is a good case in point: it served the United States, *inter alia*, as a device to prevent the establishment of an East Asian regional group (Maull 2001b). The same may apply to the Free Trade Area of the Americas (FTAA) project, which could serve the United States as a device for diluting subregional arrangements in Latin America (see chapter 17).

Finally, one has to emphasize that the empirical stocktaking based on a heuristic typology can only reflect a given moment in time. The interregional network is continuously developing, and the process is open-ended. This includes the possibility that interregional relationships change over time – in other words: They can shift from one category to another. Take ASEM as an example: Enlargement of its membership beyond EU member states and the APT format would most likely render it rather FEALAC-like (type 4) or even APEC-like (type 5). Take APEC as another example: It would move closer to type 4 of interregional relationships should East Asian states start using the emerging APT format as a coordination mechanism within APEC.<sup>10</sup>

### **Interregional relations in a triadic context**

A comparison of interregional relationships in terms of interacting regions helps to underline the systemic nature of new interregionalism – in contrast to the actor-centered one of old interregionalism. As Table 3.10 shows, the network among the Triad regions, i.e. North America, (Western) Europe, and East Asia, is the most closely-knit one and provides for the basic structure of contemporary interregionalism. This does not come as a surprise, given the fact that new interregionalism first emerged in a triadic context (Higgott 1998b; Roloff 1998; Hänggi 1999):<sup>11</sup>

- APEC was created in 1989 in order to manage transpacific economic relations. The USA saw in APEC a safeguard against the creation of a regional block in East Asia whereas East Asians valued APEC as a kind of guarantee against possible negative effects resulting from the completion of the European Single Market and the creation of the NAFTA.
- The New Transatlantic Agenda (NTA) of 1995 and the Transatlantic Economic Partnership (TEP) of 1998, established between the United States and the EU, as well as the proposals for the creation of a Transatlantic Free Trade Area (TAFTA), stand for the expanding interregional network covering North America and Europe. The attempts at strengthening transatlantic relations with an emphasis on economics were partly borne out of the challenge posed by East Asia's

Table 3.10 Interregional relations within the Triad

<i>Regions</i>	<i>Quasi-interregional</i>	<i>Interregional</i>	<i>Megaregional</i>
North America–Europe	EU–USA EU–Canada EU–Mexico EFTA–Canada EFTA–Mexico COE–Canada COE–Mexico COE–USA		NATO (Canada, USA, 17 European countries) EAPC (Canada, USA, most European countries) OSCE (Canada, USA, all European countries)
North America–Pacific Asia <sup>a</sup>	ASEAN–USA ASEAN–Canada		APEC (3 North American, 10 East Asian, 3 Australasian, 1 South Asian) ARF (Canada, USA, 10 East Asian, 3 Australasian, 1 South Asian)
Europe–Pacific Asia <sup>a</sup>	EU–China EU–Japan EU–South Korea EU–Indonesia COE–Japan OSCE–Japan OSCE–South Korea OSCE–Thailand	ASEM EU–ASEAN EFTA–ASEAN EU–ACP (EU-25 and 14 Pacific islands countries) EU–Pacific Islands Forum	ARF (EU, Russia, 10 East Asian, 3 Australasian, 1 South Asian)

Note

<sup>a</sup> Pacific Asia = East Asia (Northeast Asia, Southeast Asia) and Oceania.

rapid economic emergence at the time. Furthermore, Europeans were extremely concerned about being left out of APEC.

- Finally, the ASEM process that was launched in 1996 was aimed at bridging what was perceived to be the missing link in the Triad, i.e. the relations between Europe and East Asia. The fears of Europeans and East Asians of being left out of APEC and of transatlantic arrangements respectively, led to the creation of ASEM, the third link to complete triadic relations.

Interregionalism within the Triad covers the broad spectrum of types and forms which have been discussed here. The most relevant arrangements – APEC, ASEM, and EU–US relations – range from megaregional (type 5) to interregional (type 3) down to quasi-interregional relationships (type 1).

Furthermore, East Asia and Europe began to establish new or – in the case of the EU – additional interregional links with regions outside the Triad, namely with Latin America and Africa (see Table 3.11). Latin America had become attractive for such links as a consequence of the US-sponsored FTAA project. East Asia and Europe feared being left out of a process that could lead to the “megaregionalization” of the western hemisphere. This triggered the East Asian and European initiatives to establish and/or strengthen interregional relations with Latin America, as expressed by the EU–LAC and FEALAC arrangements. The launch of the Africa–Europe summit process had different causes: Apart from EU-internal reasons,<sup>12</sup> it was primarily an attempt to avoid the marginalization of Africa in the context of the rapidly emerging interregional network. The EU is now closely linked with Africa through a variety of interregional arrangements, including the long-standing EU–ACP relationship, whereas East Asia is lagging far behind. Following the “rival interregionalism” logic (Scherpenberg/Thiel 1998), an East Asian initiative to establish some sort of interregional links with Africa would, therefore, not come as a surprise.

The dominant pattern of Triad-driven interregionalism is illustrated by the virtual absence of links between non-Triad regions, i.e. pure South–South interregionalism. The launch of the megaregional IOR–ARC arrangement as well as the recent attempts at establishing a link between MERCOSUR and Economic Community of West African States (ECOWAS) could be viewed as a first step on the way to making the phenomenon of interregionalism less uneven in its geographical scope.

## **Conclusion**

In conclusion, it can be said that the emergence of new interregionalism has resulted in the rapid growth of interregional arrangements, which take all kinds of forms, ranging from quasi-interregional to pure interregional and up to megaregional relationships. The new interregionalism

Table 3.11 Interregional relations between Triad and non-Triad regions

<i>Regions</i>	<i>Quasi-interregional</i>	<i>Interregional</i>	<i>Megaregional</i>
North America–Central and South America	MERCOSUR–Canada Rio Group–Canada MERCOSUR–USA	CAN–CARICOM CAN–MERCOSUR CAN–SICA	Summit of the Americas (FTAA)
Europe–Latin America	EU–Chile EU–Mexico EFTA–Mexico COE–Mexico Rio Group–Russia	EU–CAN EU–LAC EU–MERCOSUR+2 EU–Rio Group EU–SICA (San José) EFTA–MERCOSUR EU–ACP (EU-25 and 16 Caribbean)	
Europe–Africa	EFTA–South Africa	Africa–Europe EU–SADC EU–ECOWAS EU–ACP (EU-25 and 47 African)	Euromed (EU-25 and 4 North African)
Europe–Middle East		EFTA–GCC EU–GCC	Euromed (EU-25 and 7 Middle Eastern)
Europe–South Asia	EU–India	EU–SAARC	
Pacific Asia <sup>a</sup> –Latin America	Rio Group–China Rio Group–Japan	ASEAN–CAN ASEAN–MERCOSUR ASEAN–Rio Group GER–MERCOSUR FEALAC	APEC (10 East Asian, 3 Australasian, 3 Latin American)
Pacific Asia <sup>a</sup> –Africa		ASEAN–SADC	IOR–ARC (5 Asia-Pacific, 7 African)
Pacific Asia <sup>a</sup> –Middle East		ASEAN–ECO ASEAN–GCC	IOR–ARC (5 Asia-Pacific, 4 Middle Eastern)
Pacific Asia <sup>a</sup> –South Asia	ASEAN–India ASEAN–Pakistan	ASEAN–SAARC	IOR–ARC (5 Asia-Pacific, 3 South Asian)

Note

a. Pacific Asia = East Asia (Northeast Asia, Southeast Asia) and Oceania.

which first emerged in a triadic context covers all five types of interregional relationships that are discussed in this chapter, whereas old interregionalism was basically characterized by relationships between regional organizations (type 2), namely in the form of the EC's group-to-group dialogue. Yet, other forms of interregional relationships, namely types 1, 3, and 5, were also practiced during the period of old interregionalism (see Table 3.12). Consequently, the analysis of interregionalism should avoid equating "old" and "new" forms of interregionalism with a specific type of interregional relationship.

*Table 3.12* Type of interregional relationships and form of interregionalism

<i>Type</i>		<i>Old interregionalism</i>	<i>New interregionalism</i>
1	Quasi-interregional	(X)	X
2	} Interregional (in the narrower sense)	X	X
3		(X)	X
4		O	X
5	Megaregional	(X)	X

Notes

X = type of relationship covered by relevant form of interregionalism.

(X) = type of relationship partly covered by relevant form of interregionalism.

O = type of relationship not covered by relevant form of interregionalism.

**Annex: regional and interregional institutions**

<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
AU (53)	<i>African Union</i> (see OAU)	<a href="http://www.african-union.org">www.african-union.org</a>
ACP (79)	<i>Africa, Caribbean and Pacific</i> (48 African countries from 4 different subregions [Sahelian and Coastal Western Africa, Eastern Africa and Horn of Africa, Central Africa, Southern Africa and Indian Ocean], 16 Caribbean countries [Antigua & Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago], 15 Pacific countries [Cook Islands, East Timor, Fiji, Kiribati, Marshall Islands, Federal States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu])	<a href="http://www.acpsec.org">www.acpsec.org</a>
Africa–Europe (79)	<i>Africa–Europe Summit under the aegis of the EU and the OAU</i> (EU-25, OAU-53, Morocco)	<a href="http://www.europa.eu.int/comm/development/body/eu_africa/eu_africa_en.htm">www.europa.eu.int/comm/development/body/eu_africa/eu_africa_en.htm</a>
AFTA (10)	<i>ASEAN Free Trade Area</i> (see ASEAN)	<a href="http://www.asean.or.id">www.asean.or.id</a>
APEC (21)	<i>Asia-Pacific Economic Cooperation</i> (Australia, Brunei, Canada, Chile, PR China, Hong Kong/China, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan (Chinese Taipei), Thailand, USA, Vietnam)	<a href="http://www.apecsec.org.sg">www.apecsec.org.sg</a>
ARF (23)	<i>ASEAN Regional Forum</i> (Australia, Brunei, Burma, Cambodia, Canada, China, EU, India, Indonesia, Japan, Laos, Malaysia, Mongolia, New Zealand, North Korea, Papua New Guinea, Philippines, South Korea, Russia, Singapore, Thailand, USA, Vietnam)	<a href="http://www.dfat.gov.au/arf/">www.dfat.gov.au/arf/</a>

*continued*

**Annex** *continued*

<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
ASEAN (10)	<i>Association of Southeast Asian Nations</i> (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam)	<a href="http://www.asean.or.id">www.asean.or.id</a>
ASEAN+3 (13)	<i>ASEAN Plus Three</i> (ASEAN-10, China, Japan, South Korea)	<a href="http://www.asean.or.id">www.asean.or.id</a>
ASEM (38)	<i>Asia–Europe Meeting</i> (EU-25, ASEAN-10, China, Japan, South Korea)	<a href="http://www.europa.eu.int/comm/external_relations/asem/intro/">www.europa.eu.int/comm/ external_relations/ asem/intro/</a>
CAN (5)	<i>Andean Community</i> (Bolivia, Colombia, Ecuador, Peru, Venezuela)	<a href="http://www.comunidadandina.org">www.comunidadandina.org</a>
CARICOM (15)	<i>Caribbean Community</i> (Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago)	<a href="http://www.caricom.org">www.caricom.org</a>
CER (2)	<i>Australia–New Zealand Closer Economic Relations Agreement</i> (Australia, New Zealand), also: ANCERTA	<a href="http://www.dfat.gov.au/trade/negotiations/anzcer.html">www.dfat.gov.au/trade/ negotiations/anzcer.html</a>
COE (43)	<i>Council of Europe</i> (EU-25, Albania, Andorra, Armenia, Azerbaijan, Bulgaria, Croatia, Georgia, Iceland, Liechtenstein, Moldova, Norway, Romania, Russian Federation, San Marino, Switzerland, FYR of Macedonia, Turkey, Ukraine)	<a href="http://www.coe.int">www.coe.int</a>
ECO (10)	<i>Economic Cooperation Organization</i> (Afghanistan, Azerbaijan, Iran, Kazakhstan, Kirghizstan, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan)	<a href="http://www.ecosecretariat.org">www.ecosecretariat.org</a>
ECOWAS (15)	<i>Economic Community of West African States</i> (Benin, Burkina Faso, Cape Verde, Côte d’Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo)	<a href="http://www.ecowas.int">www.ecowas.int</a>

## Annex continued

<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
EALAF	<i>East Asia–Latin America Forum</i> (renamed as Forum for East Asia–Latin America Cooperation, see FEALAC)	
EAPC (46)	<i>Euro-Atlantic Partnership Council</i> (NATO-19 plus 27 partner countries, i.e. Albania, Armenia, Austria, Azerbaijan, Belarus, Bulgaria, Croatia, Estonia, Finland, Georgia, Ireland, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, FYR of Macedonia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)	<a href="http://www.nato.int/pfp/eapc.htm">www.nato.int/pfp/eapc.htm</a>
EFTA (4)	<i>European Free Trade Association</i> (Iceland, Liechtenstein, Norway, Switzerland)	<a href="http://www.efta.int">www.efta.int</a>
EU (25)	<i>European Union</i> (Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom)	<a href="http://www.europe.eu.int/comm/world/lac/cs2.htm">www.europe.eu.int/comm/world/lac/cs2.htm</a>
EU–LAC (58)	<i>European Union–Latin American and Caribbean countries</i> (EU-25, Caricom-15, Rio Group [CAN-5, MERCOSUR-4, SICA-7, Chile, Mexico])	<a href="http://www.europa.eu.int/comm/world/ac/cs2.htm">www.europa.eu.int/comm/world/ac/cs2.htm</a>
Euromed (35)	<i>Euro-Mediterranean Partnership</i> (EU-25, Maghreb-3 [Algeria, Morocco, Tunisia], Mashrek-6 [Egypt, Israel, Jordan, Lebanon, Palestinian Authority, Syria], Turkey; observer: Libya)	<a href="http://www.europa.eu.int">www.europa.eu.int</a>
FEALAC (30)	<i>Forum for East Asia–Latin America Cooperation</i> (ASEAN-10+3 [China, Japan, South Korea], CER-2, CAN-5, MERCOSUR-4, Chile, Costa Rica, Cuba, El Salvador, Mexico, Panama)	<a href="http://www.focalae.net">www.focalae.net</a>

continued

**Annex** *continued*

<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
FTAA (34)	<i>Free Trade Area of the Americas</i> project pursued by the <i>Summit of the Americas</i> process (CAN-5, MERCOSUR-4, NAFTA-3, SICA-7, CARICOM-14 [without Cuba], Chile)	<a href="http://www.summit-americas.org">www.summit-americas.org</a>
GCC (6)	<i>Gulf Cooperation Council</i> (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)	<a href="http://www.gcc-sg.org">www.gcc-sg.org</a>
IOR–ARC (18)	<i>Indian Ocean Rim Association for Regional Cooperation</i> (Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates, Yemen; dialogue partners: China, Egypt, France, Japan, United Kingdom)	<a href="http://www.iornet.org">www.iornet.org</a>
MERCOSUR (4)	<i>Mercado Comun del Cono Sur</i> (Argentina, Brazil, Paraguay, Uruguay; associated members: Bolivia, Chile)	<a href="http://www.mercosur.com">www.mercosur.com</a>
NAFTA (3)	<i>North American Free Trade Agreement</i> (Canada, Mexico, USA)	<a href="http://www.nafta-sec-alena.org">www.nafta-sec-alena.org</a>
NATO (26)	<i>North Atlantic Treaty Organization</i> (Belgium, Bulgaria, Canada, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey, United Kingdom, USA)	<a href="http://www.nato.int">www.nato.int</a>
OAU (53)	<i>Organization of African Union</i> (ECOWAS-15, SADC-14, Algeria, Burundi, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Kenya, Libya, Madagascar, Mauritania, Rwanda, Saharawi Arab Democratic Republic, Sao Tome & Principe, Somalia, Sudan, Tunisia, Uganda)	<a href="http://www.oau.oau.org">www.oau.oau.org</a>

## Annex continued

<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
OSCE (55)	<i>Organization for Security and Cooperation in Europe</i> (EU-25, Albania, Andorra, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Georgia, Holy See, Iceland, Kazakhstan, Kyrgyzstan, Liechtenstein, Moldova, Monaco, Norway, Romania, Russian Federation, San Marino, Switzerland, Tajikistan, FYR of Macedonia, Turkey, Turkmenistan, Ukraine, USA, Uzbekistan, FR of Yugoslavia)	www.osce.org
Pacific Island Forum (16)	<i>Pacific Island Forum</i> (Australia, New Zealand and all the independent and self-governing Pacific Island countries [Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu])	www.forumsec.org.fj
Rio Group (18+1)	<i>The Heads of State and Government of the Permanent Mechanism for Political Consultation and Consensus [Rio Group]</i> (CAN-5, MERCOSUR-4, SICA-7, Chile, Mexico, and a country representing CARICOM)	www.minrelext.gov.co/mre/Institucional/rio/rio.htm
SAARC (7)	<i>South Asian Association for Regional Cooperation</i> (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka)	www.saarc-sec.org
SADC (13)	<i>Southern African Development Community</i> (Angola, Botswana, DR Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe)	www.sadc.int

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**Annex** *continued*


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<i>Institutions<sup>a</sup></i>	<i>Full name of institution (member states/“economies”)</i>	<i>Websites (last accessed 8–10 October, 2004)</i>
SICA (7)	<i>Central American Integration System (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama; observer: Dominican Republic; cooperating countries: Mexico, Venezuela)</i>	<a href="http://www.sgsica.org">www.sgsica.org</a>

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Note

a Number of member states (in parentheses).

## **Part III**

# **The geography of interregional relations**



*Asia–America relations*



# 4 Asia-Pacific Economic Cooperation (APEC)

## Transregionalism with a new cause?

*Vinod K. Aggarwal and Elaine Kwei*

### Introduction

Since its inception in 1989, Asia-Pacific Economic Cooperation (APEC) has faced numerous institutional, operational, and cognitive challenges. Created with the stated objective of liberalizing trade in the Asia-Pacific region, APEC has found itself squeezed institutionally by the multilateral regime of the World Trade Organization (WTO) from above, and by growing subregional and bilateral agreements from below. In 1993, APEC benefitted from the impasse in the General Agreement on Tariffs and Trade (GATT) Uruguay Round, but it was unable to capitalize on the failures of the WTO at the 1999 Seattle ministerial. The scope of issues under APEC's consideration has widened considerably, but the limited capability of the organization to implement or enforce proposed measures in areas as diverse as labor, the environment, and financial reform has made perceptions of APEC as primarily a "talk shop" for member country leaders difficult to shake.

But APEC may yet carve a niche for itself in this role. The intangible benefits of social networking are difficult to measure, but the opportunities that APEC's 2004 ministerial meeting in Santiago, Chile, the 2003 meeting in Bangkok, the 2002 Los Cabos meeting and the 2001 Shanghai meeting provided for world leaders to confer on major issues such as the threat of terrorism and North Korean nuclear intentions demonstrates that cooperation on issues of common concern is a guiding principle in APEC. While cynics may point to the domestic origins of individual members' interests, it is clear that security threats do not distinguish among national boundaries, and this recognition may set a reinforcing precedent for cooperation in APEC's original mandate of trade liberalization and in other issue areas, such as financial reform. Nevertheless, the results of this increasing cooperation may not always operate in a liberalizing direction: The political leverage gained by security and anti-terrorism rhetoric may be used to justify discriminatory trading practices as well.

In this chapter, we argue that the recognition of shared security concerns will serve as a useful lever to encourage cooperation among APEC countries

and to breathe new life into APEC, albeit as an organization whose external and internal circumstances have changed. Despite APEC's institutional constraints from above and below, the backdrop it provides for meetings of the Asia-Pacific powers has lent it additional credibility as a transregional institution. Discussion of security within APEC has precedent dating back to the North Korean nuclear crisis of the early 1990s.<sup>1</sup> Although APEC remains weak organizationally, in terms of its ability to implement and enforce accords, it may yet prove to serve an important role in creating cognitive consensus and providing a forum to put issues of mutual concern on the agenda. Discussion of accounting regulation occupied an important space on the agenda at the recent APEC meeting, as well as tourism's potential for economic development. Security-related concerns such as migration and economic interdependence have gained a new appreciation within the membership. Transregional cooperation on trade liberalization may also contribute leverage to further liberalization at the multilateral level.

This chapter is organized as follows. First, it provides a conceptual framework for analyzing trade agreements, focusing on alternative paths that might be pursued in the Asia-Pacific, including unilateral liberalization, bilateral accords, minilateralism, and multilateralism, and considers the ways in which APEC may fit into these multilevel arrangements. Second, it briefly reviews APEC's role in trade liberalization and the intersection of trade and security. Parallel arrangements are sometimes made to address security issues, but this area has been notably "under-institutionalized" in the region, and members of APEC have stretched the organization beyond its original mandate in order to fill this vacuum. Indeed, some writers argue for the symbiotic relationship between political-military alliances and trade arrangements (Mansfield/Bronson 1997). Third, it turns to consideration of APEC's role in other areas that have not traditionally fallen under the rubric of security but are now intrinsically connected with security and trade, specifically customs and immigration, financial reform and economic development.

Fourth, we consider how APEC is evolving as a transregional organization and how it can address shifts in its internal priorities and external environment. APEC as an organization is not inherently trade-creating or trade-diverting; rather, the outcome depends on the direction in which its members cooperate. This perspective gives more importance to actors' interests and agency, rather than relying upon structural determinism. As a forum for transregional cooperation, members can pool their leverage at the multilateral level. The call to eliminate agricultural export subsidies in the EU is but one example. The sheer diversity of its members suggests a tendency toward taking relatively uncontroversial stances on general principles rather than taking action on areas of conflict. Nonetheless, the transnational threat of terrorism has led states to cooperate in addressing their common domestic vulnerabilities. While APEC may be in danger of being squeezed out by the WTO and undermined by subregional and

bilateral trade agreements on trade liberalization, APEC can still play an important role in transregional cooperation on issues of mutual concern that have no other forum.

### **Modes of trade management: an analytical construct**

Over the last fifty years, states have utilized a host of measures to regulate trade flows. In terms of bargaining approaches, these include unilateral, bilateral, minilateral and multilateral strategies; in terms of product coverage, the range has been narrow in scope (a few products), or quite broad (multiproduct). In addition, some arrangements tend to be focused geographically, while others bind states across long distances. It is worth noting that this category is quite subjective, since simple distance is hardly the only relevant factor in defining a “geographic region.” But despite conceptual difficulties, this is still a useful category. Finally, these measures have been either market-closing or market-opening. One can array the resulting options in Table 4.1, focusing only on the first three dimensions of bargaining approaches, products and geography to simplify our presentation.<sup>2</sup> The cells include generic types or specific examples of modes of governance.

Table 4.1 provides a categorization of modes of trade governance that allows us to capture the vast array of methods used to promote trade opening or closure. Most relevant for our purposes is the category of minilaterally dispersed agreements that deal with many products. Here, we distinguish between *transregional* accords that link countries across regions versus *interregionalism* – links between geographically dispersed customs unions or free trade agreements such as the European Union–Mercado Comun del Sur (EU–MERCOSUR) arrangement.

The sheer diversity and geographic range of the APEC members make it extremely difficult to assess APEC’s relationship to the various categories of trade agreements. For example, while it is debatable whether a regional agreement such as the North American Free Trade Agreement (NAFTA) or MERCOSUR is trade-creating or trade-diverting, it is conceptually difficult to analyze the potential effects of a *transregional* agreement such as APEC, whose members do not form a contiguous geographic unit. Nor are “natural” trading interests of its members apparent, since many of its members may be competitive rather than complementary with one another. This complex web of interests makes it difficult for APEC to act as a coordinated unit on trade liberalization. Its members are also part of regional agreements such as NAFTA, the ASEAN Free Trade Area (AFTA), and the Australia–New Zealand Closer Economic Relations Agreement (CER), where the membership may have more complementary interests.

Not surprisingly, APEC’s influence in the international trading order has largely consisted of statements issued at ministerial meetings. As a



consensus-oriented group that relies upon voluntarism to promote its agenda, APEC may remain more of a cognitive meeting ground than a forum for hammering out the details of trade liberalization. The proliferation of subregional and bilateral agreements is one reflection of the flexible strategy that countries have adopted in the face of protracted negotiations at the WTO and a weakly-binding organization such as APEC. Nonetheless, APEC continues to provide a voice in multilateral and Asia-Pacific affairs, as discussed below.

In the Asia-Pacific context, such questions on the relationship among different modes of trade organization are central to assessing the future of APEC, efforts to develop bilateral or regional accords, and the implications of these arrangements for the WTO. For example, the recent Japanese turn toward consideration of bilateral agreements with Singapore and Korea, particularly in the aftermath of problems in APEC and the WTO, are now hotly debated by analysts and policy-makers. While space limitations preclude a comprehensive discussion of every combination of trade accords in the Asia-Pacific, this analytical approach provides a basis for exploring our questions on the future of APEC and scenarios for trade arrangements in the Asia-Pacific.

### **Analyzing trade and security in the Asia-Pacific**

The traditional discussion on trade and its political correlates revolves around the theme of economic interdependence and the risk of interstate war, framed in a prisoner's dilemma structure of state preferences. Gowa and Mansfield (1993) expand the discussion by considering the positive security externalities of trade among allies, and negative security externalities of trade among adversaries, arguing that security considerations affect the efficiency calculations of trade. On security and trade liberalization, Mansfield and Bronson (1997) argue that the combination of political-military factors and preferential trading arrangements is critical for understanding trade flows, finding that parties who are members of both types of arrangements are more likely to trade than countries which are members of either but not both. In APEC, however, the discussion of trade and security reflects a new theme: Joining as economic and political allies to combat terrorism by nonstate actors. While conflict between members of APEC cannot be ruled out, this concern is far less prominent than the current preoccupation with combating terrorism. Following the logic of the theoretical work cited above, this expanded horizontal linkage would predict a reinforcement of trade among APEC members.

However, this positive effect for trade is counteracted by political rivalries and perceived security threats among the APEC members themselves. Nearly every nation is wary of China's rapid economic (and military) ascent, and is utilizing a variety of strategies to secure their economic position vis-à-vis this enormous competitor. From the most to the least

developed APEC member countries, there are fears of losing manufacturing and industry to China's seemingly endless pool of inexpensive labor. China, always with a pragmatic view on national development, has deftly used restrictions on capital and foreign investment to protect itself from external shocks and to ensure transfer of technology. This political-economic give and take is exemplified by the US desire to enlist China as an ally in the war against terrorism while China eagerly courts stronger economic ties, leading to a marriage of convenience.<sup>3</sup> The growing strength of China and a potentially nuclear North Korea lead some analysts to fear Japanese rearmament that could upset the delicate regional balance.

Scholars of international relations have pointed out the relative paucity of regional organizations in the Asia-Pacific, especially in the area of foreign policy and security. The one American-led attempt to create an Asian counterpart to the North Atlantic Treaty Organization (NATO), the Southeast Asia Treaty Organization (SEATO) ended in failure (Friedberg 1993). However, there have been demands in the past from Asian countries to create a regional security forum and indications that APEC has been filling the vacuum, despite its transregional scope, as discussed in the next section. Given the apparently divergent security concerns of countries in the Asia-Pacific, finding common ground is challenging, to say the least. But as recent terrorist attacks have demonstrated, fruitful economic relations require political stability in the entire system, leading to a renewed awareness of the need for international cooperation. While most APEC nations are not potential targets of a North Korean nuclear threat, refugee flows, an insecure Japan, terrorist attacks, or the disruption of any of the large economies will have dramatic repercussions for trade-dependent members.

### **APEC, trade and security**

How is APEC faring in trade liberalization after the Asian economic crisis and in the context of the World Trade Organization (WTO) Doha Round? What is APEC's role in managing the nexus between the security and economic concerns of its members? Before examining these issues directly in the context of APEC's effort to promote widening and deepening while remaining consistent (nested) with the WTO, it is useful briefly to survey some key developments in APEC's history.

#### *The development of APEC*

Created in 1989, APEC currently groups twenty-one economies in the region with the professed aim of liberalizing trade and investment.<sup>4</sup> As a trade liberalization forum, APEC began to take on a significant role in 1993 when heads of states met in Seattle, giving the Uruguay Round of negotiations a strong boost. By indicating that the United States was willing to move forward with trade liberalization in what was then the most

dynamic region of the global economy, the United States was able to encourage the European Union to be more forthcoming. At least in the minds of some observers, then, APEC had proved its benefit in serving as a building block for trade liberalization on a global level.

In November 1994, the members of APEC, following the advice of an APEC-sponsored Eminent Persons Group, issued the Bogor Declaration at their annual meeting in Indonesia. This agreement set APEC members on the road to trade liberalization, with a target for achieving open trade for developed nations by the year 2010 and developing nations by 2020. APEC leaders then met in November 1995 in Osaka, Japan to hammer out the details of how to reach the free trade goal. APEC members continued to espouse the principle of "open regionalism," arguing for the nesting of APEC within the WTO, but without the creation of a formal free trade area or customs union as permitted under Article 24 of the GATT.

This notion of "open regionalism" was not one on which members had or have achieved a stable cognitive consensus.<sup>5</sup> We can identify at least four schools of thought with respect to institutions in the Asia-Pacific area: (1) pure WTOists who argue that the multilateral trading order is undermined by competing regional agreements and that institutions in the Asia-Pacific are at best redundant and at worst detrimental to growth; (2) the PECC (Pacific Economic Cooperation Council)-led GATT-consistent school of open regionalism, which argues that APEC-type arrangements can provide a boost to liberalization<sup>6</sup> and address issues that are not covered by the WTO such as investment, environmental concerns, technology transfer, and standards in communications; (3) skeptics of open regionalism who argue that permitting diffuse rather than specific reciprocity allows potential free-riders to benefit from APEC liberalization, and reflects a politically naive perspective; and (4) advocates of an Asian bloc, perhaps best expressed in Malaysia's 1990 proposal to create an East Asia Economic Grouping (EAEG), as a natural counterbalance to the expanding arrangements in the Americas and in the European Union. An exclusively Asian grouping in regards to trade has not met with enthusiasm from APEC's members on either side of the Pacific but, as we shall see in the section below, an Asian-centered initiative has kindled interest in the development of Asian monetary institutions.

In 1996 in Manila, APEC shifted from emphasizing the benefits of transregionalism in building and reinforcing globalism to expounding the potential benefits of sectoralism. The United States pressed to use APEC to leverage trade liberalization in the WTO, specifically in an effort to push negotiations forward in information technology. APEC members agreed to an APEC-wide liberalization program in this sector and this effort can be seen as using sectoralism regionally to pursue sectoral liberalization globally. With this success, the US began to pursue a unilateral sectoral path with enthusiasm, pressing for Early Voluntary Sectoral Liberalization (EVSL) as a nine-sector package.<sup>7</sup> This strategy initially

appeared to be viable, but quickly ran into difficulties. At the sixth leaders' summit in November 1998 in Kuala Lumpur, Japan (with support from other Asian countries) refused to liberalize trade in fishing and forestry products and the package was deferred to the WTO for further debate. What seemed in the mid-1990s to be a promising avenue to pursue trade liberalization (at least from the American perspective) in the world's most dynamic region began to look more like a dead end – or at the very least, a very bumpy road.

### **APEC and trade liberalization after the Asian crisis**

APEC has played two principal roles in trade liberalization. It has pursued liberalization on a transregional basis, which serves as a potential building block toward globalism. APEC has also promoted multilateral sectoralism as a step toward liberalization. We can consider APEC's development with respect to trade from both a deepening and a widening perspective. At APEC's First Senior Officials Meeting in early 2000 (SOM I) APEC set in motion several steps to promote better understanding of the benefits of trade liberalization. The officials also agreed to launch, pending budget approval, a redesign of the Individual Action Plans (IAPs). These electronic IAPs would be more transparent and user-friendly, allowing comparison between years. At their second meeting, senior officials monitored the development of this new system.<sup>8</sup>

During the 1999 Auckland Leaders' Meeting, APEC Business Advisory Council (ABAC) members called upon economies to avoid imposing tariffs on e-commerce. At a two-day meeting in June 2000 in Darwin, APEC agreed to an extension of the moratorium on the imposition of customs duties on e-commerce until the next WTO ministerial conference.<sup>9</sup> During the Darwin Meeting, APEC ministers responsible for trade inaugurated a new APEC website to facilitate trade liberalization. BizAPEC.com is aimed at making APEC services and information more readily available to businesses.<sup>10</sup> In its key recommendations for 2000, ABAC requested that members tackle the growing issue of non-tariff barriers within IAPs, remove impediments associated with standards and conformance and support sectoral government–business dialogue to promote APEC's facilitation agenda.<sup>11</sup> While these measures may not have progressed much beyond their initial declaration and require little sacrifice from APEC members, they are nonetheless indicative of general support for free trade and deepening commitment.

Turning to widening, the moratorium on membership continues until 2008. Although former President Kim of South Korea has advocated North Korea's membership as a way of integrating this isolated nuclear power, this will depend on the successful resolution of the current security crisis. Vietnam has backed India's admission as a necessity to successful trade in APEC. Both states will be able to participate in certain sectors of

the forum, such as human resources and food security.<sup>12</sup> With respect to the issue of scope in trade specifically, there have been calls for work on related issues such as trade competition and regulatory reform.

In short, APEC has undertaken some steps toward deepening its commitment to trade liberalization, but these are very small steps indeed. As the APIAN group (APEC International Assessment Network) notes with respect to trade, APEC must “clarify and prioritize some of its trade policy initiatives,” have IAP commitments which are “specific, measurable and accompanied with a time line” and promote the “establishment of effective and transparent systems to monitor the implementation of APEC’s voluntary, non-binding commitments” (Feinberg/Zhao 2001).

### *APEC’s role in security*

In the wake of the September 11 terrorist attacks, the United States embarked on a mission to rally international support in the fight against terrorism. A number of the APEC member states have also suffered at the hands of terrorists and domestic strife, including the Philippines, Indonesia, Russia and China. The bombing of a nightclub in Bali that killed 200 people a few days before the 2002 Los Cabos meeting and the absence of Russian president Vladimir Putin due to the hostage situation in Moscow only underscored the ever-present threat of terrorist action. The admission by North Korea of its continued nuclear program is of the gravest concern to the largest economies of East Asia, who are well within the range of North Korean missiles.

Security concerns dominated the discussions at the Los Cabos meeting, and were an overarching theme in what would normally have been more “economic” issues. For example, the US led a drive to increase security in shipping containers and cooperation in customs and immigration. Stronger controls over financial institutions were partially motivated by the imperative to freeze assets of suspected terrorist organizations. The deleterious effects of terrorism on tourism, an important industry for many member countries, has threatened a significant source of economic development.<sup>13</sup>

The most concrete step towards implementing the APEC Energy Security Initiative was a sea oil lane disruption exercise conducted by APEC economies on April 18–19, 2002. The Energy Working Group also plans to establish a network of countries that wish to share real-time information in the case of an oil supply emergency. At the third Transportation Ministers meeting in Peru in May 2002, ministers agreed to enhance maritime and aviation security, and in the same month in Shanghai, telecommunications ministers agreed at their fifth meeting to establish protections for this critical sector and to provide information and early warnings in the event of terrorist attacks.<sup>14</sup> Subsequent meetings in 2003 and 2004 have continued to emphasize the need to pursue counterterrorism measures, human security and energy security as collective goals of the APEC membership.

The discussion of Asian security cooperation at APEC is nearly as old as the organization itself. Although security has been most visible at the APEC ministerial meetings after the September 11 terrorist attacks, discussions relating to the North Korean threat have been broached as early as the 1991 meeting in Seoul. On November 14, 1991, China's Foreign Minister Qian Qichen declared at a news conference concluding the APEC meeting that dialogue, not pressure or sanctions, was the best way to deal with North Korea (Mazarr 1995). Discussions of the North Korean nuclear program also took place at the APEC Summit in Seattle in November 1993, as officials worked behind the scenes to convince Pyongyang to give up its nuclear program.<sup>15</sup> At the end of the July 1993 ASEAN meeting, foreign ministers of six Southeast Asian countries endorsed the creation of a regional security forum, now known as the ASEAN Regional Forum (ARF).<sup>16</sup> Clearly there is demand for this type of regional institution, and country leaders have used APEC to fill in the gap.

Has APEC become a "coordinating committee for the economics of counterterrorism"?<sup>17</sup> The intersection between trade and security has long existed; the United States' support for an exception for the GATT-violating European Coal and Steel Community due to security reasons is one contemporary example. APEC leaders did not neglect trade entirely at Los Cabos: APEC leaders pledged continued progress on the Bogor Declaration, called for elimination of agricultural export subsidies, and vowed to work towards the conclusion of the Doha Round by 2005.<sup>18</sup> But as many observers have pointed out, there are few binding mechanisms in place for APEC to operationalize its stated objectives. However, we can see from the issue areas discussed below that APEC can still serve an important purpose as a forum for coordination and cooperation on transnational flows of capital, people and goods.

### **APEC's role in related issue areas**

With significant problems in moving forward on trade liberalization over the last few years, many had hoped that APEC would play a dynamic role in other areas. Yet for the most part APEC has found it difficult to advance in other issue areas, running into many of the same problems it has faced in developing a consensus on trade liberalization. However, with APEC's recent emphasis on security, a number of issues have gained a new sense of urgency. We focus on three issues that directly impact on trade and security: Financial reform, transportation, customs and immigration, and economic development.

#### ***Financial reform***

With the recent spate of corporate scandals in the United States, it is clear that no APEC member enjoys immunity from financial mismanagement.

Discussions at the last several ministerial and sectoral meetings have focused on anticorruption measures such as strengthening and standardizing accounting practices to ensure financial stability and transparency. However, the attempts of some of the Asian APEC members to develop a stronger and more independent monetary regime have been sharply censured by its Western members.

The 1997/1998 financial crises in Asia exposed the need for strong financial systems and proper management practices, providing an opportunity for APEC to play a pivotal role. Yet, the organization's ability to deal with the financial crisis was disappointing, to say the least. In fact, since the start of the Asian financial crisis in the summer of 1997, APEC has been very slow to react. Given the structural difficulties in dealing with the financial crisis, APEC continued to work to provide a forum for discussions on the crisis. But the possibility of an active role by APEC or other Asia-Pacific regional organizations in resolving the financial crisis came to naught as the International Monetary Fund (IMF), supported by the United States and European countries, resisted such efforts. Beginning with the \$17 billion rescue package for Thailand in August 1997, the IMF attempted to deter rival institutions from taking a significant role. But with the United States failing to financially participate in the Thai rescue package, the Japanese took the lead in September 1997 with a proposal for an Asian Monetary Fund (AMF), to be backed by \$100 billion that they had lined up in commitments in the region. But the IMF, the United States, and most other Group of Seven (G7/8) countries attempted almost immediately to quash this initiative, with the US Treasury leading the charge. The United States viewed such a fund as undercutting its preferred approach of IMF loans accompanied by conditionality. In addition, it expressed concern about the relationship that any such fund would have to the IMF.

The success of the United States and the IMF in forestalling the creation of a rival financial institution was embodied in the November 1997 Vancouver APEC summit meeting leaders' endorsement of the so-called Manila framework, agreed to by APEC finance ministers shortly before the start of the summit. The Manila framework called for the IMF to take the lead in providing emergency loans to Thailand, Indonesia and South Korea, with APEC member nations taking only a secondary role, if necessary, to supplement IMF resources on a standby basis without any formal commitment of funds. Thus, with the APEC action providing a seal of approval for the US-IMF-backed plan, the AMF idea was put on hold.

With rampant criticism of the IMF's policy prescriptions for the region, it was not surprising that Asian members of APEC wished to reassert both fiscal and monetary autonomy. Taking a stronger leadership role in finance and financial reform would be a logical first step. Training courses in light of international best practices for the region are being developed and will be aided initially by testing programs in the Philippines, the People's Republic of China and Indonesia. The finance ministers have

also formed a task force on accounting to improve the quality of financial disclosure in APEC economies.<sup>19</sup>

In Los Cabos, the leaders of South Korea, Hong Kong and Thailand announced plans to establish a regional bond market as a way of promoting market openness and competitiveness. The need for a policy dialogue on removing impediments to the development of securities and credit-guarantee markets has been recognized by the finance ministers, and an ambitious plan to develop securitization and credit-guarantee markets over a period of two years was announced by the three country co-chairs at the ninth APEC finance ministers' meeting in September 2002. Asset-backed securities can raise credit ratings and allow Asian enterprises to raise capital through bond offerings. In addition, smaller enterprises can pool together to create a larger and more liquid bond issue. This initiative is touted as essential to long-term economic growth and protection from volatile capital flows in the region.<sup>20</sup> A South Korean ministry official, Kang Seung-mo, points out that although East Asian nations have \$1 trillion in foreign exchange reserves and high savings ratios of 25 to 30 percent, investment is made primarily in US and European securities due to the underdeveloped regional bond market.<sup>21</sup> If successful, this will be the most substantive financial enterprise that APEC has undertaken to date.

### *Transportation, customs and immigration*

In 2002 in Mexico, US Secretary of Transportation Norman Mineta announced the plan for Secure Trade in the APEC Region, or the STAR initiative. Ministers welcomed the adoption of this initiative and supported plans to hold a STAR seminar on February 22–23, 2003 in Bangkok, Thailand.<sup>22</sup> The first STAR conference was held in Bangkok in 2003, the 2004 conference met in Chile and the third annual meeting took place in Incheon, Korea in early 2005. The APEC Committee on Trade and Investment also issues recommendations on facilitating cross-border flows and easing transactions. In light of the security concerns of the US, the once-mundane issue of customs has gained a newfound visibility. According to Secretary Mineta, the focal point of the agenda is not only expediting the flow of people and goods, but also adding extra security. Measures such as requiring biometric technology on exit and entry documents, standardized passenger and baggage screening and additional customs security to scrutinize high-risk ships and containers are all part of the US proposal.<sup>23</sup>

The issue of migration is a challenge both in economic and security terms. While freer trade can arguably substitute for migration flows, labor market asymmetries among the APEC countries create inexorable tendencies towards equilibrium. The circulation of business persons has been addressed by the WTO and APEC's Business Travel Card program, but the migration issue is so politically sensitive that there is rarely any mention of the flows of lower-skilled labor that fill some of the least desirable yet most

essential jobs. Nonetheless, movement of both categories of labor takes place: lesser-developed APEC countries need to attract and retain professional and managerial human capital, while lower-skilled migrants fill labor-intensive positions in services, agriculture, manufacturing and construction in the more developed APEC countries. Similar patterns emerge between lesser and more developed areas within countries as well. These labor flows occur within and across regions and are often undocumented, sometimes due to willful negligence. The Working Group on Human Resource Development focuses almost exclusively on domestic labor issues and rarely mentions migration in its documents. However, given the current environment, this area may warrant additional scrutiny that will also hopefully lead to more rational labor policies.

### *Economic development*

The leadership of APEC, taking a cue from anti-globalization protesters, hope to legitimize trade liberalization by promoting a “share the wealth” philosophy that is predicated upon the positive externalities of economic development. The rhetoric flowing from the APEC leadership acknowledges the need to link abstract efficiency arguments for trade liberalization with tangible benefits for ordinary working individuals. Some observers even trace the roots of terrorism back to perceived injustices and inequities in economic development, hence the 2002 ABAC report entitled “Sharing Development to Reinforce Global Security,” issued at Los Cabos. This report calls upon APEC to reaffirm its pursuit of the Bogor goals and reiterates many popular themes of APEC declarations, such as strengthening the regulatory environment, removing barriers to small and medium-sized enterprises, improving corporate governance, and utilizing technology as the key mechanism.<sup>24</sup>

Many of the APEC nations are highly dependent on tourism as a source of earnings, an industry that is among the first to suffer in economic downturns and the most vulnerable to political uncertainty. Even in a country as large as the United States, the effects of the September 11 attacks on the New York economy and on the travel industry caused corporations to bleed red ink and shed jobs, while also forcing innumerable smaller businesses to close altogether. In Bali, the precipitous drop in tourism after the 2002 bombing caused even more hardship for workers who have few other viable means of employment. Although a stable political and economic environment is necessary for investment and development in almost any country, it is absolutely imperative for nations that are disadvantaged in resources, territory and current levels of wealth. Given this economic situation, any security threats that may disrupt flows of goods or people will have highly detrimental effects on their economies. Consequently, APEC has emphasized the link between security and economic development in its recent meetings.

## **APEC's evolution in response to its environment**

APEC has clearly encompassed much more than its original mission as an organization for trade liberalization: it has become an important forum where leaders of the world's largest and fastest-growing economies can meet to discuss important issues regarding trade and security. Outside of the official APEC agenda, world leaders also take the opportunity to engage in power politics: building alliances and coalitions for both military and economic negotiations, and attempting to resolve disputes informally. Lacking another convenient forum for discussing security issues, APEC leaders take this opportunity to address urgent concerns, as in the previous North Korean crisis of the early 1990s, their recent admission of a continued nuclear program and of course the omnipresent threat of terrorism.

Yet this attention to security is intertwined with economic policy, as described above. While trade may follow the flag, or vice versa, in the initial establishment of an international relationship, attention to both political and economic aspects are necessary for the maintenance of the relationship. We consider how APEC has fit into various trading arrangements, how the environment has changed, and how APEC can evolve to address shifting priorities.

APEC has long claimed to and has succeeded in making an effort to be consistent with the GATT (and later the WTO). As we have seen, how this consistency might be achieved and what proper meaning should be attributed to the concept of "open regionalism" remains an issue of contention. After considering the effort to nest from a theoretical perspective, we will turn to APEC's more recent efforts to maintain WTO consistency after the problems with the Millennium and Doha Rounds. We will then turn to the reactions that we have seen in the region in terms of the pursuit of alternatives to APEC-based liberalization, guided by the theoretical framework presented in the first section.

### *Nesting APEC in the WTO: the theory*<sup>25</sup>

With respect to nesting APEC in the WTO, we can consider four options for APEC members: First, one could pursue a free trade agreement or customs union under Article 24, the strategy pursued by NAFTA members and other regional groupings. However, most APEC states are reluctant to form such an agreement. Second, only non-WTO issues might be discussed in a particular forum, thus also ensuring consistency. Although the WTO's scope has continued to widen, issues such as those raised above and regional security are fair game for APEC. Third, states could freely extend any concessions within a grouping to all WTO members – the APEC idea of open regionalism. However, the United States is strongly opposed to this idea, and free-rider problems make this unlikely. And fourth, and most controversially, APEC could engage in conditional liber-

alization along the lines of the Tokyo Round codes, but in light of the elimination of Tokyo Round forms of conditionality, this option would appear to be inconsistent with WTO rules.

### ***Recent efforts to maintain consistency with the WTO***

APEC has continued to profess WTO consistency. At the September 1999 Leaders Meeting, ABAC members strongly supported continued trade liberalization both under APEC and the WTO.<sup>26</sup> Members also spoke in favor of not only supporting the existing WTO regime, but also strengthening it through a new round of WTO negotiations that would include the following three goals: Covering industrial tariffs in addition to services and agriculture; improving market access for all economies, including developing ones; and a balanced and broad-based agenda to be concluded within three years.<sup>27</sup> Officials have also supported the abolition of agricultural export subsidies and unjustifiable export prohibitions and restrictions and they have also called on WTO members not to impose new restrictive trade measures for the duration of the negotiations.<sup>28</sup> ABAC's interest in supporting the launch of another WTO round is a clear example of that group's interest in ensuring that APEC nests its trade liberalization regime within the WTO.

APEC members have failed to show unity on a new WTO round largely because Japan and the US failed to narrow the gap between their approaches during the APEC meetings: Japan wanted a "single-undertaking" approach (supported by South Korea), while the United States wanted to allow participating economies to implement accords as soon as they are reached.<sup>29</sup> Following the Auckland APEC meeting, the United States won out and it was decided that tariff reductions would be delivered sector by sector according to each economy.

Additionally, Japan preferred to take up a variety of issues at the WTO round, but the US wanted a limited agenda. A senior Japanese official correctly predicted that the Seattle WTO meeting would not succeed if the United States stuck to its stance. Japan and the United States are likely to continue their long-running battle of wills over fish, timber products and agriculture. At the same time, many developing nations, particularly Malaysia, are cautious of moves to widen the scope of WTO negotiations to include non-trade issues. Malaysian ministers were glad that APEC did not set a decisive time for new trade negotiations in the Millennium Round, despite US pressures to do so.<sup>30</sup> Early on Malaysia had refused to dispatch its trade minister to Auckland's APEC meeting because it opposed "extraneous" new issues such as the linkage of trade with environment protection and labor standards, both topics supported by US representatives.<sup>31</sup>

*Transregional, regional and bilateral alternatives*

The slow pace of negotiations in the WTO and modest realization of concrete results in APEC have led countries to pursue alternative paths to organizing trade in the Asia Pacific. Referring to Table 4.1, we can divide these efforts along several dimensions, and here we consider the most significant categories: Regional and bilateral alternatives to the WTO and APEC.

We should also mention at least one transregional alternative: The Asia–Europe Meeting (ASEM), founded in 1996, symbolizes the most ambitious effort toward free trade between Europe and Asia. ASEM includes all ASEAN Plus Three (APT) member states (with the exception of Cambodia, Laos and Myanmar) and primarily strives to establish an Asia–Europe free trade area by 2020. The EU ranks as either the second or third most important trading partner to Association of Southeast Asian Nations (ASEAN) countries (Dosch 2000: 2). Given the highly critical trade relations between the two regions, it is hardly surprising that free trade talks have begun to solidify between the two economic powerhouses. Nonetheless, as Jörn Dosch has noted, Asian–European relations remain at a low level due in part to lack of historical and cultural ties (Dosch 2000: 3). ASEM’s prospects for overtaking APEC are unlikely. No parallel agreement exists for Asia and the Americas, but this may be unnecessary since APEC itself is a transregional organization, with cross-Pacific bilateral talks also under way.

ASEAN, consisting of ten member states, presents an example of the kind of regional organization competition this chapter has identified as a potential challenge to APEC. ASEAN, like APEC, has struggled in the wake of the Asian crisis. ASEAN’s uphill struggle to invigorate AFTA, however, has witnessed some progress in recent years. At the November 25, 2000 ASEAN summit, members explored the possibility of expanding the existing AFTA to include the Northeast Asian APT states: China, Japan and South Korea.<sup>32</sup> If instituted, this new APT free trade area could leverage more pressure on the existing free trade aspirations of APEC by the entry of economic behemoths Japan, China and South Korea. ASEAN has also succeeded in permanently incorporating these “Plus Three” nations into a formalized “East Asian” summit to increase the scope and puissance of the organization. The envisioned Free Trade Agreement (FTA) between China and ASEAN, and interest from Japan, South Korea and India on forming similar agreements, may add a significant boost to regional trade liberalization.

ASEAN has also succeeded in making progress toward free trade via its CER accord with Australia and New Zealand. The AFTA–CER agreement, entered into in 1983, has sought to facilitate trade and investment flows between the ASEAN region and CER countries (New Zealand and Australia). At present, all tariffs and quantitative restrictions on trade in

goods between New Zealand and Australia have been eliminated via the CER. The CER states estimate a gain of \$48.1 billion if a similar free trade area were to be constructed between the ASEAN and CER regions.<sup>33</sup> AFTA–CER also seeks to harmonize a range of non-tariff measures that affect the flow of goods and services between the two regions. The ASEAN group also signed an AFTA protocol governing tariff reduction. Again, if these hopes were to reach fruition, APEC may be quickly replaced as APEC member economies gravitate toward ASEAN’s momentum. However, the AFTA–CER free trade area has not yet materialized, the China–ASEAN FTA is at an early stage, and a larger ASEAN agreement with the Northeast Asian economies remains an even longer-term prospect.

East Asian countries have shown a growing appetite for bilateral trade during the post-Seattle WTO standstill. Led by Japan and Singapore – two countries that had previously negotiated trade deals exclusively through multilateral and regional/transregional (or “minilateral”) means – many countries in East Asia seem to have wholeheartedly embraced the new bilateralism. Much of the activity is concentrated within the East Asia region itself. For example, Japan and Singapore have concluded a bilateral agreement with each other, and each is separately negotiating similar measures with South Korea. However, these countries are not limiting their vision to the immediate region. Indeed, Japan has a newly signed free trade agreement with Mexico, and Singapore has completed agreements with New Zealand, Australia, the United States and the European Free Trade Association countries. While Japan and Singapore remain in the vanguard of this new trend, other East Asian countries – such as Vietnam and South Korea – seem to be similarly oriented toward cementing trade relationships through bilateral measures.

## **Conclusion**

This chapter has addressed the role of APEC as it adapts to a changing world, where security has become one of the paramount concerns at nearly every international meeting. While APEC has often been criticized as an ineffectual talking shop’ in terms of trade liberalization, it has proven to be useful in providing a forum for the world’s most important leaders, many of whom have historically had rocky relationships, to meet and appear on stage in public together. The most interesting action at APEC meetings has probably taken place off the official agenda, but enough of it filters through official statements to provide an indication of the new priorities of the organization.

We have considered how APEC can fit into traditional divisions of trade arrangements (multilateral, regional and bilateral) and we have also considered how APEC can manage the new focus on trade and security. With respect to the fit of trade arrangements, as we have seen, APEC has been

under pressure from bilateral and regional agreements on the one hand, and global trade negotiations through the WTO on the other. The zeal with which the United States now pursues bilateral trade agreements and the similar pursuit of such accords by other countries in the Asia-Pacific does not bode well for a significant role for APEC in trade liberalization. While one of us was quite pessimistic about the prospects of APEC in view of the institutional squeeze that it faced, labeling APEC “transregionalism without a cause” (Aggarwal 2002), APEC appears to have discovered a new cause. Whether this new-found focus on security and its emphasis on practical technical issues like customs and transportation can be a building block to sustain interest in APEC remains to be seen.

With respect to the link between political-military and economic issues, which have largely remained divided with little dialogue between them in recent decades, it is clear that APEC leaders have recognized their intrinsic linkage in international relations. The United States has very much been at the forefront of this movement, but it is safe to assume that such considerations are on the minds of other countries as well. The tendency has been towards partnership, and the fact that APEC has managed to provide a forum for cooperation in light of so many competing interests augurs well for its continued role as a transregional institution linking the two sides of the Pacific.

# 5 The Forum for East Asia–Latin America Cooperation (FEALAC)

## Embryonic interregionalism

*Linda Low*

### Introduction

Singapore's Prime Minister Goh Chok Tong mooted the Asia–Latin America Forum (ASLAF) in Chile in September 1998. As the idea took shape, backed especially by Japan, the name was transposed to East Asia–Latin America Forum (EALAF). The new forum could build on earlier contacts between the Association of Southeast Asian Nations (ASEAN) and the Mercado Comun del Sur (MERCOSUR) to explore opportunities for establishing a more formalized interregional dialogue. EALAF was also preceded by overtures at the bilateral level to intensify relations across the Pacific. Malaysia, Thailand, Japan and Korea on the Asian side, and Argentina and Chile on the Latin American side were at the forefront of these moves. EALAF thus started as a broader platform for political, business and other leaders to exchange views, promote better understanding, and foster political, economic and cultural cooperation between countries in the two regions.

The East Asia–Latin America cooperation constitutes a deliberate effort by ASEAN to extend its network of interregional links beyond the triadic core and establish a dialogue forum with one of the economically more advanced regions outside the Triad. To enhance its political clout and bargaining power, and capitalizing on the fledgling ASEAN Plus Three (APT) cooperation, ASEAN followed the earlier example of the Asia–Europe Meeting (ASEM) by bringing together Northeast and Southeast Asian countries as an imagined extended East Asian region. The result is a certain asymmetry in the relationship: Most of the “East Asian” states represented in EALAF are part of the Triad whereas Mexico is the only Triad state in the line-up of Latin American EALAF members.

Cooperation between Asia and Latin America thus brings together a highly diverse set of players. However, of the two regions assembled under the roof of EALAF, East Asia is more diverse than Latin America. Historically, East Asia was under British, French, Dutch and American colonial rule. Only Japan and Thailand were never colonized. In the late nineteenth century Japan established her own colonial sphere of influence,

culminating in the Greater East Asian Prosperity Zone during World War II. Most Northeast and Southeast Asian states became independent only after 1945. Latin America was colonized by Spain and Portugal, but regional states achieved national independence already in the nineteenth century. Yet, independence was conditioned by strong US dominance in the hemisphere and frequent political interventions into the domestic affairs of Latin American countries.

Politically, too, East Asia is more diverse. Despite their transition to market economy through economic liberalization, China, Vietnam and Laos are ideologically still communist states. Other emerging economies are semi-authoritarian regimes and newly democratizing countries. Latin American countries are more homogeneous with earlier transitions to democracy in the 1980s, though there were reversals to authoritarianism in Peru and populist tendencies such as in Venezuela in the 1990s.

Economically, most Latin American countries have steadfastly pursued an import-substitution industrialization (ISI) approach. However, the debt crisis and the "lost decade" of the 1980s have instigated a radical break with mercantilist policies and paved the way for the eventual victory of neoliberalism. By the 1990s, most governments had shifted to economic policies firmly based on the Washington Consensus with its three pillars of free trade, market economy and democracy. Still, despite some robust growth in the early 1990s, Latin Americans were exposed to cyclical downswings as exemplified by the Mexican peso crisis in 1994/1995, the Brazilian crisis of 1998 and the Argentinean crisis of 2001/2002. Northeast and Southeast Asia, on the other hand, had earlier changed from ISI and moved to export-oriented industrialization (EOI) for most sectors, except in capital goods. Their mixture of selective liberalization, dirigiste strategies and a closer state-business relationship produced high growth rates from the 1970s to the mid-1990s. Rapid growth was only briefly interrupted in the non-oil exporting countries during the oil crises in the 1970s and a major, albeit short, recession in the mid-1980s. Otherwise, the latter half of the 1980s and 1990s exhibited growth rates averaging 7 percent per annum, soaring in some countries and some years to double-digit levels. The Asian currency crisis, caused by a combination of internal and external factors, abruptly stopped this unprecedented growth. Recovery was uneven, with Korea and Malaysia recovering faster than, for instance, Thailand and, in particular, Indonesia. Moreover economic disparities among East Asian countries, covering the entire spectrum ranging from low- to high-income countries, are markedly greater than in Latin America where most countries are in the middle-income range.

Culturally, Latin America has been strongly influenced by its colonial Iberian traditions, which overlaid the indigenous Indian culture. Although Latin America is thus by no means culturally homogeneous, it is far less heterogeneous than East Asia. While in relative terms Japan, South Korea and China are more homogeneous in population composition,

Southeast Asia in particular has to contend with numerous ethnic, religious and linguistic divisions. The latter have given rise to protracted insurgencies, separatism, rebellions, riots and instability. These problems have been endemic in Indonesia and the Philippines, but they are also looming in Thailand and, to a lesser extent, in Malaysia.

Against this backdrop of diversity, and with the forum still in its infancy, this chapter provides a brief review of the background, development and current format for EALAF, renamed the Forum for East Asia–Latin America Cooperation (FEALAC) in 2001. Following this introduction, the second section deals with the origins and evolution of FEALAC, while the third section examines its functions for the emerging system of global governance. The conclusions drawn must however remain tentative: Although there are studies on the economic interactions between the two regions, there is an almost complete absence of research on the institutional aspects of the East Asian–Latin American cooperation.

### **Origins of EALAF**

The formation of EALAF was proposed by Singaporean Prime Minister Goh Chok Tong when he visited Chile in September 1998. While East Asia has long been used to dealing with Europe and North America, links to Latin America were weak, selective and hardly formalized. The exception was an ASEAN–MERCOSUR foreign ministers' meeting at the sidelines of the Singapore World Trade Organization (WTO) ministerial meeting in December 1996 and bilateral links of varying intensity between some East Asian and Latin American governments. Only three Latin American economies – Mexico, Chile and Peru – have been in regular contact with East Asia as members of the Asia-Pacific Economic Cooperation (APEC), while a few more (Ecuador and Colombia) have also been involved in the meetings of the lower-profile and tri-sectoral Pacific Economic Cooperation Council (PECC). Yet, in the new global economy any “missing link” would have negative drawbacks on the regions concerned, and in the case of Asia and Latin America it “would prevent both regions from mutually exploiting their enormous economic potential,” as noted by Singapore's foreign minister, S. Jayakumar in the inaugural EALAF meeting in the city state in September 1999.

A closer look at trade ties between East Asia and Latin America suggests that there is indeed much room for improvement. In 1997, only 2.6 percent of East Asia's exports went to Latin America and only 4.3 percent of Latin American exports to Asia. If Japan is excluded, this figure comes down to a negligible 1.1 percent. Trade is heavily concentrated on a few countries: Japan, Korea and China on the Asian side, Mexico, Brazil, Chile and Argentina on the Latin American side. Trade balances are heavily tilted in favor of East Asia, especially after the Asian currency crisis when East Asian import capacities markedly dropped. Investment is similarly

marginal, lagging far behind the United States and Europe, both of which pursue aggressive merger and acquisition (M&A) strategies in the region (Kuwayama 2002: 18ff.; Hosono 2002: 4). Japan, Korea and China are the leading East Asian investors in Latin America, concentrating on Mexico as a gateway to the North American Free Trade Agreement (NAFTA), Brazil, Chile, Panama for its flag convenience and the Bermuda and Cayman Islands as tax havens (Kuwayama 2002: 18ff.). Latin American investments in East Asia are virtually non-existent.

This means that there are “empty spaces” to be turned into “new opportunities” in interregional cooperation, as urged by Argentinean ambassador Antonio Seward in Singapore.<sup>1</sup> Trade in particular provides considerable and immediate, albeit asymmetric, opportunities due to an increasing complementarity of East Asian and Latin American economies. As East Asia’s economic structure is increasingly industry-based, the region became a net importer of primary inputs and products, including food, from a wide array of suppliers including Latin America. Thus, although Latin American exports are increasingly dominated by manufactures, exports to East Asia display a concentration on primary commodities. While this exposes Latin American economies to greater instabilities of export earnings, all in all, given the huge Asian market, each percentage point gained there would increase Latin America’s export earnings by \$13 billion, or 6 percent of its total exports. Vice versa, Latin American industrialization also spurred a very substantial increase in overall imports. But unlike Latin America on the Asian markets, East Asia was able to tap these demands: East Asian exports to Latin America have mainly been manufactures ranging from labor-intensive products to automotive, electrical and electronic products. These opportunities are further boosted, because Latin America still has less intra-industry or intra-firm flows with trade-diverting effects (Kuwayama 2002: 15).

### **From EALAF to FEALAC**

At EALAF’s inaugural 1999 meeting in Singapore, twenty-five East Asian and Latin American countries met: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela, Singapore, Brunei, Cambodia, Thailand, Vietnam, Philippines, Malaysia, Laos, Indonesia, Burma, Japan, China and South Korea. Australia and New Zealand, invited by Singapore, also participated, though they were formally admitted only in the following year. Unlike in ASEM, where Malaysia vetoed the participation of the two Pacific countries, in EALAF Kuala Lumpur grudgingly accepted their admission, which was also strongly supported by Japan.

The inaugural Singapore meeting formulated three objectives: (1) to further discuss the forum’s purpose; (2) to start a preparatory process toward the second meeting at the level of foreign ministers planned for

2000 which was later postponed to 2001; and (3) to develop concrete projects for cooperation. EALAF members also agreed that the forum would be informal and multi-tracked with a political track, an economic track and an academic track which can involve both the public and private sectors. This “soft” and multifaceted format took into account that EALAF was not only about trade or economics, but that in view of the sporadic contacts the two regions need to know each other a lot more. Accordingly, cooperation should be based on the principles such as mutual respect for sovereignty and territorial integrity, non-interference into each other’s internal affairs, equality, mutual benefit and unanimity through consultation. These principles clearly distinguish EALAF and its successor FEALAC from trading arrangements which are characterized by bargaining and binding agreements based on “hard law” (Abbott/Snidal 2000; Aggarwal 2002: 151). They thus resemble much more other inter- and transregional forums such as ASEM, APEC and the Indian Ocean Rim Association for Regional Cooperation (IOR–ARC), which also rest on a cooperation culture which in Asia has become known as the “Asian way,” like the “ASEAN way.” This is typically informal and more consensual, not as institutionalized or based on rules as in Western culture and political economy.

In Singapore officials agreed that any country which proposes a project must fund and coordinate it in order to avoid the usually lengthy gestation period of multilaterally funded projects. More than twenty initiatives were proposed during the meeting, with Singapore taking the lead by proposing three projects, including an economic study to boost interregional trade. Singapore also agreed to sponsor two journalists from Latin America to visit the island republic for a week each year and has asked other Asian countries to join in the project. Chile proposed a seminar to be held in Latin America that will expound to East Asia the opportunities that exist there. China has offered to host a seminar on regional economic cooperation in the Western Hemisphere, including the Latin American experience in economic cooperation. Mexico has offered fifteen scholarships for East Asian students to study Latin American issues and Spanish at its institutes. And, to name a last example, Argentina offered to compile a database of economic and political data on forum members. Yet, although the number of initiatives looked impressive, it must be cautioned that their reach is modest, signifying “low politics” in the literal sense.

The inaugural meeting and senior officials’ meeting in Singapore inconclusively discussed the envisioned framework document in terms of purpose, principles, procedures and ideas for areas of cooperation. It therefore decided that Singapore and Chile continue to exchange views on the framework document drafted by Singapore. A follow-up meeting of senior officials held in Santiago, Chile in August 2000, apart from exchanging views on other issues such as the opportunities and challenges of globalization, fields of cooperation and ways of proceeding, further

discussed the EALAF framework document. The meeting selected the Philippines and Columbia as vice-coordination countries. The meeting also agreed in principle that the first foreign ministers' conference be held in Chile in March 2001.

Co-chaired by Singapore and Chile, the first foreign ministers' conference adopted the proposal by Malaysia and renamed EALAF into the Forum for East Asia–Latin America Cooperation (FEALAC). On the initiative of Australia and New Zealand, the meeting also admitted Costa Rica, El Salvador and Cuba as new members, bringing the forum's total membership to thirty. In addition, the meeting exchanged views on political dialogue and economic cooperation and passed over the framework document.

The joint communiqué also decided to hold the senior officials' meeting annually and the foreign ministers' conference bi-annually with two coordinators, one from each region. A summit was envisioned, although the timing remained open. The foreign ministers also agreed to establish three working groups, namely: (1) political and cultural; (2) economic and social; and (3) educational and scientific, consisting of government officials, private sector entrepreneurs and scholars. Chile and Singapore were named to co-chair the working group on political–cultural cooperation, Japan and Peru the group on economic and social aspects, and Australia and Costa Rica the group on education, science and technology. As far as the framework document is concerned, the ministers confirmed “soft institutionalization” as the forum's format of cooperation, highlighting the basic principles already mentioned above. Senior officials met again in Colombia in 2002 and in August 2003 in Costa Rica in preparation for the next ministerial meeting in the Philippines in January 2004.

For all the rhetoric, from the first senior officials' meeting in Singapore, to the delayed second ministerial meeting, FEALAC has taken a much lower profile than ASEM. Unlike ASEM, which was planned at the outset as a meeting of the heads of government, EALAF started only as a meeting of foreign ministers. After the inaugural meeting in Singapore in 1999, there was a noticeable delay before the first ministerial meeting in Santiago in 2001 and also the next meeting was postponed from 2003 to 2004, probably in response to Asia's preoccupation with the severe acute respiratory syndrome (SARS) in early 2003.

### **Functions of FEALAC**

Despite the apparent pent-up demand for the FEALAC initiative, the low institutional and financial capacity as well as the limited political commitment beyond the rhetoric in inaugural speeches imply that FEALAC's contribution to global governance will be minimal. At the most, and in this respect resembling many other cooperative structures of the “new

regionalism,” it has mainly been created to perform functions of institutional balancing. Although motivation to join EALAF/FEALAC may vary among members, at least five major arguments seem to corroborate such an assumption:

- First, EALAF has been established in the immediate aftermath of the Asian currency crisis and the austerity measures imposed by the International Monetary Fund (IMF) on the countries most affected by the crisis. As both regions have gone – and are still going – through devastating economic crises, both sides can learn from each other’s experiences in managing these crises. Moreover, the dialogue can be used to build counterweights against the perceived dominant influence of the United States (and other Western countries) in international financial institutions such as the IMF which formulate the conditionalities of the rescue packages for crisis-stricken economies.
- Supporting such a motivation is, second, the fact that ASEAN opted for an Asian grouping enlarged by the Northeast Asian economic power houses Japan, China and Korea. ASEAN, in the search for increased bargaining power in international forums, has thus begun to extend the APT format to its external relations.
- Third, with the proposed, albeit slowly evolving, Free Trade Area of the Americas (FTAA) and the earlier launching of the economically more astute NAFTA, Asia may see EALAF as a device to protect and even improve its access to the vital markets in North America, and, by implication, extending it into the Southern Hemisphere.
- Fourth, for Asians EALAF/FEALAC complements ASEM which, *inter alia*, has been formed in order to counter US hegemonial ambitions in the Asia-Pacific and transpacific institutions such as APEC.
- Fifth, and finally, for Latin Americans, EALAF/FEALAC is a vehicle for balancing the massive influence of the United States in their region and, to a lesser extent, the economic power of the EU. It is expected that, in addition to the Europe–Latin America Dialogue and EU–MERCOSUR relations, East Asia–Latin America relations would improve Latin America’s position in the asymmetrical bargaining triangle between Latin America, the United States and the EU.

FEALAC’s contribution to global governance in terms of institution-building has so far been negligible. The absence of summits suggests that lower priority is attached by East Asian and Latin American governments to FEALAC than to other dialogues such as ASEM, APEC and FTAA. It is in fact only a second-best device for strengthening mutual relations. FEALAC is being increasingly undermined by the thrust of the economically more advanced economies on both sides of the Pacific to conclude bilateral free trade areas. Countries such as Singapore, Chile, Japan, Korea, Australia and New Zealand have learned the lesson in APEC and

ASEAN that their desire for bolder and faster economic liberalization is persistently thwarted by the majority of less developed member countries. While an earlier move toward minilateral cooperation across the Pacific (the Pacific-5, or P-5)<sup>2</sup> was eventually abandoned, the bilateral free trade areas mark a creeping departure from multilateral institution-building and a renewed emphasis on national interest. They give the more advanced economies more flexibility to counter discriminatory moves of other key players of the Triad. Japan, for instance, sees her position jeopardized in Mexico, which has already free trade agreements with the United States (under NAFTA) and the EU, and in Chile, which is in the process of negotiating free trade agreements with the United States and the EU. Hence Japanese overtures to both Latin American countries to negotiate bilateral free trade areas. Moreover, foreign ministers' meetings have been rare, so far convening only once. They have been postponed twice, which also does not augur well for the prestige of the forum in both regions. Senior officials' meetings have been more frequent, but far less regular and less frequent than senior officials' meetings in the ASEM process and APEC. Moreover, the topics discussed so far, though numerous, are absolutely peripheral, resembling the proverbial laundry-list, and thus "low politics" in every aspect, hardly able to generate more enthusiasm for the forum. The obscurity and low profile of most of the projects also makes intraregional coordination a bureaucratic routine, thus contributing little to internal institution-building.

In what way Asian governments will further work for the evolution of the forum remains to be seen. After September 11, 2001 the United States has devoted heightened attention to Southeast Asia in the war against terrorism. The need for the United States to build a broad-based anti-terrorism coalition in the region increases the bargaining power of Asian governments vis-à-vis the United States, at the same time reducing the attractiveness of Latin America as a partner for cooperation. In what way FEALAC contributes to "rationalizing" and "agenda-setting" in international forums such as the WTO and the United Nations (UN) is difficult to assess at this point and cannot be derived from the communiqué of the senior officials and ministerial meetings. Collective identity-building through the dialogue is minimal due to the low intensity of exchanges, but may be greater on the East Asian side, where FEALAC makes some contribution to the building of an identity which transcends ASEAN.

## **Conclusion**

All in all, FEALAC is a weak transregional link. It increases policy options for both regions, but it must be assumed that the forum will only be activated when global context factors are unfavorable for both sides. Whether the forum consolidates and develops spill-over effects, deepening cooperation, is doubtful. An indicator for the low stature of FEALAC is the fact

that neither the United States nor the EU have raised objections to the forum. A further test for the evolution of the forum will be the forthcoming ministerial meetings as they will reveal how the various national projects have fared in the more uncertain and riskier global environment since September 11, 2001, and whether new ideas can create more scope and depth for FEALAC. Even if prospects in the post-September 11 world may look dim for the forum, FEALAC as an institutional balancing device will remain on the agenda, but is certainly not expected to be speedy or high in priority. Among the evolving network of inter- and transregional relations, it will have to be content with a backseat.



## *Asia–Europe relations*



# 6 The Association of Southeast Asian Nations (ASEAN) and the European Union

## Limited interregionalism

*Alfredo C. Robles, Jr.*

### Introduction

The thirty-year relationship between the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) raises the question whether an interregional level of analysis is emerging in international relations. For a level to exist, it must encompass both human agency and social structure. A structure is understood as a relatively enduring social relation that comprises material conditions (resources, technology, production patterns), institutions and intersubjective ideas or conceptions. A social structure does not determine human behavior but simultaneously sets restraints on and creates opportunities for human agency, which can reproduce and transform the structure. Our conception of social structure emphasizes the existence of contradictions within the structure as well as between structures.

The starting point for our study of the interregional level has been the relationship between two organizations, for the simple reason that unlike other actors in the two regions, they have formulated conceptions of interregional relations that have served as the basis for their cooperation. These conceptions represent the element of agency in a putative interregional relationship. Our understanding of the nature of a level leads us to stress that efforts of ASEAN and the European Community/European Union (EC/EU) to transform these conceptions into a reality and to construct the material and institutional bases of their relationship are conditioned by the evolution of both the global and the regional levels. For the study of interregional relations, a distinction must be made between regionalism as a policy and regionalization as a process and that the relationship between the two phenomena differs in the two regions. Regionalism is a conscious policy pursued by states or sub-state regions that is associated with an "idea or ideology of an identified social space as a regional project" (Bach/Hveem 1998: 6), while regionalization is a process that leads to "the emergence of concrete structures and patterns within an identified cross-national space" (Hurrell 1995a: 39). A regionalist policy can trigger a process of regionalization, but regionalization can

occur even in cases of failure of regionalism. Regionalism can also flourish without any discernible impact in terms of regionalization.

In the case of the ASEAN–EC/EU relationship, it will be seen that ASEAN was in many cases the partner that put forward, in different areas, proposals that would give substance to the relationship. Nevertheless, structural constraints at the regional level, in both Southeast Asia and Europe, as well as at the global level, conditioned the responses to these suggestions and hampered the efforts to construct relatively enduring relations at a new (interregional) level. This chapter will first survey the origins and emergence of ASEAN–EU relations in their changing global and regional contexts, which offered opportunities for forging inter-regional relations while setting constraints on the two organizations' efforts.

### **Between regional and global levels: the origins and emergence of ASEAN–EU relations**

While in Western Europe regionalism has triggered a process of regionalization, in Southeast Asia the success of regionalism has not been paralleled by a process of regionalization, which has been stimulated by Japanese firms' investment in manufacturing in East Asia. This investment, beginning in the mid-1980s, has created an intra-firm division of labor among production units located in different countries, constituted hierarchically organized production networks, and stimulated intra-firm trade, primarily in inputs, but has not lessened Japanese and Southeast Asian firms' dependence on European markets (Siems 1992; Shiraishi 1997).

ASEAN and EU policies toward the other were also conditioned by the global context. ASEAN first approached the European Community in 1971 in order to express concern over the loss of Commonwealth trade preferences of Malaysia and Singapore following Britain's accession to the EC. However, in the late 1970s and in the 1980s, in the context of the world economic crisis, Europe tended to adopt a protectionist attitude toward Southeast Asia, precisely at the time when several ASEAN members had adopted export-oriented industrialization (EOI) strategies and consequently required access to markets of developed countries. Nevertheless, ASEAN refused to conclude a commercial agreement offered by the EC in 1974, since the agreement did not include a political dimension. Instead a Joint Study Group was set up in 1975. The end of *détente*, marked in Southeast Asia by the Vietnamese invasion of Cambodia in 1978, seemed to require a political gesture of support to ASEAN, comprising the pro-Western states in the region. The holding of the first ASEAN–EU Ministerial Meeting (AEMM) in 1978, followed by the conclusion of an ASEAN–EC cooperation agreement at the second ministerial meeting in Kuala Lumpur in 1980, symbolized the two organizations' willingness to enter into an ongoing relationship.

The main institutions of the ASEAN–EU dialogue evolved gradually. The holding of meetings of foreign ministers at roughly eighteen-month intervals highlighted the increased significance that the two organizations attached to their relationship. In 1980 a Joint Cooperation Committee (JCC) was established, through which the ASEAN member states and the European Commission, representing the EC, examine and promote cooperative activities. ASEAN, for its part, relies on the ASEAN Brussels Committee (ABC), comprising the member states' ambassadors to the EC and established in 1972, to defend their interests vis-à-vis the EC. A Special Coordinating Committee of ASEAN Nations (SCCAN) was also set up with a view to improving ASEAN's position in the hierarchy of EC preferences.

In the 1980s the political dialogue proceeded relatively smoothly, thanks to consensus over the Cambodian and Afghan questions. Occasionally ASEAN expressed frustration at the failure of some European foreign ministers to attend the AEMM. Economic and development cooperation activities also diversified and multiplied, though for the most part on a small scale and almost never enough to satisfy ASEAN's expectations. One potentially far-reaching consequence of development cooperation was to broaden participation to include civil society groups and non-governmental organizations (NGOs) in the interregional relationship. The first meeting of economic ministers in 1985,<sup>1</sup> which declared a gradual shift in emphasis from development assistance to economic cooperation, seemed to herald the start of a less asymmetrical relationship. From the late 1980s, globalization has become a decisive influence on EC/EU and ASEAN policies toward each other. In Europe, the dominant view in the EU holds that regionalism should be an instrument for adapting to and promoting globalization. In Southeast Asia, the failure of earlier regionalization projects, reflected in the inability to create a regional market and the threat posed by the formation of other regional groupings, have impelled the group to adopt free trade and investment areas that aim to facilitate adjustment to globalization (Bowles/MacLean 1996; Robson 1998). It is against these shifting regional and global contexts that we can assess the attempts by ASEAN and the EU to forge interregional relations.

### **Interregional relations: conceptions and achievements**

Since the dialogue between ASEAN and the EC was felt by both to herald a new type of relationship, actors from both regions – the organizations themselves, their member states and observers – have articulated common understandings that transcend merely bilateral relations between individual states from the two regions. Among these actors, there is a consensus that complementary economic and political interests constitute this foundation. It is said that for the EU, ASEAN is a major supplier of primary products; a rapidly growing market of several hundred million people; a bridge or gateway to the wider Asia-Pacific region, believed

(or feared) to be the future center of gravity of the world economy; an element of peace and stability in that region; a group of developing countries that has interests and policies similar to those of the EU; and a regional cooperation scheme of the type that the EU has committed itself to support. For ASEAN, the EU is said to be significant because it is a substantial market for primary and manufactured products; a source of foreign direct investment (FDI) and technology; an economic power that can balance the dominance of Japan and Southeast Asia in the United States; and a pioneer in regional integration who through its recognition of and cooperation with ASEAN can contribute to the strengthening of intraregional cooperation in Southeast Asia. For our purposes, these interests can be subsumed under three main ideas. An interregional relationship can, first, be constructed for purposes of transforming the international order, through promotion of dialogue between developed and developing countries and of regionalization in Southeast Asia; second, by contributing to the development of ASEAN's member states; and, third, by establishing trade and investment frameworks for firms from both regions. In the 1990s, the EU attempted to gain ASEAN acceptance of the idea that an interregional relationship should also serve to enhance protection of human rights in Southeast Asia. On this idea, however, there has been no consensus between the two organizations.

### *Transforming the international order*

#### *Promoting progress in global negotiations*

In the 1980s the stalemate in relations between developed and developing countries seemed to create an opportunity to advance the North–South dialogue through dialogue at the regional level between developed and developing countries (Schiavone 1989). ASEAN and the EC, in their respective groupings, were seen as relatively moderate (Ariff 1989; Reichel 1985). Moreover, the Europeans were aware that ASEAN countries were major producers of several commodities, notably rubber, palm oil, tin, coconut, sugar and copper. Consequently, AEMM communiqués in the 1970s and 1980s were replete with references to support for negotiations toward the establishment of a New International Economic Order, the Common Fund and international commodity agreements.<sup>2</sup>

However, it proved impossible to reconcile the contradiction between ASEAN's interests as producers and exporters and that of the EC as importers and consumers. The decline of commodity power in the 1980s at the global level weakened ASEAN's bargaining power. ASEAN was thus unable to obtain a scheme similar to the export stabilization scheme (STABEX) offered by the EC to the Africa–Caribbean–Pacific (ACP) countries. At the global level, the two organizations were not in a position to articulate proposals that could be acceptable to other states.

In the late 1980s and the 1990s, as the liberalization of trade in goods and services was being negotiated at the global level, the EU revived the idea that an interregional relationship can facilitate dialogue between developed and developing countries. This was part of its efforts to convince developing countries of the need to implement Uruguay Round agreements and to launch a new trade liberalization round at the World Trade Organization (WTO). In 1987, a year after the start of the Uruguay Round, the EC used the JCC to comment on ASEAN members' intellectual property legislation.<sup>3</sup> ASEAN initially objected that this constituted interference in domestic affairs, but the EU's ability to mobilize resources that can fund ASEAN-EU programs in support of the EU strategy has been gradually overcoming ASEAN's initial skepticism in this area. Even before the entry into force of the Agreement on Trade-Related Intellectual Property Rights (TRIPS), a three-year ASEAN-EC Patents and Trademarks Programme (1993-1996) had already been launched, with an EU grant of ECU6.5 million. Rather than the ASEAN-EU relationship contributing to progress in multilateral negotiations, the more powerful partner, the EU, is utilizing the interregional forum to ensure implementation of multilateral agreements.

#### *Promoting regionalization in Southeast Asia*

The idea that interregional relations can promote regionalization in developing countries is an essential element in European regionalism, and was accepted by ASEAN in the context of its rivalry with the communist states of Indochina. In 1978, the EC recognized ASEAN as a "developing region" and as a "factor for peace and stability" in Southeast Asia. The 1980 ASEAN-EC agreement was the first to be signed by ASEAN with another organization, and seemed to confirm the independent legal personality of ASEAN (Quisumbing 1983: 70-77). EC recognition is said to have conferred prestige on ASEAN and given it self-confidence (Schivone 1989: 21).

Some resources were made available to ASEAN by the EU, in the form of some benefits under the Generalized System of Preferences (GSP) and modest financial assistance. In 1974, the EC granted cumulative regional treatment to ASEAN (together with the Andean Group and the Central American Common Market), whereby products originating from one member country and used in manufacturing a good in another member country were to be treated as though they originated from the second. The EC also allowed the import of certain products covered by the GSP from Singapore, which was used as a transshipment center by other ASEAN members, provided that the imports were accompanied by certificates of origin issued by other ASEAN members (Lumu 1990: 335-369).

As regards financial assistance, ASEAN sought \$1 billion in loans to finance ASEAN industrial projects (AIP) (Chee 1980: 255). However,

EC financial assistance to the AIP never lived up to ASEAN's expectations. As far as we can tell, in the end there was no financial contribution to the projects that did come on stream in Malaysia and Indonesia. The EC did finance more modest ASEAN-EC regional projects, which in the first decade of cooperation (1976-1986) were concentrated in forestry (ASEAN-EC Timber Technology Centre) and fisheries (Aquaculture Development and Coordination). In 1985, the AEMM decided that regional projects would henceforth focus on the industrial and service sectors. Typical of the projects during the second decade of cooperation is the ASEAN-EC Energy Management Research and Training Center, inaugurated in Brunei in 1994, which aims to enhance management efficiency and effectiveness in the public and private sectors through grants for projects and case studies, seminars and conferences, lectures, exchange programs of junior managers, immersion programs for executives, visits to industrial sites for trainees and publications. Projects such as these may be expected to foster habits of cooperation among ASEAN states.

Nevertheless, it is fair to say that ASEAN-EC cooperation has not (as yet) given a decisive impetus to regionalization in Southeast Asia. The immediate cause lies in the contradiction between the modest resources available and the nature of the projects that ASEAN formulated, which tended to be a conglomerate of national elements rather than truly region-wide projects. It must also be pointed out that constraints at the European level - the priority given to the ACP countries - prevented the EC from allocating more resources to the ASEAN-EC relationship. The broader reason lies in the institutional weakness of ASEAN, rendering difficult the conceptualization and financing of regional projects. Thus it is fair to say that ASEAN-EC cooperation has not (as yet) forged any enduring relationship that has influenced regionalization in Southeast Asia.

Since the 1990s the EU has adopted the view that regional integration among developing countries can be a stage in globalization, notably through the implementation within the region of multilateral commitments, particularly the Uruguay Round agreements.<sup>4</sup> The Work Program adopted by the 1999 JCC included technical assistance in regional cooperation on financial and monetary matters, a training project for personnel of ASEAN national focal points on the ASEAN Free Trade Area (AFTA), Common Effective Preferential Tariff (CEPT) and, for the first time, possible funding of large-scale and costly regional infrastructure projects (inter-state transport, transit transport and multimodal transport), mentioned in ASEAN's *Hanoi Plan of Action* (1998). Notwithstanding these innovations, it is an open question whether the resources that the EU seeks to mobilize for this end can overcome the obstacles to regionalization in Southeast Asia.

### *Promoting development in Southeast Asia*

ASEAN's inability to constitute a regional market has made it dependent on markets outside the region, but in the 1970s and 1980s, structural constraints on EC policies, resulting from the priority given to the ACP states and the impact of the economic crisis, prevented the EC from granting more substantial trade concessions to ASEAN. Provision of development assistance, which the ASEAN did not actively seek, at least at the start, was thus a substitute for these concessions and a manifestation of political support in the context of East–West rivalry in Southeast Asia (Robles 1999).

Development assistance was granted within the framework of a program for all non-associated (i.e. non-ACP) countries. It was targeted toward countries with low per capita incomes (Indonesia, the Philippines and Thailand). Within the group of non-associated countries, the three received commitments that amounted to about half of the total share of the Latin American group between 1976 and 1991 (Robles 1997). The priority of aid was rural development: Irrigation, rural production and services, or integrated rural development represented over half of total aid to ASEAN members between 1976 and 1995. There have been hardly any industrial or major infrastructure projects.

The effectiveness of development assistance was sometimes called into question by the structural constraints at the European level, in the form of lack of coherence with other European policies, notably the Common Agricultural Policy (CAP). For example, crop diversification and winged bean development projects in Thailand (1979–1983) were part of an agreement to limit exports of Thai tapioca, a pudding made from cassava, to the EC. Unfortunately, the projects concluded that winged beans were not sufficiently attractive alternatives for the Thai farmers (Erdmann-Keefer 1993: 110–115). However, development cooperation has, to some extent, compensated for the weakness of regionalization in Southeast Asia, offering tangible proof of the value of regional cooperation and of ASEAN's ability to procure benefits for its members by joint action *vis-à-vis* the rest of the world.

Development assistance has also brought into contact with the EC sectors of civil society that do not normally participate in the dialogue between the two organizations. Ex post facto evaluations carried out in the late 1980s found that the successful relationship with civil society, from project identification, planning and preparation up to implementation, was a crucial factor in the long-term sustainability of development projects. These were the lessons of the Huai Mong Pump Irrigation Projects (1980 and 1983) in Thailand, which failed because they neglected the water use associations, and the Central Cordillera Agricultural Project (1986) in the Philippines, which adopted a bottom-up planning approach.

In the absence of systematic evaluations, it is difficult to assess the exact

contribution of EC development projects to ASEAN development. In the 1990s two contradictory trends in European policies are likely to affect the impact on beneficiaries. At the European level, the reform of development assistance, including decentralization, may make the EU more sensitive to beneficiaries' demands and increase their participation and that of NGOs in all phases of project execution, from planning to implementation. At the same time, the EU's emphasis on globalization entails the risk of subordinating the poverty reduction goal to that of integrating the developing countries into the world economy. This risk is highlighted by the Western Samar Agricultural Program (1994–1999), which tried to reconcile a participatory approach and a requirement that communities engage in the production of commodities that could be sold on the market (Parreño 2001). In the near future, development assistance will be increasingly concentrated on the new ASEAN members (Cambodia, Laos and Vietnam), with the exception of Burma, which are at lower levels of development and of integration into the world economy than the original ASEAN members. These circumstances raise the possibility that similar conflicts may recur.

### *Constructing interregional frameworks for firms*

#### *Trade*

Although the major actors in trade are firms, ASEAN and the EC identified trade, from the very start, as an area where they could forge an interregional relationship. In the late 1970s, the structure of ASEAN–EC trade reflected the typical North–South pattern: more than half of ASEAN exports were constituted by food and beverages, crude materials and other primary commodities, while the EC exported transport equipment and machinery. ASEAN's goal was to increase its access to the EC market, in anticipation of the slow progress in creating a regional market in Southeast Asia (Akrasanee 1982: 37–39). For the EC, trade with ASEAN represented both a threat (to traditional sectors in difficulty) and an opportunity to sell the products required for industrialization in Southeast Asia. With the industrialization of ASEAN, a transformation has been observed in the volume and the composition of their trade with the EU. Manufactured products, primarily textiles, garments and consumer electronic products, now constitute nearly three-quarters of total ASEAN exports to the EU. Their share of non-EU imports of manufactured products rose from 9 percent in 1975 to 22 percent in 1993. However, the trade relationship continues to be asymmetrical, in that the absence of a regional market in Southeast Asia makes access to the European market crucial for ASEAN. The EU share in ASEAN exports (about 15 percent) is larger than the ASEAN share in EU imports (about 6 percent), indicating that Europe is more vital as a region for ASEAN than ASEAN is for the

EU. In addition, ASEAN countries continue to be dependent on imports of high-technology manufactured products (transportation equipment, chemicals and sophisticated electric and electronic equipment) from the EU, ASEAN's exports to the EU being mostly labor-intensive goods.

At the European level, the EC's long-standing relations with the ACP limited preferences granted to Southeast Asia to those available under the GSP, which were subject to various restrictions that progressively affected some of the most competitive Southeast Asian exports (e.g. shoes and electronics) (Mishalani *et al.* 1981: 61; Weston 1982: 81). Nevertheless, ASEAN countries, particularly Singapore, the Philippines, and Thailand, were among the major beneficiaries of the GSP (Hiemenz 1988: 53; Carreau *et al.* 1990: 231; Thanadsillapakul 1996: 47). In the 1980s, the proliferation of GSP restrictions prompted ASEAN and the EC to engage in trade promotion activities, which can be interpreted as compensation for the GSP restrictions. These activities included a packaging seminar, an ASEAN trade promotion centre in Rotterdam, and training in exhibition management.

ASEAN attempted to use the ASEAN-EC mechanisms – the AEMM and the JCC – as well as ASEAN mechanisms in order to obtain more favorable GSP treatment, not without some success. For example, in the 1970s, it was able to convince the EC to expand the GSP list of agricultural products to include Virginia flue-cured non-processed tobacco, preserved pineapple, palm oil, coconut oil, shrimps and prawns, unground pepper and orchids (Domingo 1983: 104–105). ASEAN's weakness vis-à-vis the EU was demonstrated in the 1990s when, despite its opposition, the EU undertook a reform of the GSP that replaced quotas with a system allowing unlimited entry of products at tariff rates higher than GSP rates and excluded (“graduated”) the most advanced developing countries. In 1994, Singapore was graduated from the GSP, and practically all ASEAN members were graduated in particular sectors (e.g. Brunei in jewelry and precious metals; Indonesia in wood and footwear; Malaysia in plastics and rubber; the Philippines in animal or vegetable fats and oils; Thailand in plastics and rubber).<sup>5</sup>

As industrialization proceeded in Southeast Asia and Southeast Asian firms have improved their capacity to export manufactured goods to Europe, there has been an increase in the last decade or so of antidumping cases filed and concluded against Southeast Asian exports. These cover a wide range of products: ball bearings, color televisions, compact disk players, electronic weighing scales, gas fuelled, non-refillable flint lighters, magnetic disks, microwave ovens, personal fax machines, polyester yarn and watch movements. The countries most affected have been Indonesia, Malaysia, Singapore and Thailand; the Philippines and Vietnam have been involved in only a couple of cases.

Notwithstanding the existence of antidumping legislation in most countries, its concept and implementation are widely held to be protectionist,

contradicting the professed adherence of these same countries to free trade (Barcelo 1979; Messerlin/Read 1995; Moebius 1996; Orcalli 1996). The European procedure means that the primary actors are, on the European side, the firms that feel threatened by ASEAN exports and the EU, which implements policy, and on the ASEAN side, the firms that are exporting to Europe. ASEAN as an organization has several times endeavored to defend the interests of its members' firms, and to extend the interregional relationship to antidumping, by bringing up their concerns with the EU. Southeast Asian firms have complained that EU procedures become a form of harassment for exporting firms.<sup>6</sup> ASEAN has requested that the minimum market share for ASEAN products above which antidumping duties can be imposed should be raised. That most of these pressures have been fruitless highlights the weakness of the ASEAN vis-à-vis the EU. Regionalization in Europe has conferred on European institutions the power to grant access to a regional market. In contrast, the low level of regionalization in Southeast Asia means that ASEAN as an institution has no comparable advantage to grant or to deny to the EU.

The tensions created by antidumping arise in part from the specific nature of regionalization in Southeast Asia, as it appears that Japanese firms increasingly consider Southeast Asia as a region to which production can be shifted in response to protectionist measures against Japanese exports to Europe. In other words, actors external to Southeast Asia but based in a broader East Asian region, incorporating Southeast Asia, implement truly regional strategies in both the Southeast Asian and European regions, with the former as production base and the latter as a market. For example, a Japanese manufacturer of retail electronic weighing scales, TEC, initiated production in Batam Island, Indonesia, a free trade area located close to Singapore, only after initiation of an antidumping investigation in May 1991. TEC Indonesia, established in 1992, was fully owned by TEC Singapore Electronics Ltd, which was in turn fully owned by TEC Corporation (Japan). TEC Indonesia produced electronic equipment under a license agreement with TEC Singapore, of which it was a de facto workshop. TEC Indonesia procured all parts used for assembly of the scales from TEC Singapore, which in turn bought parts from Japan (*inter alia*, from the mother company TEC Corporation), from Singapore and from third countries. In addition, TEC Singapore mounted printed circuit boards (PCBs), which were sold, among others, to TEC Indonesia. The scales, assembled by TEC Indonesia, were sold to TEC Singapore, which then sold these to TEC Corporation (Japan). The latter took care of export administration (marketing and invoicing) as regards the EC. The scales were shipped to the Community from Indonesia.<sup>7</sup>

For ASEAN, the threat of antidumping actions could discourage foreign investment in Southeast Asia,<sup>8</sup> although this fear may well prove to be unfounded. Japanese firms have continued to relocate industrial production in East Asia since the 1997 Asian financial crisis.<sup>9</sup> If a regional

market is not expanded in East Asia, whether through AFTA or through Japanese trade liberalization, tensions may well continue to rise in trade relations between Southeast Asia and Europe. A system of prior warning of complaints, which the EU has already established in its relations with Central and East European countries, was proposed by ASEAN to the EU as a means of minimizing risks of tensions. However, the EU made it clear at the 1992 and 1995 JCC that the mechanism was reserved to future EC members.

### *Investment*

Southeast Asians and Europeans agree that investment would promote trade and transfer of technology between the two regions, and they also agree that it is in the area of investment that interregional relations are weakest. Between 1980 and 1993, European FDI more than quadrupled, from \$4.183 billion to \$23.312 billion, but that of Japan increased more than sixfold, from \$5.655 billion to \$33.009 billion. For ASEAN, the quality of European FDI mattered as much as mere volume. The investment that ASEAN desired was one that would contribute to industrial diversification (Chee 1980: 252). Well into the 1980s, much of European investment in Southeast Asia is concentrated in raw materials (petroleum and rubber), or industries that produced for the local market (food, simple chemicals and pharmaceuticals). European firms did not consider Southeast Asia as attractive a region for investment as other developing regions; did not attach as great importance to the region as firms from other developed countries; and considered the region primarily as a market rather than as a production site.

In the late 1970s and the early 1980s ASEAN–EC cooperation with a view to promoting joint ventures and subcontracting was one of ASEAN's priorities.<sup>10</sup> To this end, ASEAN formulated a number of proposals to the EC, among which access to the European Investment Bank (EIB) was probably the most significant. However, the response of the European firms and the EC to these proposals in the 1980s was only moderately enthusiastic. They tended to attribute their unwillingness to invest in Southeast Asia to the allegedly unfavorable investment climate in the region (Rinsche 1988: 130–134), but this argument neglected the fact that ASEAN members were among the first developing countries to offer a broad range of incentives and guarantees to FDI (Chia 1982: 264–270). A more plausible explanation for the attitude of European firms was that three EU policies may have acted as constraints on European firms' investment in Southeast Asia (and in East Asia as a whole). First, the European Regional Development Fund creates incentives for European firms to invest in the less-developed (subnational) regions of Europe. Second, access by the ACP to the EIB probably encouraged European firms to invest in these countries (Babarinde 1994: 169–170). And, third, the

Single European Market encouraged further intra-European investment with a view to consolidation (Babarinde 1994: 6; Padoan 1997: 614–625; Wagner 1998: 27).

It was only in the late 1980s that the EC recognized that European firms had not been able to take advantage of the investment boom in Southeast Asia<sup>11</sup> and that it was therefore necessary to mobilize European resources for specific programs that ASEAN had proposed since the 1980s and that would compensate for the structural incentives for investment in Europe. In 1989, the EC Investment Partners Programme (ECIP) was launched to assist in creating or developing joint ventures, privatization or private infrastructure projects in Asia and Latin America. In the first ten years of the ECIP, ASEAN countries accounted for nearly half of all projects approved for Asia.<sup>12</sup> European Business Information Centers (EBIC) were set up in ASEAN member countries to provide information to European and Southeast Asian firms on trade, firms, infrastructure, regulations and standards. The EIB set aside funds for financing of infrastructure projects and joint private sector investment projects in Asia and Latin America. The ASEAN–EU Partenariat was designed to facilitate joint ventures between firms from the two regions by arranging business meetings between small and medium-size enterprises. ASEAN also participates in the Asia-Invest Project, which offers support to firms from South, Southeast and East Asia.

For European firms, investment in Southeast Asia entails the risk of “hollowing out,” whereby a larger and larger part of production facilities is transferred abroad, to the point where the firm’s production base in Europe is threatened and closes down. One way to resolve the contradiction between the ASEAN desire for transfer of technology and the risk of “hollowing out” appears to be to pursue the regionalization of Southeast Asia through the constitution of a regional market. The prospect of AFTA and an ASEAN Investment Area (AIA) does seem likely to encourage European firms to consider Southeast Asia as a region for production and thus to enter into alliances with firms in the region. In the wake of the Asian financial crisis, European investment declined substantially, from \$6.184 billion in 1996 to \$4.298 billion in 1998. The severity of the crisis compelled ASEAN to accelerate its plans to create AFTA and AIA as well as to adopt temporary measures designed to ensure the region’s attractiveness. While EU investment started to rise again in 1999, in the medium term EU enlargement will expand the coverage of EU regional development policy and broaden the group of countries that can compete with developing countries for EU FDI.

### *Promoting respect for human rights in Southeast Asia*

In the 1990s the EU attempted to introduce into the ASEAN–EU relationship the idea that interregional relations should extend to the promotion

and protection of human rights. This was a significant departure from EC policy. In the 1970s and 1980s there existed a tacit consensus between Europe and Southeast Asia to ignore the right to self-determination of the population of East Timor, which Indonesia had invaded in 1975 and subsequently annexed. The concern of several EC members that were major arms suppliers was to avoid jeopardizing their economic relations with Indonesia (Bricmont 1999: 2; Gil 1997; King 1999: 332; Ward/Carey 2001: 5).

In the 1990s, the two regions began to diverge in their conceptions of the relationship between human rights and regionalism. In Europe protection of human rights assumed a more prominent role in relations among EU members and in EU relations with developing countries. The new emphasis was also in part a consequence of the end of ideological confrontation at the global level. In contrast, the notion of "Asian values," two of whose prominent champions are ASEAN members (Singapore and Malaysia), seemed to indicate a regional consensus in Southeast Asia against international human rights protection. Portugal's veto, motivated by condemnation of Indonesian human rights violations in East Timor, and EU insistence on the inclusion of a human rights clause, prevented the conclusion of a new cooperation agreement at the 1992 AEMM.

The challenge for the EU is that of overcoming the potential contradiction between its interest in interregional trade and investment relations and its professed commitment to human rights. The adoption of a "New Asia Strategy"<sup>13</sup> two years after the 1992 AEMM and its application to ASEAN-EU relations<sup>14</sup> as well as the conclusion of the Uruguay Round appeared to have shifted the emphasis in EU policy to promotion of its economic interests, giving rise to a more "moderate" approach and a "softer" tone in the political dialogue with ASEAN and with the East Asian countries (ASEAN, China, Japan and South Korea) participating in the Asia-Europe Meeting (ASEM) process, launched in 1996. Somewhat unexpectedly, in the second half of the decade, a crisis occurred once more, this time over human rights violations and the suppression of democracy in Burma. "Constructive engagement" was ASEAN's preferred approach. The EU opposed Burmese membership of ASEAN, and when it failed to prevent Burmese accession in 1997, the EU imposed sanctions that prevented Burma from participating in ASEAN-EU cooperation activities and resulted in the cancellation in 1998 and 1999 of the AEMM and the JCC, for the first time in the history of ASEAN-EC relations. The EU concern to convince ASEAN to implement its Uruguay Round commitments and to accept the idea of a new round of WTO negotiations made possible a compromise and the resumption of ASEAN-EU meetings.

The EU human rights policy is backed by a system of incentives, in the form of additional GSP preferences and direct financial assistance to NGOs, and sanctions such as the suspension of the GSP, visa bans and arms embargoes. The chances of success of incentives and sanctions are greater if the target state is less developed and thus dependent on

economic relations with Europe, as is the case with most of the new ASEAN members (Burma, Cambodia, Laos and Vietnam), and if the violations of human rights are massive. Conversely, a more developed country, less dependent on economic relations with Europe and accused by the EU of human rights violations (e.g. Singapore and Malaysia), will be more impervious to EU sanctions. In addition, incentives will tend to be less effective if the target state has an authoritarian regime. The risk is greater than the contradiction reemerging between the commitment to human rights and the pursuit of human rights. For the moment, ASEAN opposition has been the obstacle to the forging of a stable interregional relationship in the area of human rights.

## **Conclusion**

The ASEAN–EU relationship is relatively narrow in scope, affecting only certain spheres of activity in each region. The two organizations have concentrated material resources, and developed the ideas to justify this concentration, in some areas (trade and investment, development cooperation) rather than in others (the North–South dialogue, regionalization of Southeast Asia, human rights). In their interactions, the EU, as the organization having achieved the higher degree of regionalization, possesses significant material resources, in the form of autonomous financial resources as well as of the ability to implement policies, notably market access, throughout an integrated region. This said, the asymmetrical structure of the relationship did not necessarily predetermine the outcomes of their interactions. The weaker actor, ASEAN, has deployed considerable resources, primarily time, energy and creativity, in translating the ideas into concrete policies and seeking material resources from the EU to finance these policies. It is in a position to obtain concessions at the margins but not to reorient the course of the EU's policy toward Southeast Asia as a region. The interregional relationship in the limited areas mentioned above is shaped not only by relations between regional organizations and their member states, but also by non-state actors from the two regions, principally the firms that are engaged in trade and in investment. Many actions of the two organizations and their member states aim at influencing the behavior of firms (e.g. Asia-Invest, ECIP) or at coping with the consequences of firms' behavior (GSP reform, antidumping investigations). The actions of state actors and non-state actors originating from outside Southeast Asia, primarily the actions of Japan and Japanese firms and increasingly of firms from the East Asian Newly Industrializing Countries (NICs), play an equally crucial role in shaping the relationship between the two organizations and between firms from the two regions. Civil society groups from the two regions have as yet to construct relatively enduring relationships, whether through the regional organizations or outside them, that go beyond the limited areas

mentioned above. The narrowness and the limitations of the interregional relationship lead us to doubt whether an interregional level of analysis is emerging in international relations. The material conditions, ideas and institutions constituting the relationship between the two organizations are conditioned by and reflect structures, processes and contradictions operating at the global and regional levels, while the relationship between the two organizations does not seem to modify substantially the structures, processes and contradictions at the two other levels. Consequently, an understanding of each organization's responses to these processes and contradictions will enable us to grasp each one's strategy in the relationship with the other.

In the case of the EU, which pursues regionalism as an instrument of globalization, there is little doubt as to the function it attributes to future interregional cooperation. In the short- and medium-term, the ASEAN–EU relationship will be primarily a means to ensure implementation by individual ASEAN members of Uruguay Round agreements. The pill is to be sugared with development assistance and promises of technical assistance for capacity building. ASEAN for its part also conceives of regionalism as a means of adjusting to globalization. Beyond the apparent convergence, significant differences exist between ASEAN member states and the EU regarding such issues as protection of intellectual property, investment protection and reform of the international financial architecture. ASEAN therefore needs to articulate its own vision of interregional cooperation, a task that has become more urgent since ASEM's launching in 1996 and the Asian financial crisis in 1997.

While the proposal to hold ASEM originated from an ASEAN member state, the presence of three major Asian states – China, Japan and South Korea – in the dialogue with Europe entails the risk of marginalization of the smaller and/or less developed states of Southeast Asia. Civil society actors in both Asia and Europe may also prefer ASEM, which has mobilized civil society in East Asia and Western Europe, through the Asia–Europe People's Forum, in a way that ASEAN–EU cooperation has never been able to do. The financial crisis, by highlighting ASEAN's weakness, spurred further efforts at regionalization, which are reflected in the Hanoi Plan of Action of December 1998. The plan's implications for ASEAN's relations with the EU have not been formally articulated. But if the resulting conception of the interregional relationship diverges in significant ways from that of the EU, as the policy differences alluded to above lead us to expect, the chances of ASEAN winning over the EU to its views would increase to the extent that it built coalitions with like-minded developing countries and with civil society organizations in both Western Europe and in East Asia. Both tactics are already employed in multilateral fora, but the first is obviously excluded by definition in the relationship between the two organizations, while ASEAN members, particularly the authoritarian states, are more hesitant to resort to the latter in the

dialogue with the EU. Paradoxically the reluctance seems to be shared by the EU, aware as it is of the critical attitude of many European civil society groups toward the EU's conception of regionalism and globalization.

Both ASEAN and the EU wish to maintain the specificity of the ASEAN–EU relationship, alongside ASEM. The limited interregional relationship will thus continue to exist, with the EU, as the more powerful actor, tending to subordinate it to the imperatives of globalization. Mobilization of civil society in both Southeast Asia and Western Europe will be essential if an alternative vision of the relationship between regionalism and globalization is to emerge.

# 7 The Asia–Europe Meeting (ASEM) process

## Beyond the triadic political economy?

*Christopher M. Dent*

### Introduction<sup>1</sup>

This chapter examines one of the most important frameworks of international relations to have emerged in recent years, the Asia–Europe Meeting (ASEM), which brought together the fifteen member states of the European Union (EU) with ten East Asian states (Japan, China, South Korea, Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) into a new interregional diplomatic process. The ASEM framework was established at its inaugural summit held in Bangkok in March 1996 and was conceived as a non-institutionalized “dialogue framework” based on three “pillars,” these being economic, political and socio-cultural. The economic pillar has developed into by far the strongest in ASEM’s sub-structure. Indeed, the whole framework itself arose within a strong geoeconomic context, and more specifically as an important evolutionary stage in the “triadic” political economy. In brief this relates to how ASEM constituted the last triangular element to fall into place with regard to new interregional frameworks of relations that emerged in the post-Cold War period between the world’s three dominant Triad regions – Europe, East Asia and North America. Moreover, ASEM could be seen as a response to the emerging triadic calculus at this time. For example, the EU’s motivations for promoting the idea of ASEM primarily derived from anxieties over Europe’s potential geoeconomic marginalization in a then anticipated “Pacific Century.” Meanwhile, East Asian interests behind ASEM partly lay in the opportunity it presented to diversify the region’s states’ international relations beyond the Asia-Pacific, with the EU adding further counterbalance to great power influence in the region. In the analysis that follows, we examine the triadic political economy context to ASEM’s development since 1996, and consider the extent to which it remains relevant today. An extension of this debate relates to how cultivating ASEM’s *multilateral utility* potential presents the framework’s best opportunity for both shaping, and extending beyond the triadic political economy, not least because it focuses ASEM on making a less passive and more proactive contribution to the positive development of the global

system. There is hence a strong institutionalist perspective adopted here with respect to ASEM and its functional purposes. In this context, interregionalism and globalization are essentially viewed as complementary processes, and moreover ASEM may be seen as a potentially significant element of a developing architecture of multi-level cooperative diplomacy within the world system. It is thus argued in this chapter that the ASEM framework has important “global governance” responsibilities to fulfill both now and in the future.

### **ASEM and the triadic political economy**

The emergence of the ASEM framework during the mid-1990s can be primarily understood in a triadic political economy (TPE) context. We begin this section by outlining the basis of TPE analysis, which may be considered a variant or subset of international political economy (IPE). According to Strange (1994), IPE concerns the social, political and economic arrangements affecting the global systems of production, exchange and distribution, and the mix of values reflected therein. In simple terms, then, TPE analysis is premised on how the world’s three most prosperous regions – North America, Europe and East Asia – have come to dominate these systems in the post-Cold War period. More specifically, within this group there exist “core” Triad powers, namely the United States, EU and Japan. Despite the deepening cognitive awareness of, and associated discourses on economic globalization, it is the tripolarization of the world economy that arguably constitutes its most salient feature (Hirst/Thompson 1996). The evidence for a tripolarized world economy remains overwhelming across various global structures of international economic exchange (e.g. trade), production, finance and advanced technological development. An examination of the data reveals that the Triad accounts for between 85–98 percent of activities within the domains of world trade, foreign direct investment (FDI), new patented technologies and GDP.<sup>2</sup>

The material basis of the triadic power’s dominance over the world economy provides an important foundation for their prevailing influence in the global structure of international economic relations, as well as global economic regimes (e.g. the World Trade Organization – WTO) over which they enjoy considerable structural power (Strange 1994). Triadic political economy is concerned with the outcomes and consequences of tripolar dominance, which invariably centers on intra-Triad relations themselves. We are therefore interested in matters of triadic competition and cooperation in TPE analysis. In the early 1990s, the nature of triadic competition was afforded particular attention, with much speculation as to which “Triad power” would emerge as the hegemon region in the twenty-first century (Garten 1992; Thurow 1992). However, by the mid-1990s there was increasing emphasis on fostering cooperative tripolar relations. Under President Bill Clinton, the United States drew

closer to East Asian states through the Asia-Pacific Economic Cooperation (APEC) forum, consequently leading to the organization's grand vision of creating a transpacific "free trade and investment zone" by the split deadlines of 2010 (for "developed" APEC members) and 2020 (for its "developing" economies). A year later, the United States and the EU established a new transatlantic framework of relations under the New Transatlantic Agenda (NTA). Both these sets of interregional relations were already quite strong, and in the transpacific case increasingly dynamic.

It was in this context of emergent triadic cooperation that the ASEM framework arose. One could argue that it was particularly in the EU's interest to push for an interregional linkage with East Asia. By the mid-1990s, Europe faced the prospect of potential geoeconomic marginalization in the then anticipated "Pacific Century." Transpacific economic dynamism was based on deepening business and politico-economic ties across the Asia-Pacific super region, augmented by the APEC 2010/2020 project. Although East Asia–EU trade flows had overtaken transatlantic trade for the first time in 1992, the EU's investment, finance and business networking links with East Asia were invariably positioned a poor third to those developed by the United States and Japan.

Triadic political economy analysis can also be used to more specifically explain the perceived benefits and rationale of establishing the ASEM framework. From the EU's position, this primarily related to addressing the aforementioned geoeconomic marginalization scenario. Europe's business community shared the similar apprehensions of EU political leaders given such a prospect, where European commercial interests in East Asia – still arguably the world's most dynamic economic region – would be strategically compromised if the EU failed to redress this weak triadic link. In a 1995 European Commission document, it was recognized that "if the countries of East Asia were, as a result of regulatory cooperation within APEC, to align their regulatory systems practices to those of the United States, this would place the EU at a competitive disadvantage, at least to the extent that a large and dynamic part of the world economy developed as result of a system which diverged significantly from that of the Union."<sup>3</sup> An ASEM-type arrangement therefore provided the EU with the opportunity to plug more effectively into East Asian economic dynamism, and hence confer prosperity-generating benefits for its member states: East Asia offered rapidly expanding markets and competitively priced sourcing that most European firms had yet to effectually exploit.

East Asia's benefits from the creation of an ASEM framework were also geostrategically important. Many of the region's economies maintained a persistent dependence on the United States and Japan for key export markets, critical technology imports and inward investment. Fostering closer economic ties with the EU represented the logical step forward in developing a more risk-averse strategy in an increasingly competitive global economy. As a core industrial region, Europe offered comparable

commercial opportunities vis-à-vis the United States and Japan that were generally under-explored by East Asian firms. There was also a strong geopolitical rationale underlying East Asia's need for ASEM. While the end of the Cold War had eased international tensions in East Asia, its states remained wary of a new great power struggle in the region between China, Japan, the United States and also Russia. Enhancing the EU's stake in East Asian affairs was hoped to bring greater counterbalance, further limiting the scope for a singular dominant power to emerge. Furthermore, developments in EU integration, both in terms of its deepening (i.e. a consolidating Single European Market and plans for economic and monetary union) and its territorial enlargement posed a new diplomatic challenge to East Asian states. The greater geopolitical and geoeconomic weight this would supposedly bestow upon the EU demanded the attention of many East Asian policy elites during the 1990s. According to Segal (1997), another benefit could stem from the more advanced East Asian economies using ASEM to more closely examine how the EU had managed the process of mature growth.

From another TPE perspective, ASEM is able to potentially perform important geostrategic utility functions. Fortifying the Eurasian axis in this way would side East Asia and Europe together to potentially counter any perceived US hegemonic misbehavior in international affairs. This remains just as relevant now as it did in the early 1990s. Since 2000, we have seen an intensification of US unilateralism in various domains, but particularly in foreign economic policy. The Bush administration's introduction of 30 percent safeguard tariffs on its steel imports and the inflated financial support it bestowed upon agricultural exporters are notable examples. This unilateralist behavior also encompasses "multilateral withdrawal," as demonstrated by the US's position toward the Kyoto Protocol on carbon emissions and the World Summit on Sustainable Development in August 2002 at Johannesburg. Such decisions by the Bush administration pose a significant threat to the multilateral order, not least by the precedents it sets for self-serving norms of diplomatic conduct. Moreover, this comes at a time when the international economic system appears to be in a state of mild paralysis owing to a combination of anxieties over depressed financial markets, deflationary expectations, poor corporate performance, the persisting development divide between rich and poor nations and the specter of radical terrorism after the September 11 attacks on the United States itself. The United States' acts of "defensive" unilateralism post-September 11 are particularly unhelpful at this critical juncture of the global economy, although the United States has concomitantly sought to establish stronger hub-spoke links with new (post-September 11) strategic partners through a mixture of economic cooperation and free trade agreement projects, e.g. Singapore, Thailand and Australia. For the EU and East Asia, manifest actions stemming from a close ASEM-bound alliance (e.g. an APEC-type trade liberalization program, joint diplomatic

ventures in plurilateral or multilateral forums) would make the United States more circumspect in pursuing unilateralist trade policies or any other hegemonic excesses. According to some, the more adversarial the Americans proved in international economic relations, the closer the ASEM alliance may become (Ferguson 1997; Higgott 1998a).

In converse perspective, an ASEM arrangement provides the opportunity for both East Asia and the EU to effectively share greater multilateral responsibility with the United States as part of co-managing the post-hegemonic world order. Notwithstanding some restoration to the United States' hegemonic capacity in recent years, it currently acts as a "default" hegemon, i.e. the closest the world has to a dominant leading power. Given the situation of triadic salience in the international economic system, managing the contemporary geo-governance requires the EU and East Asia to assume a closer partnering relationship with the US. The ASEM framework offers important possibilities through which Eurasian co-management structures and ventures can emerge. This is later discussed in relation to the second ASEM summit and the 1997/1998 Asian financial crisis. More specific reference to developing Eurasian multilateral responsibility extends beyond ASEM, demonstrating its compatibility with multilateral economic institutions (MEIs) to the more proactive benefits generated by its potential multilateral utility. As regionalism and interregionalism have been building blocks of globalization, so must they contribute to strengthening multilateralism, which in itself fosters stability within the international community through various trust-building and cooperative exercises. Thus, multilateral utility relates to how ASEM can actively support and advance the work of MEIs and deepen the multilateral order in general. It furthermore relates to the broader issue about how different levels and types of international relations may work in a congruent, coordinative and cooperative manner, and how these may dovetail into global-multilateral frameworks. As is argued toward the end of this chapter, the development of ASEM's multilateral utility potential offers the framework an important opportunity to both shape and move beyond the triadic political economy calculus, and thus in addition more effectively realize its "global governance" responsibilities.

### **The ASEM framework: an overview**

The formal proposal of creating an ASEM-type arrangement originated from Singapore's Prime Minister Goh Chok Tong in October 1994 (Pou Serradell 1996). Although some EU political leaders were initially skeptical of the ASEM proposal, the basis for a more positive European response was coagulating elsewhere. The European business community, eager to develop their strategic commercial positions in East Asia, urged the EU's political protagonists to accept the Singaporean invitation. The European

Commission also proved a vital advocate with its then trade commissioner, Leon Brittan, having earlier architected the EU's New Asia Strategy that was introduced in July 1994.<sup>4</sup> In addition, the leaders of key EU member states, including Germany's Helmut Kohl, appreciated the potential geostrategic value of developing closer regime links with East Asia.

The ASEM proposal followed on from a thorough review of EU-ASEAN relations that took place in early 1994. In a sense, the subsequent development of ASEM was an extension of this relatively long-established interregional arrangement. Indeed, it was at the ASEAN-EU foreign ministers' meeting of November 1994 that the impetus for the first ASEM summit originated. Most of the ASEAN states lent considerable support to it, with only Malaysia's Asia-centric Prime Minister Mahathir expressing any significant doubts regarding ASEM's value to the region. Others were, though, to arise amongst other members of the East Asia-10. Japan's circumspection at joining the new framework mainly derived from fear of upsetting the United States. Furthermore, Tokyo saw little need to extend its diplomatic contacts with the EU beyond established bilateral, plurilateral (i.e. Organization for Economic Cooperation and Development [OECD] and Group of Seven/Eight [G7/8]) and multilateral links. China, too, was initially reluctant because of an aversion to any international forum where it could become the target of Western criticism on issues such as human rights or its state-trading practices. However, South Korea saw ASEM as an opportunity to diversify its foreign economic relations and to assist the global strategies of its *chaebol* multinationals, many of which had begun to invest heavily in Europe (Chun 1996; Dent/Randerson 1996).

By early 1995, the principle of the ASEM was accepted by both the EU's leaders as well as by those doubters on the East Asian side. The first ASEM summit (ASEM 1) was convened at Bangkok in March 1996, based on an agenda of promoting economic, political and sociocultural ties between the two regions.<sup>5</sup> Leading up to the meeting, the EU succeeded in securing a high-level and broad consensus among all fifteen member states, with the European Commission playing an important brokering role. On the East Asian side, though, the ASEAN member states were keen to present their own distinct ideas on ASEM. For example, Singapore proposed that a special think-tank should be formed, the Asia-Europe Foundation (ASEF), which was later established in the city-state itself and is responsible for organizing "people-to-people" exchanges, meetings, seminars and mutual learning exercises between the two regions. Thailand made its own mark by suggesting that an Asia-Europe Business Forum be created. Meanwhile, Malaysia used the event to secure the coordinating role in a trans-Asian railway network project. These joined a host of other initiatives that emerged from the Bangkok summit, which on balance was more focused and of greater substance than most had anticipated. This was particularly the case for economic-related matters that continue to

dominate the ASEM agenda. It is here that the Senior Officials Meeting on Trade and Investment (SOMTI) group plays a central organizing role based on two main objectives, the first being to examine the proposed measures of its working groups to facilitate greater trade and investment between East Asia and the EU, while the second is to discuss WTO issues that have implications for the ASEM process (note not the other way around as well). Economic, finance, foreign and environmental ministers' meetings also provide a higher political level input to these proceedings. There are a variety of other activities and programs that run alongside these and the ASEM summits, including the Trade Facilitation Action Plan (TFAP), Investment Promotion Action Plan (IPAP), Asia–Europe Young Leaders Symposium, ASEM Child Welfare, ASEMConnect (networking small firms from East Asia and the EU) and ASEM Young Parliamentarians Meeting.

The ASEM framework was originally conceived as a dialogue framework and not a forum for resolving specific disputes, which remains the competence of bilateral and multilateral channels. However, the ASEM's relative informality has helped ease the path of bilateral relations in more sensitive areas, such as investment regulations. In addition, the ASEM has provided some new impetus to EU–East Asia bilateral ties, if not only by reminding each partner that their relations are now constituent to a broader framework. How ASEM is supposed to connect with, and make contributions to, multilateral institutions has yet to be extensively explored by ASEM partners.

### **ASEM and the Asian financial crisis**

By the time of the second ASEM summit, convened in London in April 1998, a reasonably solid foundation for the framework had been established. It was, of course, inevitable that ASEM 2 delegates would be mainly preoccupied with discussing the fallout from the Asian financial crisis. The crisis itself presented significant early tests and opportunities for ASEM, and moreover exposed the broader undercurrents of the triadic political economy (Hånggi 1999). Given the growing economic interdependence between the two regions, most clearly demonstrated by the crisis' contagion and other spillover effects, there was a potentially important role for ASEM to play in brokering crisis management solutions. However, ASEM largely failed to deliver on this account. Beyond the rhetorical extolation of the need for greater market and policy reform in East Asia, the EU offered to set up an Asia–Europe Trust Fund at the World Bank whereby a mere €31 million would help resource the provision of some technical assistance in matters of East Asian financial, corporate and social sector reform. In addition, a "Trade and Investment Pledge" was offered to the East Asians whereby the EU promised to maintain open markets during the anticipated surge of East Asian exports to Europe.

While indeed this transpired, East Asian producers still faced the specter of the EU's antidumping regime (Dent 1999a, b).

In itself, the potential risk that the crisis posed to the international economic system called for a bolder and more imaginative move from the European side. In geostrategic terms, the EU missed a critical opportunity to develop a substantive crisis management initiative within the ASEM forum (Rand 2001c; Segal 1998b). For example, the basis for promoting a global stability pact or a draft proposal for restructuring the international financial system could have been advanced in London, with the Americans and others given the opportunity to at least consider them. Instead, EU leaders were keen to stress its generalized financial support for East Asia via International Monetary Fund (IMF) programs, contributions to the Asian Development Bank (ADB), overseas development aid and debt write-offs. Yet these represented essentially passive rather than proactive crisis-focused measures, and ASEM missed a vital opportunity here to demonstrate its multilateral utility potential.

In sum, the 1997/1998 Asian financial crisis revealed the EU and East Asia's hesitancy at entering into a co-management partnership of the post-hegemonic world order. The late arrival of ASEM itself in triadic relation diplomacy was indicative of how the Eurasian link has moved forward in a reactive rather than proactive manner. At ASEM 2 and elsewhere, both regional sides have been reluctant to propose a major restructuring of the international political economy without the United States in sight. Indeed, this partly explains why the Americans have remained more or less silent on ASEM, due to their general assessment of its geostrategic impotence (Bobrow 1999). The crisis also placed ASEM's East Asian partners in a diplomatic dilemma with respect to the United States. On the one hand, a "politics of resentment" fermented in the region toward the Americans following both their thinly veiled triumph over the apparent demise of East Asia's developmental statism brought on by the crisis, and also the exercise of US structural power through the IMF in determining the organization's prescribed "bailout" programs put to work in South Korea, Thailand and Indonesia (Higgott 1998a). In addition, the United States allegedly used the crisis to lever open wider bilateral market access in East Asia through the various channels of neo-liberal advocacy at their disposal (Bello 1998). The United States and other high-income members of the Pacific community even failed to match the EU's miserly ASEM Trust Fund offer at APEC's own 1998 summit.

On the other hand, the United States provided the bulk of the IMF "bailout" funds and absorbed a surge of exports from East Asia that assisted the region's recovery. Furthermore, the United States helped create conducive global macroeconomic conditions (e.g. a low interest rate environment) for this expansion of exports to have been realized.<sup>6</sup> Yet the EU performed an even greater burden-sharing role in terms of IMF contributions and bilateral debt forgiveness. Furthermore, its absorp-

tion of East Asian exports during the crisis was comparable to that of the United States. Europe's social market and communitarian traditions also made EU protagonists more reluctant to emulate American *schadenfreude* expressed in relation to East Asia's crisis, although advisory neo-liberal mantras of liberalization, deregulation and market reform could be loudly heard from certain European quarters (Cammack/Richards 1999). But according to Segal, ASEM had nevertheless failed to "dispel the fallacy that Americans rather than Europeans are working with the people of Pacific Asia" (Segal 1998a: 570).

### **ASEM in the new millennium: toward multilateral utility?**

The triadic political economy context will remain critically important when examining ASEM's development so long as the world economy is structured along tripolar lines. However, cultivating ASEM's multilateral utility potential offers an important opportunity for the framework to both shape and move beyond the triadic political economy calculus. In this section, we afford more specific attention to multilateral utility, and how this may carve out a new functional purpose for ASEM in the new millennium. To restate, multilateral utility relates to what contributions inter-regional frameworks like ASEM can make to foster stability, peace, prosperity and equality in the global system in proactive partnership with multilateral institutions. In this sense, multilateral utility theory is interested in the extent to which interregional frameworks help realize and even shape the "indivisible goals" (e.g. global free trade, poverty eradication) of those institutions. It therefore examines an important aspect of their usefulness to the global system as a whole. Multilateral utility is hence closely associated to the emerging multi-layered system of global governance in that it concentrates the focus of interregional frameworks like ASEM on advancing global cooperation rather than intensifying blocist or trans-bloc competition. This may work on various levels. It has been previously hinted or suggested, for example, that ASEM may be a useful device for countering excessive American hegemonic unilateralism, especially by cajoling the United States to more firmly engage in multilateral processes. Furthermore, ASEM may be used to condition and socialize both its own member states and other states in accordance to multilateral cooperative norms of behavior, thus simultaneously adding to and fortifying the stake-holding constituency base of the global governance system. As Jürgen Rüdiger argues, interregional frameworks like ASEM can act as clearing houses for decision-making bottlenecks in global-multilateral forums, although as we later discuss ASEM is only just beginning to embark down this road (Rüdiger 1999b).

We should first distinguish multilateral utility from the closely associated concept of "multilateral deference." The two are not mutually exclusive, but acts of multilateral deference are essentially passive in nature,

whereas multilateral utility actions are essentially proactive. For instance, multilateral deference often entails delegating or transferring an issue for debate or action to current frameworks of multilateral cooperation. This in itself may reinforce the foundations of that framework by the very fact that faith has been purposely demonstrated in its institutional competence and governance capacities, and moreover recourse has not been taken to alternative and possibly competing governance frameworks at the regional or plurilateral level. Hence, it largely concerns issues of consistency and compatibility with existing multilateral orders rather than contributing anything fundamentally new to the development or ongoing work of multilateral institutions and frameworks of cooperation, whereas multilateral utility does.

Under certain circumstances, acts of multilateral deference may form part of developing a multilateral utility approach. Furthermore, multilateral deference constitutes at the very least a good default position for interregional frameworks, especially where the framework itself has not been able to resolve a disagreement between its members. In contrast, multilateral utility may be judged on how interregional frameworks proactively engage in global public policy issues by substantively advancing debate and developing or proposing new mechanisms by which these may be effectively addressed. We have already noted examples of multilateral deference from events and developments surrounding the 1997/1998 Asian financial crisis, such as the ASEM Trust Fund in relation to the IMF and World Bank, and the EU's "Trade and Investment Pledge" in relation to the WTO. One could argue that these were all commendable actions, but they were essentially passive, not proactive. Whilst ASEM currently serves to reinforce existing multilateral orders, it has to date made a limited impact on helping develop them further in both existing and new areas of governance. Given that ASEM represents the bringing together of two of the world's dominant Triad regions, ASEM partners have a responsibility to use the framework for realizing purposeful global aims.

What then are ASEM's chances of more effectively exploring its multilateral utility potential in the future? The ASEM framework was not originally conceived as performing any significant multilateral utility functions, but simply to foster closer ties between Asia and Europe. This chapter has also noted how aspects of the triadic political economy have made both regions unwilling to explore certain multilateral utility options. Yet the development of ASEM's multilateral utility functions both enhances interregional ties between the EU and East Asia, and makes a more positive contribution to international community-building in general. Indeed, there are recent indications of ASEM members looking more closely at the connections between ASEM framework and multilateral institutions. For example, a European Commission document entitled "*Europe and Asia: A Strategic Framework for Enhanced Partnerships*"<sup>7</sup> stated that the general objectives and priorities for EU relations vis-à-vis Asia were to "build global

partnerships and alliances with Asian countries, in appropriate international forums, to help address both the challenges and the opportunities offered by globalization, and to strengthen our joint efforts on global environmental and security issues.”<sup>8</sup> While the document lacked specificity not only on this point, it at least implicitly alluded to a greater interest on the EU side for exploring ASEM’s multilateral utility potential.

As already indicated, ASEM’s actual practice of multilateral utility has thus far been virtually non-existent. We shall examine how vital opportunities have been recently missed at exploring ASEM’s multilateral utility potential with regard to three multilateral economic orders: The WTO and trade, the IMF and finance, and the World Bank and development. ASEM’s record on the first of these has been disappointing, despite the multilateral trade order offering arguably the most promising opportunities from the four. At the 1999 Seattle ministerial meeting, ASEM’s work at preliminary consensus-building on the WTO agenda seemed to completely fail, with EU and East Asian member states embroiled in a series of heated disputes at the meeting. Within ASEM forums, the EU soon afterwards stressed the priority of re-launching the Millennium Round of global trade talks after their initial abortion at Seattle,<sup>9</sup> whereas some East Asian states (e.g. Malaysia) wanted ASEM to push for a thorough re-evaluation of the WTO itself. However, it was the EU’s view and predilection for multilateral deference that generally prevailed within ASEM, even though the change in name from the Millennium Round to the Doha Development Agenda of global trade talks – exacted after the WTO’s 2001 Doha ministerial – did mark a general minor victory for Asia’s developing countries in that the organization had been subsequently compelled to better address and reflect developing country interests. Yet this was no real thanks to ASEM. An example of where it could perform important multilateral utility functions in the trade domain includes emulating APEC’s Information Technology Agreement (ITA). This was a plurilateral trade agreement formulated in November 1996 between the majority of APEC’s membership. The ITA was subsequently passed on to the WTO’s Singapore ministerial meeting held the next month in 1996 where other WTO members, including the EU, signed up for what consequently became a wider plurilateral trade agreement but set at the global-multilateral institutional level. In further illustration, the ASEM framework could be used more effectively to counteract US trade unilateralism, the Bush administration’s aforementioned decision to introduce a 30 percent “safeguard” tariff on US steel imports in early 2002 being a recent instance of this.<sup>10</sup>

Notwithstanding the manifest problems that have arisen in APEC’s 2010/2020 “free trade and investment zone” project, ASEM could also look more seriously at becoming an interregional force for global free trade based on “open regionalism” principles. Indeed, this has already been recommended by the ASEM Vision Group, which submitted its wide-ranging report in 1999.<sup>11</sup> The Vision Group was partly modeled on APEC’s

own Eminent Persons Group (EPG), its function being to generate idea-driven momentum to ASEM's development. In their report, submitted to ASEM foreign ministers in March 1999, it articulated the need to move to a "deeper phase" of Asia-Europe relations with the economic aspect afforded special attention. Under the heading "liberalization and open markets," the report's authors proposed that ASEM partners "set the eventual goal of free trade in goods and services by the year 2025 by adopting a strategic framework for the progressive freeing of trade in goods and services among themselves."<sup>12</sup> However, ASEM's leaders rejected this idea, like many of the Group's proposals, partly because they were somewhat vague. For example, there was no mention in the 2025 free trade project of how it would relate to the WTO, or of the general principles on which it was to be realized, although there would have been substantial pressure for it to be WTO-consistent, and hence based on "most favored nation" (i.e. diffuse) reciprocity. The failure of APEC's similar 2010/2020 project to maintain compliance to this reciprocity principle holds important lessons for ASEM, perhaps even to the extent that interregional frameworks founded on "soft institutionalization" and diverse constituent membership are not easily able to develop and sustain such ambitious multilateral utility projects. Yet this does not mean that they are impossible.

In the latter half of 2002, there were indications of ASEM taking bolder steps on the trade front. At the fourth ASEAN-EU Ministerial Meeting (AEMM) convened in September 2002, there was an agreement to intensify consultation and dialogue on the WTO's Doha Round of global trade talks, although officials refrained from progressing beyond multilateral deference by agreeing not to establish a parallel ASEM negotiating track. The possible creation of an Asia-Europe free trade agreement (FTA) was also tentatively discussed, but it was thought that East Asia must integrate much further first before such an ambitious macro-project could be seriously considered. Yet the very fact that ASEM ministers talked about an interregional FTA as a future possible project was significant. Such an arrangement would naturally have to demonstrate its open regionalist credentials. As ASEM economic ministers also concluded in the Chair's statement of the fourth AEMM, "a purely regional approach to trade liberalization and rule-making cannot substitute for the multilateral process in all respects, but should serve as a *complementary instrument* [my emphasis] which increases the scope of countries to benefit from the multilateral trading system."<sup>13</sup> The developing of ASEM's complementary instruments with regard to the WTO and other such bodies is commensurate with multilateral utility. In an Asia-Europe Business Forum (AEBF) meeting held parallel to the fourth AEMM, its representatives seemed to be similarly advocating such a development. At their meeting, the AEBF strongly urged ASEM governments "to ensure concrete progress in the WTO-negotiations" and that "special attention should be given to setting

specific goals for elimination of tariffs and import quota in order to achieve free and fair global trade.”<sup>14</sup>

In matters of international finance, ASEM also has yet to progress beyond the level of basic multilateral deference. After the recent series of financial crises around the world, ASEM could provide a platform for launching new proposals on restructuring the IMF and the international financial architecture more generally. This more proactive stance was also advocated by the ASEM Vision Group just after the 1997/1998 Asian financial crisis. In its call for “enhanced cooperation for financial stability,” the Group’s report proposed that both regional sides push for the adaptation of “the international financial architecture to the age of globalization” and that “the major functions of the Bretton Woods institutions, as well as the Bank of International Settlements (BIS), be both strengthened and better coordinated. Management of exchange rates, substantial reduction in the volatility of short-term capital flows and the strengthening of domestic long-term financial markets should be among the critical aspects of reform.”<sup>15</sup> However, this proposal was also not accommodated by ASEM’s leaders, with again the EU preferring not to extend beyond the point of multilateral deference.

More recently, though, signs of greater ASEM ambition on matters of international finance have been evident. At the fourth ASEM summit convened in Copenhagen in September 2002, the possibility of establishing a Eurobond market in East Asia as part of internationalizing the Euro was discussed. According to an interviewed European Commission official, this would be the first instance of the EU embarking on such a venture, since promoting the Euro’s internationalization had never really been a formal policy objective up until then. If this were to transpire, it would represent a significant “macro-networking” development between the two regions. It could also provide a firmer basis on which ASEM’s multilateral utility in the international finance system could be explored. In the meantime, ASEM partners will continue to “underline the importance” of the IMF implementing various measures that tinker with improving the international financial architecture. For example, the Chair’s statement of the fourth ASEM finance ministers meeting held in July 2002 commented that, “Ministers welcomed the substantial work being conducted to develop and promote the implementation of internationally recognized standards and codes and to strengthen surveillance, in particular in the monitoring of financial systems. Ministers encourage all countries to adopt and implement these standards and codes, while recognizing that the pace of adoption and implementation should reflect individual circumstances.”<sup>16</sup> While such statements no doubt provide some degree of institutional encouragement to the IMF, the ASEM partnership has missed vital multilateral utility opportunities in the international finance domain.

The ASEM framework’s work in relation to the World Bank has been relatively minimal. The operation of the ASEM Trust Fund from the Bank

was previously noted. The Asian financial crisis did provide both the opportunity and imperative for a robust ASEM proposal to re-evaluate the development policies and paradigms prescribed by the World Bank given the persistence of a chronic “development divide” within the international community of nations, and no such proposal has been forthcoming. The EU and East Asia also have the opportunity of using ASEM as a platform from which to initiate implementing recommendations from the World Summit on Sustainable Development held at Johannesburg in August 2002.

Further hope for ASEM developing multilateral utility derives from the decision taken by Asian and European leaders at the ASEM 4 summit to create an action-oriented “Task Force” to generate big ideas on how to tangibly enhance the interregional economic relationship. This would be in effect an ASEM Vision Group “Mark II,” and it will most likely recommend that ASEM partners initiate certain macro-projects within the framework. It is possible that these may perform some sort of multilateral utility function, especially if the EU and East Asia are looking to use ASEM more to add value to wider international community-building processes in the global system.

## **Conclusion**

This chapter has examined the origins and development of the ASEM framework, which brings together two of the world’s dominant triad regions into a globally significant interregional partnership. It has been argued that the emergence and progress of ASEM can be largely understood in its triadic political economy context. To generalize, this refers to how ASEM was forged in reaction to evolving dynamics between the triad regions – Europe, North America and East Asia – during the early 1990s, and moreover how these dynamics subsequently shaped ASEM’s progress through the rest of the decade. The 1997/1998 Asian financial crisis particularly revealed how strong the triadic political economy context of ASEM remained over this time.

It has been further contended that it is time for ASEM to move beyond the triadic political economy parameters where it can, and developing the framework’s multilateral utility presents the best opportunity to realize this. By multilateral utility, we are generally concerned with how interregional frameworks like ASEM can make positive and proactive contributions to the global system by working in partnership with multilateral institutions. Notwithstanding the inherent difficulties involved in establishing common ASEM positions on global-multilateral issues, the endeavors to do so outlined in this chapter serve a number of important purposes. First, it would further augment the Asia–Europe interregional relationship itself by seeking to extend the partnership into new frontiers of cooperation. Second, exercises in ASEM multilateral utility would align

the triadic political economy more to European and East Asian interests, countering the excessive hegemonic behavior of the US as well as compelling her to work more collaboratively with Europe and East Asia in multilateral forums. Third, these exercises also demonstrate to the broad international community that the EU and East Asia through ASEM take their global responsibilities seriously, and that the two Triad regions are not just interested in further consolidating their interregional economic ties and their dominance of the world economy in general. Fourth, the ASEM framework's actual practice of multilateral utility may have significant demonstration effects for how different proliferating types and frameworks of international relations may work in a congruent, coordinative and cooperative manner with multilateral institutions and forums, and hence make a potentially significant contribution to the emerging multi-layered system of global governance. In these ways, ASEM can both shape the triadic political economy and the global system in a more positive and proactive way, and furthermore provide the framework with much needed new impetus at the start of the twenty-first century.



## *Transatlantic relations*



# 8 The new Transatlantic interregionalism and the end of the Atlantic Alliance

*Charles A. Kupchan*

## Introduction<sup>1</sup>

The first post-Cold War decade was a relatively easy one for American strategists. America's preponderant economic and military might produced a unipolar international structure, which in turn provided a ready foundation for global stability. Hierarchy and order devolved naturally from power asymmetries, making less urgent the mapping of a new international landscape and the formulation of a new grand strategy. The elder Bush and Clinton administrations do deserve considerable credit for presiding over the end of the Cold War and responding sensibly to isolated crises around the globe. But America's uncontested hegemony spared them the task of preserving peace and managing competition and balancing among multiple poles of power – a challenge that has consistently bedeviled statesmen throughout history.

This new decade will be a far less tractable one for the architects of US foreign policy. Combating terrorism and enhancing homeland security represent new and demanding challenges. And although the United States will remain atop the international hierarchy for some time to come, a global landscape in which power and influence are more equally distributed looms ahead. With this more equal distribution of power will come a more traditional geopolitics and the return of the competitive balancing that has been held in abeyance by America's uncontested preponderance. Globalization, nuclear weapons, new information technologies, and the spread of democracy may well tame geopolitics and dampen the rivalries likely to accompany a more diffuse distribution of power. But history provides sobering lessons in this respect. Time and again, post-war lulls in international competition and pronouncements of the obsolescence of major war have given way to the return of power balancing and great power conflict.

This chapter begins by explaining how and why a transition to a multipolar world is likely to come about in the near term. It focuses on two sources of international change – the rise of Europe as an emerging center of power and the erosion of liberal internationalism in the United

States. These two sources of change promise to transform the nature of transatlantic interregionalism. Transatlantic ties have for long been viewed as the most solid and durable interregional relationship – the one which comes closest to Karl W. Deutsch’s concept of a “security community.”<sup>2</sup> Indeed, the US–Europe model of strong interregional ties has served as a reference point for other interregional arrangements, such as the Asia–Europe Meeting (ASEM) process (see other chapters of this volume). But the US–Europe partnership is fast breaking down, making it the interregional linkage that is and will be undergoing the most profound change over the course of this decade.

As Europe ascends and a more difficult and diffident brand of internationalism prevails in the United States, US–Europe interregionalism is giving way to increasing competition. At the same time that Europe’s collective will and geopolitical ambition are rising, the United States is drawing away from multilateral institutions in favor of a unilateralism that risks estranging alternative centers of power, raising the chances of a new era of geopolitical rivalry. From this perspective, a key challenge for the United States is to manage peacefully an underlying shift in the distribution of global power while continuing to prosecute the war on terrorism. In particular, Washington will have to address the demise of the traditional Atlantic Alliance, seeking to ensure that even as the United States and Europe become competitors, they do not become adversaries. To do so, America must rein in its go-it-alone proclivities, opting instead for a collective approach to managing international security. If the emergence of a more reluctant and unilateralist brand of US internationalism is not to result in the return of dangerous power balancing to the global system, the United States and its main regional partners must begin to prepare for life after *Pax Americana*.

### **The sources of the return to multipolarity**

Most scholars of international politics trace change in the distribution of power to two sources: The secular diffusion over time and space of productive capabilities and material resources; and balancing against concentrations of power motivated by fear of exploitation. Today’s great powers will become tomorrow’s has-beens as nodes of innovation and efficiency move from the core to the periphery of the international system. In addition, reigning hegemony threaten secondary states, causing them to form countervailing coalitions and take other steps to offset their material disadvantage. Taken together, these dynamics drive the cyclical pattern of the rise and fall of great powers (Gilpin 1981; Kennedy 1987; Layne 1993).

The contemporary era departs from this historical pattern; neither the diffusion of power nor explicit balancing against the United States will be important factors driving the coming transition in the international system. It will be decades before any single state can match the United

States in terms of either military or economic capability. Current power asymmetries are by historical standards extreme. The United States spends more on defense than all other great powers combined and more on defense research and development (R&D) than the rest of the world combined. Its gross economic output dwarfs that of most other countries and its expenditure on R&D points to a growing qualitative edge in a global economy increasingly dominated by high-technology sectors. As William Wohlforth sums up the prevailing wisdom emerging from these data, “the current unipolarity is not only peaceful but durable. For many decades, no state is likely to be in a position to take on the United States in any of the underlying elements of power” (Wohlforth 1999: 8).

Nor is explicit balancing against American power likely to provoke a countervailing coalition. The United States is separated from both Europe and Asia by large expanses of water, making American power less threatening. Anti-American sentiment may be on the rise in many parts of the world. But it is hard to imagine that the United States would engage in behavior sufficiently aggressive to provoke an opposing alliance of industrialized countries. Europeans, South Koreans and others may not welcome US troops in their neighborhoods as they have for decades, but there are no signs that countries in Europe or Asia are contemplating balancing against the United States in military terms.

### *The rise of Europe*

In contrast to the past, the waning of today’s unipolarity will be driven by two unusual suspects, the first of which is regional amalgamation in Europe. Europe is in the midst of a long-term process of political and economic integration that is gradually eliminating the importance of borders and centralizing authority and resources. To be sure, the EU is not an amalgamated polity with a single center of authority. Nor does Europe have a military capability commensurate with its economic resources. But trend lines do indicate that Europe is heading in the direction of becoming a new center of power. Now that its single market has been accompanied by a single currency, Europe has a collective weight on matters of trade and finance rivaling that of the United States. The aggregate wealth of the EU’s fifteen members has already approached that of America, and the entry of a host of new members will tilt the balance in Europe’s favor.

In addition, Europe has recently embarked on efforts to forge a common defense policy and to acquire the military wherewithal to operate independently of US forces. The EU has appointed a high representative for foreign and security policy, created the bodies necessary to provide political oversight, and started to revamp its forces. The EU’s military capability will certainly remain quite limited compared to that of the United States. And it will be decades, if ever, before the EU becomes a unitary state, especially in light of its impending enlargement to the east.

But as its resources grow and its decision-making becomes more centralized, power and influence will become more equally distributed between the two sides of the Atlantic.

Skeptics of Europe counter that the EU has poor prospects of cohering as an effective actor in the global arena; the national states remain too strong and the union too decentralized and divided by cultural and linguistic boundaries. But Europe has repeatedly defied the skeptics as it has successfully moved from a free trade area, to a single market, to a single currency. Eastward enlargement does risk the dilution of the union, threatening to make its decision-making bodies more unwieldy. But precisely because of this risk, it is also likely to trigger institutional reform. The suspension of the effort to ratify the constitutional treaty was certainly a setback for the EU. But key elements of the treaty – such as the changes to the voting system and the appointment of a single foreign minister – are quite likely to be implemented eventually.

A changing political discourse within Europe is also likely to fuel the EU's geopolitical ambition. For most of its history, national leaders have justified European integration to their electorates by arguing that it is needed to help Europe escape its past. Union was the only way out of great power rivalry. But World War II has by now receded sufficiently far into history that escaping the past no longer resonates as a pressing cause for many Europeans. The younger generations who lived through neither the war nor Europe's rebuilding have no past from which they seek escape. The dominant political discourse that has for decades given the EU its meaning and momentum is rapidly losing its salience.

In its place is emerging a new discourse. This new discourse emphasizes Europe's future rather than its past. And instead of justifying integration as a way to check the power and geopolitical ambition of the national state, it portrays integration as a way to acquire power and project geopolitical ambition for Europe as a whole. French President Jacques Chirac, in a speech delivered in Paris in November 1999, could hardly have been clearer: "The European Union itself [must] become a major pole of international equilibrium, endowing itself with the instruments of a true power."<sup>3</sup> Even the British, who for decades kept their distance from the EU, have changed their minds. In the words of Prime Minister Tony Blair, "Europe's citizens need Europe to be strong and united. They need it to be a power in the world. Whatever its origin, Europe today is no longer just about peace. It is about projecting collective power."<sup>4</sup>

Such sentiments only intensified after the election of George W. Bush, because of the unilateralist substance and tone of his foreign policy. In the wake of Bush's call to widen the war against terrorism to Iraq, Iran and North Korea, French Foreign Minister Hubert Vádrine called for Europe to speak out against a United States that acted "unilaterally, without consulting others, making decisions based on its own view of the world and its own interests." When asked about how to deal with American preponder-

ance, German Chancellor Gerhard Schröder replied that “the answer or remedy is easy: a more integrated and enlarged Europe” that has “more clout.” Valéry Giscard d’Estaing opened the EU’s constitutional convention in March 2002 by noting that successful reform of the union’s institutions would ensure that “Europe will have changed its role in the world.” “It will be respected and listened to,” he continued, “not only as the economic power it already is, but as a political power that will speak as an equal with the largest existing and future powers on the planet.” Romano Prodi, former president of the Commission, agreed that one of the EU’s chief goals is to create “a superpower on the European continent that stands equal to the United States.”<sup>5</sup>

Integration is thus being relegitimated among European electorates, but paradoxically through a new brand of European nationalism. Europe’s states may have rid themselves for good of their individual claims to great power status, but such aspirations are returning at the level of a collective Europe. As these new political currents gather momentum, so will Europe’s geopolitical ambition.

Europe need not emerge as a superpower, with a global range of interests and commitments, if its rise is to alter the effective polarity of the international system. As Europe’s wealth, military capacity and collective character increase, so will its appetite for greater international influence. Just as America’s will to extend its primacy stems not just from self-interest, but also from an emotional satisfaction derived from its leadership position – call it nationalism – so will Europe’s rise provoke a yearning for greater status. As the United States currently sits atop the international pecking order, the EU’s search for greater autonomy will, at least initially, take the form of resisting US influence and ending its long decades of deference to Washington.

An EU that becomes less dependent on the United States for its security and more often stands its ground on the major issues of the day will be sufficient to alter the structural dynamics of Europe’s relationship with the United States. Increasing rivalry between the United States and Europe promises to deal a serious blow to the effectiveness of international organizations. Most multilateral institutions currently rely on a combination of US leadership and European back-stopping to produce consensus and joint action. The United States and Europe often vote as a bloc, leading to a winning coalition in the United Nations (UN), the International Monetary Fund (IMF), the World Bank, and many other bodies. When Europe resists rather than backs up American leadership in multilateral institutions, those institutions are likely to become far less effective instruments.

Early signs of such resistance have already been quite visible. In May 2001, EU member states took the lead in voting the United States off the UN Commission on Human Rights, the first time Washington had been absent from the body since its formation in 1947. The apparent rationale

was to deliver a pay-back for America's increasing unilateralism and to express disapproval of America's death penalty. The same day, in a separate vote of the UN's Economic and Social Council, the United States lost its seat on the International Narcotics Control Board. In the fall of 2002, America again found itself outflanked at the UN, with France taking the lead in encouraging the Security Council to reject Washington's preferred approach to disarming Saddam Hussein. Early in 2003, France, accompanied by Germany and Russia, again stood its ground against Washington's rush to war against Iraq.

The United States and Europe are also likely to engage in more intense competition over trade and finance, as made clear by mounting disputes over US tax subsidies and Europe's restriction on imports of genetically modified foods. The emergence of the euro as an alternative reserve currency also creates the potential for diverging views about management of the international financial system.

Looking beyond the coming decade, economic growth in East Asia will further the onset of a new distribution of global power. Japan already has a world-class economy and will eventually climb out of recession. During the last decade, China enjoyed an economic growth rate of about 10 percent per year. The World Bank estimates that by 2020 "China could be the world's second largest exporter and importer. Its consumers may have purchasing power larger than all of Europe's. China's involvement with world financial markets, as a user and supplier of capital, will rival that of most industrialized countries" (World Bank 1997: 103). The rise of Japan and China will ultimately contribute to the return of a multipolar global landscape.

### *America's waning and unilateralist internationalism*

The continuing amalgamation of Europe, the eventual rise of Asia, and their leveling effect on the global distribution of power will occur gradually. Of more immediate impact will be a diminishing appetite for liberal internationalism in the United States. Today's unipolar landscape is a function not just of America's preponderant resources, but also of its willingness to use them to underwrite international order. Accordingly, should the will of the body politic to bear the costs and risks of international leadership decline, so too will America's position of global primacy. Furthermore, if the United States behaves unilaterally rather than multilaterally when it does act, it may well alienate the partners that it will need to help tame an increasingly divided global system. America's fondness for liberal internationalism has reached a high-water mark and will be dissipating in the years ahead. This claim is based on two considerations: (1) a theoretically-grounded position on the circumstances under which great powers extend commitments; (2) examination of the empirical evidence, including public opinion, congressional behavior and the policies of the Clinton and George W. Bush administrations.

### **The sources of internationalism: threat or opportunity?**

Most work on the rise and decline of great powers attributes systemic change to shifts in the distribution of material power. Robert Gilpin identifies uneven economic growth rates and the transfer of leading technologies from core to periphery as the main variables driving international change. Paul Kennedy argues that leading powers tend to lose their positions of primacy because the defense costs associated with maintaining extensive international commitments ultimately undermine their economic base. Both take for granted the external ambition that comes with material preponderance and therefore present an account of systemic change that largely ignores strategic choice (Gilpin 1981; Kennedy 1987).

Other scholars have attempted to incorporate strategic choice into their accounts of international change, distinguishing among different types of great powers. Randall Schweller, for example, differentiates revisionist states from status quo states (Schweller 1993, 1998). A revisionist state is a rising power that seeks to overturn the existing international system in favor of one more conducive to its interests. A status quo state is a power already at the top of the hierarchy; it is interested primarily in preserving and meeting threats to the existing international system. In similar fashion, offensive realists and defensive realists disagree about whether states pursue external ambition to acquire power or to acquire security. Offensive realists assume that great powers always behave like rising states, constantly seeking to increase their power. In contrast, defensive realists assume that great powers can and do behave like status quo states, constantly seeking to enhance their security, but not always to enhance their power.<sup>6</sup> Stephen Walt's work on alliances draws a similar distinction. His claim that states balance against threats rather than power *per se* incorporates strategic choice and assessment of intentions into an account of the relationship between structure and the behavior of poles (Walt 1987).

The analysis in this essay follows logically from this effort to incorporate strategic choice into structural realism. It is maintained that liberal internationalism among status quo powers is primarily a product of threat, not opportunity. Whereas rising states regularly seek to alter the international system to their advantage when they have the chance to do so, status quo powers are motivated principally by threats to the existing system. After all, they are status quo powers precisely because they are satisfied with the status quo. They are therefore willing to expend blood and treasure in matters of foreign affairs only when the system they find so conducive to their interests is threatened.

The logical consequence of this analytic starting point is that status quo powers become less willing to shoulder onerous international responsibilities and bind themselves to multilateral institutions when the threats to international order diminish in severity. A decline in perceived threats,

after a reasonable time lag, produces a decline in the domestic appetite for liberal internationalism and the willingness to uphold or take on costly external commitments.

The claim that status quo powers extend external commitments when they must (in response to threat), rather than when they can (in response to opportunity), is the foundation for the argument put forward in this chapter that US support for liberal internationalism has passed its high-water mark and is diminishing. To be sure, the United States has remained deeply engaged in all quarters of the globe since the end of the Cold War and the collapse of the Soviet Union. But that is the essence of the problem. The scope of America's global commitments (and particularly its commitments in Europe) is becoming increasingly divorced from the new strategic landscape. The demise of the Soviet Union and the disappearance of a peer competitor should have induced America to lighten its load. Instead, America's strategic commitments have increased markedly over the course of the past decade, primarily as a consequence of the enlargement of NATO and the "war on terror." The result is an increasing gap between the scope of America's external ambition and the American polity's appetite for internationalism.

The terror attacks of September 2001 certainly made clear that America is far from invulnerable and continues to face major external threats to its security. For many, the attacks ensured that America will remain fiercely internationalist. As Andrew Sullivan, the former editor of *The New Republic*, wrote only a few days after the attack, "We have been put on notice that every major Western city is now vulnerable." "For the United States itself," Sullivan continued, "this means one central thing. Isolationism is dead."<sup>7</sup>

It is by no means clear, however, that terrorism inoculates the United States against the allure of either isolationism or unilateralism. In the long run, America's leaders may well find the country's security better served by reducing its overseas commitments and raising protective barriers than by chasing terrorists through the mountains of Afghanistan and the back alleys of Baghdad. The United States has a strong tradition dating back to the founding fathers of seeking to cordon itself off from foreign troubles, an impulse that could well be reawakened by the rising costs of global engagement. America's initial response to the attacks of September 11, after all, was to close its borders with Mexico and Canada, ground the nation's air traffic, and patrol the country's coasts with warships and jet fighters. And when the United States does act, it may well lash out on its own, undermining both the spirit and the form of multilateral engagement.

If it is correct that threat, not opportunity, induces status quo powers to extend external commitments, then the absence of a peer competitor will erode America's willingness to serve as the global protector of last resort. Europe will be America's competitor, but not the sort of adversary that evokes sacrifice and vigilance. From this perspective, the robust interna-

tionalism of the 1990s and the neoimperialism of the George W. Bush presidency promise to be an aberration, not a precedent for the future.

Bringing American exceptionalism into the picture considerably strengthens this basic claim. Compared to other great powers, America has from the outset been remarkably ambivalent about taking on the responsibilities that accompany great power status. The founding fathers were quite explicit in their conviction that the security of the United States would be best served by reining in its external ambition and avoiding entangling alliances. As a rising power during the nineteenth century, the United States waited decades before translating its world-class economic power into military strength and external ambition. And even then, it attempted to avoid major strategic commitments abroad until World War II and the Cold War left it with little choice.

This potent strain of ambivalence in American internationalism appears to be the product of two main factors. First, the United States is blessed with wide oceans to its east and west and non-threatening countries to its north and south. Because of its enviable geopolitical location, America is justified in calculating that its security is at certain times and under certain circumstances best served by less, rather than more, engagement abroad. International terrorism, the ballistic missile, and fiber optics no doubt diminish the extent to which America can afford to cordon itself off from threats in distant quarters. But proximity still matters, and the distance of the United States from other areas continues to afford it a natural security.

Second, the constitutional structure of the United States and the deliberate struggle it set up among the different branches of government have from the outset checked the scope of the country's external ambition. During the early years of the republic, the individual states were loath to give up their rights to maintain independent militias and armed forces. They were also fearful of giving too much coercive capacity to the federal government (Deudney 1995). Times have obviously changed, but such internal checking mechanisms continue to constrain the conduct of US foreign policy. The Senate's rejection of US participation in the League of Nations, the *War Powers Act*, the more recent efforts of Congress to mandate the withdrawal of US troops from the Balkans – these are all manifestations of the continuing institutional constraints on American internationalism.

America's unilateralist bent also has deep roots in the country's political culture. Since the republic's early days, Americans have viewed international institutions with suspicion, fearful that they will encroach upon the nation's sovereignty and room for maneuver. Avoiding entangling alliances and restricting the power of the federal government are enterprises that hit a populist chord and run deep within the American creed. After World War II, Americans of necessity shed some of their aversion to multilateral engagement; building a cohesive community of liberal

democracies and managing the Western world required an elaborate network of institutions. But even during the Cold War, unilateral urges often prevailed. On issues ranging from the tenor of diplomacy with the Soviet Union, to the Arab–Israeli conflict, to arms control, to international trade, the Western allies frequently complained of a wayward America all too often acting alone.

America's unilateralist impulse has strengthened since the end of the Cold War. The absence of a commanding threat is part of the reason, but so is electoral politics. Populism runs strongest in the South and Mountain West, the fastest growing regions in the country, as well as George W. Bush's main constituency (Mead 1999/2000). America will also gravitate toward unilateralism out of frustration with its inability to get its way as often as in the past. Accustomed to calling the shots, the United States is likely to go off on its own when others refuse to follow Washington's lead – which the Europeans and others will do with greater frequency as their strength and self-confidence grow.

Incorporating strategic choice and US exceptionalism into analysis of the forces driving systemic change has profound implications for forecasting how and when America's unipolar moment is likely to end. In purely material terms, no single country is likely to catch the United States for decades – as Wohlforth has persuasively argued. But Wohlforth, like many other scholars, makes a critical analytic error in assuming that polarity emerges solely from the distribution of power. The willingness of states to deploy their resources, the manner in which they deploy them, and the ends to which they do so also play a role in shaping polarity. The emergence of a more reluctant and prickly American internationalism, even if US preponderance remains uncontested, has the potential to alter the global landscape.

The choices that America makes in the years ahead about when and how it will use its material power will have a direct impact upon the effective polarity of the global landscape. As America's appetite for robust internationalism wanes, the hierarchy that has naturally devolved from its preponderance will diminish as well. Add to this picture Europe's amalgamation and its rise as an alternative center of power, and America's unipolar moment is just that – a passing moment.

### **American internationalism: the evidence**

This chapter has thus far built what is primarily a deductive case for the proposition that the United States will soon gravitate toward a more constrained and unilateralist internationalism. This section will provide empirical evidence that these trends are in fact already taking place. It will examine briefly public opinion, congressional behavior, and the foreign policy of George W. Bush – including the likely long-term impact of the war against terrorism.

Numerous indicators suggest that US internationalism is already in retreat; America's domestic politics have begun catching up with the world's changed geopolitics. The terror attacks on New York and Washington did evoke national unity and an outpouring of enthusiasm for military action. But this was only a temporary spike in bipartisan support for robust internationalism and should not be allowed to mask the broader trends. Here is the picture that was emerging prior to the events of September 2001 – and the picture that will reemerge as those events slowly recede into the past.

America's diplomatic corps, once a magnet for the country's most talented, lost much of its professional allure over the course of the 1990s. The few high-flyers that the State Department did succeed in attracting often left in frustration after only a few years. According to a front-page story in the *New York Times*, "The State Department, the institution responsible for American diplomacy around the world, is finding it hard to adjust to an era in which financial markets pack more punch than a Washington–Moscow summit meeting. It is losing recruits to investment banks, dot-com companies and the Treasury and Commerce Departments, which have magnified their foreign policy roles."<sup>8</sup>

Public opinion surveys paint a similar picture. Regular surveys by the Chicago Council on Foreign Relations and other bodies indicate that Americans remained generally internationalist throughout the 1990s.<sup>9</sup> However, the public's interest in foreign affairs did decline sharply. During the Cold War, some pressing geopolitical issue of the day usually ranked near the top of the public's concerns. By the end of the 1990s, only two to three per cent of Americans viewed foreign policy as a primary concern. When Americans were asked to name the "two or three biggest foreign-policy problems facing the United States today," the most popular response was "don't know." A solid majority of Americans indicated that events in other parts of the world have "very little" impact on the United States. As James Lindsay of the Brookings Institution summed up the situation in an article in *Foreign Affairs*, "Americans endorse internationalism in theory but seldom do anything about it in practice."<sup>10</sup> At the opening of the twenty-first century, Americans thus did not oppose their country's engagement in the world. They had just become profoundly apathetic about it.

It is precisely because of this attention deficit that newspapers, magazines and the television networks dramatically cut back foreign coverage. In a competitive industry driven by market share and advertisement fees per second, the media gave America what it wanted. Coverage of foreign affairs on television and in newspapers and magazines dropped precipitously. The time allocated to international news by the main television networks fell by almost 50 percent between the late 1980s and the mid-1990s.<sup>11</sup> Between 1985 and 1995 the space devoted to international stories declined from 24 to 14 percent in *Time* and from 22 to 12 percent in *Newsweek*.<sup>12</sup>

The spillover into the political arena was all too apparent. With foreign policy getting so little traction among the public, it had all but fallen off the political radar screen. Virtually every foreign matter that came before Congress, including questions of war and peace, turned into a partisan sparring match. Peter Trubowitz has documented that partisan conflict over foreign policy increased dramatically in the recent past.<sup>13</sup> Clinton's scandals and his repeated standoffs with an alienated Republican leadership no doubt played a role in pushing relations between the two parties to the boiling point. But the fact that even foreign policy was held hostage made clear that America's politics and priorities had entered a new era.

Partisan politics with worrisome regularity trumped the demands of international leadership. Important ambassadorial posts remained empty throughout the Clinton years because Republicans on the Senate Foreign Relations Committee, purely out of spite, refused to confirm the president's nominees. In August 2000, Peter Burleigh resigned from the State Department after waiting nine months for the Senate to confirm his appointment as ambassador to the Philippines.<sup>14</sup> Burleigh was widely recognized as one of America's most accomplished diplomats. America's dues to the United Nations went unpaid for most of the decade to keep happy the anti-abortion wing of the Republican Party, which thought the UN's approach to family planning too aggressive. The Senate in 1999 rejected the treaty banning the testing of nuclear weapons despite the administration's willingness to shelve it. Better to embarrass Clinton than to behave responsibly on matters of war and peace. Senator Chuck Hagel, a Republican from Nebraska, even admitted as much on the record. Reflecting on the apparent Republican assault on internationalism, Hagel commented that "what this is about on the Republican side is a deep dislike and distrust for President Clinton."<sup>15</sup> It is hard to imagine a more potent indicator of the direction of American internationalism than the defeat of a major treaty because of political animosities on the Senate floor.

Signs of a diminishing appetite for internationalism only intensified after George W. Bush succeeded Clinton. As a candidate, Bush promised to pursue a more "humble" foreign policy, scale back America's international commitments, be more selective in picking the country's fights, and focus more attention on its own hemisphere. After taking the helm, Bush generally adhered to these promises. During his first months in office, he drew down US troop levels in Bosnia and kept US troops in Kosovo on a tight leash despite the spread of fighting to Macedonia. He reduced America's role as a mediator in many different regional conflicts. Secretary of State Colin Powell followed suit by dropping from the State Department's roster more than one-third of the fifty-five special envoys that the Clinton administration had appointed to deal with trouble spots around the world. As the *Washington Post* summed up the thrust of these moves in its headline, "Bush Retreats from US Role as Peace Broker."<sup>16</sup>

In similar fashion, Bush made good on his promise to focus US foreign policy on the Americas. President Bush's first two meetings with foreign leaders were with Canadian Prime Minister Jean Chretien and Mexican President Vicente Fox. His first foreign trip was to Mexico. His first major international meeting was a summit of the Americas in Quebec, at which he announced that he would host his first state dinner later in the year – for Vicente Fox.

The Bush administration also stepped away from a host of multilateral commitments, preferring the autonomy that comes with unilateral initiative. Within six months of taking office, Bush had pulled out of the Kyoto Protocol on global warming, made clear his intention to withdraw from the Anti-Ballistic Missile Treaty, stated his opposition to the Comprehensive Test Ban Treaty and the treaty establishing the International Criminal Court (both signed by Clinton but not ratified by the Senate), backed away from establishing a body to verify the 1972 Biological Weapons Convention, and watered down a UN pact aimed at controlling the proliferation of small arms.

The terror attacks of September 2001 were widely interpreted as an antidote to these unilateralist and isolationist trends. And they were, at least in the short run. Far from acting unilaterally, the Bush administration went out of its way to build a broad coalition, enlisting the support of not just NATO allies, but also Russia, China and moderate Arab regimes. Far from reining in America's commitments, Bush declared a war on terrorism, sending large numbers of ground troops, aircraft and warships to the Middle East. And Congress and the American people were fully engaged, with the Senate, the House and the public overwhelmingly behind Bush's decision to use military force to combat the Al-Qaeda network and its supporters.<sup>17</sup>

In the long run, however, the struggle against terror is unlikely to serve as a solid basis for ensuring either multilateral engagement or a robust brand of American internationalism. Despite the statements of support from abroad, US forces were accompanied only by the British when the bombing campaign against Afghanistan began. A host of other countries offered logistical and intelligence support, but Americans did almost all the fighting. Only after the main battles were over did forces from Europe, Canada, Australia and New Zealand arrive in significant numbers to serve as peacekeepers and help eliminate remaining pockets of resistance in the mountains. And Bush made it amply clear in the debate about whether to wage war against Iraq that the United States would act as it saw fit, asserting in his State of the Union Address that "this nation does not depend on the decisions of others."<sup>18</sup> Terrorism is unlikely to make of America an avowed multilateralist – as made clear by America's willingness to launch a war against Saddam Hussein's regime without the approval of the United Nations.

It is also by no means clear that terrorism will eradicate, rather than

fuel, isolationist strains within American society. The United States responded with alacrity and resolve to the attacks on New York and Washington. But the call for increased engagement in the global battle against terror was accompanied by an alternative logic, one that gained currency over time. A basic dictum of the country's founding fathers was that America should stay out of the affairs of other countries so that they stay out of America's affairs. The United States is a formidable adversary and is unlikely to let any attack on its own go unpunished. But should the price of hegemony mount and Americans come to believe that their commitments abroad are compromising their security at home, they will legitimately question whether the benefits of global engagement are worth the costs.

The potential allure of the founding fathers' admonition against foreign entanglement explains why, as one scholar put it, the attacks made "Israelis worry that Americans may now think that supporting Israel is too costly."<sup>19</sup> This logic similarly explains why François Heisbourg, one of France's leading analysts, commented in *Le Monde* the day after the attacks that, "It is to be feared that the same temptation [that led America to withdraw from the world after World War I] could again shape the conduct of the United States once the barbarians of 11 September have been punished. In this respect, the Pearl Harbor of 2001 could come to close the era opened by the Pearl Harbor of 1941."<sup>20</sup> It is this same logic that explains why Americans have begun debating whether to reduce the US military presence in Saudi Arabia.<sup>21</sup> And it is worth keeping in mind that amid the anti-American protests that broke out in South Korea late in 2002, even conservative US voices urged Washington to consider withdrawing American troops from the Korean peninsula.<sup>22</sup>

The long-term consequences of the events of September 2001 could thus be an America that devotes much more attention and energy to the security of its homeland and much less attention to resolving problems far from its borders. The more time US forces spend defending American territory, the less time they will spend defending the territory of others. The Bush administration admittedly showed no lack of enthusiasm for waging a comprehensive and resolute war against terrorism. But prior to the events of September 2001, the initial instincts of Bush and his advisers were to scale back, not to deepen, America's involvement in distant disputes. In combination with the new focus on homeland defense and the political appeal of seeking to cordon off the country from foreign dangers, these instincts are a better indication of long-term trends than are actions taken amidst shock and anger.

It is equally doubtful that the threat of terror will over the long run ensure a more responsible Congress and a more engaged and attentive public. Bipartisan rancor did disappear instantly on September 11, 2001, and the US public stood firmly behind military retaliation. But these were temporary phenomena arising from the grief of the moment; after a few

months, partisan wrangling returned to Capitol Hill and the public mind again began to wander. As one reporter commented on December 2, "The post-Sept. 11 Congress has now almost fully abandoned its briefly adopted pose of high-minded bipartisanship."<sup>23</sup>

The relatively rapid return to business as usual stemmed from the fact that the United States proceeded to embark on a long march, not a war. After Pearl Harbor, American leaders had in Imperial Japan and Nazi Germany formidable and identifiable enemies against which to mobilize the nation and evoke continued sacrifice. The threat posed by the Soviet Union similarly kept America focused and determined during the long decades of the Cold War. In contrast, terrorism represents a far more elusive enemy. Instead of facing a tangible adversary with armored columns and aircraft carriers, America confronts an enemy schooled in guerilla tactics – a type of warfare that, as the Vietnam War demonstrated, plays to the strengths of neither America's armed forces nor its citizens. The United States handily defeated its foes in Afghanistan, but many supporters of Al-Qaeda escaped, melding into village life or fleeing to the tribal lands of Pakistan. In this battle, patience and tact are more useful weapons than military force.

With much of the struggle against terrorism occurring quietly beyond the public eye – through intelligence, surveillance and covert operations – this new challenge will not be accompanied by the evocative images that help rally the country around the flag. Rather than inducing Americans to join the army or the production line to contribute to the war effort, terrorism's main impact on the average citizen is to induce him to stay at home. In the wake of the attacks on New York and Washington and the anthrax scare that followed, President Bush asked of Americans not that they make a special sacrifice, but that they return to normal life by shopping in malls and traveling by air. Even as American soldiers were fighting and dying in Afghanistan, ABC was trying to woo David Letterman to its late-night slot to replace *Nightline* – one of the few network programs providing in-depth analysis of foreign news. As before September 2001, keeping the US public engaged in international affairs promises to be an uphill battle.

America is a status quo power. It faces no peer competitor. Ambivalence toward international engagement, stemming from both its geographic location and political culture, is very much a part of America's creed. The new threat of terror attacks against the US homeland may well hasten rather than forestall a turning inward and efforts to distance the country from external threats. America's waning and unilateralist internationalism promises to play a major role in bringing about the onset of a multipolar world.

## Conclusion

Confronted with the rise of Europe and America's changing internationalism, the Atlantic Alliance appears poised for demise. Its founder and primary patron, the United States, is losing interest in the alliance, resulting in a military pact that is hollowing out and of diminishing geopolitical relevance. Prior to the round of NATO enlargement that extended membership to Poland, Hungary and the Czech Republic, Washington was abuzz with debate. In the weeks leading up to the 2002 Prague summit, there was only a deafening silence; no one in the United States seemed to care. With the war against terrorism not just topping, but defining, America's strategic agenda, Europe is moving to the periphery of American grand strategy. The divide between Europe and America over whether to wage war against Iraq only underscored the widening gap in strategic priorities and perspectives. And with NATO changing from a military tool focused on defense into a political tool focused on integration, its value to the United States is diminishing.

The Alliance is also of declining relevance to Europe. With the continent at peace and the European Union taking in the region's new democracies, Europe no longer needs its American pacifier. Europeans also sense that the two sides of the Atlantic are drifting apart politically and socially. They follow different social models. Despite recent deregulation across Europe, America's *laissez faire* capitalism still contrasts sharply with Europe's more centralized approach. Whereas Americans decry the constraints on growth that stem from the European model, Europeans look askance at America's income inequalities, its consumerism, and its readiness to sacrifice social capital for material gain. The two have also parted company on matters of statecraft. Americans still live by the rules of *realpolitik*, viewing military threat, coercion and war as essential tools of diplomacy. In contrast, Europeans by and large have spent the past fifty years trying to tame international politics, setting aside guns in favor of the rule of law. Europeans see America's reliance on the use of force as simplistic, self-serving, and a product of its excessive power; Americans see the EU's firm commitment to multilateral institutions as naive, self-righteous, and a product of its military weakness.

Impressive levels of trade and investment promise to continue flowing across the Atlantic. Indeed, initiatives such as the New Transatlantic Agenda launched in 1995 have the potential to improve interregional relations in the economic arena. But commercial ties will be unable to offset the powerful forces separating the two sides of Atlantic in the geopolitical arena. On this front, the United States and Europe are parting ways, bringing to an end their close strategic partnership. As America decamps from the continent, Europe's security order will become much more European and much less Atlantic. America and Europe are thus heading toward a new division of labor. Europe will

increasingly assume responsibility for its own security; America will focus its attention and resources on other parts of the world – principally the Middle East and East Asia. The nature of transatlantic interregionalism is in the midst of irreversible change.

To prepare the way for this new division of labor, Europe must take three critical steps. First, the EU must complete the institutional adaptations already underway and work to establish efficient and effective mechanisms for the formulation and implementation of a common security policy. Second, the EU must oversee the coordination and integration of national defense programs, seeking to map out on a collective basis the new force structures and procurement programs required to give Europe the more capable forces that it needs. Downsizing while improving the training and equipping of forces, purchasing lift and enhanced firepower, and investing in communication and information systems are the top priorities. Formulating a sensible division of labor among member states is essential to this process, as is further consolidation of Europe's defense industry (O'Hanlon 1997). Third, Europe must build public support for the implementation of its new defense programs. Professionalizing and upgrading forces, merging the planning and procurement processes of individual states, increasing defense expenditure – these are tasks that will require public understanding and a new level of collective will. European leaders need to begin laying the necessary political foundation.

On the American side, the Bush Administration should resist its unilateralist impulses and dismissive attitude toward Europe and instead follow its own three steps. First, the US government should stop its quiet but steady resistance to and resentment of Europe's growing geopolitical ambition.<sup>24</sup> The United States has essentially been telling the Europeans that it welcomes more European defense capability and a more equitable sharing of burdens, but that it really is not interested in sharing power with the EU; Washington enjoys calling the shots. Instead, Washington should make clear to Europe that as its new capability becomes available, the United States will accord the EU greater voice. Warnings about decoupling should give way to a single, clear message: capabilities for influence.

Second, the United States should actively seek ways to devolve more responsibility to the EU. Increasing European representation in the NATO command structure would be a step in the right direction. NATO's decision in January 2000 to give the Eurocorps operational command of the Kosovo Forces (KFOR) was a positive gesture in this respect. NATO should continue ceding to the EU primary responsibility for peacekeeping throughout the Balkans.

Third, as Europe's defense capacities evolve, the United States should look for ways to forge a more mature and constructive relationship with the EU. This means more diplomatic contact with the EU as a collective entity rather than working primarily through national capitals. It means consulting fully with the EU before pursuing important policy initiatives

rather than briefing Europe after the fact. And it means a public education campaign to ensure that Congress and the American people come to see Europe as a long-term partner, not as a strategic burden or an adversary. American leaders need to begin laying the political foundation for a new and more equitable brand of US–Europe interregionalism.

The profound changes in US foreign policy will have important ramifications not only for transatlantic ties but for other interregional relationships as well. The principle and practice of interregionalism on a global basis has relied on US leadership and America's commitment to multilateralism. From this perspective, the future development of US–Europe ties may well serve as an acid test for the role of interregionalism in world politics.

# 9 The new Transatlantic interregionalism

## Balanced or hegemonic?

*Werner Link*

Transatlantic relations between the European Union (EU) and the United States can be considered as “interregional relations in the wider sense” (see Hänggi, chapter 3). On the one side of the relationship there is an integrated group of states, a regional organization; but these states are – integration notwithstanding – still actors in their own right pursuing independently their national policies in issue areas so far not integrated by the EU. On the other side of the relationship there is a great power acting as a single unitary power. An additional characteristic of the EC/EU–US relationship is that it was and still is restricted to the field of economics and trade, whereas security is provided by the North Atlantic Treaty Organization (NATO) in which EU member states and non-member states operate as independent actors side by side with Canada and the United States, the hegemonic power in that military alliance. Of course, the East–West conflict and the common communist threat were responsible for that differentiated pattern which may be called “issue-based interregionalism.” The high degree of mutual interdependence in security matters facilitated intense transatlantic cooperation, and the predominance of common security interests mitigated the economic disputes during the Cold War.

However, since the East–West conflict has ended, the international system is in a process of profound change. The question is whether in this process the transatlantic relationship is undergoing a structural transformation from structured and partial interregionalism to full-fledged interregionalism. In what follows, I shall try to give some tentative answers to this question – with reference to Kupchan’s chapter.

First, having in mind the theoretical assumptions of neo-realism, I certainly agree with Kupchan’s main argument that Europe will increasingly act as a counterweight to the United States and that the transatlantic relationships will become more balanced. However, I disagree with Kupchan’s expectation that, as a consequence, an interregional lens may be of declining utility. Quite to the contrary, I would argue that a balanced relationship (if it will develop!) will be a propelling force for EU–US interregionalism. Both in the past and currently there has been a balanced

transatlantic relationship in the economic field, while in the security field there has been a hegemonic relationship. If the latter will be transformed, a hegemonic lens will be less fruitful and an interregional lens of increasing utility. To put it in other words: In the past the interregional lens was of limited utility because it was restricted to the economic domain. The analytical utility of interregionalism would increase, if the EU would succeed in becoming a full-scale actor.

Second, quite clearly, EU–US interregionalism is competitive (like all international relations). Kupchan assumes that Europe will be America’s competitor in the years to come and vice versa. The implicit assumption is obviously that a more balanced relationship results in greater competition. Maybe! But could such a development endanger or even prevent interregional cooperation? There are good reasons to expect that a more balanced, symmetric relationship is promoting, not impeding cooperation. Although this cooperation may be better qualified as “cooperative competition” and “competitive cooperation,” conditions of symmetry are likely to result in a more equitable distribution of the relative gains of cooperation.

Third, what are the prospects of a new balanced EU–US interregional relationship? In order to answer this question, we have to take into account (1) the distribution of power and (2) the policy orientations.

- 1 The present international system is characterized by a combination of unipolar and multipolar distribution of power: Unipolarity in the military domain; multipolarity in the economic domain. It is only in the latter that the EU represents a power center; and only because of European integration do European states represent an economic potential which equals the United States.
- 2 America and Europe pursue – in line with their varying position in the international system – different policy orientations and foreign policy outlooks. As to the United States, two foreign policy doctrines are discernible since it emerged as a great power. The first was articulated by President Bush sen. in 1990: “For most of this century, the United States have deemed it a vital interest to prevent any hostile power or group of powers from dominating the Eurasian land mass. This interest remains.”<sup>1</sup> The second is the Wilsonian doctrine of making the world safe for democracy, and free market economy. As for Europe, there is, after decades of decline and dependence, a secular tendency toward self-assertiveness and independence by regional integration; the will to become a *force d’équilibre*, as Jean Monnet has put it in 1950.<sup>2</sup>

Obviously, both policy orientations were and still are the source of tensions in the transatlantic relationship. The United States is very reluctant to accept Europe as an independent and equal actor, while the European

governments often prefer a policy of bandwagoning or buck-passing. But there are also some successful cases of establishing a balanced EU–US relationship, such as the Transatlantic Dialogue which was organized in 1990 (Kahler/Link 1996). In the future, the decisive factor will be whether the European states wish to (and will) turn the EU into an independent entity, which is the precondition for a new balanced transatlantic partnership. But nobody knows whether the enlargement of the EU will strengthen or weaken European integration – as nobody knows what effects NATO’s enlargement will have for the cohesion of the alliance. Given that there is no such thing as irreversibility in history, the enlarged EU may develop in one of two directions: First, back to a mere economic union in the sense of a large free trade area and political renationalization, or second, toward a political union (with a “gradual integration” or a *géométrie variable*). The decisions made at the Nice summit – allowing for differentiated integration – point toward the second direction.

Fourth, if an enlarged EU of more than twenty-seven member states will, eventually, be structured according to the principle of “differentiated integration,” this will have structural consequences for the EU–US relationship, too. In fact, EU–US relations will become more differentiated. The trade relations will be balanced so that a real transatlantic economic pattern will evolve. In the monetary field a bipolar structure composed of the Euro group and the US dollar group will emerge.

The relationship in the security area will remain asymmetric for a long time, although the EU may develop its own defense identity, giving rise to a more balanced European–American relationship within the NATO framework. America’s war against international terrorism has made crystal clear the real power distribution and European weakness. Instead of interregional cooperation we witness a selective bilateralism between the United States and specific European states. Whether the experience of European disunity and dependence on US military power will serve as a catalyst for European military cooperation (as it occurred after the Kosovo war) remains to be seen.

Fifth, some remarks to the functions of EU–US interregionalism seem to be in order. The existing and emerging European–American interregionalism exerts – so far as the internal relations are concerned – foremost the function of coordination and, to a certain degree, the function of balancing. The external functions (i.e. within the economic world system) can be described as follows: If the United States and the EU succeed in agreeing on a common strategy and on common rules, they have a good chance to determine the policies of global multilateral organizations such as the World Trade Organization (WTO), and the Group of Seven/Eight (G7/8). Yet, they will only succeed when they are able to exert common leadership and some sort of “bigemony” (Bergsten 1997). This external effect is certainly the main incentive for the continuation of EU–US interregional cooperation.

I will conclude with four summarizing theses:

First, full-scale EU–US interregionalism is a long, piece-meal and differentiated process which parallels the differentiation of European integration. The latter, however, will necessarily lead to more differentiated EU–US interregionalism.

Second, a more balanced relationship between Europe and America may have beneficial consequences for both sides and may stimulate the continuation of EU–US interregionalism. It facilitates “competitive cooperation” with a more equal distribution of gains.

Third, the transatlantic relationship will most likely deteriorate, if the United States seeks to strengthen its hegemony. If not, the EU–US relationship will develop in a more favorable way, although it will not be free of conflicts. It is a myth to believe that interregional cooperation would not produce what may be called cooperation conflicts.

Fourth, the case may occur that the EU fails because of overextension and that – at the same time – NATO becomes marginalized. Such a worst-case scenario would be equivalent to the withering away of EU–US interregionalism. Questions of “balanced” or “hegemonic” and “issue-based” or “comprehensive” interregionalism would then be irrelevant. Then, Europe and the USA would go “back to the future” (Mearsheimer 1990).

*Europe–Latin America relations*



# 10 The European Union's relations with MERCOSUR

## The issue of interregional trade liberalization

*Jörg Faust*

### Introduction

Since the end of the 1980s, there has been a controversy among scholars about the compatibility of economic globalization and regionalism. One of the central questions within this debate has been whether the driving forces behind emerging regional mechanisms were fostering economic globalization or whether they were intended to shield regional development from the increasing global mobility of production factors. This discussion emerged out of the fact that, on the one hand, the political creation of regional economic cooperation always tends to be discriminatory, drawing a line between the region and its international environment. On the other hand, a great majority of the new regional mechanisms have been connected with the term “open regionalism,” meaning that those institutional arrangements are supposed to have a preparatory function of their member states for further global integration. In this context, emerging interregional economic phenomena appear to have the same double-edged characteristics as regional mechanisms. Interregional arrangements can be defined as (a) politically institutionalized relations between at least two regional cooperative mechanisms (pure interregionalism), or (b) multilateral institution-building like the Asia-Pacific Economic Cooperation (APEC) or the Free Trade Area of the Americas (FTAA) process, which includes the majority of at least two regions (multilateral interregionalism). Driven by increasing international interdependence, interregional mechanisms thus are located between discriminatory arrangements at the regional level and the inclusiveness of the global trade regime (Aggarwal/Fogarty 2004).

Viewed against this background, this chapter focuses on a case study of “pure interregionalism,” which might help to gain insights about the political factors influencing interregional trade liberalization. Based on the collective choice approach in political science (Olson 1965), I will try to highlight how the tensions between individual and collective rationality can be fruitfully applied to the analysis of interregional phenomena. In order to provide empirical evidence for my theoretical argument, I will

concentrate on trade negotiations between the Mercado Comun del Sur (MERCOSUR) and the European Union (EU).

Following the introduction, the second section presents a simple framework on how insights of the collective-choice approach in political science can be used for analyzing current attempts of building interregional free trade agreements. Hereafter, in the third section, EU–MERCOSUR trade negotiations will be examined. From a bottom-up perspective, collective action problems at different levels have jeopardized the successful conclusion of those negotiations. Collective action problems have emerged at the level of regional cooperation, as the EU and MERCOSUR confront distributional conflict stemming from the transformation of their internal agenda. In the case of MERCOSUR the challenge of combining the transformation of state-led models of development with macroeconomic coordination at the regional level has narrowed the political maneuvering space of its trade negotiators. In the case of the EU, the need to change its Common Agriculture Policy (CAP) and the necessity of enlargement has confronted pro-free trade interests with intense opposition. However, from a top-down perspective, the difficulties of advancing the global trade regime embedded in the World Trade Organization (WTO) resulted in attempts of governments and internationally oriented business to search for second-best solutions. In this context, interregional free trade functions as a second-best strategy for international business interests to expand their markets. In addition, interregional agreements can be an opportunity to set new standards at the interregional level, which then can be transferred to the global level, once the WTO gains momentum again. Furthermore, the close connection of EU–MERCOSUR negotiations with the process of crafting FTAA demonstrates how interregional trade negotiations can be informally interlinked by their competitive structure.

### **Interregional trade liberalization and collective action**

In general, trade liberalization between two or more economies can be interpreted as creating a collective good. Liberalizing trade is expected to reduce prices and to shift productive resources to more efficient sectors, hereby contributing to growth and economic development. In this context protectionist arguments, which focus on the loss of jobs in less competitive sectors, are not convincing from a macro perspective. Those arguments tend to ignore or to underestimate the costs of protectionism: those imposed on productive sectors, which rely to a high degree on imports, and those imposed on consumers, who have to pay higher prices (Irwin 2002). Furthermore, even if one includes the fact that less developed sectors or countries merit special and differential treatment, gradual trade liberalization would bring overall benefits to the actors involved. Yet, despite theoretical arguments and empirical findings sustaining the view that at least incremental trade liberalization facilitates

overall economic development, resistance to trade liberalization is still strong. While trade liberalization has made progress since the end of World War II, and is firmly institutionalized in multilateral regimes, progress has been rather slow and still confronts major obstacles. Several sectors, such as agriculture, are far from being open for free trade. Furthermore, new issues in trade liberalization, such as intellectual property rights, trade in services and competition policy, have intensified distributional struggles among vested interests. Thus, on the one hand, trade liberalization reflects collective rationality by creating overall welfare improvement. On the other hand, however, due to conflicts about the distribution of the resulting benefits and costs, specific interest groups might well be interested in preferring the status quo to more liberalized trading regimes (Alt *et al.* 1996). Following Olson's logic of collective action (Olson 1965), whether the evolving dilemma game with distributional conflicts can be solved in favor of the collective good, depends very much on two aspects: first, the organizational capacities and the size of interest groups and, second, specific incentives from the politico-institutional context. With regard to the core argument of the logic of collective action, Nunnenkamp states that,

benefits of liberalization are widely distributed among consumers who are hardly organized to fight their interest, and among potential exporters who may not even exist when trade policy decisions are made. By contrast economic agents who are negatively affected by import liberalization are to be expected from companies set up under conditions of import protection; for these companies, liberalization means either market exit or costly restructuring  
(Nunnenkamp 2001: 19)

Yet, the argument about the organizational capacities of economic interest groups should work in both directions. Thus, as certain internationally competitive business sectors profit from increasing free trade, they will also try to use their organizational capacities to push governments into more free-trade orientated politics. From such a perspective, countries whose economic development is based more on internationally oriented actors should be more free-trade orientated (Frieden/Rogowski 1996).

However, concentrating only on the organizational capacities of economic actors and their interests in sustaining protectionist or liberal trade policies might fall short of producing strong explanations of the existing variance of trade policies among countries. Therefore, one should be concerned about the institutional structure of a polity, which also shapes policy outcomes. Accordingly, I propose that in democratic regimes, the course of trade policy depends on the political institutions that structure the relations between the executive and the legislature. The underlying assumption of this argument is that a government in a democratic regime

tends to be more free-trade orientated than the legislative branch (Frieden/Rogowski 1996). Democratic governments are held responsible for the provision of overall collective goods, while parliamentarians and parties tend to respond more strongly to the narrower interests of their specific electorate. Therefore, if gradual and reciprocal trade liberalization increases the overall welfare of the majority of the population and thus represents a provision of a collective good, governments should in their own interest foster such arrangements. In contrast to the executive, parliamentarians who are more concerned with the specific needs of their particular constituents are expected to be more reluctant than governments when it comes to fostering liberal trade policies. Evidence illustrates that the extent to which governments successfully advance free trade initiatives is influenced by their capacity of constructing a strong domestic coalition. Therefore, one should take a careful look at the incentives a polity provides for legislators to promote particularistic economic interests. For instance, in governments in parliamentary systems in which the ruling party coalition and the government are closely intertwined, the executive should have fewer problems of disciplining parliamentarians. In contrast, we should expect a government's capability to promote trade liberalization to be low, when the polity is faced with divided government or more generally, when it is fragmented into numerous veto players (Tsebelis 1995). Federalism, a fragmented party system, oversized coalitions and a low degree of party discipline will increase the difficulties of the executive to promote free trade and to overcome protectionist interests. In such cases, only common perceptions of international challenges might work as external incentives, increasing the willingness of lawmakers to run their legitimacy strategy on a collective good platform rather than on defending particular interests.

From the outlined collective action perspective, regional, interregional or global trade negotiations should reveal similar characteristics. Interregional free trade negotiations are broader than regional attempts to build free trade areas, and they are responses to increasing international interdependence and global transformation. Yet, like regional arrangements, interregional institutions are discriminatory, as they are limited in their geographic scope. In accordance with the General Agreement on Tariffs and Trade (GATT), article 24, such arrangements are allowed to be discriminatory, limiting their benefits to a regional or interregional constituency, only if almost all trade among the participating economies is liberalized. Therefore, the question remains as to why powerful players such as the United States and the EU have ultimately been using scarce resources for interregional trade negotiations, instead of focusing only on the improvement of the existing global WTO regime. From a collective action perspective, the answer would be that interregional trade strategies are perceived as second-best alternatives to global advances in times when the global agenda is overburdened. On the one hand, advancing free

trade at the global level has become increasingly difficult. On the other hand, the mounting needs of internationally oriented firms to optimize their global strategies as well as the pressures on national governments to improve their economies' efficiency explain these actors' attempts to expand their trade policies beyond the regional level. Therefore, inter-regional trade strategies can be conceived as attempts at avoiding the collective action problems at the global level, but still seeking the benefits of increasing free trade across regions.

From a top-down perspective, the nesting of institution-building in a global meta-regime influences the course of regime creation and development (Aggarwal 1998). Given this general observation, the WTO rules and the ongoing evolution of the global trading regime have an impact on interregional trade negotiations because the resulting interregional agreements would be embedded in the context of the WTO. Thus, the dynamics of interregional trade negotiations are influenced by the development of the WTO in a way that progress at the global level should diminish state interests in expanding interregional agreements. Second, as interregional trade agreements are discriminatory arrangements, they have externalities on excluded actors. Therefore, if there is no progress in global trade negotiations, the successful conclusion of an interregional trade agreement should increase other actors' incentives to move in a similar direction, in order to compensate potential losses from discriminatory arrangements.

From a bottom-up perspective, the interests of the actors involved in interregional trade liberalization will also shape the dynamics of interregional trade arrangements. Interregional trade liberalization has sectoral and geographic distribution effects, which tend to provoke either opposition or support. Therefore, advances toward interregional trade liberalization are the result of a (temporary) dominance of free trade coalitions of state and private actors. Accordingly, whether this is the case depends not only on the lobbying capacities of both protectionist and liberal economic actors. It also depends on the political institutions that constrain the bargaining capacities of the governments involved. First, an increasing number of states included directly in the negotiations should make it more difficult to reach a conclusion (Faust/Vogt 2002; Rüländ 2002b). Interregional arrangements such as APEC and the FTAA process are thus hampered because of their low level of coherence resulting from the large number of governments directly involved in the negotiations. In contrast, the existence of a regional executive body such as the European Commission (EU) should make advances of negotiations easier. However, the last argument only holds true if such a regional executive body is not confronted with a politically fragmented domestic environment. Therefore, Robert Putnam's (1988) metaphor of two-level games can be fruitfully applied to the analysis of interregional negotiations (Collinson 1999). While an increasing number of actors at the interregional negotiation

table will make progress toward free trade more difficult, one must take into account the domestic/regional context in which negotiators have to craft domestic/regional coalitions. Given the assumption that democratic governments are more free-trade orientated than their respective legislatures, difficulties of executive bodies negotiating at the interregional level will increase if those negotiators face a fragmented polity where legislators tend to give greater priority to the needs of particular distribution coalitions.

## **The case of EU–MERCOSUR trade negotiations**

### *EU–MERCOSUR relations*

With the creation of MERCOSUR in 1991, emerging democracies of the Cono Sur area – except for Chile – started an ambitious integration scheme, aiming at the construction of a common market. While during the first half of the 1990s MERCOSUR had been the most promising integration scheme of the developing world, the conversion from a free trade area into a customs union in the second half of the 1990s was confronted with a less favorable environment. The *Tequila* effect of 1995, the Asian financial crisis, the devaluation in Brazil and the fierce recession in Argentina confronted the ambitious timetable with several internal and external challenges and led to a declining coherence of this intergovernmental cooperation scheme (Faust 2002). But despite these rising difficulties most international observers still perceive MERCOSUR as a viable strategy to strengthen economic development and political cooperation in the Southern Cone (Müller-Brandeck-Bocquet 2000: 566). The EU's political elite in charge of managing the Union's external affairs has also shared such a perception, which has been complemented by a long tradition of intensive interregional economic, political and cultural relations. Therefore, the EU has supported institutionalized cooperation in the Southern Cone and this support was fostered by the strengthening of economic relations between the two cooperation schemes during the last decade.

First, there was a substantial increase in trade flows until the end of the 1990s, followed by a period of only modest increase due to the economic difficulties of MERCOSUR member countries.<sup>1</sup> For instance, in 1998, following Brazil, the EU became Argentina's second most important trade partner.<sup>2</sup> For the EU, even if the relative importance of MERCOSUR as a trading partner has been modest, it is remarkable that the relative weight of MERCOSUR almost doubled during the 1990s. However, this increase of trade mainly benefitted the EU. As Argentina and Brazil implemented unilateral liberalization measures, the EU's traditional trade deficit turned into a rapidly rising surplus, which only decelerated because of MERCOSUR member states' macroeconomic problems, which negatively affected

their import demand. Yet, despite the dynamic trade expansion, the existing trade structure between both groupings has revealed a rather typical North–South pattern. While EU exports to MERCOSUR have come primarily from advanced manufacturing industries, MERCOSUR members have mainly exported raw materials and commodities from the agro-industrial sectors to the EU (Estevadeordal/Krivonos 2000). In this context, the existing pattern of protectionist measures reflects each region's comparative advantages. Thus, trade liberalization would further sustain this structure. The most important exports from MERCOSUR to Europe have been facing quantitative restrictions, protectionist phytosanitary standards and antidumping measures, while protectionist measures of MERCOSUR countries predominate in the manufacturing sector.<sup>3</sup>

Second, besides intensified trade, MERCOSUR has also been one of the most attractive areas for European foreign direct investment (FDI). Increasing European FDI has been closely related to domestic policy reform in Argentina and Brazil (Chudnovsky/López 2000; Vodusek 2001). Parallel to the privatization process, the composition and the sources of European FDI changed significantly. While European FDI was traditionally concentrated in the secondary sector, there has been a substantial shift to the tertiary sector during the 1990s, since privatization occurred mainly in financial services, telecommunication, infrastructure and energy. Traditional European investor countries which concentrated on manufacturing lost relative weight, while the share of Spain in particular, and to some extent of Portugal, the Netherlands and France, increased (Vodusek 2001). Besides domestic reform, the integration scheme of MERCOSUR also had an impact on European FDI. Because of MERCOSUR's discriminatory tariff scheme, European investors in MERCOSUR continued to apply market-seeking strategies (Mortimore 2000). While in Mexico the establishment of the North American Free Trade Agreement (NAFTA) allowed foreign investors to pursue efficiency-seeking strategies by incorporating their investment in a broader strategy oriented toward global production and distribution networks, this has not been the case for MERCOSUR.

Given the dynamic development of economic relations between the two mechanisms and the cooperative political environment, interregional institution-building has become a priority on the bi-regional political agenda (Faust 2003). By 1992 both mechanisms had already signed an Inter-Institutional Agreement, which focused on technical assistance from the EU to foster the integration process in MERCOSUR. From 1994 onwards, the issue of interregional trade liberalization has received increasing attention. In 1994, EU and MERCOSUR members negotiated an EU–MERCOSUR Interregional Framework for Cooperation Agreement (EMIFCA). EMIFCA once again underlined the EU's strategy of fostering regional integration in the Southern Cone but, besides strengthening technical assistance and political dialogue, EMIFCA also

targeted trade liberalization. As such, the agreement's function has been the setting up of a negotiation framework for an Interregional Association, containing interregional institutionalization in almost every important policy area, including substantial trade liberalization. Since then, domestic struggles about the direction of the interregional project emerged in the EU, and the strong cleavage between European agro-industrial sectors and free-trade orientated business has influenced interregional trade liberalization (Sanchez Bajo 1999: 932). Furthermore, the central issue of agricultural liberalization in the context of the EU's enlargement process has increased protectionist demands from European agro-industrial interests. By contrast, as MERCOSUR members have made it clear that the opening of agro-industrial markets would be a non-negotiable demand for any trade agreement, conflicts among liberal and protectionist interests have emerged.<sup>4</sup> As EMIFCA has to be considered a mixed agreement because of its broad political and economic content, it needed ratification by the European Parliament as well as by each member parliament. This process lasted until 1998, due to intraregional and domestic bargaining within the EU. Lobbying against EMIFCA further intensified when the European Commission requested a mandate from the Council in order to start official negotiations on interregional trade liberalization.<sup>5</sup> This lobbying was only partially successful, because in 1999 the Council gave the negotiation directive to the Commission. However, the compromise reached between Commission and Council in 1999 included two deviations from the original proposal of the Commission. First, the Commission was only allowed to start tariff negotiations after July 2001. Second, negotiations were allowed to conclude only after the end of the next WTO round. Following the mandate, from 1999–2001 the Commission and MERCOSUR members were engaged in preparing a working structure for negotiating tariff issues and discussed the reduction of non-tariff barriers. In July 2001 the Commission presented a concrete proposal on trade liberalization, to which MERCOSUR responded with a counterproposal in the same year. Not surprisingly, the major conflict, making substantial progress in negotiations extremely difficult, has been the dispute on agriculture. Furthermore, the negotiation process has been slowed down by the melting coherence of MERCOSUR, which has been facing its worst crisis since Argentina and Brazil slid into severe macroeconomic problems. However, there has been no complete stalemate, as both mechanisms, the EU and MERCOSUR, improved their proposals in the first half of 2003, suggesting that there is at least slow progress toward the conclusion of a final agreement.

### *Constraints and incentives for EU–MERCOSUR free trade*

How does the above case of interregional trade negotiations fit into a comparative framework linked to the collective action approach? In order

to highlight the appropriateness of such an approach, I will first concentrate on the domestic and intraregional struggles among supporters and adversaries of intraregional trade liberalization. Second, I will focus on the institutions shaping this struggle, before examining the impact of external incentives resulting from the broader international context.

### *Domestic and intraregional struggles*

The case of EU–MERCOSUR trade negotiations suggests that advances toward interregional trade liberalization are the result of a temporary dominance of free trade coalitions among private and state actors, generally headed by the executive bodies, which have tended to be more free-trade orientated than the legislatures.

Interregional negotiations in the 1994–1995 period of preparing and signing EMIFCA were not characterized by protectionist lobbying, as protectionist interests were still unaware of EMIFCA's potential threat for their interests. As such, they had not entered the policy process, while the EU's executive body, the Commission, was the driving force behind the construction of EMIFCA. However, soon after the ratification process began, lobbying against the agreement and against the Commission's request for a negotiation mandate increased markedly. This has led to severe frictions within the Council and, to a lesser extent, within the Commission. The fact that, instead of protectionist lobbying, EMIFCA was finally ratified and a mandate was given to the Commission can be traced back to the organization of free trade interests.<sup>6</sup> In 1999 the newly founded MERCOSUR–Europe Business Forum, including major beneficiaries of interregional trade liberalization, used its close connections to the free-trade orientated German government, which had decisive influence on the Council's decision, to give a mandate to the Commission (Sanchez Bajo 1999: 933; Faust 2003). However, emerging conflicts within this generally free trade interest group about concrete timetables and sector exemptions have diminished its collective action capacities after concrete tariff negotiations started in 2001. The same argument applies to MERCOSUR, if we consider the domestic policy process within Brazil. It was the Cardoso government which in the light of macroeconomic pressures tried to foster an export orientation in the Brazilian government. Yet, the majority of Congress, often influenced by rent-seeking beneficiaries of traditional state interventionism, was able to slow down the liberalization process (Schirm 1999). The autonomy of the executive bodies was further slowed down as the transparency of negotiations increased by allowing different sectors from civil society to informally participate in the negotiations. As such, the "democratization" of intraregional bargaining reflects the problematic trade-off between increasing democratization and the efficiency of political output in policy fields, characterized by a highly heterogeneous spectrum of interests.

*Domestic and intraregional institutions*

The case of EU–MERCOSUR trade negotiations also provides strong evidence that the highly decentralized structure of the major polities involved has complicated the progress of negotiations. Highly decentralized decision-making structures lessen the coherence of polities and increase the number of veto players, thus hampering policy changes. The low level of coherence can be observed at the level of states and at the level of regional groupings, both creating collective action problems within and across countries.

For instance, at the state level the Brazilian government and, since the late 1990s, the Argentinean executive have been facing a fragmented political system, in which precarious federal structures and fragmented party systems led to an increasing number of veto points, thus augmenting the governments' difficulty in shaping a consistent economic strategy toward MERCOSUR. These effects have been aggravated by the fact that, in contrast to the EU, MERCOSUR is a purely intergovernmental grouping without any supranational autonomy. Additionally, the South American cooperation mechanism faces the complex agenda of deepening and widening at the same time, a fact that has intensified domestic distribution conflicts among differently affected interest groups (Bulmer-Thomas 2000: 5). Finally, since the late 1990s MERCOSUR has been characterized by increasing fragmentation, as its member states were unable to coordinate macroeconomic policy. As the recent fiscal turmoil in Brazil and Argentina has compounded difficulties of these countries to adapt their policies to external challenges, regional economic cooperation became severely affected by domestic crises. Consequently, governments have pursued short-term goals rather than being engaged in improving economic coordination toward third parties such as the EU. Even though it is to a much lesser extent than MERCOSUR, the EU also exhibits a low level of coherence with regard to international trade liberalization. While the Commission's regional executive body reduces collective action problems within the EU, the EU's coherence in trade policy has been declining nevertheless. Especially with regard to agreements covering new trade issues, the Council requires unanimous approval of any negotiation.<sup>7</sup> This weakens the coherence of the EU's bargaining power and opens up the decision-making process to the internal struggles among potential winners and losers of free trade with MERCOSUR. It is therefore of no surprise that negotiations with single Latin American countries such as Chile and Mexico went on smoothly and concluded successfully, because these countries presented less of a threat to sensitive sectors of the EU economy.

*The international context*

EU–MERCOSUR negotiations clearly indicate the importance of the international context. As has been demonstrated, negotiations have been hampered by national and intraregional collective action problems. Yet, despite these difficulties, negotiations have nevertheless progressed and attracted an increasing amount of resources with regard to the creation of complex negotiation structures. The existing evidence suggests that the international context has been decisive for the survival of the negotiation scheme for two major reasons: first, the insecurity about further progress at the global trade regime and second, the creation of competition among the United States and the EU for South American markets. As such, the international environment gave rise to external incentives for state actors to supplement the negotiation processes with additional resources.

In general, the United States, the EU and MERCOSUR members are more interested in advancing the global trade regime than engaging in intraregional negotiations. However, the frustrating events in Seattle in 1999 and the difficulties emerging at the Doha talks have increased skepticism about rapid progress at the level of global trade liberalization. Supporting this argument is the fact that the negotiation mandate given to the EU in September 1999, just a few months before the WTO ministerial in Seattle, did not allow the conclusion of trade negotiations before the end of a new WTO round. Yet, after the Seattle summit and the rather disappointing Doha talks, European decision-makers involved in negotiations with MERCOSUR are expecting to remove this clause of the Commission's negotiation mandate, if a successful conclusion of WTO negotiations is not reached by 2005. In contrast, an increasing dynamism at the WTO level would rather decelerate interregional negotiations. Therefore, further steps in the EU–MERCOSUR bargaining process will depend on the dynamics of the global trade regime (Peña 2001: 103). The leading South American countries would also prefer advancing global negotiations as they hope that their claims of broader liberalization in agriculture will have a greater leverage on the WTO level than on an inter-regional level.

Besides the importance of the WTO development, EU–MERCOSUR relations have been closely connected to the FTAA negotiations. Both processes, the EU–MERCOSUR and the FTAA negotiations, have been influencing each other since they started almost in parallel (Peña 2001: 103). This parallel process of FTAA and EU–MERCOSUR negotiations has led to competition between the EU and the United States, where every substantial advance in one negotiation has been responded to by progress in the other scheme. This interdependence has been fostered by the perception of decision-makers in the United States and the EU that latecomers in interregional trade liberalization would have to confront decreasing market shares in South America. For instance, by 1995, shortly after the

official launching of the FTAA project, the European Parliament criticized EMIFCA for being too vague with regard to trade liberalization, falling behind the trade policy of the United States. Yet, despite this recommendation, EU–MERCOSUR relations did not improve substantially between 1996 and 1998. Then again, in the 1998–1999 period both processes became closely linked. The upcoming FTAA negotiations speeded up the Commission’s request for a negotiation mandate as well as business’ pressure to give this kind of “fast track” to the Commission. Once more, the strong interest of the new Bush administration in placing FTAA as a priority on its external agenda influenced the EU’s decision to come up with a concrete proposal in July 2001. Finally, when the Bush government obtained trade promotion authority in August 2002, both the European Commission and MERCOSUR responded with improved negotiation proposals. Thus, there seems to be a mutual impact of EU–MERCOSUR negotiations on the one hand, and the FTAA process on the other (Page 2001: 15). This interdependence of both processes is especially compatible with the interests of MERCOSUR members, who tend to advance both processes in parallel in order to achieve a greater bargaining leverage (Sanchez Bajo: 1999: 933).

## **Conclusion**

In this chapter I have tried to shed some light on the dynamics of interregional trade liberalization by examining the evolution of EU–MERCOSUR negotiations. While it is premature to propose a comprehensive theory on interregional free trade agreements, the evidence presented here highlights the usefulness of expanding the collective action approach to the study of these new phenomena. EU–MERCOSUR negotiations demonstrate that interregional institution-building is influenced by the interaction of national governments and key societal actors. Thus, even if an evenly balanced interregional trade agreement creates a collective good for the participating economies, economic actors will still be divided into winners and losers. This typical problem of collective good creation is mitigated or augmented by the political institutions of the participating polities. Given the assumption that in democratic polities the executive is more free-trade orientated than the legislative branch, an increasing number of veto players constructed by the institutional environment tends to hamper the progress of trade liberalization. The substantial difficulties faced by the EU Commission in obtaining a negotiation mandate illustrate the problems of advancing free trade in highly decentralized polities. Furthermore, this problem has been aggravated because MERCOSUR is a purely intergovernmental forum and the EU’s trade policies also require consensus among all members if new issues such as trade in services and competition policies are included. Yet, from a top-down perspective, the difficulties of advancing the global trade regime

embedded in the WTO should be interpreted as an external effect. Institutionalizing free trade across regions functions as a second-best strategy for international business to expand their markets. In addition, interregional agreements are an opportunity to set new standards at the interregional level, which can then be transferred to the global level. Furthermore, once interregional negotiations have started they might have a self-sustaining effect, as they create competitive structures among different negotiation schemes, which get informally connected.

In summary, there are incentives for free trade across regions but there are also severe impediments. This chapter has tried to carve out a strategy of how to analyze these new phenomena with a collective action framework. However, the analysis of only one case and the fact that until the beginning of 2004 there has been no successful conclusion of negotiations severely constrains the range of the hypothesis presented here. Thus, more cases of interregional trade negotiations need to be incorporated into the analyses in order to gain insights about the relative weight of the arguments made in this study. Nevertheless, what this study has demonstrated is that, despite powerful impediments, the EU–MERCOSUR negotiation scheme has survived and has been institutionally strengthened. Thus, it seems that governments interested in advancing free trade keep those mechanisms alive, as long as they are insecure about the future course of trade liberalization at the global level.

# 11 Europe–Latin America (EU–LAC) relations

## Toward interregional coalition-building?

*Andrew Crawley*

### Introduction

On May 28, 2004 the heads of state and government of the countries of the European Union (EU) and Latin America and the Caribbean (LAC) met in Guadalajara, Mexico, for their third summit. They first met in Rio de Janeiro in June 1999, and again in Madrid in May 2002, in an effort to develop a “strategic partnership” between the two regions. The Guadalajara meeting was the first interregional summit to include the leaders of the ten new member states that acceded to the EU on May 1, 2004, and hence was a gathering of fifty-eight countries: thirty-three from LAC and twenty-five from Europe. The previous two summits were subject to a certain amount of criticism, some of it warranted, for the vagueness of their conclusions and for an apparent dearth of concrete results. Indeed, in the three years between the Rio and Madrid meetings it was not always clear that the EU–Latin American Cooperation (EU–LAC) summit “process” would prove to be enduring. The holding of a third summit, however, suggests that the mechanism might have true permanence, and that for the foreseeable future the meetings will remain, at regular intervals, a high-profile showcase for EU–LAC engagement and transatlantic interregionalism.<sup>1</sup> The Guadalajara Summit itself, in fact, might come to prove a test of that possibility, since it took place at a critical juncture for both regions.

In that context, this chapter explores the unique form of North–South interregionalism embodied in European–Latin American relations. It seeks to review the background to and development of those relations in the past two decades, the current state of those transatlantic links, and the short-term prospects for the relationship. It rests on several premises. First, changes in the international system during the last decade, and the momentum of the European integration process, have obliged the EU to strive to establish itself as a single, coherent, political actor in international affairs. Second, the strategies that the EU adopts to pursue that goal, in terms of both its international political partnerships and its foreign economic policy, will help determine the future of what used to be called the West, and therefore of the international system. Third, the EU

and Latin America constitute the bulk of the West, and hence the ways in which they work together will condition the role of each of them on the international stage. Fourth, for more than two decades, European–Latin American relations have been nourished by a particular discourse that has stressed the two regions’ unique cultural affinities and common values. This approach has had some validity in the past, but it might be insufficient to sustain a solid partnership in the new global context of the twenty-first century. Finally, in that context there is some danger that the political capital that has accrued to Europe from its activism in Latin America (as a result of Europe’s political and aid-related engagement with the region) might be offset by a failure to make corresponding commitments in the commercial sphere.

In exploring these premises, this chapter is divided into four sections. The first discusses what has been seen (and in some quarters continues to be seen) as the foundation of European–Latin American relations: cultural affinities between the two regions. The second addresses the background to European policy towards Latin America and reviews the circumstances that gave rise to this particular form of interregionalism up to the start of the 1990s. The third examines some key components of the political dimension of the relationship since the start of the last decade, and reviews the EU’s pursuit of coalition-building for the purposes of promoting its global interests. The fourth section assesses some discouraging trends in the commercial dimension of European–Latin American relations, and suggests that the strength of an interregional association will remain constrained until there is greater progress on the trade policy front.

### **Rhetoric and real interests<sup>2</sup>**

In May 2002, the heads of state and government of the countries of the EU and LAC convened for their second summit in Madrid.<sup>3</sup> They issued a 16-page, 83-paragraph declaration of *Common Values and Positions*, a document designed to convey the impression that the EU and Latin America share the same values on every major issue of international public policy from gender to genocide, from gangsterism to tourism, and from biological diversity to ballistic missiles. Despite much evidence to the contrary, the text suggests that the countries of both regions are bound together by a common view that markets should be opened, that trade barriers should be eliminated, and that countries should be allowed “to benefit from the comparative advantages of their respective economies.”<sup>4</sup> Three years earlier, at their June 1999 EU–LAC summit in Rio de Janeiro, the heads of state and government had made a broadly similar declaration in which they specified that the shared values were the product of “a common history” and that their aim was to build a strategic partnership based on “the profound cultural heritage that unites us.”<sup>5</sup>

Observers of European–Latin American relations have been subjected

to this kind of thing for decades. Doubtless it is naive to hope that public officials of the EU might draft something less wearingly insipid, but it is reasonable to expect that independent analysis in the twenty-first century will not take such pronouncements at face value. The point is important because, not only in official policy documents but also in some of the non-official policy analysis, European–Latin American relations is a field that has been exceptionally prone to argue its case on the basis of factors whose relevance is now, at the least, debatable: historical links, cultural affinities, the heritage of immigration and so forth. It is striking that American commentators on US–Latin American relations, more interested as they generally are in actual results than in the tiresome and elite-driven banalities of “frameworks” and “processes,” do not normally display the same compulsion to explain inter-American political and economic links in cultural terms. This is despite the fact that the over-arching cultural affinities (mostly Christian populations, mostly white elites, broadly similar political traditions and social mores, a shared alphabet) are common to the countries on all three sides of the Atlantic triangle.

By contrast, perhaps the most recurrent theme in the general literature on European–Latin American links during the past twenty years has been its insistence on the common values and cultural affinities that the two regions allegedly share, and some innate sense of cultural kinship has been cited as the basic underpinning of European–Latin American engagement. At a time when the leading determinant of European interest in Latin America consists of economic developments in the region and in the Western Hemisphere, and when Europe’s trading position in Latin America is in decline, this approach is not conducive to clarity of insight. Indeed, it was never particularly useful in explaining economic relations between Europe and Latin America, and as the economic dimension of transatlantic links takes primacy over the political dimension it is losing whatever force it once had.

First, it is an approach that always tended to neglect a fairly basic consideration of international relations: Namely, that nations will deal with nations, irrespective of the gulf between their cultures, if there is a deal to be done. Second, it was never very clear what exactly are the close cultural affinities between, say, Guatemalan culture and Danish culture.<sup>6</sup> Finally, it was a self-consciously exclusionary approach with two components that are not easily reconciled. On the one hand, for political reasons, it sought to emphasize Latin America’s political, economic and cultural membership of what used to be known as the West. On the other hand, for different political reasons, it endeavored to imbue European–Latin American relations with uniqueness by excluding from its vision the West’s leading country. Hence the entire proposition was reduced to an appeal to a “*latinité*” that many European citizens simply do not feel, and it often manifested itself as a somewhat tiresome form of anti-Americanism and cultural snobbery.

As such, and notwithstanding the relatively generous European aid that accompanied its assertion, the proposition was always the expression of an implicit contest for international influence between Europe and other centers of world power. However, it could never explicitly be expressed as a search for international influence in the pursuit of self-interest, because a reluctance to engage in anything as vulgar as the pursuit of self-interest was meant to be seen as a hallmark of the whole European approach. It was this very self-denial that was intended to distinguish Europe from the other centers of world power – particularly the United States. For many years, the notions of “interdependence,” “association” and “partnership” championed as the basic characteristics of European relations with Latin America were contrasted with what has been broadly perceived in Europe as the United States’ exclusive pursuit of national interest in the region. The possibility that the EU might have concrete interests to pursue, regional interests was an issue seldom addressed directly. That is surprising, since the remarkable expansion of the European–Latin American agenda in the last decade suggests that the EU has real political and economic interests at stake, and that those interests shape interregional relations.

### **Towards interregionalism**

“Europe,” as a single actor, came late to Latin America. In the early post-war period, as it focused on reconstruction and the development of its own integration process, the European Community’s (EC) attention to the developing world was concentrated largely on Africa. Most Latin American countries were too developed by comparison to attract particular attention as targets of EC aid policies. At the same time, they were insufficiently developed to inspire any great interest as political and economic partners that should be cultivated. Up to the mid-1970s, therefore, concrete European–Latin American initiatives were few, and those that did exist were fairly low-profile endeavors that focused on individual Latin American countries rather than on the region or its subregions.<sup>7</sup> The main vehicle for European activity was traditional development aid for the poorest countries in the form of financial and technical assistance, which accounted for three-quarters of European donations to Latin America between 1976 and 1988.<sup>8</sup> Europe did make a substantial commitment to the reconstruction and pacification of Central America through the San José process, but the EC’s institutional links and cooperation agreements with other Latin American countries and subregions were fairly modest right up to the end of the 1980s.

The persistence over decades of a particular discourse on European policy towards Latin America, among official and non-official commentators alike, owes much to the circumstances of the policy’s birth. It was that very EC activism in Central America in the 1980s that gave rise to a

“European approach” to Latin America as a whole. Since the direct threat to Europe of turmoil in Central America was precisely zero, throughout the 1980s the EC could afford to articulate perceptions of the subregion’s various crises that were quite different from those of the United States. The European perceptions were characterized by the view that the conflicts in the isthmus should be viewed less as part of an East–West conflict than as part of a North–South conflict. The domestic causes of violence in the subregion (poverty, extreme inequality, the absence of social justice) were seen as much more significant than external subversion. The immediate political cause of conflict was deemed to reside in the unwillingness of ruling groups in El Salvador, Guatemala and Nicaragua to respond effectively to demands for reform, and in their attempts to exclude from power those forces that sought peaceful change. Following this logic, non-peaceful change became a viable option in the face of violent repression, and those groups that advocated such change had a strong claim to legitimacy.

These, in broad terms, were the perceptions that formed the basis of the “European approach.” They differed markedly from official US attitudes during the Reagan administration, fulfilling a European desire to establish an international projection whose motivations and nature (cooperative, developmentalist) could be seen to be very distinct from those of the United States (coercive, security-fixated). They also had the singular advantage of entailing little risk or cost for Europe while allowing the EC to occupy all of the international moral high ground – a very deft tactic.

The question that abides is this: Why did Europe have an approach at all, especially one that involved such long-term and substantial engagement, to a distant subregion marked by poverty, insecurity and violence? After all, in the same period the EC was living next door to a Lebanon marked by such a degree of poverty, insecurity and violence that, for most practical purposes, it disintegrated. Recall that in the early- to mid-1980s, when the EC took its first steps into the Central American imbroglio, European integration seemed to have stalled. The effects of the recession of the 1970s, with its rising inflation and surging oil prices, had given rise to a list of European failings and a lack of EC competitiveness. “Eurosclerosis” and “Europessimism” were terms coined to characterize the mood in a period when the conflicts in Central America were arousing a great deal of political passion in Europe. At a time of scepticism about the European project at home, Central America offered an affordable, timely and relatively uncomplicated means of political self-assertion that might reveal Europe’s stature as a player on the international scene – a “third way” between two superpowers whose appalling proxy wars were exacting a monumental economic toll and an incalculable human cost.

At this point, culture did play a role in European calculations, in as much as Latin America seemed particularly suited to European activism. Famously described by Alain Rouquié as *el extremo occidente* (Rouquié

1989), Latin America is the only region of the developing world that has displayed a predominantly Western outlook in the post-war period. Long-standing sub-state links – through the labor movement, NGOs, political parties, churches and other groups – had established a transnational basis for regional-level foreign policy. Individually, moreover, European countries had no major national interests directly at stake in the region and, importantly, none of them had a dominant position relative to the others.<sup>9</sup> Policy coherence was therefore easier, and the prospects for the successful application of a common policy were greater. Significantly, the wars in Central America were largely political in the broad sense. Conflicts more rooted in ethnic, religious or tribal antipathies might have proved less tractable to the European approach. Indeed, when such conflicts did arise in Europe's own "backyard" in the 1990s, the EU signally failed to devise an effective and coherent policy for addressing them.

The onset of the San José process, moreover, coincided with developments of historic import in Europe, as the European integration process regained momentum in the late 1980s. In 1986, a new enlargement of the EC brought in Spain and Portugal. Enlargement of the Community broadened the focus of European attention to the South, which thereto had centered mostly on the former colonies of existing EC member states. The new Iberian members pushed for corresponding attention to their own former colonies. In 1987 a series of amendments to the Treaty of Rome were embodied in the Single European Act (SEA), the most important element of which was a commitment to create a single European market by 1993. The SEA signaled a fundamental change in the international standing of the EC. In setting a target for the completion of a single market and in laying the foundations for economic and monetary union, it suggested that the future EC would be a very different entity, with significant consequences for its place in the international system.

While the EC was in the process of absorbing its new members and advancing towards its single market and monetary union – with all that those developments entailed for its international standing – the world abruptly changed. At the end of the 1980s and the beginning of the 1990s, the rapid transformation of the international system conferred responsibilities on Europe that the EC (and then the EU) could not inconsequentially abdicate, as the sense of vindication in the West came encumbered in the Old World by a series of new concerns. In the political sphere, the apparent triumph of Western democracy might, on the one hand, make it less necessary for Europe to worry in future about perceived excesses in US security policy. On the other hand, if such excesses did recur, the collapse of the only other military superpower posed the danger that there might be fewer constraints on those excesses.<sup>10</sup>

In the economic sphere, the apparent victory of Western capitalism raised, on the one hand, the prospect of greater global well-being. On the other hand, it prompted the risk of perceived excesses in "Anglo-Saxon"

neoliberalism. The West seemed to have won, but that very victory underscored the fact that the industrialized West was not homogeneous in its international interests and outlook, and posed the danger that a new global system dominated by the wishes of one superpower might not be in Europe's best interest. Hence the end of the Cold War, which seemed to mark a victory for the West, simultaneously raised the stakes in the process of determining what kind of West, and therefore what kind of world, would endure.

In a short period, therefore, the international context and developments in Europe virtually dictated that the EC strive to establish a stronger political identity, as a single and coherent actor, on the international scene. The Community was already an economic superpower by virtue of the sheer significance of its economy, but its global political profile remained low. Hence the Treaty on the European Union, signed in Maastricht in 1992, committed the member states to define and implement a Common Foreign and Security Policy (CFSP). Coincidentally, as it finally emerged from the crisis-ridden "lost decade" of the 1980s, Latin America did start to look like a partner worth cultivating. It is clear that the surge in Europe's attention to the region in the 1990s stemmed in large part from the massive structural adjustment programs undertaken by most Latin American countries and their attendant return to growth in that decade. Indeed, Latin America's successful reform efforts comprised the main reason for the spectacular growth in interregional trade and investment flows throughout most of the 1990s, and the growth of those flows gave more impetus to interregional policy-making than did awareness of a common cultural heritage. In the 1990s, therefore, EU-Latin American relations began assuming a form far removed from the incipient steps of the 1970s.

### **Interregional coalition-building**

Two decades after the EC signed its first agreement with a Latin American country (Argentina, 1971), as a result of the developments outlined above, the European-Latin American panorama had been transformed. Interregional institutional mechanisms had bloomed. Annual meetings of European and Rio Group foreign ministers were "institutionalized" in 1990. At the subregional level, Europe's preference for dealing with groups of countries rather than on a purely bilateral basis was favored by the creation of Mercado Comun del Sur (MERCOSUR) in 1991. The San José Dialogue between the EU and the Central American countries continued. Contacts between the EU and the Andean Community were formalized in the wake of their joint declaration on political dialogue of June 1996, through the institutionalization of ministerial meetings. At the country level, the EU and Chile signed a Framework Cooperation Agreement in June 1996, while the EU and Mexico signed an Economic Association, Political Coordination and Cooperation Agreement in December 1997.

The blooming of interregional mechanisms was matched by an expanding agenda of activities and an increase in European aid throughout much of the 1990s. At no time in that decade was there any challenge to Europe's position as the leading source of development aid to the region. To this day, and despite the fluctuations of aid flows evident in the late 1990s, the EU remains Latin America's most important source of official development assistance (ODA), providing \$26.5 billion between 1991 and 2000. In that period, the EU was the source of over 45 percent of the total ODA received by Latin America.<sup>11</sup> Increasing European resources were directed at a growing range of areas, as the EU signed "third generation" framework cooperation accords with every Latin American country except Cuba. The traditional areas of cooperation were complemented by greater engagement in more advanced sectors such as institution-building, human resource training, cooperation on research and development (R&D), and technology. Most particularly, and worthy of note, the EU evinced a marked preference for supporting Latin American integration.

Why this level of European activism? One reason lies in the realm of practical politics and basic diplomacy. The strength of the coalition between Europe and the United States is not to be doubted. Nor too, despite the remarkable schisms evident in the United Nations (UN), NATO and the EU in the first half of 2003, is the basic consensus on that coalition's "Western values." In view of the concerns prompted by the change in the international political order, however, it has seemed prudent for the EU to stress a sub-set of regional "European values" to which other regions of the world might subscribe, rather than to the US variant.

From a political perspective, therefore, the expansion of EU activities in Latin America in the 1990s was a simple exercise in coalition-building, an effort to ensure that an international system in flux might eventually coalesce into something that is conducive to the pursuit of Europe's regional interests at the global level. For a nation state, the whole point of having a foreign policy is to promote and protect what is perceived to be the national interest. Promoting and protecting such a perception is not incompatible with "interdependence." On the contrary, interdependence can be located precisely in the area where two or more countries' zones of self-interest overlap. It has been interesting to note, as European foreign policy has matured, how a region can act in much the same way as states act in conducting foreign policy – promoting its own interests and coolly evaluating the extent to which it will take effective action when those interests overlap with the interests of other regions. The elevation of such diplomacy from the national to the regional level does not seem to have changed the fundamental principle at work.

The coalition-building objective is explicit in the Declaration of Rio, according to which Europe and Latin America are aiming "to develop a strategic partnership." From the European standpoint, this coalition is not

being developed for its own sake, nor for reasons of altruism or cultural affinity. It is a rational response to global political and economic trends, and is largely impelled by two motivations: A general desire to reinforce the political, economic and cultural projection of the EU worldwide; and a specific effort to curb the trend whereby Europe has been losing political, economic and cultural ground in Latin America as a result of a change in US policy towards the region since the end of the Cold War. Washington's policy shift began with the Enterprise for the Americas Initiative (EAI) in 1990 and has been given further impetus by the drive for a Free Trade Area of the Americas (FTAA) since the mid-1990s (Feinberg 1997).

The geostrategic elements of the coalition-building are evident from the timing. When French President Jacques Chirac first called for an EU–Latin American summit in 1997, he did so in terms of the two regions' purported "common values" and simultaneously intimated that Latin America should resist falling under the influence of an Anglo-Saxon hegemon since (in his view) its main cultural affinity is with Europe. A less lofty rationale, however, can be glimpsed in the sequence of events that preceded the summit. When the Rio meeting was first proposed in 1997, the Clinton administration was still hoping to announce Chile's accession to the North American Free Trade Agreement (NAFTA) at the second Summit of the Americas in April 1998. As part of the FTAA process, two meetings of the Western Hemisphere's trade ministers had already been held, and a third hemispheric trade ministerial meeting was imminent. It seemed plain that the US government was serious about trying to build a hemispheric free trade area.

Additionally, in November 1995 the trade ministers of the Asia-Pacific Economic Cooperation (APEC) forum, of which the United States is a member, had met in Japan and reaffirmed their determination to establish a free trade zone. The EU, consequently, advanced with a new series of Asia–Europe Meetings (ASEM) between the leaders of the two regions. The Summits of the Americas were clearly going to continue in parallel to the FTAA process – hence the Rio and Madrid summits, with their aim of developing a European–Latin American strategic partnership. In the political realm, the aim has found expression in two areas that the European External Relations Commissioner, Chris Patten, perceives as part of "the bedrock of our relationship" – regional integration and support for democratic government.

Integration is fundamental to an understanding of European–Latin American relations. It is true that the scope and ambition of the integration processes in both regions set their relations apart from the links that each maintains with other areas of the world. Support for integration in Latin America is therefore a pillar of EU policy in the region. Efforts in this area advance broad goals such as the promotion of economic and political stability, and the creation of new opportunities for trade and

investment. At the same time, such efforts reinforce the EU's role and standing as a model for regional and subregional integration worldwide. Successful backing for political and economic integration serves to bolster the prestige and authority of the European model, thereby underpinning the EU's international political projection and leverage.

Democratic governance is similarly important. Europe, like the United States, wants stability in Latin America. Weak or incomplete democracies, by constraining channels for political representation, live under the constant threat of social and political unrest that is incompatible with a healthy economic climate. Political instability hinders economic stability, discourages investment, undermines public finances, prevents the modernization of financial markets, and impedes the upgrading of infrastructure. The EU thus has an interest in supporting the consolidation of stable and open political systems in Latin America that are capable of generating some consensus on the basic principles of the social and economic order. Sustaining long-term democratic stability will depend on providing an adequate quality of life for most voters. The majority of the electorate should then have some stake in the continuation of a democratic political order, and might be less inclined to support military intervention, guerrilla insurgency, or populist-authoritarian alternatives that promise short-term economic relief at some cost to democratic political principles. Providing an adequate quality of life for the majority, however, is not easy in a region where 36 percent of families live in poverty. That proportion includes the 15 percent that live in "extreme poverty."<sup>12</sup>

The EU has a good record in this respect. As mentioned earlier, in the 1990s the EU was unchallenged as the leading source of development aid for Latin America, a position it retains to this day. Apart from the obvious moral considerations, this level of engagement has allowed Europe to accrue a substantial amount of political capital in the region, and has helped foster a particular image for the EU in its external projection – relatively generous, non-coercive, cooperative rather than unilateralist, development-oriented rather than security-fixated.

These days, however, questions arise as to whether the EU's relative generosity as a donor, its efforts to build coalitions by using aid policy to support integration, or its repeated insistence on common values and a shared cultural heritage are enough to sustain a strong, interregional "strategic partnership" in which rhetoric and policy have more or less the same connection to reality. The reality is that, since the start of the 1990s, the single most significant policy determinant for most countries of Latin America has been their pursuit of reinsertion into the global economy after the abandonment of the import-substitution model of previous decades. This is precisely the area in which, because of its agricultural interests, the EU has faced the most severe obstacles in its relations with the region. The matter poses a dilemma for Europe both rhetorical and real, because an approach to Latin America that has expressed itself

almost wholly in terms of interdependence, and that has striven assiduously to distinguish itself from a US approach perceived to be driven mainly by considerations of national interest, is not well placed to explain such a radical policy as the vastly expensive protection of European agriculture to the detriment of agricultural producers in Latin America.

### **The commercial dimension**

By the late-1990s, developments in multilateral and Western Hemisphere trade relations were spurring the EU to contemplate some fundamental changes to the nature of its economic links with Latin America. On the European side the reluctance to do this was plain. While MERCOSUR and Chile engaged in negotiations with the United States and the other countries of the Western Hemisphere on the establishment of the FTAA, the question of *whether to start* trade talks with MERCOSUR and Chile was debated in Europe for a year, largely because of resistance in some member states.<sup>13</sup> EU–Mexico and EU–Chile agreements (in which agricultural issues were relatively unimportant) have been concluded since then and there have been nine rounds of negotiations between the EU and MERCOSUR, but the question of agricultural trade remains a thorny issue.

The commercial dimension is likely to be something of a litmus test for European–Latin American interregionalism, because so much else in the relationship could come to depend on it. After all, if integration schemes in Latin America fail to deepen before the FTAA comes into being, they might not be worth keeping in their current form. For the most part they are incomplete customs unions, and the very fact that they are incomplete forecloses what should be their main advantages over free trade agreements – an absence of rules of origin and other administrative burdens, and the capacity to negotiate effectively as a bloc.<sup>14</sup> If those integration schemes were to lose their relevance, the EU’s support for them (and the political capital accruing from the support) would become something of a moot point.

Hence it is a matter of concern that current trends in European–Latin American commerce are somewhat discouraging, and it is worth pondering what could happen if they were allowed to continue. What might happen to Europe’s political and cultural presence in Latin America if an ever-increasing share of the products bought in the region are made in the USA? Can the much-vaunted frameworks for interregional “political dialogue” sustain a broader European presence? Can aid policy underpin an interregional strategic partnership at a time of declining aid flows?<sup>15</sup>

The 1990s were something of a Golden Age for European–Latin American economic relations. For most of the decade, interregional trade and investment flows boomed. Between 1990 and 1998, the value of EU exports to the region grew by an average of 14 percent a year. European

foreign direct investment (FDI) flows to Latin America, which had averaged just \$1.2 billion a year in the 1980s, surged in the following decade and reached \$30 billion in 1998, far surpassing investment from the United States.<sup>16</sup> Two things are worth noting in this context. First, the boom in economic flows was markedly in one direction. Second, in trade terms the boom was absolute, not relative. To take the first of these, the rapid growth of European exports to and investment in Latin America accounted for most of the increase in interregional flows. Latin American exports to Europe grew at a much lower rate than sales in the opposite direction – just 3 percent a year between 1990 and 1998. This is striking, since it was a much weaker performance than the region's overall export growth of some 9 percent in the same period.

Additionally, the boom seems to have ended, or at least to have been sharply curtailed. Between 1998 and 2002, Latin American exports to the EU experienced virtually no growth, while EU exports to Latin America actually shrank by an annual average of 5 percent in the same five-year period. Moreover, although trade did grow in both directions for most of the 1990s, albeit at substantially different rates, throughout the decade the two regions became less important to each other in commercial terms. Latin America now sells just 12 percent of its exports in the EU market (compared to 22 percent in 1990), and the EU now provides about 12 percent of Latin America's total imports (compared to some 18 percent in 1994). The EU's commercial presence in the region has lost much ground to intra-Latin American and intra-Western Hemisphere trade.<sup>17</sup>

It is true that the aggregate figures on European–Latin American links conceal variations at the national level, but even at the country level Europe's loss of share in Latin American import markets is consistent across most of the region. The only notable exception is Brazil, where the EU has seen a slight growth in its share. Against that background, the probable conclusion of the FTAA in the coming years underscores the need for progress on trade negotiations between the EU and MERCOSUR (and the advisability of considering similar accords with Andean and Central American countries) if the EU is to maintain a strong position in Latin America. In the absence of concerted action on the European–Latin American trade policy front, the very dynamics of Western Hemisphere integration might divert Latin American interest away from Europe by encouraging the region's exporters to exploit the benefits of preferential and assured access to regional and hemispheric markets – rather than attempting further penetration of the distant and still relatively more protected EU. Recent trends in trade flows lend some credibility to this prospect.

The crucial stumbling block in this regard is the EU's Common Agricultural Policy (CAP), particularly in Europe's relations with the Southern Cone countries. CAP restrictions on Latin American exports, both to the EU and worldwide, are well known and need not detain us here. It is

worth noting, however, as the famously cooperative and developmentalist Europe seeks to help its Latin American “partners” achieve the Millennium Development Goals, that every cow in the EU is the object of over \$900 a year in government subsidies and that four in every ten Latin Americans are obliged to survive on less than that.<sup>18</sup> The EU’s annual CAP budget of €42 billion, which supports 6 million farmers, is twice the size of the combined aid budget of all its member states and twenty times greater than Europe’s annual aid flows to Latin America, where over 200 million people live in poverty.<sup>19</sup> The European Commission’s proposal on CAP reform is facing resistance from those member states that do not perceive such reform to be in their self-interest – precisely the kind of vision that the creation of a “European” development policy was supposed to have discredited beyond redemption.

## Conclusion

In the last two decades, relations between Europe and Latin America have been transformed by the interplay between accident and design, between continuity and crisis, between strategies both proactive and reactive and between motivations both political and economic. Worth noting is the extent to which the relationship was strengthened not by the application of policy between the two regions, but by developments within each of them that had little direct connection to the other (the creation of the single market in Europe, massive structural adjustment in Latin America, among others).

The strengthening of European–Latin American relations since the start of the 1990s, and the formation of an identifiable form of interregionalism, have been beneficial to both regions. For Europe, the relationship has very publicly demonstrated the EU’s capacity to harmonize the distinct interests of its member states into common positions, thereby reinforcing the European Union’s maturity as a single political actor on the global scene. It has revealed to an international audience how a group of countries, comprising many and sometimes varying interests, can deal coherently as a region with another region on a wide range of issues. For Latin America, the publicity surrounding the interregional summits, in particular, has highlighted the region’s appeal for industrialized countries as a political and economic partner in the developing world. For both regions, the summits and the substance of day-to-day relations have served to illustrate resistance – by the bulk of what used to be known as the West – to the dangers of unipolarity inherent in the post-Cold War environment.

However, while Europe has been a generous aid donor and a non-dominating political partner intent on demonstrating its cultural affinities with Latin America, its regional economic and agricultural arrangements have thus far limited its capacity to develop a truly strong interregional association – rather than simply a coincidence of interests in

selected policy areas. The difficulties for Europe were echoed by then-Brazilian President Fernando Henrique Cardoso on his official visit to Europe before the Rio summit: “Is the EU in a condition to rethink its agricultural problems? If it wants to have a role in the world it must. If it does not want to, all is well; we will talk to the United States – with which we get on very well, I stress very well – and with NAFTA.”<sup>20</sup> Such sentiments raise questions about the real value of European spokespersons urging Latin American resistance to the remorseless spread of “Anglo-Saxon” influence, and will continue to pose a challenge to European–Latin American interregionalism for the foreseeable future. The third EU–LAC summit in Guadalajara, in its silence, revealed something about how problematic those challenges might come to be. It is interesting that neither the word “agriculture” nor the word “agricultural” appears even once in the 14 pages and 104 paragraphs of the summit’s final declaration.<sup>21</sup>



## *Africa–Europe relations*



# 12 The European Union and Southern Africa

## Interregionalism between vision and reality

*Heribert Weiland*

### Introduction

Africa appears to be the great loser in the process of globalization. In terms of just about every development indicator Africa ranks last. More than three-quarters of all states south of the Sahara are classified as Least Developed Countries (LDCs). Nowhere in the world are there so many violent conflicts as there are in Africa (Rabehl 1999: 11). Africa's political and economic leaders have long agreed that only a tremendous joint effort can break the vicious circle of poverty and violence. One of the crucial prerequisites for this is greater South-South cooperation, preferably in the form of regional collaboration. In fact, contrary to conventional wisdom, Africa has a long tradition of regionalism. Söderbaum (1996: 59) has identified more than 500 "intergovernmental organizations." The leaders of the struggle for independence were already dreaming of a united Africa (Nkrumah 1963) that would sweep away the patchwork quilt of colonial borders, a vision expressed today in the topical ideas of *African Unity* and *African Renaissance* (Mbeki 1997).

While regional aspirations in the 1960s and 1970s aimed mainly at overcoming the colonial dependencies, the new regionalism in the 1990s is opting for integration into the liberal international economic order and seeking to improve Africa's economic standing through global trade agreements compatible with regulations of the World Trade Organization (WTO) and to enhance the continent's political stature. In this respect, the history of the European Union (EU) is exemplary. Africans, who had close relations with Europe through the Lomé Convention,<sup>1</sup> have followed the process of European integration very closely and view it as a model for regionalization on their own continent (Mair/Kopfmüller 1998:6). At the same time, the EU has adopted policies that demand and promote regional cooperation in Africa, as shown by the new Cotonou Agreement,<sup>2</sup> which replaces the Lomé Convention.

It is against this background that this chapter examines the interregional relations between the EU and the Southern African Development Community (SADC). On a continent where regional cooperation schemes

have rarely met expectations, SADC may still be regarded, besides the Economic Community of West African States (ECOWAS), as one of the most successful regional organizations. The EU has cooperated with the grouping since its inauguration as a vehicle to counteract the influence of the apartheid state in South Africa. More than merely examining the opportunities offered by interregionalism, the following study will also analyze the potential obstacles and counterproductive effects standing in the way of EU–SADC relations. One fundamental question in this respect is whether, and if so to what extent, the interregional relations between the EU and SADC actually serve the economic and political objectives proclaimed by both sides. Another question to be addressed is, apart from the obvious asymmetry between the two regional partners, the impact of South Africa's position as a regional hegemon on SADC's relations with the EU. Moreover, as empirical evidence amply suggests, virtually none of the members appears to sacrifice too much for a successful, flourishing SADC. Thus, the EU finds itself inadvertently in the position of an external federator. As a provider of technical and financial aid, it seeks to assist in SADC's institution-building and to promote the region's collective identity. Yet, it is hardly conducive for the relationship that, in the wake of South Africa's dominance along with a multiplicity and overlapping of regional organizations in Southern Africa, the EU has not come out clearly with which partners in the region it intends to work more closely, and what form this cooperation will take. Nor is there any answer to the appropriate approach to regional integration: Academic and policy debates are divided, whether more trade integration or more interventionist development integration is the right answer to the problems in Southern Africa. The reflections here may also serve as a test for some of the basic theoretical assumptions on interregionalism discussed in other contributions to this volume.

### **From SADCC to SADC – with the support of the EU**

For decades, the Lomé Convention regulated cooperation in trade and development between the EU and the countries of Southern Africa, with the exception of the apartheid bloc. The Convention must be seen in the context of Europe's colonial legacies which led the EU in granting these countries non-reciprocal trading privileges and development aid transfers. Over the years it was seen as a very successful partnership between industrialized and developing countries (Holland 2002). However, a *Green Paper* published by the European Commission in 1996<sup>3</sup> took issue with this broad and unique partnership, dismissing it as ineffective and undifferentiated, and recommended that it be disbanded (Kappel 1999: 247ff.; Gibb 2000: 458). The subsequent Cotonou Agreement,<sup>4</sup> concluded in 2000, redefined the partnership by introducing political conditionalities and performance criteria for economic and development cooperation

(Weiland 2000; Holland 2002). Developmental differences would be taken into account by an element of regionalization. In Southern Africa, SADC would be the obvious candidate for the promotion of such schemes of regional cooperation.

The EU's other direct, regionally defined relationship with Southern Africa was its support for the so-called front-line states, which formed the Southern African Development Co-ordination Conference (SADCC) in 1979/1980 as a political and economic counterweight to apartheid South Africa. At the time, most European states practiced a dual-track policy toward South Africa that combined voluble criticism of the country's racial discrimination with profitable trade relations. The SADCC initiative offered them a welcome opportunity to demonstrate their political correctness in the form of European support for infrastructure projects in Southern Africa. With the wave of political change and the triumph of democracy in the early 1990s, the SADCC had outlived its purpose, and the anti-apartheid alliance was disbanded. In its place, the Treaty of Windhoek created SADC<sup>5</sup> in 1992.

The new organization pursued far more ambitious goals than its predecessor (Adelmann 2003: 27ff.). Instead of a community focused primarily on sectoral cooperation, the new grouping emphasized regional integration, not only in trade, but also in foreign and security policies. The creation of SADC reflected a desire for market integration that superseded the earlier focus on project cooperation with the primary objective of balanced development in the member states. The EU's Berlin Initiative<sup>6</sup> of 1994 actively supported these objectives and set up a regular and increasingly institutionalized EU–SADC dialogue. In other words, the Berlin conference played an important role as a midwife for the new interregional relations between the EU and SADC.

### **Competing and overlapping regional organizations**

SADC's role as a regional organization can be better understood in the context of other regional agreements and organizations, whose goals and membership overlap to varying degrees. They include the Southern African Customs Union (SACU),<sup>7</sup> the Common Market of Eastern and Southern Africa (COMESA),<sup>8</sup> and the East African Community (EAC).<sup>9</sup> The objectives of SACU are unrestricted free trade between the signatories in local goods and services, common tariffs and customs on all imports, and the distribution of pooled customs revenues in accordance with a revenue-sharing formula. In the past this formula has persistently favored the smaller states to the detriment of South Africa (Lee 2002: 96ff.). South Africa agreed to these concessions as compensation for the disadvantages that trade diversion caused its partners. However, owing to the new trade agreement (1999) between South Africa and the EU (Trade, Development and Cooperation Agreement, TDCA) customs

revenues have declined and have led to new negotiations about the SACU Treaty which was eventually signed in 2001 after protracted negotiations. As part of SADC, SACU is presently the best functioning customs union in Africa and as a unified trade bloc is the most likely core for promising interregional cooperation. Indeed, negotiations between SACU and the United States about a free trade area started in January 2003 and are planned to be completed by the end of 2004.

Another long-existing regional agreement is the Preferential Trade Area (PTA) for Eastern and Southern African States, which was launched in 1981. In 1994, the twenty-nation group was renamed COMESA. The grouping seeks to reduce and harmonize trade barriers between member states and vis-à-vis third parties. If, however, COMESA and SADC create free trade zones with different tariffs, the extensive overlap between the two regional organizations will raise problems for countries with dual membership. The urgency of the situation is underlined by the fact that the nine members of COMESA signed a free trade agreement in 2000 and intend to establish a customs union<sup>10</sup> by 2004. The SADC heads of government have recommended that their members resign from COMESA, but not all have done so yet. As a corollary, SADC and COMESA are becoming more competitive, although the integration mechanisms of the two organizations are still in their infancy. COMESA is strongly promoted by the World Bank, the International Monetary Fund (IMF) and other organizations through a so-called Cross Border Initiative (CBI) as a means of liberalizing intraregional trade.

In order to overcome regional divisions and to harmonize to the greatest extent possible, an Inter Regional Coordination Committee (IRCC) has been established. A task force has been set up between SADC and COMESA to work toward coordination of policies and programs in areas of common interest. Which of the two the EU might favor eventually as a vehicle for a future Regional Economic Partnership Agreement (REPA)<sup>11</sup> in Southern Africa as provided for under the Cotonou Agreement is still unclear. Most likely the decision will depend on the respective development of the two regional organizations in the next few years – a close cooperation or integration of the two regional organizations is even possible.

### **Heterogeneity complicates regionalization**

The accession of the Republic of South Africa in 1994, followed by Mauritius in 1995, the Seychelles and the Democratic Republic of the Congo in 1997 considerably strengthened the potential and completely changed the nature of SADC. SADC accounts for 25 percent of the population and about 60 percent of the total economic activities of sub-Saharan Africa. Aggregated Gross Domestic Product (GDP) of the member states totals about \$226 billion (2002).

Expansion has substantially enhanced SADC's overall economic output and resource potential, but also considerably widened the community's heterogeneity and internal asymmetries. With the admission of South Africa and the Congo, disparities in terms of area, population, size of the domestic market, per capita income, and a range of social and political indicators have widened enormously. Of the fourteen member states of SADC, seven are LDCs, six are developing countries, and one, South Africa, is characterized as a country in transition (Gibb 2001: 78). South Africa alone accounts for more than 70 percent of regional GDP. Annual per capita income ranges from \$150 in the Congo to \$6,500 in the Seychelles. South Africa and the island states (and, until recently, Zimbabwe) have respectable manufacturing sectors and comparatively diversified economies. Most other member states rely almost exclusively on commodity exports. Thus, SADC reflects at a regional level the global structural divisions between poor and rich countries. This problem is exacerbated by the fact that South Africa, the region's leading political and economic power, has herself to contend with extreme social, spatial and ethnic inequalities. South Africa is preoccupied with its own development problems; the heated controversies about economic growth (Growth, Employment and Redistribution strategy: GEAR) and redistribution (Reconstruction and Development Program: RDP) are just two examples which illustrate that it has relegated the needs of the weaker SADC member states to the back seat.

Given this pronounced heterogeneity, what are the chances of fruitful intraregional development, and to what extent can it be boosted by inter-regional cooperation? There are two approaches to regional integration (Davies 1994: 12) – development-based integration and trade or market integration. Whereas in the 1980s SADCC practiced a loose cooperation and coordination of development projects, the Windhoek Treaty of 1992 introduced market integration as a main goal to increase economic welfare in the region. While still underlining development integration in the founding declaration, subsequent policy implementation committed the community to cooperation in market integration, culminating in a protocol on liberalizing intra-SADC trade (the SADC Protocol on Trade of 1996). But scholars such as van Rooyen (1998) and Wellmer (2000) criticize the market integration approach for not being a sufficient condition for development and therefore failing to benefit the majority of SADC countries. They argue that market integration proves successful only if members have the same level of industrial development and broadly similar economic and political systems. Because of the shortcomings of the market integration approach, some elements of the development-based integration (industrialization before market integration) need to be adopted. This implies a higher degree of state intervention than in the case of market integration. In other words, if trade liberalization is to take place, "it should be complemented by the coordination of regional

industrial development, the establishment of a regional fund or bank, a degree of macro-economic policies and giving preference to less-developed members” (van Rooyen 1998: 129). Accordingly, the final success of regional integration will depend on combining free trade and market liberalization with many compensatory and corrective cooperation projects aimed at leveling the playing field within the region. This again implies that the political leadership is committed to short-term sacrifices, which in turn calls for a common political strategy, political stability and a strong political will.

Although not clearly stated, the official SADC policy embraces both integration concepts – market liberalization and project cooperation. The Windhoek Treaty also introduced political institutions to promote political integration and stability. SADC formed an Organ for Politics, Defense and Security (OPDS) in 1996. It underlines the principle of “sovereign equality for all member states,” undertakes to respect “human rights, democracy and the rule of law,” promises “peaceful settlement of disputes by negotiation, mediation and arbitration” and determines that “military intervention of whatever nature shall be decided upon only after all possible political remedies ... have been exhausted.”<sup>12</sup> But the Organ, responsible for security and foreign policy within SADC, was only loosely attached to the institutional structure of SADC (Adelmann 2003: 44ff.). From the very beginning the question arose whether, and to what extent the OPDS could provide a suitable political framework within which a regional community, characterized by sustainable development, could be built (Van Aardt 1997).

A review of SADC’s first decade shows that the expectations placed on the regional institutions and the Organ in particular have been too high. SADC’s development has been marked by a yawning gap between vision and reality. The community – critical observers take it for a paper tiger – is far from fulfilling the economic and political goals of its founders. Faced with conflicting pressures on a regional and global level, SADC has undertaken an extremely difficult task in creating effective institutions. It is very likely that the signatories to the treaty were not fully aware of, or did not foresee, the very real implications of the treaty, particularly the loss of sovereignty on the part of individual states.

### **Structural weaknesses of SADC’s organization**

At the beginning of 2001, SADC thoroughly restructured its organization (Adelmann 2003: 58ff.). This was necessary because attempts to implement the SADC treaty repeatedly triggered political disputes and enormous coordination problems. The original set-up was unsuitable for managing a genuine process of regional integration. The decentralized organization and the non-binding character of many clauses in the treaty and in the implementation regulations slowed down the implementation

of common goals and, in the end, undermined the efficiency and effectiveness of SADC's structures. As a result, member states often ignored decisions made by the Council of Ministers or measures adopted by the SADC secretariat in Gaborone.

Under the new structure, agreed upon in Windhoek in 2000, there are now four directorates instead of twenty-one policy sectors (trade/finance, agriculture, infrastructure and services, and social and human development) which are answerable to the Secretary-General. Coordination mechanisms have been streamlined. There are also plans for more frequent meetings of the policy supervisory bodies, the Council of Ministers and senior officials.

Organizational reform has undoubtedly changed the institution and revitalized the idea of SADC as a community for cooperation. However, observers doubt whether the reforms address more fundamental reasons for SADC's disappointing performance. Despite organizational streamlining, there is still a huge discrepancy between the powers of the political decision-making bodies at the top of SADC and the subordinate implementation levels. National rivalries and personal animosities between heads of state block practical collaboration. In this respect, conflicts over the position of South Africa, the pre-eminent power in the region, play a crucial, though often hidden, role. South Africa does indeed watch over its economic interests in a self-serving manner, and is averse to unsolicited advice by smaller countries. Some authors already see South Africa in the role of the new colonizer, dismissing South African politicians' repeated expressions of support for regional integration as rhetoric. In the light of the recently launched cross-border Spatial Development Initiatives (SDIs), this criticism may be unjustified. But in the long run, the divisions between South Africa and her SADC partners are too obvious to be ignored.

Two examples may serve to illustrate the conflicting interests and the ensuing regional distrust. It took four years for South Africa to ratify the SADC Trade Protocol that eleven other members had already signed in 1996, thus effectively blocking the liberalization of intraregional trade. Yielding to the pressure of South African industry and trade unions, the South African government was not willing to open its market to products of economically weaker countries precisely because it was afraid that it would not be able to compete with cheaper textiles and sugar products from neighboring states. This was a source of considerable irritation between the SADC members, and badly tarnished South Africa's reputation.

As a consequence, the smaller SADC members try to resist South Africa's dominance. As this is virtually impossible at the economic level – not least because South Africa's partners in SACU benefit substantially – resistance generally takes a political form. This is particularly obvious in situations where veto rights can be used, e.g. in decisions about appointments (as in case of the new Secretary-General, Prega Ramsamy, in 2000).

An even more striking case of competition for power was the dispute between the South African and Zimbabwean heads of state for the political leadership of SADC. President Mugabe has been deputy chairman of SADC since its foundation. At the same time, he was also chairman of the OPDS. The conflict became public when the SADC Heads of States split about a common policy toward the Democratic Republic of Congo after Zimbabwe, Angola and Namibia sent troops to aid President Kabila. Whereas Mandela was not afraid to criticize Mugabe in public, Thabo Mbeki, his successor, was more circumspect (Adelmann 2003: 62). For Mugabe, the role of SADC security spokesman (as chairman of the Organ) was a question of prestige. For six years, he resisted South Africa's efforts to unseat him from the post which is supposed to rotate annually but has been perceived by Mugabe as his personal fiefdom. Eventually, as part of the fundamental reform of the SADC structure, the OPDS was also restructured, with rotating chairs and an increased accountability to the SADC summit meeting and gave it a more democratic image.

### **EU interest in interregional cooperation**

Given the aforementioned internal impediments to rapid progress in regional integration, can external actors influence the process, and if so, to what extent? From the outset, the EU has assisted and promoted regional cooperation in Southern Africa with €490 million. Another €101 million have been earmarked for SADC in a Regional Indicative Program 2002 to 2007, designed to cover economic and trade integration support and sectoral policies, programs and projects to develop transport and communication (SADC/EC 2002: 21).

Certainly, these figures undoubtedly reflect an interest in regional integration initiatives and in interregional cooperation, but only to a limited extent. After the transformation of Eastern Europe, EU interest in Africa – which was already declining – dropped, because Southern Africa, and indeed Africa as a whole, represents only a very peripheral part of the world economy. The whole of Africa accounts for only about 2 percent of merchandise trade (Gibb 2000: 72). The GDP of SADC countries approximately equals the GDP of Belgium (\$245 billion), of which South Africa alone accounts for 70 percent (CIA Factbook 2002). The figures show the enormous asymmetry between the EU and the SADC countries. Even a coherent Southern African trading bloc will not become a major economic force over night.

Nevertheless, with regard to the Cotonou Agreement, besides oil-rich Nigeria, it is the SADC region that within Africa enjoys greatest attention on account of its potential economic growth and abundant raw materials. Both economically and politically, Southern Africa promises to become the most dynamic subregion of the continent – despite growing stratifica-

tion and the potentially precarious economic situation due to factors such as high inequality, unemployment, etc.

The EU's prime interest in Southern Africa is trade and cooperation with South Africa because of her advanced and diversified markets and relatively strong economic performance. The EU put far more time and effort into negotiating a bilateral trade agreement with South Africa than in promoting the rapid implementation of intraregional activities within SADC. The TDCA, which will create a free trade area after a transitional period, will open up South Africa's market to 86 percent of EU goods over a twelve-year period, while opening the EU to 95 percent of South African goods over a ten-year period (Lee 2002: 88ff.). The EU will drop average duties on South African goods from 2.7 percent to 1.5 percent, while South Africa has agreed to cut average duties on EU goods from 10 percent to 4.3 percent after a period of transition. The agreement is unique in that the EU has, for the first time, included agriculture, although South Africa had to agree to many exceptions and protocols (e.g. for sherry, port, cheese, fruit, etc.).

The European negotiators paid little attention to complaints that the bilateral free trade area would harm adjacent states in Southern Africa. It will reduce the customs revenues of SACU member states markedly and negatively affect trade between South Africa and its SADC partners. In view of the significance of the South African market, the EU has downgraded the importance of interregional cooperation with SADC.

This does not mean that the EU has lost interest in SADC's regional development, but it is a medium-term concern. According to the Regional Strategy Paper of the European Commission the goal is "to achieve poverty reduction through higher levels of export led economic growth (and) macro-economic liberalization" (SADC/EC 2002: IV). This strategy accords with the envisaged Regional Economic Partnership Agreements of the Cotonou Treaty which should take effect from 2008 onward. Non-reciprocal trade preferences for the Africa-Caribbean-Pacific (ACP) countries should be phased out and the REPAs will gradually create free trade zones with the EU. Thus, plans for the future include extending the agreement with South Africa to SACU and SADC states. However, it is already clear that the poorest countries (LLDCs) in the region would be better off not joining the free trade zone, because integration would leave them worse off than they are now (Lee 2002: 98ff.). If the WTO approves, an extension of the waiver of non-reciprocal trade relations may be a more favorable solution for them.

In any case, regionalism and differentiation between sub-groups strengthens the negotiation position of the EU. Addressing different groups and even assisting in coordination efforts within SADC gives the EU a strong influence as an external actor.

### **Liberalization harms regionalization**

Various economic scenarios for future SADC–EU relations indicate the possible range of interregional cooperation, and also the very different consequences for each SADC member state. In view of the existing pronounced asymmetries, plans to move toward a free trade zone may harm rather than promote regionalization. Gibb foresees the possibility that different overlapping trade agreements promoting market integration might lead toward quadripartite separation within SADC (Gibb 2000: 474, 2001: 79):

- The TDCA with the goal of a South African–European Union Free Trade Area (SEFTA) is the beginning of a WTO-compatible trade agreement envisaged for future interregional relations between the EU and the SADC states. According to statistics (Lee 2002: 100), there will be a marked increase in trade between the parties to the agreement within ten years. In 2000, South Africa could already increase exports to the EU by 35 percent, while the latter increased exports to South Africa by 20 percent. However, looking at different sectors, particularly at the highly subsidized agricultural products, the agreement could not fully overcome the trade-distorting policies of the EU. According to a study by Eurostep (2000: 13), at the end of the transitional period South Africa will open its market more widely (by 26 percent) than the EU (by 20 percent), which means that in the medium term the EU might benefit more from the agreement than South Africa (Lee 2002: 94). At all events, the South African economy will face fierce competitive pressures from European exports.
- For the SACU states, SEFTA means “SACUEFTA,” because they will become part of the free-trade zone on account of their membership in the existing customs union. This results in a loss of advantages from the Customs Union with South Africa. Botswana, Lesotho, Namibia and Swaziland, also known as BLNS countries, face revenue losses of about 15 percent as tariffs on EU imports erode. The losses in revenue assume even more dramatic proportions in the case of Lesotho and Swaziland, where customs revenues account for slightly over 50 percent of total government income (Adelmann 2003: 32). Moreover, it is feared that domestic production will collapse in the face of competition from the EU. There are even calculations that total losses for BLNS may be equivalent to eight times the amount of EU aid granted (Sidiropoulos 2000; Lee 2002: 97). Although the EU has declared that it is prepared to pay compensation, this is hardly likely to make up for the disadvantages.
- Of the nine SADC states that are not members of the SACU, two (Mauritius and the Seychelles, and Zimbabwe) are classified among the richer, so-called developing countries that, if they participate in

REPAs with the EU, will have to give up their existing non-reciprocal trade preferences. The Imani Report of 1998 proposes either integrating these countries into the SACU group or creating a separate reciprocal REPA group for them at the appropriate time. Zimbabwe, in 1998 still counted as a richer country, has after years of domestic turmoil fallen back into a status of a LDC.

- On account of the blatant asymmetry within SADC, the remaining countries will as LDCs derive hardly any economic benefit from regionalization and generally remain as marginalized as ever. There is little doubt that the prosperity gap in the community will widen rather than narrow. Very likely this group will try to persuade the EU and the WTO to allow them to continue enjoying the unilateral privilege of a “super General System of Preferences” (GSP) that is still permissible under WTO rules.

Whether, in the light of these scenarios, all SADC states will be willing to accept the risk of greater market integration remains open; if they do, it is more likely to be under international pressure and the promise of financial support than voluntarily. Nonetheless, even if the cost of integration is high, the majority of states see regional cooperation as the only remedy for the disadvantages of global economic and social processes. Looking at the time dimension a flexible two-speed or multi-speed process of integration is conceivable because some countries may advance faster than others. In any case, national economies seem to be too small to be viable. Even if the outlook is not very bright, regional cooperation could help to improve competitiveness and give these SADC countries a stronger voice in international forums. The role of the regional hegemon, South Africa, is ambiguous. Relying on its superior power, it is using the regional entity to consolidate its own hegemonic position.

## **Conclusion**

Reviewing the role and tasks of regional and particularly interregional forums and institutions against the backdrop of this confusing plurality of actors and interests, it is obvious how important they have become in organizing and monitoring cooperation. Interregional forums have generated many processes of mutual interest. As Gilson (2002a) and Hånggi (2003) have pointed out, interregional dialogue may serve to enhance intraregional cooperation. With interregional assistance regional structures and a regional identity can be formed.

As discussed earlier, at present it appears that South Africa and the so-called BLNS states, which already form a Customs Union, are likely to constitute the core of the proposed REPA in Southern Africa. At the same time, parallel REPAs are conceivable not only with the other SADC states, but also with the COMESA states – without Namibia, and Swaziland, of

course, which represent a relatively uniform economic region and have already been part of an FTA since 2000.

The decision of the EU to cooperate more closely with the one or the other organization is still some way off and the choice for an adequate REPA basis is still open. Considerable structural and political problems still need to be solved. But it should also be noted that the two organizations try to overcome or reduce their differences: Interregional contacts between SADC and COMESA show that there is a growing understanding that Southern Africa can no longer afford the luxury of competing trading blocs.

The EU appears to take a particular interest in the commodity-rich states of Southern Africa, particularly South Africa. Therefore, interregional relations with SADC are rated as more promising than the cooperation with the geographically less compact COMESA. Correspondingly, in Brussels the likelihood that a REPA in Southern Africa will be realized through SADC is thought to have a better chance. For this reason, the EU has decided to provide organizational and technical aid to build up and strengthen SADC as a regional partner. Consequently, special interest and support was concentrated on the creation of a SADC regional secretariat and on providing organizational know-how to make it function. The new regional strategy paper and the regional indicative program underlining regional and interregional cooperation have to be seen in the same light (SADC/EC 2002: 21).

As the strategy paper shows, the objectives of EU–SADC cooperation focus primarily on trade. But there are also long-term interests in stabilizing the region politically and economically, ensuring long-term supplies of raw materials and lessening the potential risks of violent conflicts, arms trafficking, drug smuggling, etc. For these reasons, the EU, together with South Africa as the regional power, has an interest in reducing regional imbalances and supporting a policy of development-based integration along with market integration. This implies powerful redistributive mechanisms. So far, SACU is the only regional grouping providing such mechanisms. At least conceptually, SADC offers redistributive institutions, as the Maseru Trade Protocol signed in 1996 calls for free trade to be accompanied by redistributive measures in transportation, communication and regional development. But it will require an enormous effort to achieve sector integration by launching development programs tied with regional burden-sharing by underwriting a regional structural fund. The funding for such policies will have to be provided mainly by international donors, most notably the EU.

Even if the prospect for economic integration for the whole SADC region as a SADC–REPA are not so bright, in other sectors the cooperation has progressed much faster. To a large extent this progress is to be attributed to the interregional efforts of the EU. A starting point was the 1994 Berlin Conference, just a month after South Africa joined SADC.

After the earlier SADCC assistance, this conference laid the institutional foundations for long-lasting interregional cooperation and effectively inspired the spirit of the relationship. Particular mention must be made of the political dialogue established between the regional partners. The preamble to the Berlin Declaration underlines the common values and ideals shared by EU and SADC. Furthermore, it stresses that in Southern Africa multi-party democracy, peace and stability had taken root and it provides a basis for cooperation. The declaration identifies a number of areas of cooperation: political dialogue, regional integration, trade and market integration, private investment, development cooperation, natural resources and environment, science and technology, tourism, cultural cooperation and cooperation in combating international crime.

With respect to political dialogue, it was decided to have a regular exchange of views on general matters of foreign policy, particularly to promote long-term stability in Southern Africa. It was also decided that foreign ministers from both regions should meet once every two years, that “high-level meetings” of senior officials should take place twice a year and that a joint steering committee (JSC) should organize the dialogue in close cooperation with the SADC secretariat in Gaborone.

Thus, interregional ministerial conferences have taken place in Windhoek and Vienna and a special meeting at the last SADC summit in Windhoek 2001. The main economic issues were the free trade agreement between the EU and South Africa, the negotiations about a post-Lomé Convention between the EU and the ACP countries, and sectoral development programs in different fields, such as infrastructure, transport, education and health. Political issues included the continuing conflicts in Africa, particularly in Angola and in the Great Lakes region, and the role that the OPDS played in this context.

It is important to mention that interregional dialogue has not been restricted to institutionalized forums. Since the same group of politicians and officials also meets on bilateral platforms and at conferences of other international organizations and groupings, e.g. at the EU–ACP meetings, the interregional contact is *de facto* closer than the official interregional structure suggests. In addition, there are interregional parliamentary gatherings organized by the Association of West European Parliamentarians for Africa (AWEPA), and the cooperation of non-state actors has a long tradition because of the special relationship enjoyed by non-governmental organizations (NGOs) during the struggle against apartheid in Southern Africa.

But it seems that interregional institutional development between the EU and SADC is still not solid enough. Without any doubt, the turbulences caused by President Mugabe as long-standing chairman of the SADC Organ have hampered good interregional relations. Zimbabwe’s unapproved military involvement in the Congo and Mugabe’s undemocratic policies at home have not only drawn strong international criticism,

but also undermined the credibility of SADC as a whole, triggering serious intraregional conflict. In addition to the internal disputes, bilateral relations, particularly the political dialogue between the EU and Zimbabwe, have been affected. The conflict threatened to escalate out of control after the Zimbabwean government rigged the presidential election in 2002 and expropriated and expelled hundreds of white farmers, mainly of British origin. The increasingly undemocratic direction of developments and growing violence led European countries and the EU to protest and, after prolonged fruitless talks, to impose smart sanctions<sup>13</sup> on Zimbabwe (Weiland 2004). European representatives were particularly irritated because SADC and its member states did not take an open stand against the Zimbabwean government, although respect of democratic values and the rule of law – as in virtually all of the EU's interregional relationships – were laid down as common normative objectives in the agreements on EU–SADC interregional cooperation. SADC has rather chosen to resort to the alibi of not intervening in the internal affairs of a member state. From a European perspective, it is even more disturbing that not even South Africa has shown leadership qualities in this respect.

Recently, however, there have been new attempts – particularly on the part of South Africa – to revive the interregional dialogue with the EU. To this end, President Mbeki has astutely avoided the SADC platform and operated at a higher level. The New Partnership for Africa's Development (NEPAD) initiative<sup>14</sup> sought dialogue between Africa as a whole and the Group of Seven/Eight (G7/8) states, and therefore also made its mark on the regional committees of both the EU and SADC. As it is even more difficult to observe and implement obligations at the continental level in Africa than at the regional level, it is to be expected that in Southern Africa – after the restoration of democracy in Zimbabwe – this initiative will bear fruit through interregional dialogue between the EU and SADC. Statements of the EU show that Brussels is very interested in continuing the cooperation with SADC. Thus the €101 million earmarked for the regional indicative program can be seen as seed money for the further development of the region through interregionalism.

# 13 The Africa–Europe (Cairo summit) process

An expression of “symbolic politics”

*Gorm Rye Olsen*

## Introduction

On April 3 and 4, 2000, fifty-two African and fifteen European Union (EU) heads of state or heads of government met at the first Africa–EU summit in Cairo. Speaking at the start of the summit, Romano Prodi, President of the European Commission, stated that the “plight of Africa is essentially Europe’s problem (...) because of past links and proximity.” Prodi stressed that despite diverging trends between the two continents in recent years, “the EU–African co-operation had ‘deep roots, and we should return to them’.”<sup>1</sup> At the summit, a *Plan of Action* was agreed upon in which the political leaders expressed their commitment “to work toward a new strategic dimension to the global partnership between Africa and Europe” based on a number of principles. Representative and participatory democracy, respect for human rights and fundamental freedoms, etc., are among the principles stressed in the plan.

In October 2001, the first ministerial conference was held in Brussels, “established as part of the mechanism to give impetus to and monitor implementation of the *Cairo Plan of Action*.”<sup>2</sup> In order to find a common ground on priority subjects, a number of so-called bi-regional groups of senior officials had met several times between the Cairo summit and the 2001 meeting in Brussels. The participants in the ministerial conference “observed a narrowing of differences” between the two parties.<sup>3</sup> Among other things, the conference was able to agree on a Joint Declaration on Terrorism. The next high-level meeting within the Cairo process was held in Ouagadougou in November 2002. The main themes discussed were identical with those identified in the Cairo Plan of Action. The final communiqué stressed that “ministers evaluated progress made in the eight identified priority subjects of the Africa–Europe dialogue, welcomed an intensification of the dialogue between Europe and Africa.”<sup>4</sup> Also, it was described as a “major landmark” for the EU–Africa dialogue and very positive for Africa, indeed, that since the Cairo summit both the African Union and the New Partnership for Africa’s Development (NEPAD) were created. From the start, NEPAD was an African initiative where the

African leaders jointly declared their responsibility for Africa's future. The African responsibility included conflict management, the promotion of democracy, restoration of macroeconomic stability, etc.

A second Africa–EU summit was planned for April 2003 to take place in Portugal. However, it was cancelled less than two months before due to strong internal disagreements between France on the one hand and Britain and a number of other member states on the other hand. Later it was decided to postpone the summit. The concrete stumbling reason for postponing the summit was that in spite of the EU travel embargo on Zimbabwe, France insisted on the participation of President Robert Mugabe in the biannual Franco–Africa summit in Paris in February 2003.<sup>5</sup>

This chapter seeks to answer the question why the EU engaged itself in the Cairo summit and why it involved itself in the subsequent Cairo process, a series of high-level meetings and contacts at both ministerial and senior officials' levels. The empirical analysis is based on two propositions that are closely interrelated. The first proposition states that the EU involved itself in the Cairo summit and process because participation could be seen as a small step that could contribute to construct the EU as an actor in global politics. The second proposition is that the EU's involvement in the Cairo summit was basically an expression of "symbolic politics" (Edelman 1985).

### **The analytical framework: symbolic politics**

Before we embark on the empirical analyses, it is appropriate to give a brief sketch of the analytical framework concerning "symbolic politics" which is applied here. It was Murray Edelman (1985) who developed the concept of "symbolic politics" in order to understand political communication. Edelman argued that political actions and political events basically have two functions. First, political initiatives have an instrumental dimension which is usually associated with what politics is about, namely producing results and outcomes intended to influence the local community as well as international politics. Second, political actions also have a symbolic dimension which refers to the fact that many political actions and political initiatives give the public a kind of "meaning" or "understanding" of the world, either intentionally or unintentionally. However, production of meaning or understanding may also include situations where the public authorities try to give the impression that they are acting while they are basically not doing anything (Edelman 1985). Exactly this point of making what we can call "make-believe" policy is emphasized by Christopher Ham and Michael Hill, who argue that "policies may often be more effective in giving the impression that government is taking action than in tackling problems" (Ham/Hill 1988: 15). In this chapter, political symbols are defined as phrases, declarations, norms, and also participation in public events, etc. (Edelman 1985: 6) by which "we give meaning to the world around . . . and interpret what we see and indeed what we are."<sup>6</sup>

The analytical model and the explanations of Edelman have been criticized for being too simplistic. It is not possible to conceptualize and understand political symbols as cohesive entities in the way that Edelman does. It is much more likely that political symbols are incoherent and therefore, Corneliu Bjola argues, politics may not necessarily produce meaning. On the contrary, “people may use political symbols simply as convenient information short-cuts for grasping an understanding of the political environment.”<sup>7</sup> So, it is argued that politics in the form of political symbols may very well serve as a way of producing easily digestible “information” and thus indirectly “understanding” in a complex and rapidly changing world which, moreover, is characterized by an increasing flow of news and information. In summary, symbolic politics understood as political communication may serve two broad functions. First, it may produce meaning and understanding including understanding of make-believe political initiatives. Second, politics may also simply serve as a source of information about a rapidly changing world.

The idea of symbolic politics as a way of producing meaning and understanding is also found in more recent writings on foreign policy. Henrik Larsen, for instance, contends that language and symbols are just as important as material variables when it comes to explaining political actions. Larsen even claims that political symbols play a particularly important role as a source of policy-making within the realm of international politics and foreign policy (Larsen 1997: 20ff.). Arguments like these, emphasizing that discourses on foreign policy issues may create or mobilize “meaning,” are fully in agreement with Edelman. However, it is not to be neglected that “meaning” in foreign policy is strongly “self-referential,” implying that it is national in its nature, i.e. tied to the nation state (Larsen 1997: 20 and 198). So in order to understand the mechanisms of forming and diffusing political symbols, one needs to pay attention to the cultural-normative context as well as to the mode of engagement of political elites and mass public.<sup>8</sup>

In the context of this chapter it is assumed that the idea of the national can be extended to cover the EU. This means that a particular European discourse equivalent to a “purely” national discourse can be identified. There is no doubt that a particular European discourse exists on the EU as the civilian power of the world (Whitman 1998). According to this discourse, it is characteristic that the EU builds its policies and its image on specific ideas and values and – because of that – the Union has a special role to play in the world (Hill/Wallace 1996: 9). Roy Ginsberg suggests that the principles and values are “democracy, soft-edge capitalism, a zone of peace among members, and diplomatic mediation between third parties to undercut the causes of major conflict” (Ginsberg 1989: 436). Opinion surveys can indicate the existence of popular support of such values and ideas.

It is possible to argue that the EU builds its external policies on these

types of values and ideas which among other things are clearly expressed in the Lomé Conventions. By the time the first Lomé Convention was signed in 1975, it was widely recognized as a unique example of North–South cooperation. Moreover, at that time it was argued that the convention could serve as a role model for a new era in North–South relations (Lister 1988: 79–89, 1997: 109; Bretherton/Vogler 1999a), which contributed to underline the special role of the EU in world affairs. An elaboration of this argument is found in the theory of “collective clientelism” drawn up by John Ravenhill, who contributes some very interesting considerations that can supplement and specify the idea that politics has symbolic functions. Collective clientelism refers to “a relationship in which a group of weak states combine in an effort to exploit the special ties that link them to a more powerful state or group of states . . . Clientelism offers the weaker parties the opportunity to claim special advantages in the relationship on account of their weakness” (Ravenhill 1985: 22). In order for collective clientelism to work there has to be some kind of affectivity, “since engagement and emotional considerations also affect the links between unequal partners” (Ibid.: 23).

The “principal commodity” provided by the African countries is their “participation: their very being there” (Ravenhill 1985: 33). At the same time, it should not to be neglected that the “weakness” of the poor countries is not only an important bargaining tool for them in their relationship with Europe. Helping such extremely weak countries also brings considerable symbolic rewards internationally to the EC because the Lomé Convention underlined the special role of the Community in world affairs (Ravenhill 1993). According to this theory, Lomé brought not only symbolic rewards to the EC internationally, it also gave the European countries “a certain psychological satisfaction (. . .) gained from providing development assistance to the Africa–Caribbean–Pacific (ACP) states, especially since the group contained a large number of the world’s least developed countries” (Ravenhill 1985: 35). The argument of psychological satisfaction, the feel-good factor, underlines the importance of the previously presented argument of legitimacy, and thus of the importance of public opinion.

In summary, this chapter posits that it makes sense to operate with the idea of symbolic politics. On the one hand, political symbols may serve a proactive purpose when used as instruments by the political leadership to win political support by influencing the beliefs of the mass public. Potentially, the Cairo summit could promote an understanding of the European Union as an important and coherent actor in global politics, and thereby EU participation could push European public opinion in a specific direction. On the other hand – and most importantly – political symbols may also serve reactive purposes, reinforcing already existing sentiments by launching initiatives and by issuing declarations that, to quote Ham and Hill, “give the impression that government is taking action” (Ham/Hill

1988: 15). By playing such a reactive role, political symbols like the Cairo summit may help people to accept ambiguous and complex situations such as, for example, the disturbing but complicated situation in Africa, because the EU/the government “does something.”

Combining the argument that political symbols play a particularly important role in foreign policy-making with the theory put forward by John Ravenhill, it can even be argued that “doing something” is particularly important when it comes to policies toward poor countries. Formulating and implementing such “make-believe” policies is both important and “easy” because the Europeans get a kind of psychological satisfaction from helping poor countries, not least in Africa. In order for the psychological satisfaction to work, it has to operate in a particular cultural-normative context where sentiments and attitudes such as humanitarian and maybe even Christian values are prevalent. If such a context exists, the EU’s Africa policy may become a particularly efficient instrument for pursuing symbolic politics.

The policy-makers can be considered to be successful in making symbolic politics in the form of declarations, statements and participation in a summit, if the policy is accepted or at least not criticized by the general public. In that case, the policy can be considered legitimate. In line with Bretherton and Vogler, this chapter understands legitimacy as “perceptions both elite and popular concerning the ‘rightness of authority’ upon which EU policy is based” (Bretherton/Vogler 1999a: 224). Based on this definition, it is obvious that people’s attitudes toward the EU’s Africa policy become important. Without some knowledge of belief systems or popular attitudes it becomes impossible to discuss empirically the possible effects of the Cairo initiative. Therefore, opinion surveys are considered to be the most important source of information for the discussion on the external role of the European Union in relation to the EU–Africa summit.

## **The Cairo summit as a “small step”**

### *The ambition to develop the EU into a significant international actor*

This section puts the EU’s participation in the Cairo summit and its participation in the subsequent process of high-level contacts into the context of the ambitions to establish a European Common Foreign and Security Policy (CFSP). The aim is to show that the summit fits perfectly into the general ambitions to develop the EU into a significant international actor which have been high on the European agenda since the end of the Cold War. Basically, ever since the start of the EC, there has been an ambition to develop “Europe” into a powerful international actor (Cafruny/Peters 1998: 1–10; Cameron 1998: 20; Bretherton/Vogler 1999). The ambition has been closely tied to the idea that “Europe” has a special role to play in the world based on some unique values and ideas, as

has already been mentioned. Moreover, there is a widespread assumption that cooperation among the member states and common policy initiatives may also contribute to the promotion of a common European identity in world politics (Bretherton/Vogler 1999; Holland 2002: 234–244).

The ending of the Cold War dramatically changed the prospects for realizing the old dream that Europe should play a special role in world affairs. The new and much more undefined international situation created a pressure for developing a “new” European policy which could take into account the threats and challenges characterizing the radically transformed global state of affairs (Schirm 1998b: 56–82; Rhodes 1998: 76). It manifested itself in the strong efforts to establish an independent European CFSP which found its expression in the Maastricht Treaty as well as in the Amsterdam Treaty. Both treaties state that the aim of the Union is to strengthen its identity in international affairs via the implementation of the CFSP (Bretherton/Vogler 1999a). Within this endeavor, the establishment of an independent European security policy is considered to be particularly important, making it pertinent to recall the argument by Christopher Hill, who years ago stressed that “defense is the key to the development of the Community’s place in the world” (Hill 1993: 318).

The strong desire to develop the EU into a significant international actor by means of an independent security policy has been expressed clearly by Javier Solana, the High Representative of the EU. On numerous occasions, Solana has underlined the global ambition of the EU.<sup>9</sup> The outspoken ambition to give the European Union a strong security policy in general is in line with the changes in the EU’s policy toward Africa during the 1990s. On the one hand during the 1990s, increasing disillusion with development aid came to characterize the attitudes among decision-makers in Brussels dealing with Africa and with international relations (Walle 1999; Riddel 1999).<sup>10</sup> On the other hand, and parallel to this trend, the key concern of the Union’s Africa policy became the increasing number of violent conflicts on the continent, and thus security issues.

The focus on conflicts and conflict prevention in Africa can be traced back to 1993 when the EU Commission launched its first initiative, “*Peacebuilding, Conflict Prevention and Resolution in Africa*.” In December 1995, the EU summit in Madrid officially made the security problems of Africa a public concern of Europe, and in March 1996 the Commission issued a “communication” on conflicts and conflict prevention in Africa, stressing that the use of development aid and related instruments as conflict prevention measures were considered to be important to the EU. In June 1997 a so-called “common position” on these questions was also issued, making it clear that conflict prevention was a priority of the EU. The “common position” contained reference to “implementation of the defense implications of EU actions within the initiative on conflict preventions by the Western European Union (WEU).” A few days later, the

Council of Development Ministers agreed upon a resolution which in the same way clearly signaled that conflict prevention was now a main concern of the EC in general (Olsen 2002).

The shift toward giving more emphasis to conflict management and conflict prevention, and less priority to development as the crucial instrument toward Africa, is difficult to explain unless it is seen within the context of the conspicuous changes that took place due to the development of the CFSP during the 1990s. In spite of the reluctance of many member states to give too much power to the CFSP (Rhodes 1998; Cafruny/Peters 1998), the Maastricht Treaty nevertheless introduced a new element in European foreign policy-making. For the first time, the system of “joint actions” was enunciated, which opened the way for closer cooperation and thus the possibility of common European foreign policies on selected issues and in areas where the member states share important interests (Piening 1997: 40–42). It is obvious that the joint actions are closely related to the ambition to develop the EU into a significant international actor. In this specific context, it is worth noting that one of the first five joint actions decided upon in 1993 was actually directed toward Africa. Moreover, this particular joint action, on South Africa, is interesting because it allegedly “offered an opportunity for the new Union to express its global role” (Holland 1997: 174).

The more or less deliberate strategy to use Africa as one among a number of elements to promote the EU into a significant international actor was clearly underlined during the Portuguese EU presidency. In January 2000, the presidency issued a so-called “reflection paper” on the Union’s development priorities in Africa, stressing that “development priorities should be thought in the context of ongoing dynamics namely those related to the reorganization of external relations (in the Commission) and the building of a European CFSP. Being realistic about development means thinking in an integrated manner about politics, security, trade as well as development aid itself” (Cardoso *et al.* 2000).

In summary, after the end of the Cold War there has been a very determined drive toward establishing a European CFSP. Within this endeavor, Africa also has its place, as illustrated by the considerable preoccupation with the increasing number of violent conflicts on the continent. It is also underlined by the deliberate attempts to integrate the different policy instruments used in the Union’s Africa policy into the broader framework of the CFSP, as very clearly formulated by the Portuguese presidency. The Cairo summit fits perfectly into this pattern formed by the combination of determined efforts to develop the EU into a significant international actor and the need for a policy initiative to counter the impression that the EC was turning away from Africa.

*Popular acceptance of the Cairo process*

That the decision-makers seek to establish the EU as an actor in global politics does not automatically lead to popular acceptance of this endeavor. Basically, there is only one way to find out whether the European public found participation in the Cairo summit "legitimate," and that is by consulting available opinion surveys. Therefore, the purpose of this section is to discuss whether it is probable that the European public would find the participation in the Cairo summit legitimate as one small step toward establishing the EU as a strong and significant actor in international affairs. Opinion surveys on European public opinion have been carried out by an institute called "Eurobarometer." Because there is no such thing as a European public, let alone a European public opinion, the institute has established its own definition of a "European public": "a representative sample of the populations aged 15 years and over. Basically, the figures are a weighted average of national figures from all member states."<sup>11</sup> This definition will be used here.

Unfortunately, no surveys dealing specifically with the Cairo process have been carried out. On the other hand, there are several opinion surveys focusing on development aid and on public opinion toward Africa. Most importantly, there are surveys asking people about their attitudes toward the role of the EU in world politics. This chapter claims that by combining the surveys on the international role of the EU with the opinion polls dealing with development aid, it is possible to get an impression of the attitudes of the European public toward the Cairo summit and the Cairo process.

Based on surveys carried out by "Eurobarometer," there seems to be widespread popular backing to give the EU a broad, but ill-defined, external role as a substitute for the foreign policy of the individual member states. In general, the European public seems to accept that certain functions are managed best by the institutions in Brussels, especially when it comes to foreign policy and defense (Bretherton/Vogler 1999a: 234). In 1999, 2000 and 2002 at least 65 percent of the Europeans supported a common foreign policy, whereas as many as 71 percent were in favor of a European CFSP.<sup>12</sup> Moreover, the surveys show that when asked whether they "trust in the United Nations (UN), the EU and the national governments," the Europeans seem to have considerable trust in the Union. In three surveys carried out during the spring of 2001, the autumn of 2001 and the spring of 2002, the level of trust in the EU was higher than the trust the national governments received. However, in all three surveys the United Nations (UN) was considered to be more trustworthy than the Union.<sup>13</sup>

For the discussion here, it is more important that the average level of trust in the EU was 47 percent, whereas the average level of trust in the individual national EU governments was 42 percent. It is open for inter-

pretation whether the difference in the levels of trust in the EU and the national governments, respectively, is significant enough to draw a firm conclusion. At any rate, one source states that “poll after poll reveals that the public expects the EU to step in where national political systems are failing: maintaining peace and security, tackling unemployment, fighting international crime, terrorism and drugs and protecting the environment” (Bretherton/Vogler 1999a: 234).

An in-depth survey on public opinion and European defense carried out in late 2000 confirms the impression that a considerable proportion of the Europeans supported an active role for the EU in defense and security matters.<sup>14</sup> Moreover, more than seven out of ten Europeans found that the establishment of the Rapid Reaction Force as a strong symbol of “the attempts to establish an independent European defense profile” was a good thing.<sup>15</sup> On the other hand, the survey also showed quite clearly that a majority of the Europeans was hesitant toward giving a European army an active role far away from the Union’s own borders. Thus only 18 percent were in favor of “intervention in conflicts in other parts of the world,” whereas 71 percent had the opinion that the role should be limited to “defend the territory of the EU.”<sup>16</sup>

## **The Cairo summit as a “make believe” initiative**

### *No new issues, no new instruments*

The issues and topics referred to in the *Cairo Plan of Action* – and therefore contained in the Cairo process – can be grouped under a number of broad headlines to be discussed in the following subsections. It is to be shown that all the topics mentioned in the *Cairo Plan of Action* were already EU policy priorities with policy instruments attached. First, probably the most important topic dealt with in the plan is conflict prevention and conflict resolution. Second, trade and aid is another issue, including items such as the environment, HIV/AIDS and food security. Third, a high priority for the EU is the promotion of human rights, democracy and good governance. Fourth, Africa’s external debt was a separate issue pushed by the Africans during the summit. But the Europeans declined to discuss it. Because of strong disagreement on this particular topic, it will not be dealt with here.

### *Conflict prevention and conflict resolution*

The *Cairo Plan of Action* contains a separate chapter on “Peace-Building, Conflict Prevention, Management and Resolution.” In several instances, the text refers to the determination to “reinforce existing cooperation” in this field. Based on this simple observation there is no doubt that the *Plan of Action* acknowledges the existence of agreements already in place and

dealing with the issues of conflict and conflict prevention in Africa. The *Plan of Action*, as well as the existing cooperation within this field, reflects the fact that during the 1990s the EU became increasingly preoccupied with the growing number of violent conflicts in Africa, as already shown. It was even officially acknowledged by the Commissioner for Development Aid, João de Deus Pinheiro, who by the end of the 1990s declared that Africa had become a special concern of the EU because of the disturbing number of violent conflicts (Pinheiro 1999).

Of course, it can be argued that declarations and official statements do not amount to serious action, and therefore there was still a need for the *Cairo Plan of Action*. However, it is not to be overlooked that in the wake of the French–British summit in Saint Malo in December 1998, a number of important steps concerning the common defense policy were taken. The most important one was no doubt the decision at the EU summit in Cologne in 1999, which formally transferred to the EU the right to carry out peace-keeping operations. Until the formal transfer took place, the responsibility for these so-called Petersberg tasks was held by the WEU. Moreover, only six months later, in December 1999, the EU summit in Helsinki decided to establish a European Rapid Reaction Force of 60,000 troops capable of performing the “full range of Petersberg tasks.” It is worth noting that there is no definition of the geographical area in which the EU can take the leading role with its troops (Heisbourg 2002: 8).

The Cologne decision meant that the EU acquired the right to make decisions on the Petersberg tasks which include “humanitarian and rescue tasks, peacekeeping tasks, tasks of combat forces in crisis management, including peace-making.” It is worth stressing that during the years when the WEU had the right to carry out this type of operations, sub-Saharan Africa was considered important, exactly because the region “could contribute to the global affirmation of the European Security and Defense identity” (Lenzi 1995: 48).

Judged from a limited number of cases, it is possible to argue that the EU became more actively engaged in conflict management in sub-Saharan Africa in the latter half of the 1990s. One important step toward involving itself seriously in conflict prevention in the Great Lakes regions, was when on March 25, 1996, the EU Council of Ministers agreed on a so-called “Joint Action,” appointing a special envoy, Aldo Ajello, to the Great Lakes in “order to help the countries in the region to resolve the crisis affecting them.”<sup>17</sup> The mandate of Ajello has been extended several times and it is important to note that the mandate of the special envoy is not only to keep in touch with governments and international and regional organizations, but also “to identify measures which need to be taken toward resolving the problems of the region.”<sup>18</sup> Moreover, the EU’s policy toward Zimbabwe can be interpreted as an example pointing toward a more serious engagement in conflict management in sub-Saharan Africa.<sup>19</sup> On the other hand, it should be recognized that the Union was extremely

slow in imposing sanctions on the Robert Mugabe regime in the early spring of 2002.

In conclusion, by April 2000 there were already instruments, mechanisms and policies in place dealing with the issue of the many violent conflicts in Africa. There is no doubt that the EU was seriously concerned about the issue, but seen in the context of what the Union had been doing over the years, it becomes obvious that the Cairo summit did not bring about anything new, neither as far as policies nor as far as instruments are concerned. Not even the Cairo Declaration agreed on at the summit, which touched upon these issues, contributed anything new. Within the framework of this chapter, it is one fairly strong indicator that the summit mainly had a symbolic function – as far as it expressed the Union’s deep concern over the violent conflicts in Africa, but without doing anything substantial about its concern.

### *Trade and aid issues*

Chapters II, III and IV of the *Cairo Plan of Action* address issues related to trade and economic development in general as well as issues related to development and to poverty eradication in particular. However, ever since the start of the European Communities in the late 1950s, aid and trade have exactly been the material core of the relationship or the most important link between “Europe” and sub-Saharan Africa as it is illustrated by the content in the different cooperation agreements, in particular the Yaoundé and the Lomé Conventions (Holland 2002). As late as 1996, the European Commission even described the aid relationship with Africa as “one of the most important facets of the EU’s external activities.”<sup>20</sup>

Having established the fact that trade and aid have been and continue to be the most important links between the two regions, it is not to be overlooked that the cooperation on aid and trade underwent considerable changes during the 1990s. First, and most significant, the real value of the financial envelope of the convention was cut successively both in 1994/1995 during the so-called mid-term review, and again in 1999 and early 2000 during the negotiations on the continuation of Lomé resulting in the Cotonou Agreement. There was a reduction in the real value of EU long-term development assistance to sub-Saharan Africa from \$1,559,000 in 1989/1990 to \$1,255,000 in 2000, measured in 1999 prices and exchange rates.<sup>21</sup> This decline becomes even more striking when compared to the growing percentage of EU development aid that went to other regions but Africa. Sub-Saharan Africa’s relative share of total EU development aid dropped from 66 percent in 1989/1990 to 35 percent in 1999/2000, whereas aid to other geographical areas – especially the Middle East and North Africa – increased from 7 percent to 17 percent in the same period.<sup>22</sup>

But exactly because of the shrinking aid volume, participation in the

Cairo summit became all the more important in order to counteract what looked like an unquestionable shrinking European involvement in the future of Africa. Probably Gordon Crawford is right when he drew his conclusion in the wake of the lengthy negotiations on the mid-term review of Lomé IV in 1995, stressing that the result from the negotiations showed a declining EU commitment to the ACP group, particularly in contrast with the growing (aid) volume to the other regions (Crawford 1996: 503ff.). The result of the mid-term review of Lomé IV sent a clear signal to the outside world as well as to the European public that the EU was changing its external political priorities. The reduced emphasis on the relationship with Africa may also be read from the Commission's so-called "Green Book" published in late 1996 on the future of the Lomé relationship. Based on her reading of the book, Lister concludes that the EU obviously had "lost confidence in the West's ability to develop other regions" and moreover that the EU had "drifted into a state of confusion somewhere between improving its development policy and losing hope" (Lister 1998: 377).

In conclusion, before April 2000 and the Cairo summit there were a number of cooperation agreements in place covering issues related to trade and development aid. In that sense, neither the summit nor the Cairo process added anything new to the already existing agenda of the two regions. Rather on the contrary, the summit only cemented the trend of the preceding ten years – or, to quote the *Financial Times*' evaluation of the results of the summit, "Europe's overall political message to the summit was that Europe cares about Africa, though evidently not enough to come up with commitments of new resources."<sup>23</sup> The striking lack of substance to the writings on aid and trade in the *Plan of Action* makes it even more obvious to ask why at all the chapters on aid and trade were included?

It is possible to come up with two answers which at the same time serve as dual arguments in favor of the interpretation that the Cairo summit and the subsequent process of high-level contact were symbolic politics. On the one hand, there is the standard proposition of this section that the *Cairo Plan of Action* did not contribute anything new to what already existed. On the other hand, it is also possible to argue that exactly because no new or additional funds were promised in Cairo and because the aid funds from the Union to Africa had decreased significantly during the preceding decade, there was even more need for a symbolic gesture making it look as if the EU was still committed to the fate of Africa.

### ***Promoting democracy and respect for human rights***

No less than twenty paragraphs in Section IV of the *Cairo Plan of Action* deal with issues related to human rights, democracy, good governance and the rule of law. However, during the 1990s exactly such issues had

been highly profiled on the EU's foreign policy agenda, including its development policy agenda. As early as November 1991, the then twelve EC member states adopted a resolution stating unequivocally that in the future democracy and respect for human rights would be preconditions for receiving aid from Europe.<sup>24</sup> Moreover, the Maastricht Treaty stressed that "the development and consolidation of democracy and the rule of law and adherence to human rights and fundamental freedoms"<sup>25</sup> are among the most important aims of the development policy of the EU. The high priority officially given to the promotion of democracy and respect for human rights was finally underlined clearly both in 1994/1995 during the mid-term review of the Lomé IV Agreement, and again by the end of the decade during the negotiations on the current treaty, the Cotonou Agreement, between the EU and the ACP countries. The preamble of the Cotonou Agreement explicitly states that "respect for human rights, democratic principles and the rule of law are essential elements of the partnership."

In spite of a number of fairly negative evaluations of the implementation of the EU's policy within this highly profiled policy area (Olsen 2000; Crawford 2001), there is no question that the Union had a clear and outspoken official policy on the promotion of democracy, human rights and good governance. Against this background, there was no need for additional declarations repeating the broad principles and overall aims. Because the *Cairo Action Plan* as of April 2000 did not bring about anything new, the paragraphs covering the issues can be considered to be either superfluous or simply a reconfirmation of the agreements already in place.

This brief account of the Union's policies within conflict and conflict prevention, within trade and aid, plus the policy on promotion of democracy, points toward an unambiguous conclusion: Within all three broad fields, the *Cairo Plan of Action* and the subsequent process of high-level meetings and negotiations did not bring about any new initiatives or new instruments, not to mention additional financial resources to Africa. Using Edelman's distinction between the instrumental side and the symbolic aspects of politics (Edelman 1985), it is difficult to escape a conclusion that the European policy on the summit as well as on the Cairo process simply lacked an instrumental dimension. The statement makes it correspondingly difficult not to conclude that the EU's involvement in the holding of the summit and in the Cairo process almost exclusively served symbolic functions. The conclusion can be further specified to mean that the participation both in the summit as well as in the process was to a large extent an expression of make-believe policy, i.e. to give the impression that the Union was acting, but without doing anything substantial.

***Strong humanitarian attitudes***

It has been indicated that for a policy to be successful, it must be perceived as legitimate by the European public. Again we have to refer to available opinion surveys in order to get an impression of what the public potentially thinks about the Union's involvement in the Cairo summit from another angle than that of the Union as an international actor. Because the focus in this section is on the Cairo summit – interpreted as a make-believe initiative in relation to development issues – it is more pertinent to consult polls on European attitudes to issues related to development aid.

Based on a selection of such surveys, it is possible to argue that fairly strong attitudes exist in Europe in favor of helping Africa and other poor regions in dire need. A number of surveys show that traditionally the European public has given quite positive responses to questions related to whether Europe should “help Africa” and people in need. A clear majority of Europeans feel they have a moral obligation to “help the poor” by giving development aid. According to the surveys as many as 82 percent of Europeans in 1996 – and 76 percent in 1998 – found that aid to developing countries was an “important goal.” In 1996, a third of Europeans believed that giving aid was “very important,” while 28 percent thought so in 1998.<sup>26</sup> For this discussion, it should be noted that in 1998, 45 percent pointed to “Europe” as the region which “is best placed to help Africa.” Two years before, in 1996, 57 percent of Europeans thought that Europe was in that position.<sup>27</sup> Unfortunately, since 1999 “Eurobarometer” has not carried out opinion polls on issues related to development aid.

Having noted such attitudes, it has to be emphasized that the positive response to the statement “aid is an important goal” does not imply that Europeans necessarily are in favor of development aid in general (Olsen 2001). The opinion surveys can be used only as an indication of the existence of a widespread humanitarian and moral disposition in the EU member states, which can be substantiated by the fact that a number of surveys indicate that “the rationale for aid in the public mind was and remains emergency relief” (Smillie 1996: 28).<sup>28</sup> Zartmann uses such surveys to conclude that there is a general feeling of moral obligation on the part of large segments of European citizens (Zartmann 1993: 6). The statement is further buttressed by the continued support for “humanitarian appeals” issued by non-governmental organizations (NGOs) during the 1990s (Smillie 1996: 32).<sup>29</sup> Finally, it is worth stressing here that when it comes to whether the EU or the national governments should take the responsibility for giving humanitarian assistance, in late 1999 there was massive popular support in favor of this policy field becoming a common responsibility (67 percent) and not remaining a national issue (28 percent).<sup>30</sup>

Based on this information, it is reasonable to conclude that a cultural-

normative context exists within the EU potentially favorable toward EU authorities, if they act in cases where people are unquestionably in need. It means that initiatives aimed at “doing something” for people under severe stress will almost certainly be considered to be legitimate. Probably, this conclusion can be extended to include situations where there is an obvious need for action with a more general aim, such as combating poverty and managing violent conflicts. Therefore, it is highly probable that the EU’s involvement in the Cairo summit and the Cairo process would be considered to be legitimate.

## **Conclusion**

It was the first proposition of this chapter that the EU involved itself in the Cairo summit and the subsequent Cairo process because participation can be seen as a small step which, along with a number of other small steps, contributes to the construction of the EU as an actor in global politics. The first part of this analysis concluded that the summit can be considered to be a small step. Moreover, it was shown that there seems to be fairly strong popular support for this type of policy initiative, i.e. initiatives within the realm of the CFSP. On the other hand, it must be recognized that the Cairo summit and the Cairo process are indeed very small steps, and therefore it could just as well be argued that it was not really so important whether the initiative was legitimate or not. The issue of legitimacy is only interesting if the Cairo summit is claimed to be important in itself as a small step toward the CFSP.

The second proposition of this chapter was that the EU’s involvement in the Cairo summit was basically an expression of symbolic politics. This was substantiated quite strongly by the empirical analysis. It showed that there was a striking lack of substance in the *Cairo Plan of Action* when compared to the already existing policies and instruments of the Union. The introduction asked why the EU involved itself in the summit and the subsequent process. Based on the conclusion above it is almost impossible not to state that the Union’s involvement in the Cairo summit was to a very large extent a symbolic act. The reasons for this can be specified as the fact that the decision-makers wanted to give the impression that the Union was committed to do something about the severe problems in Africa, while at the same time they were extremely vigilant not to be drawn into to new commitments, as proved by the lack of substance in the *Plan of Action*.

The analysis of the opinion surveys on Africa and aid to Africa indicated quite strongly that it was a “rational” strategy to participate in the summit as long as it avoided committing the Union to new expenditures or new activities. It can be concluded that a widespread humanitarian and moral disposition exists within Europe to help people in emergency situations in particular, and people in need in general. Put another way, in

order to sustain the image of the EU as a strong international actor building its policy on values and compassion, it was difficult for the Union not to participate in the summit. It was even more so because both the Union and the member states during the 1990s had cut their development aid to sub-Saharan Africa quite dramatically. There was, so to speak, a need for symbolic acts showing that the Europeans had not turned their back on Africa. And the opinion polls underline that the majority of the Europeans would not like this to be the case.

In summary, participation in the Cairo summit and the Cairo process was mainly symbolic politics which give “meaning” to the vast majority of the Europeans. The chapter has shown that the summit mainly served reactive purposes, giving the impression that the EU took action. However, the symbolic policy was not only reactive. It was also proactive in the sense that it helped to promote the image of the Union as a global actor. And it should be noted that the majority of the European public wants the Union to play a role when it comes to “grand” international questions like the fate of Africa, and at the same time, there is a clear recognition that the nation states of Europe are no longer the most effective actors.

## **Part IV**

# **Comparative aspects and special cases**



# 14 Comparing interregionalism

## The Asia-Pacific Economic Cooperation (APEC) and the Asia–Europe Meeting (ASEM)

*Hanns W. Maull and Nuria Okfen*

### Introduction<sup>1</sup>

Both the Asia-Pacific Economic Cooperation (APEC) and the Asia–Europe Meeting (ASEM) have shown considerable longevity and durability, and both have substantially widened their range of activities. APEC, which was founded in 1989, has undergone both a significant enlargement of its membership with the addition of nine to the founding membership of twelve Asia-Pacific states, and it has also seen “deepening,” i.e. substantial institutional development through the addition of annual summit meetings since 1993 and the Eminent Persons’ Group (EPG), as well as through a plethora of additional ministerial meetings, committees and working groups. The membership of ASEM, which was established in 1996, has been enlarged in 2004 (the issue had been on the table almost from the beginning). ASEM, too, had developed into a multi-dimensional, complex dialogue process involving both governments and civil societies in a broad range of more or less institutionalized activities. Both interregional institutions therefore have by now acquired a significant track record, which should allow us to find out whether APEC and ASEM have delivered what they were expected to deliver.

### **Are APEC and ASEM effective forms of interregionalism?**

#### **Theoretical and conceptual considerations**

From a theoretical perspective, interregionalism has been interpreted as one of the responses by states to (1) an increasingly complex world of interdependence and (2) important shifts in relative power in the international system as a consequence of the demise of the Soviet empire (and the Soviet Union itself). The realist school of international relations assumes that interregionalism contributes to balancing, notably to balancing against the superior power of the United States in military, economic, financial and technological terms, but also against the economic power of the European Union and East Asia (economically integrated through the regional activities of – predominantly Japanese – transnational corporate

production networks). From the institutionalist perspective, interregionalism is seen as a vehicle to enhance “global governance,” i.e. to help manage both the opportunities and the risks inherent in the accelerating interdependence or “globalization” of international relations. Lastly, constructivists would see interregionalism as a way to help build and solidify regional collective identities.

### ***Balancing superior power***

If we look at the realist perspective more closely, there are at least two different kinds of balancing functions which interregionalism might perform, namely balancing of power (or threats) in the context of an anarchical international system, and coalition-building within cooperative contexts, such as international regimes or international institutions, where the underlying cooperative orientation is not called into question but the logic of mobilizing power to secure one’s objectives still applies.

- 1 *Power balancing* is directed against great powers or threatening alliances. It is based on a relative-gains orientation: gains of the power to be balanced are assumed to negatively affect one’s own position, and vice versa. This type of balancing ultimately is in pursuit of national security objectives, and will therefore have a military (or at least a mercantilist) bent. Power balancing takes place externally, against a strongly perceived threat, and aims to enhance national autonomy.
- 2 *Balancing within an institutional/regime context* also involves efforts to mobilize resources and support in the pursuit of one’s own objectives, through coalition-building or use of institutional arrangements to check the efforts of others without, however, calling into question the underlying cooperative arrangement. In the domestic political context, such efforts build on constitutional “checks and balances.” This form of balancing assumes a low-threat environment; the key objective here is influence within the institutional context, rather than autonomy.

Both forms of balancing are about managing power relationships in international relations. In theory, interregionalism could follow either logic, depending on the systemic context.

### ***Managing interdependence and globalization***

From the institutionalist perspective, international relations are characterized by the search for security and wealth, and they contain aspects both of zero-sum and of positive-sum gains, hence cooperative as well as competitive impulses. The dense webs of interdependence resulting from

the search for wealth through trade and investment abroad produce opportunities both to lower transaction costs and facilitate division of labor, but also dependencies and vulnerabilities. Cooperation can secure additional gains and reduce the risks and threats.

This logic of interdependence applies to both security and non-security issues. If there are strong security interdependencies (such as in a situation of mutual assured destruction), it pays to pursue security cooperatively.

In political, economic and socio-cultural relations, the management of interdependence will be directed at exploiting the potential to enhance growth, but also at managing vulnerabilities, e.g. from international environmental hazards, distortions in trade relations or insecurity of energy supplies. Again, interregionalism could conceivably be used in the pursuit of such purposes.

### *Contributing to regional identity formation*

Lastly, the constructivist school of international relations theory has been interested in the way foreign policy orientations of states develop. It assumes that states act on the basis of a “socially constructed” model of the world and itself, that is, assumptions about international relations and the state’s own identity and roles in it. Those assumptions involve norms, i.e. they relate to *how things should be, not only to how they are*. Constructivists would therefore analyze interregionalism looking for their content in terms of norms and identities, and they would see value in ASEM and APEC as vehicles to articulate and promote collective regional identities. In the dialogue with another region, a region, thus the constructivist logic goes, may enhance its own identity *by talking and acting as a region as a collective*. Interregionalism could thus help to construct collective identities (Gilson 2002a).

## **Sifting the evidence: the empirical record of APEC and ASEM**

### *A brief survey of APEC and ASEM*

Let us now turn to the empirical evidence.<sup>2</sup> Have APEC and ASEM been able to promote national interests through interregional cooperation in the ways suggested by our brief theoretical survey? If so, how and to what extent? And how effectively? Before we turn to answering those questions, a brief sketch of APEC and ASEM may be in order.

APEC arose out of long-standing efforts by epistemic communities to develop a framework for regional economic cooperation in Asia-Pacific.<sup>3</sup> Developments in Europe (i.e. the successful evolution of the European Community) provided the stimulus, while the Organization for Economic

Cooperation and Development (OECD) served as a model. Among the numerous proposals developed since the 1960s, two fundamentally different concepts could be discerned. One set of proposals (the majority) included the United States, while another set sought to organize cooperation only within East Asia. While earlier efforts, particularly by the Japanese and Australian governments, at setting up such an organization at the official level failed as a result of opposition from the United States and the Association of Southeast Asian Nations (ASEAN), those two governments eventually succeeded in 1989. The inclusion of the United States in this context was critical. Originally conceived of as a OECD-type facilitator for economic cooperation in Asia-Pacific, APEC rather quickly gathered political momentum through the inclusion of China in 1991. China had failed to secure membership in 1989 as a result of the Tiananmen massacre and its international consequences; in 1991, together with China, Taiwan was also accepted as a member to APEC, with China's reluctant approval, as an independent economy but not as a fully fledged state.

The Clinton administration embraced Asia-Pacific multilateralism and took the initiative to upgrade APEC through an invitation for APEC "leaders" to meet, at the summit level, in Seattle in 1993. The United States then tried to use APEC summits as a vehicle to push for trade liberalization throughout the region, but those efforts eventually floundered. Officially, APEC has confined itself – at China's insistence, which wanted to avoid everything which could be seen as upgrading Taiwan's international political status – to issues of economic cooperation, such as trade, investment, development cooperation, energy and the environment. In fact, however, APEC has had an implicit political and even security agenda since APEC leaders met at the summit: Heads of state or governments getting together will inevitably talk politics, not only economics. Today, APEC counts twenty-one members (among them several Latin American countries and Russia), and holds annual summit meetings at the level of APEC leaders and at ministerial level. There are a large number of committees, sub-committees, expert groups and seminars.

Unlike ASEM, APEC at first glance may perhaps not be seen as an inter-regional organization: the underlying idea is that of a community of nations brought together by the Pacific Ocean. Yet in fact America's commitment to Asia-Pacific, while long and very substantial, has always been that of an outsider coming in, rather than a fully fledged member of Asia-Pacific (Morrison 1998). The same may be said about Canada, Australia and New Zealand. Moreover, APEC membership covers such a large part of the globe's surface and the world's population and economic activity that it seems for that reason also dubious to consider it a "region." It therefore seems appropriate to include it in the list of interregional institutions.

ASEM is, of course, considerably younger than APEC.<sup>4</sup> This is true not only formally (ASEM was founded in 1996), but also if we look at the

origins of this institution. The idea to set up an institutionalized inter-regional dialogue between Europe and Asia arose only in the 1980s, with the initiation of the European Community (EC)–ASEAN and the EC–Japan dialogues. In the early 1990s, the World Economic Forum in Davos helped to promote the idea; in its specific form, the ASEM project took shape only in the mid-1990s in Singapore. ASEM is a truly inter-regional framework for cooperation and dialogue, involving the European Union and the ten ASEAN member states, plus Japan, the Republic of Korea and the People’s Republic of China. Unlike APEC, the ASEM agenda from the beginning comprised political and security issues as well as economic cooperation; a third pillar of ASEM has been cooperation at the people-to-people and societal level. In substantive terms, it took some time and effort to make the political discussions meaningful, however, and in terms of practical cooperation the focus of ASEM has clearly been in economic and cultural affairs. As in the case of APEC, ASEM has developed into a complex process of cooperation, involving governments (at the level of leaders, ministers and senior officials), business and societies in a broad variety of activities, from summit meetings to seminars and workshops.

### *Power balancing*

It is obvious that APEC and ASEM do not have great importance in the international security equation, and therefore cannot reasonably be expected to have been used in the context of power balancing. The critical fault lines in terms of power and security today are intraregional, such as the conflict on the Korean peninsula, or transnational, as in the case of international terrorism; the only really conceivable future global security fault line is a possible future US–China confrontation. But this relationship is embedded within APEC, and ASEM is simply irrelevant to China’s efforts to balance the United States, or vice versa: The security issues which have been touched upon in the political dialogue within ASEM never fell even remotely into the collective defense context of power balancing. Nor could we think of any other traditional international relations context in which APEC or ASEM would have been used to re-equilibrate power and military security relations.<sup>5</sup>

### *Checks and balances*

There is considerably more evidence that APEC and ASEM have been used in interregional efforts to strengthen the bargaining power of regions vis-à-vis each other. Thus, the very foundation of APEC has widely been interpreted as an attempt by a group of states in Asia-Pacific to strengthen their bargaining hand in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations, as well

as a move to check the tendencies in Europe (the Single European Market Initiative) and the North American Free Trade Agreement (NAFTA) toward regional trading arrangements, possibly to the detriment of the GATT regime. For the European Union, ASEM – which was perceived and presented as a way to “correct” the lopsided institutionalization of the triangular relationship between major centers of economic activity and “complement” APEC – was a subtle way to check any American and East Asian collusion in trade matters to the detriment of Europe. Developing countries within APEC also benefitted from having at their disposal a new institutional setting in which to promote, through cooperation, their own concerns in the international trading regime more effectively.

Often, the United States has been both the subject and the object of this type of subtle balancing. There are different views as to whether US participation in APEC is a sign of US strength and in fact of American hegemony, or of its erosion. Thus, while Heribert Dieter holds that American participation in APEC is a sign of weakness and growing limits on America’s ability to impose its will (Dieter 1998a), Barry Buzan sees America as being in a position of unique strength: among the four major regions in the world, it is the only one capable of intervening, politically and even militarily, in any of the other regions (Buzan 1998). Thus America, the “swing power,” can play the three other regions off against each other in a hegemonic balancing act orchestrated within the context of *Pax Americana*. In the former argument, the United States would be engaged both in checking power, and in being checked by others; in the latter argument, America would in fact stand “above the fray” and conduct internal balancing and coalition-building, *inter alia* through interregional cooperation.

Although APEC was not a US initiative, and America was originally not even intended to be a member, since the APEC Seattle summit in 1992 the Clinton administration tried hard to turn APEC into a vehicle for trade liberalization as one more instrument in America’s increasingly diversified trade policy approach (Falke 1996). This approach combined unilateral, bilateral and multilateral instruments in a highly “opportunistic” or even “predatory” fashion. APEC was to enhance US policy influence over international trade policy developments within GATT/World Trade Organization (WTO) and promote specific American trade liberalization objectives within Asia-Pacific (“fine tuning”), but also vis-à-vis the European Union (EU) (for example, the liberalization of agricultural trade). NAFTA and APEC were thus to serve Washington as levers to bring pressure to bear on the EU, and particularly on France, to secure progress on specific sectoral issues.<sup>6</sup>

This strategy, however, did not work. Resistance within APEC against the American agenda was too strong, and APEC did not function as an interregional trade liberalization caucus within the WTO. Neither could

the United States secure within APEC accelerated implementation of WTO liberalization decisions, nor – with the single exception of the information technology industries – did it achieve sector-specific liberalization programs ahead of WTO agreements. Today, there is considerable skepticism among observers about APEC's much-trumpeted Bogor liberalization agreements. The steps taken toward the lowering of trade barriers by individual APEC members such as China,<sup>7</sup> albeit presented within APEC, were in reality probably efforts to live up to WTO obligations or (in China's case) measures required to secure WTO membership (Ravenhill 2000: 323; Aggarwal/Lin 2001). There is little evidence for trade liberalization measures taken within Asia-Pacific without a clear link to WTO, but inspired by APEC.

The resistance against American efforts to turn APEC into a vehicle for trade liberalization manifested itself most clearly in Osaka 1995. At this APEC summit, Japan succeeded in watering down the Bogor liberalization commitments through the introduction of Individual Action Plans (IAPs). This showed that Japan had thrown its weight behind the position of those Asian developing countries which objected to any institutional strengthening of APEC and the introduction of binding commitments. To achieve consensus within APEC, Japan needed to square Washington's liberalization objectives with the resistance of those Asian countries.<sup>8</sup> Tokyo's solution was to keep the original commitments, but do away with specific timetables or implementation procedures. In accordance with the principle of voluntarism promoted by China and Malaysia, each member state (or economy) was to develop its own strategy toward achieving the liberalization objectives through IAPs. This effectively put an end to American efforts to use APEC as a vehicle for trade liberalization and shifted the emphasis toward development cooperation (Ecotech in APEC speak, i.e. economic and technical cooperation), which was now officially recognized as APEC's "third pillar" (the other two being trade liberalization and trade facilitation). As a sop to the United States, Japan also set up a program for trade liberalization and trade facilitation fully funded by Tokyo, the so-called Trade and Investment Liberalization and Facilitation (TILF) program.

Together with Ottawa, Washington tried again in 1997 to turn APEC into a trade liberalization vehicle on a different track, through the Early Voluntary Sectoral Liberalization (EVSL) program. This program was to promote liberalization through the lowering of tariffs and non-tariff barriers in a total of fifteen industrial sectors by the years 2010 and 2020, respectively. Again, opposition against this project was led by Japan, which refused to give up protection of its forestry and fisheries industries. In reality, it had been clear already at the 1997 summit in Vancouver that for each of the fifteen sectors there was at least one member state which demanded exemption, or at least exceptions.<sup>9</sup> In the ensuing conflict, China, Malaysia and Thailand sided with Japan, while Canada, Australia

and New Zealand supported the United States.<sup>10</sup> By 1998, the EVSL initiative within APEC was dead, and the negotiations for nine of the fifteen sectors were handed over to the WTO.

While the developing countries within APEC had thus been able, with Japan's support, to block the institution of APEC as a vehicle of trade liberalization, they were unable to effectively promote their own agenda of development cooperation. Although development cooperation had been firmly installed in principle in Osaka, dissatisfaction rapidly developed among the developing countries within APEC about the actual implementation of Ecotech.<sup>11</sup> Chinese efforts to have this corrected and enhance practical cooperation through better and more effective institutionalized coordination in 1998 led to the establishment of a new mechanism to promote Ecotech. Significantly, however, it was not accorded the status of a full committee, but was set up as the Ecotech Subcommittee.<sup>12</sup>

ASEM, too, can be seen as the expression of a subtle desire by the EU and East Asia to check the power of the United States. This intention certainly lurked behind the frequently presented view that ASEM represented a response to a fundamental imbalance in the triangular relationship between the three major industrialized regions: ASEM was to answer the perceived "shift in US policy toward Asia."<sup>13</sup> But this was more hope than reality: already in the preparatory phase for the first summit in Bangkok it became clear that ASEM was never seriously intended as a political counterweight to America or even APEC (Pou Serradell 1996). The very modest expectations of participants were well expressed by the then Japanese Prime Minister Ryutaro Hashimoto: "the best thing was to produce an atmosphere where people could leave the conference room smiling."<sup>14</sup> The only episode in which one could discover a hint of Euro-Asian "ganging up" against America was the meeting of ASEM ministers of finance in Kobe in January 2001, when the Japanese hosts distributed a paper prepared jointly with France, which discussed the advantages of policies stabilizing exchange rate fluctuations. The paper also argued that Asian currencies would be more stable if they reduced their linkages to the dollar. The former Director of the International Monetary Fund (IMF), Horst Köhler, at that meeting also reportedly supported enhanced regional currency cooperation in East Asia. Some observers saw in the Kobe meeting the beginnings of Euro-Asian coordination of international financial policies.<sup>15</sup> In reality, however, the paper, which was not even brought to the attention of all other ASEM members, remained politically irrelevant.

In sum, there is no evidence that APEC or ASEM were used for purposes of power balancing. There are some indications, however, that APEC and ASEM were seen as vehicles for checking the power and enhance influence through interregional dialogue. Still, those efforts remained largely irrelevant for the United States, Europe and East Asia. Neither APEC nor certainly ASEM were able to provide the two regions

involved with additional influence on the third region – be it America or Europe.

### *Managing security interdependence and globalization*

While neither APEC nor ASEM could reasonably be expected to contribute to power balancing, collective defense or collective deterrence, those two interregional institutions could and did get involved, as we saw already, in other ways with security issues. In the context of global security interdependence, there are numerous ways in which APEC and ASEM could conceivably contribute to enhanced “global governance” of security threats. Examples might include joint efforts to “enlighten” China (and even the United States!) (Segal 1997) by enhancing their willingness to engage in effective multilateral cooperation; support for collective security efforts within the United Nations (UN) system (e.g. in the context of peace keeping or peace building cooperation); or generally through steps to promote cooperative approaches to international or global security challenges.

APEC in fact always did have a “hidden” security agenda: it was to support “weaving a net” not only around China but also the United States, constraining their respective margins of maneuver and channeling their power toward regional stability in forms which would allow smaller states to have their say. With the introduction of the APEC summit, this hidden security dimension gained further in importance, as the heads of states and governments would inevitably also bring up security issues in their conversations (Funabashi 1995; Satoh *et al.* 1998). APEC summits did, in fact, tackle security issues explicitly on two occasions: In 1999, the summit in New Zealand dealt with the wave of violence on East Timor and helped to secure agreement on a UN-authorized intervention led by Australia (Lloyd 2000). In 2001, it was the Al-Qaeda attacks on New York and Washington which dominated the summit in Shanghai.

Neither example suggests, however, that APEC has acquired a significant security role in its own right; rather, the summits served, almost by chance, as useful platforms for ad hoc ratification of intergovernmental cooperation. On the other hand, it is true that APEC, in spite of its original conception as a strictly economic policy dialogue and cooperation framework, has acquired a significant political and even security dimension. Moreover, this security dimension has implicitly been present from the very beginning: it was assumed that, through enhancing economic policy dialogue and cooperation, APEC would indirectly contribute to regional stability and security.

The shift in emphasis of APEC from economics to politics and even (implicit) security functions was already apparent at the 1999 APEC summit in Auckland. There, the issue was East Timor – a classic case of the “domestic prerogatives” of the sovereign state being undermined by

events on the ground. When the issue was brought up at the summit, therefore, there was considerable resistance. The New Zealand government, the host at the meeting, tried to assure participants that there would be no explicitly political items on the agenda, but Indonesian President Habibie still indicated that he would stay at home, only to turn up after all in the end.<sup>16</sup> The Asian side was divided as to whether APEC should open itself to political discussions: While the Thai Foreign Minister Surin Pitsuwan was in favor of dealing with the East Timor issue at the summit, Malaysia, and in particular the tough Malaysian Minister of Foreign Trade and Industry, Rafidah Aziz, was opposed. She, as others, feared that this would set a precedent for APEC to address potentially very sensitive political issues.<sup>17</sup>

At the Shanghai summit in 2001, there was no more resistance against focusing on a core security concern, the fight against international terrorism. Malaysia raised no objections but threw its support behind the US position.<sup>18</sup> Even China, which – unlike Japan<sup>19</sup> – did not explicitly welcome this shift in APEC priorities, went along: as the host, it was visibly concerned to show its commitment to the APEC process and to (inter)-regional cooperation. The Shanghai meeting thus seemed to rekindle interest in APEC by confirming its new, political nature. After all, this was the first visit abroad by President Bush since the terrorist attacks on New York and Washington on September 11, 2001. He used this visit, and the summit, to strengthen his “international coalition against terrorism with a global reach.” This turned the APEC summit, much against the original intentions of the Chinese hosts, into a summit against international terrorism, culminating in the political declaration in support of the fight against terrorism.<sup>20</sup> The summit also provided the opportunity for a bilateral meeting between Presidents Bush and Jiang Zemin, and thus enabled the two governments to improve bilateral relations. All this does not compensate for the absence of any significant contributions of APEC to actually managing the challenges of globalization, which remained close to zero; it did, however, underline the changing emphasis of the APEC process: Politics by now had moved to center stage.

Unlike APEC, ASEM has explicitly included a political and security dimension from the beginning, thus enabling members in principle to bring up security issues. With the difficulties in enhancing economic cooperation becoming increasingly apparent as early as 1998, the political dialogue could have become a major new area for ASEM's advance. In practice, however, there was considerable reluctance to enter such discussions, particularly by many Asian members who feared “interference” in their own affairs. Today, there is much disappointment, on the European side, about the vacuity of the political dialogue: from their point of view, the really important issues still cannot be discussed openly and frankly.<sup>21</sup> The statements which emanate from the summits and the ministerial meetings address a plethora of issues, none of which, however, is pursued

in a sustained and politically meaningful way. This suggests that there is no meaningful political cooperation.<sup>22</sup> While political impulses are formulated at the top of the process, they do not percolate down into the political machinery for cooperation. In this sense, the ASEM political dimension remains symbolic and rhetorical. Even at that level, there have never been common positions and compromise formulae beyond a lowest common denominator.

The only significant security issue which ASEM has been able to broach with some concrete results, therefore, has been the situation on the Korean peninsula. The Third ASEM summit in Seoul 2000 provided an opportunity to strengthen interregional cooperation between East Asia and the EU with a view to stabilizing the situation on the Korean peninsula. This was taken up again in Copenhagen in 2002 at the Fourth ASEM summit, when ASEM leaders threw their support behind South Korean and Japanese efforts to draw North Korea out of its self-inflicted isolation and confrontation.<sup>23</sup> In fact, however, there were signs that ASEAN rather resented the heavy emphasis on Northeast Asian security issues, and effective cooperation therefore took place between the EU and the two Koreas, or within the Korean Energy Development Organization (KEDO), rather than within ASEM.<sup>24</sup>

Again, as with APEC, the ASEM contribution to interregional cooperation with a view to enhance stability on the Korean peninsula was fortuitous and circumstantial, rather than politically induced. Nor are there any indications that APEC or ASEM have, beyond dialogue and political symbolism, contributed in other ways to strengthening the global governance of international security challenges. In particular, there is little evidence that APEC or ASEM may have modified Chinese or American great power behavior and their inclinations toward unilateral action and against effective multilateral cooperation.

### *Managing complex economic interdependence and global governance*

From an institutionalist perspective, APEC and ASEM are potentially important contributors to enhanced international cooperation and “global governance.” The need for such contributions seems particularly obvious in the case of international economic and environmental relations. And both APEC and ASEM have indeed tried to make such contributions, notably with regard to the international trading order. APEC’s programmatic concept of “open regionalism” was presented, by its promoters, as an important addition to the existing international trading order, which was presented as too cumbersome and too slow. By implementing trade liberalization more rapidly and more extensively than the WTO, “open regionalism” would also advance global trade negotiations more rapidly and ensure a more effective implementation of WTO agreements (Drysdale *et al.* 1998: 112ff.). It was expected that APEC would be

able to agree on liberalization measures in trade and investment, which would underpin and complement the WTO arrangements and thus help to strengthen “global governance” of the world trading order.

How did APEC fare in recent years from this perspective? As we have argued already, there is little evidence that APEC has secured actual welfare gains for its members. APEC has so far not been able to agree on its basic trade policy orientation. By 1996, critical observers, noting a growing discrepancy between APEC’s lofty aims and its realized objectives, had already questioned the very *raison d’être* of APEC.<sup>25</sup> As we have seen, APEC’s declared aim of trade liberalization was blocked by a coalition of East Asian members: the vague commitments to trade liberalization pronounced at Bogor in 1993 were not followed up through APEC-specific trade liberalization measures. Moreover, APEC also failed in its efforts to facilitate trade through the abolition of non-tariff barriers. Projects in this context, such as a database designed to provide the information needed to identify and abolish specific trade distortions, floundered in the face of members’ reluctance to provide the necessary data or even to agree on common standards for data collection.<sup>26</sup> As a result, APEC databases are very general, therefore not very useful and as a consequence little used. Overall, members seem to have lost interest in APEC as a forum for trade liberalization; in recent years the emphasis in international trade policy in Asia-Pacific has shifted toward bilateral free trade agreements (such as the recently signed agreement between Singapore and Japan, or the proposed ASEAN–China Free Trade Area).

Nor did APEC contribute to global governance in the international financial order through effective contributions to crisis management: When the Asian crisis erupted in 1997, many Asian members looked to APEC, only to be disappointed when Washington insisted on entrusting crisis management to the Bretton Woods institutions and the Asian Development Bank. Although APEC launched a number of small, specific projects under the heading of “capacity building,” which were to strengthen the financial systems of APEC member countries affected by the crisis, and also help them to cope with the devastating social implications, the record of implementation has again been less than impressive (Maull 2001b).

In sum, APEC has not contributed in any significant way to effective global governance of either the international trading or the international monetary and financial order. APEC has not taken any decisions of significance since the 1998 summit meeting in Kuala Lumpur; the summits were often perceived as “insignificant tea parties with economic chats.”<sup>27</sup> In parallel, the interest in APEC among member states seems to have declined significantly. For what else can one make of the recommendation that “attention must be paid to ensuring that such meetings [i.e. leaders’ meetings] be perceived as valuable within national governments and taken seriously by heads of states” (Aggarwal/Lin 2001: 189)?

ASEM, too, presented itself as an element in a system of “global gover-

nance," that is, as part of the multitude of formal and informal arrangements through which states and/or non-state actors cooperate and settle common problems. The agenda of the ASEM process included many of the core challenges to global governance, such as the implications of migration, of environmental destruction or international terrorism. From its inception, ASEM has also tried to involve business and civil society in its dialogue programmes. In terms of the substance of the ASEM agenda, but also because of its broad-based, open, democratic and informal procedures and its strong emphasis on dialogue and mutual understanding, ASEM seemed well placed to fit the model of global governance through public-private policy networks as a complement to traditional ways of tackling the challenges of globalization.

How has ASEM fared in recent years? ASEM's contribution to sustaining the WTO regime has been negligible. With regard to trade issues, ASEM has confined itself to express its support for the principles and the specific agreements of the WTO, and to pledge faithful implementation. With regard to developing the international trade regime further, ASEM has been unable to reconcile fundamental differences: While the EU would like to have the Doha Round address social and environmental standards, many Asian members have been reluctant to support this or have even been openly hostile. In intra-ASEM trade relations, ASEM has tried to facilitate trade and investment through Trade Promotion and Investment Promotion Action Plans (TPAP and IPAP), but those innocuous and basically practical efforts to reduce barriers to trade and investment have not produced tangible results yet. Suggestions that ASEM should promote trade liberalization on its own by setting full trade liberalization goals in the way APEC has done have never gotten far, and look completely unrealistic for the near future.

With regard to the international monetary order, ASEM has again been unable to contribute substantively, although it supported its principles and also took some symbolic practical steps toward sustaining the existing regime. When the Asian crisis erupted in 1997, it represented a first serious test to the commitment of member countries to the ASEM process. Asian heads of states and governments came to the London summit in 1998 with hopes similar to those they had brought to the earlier APEC summit in Vancouver: They looked for political and financial solidarity. But European political solidarity was heavily qualified: It ended when some ASEM members – namely, Malaysia and Indonesia – wanted to explore ways of managing the crisis outside the framework of strict IMF conditionality. Malaysia and Indonesia accused the EU of slavishly following the American approach, rather than using its influence with Washington to modify the crisis management approach. Moreover, the EU was also unwilling to support Japan's proposal of an Asian Monetary Fund (AMF). The summit ended with the decision to set up a small ASEM Trust Fund to support feasibility studies and implementation measures to reform the

Asian banking sector and alleviate poverty. This fund was a gesture of goodwill, no less but also no more. Tellingly, it was administered by the World Bank. ASEM had split, more or less in the middle: While many East Asian members supported the exploration of alternatives to the Washington-based consensus on international finance, a majority of the Europeans blocked this.

In sum, ASEM has also been unable to effectively contribute to global governance in either international trade or international monetary relations – nor, for that matter, in any other policy realm of globalization. Neither APEC nor ASEM seem able to overcome traditional barriers protecting national sovereignty against notions of shared sovereignty, binding rules and norms, and agreed procedures on joint problem-solving. The pooling of sovereignty is neither envisaged nor actually practiced within either APEC or ASEM – be it within or between regions. Given the tenacity of those fundamental objections to even very modest forms of binding multilateral cooperation, one must be skeptical as to whether inter-regional cooperation in APEC or ASEM really could balance, check or “govern” anything at all.

### *Articulating collective identities*

Have APEC or ASEM, then, contributed to the effective construction of collective identities? In Europe, a collective identity had already been firmly established before ASEM was founded, and while cooperation with East Asia in the ASEM context did provide one more framework for articulating Europe’s collective identity and even generated some minor institutional innovations in expressing this identity through common approaches to external relations, ASEM has clearly not been significant for the promotion of Europe’s collective identity.

For East Asia, however, the issue is more interesting; after all, until the initiation of the ASEAN Plus Three process, both ASEM and APEC provided opportunities to set up an Asian caucus within these two institutions. East Asian heads of state and government took the opportunity of coordinating their positions before discussing them with their Western colleagues, thus developing a collective identity by acting in a concerted manner. In building an informal group of their own within APEC and ASEM, they could thus have contributed to the realization of their self-proclaimed objective of forming an East Asian community. After all, even though ASEM and APEC may differ from one another regarding their historical depth, their main goals and their organizational structure, they both share one key institutional feature. In ASEM as well as in APEC, key ASEAN norms such as non-interference and decision strictly by consensus are at work. Therefore, APEC and ASEM might have appeared to be suitable vehicles to foster an East Asian community. Our analysis of discourses in the countries involved shows little evidence, however, that East Asia

really is perceived by the participants as a community. We found no claims by the governments concerned that this cooperative endeavor was seen as leading toward a regional identity. There simply is no sense of an East Asian community. Rather, it is the stage of economic development which constitutes the most important determinant of the actors' self-perception. Even for the richer East Asian countries like Singapore or Japan, welfare and prosperity are still the guiding principles in their policies toward regional cooperation.<sup>28</sup>

## **Conclusion**

In sum, the empirical evidence suggests that our theoretical insights into the processes of interregionalism need to be revisited critically. There are indications that some APEC member governments indeed sought to use interregional cooperation as a way to "check and balance" other players, to promote national and regional stability and prosperity, and to foster the formation of regional collective identities. In that sense, our theoretically deduced assumptions seem to help us understand why those institutions were set up. But those assumptions do not help us much to understand how they developed. From any theoretical perspective, the very limited relevance of APEC and ASEM to the management of international relations is puzzling. It can be argued that tangible results need more time and effort, and that what has been achieved has utility: It helps to socialize governments into habits of cooperation, and may eventually persuade them to use those existing mechanisms for substantive cooperation, bargaining and even formal negotiations. Second, and much more modestly, governments seem to appreciate expressions of support from their peers on specific policies and rhetorical commitments to key norms in international order, no matter how general those commitments may be; and they relish the opportunities to escape politics at home and engage in rather informal, non-binding dialogue with their peers in the limelight of the world press. Third, bureaucratic inertia probably also plays its role: having re-captured both APEC and ASEM from efforts by political leaders to escape the smothering support and preparations of national bureaucracies, foreign and economic ministries are now committed to continue those institutions. Fourth, given the complex character of interregional institutions arising from large and heterogeneous membership and their usually vague agendas, the main reason to attend interregional meetings for governments and the lobby groups traveling with them is the opportunity for settling bilateral issues in the margins. Bilateral deals do at least lead to concrete results. Whereas big powers like the United States or the Peoples' Republic of China may be less dependent on this, it is the governments of small countries, whose bureaucratic resources are comparatively limited, which will find this aspect particularly important to their own foreign policy objectives.

To summarize this argument, we formulate in four hypotheses the following alternative explanations as to why APEC and ASEM continue to function in spite of their rather modest record in any substantive political sense:

- Hypothesis one: The theories applied in this chapter cannot satisfactorily account for the paradox that APEC and ASEM still continue to be strong, notwithstanding their rather meager results. Interregionalism has to be seen as a distinctive form of international diplomacy, as a category of its own. As such, tackling it from theoretical perspectives may require rethinking the outcome-oriented theories of international cooperation, be they rationalist or constructivist.
- Hypothesis two: APEC and ASEM are politically useful because they allow governments to rationalize their bilateral relations and help them mobilize support from their peers for national positions and initiatives.
- Hypothesis three: APEC and ASEM are politically relevant as fora in which political issues may be flagged and discussed, though not with any intention to have them resolved through negotiated compromise. Through this form of policy dialogue, governments may eventually be able to “learn,” that is, to change their perceptions and behavior, and thus find it easier to achieve mutual accommodation.
- Hypothesis four: APEC and ASEM may primarily serve non-substantive domestic political functions: their summit meetings allow leaders to enhance domestic standing and legitimacy. In this sense, ASEM and APEC may reflect changes in politics away from decisions to postures, from substance to process, from events to media events.

From our perspective, APEC and ASEM today should not be understood as institutions meant to enhance governance capacity directly, but rather as vehicles for “soft politics.” Whether substantive accommodation and control over outcomes – as measured against our theoretical premises – really can be achieved through soft politics is still an open question. Efforts to do so, in any case, failed in APEC and never were tried in ASEM – at least not so far. The two interregional institutions may therefore reflect a broader trend in international relations – a trend toward governments pretending to manage world affairs, with their societies pretending to follow.

What does this imply for the future? One rather surprising conclusion of our research has been from our perspective that APEC and ASEM not only share many specific characteristics, but also very limited policy relevance. This is surprising, given such important differences between the two institutions as the presence of the United States, as a hegemonial power, in APEC, the differences in the political agenda (with a rather narrower focus in APEC), and the assumption of an Asia-Pacific “community”

as a common point of reference for APEC. Perhaps the differences will reassert themselves more forcefully in the future, and lead to more divergent paths of the two institutions. There is little sign of this happening so far, however, and the prognosis for both APEC and ASEM therefore must be similarly sober: good health, long life, but little excitement. Hopes for a real contribution by either APEC, ASEM or both to fill the breaches in the dykes of global governance are unlikely to be met soon.

# 15 Beyond transregionalism

## Monetary regionalism in East Asia

*Heribert Dieter and Richard Higgott*

### Introduction<sup>1</sup>

East Asia is a region of economic experimentation. The crisis of the late 1990s forced regional scholars and policy-makers alike to examine not only their national economic policies, but also their very understanding of regionalism. Frustration with the prevailing orthodoxy of trade-driven understandings of regionalism can be witnessed throughout East Asia. Conventional approaches do not address the major concern of regional policy-makers, namely financial volatility. The Asian financial crisis of 1997/1998 has also exposed the weaknesses of existing regional institutional economic arrangements – from the Association of Southeast Asian Nations (ASEAN) through to the Asia-Pacific Economic Cooperation (APEC).

Before the crisis, regionalism in the Asia-Pacific was trade-led and had been driven by the Anglo-Pacific members of APEC. APEC has been characterized by its supporters as “open regionalism,” but as it stretches from Chile to the Russian–Finnish border, and incorporates regional organizations such as ASEAN and the North American Free Trade Agreement (NAFTA), it should in fact be seen as a project of inter- or, to be more precise, of transregionalism. It differs, however, from other transregional projects such as the Asia–Europe Meeting (ASEM), as the regional organizations within APEC, in particular ASEAN, have had little voice.

When the going got tough in the aftermath of the Asian financial crisis, APEC lost its attractiveness, in particular for the Asian players. APEC has neither proven to be a useful institution for crisis prevention nor for crisis resolution. It offered too little with regard to reducing financial instability, and expected too much with regard to increasing US demands for “open sectoralism” in trade relations.

Contrary to conventional wisdom that the failure of economic cooperation at the end of the twentieth century has led to a paralysis of regionalism, this chapter speculates that the crisis would rather result in a greater commitment to pooling sovereignty in the monetary area (especially for smaller states), in the longer-term interests of greater regional stability.

This implies that, at least in the near future, inter- or transregional institutions such as APEC are relegated to a back seat. APEC's inability as a crisis manager has forced policy-makers to explore other options of interstate cooperation. The traumatic experience of the Asian financial crisis, the perceived humiliation by the West and the piecemeal progress in reforms initiated by the International Monetary Fund (IMF) has encouraged the emergence of an agenda for enhanced monetary cooperation and a rapidly growing interest in bilateral free trade agreements in the region.<sup>2</sup> Rather than waiting for a fundamental reform of the international financial architecture, Asia has started to look at the question regionally. Thus, rhetorically, at least at this stage, monetary regionalism has become an increasingly popular avenue of investigation in the region.

The chapter proceeds in three parts. The first part outlines the traditional understanding of regional integration, notably in the work of Bela Balassa, and introduces, as a possible alternative, monetary regionalism. Monetary regionalism provides a theoretically plausible and potentially beneficial option for East Asia. It may, we argue, be able to offer solutions that conventional regionalism and, by coincidence, inter- and transregionalism, have not been able to provide.

The second part adapts the East Asian experiences to the pro-Western bias of the IMF policy. It demonstrates the decreasing importance of conventional regionalism in East Asia and identifies two counter trends. On the one hand lies the new interest in monetary regionalism, and on the other the renewed development of a range of preferential trade initiatives to bolster existing World Trade Organization (WTO)-style commitments, while reflecting a decreasing importance in the APEC transregional-style trade agenda of the 1990s.

The second part also discusses the theoretical implications of these different initiatives. What do they tell us about regionalism in East Asia at the beginning of the twenty-first century? At the very least, bilateral trade agreements reflect the absence of a dominant and agreed intellectual and policy strategy in the region. These initiatives demonstrate a time of intellectual curiosity and policy uncertainty. They are part and parcel of a trend that has gained momentum since the financial crises of the late 1990s, the backlash against the WTO since the so-called "Battle of Seattle" and the more general questioning of the neoliberal agenda in the developing world in the late twentieth century (Higgott/Phillipps 1999).

These issues are generated not only within the regional policy communities, but also externally. The return to unilateral policy across a range of areas in US foreign policy and the destabilizing effect that this has had on the international trade agenda are salient factors here. Nowhere is this better illustrated than in a growing US recourse to "open sectoralism" in trade policy (Aggarwal/Ravenhill 2001).

The third part looks at contemporary policies and issues, especially the changing nature of Japanese policy towards questions of regional

monetary cooperation. This represents an important “mood swing” in Japanese foreign economic policy, reflecting the acceptance of the need for a greater regional leadership role, albeit one constrained by the new realities of Japanese economic life in the twenty-first century.

The third part also addresses the “new regionalism,” and especially the role played by China and Japan. China’s participation in the Chiang Mai Initiative, an agreement on currency swaps, underlines the willingness to assume regional leadership. Prime Minister Zhu Rongji’s proposal in November 2000 for an ASEAN–China free trade area shows yet another dimension of emerging Chinese policy. The decision to start negotiations on this project, taken by China and the ASEAN countries in November 2001, underlines the growing acceptance of China as a leading power in East Asia. The third part also poses the question of the changing nature of what Robert Gilpin (1987) called “bigemony.” Without underestimating the continuing role of the United States in the region, it is quite clear that as the twenty-first century progresses, successful regional policy coordination will be as much dependent on Sino–Japanese leadership as on US relations with these two states either singularly or collectively.

Finally, the third part examines the obvious lack of comprehension, appreciation and the absence of a clear policy position by the United States vis-à-vis contemporary East Asian regionalism. Despite the fact that no single country enjoys the status of a hegemonic power, both the United States and Japan have the power to block each other’s initiatives. As Rapkin (2001) shows, while the United States prevented the creation of an Asian Monetary Fund (AMF) in 1997, Japan, in similar fashion, has successfully obstructed the implementation of a US-driven desire for Early Voluntary Sectoral Liberalization (EVSL) in APEC. Thus both the United States and Japan have blocking power, but neither is in a position to provide positive hegemonic leadership. This is an important reality for the future of the regional agenda in Asia in the coming years. The chapter concludes by pre-empting some anticipated criticisms of its core propositions.

## **The economics of regional integration**

### *The empirical limits of ASEAN and APEC*

The events in 1997 and 1998 have contributed to the evolution of a new type of regionalism in Asia. The existing regional integration projects, in particular the ASEAN, the latter’s free trade scheme – the ASEAN Free Trade Area (AFTA) – and the transregional project of APEC have had a diminished role in this period. Indeed, the limits of ASEAN underlines the inability of conventional, trade-based integration systems to avoid the emergence of financial crises and to limit their intensity. Although ASEAN is one of the oldest regional integration projects, and was in operation for

three decades, it had nothing to offer in 1997. Neither liquidity, nor even good advice, were provided. Instead, two ASEAN countries, Thailand and Indonesia, had to call the IMF to the rescue. ASEAN emerged damaged from the crisis (Higgott 1998b; Rüländ 2000) and its vision – the establishment of a free trade area and the continuation of its low-key approach to regional integration – looked problematic. Although regional policy-makers would not state it, it seems in many quarters that the benefits from this type of intergovernmental regionalism are deemed too limited to warrant other than minimum effort. Successful exporters to world markets can expect very few advantages from the creation of a free trade area in their region.

Furthermore, the implementation of AFTA continues to be a complicated affair. For example, Malaysia insists on the protection of its internal car market for the country's Proton car, while Thailand needs free regional trade in automobiles to attract foreign investment. Any such deadlock is hard to resolve. Moreover, Webber identifies problems for ASEAN in policy domains other than trade and finance. Notably, the coup in Cambodia, the "haze crisis" in maritime Southeast Asia caused by huge forest fires in various parts of Indonesia and the crisis in East Timor placed major strains on a weakened ASEAN (Webber 2001: 350). As Rüländ notes, it is hard not to draw the conclusion that ASEAN represents fair weather cooperation that flourishes under the conditions of economic boom, but not in a crisis (Rüländ 2000: 444).

If more effective crisis management were to be expected from a transregional forum, such as APEC, such expectations were disappointed for, in fact, the Asian crisis that started in July 1997 has contributed to APEC's decline. The failure of APEC to provide any meaningful response to the biggest economic crisis in the Asia-Pacific region since 1945 made this project seem less important, if not irrelevant, for many Asian members. The two APEC summits that could have proposed solutions to the crisis, the 1997 meeting in Vancouver and the 1998 meeting in Kuala Lumpur, were not able to provide the hint of an alternative rescue package for the affected countries. The Vancouver meeting only endorsed the IMF's policies, which with hindsight appeared to drive the region deeper than necessary into crisis and contributed little to its solution (Dieter 1998a; Higgott 1998a).

It can be claimed that APEC has been blamed unfairly (Ravenhill 2000: 326). The control of financial volatility was indeed never part of its remit. More positively, Harris argues that the fact that the Asian crisis did not result in a protectionist surge in the region should be credited to APEC (Harris 1999: 13).

Notwithstanding that Harris identifies only a correlation rather than offering a proof of causation, the crisis underlined APEC's status as a weak transregional project with little relevance for economic policy. Moreover, this analysis did not anticipate the recent surge in bilateral trade

initiatives.<sup>3</sup> After the crisis, APEC might still be a forum in which members exchange views, but it does not represent a case of actual regional integration, or indeed major transregional policy coordination. Moreover, it is not clear why a protectionist backlash should have been expected in the first place. The countries in crisis were confronted with a sudden shortage of capital, not with an inflow of goods from other countries. The only APEC countries that can claim to have eased the crisis by not raising the barriers to imports were the USA, Canada, and to a lesser degree Australia. Even then, it is hard to see a positive influence of the APEC process on policy-makers at the time. The policy choice to keep American markets open was made, but not because Congress or the Clinton Administration wanted to strengthen APEC.

Since the financial crisis of 1997, Asian observers tend to see APEC more as a tool of American foreign economic policy than as a project of cooperation. APEC has not been, nor was it ever likely to be, successful in creating a joint identity as the basis for further cooperation (Higgott 1995) and, increasingly, the lack of tangible benefits has been criticized (Ravenhill 2000).

In sum, APEC's decline has been caused by its inability to foster the development of a transpacific economic community. Its concentration on facilitating contacts between business people in the corporate and private sector, accompanied by an almost total neglect of developing an transregional network at the wider civil society level, has resulted in a weak or non-existent sense of community in the Asia-Pacific (Webber 2001). As a consequence, APEC has failed to provide much needed political legitimacy for the wider regional liberal economic project.

Although the rivalry between an Asian integration project and APEC is not new (Higgott/Stubbs 1995), policy elites in Asia do seem to be reconsidering the benefits of regionalism without the Caucasians. In particular the American opposition to an AMF sowed the seeds for a further polarization of the relationship between the Anglo-Saxon and the Asian APEC countries (Dieter/Higgott 1998: 51) and bolstered the development of a dialogue between Southeast and Northeast Asia. The initial Japanese proposal of an AMF would, in all probability, not have avoided the Asian crisis entirely, but we will never know what contribution to limiting the magnitude of downturn it might have made.<sup>4</sup> But the crisis in Korea, which started *after* the AMF proposal was rejected by the Americans and which was primarily a liquidity crisis, not a solvency crisis, might have been avoided.

The existing regional integration and transregional projects in Southeast Asia and the Pacific have not fared well during the recent crises. They have neither contributed to the prevention of the crises nor have they made the resolution easier. The challenge for the Asian policy community since then is to develop new forms of regionalism that address the deficiencies of conventional regional and transregional cooperation schemes.

The crisis of 1997/1998 also underlined the weaknesses of the *informal approach* to regional and transregional integration in which both ASEAN and APEC had previously taken pride. The “ASEAN way,” characterized by personalized cooperation, remains prone to retrenchment and spill-back (Rüland 2000: 445). APEC too suffers from its low-key approach. The Asian crisis demonstrated the limits of non-formalized institutional commitment.

### ***Beyond conventional integration theory***

Since the early 1960s, theorizing about supranational regionalism has been influenced by Bela Balassa’s approach to the subject. Balassa (1961, 1987) suggested that regional integration should evolve in five distinct steps: (1) free trade area, (2) customs union, (3) common market, (4) economic and monetary union and finally (5) political union.

It is important to consider the historical context. This typology was first articulated well over forty years ago. In the 1960s tariffs, as the principal barriers to trade, were much more important than today. Financial flows across the boundaries of national economies were much less important. In the Bretton Woods system many countries, including the United States, used capital controls to ensure that the fixed exchange rates were not undermined by high inflows or outflows of capital. Trade integration offered an answer to the economic goals of many countries. They could prepare for the world market or, in a more radical but popular version, they could dissociate their economies from the global economy, which was obviously easier for a group than for individual countries.

Today, the most problematic aspect of Balassa’s approach is that it provides no link between the monetary policies and the financial sectors of the participating economies on the first three stages of integration. In an era of globalization and liberalization, reflected in growing capital flows, this constitutes a major theoretical deficiency. Furthermore, the introduction of an economic and monetary union is a change of tune from the first three steps, where the emphasis lay on trade.

In Europe, however, Balassa’s approach was implemented in a modified version. The creation of the European Monetary System (EMS) in 1979 added a strong element of monetary cooperation at a relatively early stage. Although Europe took on this element to its own integration process, the need for intensive cooperation with regard to monetary and financial stability in an integration project is reflected neither in the conventional theory of regionalism nor in projects currently implemented outside of Europe.

## **A theory of monetary regionalism**

Unlike conventional regionalism, monetary regionalism aims directly at levels four and five of Balassa's integration concept. Monetary regionalism wants to contribute to the stability of financial markets and currencies in a region without having to formalize trade links. Like conventional regionalism, it requires the willingness of participating states to enter a process which, if successfully implemented, will lead at least to the creation of a common currency. Therefore, the willingness to give up a part of what has been understood as a central element of a nation's sovereignty, in particular the ability to issue one's own currency, is central to monetary regionalism. Such an integration process could be organized in four steps, as set out below.

These proposals do not represent a complete list of measures that could be taken within a regional integration project that intends to improve its immunity against financial crisis. Nor do all measures have to be implemented simultaneously. However, they represent a set of policies that aim at profound regional integration and provide instant benefits for the participating economies. The concept of monetary regionalism as well as the advantages and disadvantages of the individual measures are considered below.

### *Level 1: regional liquidity fund*

The central measure to be taken at level 1 is the creation of a public regional liquidity fund. This is an attempt to provide a regional safety net if a crisis hits. The countries participating have to earmark a part of their foreign reserves for a liquidity pool. A participating central bank will, in such a system, not only be able to use its own reserves, but also those of the other central banks. Technically, such a liquidity fund has to be a swap agreement: A participating central bank will have the right to swap domestic currency for foreign reserves. The participating central banks should set dates for both elements of the swap, i.e. the swap from domestic to foreign currency and vice versa.

This is, of course, a measure that requires substantial political will on the part of the participating countries. A factor limiting the required confidence is a ceiling on the percentage of foreign reserves that participating central banks are willing to earmark for regional use. For the first level of monetary regionalism, it seems adequate to limit the funds to 10 or 20 percent of foreign reserves.<sup>5</sup> Conditions for the use of other countries' reserves would have to be strict. To avoid the abuse of the regional liquidity fund, interest would have to be paid during the use of the swap and the interest rate would have to be set at a punitive level. Also, the swap should only be available for a short period, e.g. three months up to six months.

The advantages of a public regional liquidity fund are substantial:

- A central bank using the other central banks' reserves has a much higher chance of acting as a lender of last resort for the domestic financial sector, thus developing the ability to limit the consequences of a credit crisis. Using the regional reserves, a central bank gains leverage. This aspect is particularly relevant for economies that have partly or completely abandoned capital controls, because the use of international financial markets and of loans denominated in foreign currency limit the ability of central banks to act as lender of last resort.
- Being able to use the region's foreign reserves reduces the need for the individual central bank to maintain costly foreign reserves. The costs of holding reserves should not be underestimated. Typically, reserves of foreign currency are held in highly liquid instruments that earn very small returns. It is realistic to assume real returns of not more than 2 percent per year. If this capital would be invested, a conservative estimate would expect a real return of 12 percent annually. Thus, every billion of reserves held costs a developing country \$100 million a year. A country like China, with reserves of over \$300 billion, loses at least \$30 billion due to its high reserve holdings. However, even if the individual members of the integration scheme reduce their holdings of foreign exchange, the whole group will have to maintain substantial reserves.
- The provision of liquidity in a region would avoid it having to go (automatically) to the IMF. This might be the biggest political advantage of a regional fund.
- Although a regional liquidity fund would only be activated in the event of a crisis, it would encourage participating central banks to engage in permanent monitoring of economic developments in the region. Joint regional surveillance of financial markets could begin.

In order to be able to establish a purposeful regional liquidity fund, the participating central banks would have to possess significant foreign reserves. Taking into consideration that initially probably not more than 10 or 20 percent of the reserves should be made available for a regional liquidity fund, this constitutes a major obstacle for monetary regionalism in some parts of the world. In East Asia, however (as Table 15.1 indicates), this presents less of a problem.

One might suggest that the creation of a regional liquidity fund is primarily targeted towards stabilizing exchange rates. This is not the case. The main purpose of such a fund is initially limited to providing sufficient liquidity for banks and corporations that, due to a sudden swing in market sentiment, may be confronted with an inability to roll over existing debt denominated in foreign currency.

Whereas the measures to prevent a crisis from developing, discussed below, are no radical departure from the current system, a regional liquidity fund is. It is directly aimed at challenging the IMF monopoly on crisis

management. In the event of a crisis, there would be no, or at least less, need to negotiate with the IMF.

Furthermore, a *public* regional liquidity fund could be accompanied by *private* regional liquidity funds. The idea is that private banks and other financial intermediaries create a system which provides liquidity in the event of a banking crisis. When a bank gets into trouble, the other banks have to supply fresh money up to the initially agreed limit. As a principle, the private regional liquidity fund should operate as a first line of defense for banks. The creation of this system of two liquidity funds would be a significant step forward for a regional integration project. It would both provide powerful instruments to limit financial crises and generate the functional basis for further integration. This becomes particularly evident when monitoring of financial markets and banking supervision are included in the integration process.

Although in the proposed structure of level 1 the fixing of exchange rates is not envisaged, the regional monetary committee could prepare this step. The establishment of a regional monetary committee would also contribute to the creation of "intraregional policy networks," which enable policy-makers to deepen their knowledge of their partners in the region.

On the first level of monetary regionalism, just like in conventional forms of regionalism, the economies of the participating countries are quite likely to be heterogeneous. Taking the experiences of the first wave of regional integration in the 1960s into consideration, it seems necessary to provide measures for the weaker countries for self-protection. The main element would be the permission to continue the use of capital controls. In particular, countries should be allowed to limit the inflow of capital and to tie the inflow to certain conditions, e.g. favoring long-term loans over short-term loans. Also, taxes on short-term inflows, a policy successfully implemented by Chile in the 1990s, ought to be possible on the first level.

In conventional regional integration schemes, formal arrangements for trade liberalization are implemented at early stages. This is not vital for monetary regionalism, indeed it may be counterproductive. The reason for excluding trade is primarily political: The creation of a large free trade area or customs union can be misinterpreted as the formation of a trade bloc and consequently can be used by policy-makers in other countries to justify import restrictions. These notions are particularly relevant for economies producing high surpluses in their trade accounts over longer periods of time, i.e. East Asian countries.<sup>6</sup>

Macroeconomic policy does not have to be coordinated and harmonized on level 1, but institutions should be created that permit the joint monitoring of macroeconomic developments. Such a step is not only an important precondition for the introduction of a monetary union, but again contributes to the creation of intraregional policy networks.

*Level 2: regional monetary system*

The second level of integration will be characterized by further preparation for monetary union. The introduction of a system of regionally stabilized exchange rates enables the participating economies to gain macroeconomic stability. It appears useful to use exchange rate bands, which do permit mild fluctuations of the exchange rate. The prime advantage of this system over a system with permanently fixed rates is obvious – it permits adjustments of exchange rates.<sup>7</sup>

Finding the appropriate exchange rates and useful exchange rate bands is obviously not an easy task. If the bands are too broad, the benefits from such a scheme are limited. Exporters and importers in such an arrangement with wide bands would still have to hedge their receipts from transactions in foreign currency. Therefore, exchange rate bands wider than 10 percent might be more symbolic than functional. On the other hand, if a narrow exchange rate band is chosen, for example  $\pm 1$  percent, the risk of markets testing those bands quickly and successfully seems to be quite high.

After the experience with the EMS, which operated successfully for more than a decade but partly collapsed in 1992, a regional monetary system may have lost some of its appeal. However, this system has to be evaluated in comparison with the other plausible alternatives and in different regional contexts. Countries may either opt for completely flexible exchange rates or hard pegs in the form of currency boards. In the aftermath of the Asian crisis and the Brazilian crisis, many influential economists were stressing that only two viable exchange rate regimes existed. This so-called bipolar view gained prominence (Fischer 2001).

However, neither of these two alternatives is without great disadvantages. Flexible rates seem to be the easiest system. Central banks just watch the fluctuations without stabilizing them. But flexible rates are a major obstacle for an expansion of international or intraregional trade. Importers and exporters do not have a solid basis to calculate future receipts. This can partly be overcome by hedging, but hedging is a costly insurance.

A currency board, on the other hand, leaves the central bank with very little room for maneuver. The exchange rate is fixed vis-à-vis an anchor currency, and domestic money supply is determined by the amount of foreign reserves a central bank holds. Although this system offers an alternative for economies previously plagued by very high inflation and very volatile exchange rates, it is no cure for the majority of developing countries and emerging economies. One of the reasons for this is that finding a suitable anchor currency is much more difficult than it appears at first. Due to the volatility of exchange rates between dollar, euro and yen, a currency board only transmits those fluctuations. A currency tied to the euro, for instance, would in 2003 have been a problem for an economy which exports substantially to the United States.

The collapse of the currency board in Argentina in January 2002 has underlined the weaknesses of this exchange rate regime. The country successfully managed to overcome the legacy of the hyperinflation of the 1980s, but it is paying a very high price for this achievement. As a consequence of the crash of the currency board, Argentinians have lost trust in their financial system, and it is hard to envisage that confidence in the soundness of the national financial market will be rebuilt in the medium term. Since neither corner solution is an attractive option, enhanced regional cooperation for the stabilization of exchange rates is perhaps the only plausible alternative.

### *Level 3: economic and monetary union*

The creation of an economic and monetary union is more than a simple step for an integration project. Clearly, major conditions have to be met before such a far-reaching measure can be implemented. At the same time, an economic and monetary union has disadvantages that participating countries may not wish to accept. In particular, the inability to react to differing economic developments within the union with exchange rate adjustments can be seen as a major disadvantage of this level of regional integration.

However, an economic and monetary union clearly has major advantages over a regional monetary system. Transaction costs are permanently reduced and competition within the union is strengthened. Above all, exchange rate adjustments within the union are no longer a threat. Companies no longer have to pay for hedging against exchange rate volatility.

With regard to trade, once the third level of integration is reached a customs union at least is required. Although theoretically trade within a project of monetary regionalism could still be subject to tariffs and other forms of trade restrictions, one of the aims of a common currency, i.e. the strengthening of competition, could not be fully achieved without a customs union. A free trade area, however, should not be implemented, because of the need to administer certificates of origin: Trade would not be facilitated as much as in a customs union. At the same time, restrictions on migration could remain in place. In particular, in areas with greatly differing levels of development, the introduction of the freedom of employees to move within the union ought to be limited to the last and final level of integration. This is particularly so in East Asia, where migration is clearly a very sensitive political issue.

### *Level 4: political union*

The completion of the integration process, the creation of a political union, will not require many additional measures with regard to economic policy, but will rather demand political integration. In particular, supra-

national political decision-making bodies have to be founded. In most areas, economic policy integration will have been implemented on lower levels of integration. A deepening of the integration process could be the reduction of national tax systems in favour of a uniform union-wide tax system. But measures of that nature do not seem to be vital for the success of the political union. A certain variation of tax rates would not undermine the integration project.

The main benefit of the monetary integration project continues to exist during the entire implementation phase: The region would gain independence and would be more immune to financial crises. The economic preconditions for such a scheme are high, and probably only in an East Asia monetary regionalism can be implemented successfully. Political obstacles will also have to be considered carefully before assessing the plausibility of monetary regionalism.

### The evidence from Asia

The previous section offered an overview of the stages by which monetary regionalism could develop. It is the argument of this section that evidence of an emergence of monetary regionalism is indeed to be found in East Asia. The region – policy elite and wider community alike – perceived IMF policy throughout the late 1990s as humiliating and wrong. In the summer of 1997 the IMF, together with the US government, impeded the Japanese initiative to create an Asian liquidity fund. The AMF was explicitly to apply softer conditions than those of the IMF. The AMF's concept corresponded to being more a "lender of last resort" than the IMF. Essentially, the AMF idea was about providing unconditional loans to overcome liquidity crises (Dieter/Higgott 1998).

By the end of 1999, the worst impact of the Asian crisis was over and East Asian policy circles once again addressed the topic of more intensive regional cooperation. The regular ASEAN summits were expanded by the participation of Japan, China and South Korea, the new body being called ASEAN Plus Three (APT). Since then, some steps in the search for a new monetary regionalism have been:

- In December 1997, the first "East Asian Summit" (EAS) took place in Kuala Lumpur. Not surprisingly, monetary issues were discussed (Rüland 2000: 433).
- During the APT meeting in Manila in November 1999, the scope for regionalism in Southeast and East Asia was discussed. The summit chair, then Philippines President Joseph Estrada, told the news media that the goals were a common market, monetary union and an East Asian Community.<sup>8</sup>
- Increasing numbers of Japanese observers advocate monetary cooperation in Asia. In an interview with the *New Straits Times* in January

2000, Eisuke Sakakibara, former state secretary of the Japanese finance ministry, for example, spoke out for a cooperative monetary regime in East Asia.<sup>9</sup>

- During the fourth ASEAN finance ministers' conference in March 2000 plans to set up a regional liquidity system were discussed.<sup>10</sup>
- At the beginning of May 2000, Japan suggested a plan for a network of currency swaps, in effect a regional liquidity fund, to Asian finance ministers attending the annual meeting of the Asian Development Bank (ADB) in Thailand. The idea was that Asian countries should be able to borrow from each other via short-term swaps of currency reserves.<sup>11</sup> The finance ministers of the ASEAN countries, China, Japan and South Korea reached an agreement in Chiang Mai. Major elements of the proposal still have to be finalized.<sup>12</sup>
- In September 2000 Thailand's then Deputy Prime Minister and future WTO Secretary General, Supachai Panichpakdi, underlined the need for an Asian Liquidity Fund. Taking US views on the future of the IMF into consideration,<sup>13</sup> he argued that IMF resources would be insufficient to cope with future crises.
- During the 2000 APT meeting in Singapore, the Chiang Mai Initiative was reaffirmed. At the same time, the Chinese Prime Minister Zhu Rongji made a proposal for a free trade area between China and ASEAN, excluding Japan.<sup>14</sup>
- In January 2001 France and Japan tabled a joint paper during the meeting of ASEM finance ministers in Kobe. The paper suggested that stable exchange rates and financial flows are attainable at a regional level.<sup>15</sup>
- In May 2001, the Chiang Mai Initiative was clarified during the annual meeting of the ADB in Honolulu. The network of bilateral swap agreements was more precisely defined. Japan pledged to lend up to \$3 billion to South Korea, up to \$2 billion to Thailand and up to \$1 billion to Malaysia. However, it was decided that only 10 percent of these sums will be available automatically. For sums above the 10 percent level the approval of the IMF will be required.<sup>16</sup>
- In December 2001, Thailand and China agreed on a swap line of up to \$2 billion.
- In March 2002, Japan and China agreed on a swap line of up to \$3 billion.
- In June 2002, China and South Korea agreed on a swap line of up to \$2 billion.<sup>17</sup>

However, it would be unrealistic to assess these developments as a confirmation of the implementation of monetary regionalism in East Asia. In particular, the decision taken in Honolulu in May 2001 appears to be a major setback. However, this need for IMF approval can also be seen as a useful condition: These countries will only be able to use more than 10

percent of these sums with IMF approval – a key point which helps to allay fears about financial support for unwise policies (Saker 2001). This position would be more plausible if the IMF had implemented wise policies during the Asian crisis. This, however, has not been the case. The need to get IMF approval puts the entire project of a regional liquidity fund into question: Why create a separate credit facility if it cannot be used independently?

All this can seem speculative and theoretical. But there are good historical *cum* practical reasons not to view it in this way. Past crises have usually had a strong regional flavor and support packages, although organized by the international institutions, have invariably been primarily underwritten by regional funds. A regional body to coordinate such packages in the future thus makes sense and, in effect, merely reflects reality on the ground. In so doing, it could also pay greater attention to crisis prevention, as opposed to crisis management, which has been the principal *modus operandi* in the past.

Most important, the theory of monetary regionalism only makes sense in practice if a sufficient level of funding is available to underwrite such an enterprise. It could not be countenanced in the absence of a sufficient level of foreign reserves. But there is a demand and the funds to fill the demand are available in East Asia where reserves are not only high, they are also regionally well distributed. The two largest economies, Japan and China, also have the largest reserves. In the event of a crisis, those two economies would have to make the highest contribution. Also, considering the high level of reserves, a regional liquidity fund is plausible even

Table 15.1 Foreign reserves of East Asian economies

Country	Reserves in March 2000 in billions of US dollars	Reserves in May 2003 in billions of US dollars	20 percent available for a regional liquidity fund
China	156.8	320.9	64.2
Hong Kong	96.3	116.1	23.2
Indonesia	26.3	33.0	6.6
Malaysia	30.6	35.4	7.1
Philippines	12.9	12.7	2.5
Singapore	74.3	85.8	17.2
South Korea	74.0	128.3	25.7
Thailand	34.1	38.0	7.6
Japan	305.5	545.6 (June)	109.1
Total	810.8	1315.8	263.2
Taiwan	103.5	175.2	35.0
Total including Taiwan	914.3	1491.0	298.2

Source: *The Economist*, March 4, 2000; *The Economist*, July 5, 2003; Japanese Ministry of Finance ([www.mof.go.jp/english](http://www.mof.go.jp/english)).

without using too high a percentage of the reserves of the participating central banks. The region has more foreign reserves than any other. Even without Taiwan, which alone enjoys reserves of more than \$170 billion, the central banks of East Asia together have \$1.300 billion at their disposal.

The growth of foreign reserves in East Asia since March 2000 has been spectacular. In little more than three years the central banks in East Asia have accumulated additional reserves of almost \$600 billion. The source of such a development must be serious concerns over the availability of liquidity in the event of a repetition of a financial crisis as well as attempts to stop the country's currency from rising against the dollar. For each East Asian country the motives may differ, but the fact that virtually all countries, and economies as diverse as China and Singapore, show a similar trend is indeed remarkable.

### **The politics of the “new” Asian regionalism**

Regardless of the causal explanations of the Asian financial crises of the late 1990s,<sup>18</sup> the closing years of the twentieth century have convinced Asian regional policy elites that, in Bergsten's words, “they no longer want to be in thrall to Washington or the West when trouble hits in the future.” Bergsten, with Joseph Stiglitz, is rare amongst influential American observers in recognizing the degree to which East Asian states felt that they were “both let down and put upon by the West” in the crisis (Bergsten 2000: 20). For many in the west, the Asian financial crises was but an opportunity to displace the Asian developmental statist approach with the Anglo-American model. Triumphalism and *schadenfreude* were rampant (Zuckerman 1998).

But in Asia, there was a strong feeling that the international institutions did more to exacerbate the problems than solve them (Bello 1998; Dieter 1998a; Wade/Veneroso 1998). It is in this context that the regional initiatives since 1997 need to be located. This is especially the case with the dialogue about monetary regionalism. It is also the case with the development of a process of East Asia-wide summitry in APT that commenced in 1997. The APT reflects a membership of Asian states mirroring Dr Mahathir's proposal for an East Asia Economic Grouping (EAEG) that was strongly opposed by the Western members of APEC, especially the United States, in the early 1990s (Higgott/Stubbs 1995; Rüländ 2002a).

Since the initial 1997 meeting of the APT heads of state, annual summits have been installed and regular policy meetings (especially of finance ministers, central bank governors and relevant senior officials) convened to hammer out details of enhanced economic cooperation at the level of the East Asian region. The APT may have been kick-started by a financial crisis, but also salient has been the gradual change in thinking about regionalism in Asia. Central to these changes has been a reappraisal

of the utility and future of APEC and ASEAN and the development of the ASEM process. ASEM has acted as a stimulus to the growth of the APT. If disappointing for its overall advance of substantive Asia–Europe relations, ASEM has nevertheless prompted APT states to develop regular mechanisms for extensive policy coordination prior to ASEM meetings (Yeo 2000; Higgott/Rhodes 2000).

It is hoped in the region that APT and an AMF in particular would give Asia greater voice in determining the shape of the new international institutional architecture – a point not lost on the United States in its opposition to the AMF proposal in 1997. The United States clearly understood that, despite stated best intentions, an AMF would not long be likely to adhere to IMF policy prescriptions if they appeared at odds with an Asian view of how the world economy should be organized. Thus a successful AMF would, *ipso facto*, contest an “Anglo-American” view on global economic organization (Higgott/Rhodes 2000).

Importantly, the political rhetoric surrounding the discussion over monetary regionalism is not emerging in an economic vacuum. There is a stronger economic logic to the APT than is often acknowledged from outside, especially amongst the key protagonists of APEC keen to establish it as the most appropriate concept of region. Recent data and analyses demonstrate the growing economic interdependence of the APT region. Cross-border trade between states of the APT as a percentage of total average external trade (at 44 percent) might be less than for APEC (at 70 percent), but it compares well with NAFTA (at 46 percent). As Webber notes: “To the extent that this creates corresponding potential market gains from integration and business pressure for regional integration, East Asia should have no less integration potential than North America” (Webber 2001: 360).

Of course, when state interests are disaggregated, different members of APT have different agendas in pushing the relationship. For the key ASEAN states, prospects of stronger relations with two of the world’s major economic powers (Japan and China) – for all their current economic limitations – is self-evident. Moreover, it is not only Dr Mahathir who has long recognized that influence over the international institutional architecture depends on being part of a much larger group reflecting a collective position. ASEAN leaders like Lee Kuan Yew, and major opinion formers in the region such as Tommy Koh (Koh 1999: 8) and Noordien Sopiee regularly express similar views.

But more important than the views of the individual ASEAN partners to the longer-term evolution of the APT is the position of the major powers, notably Japan and China from within the APT and the United States from outside of it. For example, Japan has come under pressure, both for internal and external reasons, over the last decade to sort itself out. Its economy today is, for a variety of reasons, in a cul-de-sac, saddled with public debt, deflation, bad loans and a lack of consumer confidence that

will, sooner or later, have to be addressed (Dieter 2002). This economic reality, according to Katzenstein (2000: 360), has changed East Asia's perception of Japan. Today, the fear of too much Japanese influence might have been replaced by a fear of too little power to deal with its own economic problems.

However, such problems notwithstanding, there is considerable evidence of a Japanese agenda to see greater regional monetary cooperation, maybe even an AMF, although this is an institution that presently dares not speak its name. Since the time of the abortive attempt to create an AMF in 1997, Japan has consistently developed initiatives and backed the activities of others in the region wishing to advance policies that might lead to greater monetary regionalism.

While a leading role for Japan in an Asian integration project might be accepted by smaller countries, China is likely to be less acquiescent. The resolution of the Sino-Japanese relationship thus represents as big a challenge for Asian regionalism as does the relationship between the United States and Japan. According to Webber, the past, the present and the future continue to strain the relationship (Webber 2001: 362) – the past because Japan has not apologized in an accepted manner for the atrocities committed during World War II and the occupation of China and other countries in the region, nor has Japanese society come to terms with their role in the region. At present there is also an element of systemic competition between Japan and China. But most importantly, the future casts a shadow over the relationship. If current economic trends continue, it is not difficult to see the day when, in terms of the material, and indeed intellectual, capacity for leadership, China can eclipse Japan in the region.

Understandably, this development makes Japanese leaders more nervous than their counterparts in China. China may worry about contemporary Japanese economic power, but the Chinese can imagine a day when this gap will be much smaller than it is now. Japan, conversely, can only speculate on what the decreasing asymmetry in the economic capabilities of the two countries implies for China's longer-term regional intentions in a range of other policy areas, especially the security domain. This view will only be partially assuaged by China's increasingly responsible regional citizen role in its strong support for the idea of an AMF-style organization.

We are thus faced with a paradox. The absence of acceptable or credible hegemonic power in East Asia remains a major obstacle to the successful implementation of the monetary regionalism project at the same time as it adds force to the idea of, and need for, collective action problem-solving via a body like the APT. It is this paradox that gives ASEAN its strategic role (at least in the short run) in nurturing the APT dialogue. In so doing, playing the intermediary role between the two major regional powers provides ASEAN with a *raison d'être* at a time when its institutional viability was under pressure from the financial crisis. This role,

however, can only be a stop-gap measure. ASEAN has none of the material power of the larger players. Moreover, if something like an AMF were to develop, it would need strong conditionality procedures attached to the financial support it offered. This means *rules*. But “ASEAN way” diplomacy, built on consensus decision-making, remains averse to the development of strong rule-driven conditionality. It would thus be necessary to move beyond the consensus element in “ASEAN way” decision-making.

## **Conclusion**

This chapter is speculative. It has proposed a theoretical approach to the way regionalism in East Asia might develop over the near- to mid-term future. It has further argued that East Asian monetary regionalism and bilateral free trade agreements are sidelining transregionalism led by APEC. But the chapter, unlike much economic theory, acknowledges the manner in which politics can derail theory. Thus it has located this exercise in theory-building within a realistic empirical context. Events on the ground in Asia, particularly the wishes of the regional policy elites for mechanisms to cope with financial volatility, are key drivers of this process. In the wake of the financial crises of the late 1990s, and in the absence of cast-iron guarantees emanating from the international financial architecture, policy-makers in the region aspire more to collective problem-solving at the regional level than in the past. It is this changing context that makes the kind of theoretical exercise developed in this chapter germane.

Economists will probably oppose the argument that stages in the established theory of regional integration might be jumped. But such resistance can only be sustained in a static, ahistorical context. The argument advanced here is that it is an evolutionary model that takes account of the changing dynamics of economic interdependence under conditions of globalization; especially the increased importance of financial markets at the expense of markets in manufactures that dominated at the time that the Balassian model was developed.

By contrast, a traditional realist scholar in international relations would undoubtedly suggest that the argument underestimates balance of power and security questions in the region. This is not the case. Nowhere does the chapter suggest that these issues are not central to the contemporary international relations of East Asia. Moreover, since the end of the Vietnam War, the regional policy communities have proven capable of desegregating economic and security concerns. In fact, monetary regionalism is a deliberate attempt to strengthen East Asian bargaining power in global and transregional economic fora. APEC’s transregionalism in particular – seen as dominated by the United States – has been downgraded as a policy priority by East Asian governments as a lesson of the Asian currency crisis.

Of course, as in any specific historical circumstance, if diplomacy fails and a stable or balanced security environment breaks down, all other areas of policy are inevitably adversely affected. However, an assumption of this chapter, and one that is not easily refuted, is that Asian policy-makers are not conducting their international relations underwritten by the principle that conflict over contested issues in the politico-security domain is at some stage inevitable.

For all its limitations, the multilateral security dialogue in the region developed dramatically and positively in the last decade of the twentieth century. There is no reason why this trend should not continue. Rather than ignore the security issues, or suggest that there is no linkage between them and economic questions, this chapter argues that it is quite plausible to see regional policy communities pursuing cooperative initiatives in the domains of finance and trade. In short, they are quite capable of playing a multi-dimensional diplomatic game.

Consider, for example, the relationship between Beijing and Tokyo – a central relationship in any discussion of the future of the region. While Beijing has benefitted from the developments of the late twentieth and early twenty-first century, the key question to be resolved in coming years is the degree to which increased economic ties between Japan and China will help alleviate the climate of mutual distrust in other domains and allow them to cooperate in the enhancement of regional economic policy coordination. This is not an easy question to answer. Analysis can be of two types.

We can advance determinist arguments (Waltz 1979) of a structural realist type, from which we would assume conflict of a destabilizing nature at a later stage. Or, we can make judgments on the basis of what has been observed in the economic diplomacy of the region over the last twenty years. From this standpoint, we would attribute much more theoretical strength to the role of agency and the influence of actors in the policy process. As such, and notwithstanding that the 1994 Chinese devaluation of the renminbi was a significant factor in the Asian financial crisis, the general view in the region is that China has behaved responsibly and cooperatively in efforts to mitigate the prospects of further financial volatility (Wang 2000: 210).

Similarly, that there is still a large amount of distrust of China's motives amongst other sections of the East Asian regional policy elite is not at issue. The real question is over the degree to which this mistrust can be mitigated in the development of monetary regionalism and the consolidation of the APT. It is around such questions that the prospects for East Asian cooperation via the APT in general, and the development of monetary regionalism, will be determined.

This chapter has argued that the financial crises of the closing decades of the 1990s may have been a sufficiently traumatic learning experience, especially for some of the weaker state policy-making elites, to create a

recognition of a need to shed a little sovereignty in order to preserve wider state-building capacity and regional stability. Vulnerability to financial market volatility is now seen as one of the major challenges to policy autonomy. It may be this sense of vulnerability that is the key to the further development of regional collective action in the monetary sphere.

## 16 “Imagined” interregionalism

### Europe’s relations with the Africa, Caribbean and Pacific states (ACP)

*Martin Holland*

#### **Introduction<sup>1</sup>**

Since 1975 the European Union (EU) has conducted a unique relationship with the countries of Africa, the Caribbean and the Pacific (the ACP states). The uniqueness has been displayed in several ways. First, the geographical spread of this region-to-region dialogue is unmatched elsewhere, stretching across some twenty time zones, both hemispheres and four continents. The relationship is unparalleled numerically, involving as it currently does twenty-five European and seventy-seven ACP states, close to half the nation-states in the world. Third, the range in development levels is the most extreme of any other region-to-region relationship, involving countries among the most wealthy and those by all measures the most impoverished globally. But lastly, and perhaps most importantly, the relationship is one between a legally constituted form of regional integration (the EU) and arguably a purely “imagined” interregional group – the ACP. Tellingly, the ACP does not express a common identity as a cohesive group in any other context than vis-à-vis the EU.

This chapter questions the rationale for this imagined identity and raises several contradictions that the most recent ACP–EU Partnership Agreement signed at Cotonou in June 2000 have presented. A critical question is the extent to which regionalism should use geography as its exclusive criterion, and the extent to which other criteria might be invoked to create different regions that are conceptual or based on developmental levels rather than geographical in nature. Here, the “Everything but Arms” (EBA) initiative is drawn into the debate on the appropriate form and mechanism for interregionalism.

As the chapters in this book bear testimony, interregionalism demands a wide context. The special and particular aspects of the EU–ACP case do not operate in splendid isolation; rather they reflect and relate to broader interregional patterns promoted by the EU in a multiple of forums. However, as already noted, the EU–ACP interregionalism exhibits the extreme tendency of an imagined group.

Two periods of interregionalism are identified and contrasted: the

“classical” 1975–2000 Lomé period and the “contemporary” 2000–2020 Cotonou period (to which the major emphasis will be given). Lomé established the characteristics of first–third world interregionalism for the EU and effectively defined the status quo: in contrast, Cotonou suggests quite new and radical innovations for interregionalism over the coming two decades. Key questions posed include how will the change from the Lomé to the Cotonou framework affect interregionalism? In what ways might this transition enhance or decrease interregionalism? To what extent is the content, institutionalization and conditionality affected? How far is this interregional reform typical of a broader EU re-evaluation of its regional linkages and to what extent is EU–ACP interregionalism *sui generis*?

The choice of an interregionalism approach is open to the criticism that bilateral relations between the EU and individual countries are not given sufficient recognition. However, this individual level of analysis is the necessary and unavoidable consequence for providing a broader perspective of EU interregional policy. Thus the chapter – mirroring the EU itself – utilizes economies of scale by looking at region-to-region relations. Indeed, the very fact that the EU seeks such regional dialogues and agreements underlines that this approach is an appropriate perspective.

Regelsberger and Edwards in their forthcoming work on regional dialogues have identified a range of broad questions – from the EU perspective at least – and these can be applied and adapted to interregionalism for the purposes of this chapter. These include:

- Does interregionalism lead to a more coherent and consistent policy-making process for the EU?
- Have internal EU developments shaped EU–ACP interregionalism?
- How effective might Cotonou be as an interregional instrument?
- What is the impact on EU–ACP interregionalism of other bilateral region-to-region relationships?
- What is the attraction of the EU–ACP form of interregionalism?

While this short chapter cannot provide a definitive answer to all these hypotheses, they help to set a comparative agenda for discussing interregionalism per se, as well as specifically in relation to the EU and ACP dynamic.

### **Setting the context: Lomé and “classical” interregionalism, 1975–2000**

Europe’s formal region-to-region relations with the developing world are as old as the European Community (EC) itself. However, the shape and the content of those relations have altered significantly since the signing of the Treaty of Rome in 1957. Successive enlargements, differential rates

of global development, the collapse of communist ideology in Central and Eastern Europe and the reorganization of international trade under the auspices of the World Trade Organization (WTO) have all contributed to redefining the EU external regional relations. These changes were nowhere more dramatically portrayed than in the Lomé Convention (1975–2000). The convention – linking the EU with the African, Caribbean and Pacific developing countries – was considered the hallmark of the EU's interregional policy toward the Third World, yet it failed to meet the needs and expectations of the new millennium and underwent a comprehensive and critical review from 1997 onwards. This chapter examines these changes and identifies common themes as well as contrasting examples.

First, in order to set a necessary historical context the global changes that preceded the Cotonou reforms are summarized. Africa, at least, was always seen as associated with an integrated Europe. As far back as 1950, the Schuman Declaration argued that only integration could provide the additional resources necessary for African development. While these necessary resources have yet to be delivered, integration and development have now been inexorably linked for the past half-century. The earliest period of European integration coincided with decolonization – reflected in the Yaoundé Conventions and the earlier Overseas Countries and Territories (OCT) agreement and the establishment of the European Development Fund (EDF) under the founding Treaty of Rome in 1957. The enlargement of the Community in the 1970s coincided with the transition from decolonization to what was mistakenly labeled the new international economic order. The rationale behind the introduction of the Lomé Convention embraced both these changes, and its provisions at the time were widely viewed as the most progressive in the world, based, at least in theory, on partnership and solidarity (David 2000: 12).

Subsequently, the EU's interregional framework for the developing world was defined as principally those former member state colonies in Africa, the Caribbean and the Pacific and formalized under the Lomé Conventions; only this relationship was historical, institutionalized, comprehensive and based on the economic principle of non-reciprocity. In contrast, relations with the Indian subcontinent, Asia and Latin America have been comparatively new, ad hoc, fragmented and generally more limited in scope. Such a dichotomy (based on past practice rather than objective criteria) was always difficult to sustain, and became increasingly indefensible. The collapse of communism in Central and Eastern Europe further complicated what was already an untenable position: Throughout the 1990s region-to-region development aid was increasingly shifted in favor of these emerging democratic European states. Clearly, Europe's old definitions and framework for development needs were proving to be hopelessly inadequate.

A more inclusive definition of the developing world was needed for the

EU that recognized regional disparities and sought a common approach to common problems. Geography and history were no longer an acceptable or sufficient rationale. Consequently, from 1997 onwards the EU fundamentally reviewed its network of relations with regions of its traditional partners in the developing world in an attempt to produce a new interregional policy paradigm that was consistent, comprehensive and common in origin, approach and criteria.

The Lomé framework, while extensive, never provided a comprehensive interregional approach toward the developing world and one of its greatest weaknesses was its somewhat idiosyncratic and incremental nature. For example, consider the following comparison of two countries at the end of the 1990s. Both share a European colonial legacy; they have comparably poor per capita Gross Domestic Products (GDP); display similar low literacy and life expectancy levels; and the external trade patterns for both are based on a limited range of primary products. Both, clearly, are developing countries, arguably amongst the least developed. In this example, however, only one, Angola, was a member of the Lomé Convention, the EU's then preferred interregional framework with the developing world. The other, Cambodia, remained outside. Similar parallels can be made between Nigeria (a comparatively affluent Lomé state) and India, a developing country outside the convention, or between Dominica and Vietnam. Out of the forty-eight least developed countries in the world as listed by the United Nations (UN), nine were excluded from the fourth Lomé Convention (1991–2000).

These illustrations symbolize a central problem – the patchwork nature of the EU's interregional relations. A consistent and comprehensive approach has been absent: Incrementalism and pragmatism has resulted in Europe's fragmented and increasing complexity of relations with the countries of Africa, Asia, the Caribbean, Latin America and the Pacific Island states.

Several motivations converged to encourage the EU to readdress its interregionalism with respect to the ACP. First, there was the record of European assistance to date. Few, if any, of the Lomé countries had seen a radical transformation in their economic well-being: dependency continued to define their relationship with Europe. Second, the preferences and resources given to Central and Eastern Europe had largely been at the expense of the ACP states: the cake had not sufficiently increased to cope with both these development demands. Third, the WTO began to cast a critical eye in general over interregional preferential agreements, and specifically with respect to the existing Lomé preferences (which had an interim WTO waiver), arguing that these were inconsistent with the trend toward open markets. Fourth, and perhaps paradoxically, trade figures suggested that the "privileged" position of Lomé countries and the value of their preferential treatment had been significantly eroded since 1989. The Lomé states were no longer at the apex of the "pyramid of

privilege.” Further, many of the states in Asia had substantially outperformed those of the ACP despite receiving no concessionary privileges.

Most importantly, the calls for reform reflected a growing recognition of the diversity within the so-called developing world and the obvious inconsistencies in the EU’s geographical ambit and chosen structure for interregionalism. It became increasingly difficult to explain what common interests bound the Lomé states together or distinguished them from the majority of non-Lomé developing countries. The ACP was an acronym, but it also became increasingly anachronistic. Conversely, supporters argue that the rationale for the grouping was more than post-colonial history and clearly the large size of the ACP group does provide certain negotiating advantages (for both the ACP and the EU). However, the existence of regional provisions within the existing Lomé framework worked to emphasize the diversity of needs rather than enhance the “coherence” of the ACP community. Increasingly regional “differentiation” became the clarion call for the new development policy agenda. The prospect of the EU differentiating between levels, or types, of developing country and discriminating between countries that up to the year 2000 had largely been treated on an equal footing despite their apparent different levels of development, became the new reality. The new millennium thus signifies a watershed in EU interregionalism.

### *Imagined and differentiated*

The Cotonou Partnership Agreement was the result of a lengthy negotiation process, the agenda of which transformed appreciably over the 1996–2000 period. Perhaps surprisingly, much of the general experience and *acquis* of the previous twenty-five years of Lomé were retained – for example, the contractual nature and benefits of long-term agreements. But past policy failures were also seen as the motivation for reform. In particular, the institutional and policy-making contexts of each ACP country on effective development were seen as serious and fundamental impediments. The past practice of uniform preferential trade access and direct aid had generally failed to transform ACP economies. The ACP’s share of the EU market had declined markedly over the lifespan of Lomé (to just 2.8 percent by 1999) and remained dependent on a narrow range of primary products depressingly reminiscent of a colonial economic structure. The economic remedy proposed by the EU was extreme – regional differentiation based around a commitment to free trade. Although the more radical proposals were moderated and modified by concessions, crucially the basic principles of ACP–EU regional free trade areas were established, marking a paradigmatic departure from the spirit of Lomé and the assumptions of past ACP–EU interregionalism.

The remainder of this chapter examines the new Partnership Agreement and highlights the key differences from Lomé. Cotonou – if success-

ful – may well prove to be the blueprint for the global application of EU development policy within an interregionalism framework.

Earlier interregional Lomé Conventions were largely precluded from any overt political conditionality. This fundamentally changed after 1989. The renegotiation of Lomé IV coincided with the watershed of German reunification and the collapse of communism to the East. Political interregional dialogue – or perhaps more accurately political conditionality – was no longer taboo but became an essential element of a new approach. Thus Lomé IV contained policy that was expressly political and focused on human rights. The signs of a changing economic philosophy also began to emerge with the adaptation of the structural adjustment program of the Bretton Woods institutions becoming part of EU development policy for the first time. Similarly, Lomé IV tentatively promoted regional cooperation.

Tellingly, consensus had begun to emerge on all sides that the past Lomé trading regime had failed to arrest, let alone reverse, the economic decline of the ACP: Some went as far as to argue that it was in fact instrumental in accelerating the decline. This, together with the new WTO-based consensus and the economic development of the Central Europe and Eastern Europe Countries (CEEC) conspired to overturn the economic philosophy that had underpinned Lomé and defined interregionalism for the previous quarter-century. Trade liberalization, accompanied by democratic institution-building, was the new international context that the successor to Lomé was obliged to recognize, acknowledge and ultimately embrace. Consequently, the Partnership Agreement emphasizes the political aspects of interregionalism and not just the economic.

### *Objectives, principles and institutional structure*

Poul Nielson, the European Commissioner for Development and Humanitarian Aid, claimed that the Partnership Agreement was “a major historical and political event.” Cotonou constituted “a new era of a relationship based on a profound reform of the spirit, the objectives and the practice of our cooperation” (Nielson 2000: 2). As spelled out in Article 1, the broad objectives of the Partnership Agreement are the promotion of the economic, cultural and social development of the ACP states as well as the reduction of poverty and the gradual integration of the ACP countries into the world economy.

European support and encouragement to assist in regional integration processes are expressly mentioned as mechanisms that can assist in realizing these primary EU–ACP objectives. In addition, Article 2 outlines four “fundamental principles” that will govern relations between the EU and the ACP (ownership; participation; dialogue; and differentiation). From the perspective of interregionalism, differentiation is the most significant of these. Differentiation in the arrangements for ACP countries and for

regions (reflecting different levels of development) became a fundamental principle, distinguishing between those more able to compete in the global economy and the least-developed countries who were to retain special protection. This constitutes a significant departure from the former Lomé uniform interregionalism. The ramifications of this change are radical: it paves the way for a multi-speed approach to future development that will inevitably differentiate between different regions of the ACP group.

### *Political dialogue and conditionality*

The purpose of the political dialogue is to exchange information, foster mutual understanding and develop “agreed priorities and shared agendas.” Areas of “mutual concern or of general significance” that the dialogue specifically mentions are “the arms trade, excessive military expenditure, drugs and organized crime, or ethnic, religious or racial discrimination” as well as “respect for human rights, democratic principles, the rule of law and good governance” (Article 8.4). Interestingly, political dialogue was not confined to the formal institutional framework of the agreement but could also take place informally and at regional or sub-regional levels as deemed appropriate.

The agreement does identify what it calls “essential elements and fundamental elements.” The distinction was important and the topic of some tension in the negotiations. Three “essential elements” are identified: respect for human rights, democratic principles and the rule of law. Breaches of any of these essential elements may ultimately lead to a country facing suspension from the agreement although this is seen as a measure only of last resort (Article 96). The fundamental elements – good governance and corruption – are largely new and have not been simply duplicated from Lomé (Article 9.3), with provisions for the regular assessment of good governance built into the agreement, taking into account “each country’s economic, social, cultural and historical context.”

The risk is, however, that unless these broad principles – both essential and fundamental – are respected and promoted, the quality and purpose of the region-to-region political dialogue will be marginalized and regarded as little more than cosmetic conditionality to be applied in a selective manner. Some commentators have argued that the democratic agenda of Cotonou is unrealizable and, when coupled with poverty alleviation, sets unrealistic and unobtainable goals. A framework for this inter-regional partnership may be able to contribute to these objectives, but it is an unreasonable expectation for Cotonou alone to achieve these outcomes. To avoid future disappointments and presumed policy failure, Cotonou needs to establish appropriate expectations commensurate with what its capacity, as an inter-regional framework, is able to deliver.

The new agreement does present the ACP and the EU with a broader

basis on which to engage in political dialogue, however. In principle at least, any issue of mutual interest can be discussed. Explicit references to new topics – peace-building and conflict-prevention (Article 11) and migration issues (Article 13) – were introduced into the text, providing an explicit legal basis for the development of EU–ACP joint policy in these areas. A focus will be on targeting the root-causes of violent conflict, mediation, negotiation and reconciliation processes, as well as specific issues such as military spending, child soldiers and anti-personnel mines. Critics have remarked on the oddity and uniqueness of incorporating such geopolitical concerns into a commercial and financial region-to-region agreement. Largely on the insistence of the ACP, migration was dealt with in some detail in the agreement. The “fair treatment” of legally resident ACP nationals, the extension of rights comparable to those for EU citizens as well as action to combat employment discrimination, racism and xenophobia, are all stipulated. Conversely, the EU insisted on “a prevention policy” on illegal immigration. First, the EU hopes to normalize migratory flows by improving the social and economic conditions throughout the ACP. Second, and more pointedly, the agreement requires the ACP states to “accept the return of any of its nationals” found illegally resident in the EU “without further formalities.” The recipient state is obliged to provide the appropriate identity documentation and administrative facilities necessary for repatriation, while ensuring “that the dignity of individuals is respected in any procedure initiated to return illegal immigrants to their countries of origin” (Article 13.5). Initially, the EU had wanted this policy to extend to non-nationals who used ACP states to illegally enter the EU, but this was unanimously rejected by the ACP (Gomes 2000: 11).

The financial mechanism supporting this EU–ACP interregionalism followed the Lomé model. The final level of resources for the ninth EDF was set at €15.2 billion over the five-year period 2000–2005 (€13.5 billion in the EDF and €1.7 billion from the European Investment Bank’s [EIB] own resources). This level of financial support was only marginally higher than the eighth EDF figure (with no increase in real terms). However, additional funds from the unspent balances from earlier EDF allocations have been carried forward, making the total of new and old funds available some €25 billion. Clearly, the greater financial impediment may be the actual disbursement of the funds effectively and efficiently during the lifetime of the ninth EDF rather than any inadequacy in the amount budgeted. At the time of the signing of the Cotonou Agreement €9.9 billion remained uncommitted from previous EDFs.<sup>2</sup> Critics have noted that no targets or timetable for levels of disbursement have been set and predict that continued low levels of disbursement will also come to characterize Cotonou and undermine the main policy objective of poverty eradication (Laryea 2000: 16).

*Interregional innovations*

According to Commissioner Nielson, the new agreement was a significant departure from the Lomé method in three ways: The nature of the partnership; the objectives to be focused on; and the ways and means of achieving these (Nielson 2000: 2). The actual innovations, however, are not quite as novel as suggested by the Commission's rhetoric – only the last of these could rightfully claim to be a clear break from past practice. First, the concept of interregional partnership was as much the defining characteristic of Lomé as it is of Cotonou. What was new, however, was the further application of good governance as a “fundamental element” of the relationship and the responsibility and accountability of ACP in this respect. Second, the focus on poverty eradication in the Cotonou Agreement, combined with sustainable development and the gradual integration of the ACP economies within the global economy, has successfully defined a more precise EU regional development role. However, such a focus is far from revolutionary. Poverty reduction has been part of the EU's formal treaty obligation since Maastricht, and informally for much longer. While laudable, poverty reduction is hardly an exclusive role for the EU, but had become a common function of the international world by the end of the twentieth century. The subsidiarity question in relation to interregionalism – what does the EU do best, and what the state – remained untested. Third, and the area where the Partnership Agreement can justifiably claim innovation, Cotonou seeks to better influence the context within which development occurs, emphasizing trade development and investment. As discussed already, the EU's remedy for this has been to depart from Lomé's trade preferences approach to embrace regionalized free trade as the better mechanism for economic growth. Transition periods notwithstanding, this constitutes a radical departure from the uniform basis of interregional economic relations between the EU and the ACP developed over the past quarter-century.

Importantly, in contrast to Lomé's uniformity, the Partnership Agreement differentiates between the levels of development of ACP states. The Least Developed Countries (LDCs) remain principally governed by the traditional Lomé approach, while the more economically able ACP states will have the new conditions for liberalized regional economic partnerships applied to them. Practically all LDC exports will benefit from non-reciprocal free access to the EU market by 2005 (the sugar and beef protocols being the only major exceptions to this). The EU's new approach to the LDCs reflects a wider international assessment of the particular economic situation of these states. The EU's role is, however, crucial as thirty-nine of the world's LDCs are signatories of the Cotonou Agreement.

The radical reform of regionalized trading relations, therefore, applies specifically to the non-LDC ACP states. The EU regards this new approach

as comprehensive and designed to enhance ACP competitiveness. A series of deadlines for the progressive abolition of trade barriers and the introduction of WTO-compatible free trade regions have been promulgated in Article 37 of the agreement. September 2002 was set as the date by when negotiations on interregional economic partnership agreements must commence, with a view to their introduction no later than January 1, 2008. During this interim period the current Lomé IV trade regime will be maintained, although some commodity protocols will undergo review. However, agreements on trade liberalization seem far from inevitable with all of the ACP states. Consequently, provision was made for an assessment in 2004 to determine which of the non-LDC ACP are not in a position to move toward regionalized free trade. For these states, alternative arrangements will be examined that can provide them with "a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules."

Even for those non-LDC states regarded as suitable, a further review in 2006 will assess whether a longer transition beyond 2008 is necessary. For those countries able to meet the original deadline a transitional period has to be agreed upon before all elements of the negotiated regional trade agreement are fully implemented. The wording of the Agreement is cautionary on this point, noting the need to take account of the socio-economic impact and variable capacity of ACP countries to adapt and adjust to liberalization. Consequently, negotiations will "be as flexible as possible in establishing the duration of a sufficient transitional period . . . and the degree of asymmetry in terms of timetable for tariff dismantlement" (Article 37). No timeframe for the transition is specified, but other agreements suggest that up to twelve years is quite possible. In addition, Article 37 raises the issue of WTO compatibility in several places and calls on the EU and ACP to "closely cooperate and collaborate in the WTO with a view to defending the arrangements reached." Elsewhere the agreement calls for the identification of common ACP-EU interests and a more effective lobbying of the WTO agenda to promote a development perspective. Clearly, conflict at the international level is widely anticipated. Given these intra-ACP-EU issues and the external challenges, the agreement signed in Cotonou in the year 2000 may only fully impact in 2020 at the earliest.

Crucially, the precondition for these partnerships is the development of regional groupings within the ACP: The template is for group-to-group economic relationships, not for a series of bilateral and ad hoc agreements between the EU and seventy-seven individual ACP actors. The challenges – for the ACP – are great. First, effective regional integration is a significant economic and political issue between ACP states and will require detailed and painstaking inter-state negotiations over several years with no guarantee of success. Second, many of the anticipated regional groupings combine relatively developed ACP economies with those classified as LDCs. Regional integration that combines these two groups will be

especially difficult to achieve. And third, and simultaneously, these ACP states will also have to liberalize their economies in line with international standards and may face significant political and social opposition. Under such circumstances 2008 could prove to be an unachievable deadline for most of the eligible ACP states.

Regional trade liberalization is to go hand-in-hand with a wider range of cooperation across associated areas. For example, the Partnership Agreement covers competition policy, intellectual property rights, information and communication technologies, standardization, consumer protection, the environment and labor standards. Of symbolic and practical importance is the agreement to cooperate on matters of mutual concern in other international forums, such as the WTO. On balance, Cotonou certainly presents a more complete set of arrangements on which to construct the regional EU-ACP partnership than its predecessor. The overall aim remains ambitious and long-term in nature – “sustainable development” that leads to the “gradual integration of the ACP states into the world economy (...) implemented in full conformity” with WTO provisions (Article 34).

### **Toward differentiation under the ACP umbrella**

One of the principal negotiating objectives of the ACP states was to protect the integrity of the APC as a group. Maintaining recognition by the EU of the group collectively, rather than regionally or bilaterally, was paramount. The ACP had to overcome attempts by the Commission to abandon this unique grouping in favor of discrete and specialized regional agreements. The final outcome was an uneasy compromise. The ACP interregionalism umbrella has been retained, but the provisions for distinct and autonomous regional economic partnerships signals an end to Europe’s uniform approach to the developing world of Africa, the Caribbean and the Pacific. Critics have suggested that this compromise is tantamount to a Trojan horse and will eventually succeed in dividing the ACP internally. Conversely, others have argued that any commonality expressed by the group was only superficial at best, and the dismemberment of the group long overdue.

The undeniable message from Cotonou is that the EU preference is to promote ACP regional integration and deal primarily on a region-to-region basis. Such a development of course corresponds to the EU’s own original philosophy and is consistent with a view of integration as a global process. However, the EU also regards regional integration as the most effective route through which the ACP states can re-enter the international economy. In the words of Article 35.2 of the Partnership Agreement, “regional integration is a key instrument for the integration of the ACP countries into the world economy.” Practical support is given to this through Articles 29 and 30. These cover the promotion of single unified

regional markets, cross-border issues as well as direct assistance for the institutionalization of regional integration. Furthermore, regional integration, if it does promote growth, is also seen as a means for realizing Europe's major development policy objective: the reduction of poverty. It may also help to bridge the gap between the LDCs and other developing countries within a particular region. All of these potential advantages are, of course, premised on the political requirement that any form of regional integration is based on and will contribute to democracy and good governance. The corresponding economic requirement – sound economic management – including the removal of intraregional tariffs (and a subsequent loss of revenue) may prove problematic, and require a revision in the Cotonou free trade timetable.

What might, then, be suitable future Regional Economic Partnership Agreement (REPA) case studies that an interregionalism perspective might study empirically?

### *The Pacific Islands*

Clearly, not all ACP regions either face the same problems or have similar resources. Some are better placed than others – as illustrated by the Pacific Islands. The Pacific is a region clearly affected by the transition from Lomé to Cotonou. Under Lomé the Pacific was by far the smallest regional grouping with just eight out of Lomé IV's seventy members (with just 6 million people): This has now enlarged to fourteen out of the Cotonou total membership of seventy-seven states and is comparable to the Caribbean's representation (with fifteen states). Within the context of the ACP, the Pacific was also the least economically integrated region as only a minority of the Pacific's independent Forum Island Countries (FIC) were also Lomé signatories. However, now all fourteen FICs are Cotonou signatories and the prospects for the development of a Pacific regional economic partnership agreement with the EU by 2008 look more promising.

Historically, the fourteen Pacific ACP states have significant European colonial links – with the UK, Spain and Germany – and the region even more so through French Polynesia (although this has always remained outside the ACP group). The Pacific states also share many similar development constraints – subsistence economies, market isolation, limited export diversity or capacity, lack of expertise and vulnerability to natural disaster. In contrast to the eight Pacific Island states that were members of Lomé, none of the six new signatories to Cotonou have any significant trading relations with the EU. Indeed, cumulatively, these six only add 226,500 to the population for the Pacific ACP states (MacRae 2000: 24). However, the future impact of these microstates may well be greater than their small size would normally suggest. First, the expansion of Pacific representation is important in offsetting the predominance of African

countries within the ACP. Second, collectively, the island states of the Caribbean and the Pacific now form a sizeable minority and will be better placed to introduce topics of specific concern to island nations on to the ACP agenda – such as global warming, economic viability and depopulation. Third – and of greater general importance – the FIC structure presents an obvious mechanism through which the EU can negotiate a regional REPA. The Pacific offers the simplest test case for EU–ACP regionalized free trade and could conclude the first regional agreement, the success of which will determine the future of other agreements in Africa and the Caribbean. Conversely, access to the fishing and other resources enjoyed by the Pacific states under their Exclusive Economic Zone (which totals 20 million square km) may prove to be a major hurdle to an agreement. Critics of the regional free trade principle have always warned of the inequality of free trade between Europe and the developing world: for states with little to export to Europe, conceding fishing rights may be an unreasonable price to pay for enhanced links with the EU.

#### *The Least Developed States*

Sitting alongside this emphasis on regional integration are the special differentiated provisions for LDCs (and landlocked or island states) in the Partnership Agreement. Cotonou realistically recognized the dichotomy that had always existed within the ACP but went largely unrecognized in Lomé: that between the very least developed states and the other developing countries. Cotonou uses the LDC category as the organizing principle for its interregional economic reforms: Development status under the Partnership Agreement now determines the appropriate trade regime.

Thirty-nine LDCs are members of the agreement while another thirty-eight ACP members are not: as is the case for LDCs in general, these countries are predominantly drawn from Africa. For the ACP, only six LDCs (one in the Caribbean and five in the Pacific) are not African. It should be noted, however, that the definition of LDC in the Cotonou Agreement does not perfectly match that used by other agencies or follow the Human Development Index (HDI) exactly. The 2000 HDI surveyed 174 countries: significant ACP omissions were Somalia and Liberia in Africa, and nine of the fourteen Pacific Island states.

The predominance of LDCs in Africa – representing half of all African states – presents a serious challenge to the objective of integrating these countries into the global economy. While the actual form and shape of regional integration that emerges is legitimately the exclusive concern of the states involved, all the possible configurations must inevitably include a number of LDCs. Indeed, Article 29 of the Partnership Agreement gives as one of the objectives of regional economic integration “fostering participation of LDC ACP states in the establishment of regional markets and sharing the benefits.” Southern Africa – in the form of the Southern

African Development Community (SADC) – is generally regarded as the most viable and advanced form of regional cooperation on the continent (see also chapter 12). But even here half of the memberships are LDCs. Of course, South Africa already has the only ACP free trade agreement with the EU and this may be a useful template for extending the regime more generally to SADC. Elsewhere in Africa – East, West and Central – the prospects for engineering regional integration leading to economic partnership agreements with Brussels seem less immediately likely. In comparison, the Caribbean and the Pacific Islands (as already discussed) appear to be more probable candidates, despite the particular problems associated with regionalism and island states. The question of market size may also be a distorting factor. The fifteen Caribbean ACP states have a population of 22.8 million and the fourteen Pacific Island ACP states just 6.7 million: Africa alone totals 610 million across its forty-eight ACP states.

The Agreement is not completely silent on these issues and does not require LDCs to adopt regionalized trade liberalization regimes. It recognizes that LDCs need to be accorded “special treatment in order to enable them to overcome the serious economic and social difficulties hindering their development” (Article 85). Specifically, the provisions for the new economic and trade regime propose that by 2005 at the latest “essentially all products” from the LDCs will have duty-free access “building on the level of existing trade provisions of the Fourth ACP–EC Convention” (Article 37). But the broader policy issue remains problematic. How will future free trade agreements between any regional grouping and the EU accommodate these protectionist needs of LDCs? Detailed rules of origin and tariff controls needed by the LDCs would appear to conflict with any notion of trade liberalization and demand high compliance costs. Thus for the core ACP countries and the vast majority of impoverished citizens – those in Africa – effective regional economic partnership agreements would seem a distant prospect at best.

It is unrealistic to presume that all of the thirty-eight non-LDC signatory states will be in a position to sign regional free trade agreements by 2008. Indeed, the 2004 and 2006 review dates provide the legitimate mechanism whereby such a scenario becomes possible.

The negotiations that led to the South African Free Trade Agreement (FTA) were instructive in shaping the trade aspects of the Cotonou Agreement. The success of the “first wave” of ACP–EU regional economic partnership agreements will be equally instructive and influential in persuading less enthusiastic or economically less well suited ACP states of the merits of experimenting with free trade. Thus the detailed provisions, timing and selection of appropriate states as the test case is crucial. As suggested, perhaps the Pacific Island states could provide a comparatively favorable example: whether this would persuade the African ACP states of the suitability of free trade or rather underline its inapplicability to African economic conditions remains to be seen.

Crucially, by providing essentially the status quo for the ACP's 39 LDCs, the EU has created a paradox. If, as is widely accepted, Lomé's non-reciprocal arrangements have helped to exacerbate the economic decline of the ACP, how can their continuation be advantageous? How, if at all, can the LDCs reach an economic position whereby economic liberalization becomes a possibility? Does Cotonou unintentionally condemn them to third-class status in perpetuity? Clearly, the nature and global scale of these problems go far beyond the scope of the Partnership Agreement. Nonetheless, to be effective the Cotonou Agreement will have to recognize and operate within the international economy if the mistakes of Lomé are not to be repeated.

Most importantly, the challenge is whether the unique EU-ACP relationship can be maintained, or does Cotonou signal the break-up of this "imagined" group? The coherence of the group was first challenged in the 1996 Green Paper: despite predictions of an immanent death, the ACP maintained solidarity throughout the post-Lomé reform process and fought off criticism of the contradictions and incompatibility within the ACP concept. Until the ACP wishes to disestablish the group there is little that the EU can effectively do. The political symbolism of the ACP label far outweighs any geographic or economic arguments. At least superficially, Cotonou has guaranteed the status quo for two decades. But as suggested already, beneath this formal unity the new economic partnership arrangements may create institutionalized tensions that result in the ACP imploding and fragmenting into discrete – and competing – regional groupings. Whereas past diversity was not an impediment to cohesion, future economic competition (disguised as "positive differentiation") may prove to be a greater challenge. The ACP faces considerable internal strain as it seeks to balance the interests of LDCs with those of comparatively wealthy states such as Nigeria or South Africa. Again, Cotonou unintentionally may have encouraged and formalized such a dichotomy by agreeing to treat the LDCs and the other ACP states economically quite differently.

Of course, there are countervailing political arguments in support of maintaining the solidarity of the ACP. As a group of now seventy-seven states it presents a more credible presence as a negotiating partner that could be absent were the individual states to interact bilaterally or regionally with the EU. And yet the ACP does sit uncomfortably with the EU's preference for regional dialogues internationally. Furthermore, the level of intra-ACP trade is minimal and to the extent that it does exist it primarily reflects regional cooperation that could exist outside the ACP framework. The longevity of the ACP may depend on the promotion of the group's identity beyond the EU into other international arenas. Acting collectively at the WTO or the UN would enhance its utility and answer critics who see the ACP's sole *raison d'être* being its special relationship

with Europe. Successive ACP heads of government summits have recognized this necessity without to date finding a more effective expression in practice (Karl 2000: 22). Somewhat paradoxically, the Cotonou Agreement may provide this added impetus, however, as the EU has committed itself to promoting the ACP's representation in international organizations.

In summary, other than for the LDCs, the continuation of the Lomé interregional framework has been largely abandoned and the principle of regional trade liberalization has effectively replaced that of non-reciprocal privileged access. While the shock of this change has been somewhat cushioned by lengthy negotiation and transition periods that retain some aspects of the Lomé *acquis*, there has been a paradigmatic shift in the focus and direction of EU-ACP interregional relations. However, these reforms are ultimately dependent on a wider global agenda and on improved institutional capacity that can enhance policy implementation. The challenges that confront the effective implementation of Cotonou and how this agreement meshes with the most recent EU development initiative – the EBA proposal of February 2001 – is discussed briefly below.

### **“Everything but Arms”**

Both the complexity as well as the dynamic pace of change that has come to characterize the EU's external policy at the start of the twenty-first century was reflected in the so-called “Everything but Arms” proposal adopted as a Council Regulation (416/2001) on February 28, 2001. This Commission proposal to the Council was both consistent with the new thrust of the Partnership Agreement and yet simultaneously suggested a fundamental break with the EU's past approach to interregional development policy. As shown already, Cotonou had introduced the principle of differentiation according to development status and offered special treatment for ACP states classified as LDCs. The agreement even foreshadowed the general application of this new principle. However, while consistent to the Cotonou philosophy, “Everything but Arms” has breached the long-established policy of offering the ACP preferential advantages over all other developing countries. To extend non-reciprocity to non-ACP LDCs suggested – if not endorsed – a view that the ACP as a group was no longer the dominant organizing principle for EU-Third World interregional relations. The ACP had been split between the non-LDCs and LDCs and the new dimension of the EBA LDC framework added. Those critics who saw the Lomé renegotiation process as the forerunner to the fragmentation of the ACP group appeared vindicated.

According to a Commission press release, “Everything but Arms” constituted a “groundbreaking plan to provide full access for the world's poorest countries into European Union markets” and would grant duty-free access to the world's forty-eight poorest countries. The proposal

covered all goods except the arms trade: Hence the slogan, "Everything but Arms."

Given its implications, the proposal was opposed from two directions. First, a number of existing ACP beneficiaries feared their interests were being compromised by this more inclusive program; and second, initially some of the more protectionist-minded EU member states raised critical voices. In order to placate the ACP, concessions were made on transitional arrangements for significant products (rice, sugar and bananas). The potential impact on ACP bananas was, however, still regarded as problematic by several Caribbean states. And, of course, these concessions inevitably promoted continued LDC reliance on largely unprocessed raw products with little added-value accruing. Member state concerns over the potential for fraud and the difficulties in monitoring rules-of-origin were addressed in the eventual regulation. Specific measures were established to safeguard the EU from a flood of fraudulent imports under the proposal.

With opposition largely overcome, on February 26, 2001 the General Affairs Council adopted the Commission proposal on "Everything but Arms" as an amendment to the EU's Generalized Scheme of Preferences.<sup>3</sup> As of March 5, 2001 goods from the world's forty-eight LDCs received tariff-free access to the EU market for all products other than arms and ammunition. This initiative makes the EU the world's first major trading power to commit itself to opening its market fully to the world's most impoverished countries. Duty and quota restrictions were eliminated immediately on all products except for the sensitive ACP issues of sugar, rice and bananas, where full liberalization is to be phased in over a lengthy transition period. For some, "Everything but Arms" complements the LDC content of the Cotonou Agreement and triggers a process that will ensure free access for "essentially all" products from all LDCs by 2005 at the latest.

But what is the likely effect of the "Everything but Arms" initiative? Does the rhetoric match the economic content? According to Commission figures, the EU had become the major global destination for LDC exports. In 1998, LDCs exported goods worth €15.5 billion; of this total the EU took 56 percent (worth €8.7 billion), while the United States imported 36 percent (worth €5.6 billion) and Japan 6 percent. However, this previous regime excluded about 10 percent of the 10,500 tariff lines in the EU's tariff schedule, and affected 1 percent of total trade flows. The Commission proposal and the adopted regulation addressed these gaps by granting duty-free and unrestricted quota access to a further 919 lines covering all products (except arms and ammunition) from all LDCs. The new list leaves out just twenty-five tariff lines, all of which are related to the arms trade. For the first time all agricultural products are covered, including beef and other meat; dairy products; fresh and processed fruit and vegetables; maize and other cereals; starch; oils; processed sugar products;

cocoa products; pasta; and alcoholic beverages. Only the three most sensitive products – bananas, rice and sugar – were not liberalized immediately.

The challenges posed by coherence, complementarity and coordination are clearly at play in this new approach. The suggested compromise tries to balance improved trading opportunities for LDCs yet take into account the constraints imposed by agreements such as REPAs and, of course, to be consistent with WTO thinking.

## **Conclusion**

Both Cotonou and the EBA are potentially groundbreaking agreements: The EBA goes beyond any other current WTO initiative and Cotonou adopts a fresh approach to development. And yet, without undermining the benign intent of the EBA, there is growing concern among some developing countries that the EBA may prove to conflict with the broader development interregional strategies of Cotonou. In an ideal world the reform process that led to the Cotonou Agreement would have developed in parallel with the EBA discussions – ensuring to some degree coherence, coordination and complementarity. However, the existence of two separate agreements with overlapping but not identical membership presents the ACP with a potential dilemma. The least developed ACP countries are party to both agreements and have a choice of frameworks: the non-LDC ACP states, however, are excluded from the benefits of the EBA and some are concerned that the market access guaranteed by Cotonou will in practice be undermined by the more generous EBA provisions provided for non-ACP LDCs.

More significantly, the free access offered to the ACP LDCs seems to nullify the necessity to enter into regional free trade agreements with the EU as outlined in the Cotonou Agreement. All potential ACP regional FTAs include LDCs. Why should any ACP LDC exchange non-reciprocal unlimited access to the EU market for a regional free trade agreement that will give the EU free access to its markets and remove its ability to raise tariff revenue at its borders? Thus unintentionally, perhaps, the EBA has at least the potential to undermine the Cotonou Agreement objective of creating regional free trade agreements. Once again, the viability of the ACP as a coherent group can be questioned. Perhaps more worryingly, the complexity of orchestrating a global approach to development policy at the EU level that respects consistency, coherence as well as complementarity seems beyond the capacity of current policy-making frameworks. Adverse unintended consequences that characterized the Lomé experience continue to present a current danger to Europe’s inter-regional development policy in the twenty-first century.

# 17 Hemispheric interregionalism

## Power, domestic interests, and ideas in the Free Trade Area of the Americas (FTAA)

*Stefan A. Schirm*

### Introduction

Inter-American relations date back to the end of the nineteenth century, when the first Pan-American conference was held in Washington, DC. After World War II, inter-American relations were institutionalized with the creation of the Organization of American States (OAS), which played an important role in Latin America during the Cold War: In exchange for economic assistance from the United States, most of the Latin American countries supported the United States in containing communist insurgency in the hemisphere. A new phase of regionalism started with the end of the Cold War and also with democratization and economic liberalization in Latin America and with the rising competitive pressures due to economic globalization: The early stages of the 1990s saw the emergence of two regional groupings, the North American Free Trade Agreement (NAFTA) and Mercado Comun del Sur, or the Common Market of the South (MERCOSUR). In tilting towards a liberal economic strategy, both groupings symbolize a departure from the inward-looking interventionist policies that were dominant in most Latin American countries in the decades leading up to 1990. In terms of trade creation, NAFTA and, to a lesser degree, MERCOSUR are the most successful regional economic agreements that the hemisphere has ever seen. While NAFTA is dominated and instrumentalized for foreign economic policy purposes by the United States, Brazil not only dominates MERCOSUR, but also sees it as a vehicle to strengthen its regional power base (Schirm 1997a: 49–112).

These are the parameters for the negotiations on a hemispheric Free Trade Area of the Americas (FTAA) launched by President Clinton in 1994. Its precursor, the Enterprise for the Americas Initiative (EAI), was invented by President Bush sen. in 1991 in order to reduce Latin American fears of marginalization after the negotiations with Mexico on NAFTA had begun. The FTAA negotiations are supposed to be finalized in 2005. They include all countries from Alaska to Tierra del Fuego, except Cuba. The negotiations progressed over the last eight years during

several ministerial summits and in working groups on issues such as market access, investment, services, competition policy, dispute settlement, subsidies and intellectual property rights. The overall goal is to achieve economic integration through trade and investment by dismantling tariffs and non-tariff barriers as well as by improving conditions for investment and by deepening political cooperation. The latter incorporates topics such as education, good governance and poverty alleviation. Thus, in nominal terms, the FTAA project encompasses more than mere free trade but is ultimately motivated by and centered on economic issues. As we will see, the cultural and political differences between North America and Latin America are as noticeable as Latin American aspirations for independence from the traditional “hegemon” USA. Therefore, the FTAA process not only has to find a balance between ambiguous policies, but also between good political intentions and pragmatic economic interests. The overall objective is to promote hemispheric regionalism and to create an association which integrates North, Central and South America into a grouping that resembles a transregional (or even mega-regional) forum.

Until now, no breakthrough has been achieved and negotiations regarding the FTAA seem to have stalled in several areas. During the course of the negotiations it became clear that the two main protagonists – the United States and Brazil – decisively control the momentum of the progress of the FTAA. Both lead a regional grouping (NAFTA, MERCOSUR) and both compete for economic and geopolitical influence in Latin America. Thus, success or failure of economic integration in the Americas decisively depends on US–Brazilian relations and on the power, interests and ideas involved. Obviously this is a very asymmetrical relationship, as the United States has greater power and because access to the US market is much more important to all other Latin American countries than access to the Brazilian market. In principle, the United States would therefore be in a superior position to shape inter-American relations, if it had a clear strategy. However, US policies regarding Latin America and its most important counterpart, Brazil, are characterized by ambivalence and inconsistencies, obstructing progress towards an FTAA.

US policy concerning Latin America and especially regarding Brazil seems ambivalent because, on the one hand, the United States follows traditional free trade rhetoric, initiated the FTAA process and demands a reciprocal opening of other markets to US exports. Yet, on the other hand, US trade policy has become more protectionist since the 1980s, when demands for “fair trade” replaced the former “free trade” agenda. President Clinton’s plans for hemispheric free trade were thus confronted with protectionist sentiments in Congress, which refused to give him the “fast-track authority” necessary to enter multilateral trade negotiations.<sup>1</sup> His successor, President George W. Bush jr., eventually obtained the “trade promotion authority” (TPA) in 2002, but only after he had

increased protection for steel and agriculture. The apparent contradictions have led one eminent economist, Anne O. Krueger, to call US trade policy “schizophrenic” and a “tragedy in the making” (Krueger 1995: 6).

Ambivalence in trade policy is matched by ambivalence in foreign policy. On the one hand, the United States proclaimed a “Partnership in Leadership” with Brazil and articulated great interest in integrating the Americas in a move to balance other regional groupings such as the European Union (EU) (Harrington 2000: 1). On the other hand, the United States opposed Brazil’s desire to achieve regional power status through the expansion of MERCOSUR and by lobbying for its policies among its Latin American neighbors (Perry 2000: 412). All in all, no clear US strategy toward Latin America in general and toward Brazil specifically is evident. Open rivalry between the hegemon United States and the emergent regional power Brazil seems as plausible in the future as cooperation toward a new political and economic architecture for the Americas. Due to a lack of clarity and, consequently, a lack of credibility of its foreign and economic policies, the United States cannot fully exercise its self-styled leadership role in the hemisphere.

In order to understand the dynamics of the inter-American negotiations and the prospects for an FTAA, a careful analysis of US–Brazilian relations must be undertaken. For this purpose, two questions have to be answered: Why do the United States and Brazil show ambivalent behavior? And why do the United States and Brazil compete for dominance in Latin America?

In answering these questions, this chapter will rely on basic assumptions of the three dominant theoretical paradigms in international relations – power, interests and ideas – as one theory alone is unable to explain the ambivalences. While power-centered neorealism cannot explain the multilateral and cooperative elements in US policy, the liberal focus on domestic interest groups seems to be incomplete because it fails to take into account changes in the international system such as the end of the Cold War and the rivalry with Europe and East Asia. Moreover, constructivist approaches focusing on the ideational aspects of foreign policy-making appear to be important because of the resurgence of common values such as democracy and free markets among the countries of the Western Hemisphere. The three theoretical approaches will not be systematically tested here. They only serve as an analytical framework explaining the ambivalent policy preferences of the two major powers in the American Hemisphere and the reasons for US–Brazilian rivalry, which both have a bearing on the FTAA process as well as inter-American relations in general.

The central hypothesis of this chapter takes all three approaches into account: If regional cooperation is obstructed by ambivalent policies and rivalry of the leading countries, then competing preferences among or within the driving forces of power, interests and ideas will be formative in determining their foreign policy behavior.

The chapter is structured as follows: First, power-centered neorealist hypotheses are compared with empirical evidence. Second, inter-American relations are analyzed according to the “liberal” approach and the focus is placed on domestic politics. Finally, progress towards the FTAA is analyzed by considering the constructivist perspective. The conclusion concentrates on the prospects for inter-American relations and the FTAA as well as on the results of the Third Summit of the Americas which was held in Quebec in 2001.<sup>2</sup>

## **Power**

Neorealism is a systemic approach which concentrates analysis on the distribution of power in the international system (Waltz 1979; Gilpin 2000). National interests are exogenously given and shaped by the structure of the international system as well as by the relative position of the respective country in this system. The way in which other states are perceived rests on their relative power and their alleged aspirations to change the international distribution of power. Since power in the international system is distributed as a zero-sum game and neorealism also assumes that states distrust each other, anti-status quo states (such as states aspiring to regional power status) are perceived as threats. Alliances are only formed if a common threat is to be balanced, if a hegemon is to be neutralized, or if a hegemon bears the costs of collective goods such as security and free trade in a system of hegemonic stability. Accordingly, this paragraph seeks to provide evidence on the structure and possible changes in the distribution of power in the Americas. Can we observe changes in the international distribution of power, the formation of new alliances or even new threats to the United States, which could help to explain ambivalent policies and interregional rivalry towards Brazil?

Following this reasoning, the end of the Cold War, the strengthening of existing economic blocs such as the EU, and the rise of competing economic groupings such as MERCOSUR should have been decisive factors in shaping US policy toward Latin America during the last decade. Evidence supports this interpretation: The fear of a “Fortress Europe” and moves to create an Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) have stimulated the United States to create NAFTA and to initiate the FTAA process as well as its precursor, the EAI, in 1991 (Zoellick 1992: 1). In the decades after 1945, the United States avoided participating in regional economic integration schemes in favor of worldwide free trade and only supported integration in other regions as an anti-communist Cold War strategy. At the same time, as was the case after the end of the Cold War, the incentives strengthened for a closer economic integration with Latin America, and the importance of Latin America declined in the security domain. This may explain why the United States initiated FTAA, but thereafter shifted attention to Mexico at the expense

of the rest of Latin America.<sup>3</sup> This ambivalence may be attributed to the decreasing significance of security issues and to the simultaneous increase of economic rivalry in the international system.

A similar ambivalence can be observed in US relations towards Brazil, the inter-American “competitor”: On the one hand, Washington has attributed a lower priority to South America in the security domain after the Cold War and is, thus, prepared to accept (or even encourage) Brazil’s role as a regional power, as the latter could share the costs for the political and economic stabilization of that subcontinent (Hakim/Menezes 2001: 1; Harrington 2000; Buckley 2000: A20). This implies that a stronger engagement only seems to be appropriate in the case of a direct threat, while otherwise the task of maintaining regional stability may even be conceded to distant or problematic allies. However, the policy of “delegative low profile” and shared responsibility does not seem to be clear in the case of US policy towards Brazil, because Brazilian aspirations to sub-regional dominance can be seen as being detrimental to US influence in the region according to the neorealist zero-sum logic. And, indeed, this perception is widely shared among policy-makers in Washington (Perry 2000: 412; Nolte/Calcagnotto 2001).

On the other hand, the recent revival of geopolitical thinking in certain segments of the Brazilian policy-making establishment (especially the military and the foreign ministry) is observed with suspicion in Washington. Brazil’s strategy of “balancing” US power in the hemisphere is especially visible in its attempt to enlarge the MERCOSUR to the Andean Pact countries to the north (Schirm 1998: 88–92; Nolte/Calcagnotto 2001). Such an enlargement would be economically counterproductive, as MERCOSUR urgently needs consolidation and deepening in order to overcome cooperation problems between the existing members rather than the accession of new members with chaotic economic and domestic policies (like Venezuela and Colombia).

Thus, the United States accepts the adoption of leadership functions by Brazil in South America yet, at the same time, it is worried that Brazil could form a South American coalition against the United States. From the US point of view, these contradictory positions could be best reconciled by a “Partnership in Leadership.” Brazil would then dominate South America in accordance with US goals and the objectives of the two countries would no longer diverge. However, it is quite clear that the rise of nationalist rhetoric in Brazil appears to indicate a policy change. While in the early 1990s Brazil had entertained relatively friendly relations with the United States, the “pragmatic submission” (Schirm 1994) of these years seems to have given way to a policy of greater assertiveness toward the end of the decade. However, at the same time, the Cardoso administration has been careful to keep anti-Americanism in check; a policy illustrated by the dismissal of Samuel Pinheiro Guimarães, the Head of the Foreign Ministry’s Research Institute IPRI. With this decision, Cardoso made clear,

that aggressive nationalism would not be tolerated. As a diplomat holding the rank of ambassador, Guimaraes had publicly qualified the project of a FTAA as an instrument of the United States to secure the “hegemony of the industrialized countries.”<sup>4</sup>

In the end, Washington seems to be worried but not alarmed because nationalistic noises are only made by parts of the Brazilian political establishment, while others such as the economic ministries continue to act cooperatively and prioritize the economic advantages to be obtained from intensified cooperation with the United States. In addition, mainstream opinion in Washington views disputes over trade barriers and foreign policy positions (like those in the FTAA negotiations) as part of the normal course of international relations.

### **Domestic interests**

Theoretical approaches focusing on domestic interests assume that foreign policy is shaped by domestic influences and by economic interdependence. Domestic interest approaches highlight the importance of lobby groups, domestic political coalitions and institutions, public opinion and the political system in general. These societal approaches belong to the “liberal” theories of international relations (Moravcsik 1997). As in neorealism, states are seen as rational utility-maximizers. With the liberal approach (in contrast to realism) states primarily focus on economic gains and react to the demands of domestic groups in formulating their foreign policy. In accordance with these “liberal” assumptions, further analysis concentrates on the influence of domestic groups in order to explain ambivalences in the US policy and interregional rivalry. Which powerful special interests inside the United States and Brazil could help to explain policy outcomes?

Analyzing US ambivalence towards FTAA and its rivalry with Brazil means focusing on economic affairs, given that security policy is less subject to the lobbying efforts of domestic interest groups. Since the end of the 1980s, significant changes in trade policy, the core issue of FTAA and US–Brazilian relations, could be observed. The *Omnibus Trade and Competitiveness Act* of 1988 had weakened “free trade” policies and strengthened moves towards “fair trade.” The reciprocity principle and the active opening of foreign markets by antidumping measures and countervailing duties became central elements of the new American trade policy. The US Government thus strengthened section 301 on countervailing duties and antidumping and increasingly turned to the World Trade Organization (WTO) in order to eliminate the supposed “unfair practices” of other member states (Schirm 2000: 247–268).

This shift in US trade policy can be traced back to three domestic and transnational developments. First, lobbying by domestic economic interest groups became more accentuated since the 1980s as an obvious response

to the problems of US companies exposed to intensifying global competition (Schirm 2002: 152–168). The US economy became considerably more integrated in global markets: Between 1970 and 1997 two-way trade as a share of GDP increased from 12 to 25 percent (UNCTAD 1997: 294).<sup>5</sup> While in the 1960s US producers faced little foreign competition in their home market, it became the rule two decades later, when 80 percent of all US products faced competition from abroad (Cohen 1991: 74–86). As a result, business sectors that were affected by imports intensified lobbying activities for greater protection of the US market while US exporters lobbied the government to politically open their target markets abroad.

Second, Congress became more important in the formulation of trade policy. This was the result of increased lobbying and changes within Congress, such as the weakening of seniority for the committee chairs and the retirement of many experienced older representatives and senators. Younger politicians, often lacking any experience in foreign affairs and with a more parochial, short-term perspective, gained influence. The older generation of congressional politicians had often disregarded the short-term advantages of “fair trade,” opting instead for the long-term advantages of multilateral “free trade.”

Third, the inclusion of environmental and labor standards in the trade agenda became imperative in the last ten years. This conditionality was the result of intensive lobbying by trade unions, entrepreneurs and environmental groups, all fearing social and ecological dumping by developing countries and seeing jobs, profits and the environment threatened by free trade. The WTO meeting in Seattle in December 1999 and the FTAA Summit in Quebec in 2001 showed that developing and newly industrializing countries reject these standards as detrimental to their competitiveness.

As far as trade policy is concerned, the United States views Brazil as a problem because it maintains high average tariffs (14 percent compared to 3 percent in the United States) and extends considerable export subsidies to several economic sectors. Vice versa, Brazil along with other South American countries, heavily criticizes US export subsidies. The trade disputes of the 1990s and the imposition of countervailing duties against Brazil (e.g. for steel) are testimony to these problems. It is important to note that the imposition of US trade sanctions must be attributed to US domestic economic interest groups as companies and their pressure groups can initiate section 301 with the United States Trade Representative (USTR). Brazil is not only seen as a problematic counterpart for the FTAA due to its high tariff and non-tariff trade barriers, but also because it tries to persuade South American neighbors to erect similar barriers. From a US perspective, Brazilian pressures on Argentina and Chile to raise their tariffs makes Brazil a major obstacle for the FTAA (Nolte/Calcagnotto 2001; Cason 2000: 30–35; Stausberg 2001).<sup>6</sup> This underscores Brazil’s role as the most important political rival to the

United States and clearly shows that interregionalism in the Americas is largely determined by the two powers. The absolute volume of trade is of secondary importance, as bilateral US trade with Brazil was only about one-tenth of the volume of bilateral US trade with Mexico in the 1990s.

As concerns the environmental and labor standards that are demanded by unions and lobby groups, Brazil also performs the role of the major opponent. This became clear not only in the FTAA negotiations, but also at the WTO meeting in Seattle, when Brazil and India led the opposition against the incorporation of those standards into a joint agreement. While Brazil sees hidden protectionism behind such standards, US interest groups and politicians perceive the Brazilian demand for low environmental and labor standards as “unfair competition” in the US market (Handelmann 2001: 6). The Brazilian preference for a more protectionist South American Free Trade Association (ALCSA) is seen by US interest groups as a dual threat. Market access for US exports would be difficult, if Brazil could persuade its neighbors to maintain high tariff barriers. In addition, environmental as well as social dumping would be encouraged, if Brazil could convince its neighbors to object to multilateral standards.

US interest groups and their representatives in Congress often perceive the Brazilian policy as attempts by “rent-seeking” coalitions which seek to impede economic liberalization in Brazil and obstruct free trade in the Americas.<sup>7</sup> Brazilian rent-seeking groups can not only be found among domestic firms, but also among foreign transnational corporations, for example in the car manufacturing sector. Trade liberalization is usually seen as a threat by rent-seekers as it jeopardizes their privileges vis-à-vis other producers.

In the United States, President Bush jr. was more amenable to the demands of rent-seeking groups than his predecessor Clinton, examples of this being the increased protection for US steel makers and subsidies for agricultural producers under the *Farm Bill* of 2002. Both measures exacerbated trade disputes with the EU and Brazil, which was particularly affected by the new protectionism in steel. In the agricultural sector, Brazil is hurt by protectionist measures favoring the producers of orange juice in Florida. The latter is a key state for George Bush’s re-election as President and for his brother’s re-election as Governor. The strong influence of particularistic interest groups on US trade policy toward FTAA has therefore been labeled as the “geopolitics of orange juice.”<sup>8</sup>

Besides the contradictory strategies and domestic interests, inter-American and US–Brazilian economic relations are also shaped by converging interests: Trade and investment have expanded markedly in the 1990s and US trade with Brazil has risen to \$26 billion, marking a 14 percent increase in 2000 alone, while US investment in that year reached \$35 billion (Harrington 2001). This shows that opposing political and economic interests form only one side of the coin, while compatibility and profit expectations shape the other side, as does the impetus for further

integration in a future FTAA. The fact that George Bush obtained the “trade promotion authority” in August 2002 also shows that the institutional prerequisites for FTAA progress are now in place – although only after placating powerful rent-seeking interests.

In sum, two groups of domestic interests face each other in the United States, Brazil, and many other Latin American countries. On the one side, exporters, and transnational investors and groups, which have an interest in the stimulus for growth which free trade can deliver, support the FTAA, and on the other side sectors currently protected by tariff and non-tariff barriers, labor unions and environmental groups oppose the economic liberalization envisaged by FTAA. This division is strongly reflected in US trade policy and shapes the ambivalent picture of US policy toward Latin America and its major counterpart, Brazil.

## **Ideas**

Constructivism differs from the other two theoretical schools by focusing on ideas, norms and values, and in rejecting the notion of material constraints (power, wealth, etc.) as guiding factors for foreign policy preferences and behavior. For constructivists, reality is socially constructed by intersubjective exchange and learning. Actors in international relations follow their respective identities, socialization and role models. The role models are informed by cultural traditions, historical legacies, ideas and normative convictions to a greater extent than by material circumstances and utility expectations. Actions are endogenously determined, but also reflect exogenous expectations in intersubjective exchange (Wendt 1992). The following paragraphs, therefore, examine the ideas and motivations both for and against cooperation in the Americas. Which values, ideas or even ideologies have shaped inter-American relations and could help in explaining the US ambivalences and US–Brazilian rivalry?

Inter-American relations and US policy toward Latin America since the Monroe Doctrine have been influenced by two competing ideas. “Hemispherism” focuses on the common historical experiences of the North, Central and Latin American countries in their struggle for independence from their monarchic colonial powers, as well as on common traditions like the republican constitutions and the historically young nation-building processes in the hemisphere. “Anti-hemispherism” can be traced back to US President Quincy Adams in the early nineteenth century and spotlights the differences between North America and Latin America. According to this view, North American political systems were strongly influenced by enlightenment, they are based on civil rights, a strong societal control of the state, individual freedoms and free market principles. By contrast, Latin American countries are characterized by feudal structures, governmental interventionism and an authoritarian state.<sup>9</sup>

From a “anti-hemispheric” US point of view, Latin America is of little

interest in terms of political and economic cooperation due to its diverging traditions compounded by corruption, governmental inefficiency, political instability and weak social cohesion. This doctrine of “no-benefit” influenced the “benign neglect” phase in the 1970s, the arguments of the opposition to NAFTA ratification in 1993/1994, and the debate about the rescuing of Mexico in the Peso Crisis 1994/1995, and it still influences the debate on the FTAA today. The widespread reservation in the United States vis-à-vis Latin America, which in the case of NAFTA focused on Mexico, was deplored by one of the main proponents of free trade in the Americas, C. Fred Bergsten: “NAFTA has in fact become a dirty word in Washington” (Bergsten 1997: 28).

The extent to which divergencies in values dominates US policy towards Latin America is expressed by US diplomats when they openly criticize Latin America for its failure to perform according to what the United States perceives as “good governance.” An example demonstrating US feelings of superiority and the obligation to educate Latin America is the speech of former Assistant Secretary of State for Interamerican Affairs, Peter Romero (2001), on the policy of George W. Bush jr. towards Latin America: “democracy is not just about elections [...] It’s about the capacity to run a clean government and root out corruption.” The remarks of Romero on “poverty and insufficient job creation” and on the fact that “Latin America still has the most skewed distribution of income and wealth” underline the importance of “anti-hemispherism” for US policy-making toward Latin America.

Positive “hemispherism” was prevalent in the 1950s and 1960s and also became influential during the 1990s, after Latin America moved from authoritarian rule and governmental interventionism toward democracy and a free market economy. This new compatibility of political and economic ideas was a precondition for the formation of NAFTA and for starting the negotiations on FTAA (Schirm 1997a: 135–138). Although Brazil is perceived, both in US public opinion and by the political establishment in Washington, as a country that did not liberalize its economy to the same extent as Mexico and Argentina, and that is still struggling with clientelism, mass poverty and inefficiency, it is treated as a “serious” country, which is very different from the populism of Chavez in Venezuela and from the Colombian drug swamp (see Buckley 2000: A20).

The positive and negative perceptions of Latin America in the United States and the related ideas and values can certainly also represent rhetorical pictures that are used in Washington to promote hidden agendas such as protectionism or market access. The same holds true for the widespread anti-Americanism in Latin America. The extent to which these arguments become acceptable in the respective societies indicates the existence of corresponding sets of values and perceptions about the respective other and underlines the relevance of ideas in shaping the foreign policies.

## Conclusion

Inter-American relations are dominated by ambivalence in policy and perceptions between the two main actors, the United States and Brazil. This ambivalence can be explained by the power distribution in the international system, by the influence of domestic interests and by the commonalities as well as the divergence of values and ideas. The previous analysis showed that US policy did not follow a grand design but that politics in a democratic society can be subject to many-fold influences, pressures and interests. In the end, inter-American relations are shaped by similar ambivalences in conflict and cooperation, distance and proximity as well as in the involved particularistic interests, as are transatlantic relations between the United States and Europe.

Prospects for the FTAA must thus be regarded with considerable skepticism because the main actor, the United States, neither unequivocally supports the FTAA as a means to enhance American power, nor does the FTAA have the undivided support of domestic interest groups in the US. The ideas and values underlying US policies towards FTAA are even less clear. These elements also influence attitudes in Congress, which is responsible for approving free trade agreements. Together with Brazilian obstruction, US ambivalence leads to the expectation that the FTAA will only partially become a reality in 2005 – if at all.

What are the prospects that can be derived from the three theoretical paradigms for inter-American relations, US–Brazilian relations and FTAA? First, no substantial change in the international system is to be expected with regard to power structures. For the foreseeable future, the United States will remain the only superpower in military, albeit not in economic terms. Therefore, US ambivalence towards Latin America will continue. Only deteriorating trade disputes with Europe, a new Cold War, for example, with China, or the development of Venezuela into a “rogue state” could provoke change. The “war on terror” after September 11, 2001 has not markedly altered US policy toward Latin America either. Nor has the attitude of Latin American countries toward the United States. That said, the United States may be expected to strengthen “its” economic block because neither rivalry between regional economic blocks nor competitive pressures from globalization will recede.

Second, with regard to domestic interests, a weakening of the influence of labor unions and environmentalists and the growing influence of big business on US foreign policy-making can be observed under the Republican administration in Washington. As a consequence, new initiatives can be expected for free trade in order to promote US investor and export industry interests. After all, the incumbent US Trade Representative, Robert Zoellick, is known as a free trader, who was the architect behind the precursor of the FTAA, the EAI of the president’s father in 1991. These changes may help to sideline protectionist interests that were influ-

ential during the Clinton administration and which also slowed down FTAA progress and contributed to the failure of the WTO meeting in Seattle. Although President Bush first responded favorably to the demands of rent-seeking groups by increasing farm subsidies and raising steel tariffs, the TPA, which he obtained from Congress in summer 2002, brightened the prospects for the FTAA.

Third, from the perspective of ideas and values, President Bush's declared affinity with Latin America should have a positive impact on the FTAA process, not to mention on inter-American relations in general. The question, however, is to what extent this affinity goes beyond a preoccupation with Mexico and NAFTA. A closer look at Bush's speeches shows only a limited preoccupation beyond Mexico. Therefore, no improvement of the rather negative interpretation of the differences between the United States and Latin America is to be expected in the short run. Advocates of the "no benefit" doctrine seem to be as influential as ever, or even stronger, after the economic collapse of Argentina in 2002 and popular anti-Americanism in Latin America after September 11. However, in the long run an approximation in values and ideas between the United States and Latin America is possible due to the growing number of Latino voters and their increasing political and cultural influence in the United States.

The third and most recent summit of the Americas held in Quebec in April 2001 seems to corroborate these prognoses, as President Bush promised to obtain TPA from Congress. This was politically risky as he had to overcome the demands of Democratic representatives for social and environmental standards to be attached to TPA. The latter are rejected by Latin American countries and would stall further negotiations.<sup>10</sup> In order to allay widespread fears of job losses due to free trade, the Bush administration announced retraining programs for American workers. As mentioned above, TPA was eventually given to the administration by Congress in August 2002.

Explaining his support for FTAA progress at the final press conference in Quebec, Bush reconciled neorealist and liberal arguments, stressing economic cooperation as a means to pool resources in the intensifying rivalry between power blocs: "We have a choice to make. We can combine in a common market so we can compete in the long term with the Far East and Europe, or we can go on our own. I submit that going on our own is not the right way."<sup>11</sup>

The summit itself did not achieve substantial results. Progress was already called into question in the pre-summit negotiations because of diverging interests mainly between the United States and Brazil: While the United States tried to promote labor and environmental standards and to offer fewer concessions on non-tariff barriers and subsidies than Latin Americans expected, the Brazilian government did not compromise, because it saw its leadership aspirations in South America being jeopardized by the FTAA and because it worried about its protected and

uncompetitive industrial sectors. Thus, the Quebec summit confirms expectations that the road to 2005 will see intense and conflict-laden negotiations and will only produce an uncompleted FTAA. Considering the difficult history of European integration and the non-existence of an “external integrator” such as the Soviet threat until 1990, obstacles for an inter-American FTAA seem to be typical for a heterogeneous group of states. Considering the potential for growth through trade and investment liberalization, an unfinished FTAA would still be better than no integration at all. Possible growth and welfare gains through FTAA will have to be more equally distributed inside Latin American societies than today in order to allow for the participation of all citizens and to reduce socioeconomic asymmetries between the United States and Latin America. Even then, however, it is questionable whether FTAA qualifies as a transregional forum. At present, it rather exhibits the features of an interregional relationship which is driven by the two major powers in the hemisphere, but one which does not entail any formal group-to-group relations.

# 18 Between regionalism and transregionalism

## The Indian Ocean Rim Association for Regional Cooperation (IOR–ARC)

*Christian Wagner*

### Introduction

The Indian Ocean Rim Association for Regional Cooperation (IOR–ARC) was established in Mauritius in March 1997 when fourteen countries<sup>1</sup> came together in an attempt to intensify economic cooperation. Nearly all of the original fourteen member countries belonged to regional organizations like the Southern African Development Community (SADC), the Gulf Cooperation Council (GCC), the South Asian Association for Regional Cooperation (SAARC), the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC). Given its membership and rules of procedure, IOR–ARC cannot be categorized as a forum of interregional relations in its narrower sense. Although most of its member states belong to one of the aforementioned regional organizations, the IOR–ARC is not an institutionalized mechanism of dialogue and cooperation between these organizations. Nor does the IOR–ARC framework constitute a regional organization or a regional forum properly speaking. Its membership is too broad and its organizational structure too weak. More promising may thus be to categorize IOR–ARC as a “megaregion” (chapter 3) or – in distinction to “group-to-group” interregionalism – a transregional arrangement (chapter 1) which encompasses countries with different affiliations to other regional organizations.

In order to understand IOR–ARC and its transregional features, I will first give a short outline of the historical development of the forum. Second, some socioeconomic characteristics of the member states will be presented. Third, I will look at the principles, objectives and functions of IOR–ARC in order to assess whether it meets the criteria mentioned above in order to qualify as a transregional forum. As a yardstick I will use the five major functions usually described by the literature to inter- and transregional institutions, i.e. balancing, institution-building, rationalizing, agenda-setting and identity-building (Rüland 2001a: 7–8). While the functions of balancing, institution- and identity-building belong to the basic

functions of all regional organizations, rationalizing and agenda-setting can be regarded as more specific functions of interregional institutions.

### **Stages of institution-building in the Indian Ocean rim**

The Indian Ocean has a long history of trade and commerce. It was the starting point of the European expansion in the late fifteenth century where Arab traders and European explorers competed for the sea lanes between the Middle East and Europe in the west and India, the Spice Islands and China in the East. Attempts at an institutionalized collaboration are of course much younger. The Indian Ocean Commission (IOC), formed in 1982 to promote economic cooperation among the island states of Comoros, Mauritius, Madagascar, Seychelles and Reunion was the first cooperative institution in the Indian Ocean. In 1990, the Indian Ocean Marine Affairs Cooperation Council (IOMAC) was established as a second organization, including Indonesia, Kenya, Mauritius, Mozambique, Pakistan and Sri Lanka. It mainly dealt with questions concerning marine resources and environment.

The beginnings of the IOR-ARC can be traced back to the mid-1990s. Influenced by the international changes after the end of the Cold War, and responding to the proliferation of regional institutions during that period, initial proposals for a closer cooperation among the Indian Ocean littoral states originated in South Africa. During the visit of Foreign Minister Botha to India in 1993 both countries explored the opportunities for closer cooperation in the Indian Ocean rim. Following the liberalization of her economy after 1991, India was interested in becoming more integrated into the world market. Strengthening regional cooperation was seen as a strategy toward this end. The ideas for closer economic cooperation within the Indian Ocean rim were also discussed within academic circles in India and South Africa (Campbell/Scerri 1995). When visiting India in January 1995, the new South African President Nelson Mandela suggested forming a "trading alliance" in the Indian Ocean, a proposal which was welcomed by India. For both countries, cooperation in the Indian Ocean rim seemed to offer several advantages. After the transfer of power in South Africa in 1994 the new government, in an obvious attempt to overcome its previous international isolation, sought to diversify its foreign relations. India, for her part, was largely shut out from the fledgling regional and transregional fora in the Asia-Pacific and its bid to join ASEM was likewise rejected. New forms of South-South cooperation, especially as the Non-Aligned Movement (NAM) had lost much of its momentum after 1989, seemed to be one of the few viable alternatives (Burrows 1997). Institution-building in the Indian Ocean rim may thus be considered as a deliberate balancing move of countries bypassed by the triadic institutional realignments underpinning economic globalization.

The cornerstones for regional cooperation in the Indian Ocean were

laid down in 1995. It was pushed ahead by two different initiatives which were promoted by Mauritius and Australia (Mehta 1997). In March 1995, the government of Mauritius launched a first meeting, the Indian Ocean Rim Initiative (IORI), in order to elaborate the prospects for intensified Indian Ocean rim cooperation. The seven countries that participated were Australia, India, Kenya, Mauritius, Oman, South Africa and Singapore. Besides government officials, members of the business community and academia were included in the consultations. This group of seven countries formed the core group that eventually established the IOR-ARC in Mauritius in 1997 with a total of fourteen members.

Besides IOR-ARC, a second initiative came from Australia, already a member of APEC. In June 1995 the Perth Conference on the International Forum for the Indian Ocean Region (IFIOR) took place. IFIOR included twenty-three countries and had a strong transnational approach with mainly members from the business sector and the academic community participating.<sup>2</sup> The IOR-ARC is therefore often referred to as first track, given the greater involvement of government officials, whereas the IFIOR is regarded as second track, with a stronger emphasis on transnational actors.

### **Socioeconomic characteristics of the Indian Ocean rim**

In the mid-1990s the countries of the Indian Ocean rim had a population of about two billion people, i.e. 30 percent of the world population (Mehta 1997). To an even greater extent than other fora, the most common feature of the IOR-ARC is the political, cultural and economic diversity of its members. Geographically, it includes a diverse set of countries from three continents. In terms of land area, the spectrum ranges from Australia with 7.7 million square kilometers, to the tiny city state of Singapore with only 648 square kilometers. Demographically, the membership encompasses countries such as India with 950 million people, and Mauritius with a population of just 1.1 million. The economic disparities are also obvious. Except for Australia and Singapore, all member states belong to the group of developing countries. In the mid-1990s, the IOR-ARC members accounted for only 6.3 percent of global Gross Domestic Product (GDP) and 10.7 percent of trade worldwide. Intra-regional trade was estimated to be around 20 percent compared to 66 percent in the Asia-Pacific region (Roy-Chaudhury 1997). It was concentrated on Australia, Indonesia, India, Malaysia, Singapore and South Africa. They account for 97 percent of the IOR-ARC trade flows to the other countries of the Indian Ocean. Compared to other world regions, the Indian Ocean rim has not been very attractive for foreign direct investment (FDI). In 1992 only 13 percent of the world's total FDI went to the Indian Ocean rim countries.<sup>3</sup> Per capita GDP ranged from \$19,760 for Singapore to \$74 for Mozambique in 1995. The Indian Ocean rim is a

resource-rich and strategically important region, with two-thirds of the world's oil reserves. It also houses an American military base on the island of Diego Garcia, and India has repeatedly declared the Indian Ocean her defense perimeter (Hagerty 1991).

### **Principles and objectives of IOR–ARC**

The Charter of the IOR–ARC emphasizes among other things the principles of consensus in decision-making and the exclusion of contentious issues. IOR–ARC was mainly conceptualized as a forum to complement existing memberships in regional organizations. The main objectives were to promote “sustained growth and balanced development of the region and of the Member States, and to create common ground for regional cooperation.”<sup>4</sup> These goals should be achieved by liberalizing trade and foreign investment following the rules of the World Trade Organization (WTO).

An interesting feature of the Charter is that it included civil society representatives such as the business and academic communities from the beginning, thereby giving them an official status in the new organization. Both groups are also included in the consultation and decision-making process with senior officials.

Much time was spent on the question of admitting new members. At the second ministerial meeting in Maputo in 1999 the forum decided to invite Bangladesh, Seychelles, Iran, Thailand and the United Arab Emirates (UAE) to join as new members, increasing their number to nineteen. Following the example of ASEAN, the concept of dialogue partners was introduced, with Egypt and Japan becoming the first partners (Jayanth 1999). The new members were formally accepted during the Oman meeting in January 2000, which at the same time turned down the applications of Pakistan and France. Officially, Pakistan was rejected because it refused to grant India the Most Favored Nation (MFN) status, a precondition for membership laid down in the Charter. A perhaps more compelling reason was that, given the long-standing tensions between both countries on Kashmir, India opposed Pakistani membership. France applied because of its sovereignty over Reunion but was rejected as the Charter mentioned that only sovereign states of the region were allowed to become members. During the meeting Britain and China were accepted as additional dialogue partners for trade and investment.<sup>5</sup>

Cooperation in the Indian Ocean rim is also complicated by a number of serious security issues. Although contentious bilateral questions were excluded from the agenda by the Charter, many security threats, namely piracy, proliferation of small arms, trafficking of drugs and human beings, emanate from non-state actors (Sakhuja 2001). Challenges like piracy are limited to certain sub-regions in the Indian Ocean. But powerful separatist groups like the Liberation Tigers of Tamil Eelam (LTTE), which have

been fighting for a separate Tamil state in the North of Sri Lanka since the early 1980s, have both a global and a regional scope. Their networks of financial, logistic and military support in the Indian Ocean rim ranges from Australia, Malaysia and Myanmar to India and South Africa.

In view of these problems, Australia was initially interested in including security issues in the IOR-ARC framework.<sup>6</sup> With the Indian Ocean Rim Forum (IORF), an institution for confidence-building measures similar to the ASEAN Regional Forum (ARF) or the Organization for Security and Cooperation in Europe (OSCE) should be formed. Most other countries repudiated this proposal, and it seems as if Australia is no longer interested in security issues.<sup>7</sup>

### **Activities and functions of IOR-ARC**

For new regional organizations, identity-building and institution-building can be regarded as two major functions. Both are still relatively weak in the IOR-ARC, although from the beginning, the common historical heritage and linkages were emphasized in many speeches. But given the geographical distances and the cultural differences between, say, Singapore and Mozambique, it is difficult to imagine how a common identity can be constructed. So far, there are no regular summits of the leaders that would underline the necessity of cooperation thereby helping to create a common identity. Identity-building is also inhibited by the fact that unlike in ASEM and APEC there are no regional organizations represented *in toto* which champion different values and principles of cooperation and thereby would enhance the need to sharpen regional profiles.<sup>8</sup>

The loose approach toward identity-building is accompanied by a weak institutional structure. From the beginning politicians stressed the need to create an institutional framework that would be compatible with other kinds of regional groupings and would strengthen intercultural linkages.<sup>9</sup> At the inaugural meeting in Mauritius India's Foreign Minister Gujral stated that the inclusion of "successful practitioners" from other regional organizations in Southeast Asia should help to promote the IOR-ARC.<sup>10</sup> In the beginning, some members even refused to establish a secretariat, because they feared that IOR-ARC may become over-bureaucratized (Freer 1996). The Charter eventually provided for the establishment of a secretariat in Mauritius, which started to function in January 1998. At the extraordinary meeting of the Council of Ministers held in January 2000 it was upgraded to a coordinating secretariat. Its main functions include coordination, monitoring and servicing the association.<sup>11</sup> The first work program covered the following points:

- Indian Ocean Rim Business Centre (IORBC) and Indian Ocean Rim Network (IORNET);
- Cooperation in Standards and Accreditation;

- Chair and Associate Fellows in Indian Ocean Studies;
- Investment Facilitation and Promotion Program;
- Trade Promotion Program;
- Human Resource Development Cooperation;
- Science and Technology Cooperation; and
- Port Upgrading, Development and Management.

Each of these points was coordinated by either one or several countries. The Federation of India Chambers of Commerce and Industry (FICCI) set up the IORBC in New Delhi. India also gave active support to the creation of the IORNET as a common platform for communication. Cooperation in standards and accreditation is coordinated by Mauritius and development, upgrading and management of seaports by Oman. Cross-border financial services is under Indonesian responsibility, ironically the country most severely hit by the Asian financial crisis and whose financial sector has ever since been in a state of disarray.

Given the still-short lifetime of IOR-ARC and the diversity of its members, there was a considerable information and knowledge gap on trade and investment issues. Therefore various reports have been published in order to get an overall picture about the different policies pursued in these sectors of the member countries. The Indian Ocean Rim Academic Group (IORAG) also meets once a year. A chair of IOR studies was created in Mauritius, mainly funded by India and Mauritius. The IORAG also has a strong economic focus and works in close cooperation with the Indian Ocean Rim Business Forum (IORBF). Studies such as the one on *Investment Facilitation and Promotion in IOR-ARC Countries: A Comparison of IT Industries in Bangalore and Singapore* have been prepared by the renowned Institute of South East Asian Studies (ISEAS) in Singapore and the National Council of Applied Economic Research (NCAER) in India.

At the second biennial meeting of the Council of Ministers in Maputo in 1999, it was agreed that the focus should be on trade facilitation, liberalization and economic and technical cooperation. A new Working Group on Trade and Investment (WGTI) was created to promote these activities. An extraordinary meeting of the Council of Ministers took place in January 2000 in Muscat, Oman. The ministers adopted a trade and investment plan of action including compendia on customs regimes, quarantine and food inspection and investment regimes.<sup>12</sup> At the meeting in Oman in 2001 a High Level Task Force (HLTF) was established to revitalize the trade and investment agenda and to work out organizational reforms.<sup>13</sup>

While institution- and identity-building can be regarded as functions of both regional and interregional institutions, the functions of rationalizers and agenda-setting are more specific for inter- and transregional institutions. Inter- and transregional fora can be regarded as rationalizers of decision-making for multilateral global institutions, while agenda-setting

refers to their ability to create platforms for coalition-building in order to promote or prevent certain issues (Rüland 2001a: 7–8). Interestingly, the Charter of IOR–ARC indeed includes a paragraph “to strengthen cooperation and dialogue among Member States in international fora on global economic issues and, where desirable, develop shared strategies and take common positions in the international fora on issues of mutual interest.”<sup>14</sup> What seems to point at first sight in the direction of transregional cooperation includes, however, some contradictions with other provisions. Article 2, V, for instance, mentions explicitly that the association “will not be a substitute for, but seek to reinforce, be complementary to and consistent with their bilateral, plurilateral and multilateral obligations” of the member states. However, besides these ambiguities in the Charter provisions, there have been no attempts so far to use IOR–ARC as a “rationalizing” or “agenda-setting” institution. Given the great number of marginalized Less Developed Countries (LDCs) among IOR–ARC members, it seems obvious that the more affluent members such as Australia or the ASEAN countries, who are at the same time members of the more influential triadic transregional forums, will certainly regard these as more effective platforms for these functions. It goes without saying that such behavior not only limits institution-building efforts inside IOR–ARC, but also undermines, if not completely rules out, the development of “rationalizing” and “agenda-setting” functions.

“Soft institutionalization” and “soft-law” (Abbott/Snidal 2000), the principles on which IOR–ARC chiefly rests, are a trademark of the “New Regionalism.” As far as IOR–ARC is concerned, the activities and the networking among business and academic communities to some extent compensate for the loss of institutional structure. IOR–ARC is coordinated by national focal points, mainly universities, research institutions and chambers of commerce and industry. The communication is facilitated by a newsletter (*Newsline*) and a separate homepage (IORNET).

A recent Australian study revealed that some economic progress among Indian Ocean rim littorals can be observed. The intraregional exports of the IOR–ARC members rose from \$41 billion in 1990/1991 to \$112 in 1997/1998. The annual growth rate of exports was 15.4 percent, exceeding the exports of the member states to the world by 4 percent. In the same period, intraregional imports rose from \$43 billion to \$103 billion, which translates into an annual growth rate of 13.3 percent.<sup>15</sup> These figures indicate a heightened economic activity in the region. But given the fact that this growth mainly occurred before the official inauguration of IOR–ARC, it is more likely that this progress was due to liberal trade and investment policies of their member states rather than the impact of IOR–ARC.

## Conclusion

More than five years after its inauguration, the IOR-ARC seems to be an example for a transregional institution. IOR-ARC is not a forum where the member states meet as representatives of other regional organizations. Member states pursue their national interests in a broad range of issues. Yet, like APEC, the IOR-ARC seems to be a borderline case where the boundaries between regionalism and transregionalism are blurred.

IOR-ARC's functions of inter- and transregional institution- and identity-building are still relatively weak. Compared to other organizations in Asia, government involvement seems to be very modest. This loose approach may hamper institution- and identity-building, but if the main goal of greater trade liberalization can be achieved, it seems to be a feasible strategy. Given the overlap with regional, inter- and transregional institutions, IOR-ARC would offer an interesting platform to promote common interests in international fora as laid down in the Charter. But at the moment it is not foreseeable whether IOR-ARC will function as a "rationalizer" and "agenda-setter" for global multilateral institutions. It may simply be too early or the membership is just too diverse to start these kind of initiatives.

IOR-ARC is nevertheless an interesting institution. First, because there was a strong inclusion of transnational actors from the beginning. Second, there is no single dominant country in IOR-ARC. It does not have a leader such as India in SAARC, Indonesia (before the Asian financial crisis) in ASEAN, or South Africa in SADC. In contrast to this, there is a core group consisting of South Africa, Mauritius, India and Australia that takes the lead in many initiatives.

That the results of IOR-ARC do not look very promising at the moment can be explained by several factors. First, there is the short lifetime of the organization. Looking at the achievements of international institutions five years after their creation, e.g. ASEAN or SAARC, is mostly a sobering experience. Regional organizations and, by inference, inter- and transregional institutions, need time to mature, the lofty objectives and aspirations formulated at the beginning notwithstanding. Second, the main focus of IOR-ARC is on the economic sector. Here several activities can be mentioned that already seem to have helped to promote trade and investment in the region. But again, the time frame is too short to find out how far these achievements may be attributed to IOR-ARC. Finally, the level of commitment in IOR-ARC is relatively low. The Charter mentions that the work programs should be undertaken on a voluntary basis. This certainly limits the activities and capacities of governments and transnational actors involved. Whether the transnational strategy pursued by IOR-ARC will lead to better results in trade and economic policies in contrast to a more state-centered approach remains an interesting research question for the years to come.

# **Part V**

# **Conclusion**



# 19 Interregionalism

## An unfinished agenda

*Jürgen Rüländ*

### Introduction

Given the diverse and still diffuse nature of the phenomena under study, and the multifaceted debate surrounding them, it is no easy task to formulate conclusions for this volume. What, however, under these circumstances is possible, is an attempt to reduce the cacophony of this debate. To this end, I will concentrate on the three most contested issues in the contributions: The forms of interregionalism, the functions of interregionalism and the theoretical approaches explaining interregional relations. In doing this, it is possible to sort out themes which seem to have generated some consensus and distinguish them from those that are still contested. I will end with suggestions for further research.

### Forms of interregionalism

Hänggi's (chapter 3) exhaustive empirical analysis presented a "bewildering variety" of interregional forums. Such forums reflect a similarly great diversity of regional organizations and groupings flourishing under the term "*new regionalism*." With the concomitant decline of the European Union (EU) as the ultimate model for regional integration, it seems that "anything goes" in terms of format and form of regional cooperation arrangements. It is thus hardly surprising that this contingency is mirrored in interregionalism. As interregional links proliferated in the 1990s, they have also increasingly adopted forms of plurality.

To bring a modicum of order into the plurality of interregional relations, Hänggi subdivided them into five major types:

- 1 relations grouped around a regional organization/regional group and a third country;
- 2 group-to-group relations;
- 3 relations between a regional organization and a regional group;
- 4 relations between two regional groups; and
- 5 relations between a group of states from more than two regions.

Of these five types, Hänggi only considers cases 2–4 to be “interregional relations in the narrower sense,” while he terms type 1 “quasi-interregional relations,” and type 5 “megaregions” and, hence, “interregional relations in the wider sense.”

Hänggi deserves praise for his meticulous analysis, the more so because his distinction between interregional relations “in the narrower” and “in the wider sense” leads the conceptual discourse into the right direction. Yet, some discomfort with his taxonomy remains and it is unlikely that the conceptual debate dies down with Hänggi’s analysis.

Among his five types only the group-to-group dialogues – which Faust has termed “pure interregionalism” (see chapter 10) – can be unambiguously identified as interregional. Based on “actor-centered” and “institutional” criteria, such “bi-regional” relations, or “bilateral interregionalism,” may hence be defined as group-to-group dialogues, with more or less regular meetings centering on exchanges of information and cooperation (projects) in specific policy fields (trade and investment, environment, crime prevention, drug trafficking, etc.). They are based on a low level of institutionalization, usually at the ministerial, ambassadorial and senior officials’ level, sometimes supplemented by permanent or ad hoc experts’ working groups. There are no common overarching institutions, both sides exclusively rely on their own institutional infrastructure (Rüland 1999a, b, 2001b).

Much less clear, and therefore still contested, is the nature of the Asia–Europe Meeting (ASEM), the Asia-Pacific Economic Cooperation (APEC), the Indian Ocean Rim Association for Regional Cooperation (IOR–ARC) and the transatlantic relationship. Hänggi defined APEC and IOR–ARC as “megaregions,” ASEM as a relationship between a regional organization (i.e. the EU) and a regional group (i.e. ASEAN-7 plus China, Japan and South Korea) and the transatlantic relationship as “quasi-interregional.” Others, including several chapter contributors (Aggarwal and Kwei, chapter 4; Dieter and Higgott, chapter 15; and Wagner, chapter 18), classified them, albeit hesitantly, as “transregional forums.” Gilson, in her latest book, referred to ASEM as an interregional group-to-group dialogue and qualified APEC as “pan-regional” (Gilson 2002a: 97, 177), while Faust categorized APEC and ASEM as “multilateral interregionalism” (chapter 10).

The question of conceptualizing the research objects of this volume is not made easier as the four dialogues mentioned earlier vary considerably in their format, giving all authors plausible arguments for their choice of classification. It nevertheless seems that there is some convergence in the literature on the term “transregionalism” (Aggarwal 1998; Rüland 1999a, b, 2001b, 2002a; Köllner 2000; Yeo 2000), with transregionalism being defined as a dialogue process with a more diffuse membership which does not necessarily coincide with regional organizations, and which may include member states from more than two regions. Transregional forums

tend to develop their own organizational infrastructure, such as a secretariat or other (informal) coordinating mechanisms for research, fact-finding, policy planning, preparation of meetings and the implementation and monitoring of decisions. Such processes of institutional evolution eventually vest transregional forums with some form of independent actorness and distinguish them from bilateral interregionalism (Rüland 1999a, b, 2001b). Based on this definition, the fact that ASEM does not fully represent two regions argues against Gilson's categorization of it as an interregional group-to-group dialogue. ASEAN participates only as ASEAN-7 in the forum,<sup>1</sup> and ASEAN Plus Three (APT) can – here following Hänggi – at best be considered a regional group, but not as a regional organization. Moreover, despite the increasing role accorded to intraregional coordination on both sides, technically (and officially) ASEM is still a forum consisting of individual members. On the other hand, unlike APEC and IOR-ARC, it has not (yet) developed its own set of overarching institutions such as a secretariat. To what extent it has developed some modest actorness capacity as a “multilateral utility” (see Dent, chapter 7) in the World Trade Organization (WTO) and United Nations (UN) forums is open to debate and will be discussed in the section on the functions of interregionalism.

To define APEC and IOR-ARC as “megaregions,” as constructivists with their somewhat contingent definition of regions are inclined to, overlooks the fact that in both cases the majority of their members belong to clearly identifiable regional organizations. Moreover, as maintained by Maull and Okfen, in relation to APEC, member countries “cover such a large part of the globe's surface and the world's populations and economic activity that it seems for that reason also dubious to consider it a ‘region’.” Except for economic activity, virtually the same can be said about IOR-ARC. That members participate in these dialogues in an individual capacity and that they rarely, if at all, coordinate their positions at least rules out these forums as interregional group-to-group relations.

Even more difficult to categorize is the transatlantic relationship, explaining Kupchan's (chapter 8) reluctance to treat them as a case of “interregionalism.” The transatlantic relationship chiefly rests on a security alliance, the North Atlantic Treaty Organization (NATO), and a cooperative, albeit increasingly eroding, security mechanism, the Organization of Security and Cooperation in Europe (OSCE). On the economic side, a direct link between the EU and the North American Free Trade Agreement (NAFTA) is missing, with the result that the EU has established bilateral dialogues with all NAFTA members. The most important among them is, of course, the EU-US dialogue, which serves as a forum to negotiate and settle economic disputes and to promote common trade interests through the Transatlantic Agenda (1995) and the Transatlantic Economic Partnership (TEP) (1998). Due to these multilateral tracks, which are complemented by a plethora of institutionalized and firmly established

transnational (i.e. non-governmental) and civil society contacts, the transatlantic relationship rests on the broadest institutional foundations among all interregional dialogues. It also matches most of the criteria set for transregional dialogues and may thus be classified as such.

Continental dialogues such as the EU–Africa summits and the EU–Latin America Cooperation (EU–LAC), the Far East Latin America Cooperation (FEALAC) and the Free Trade Area of the Americas (FTAA) also fit the transregional concept, as they are structured around institutional cores such as the EU on the European side, while members of the other side, though more heterogeneous, in their majority also belong to regional organizations.

Summarizing this debate on our research object, it is proposed here to use “interregionalism” as a generic term covering the whole range of formats which regions have created for interaction. “Interregionalism” may then be subdivided into “bi-regionalism” or “bilateral interregionalism,” encompassing the group-to-group dialogues, and “transregionalism” covering the more diffuse arrangements in which members, irrespective of a varying degree of intraregional coordination, usually act in an individual capacity and in which not necessarily all members of a regional organization are represented. “Borderline cases” (Hänggi, chapter 3), such as the dialogues between regional organizations and individual countries – usually great powers and regional powers (for example, the dialogues of the EU with China, Russia, India, Japan, Mexico and South Africa) – should not be treated as a form of interregionalism. I thus follow Hänggi’s proposal to treat them in the wider context of “external relations” of regional organizations. The same may be said with regard to cases of “imagined interregionalism” (Holland, chapter 16), such as the relationship between the EU and Africa, Caribbean and Pacific (ACP) countries. To include them in the research agenda means overstretching the concept of interregionalism.

### **The triadic context of interregionalism**

Most of the contributions in this volume concur with the existing literature that interregionalism is in the first place a triadic phenomenon, driven by the mutually reinforcing processes of globalization and regionalization. “Regionalism,” explains Robles (and many authors in this volume agree – Roloff, chapter 2, Hänggi, chapter 3, Maull and Okfen, chapter 14, and Schirm, chapter 17), “becomes a strategy for adapting to globalization.” Non-triadic interregional relations are usually of more recent origin, much less institutionalized and, due to their ad hocist and diffuse nature, difficult to relate to theoretical approaches. Most Third World states and regional organizations lack the bureaucratic as well as the scholarly infrastructure that would allow them to nurture substantive and systematic relations among themselves. Even though the rhetorics of

South–South cooperation may still be in place (and may have gained new currency after the failed Cancun ministerial meeting of the WTO), de facto most Third World governments and regional organizations concentrate their attention on the key players in the Triad. The limited role of interregional cooperation outside the Triad is also corroborated by the fact that even in crucial WTO trade negotiations, Third World alliances against the United States and the EU are not forged by regional organizations but by individual governments on a cross-regional basis. For future research on interregionalism this means that, without ignoring peripheral dialogues, studies must continue to focus primarily on the triadic core relations.

Interregional dialogues vary in terms of the policy fields they cover. Triadic relations are broader in scope, cover more issue areas and tend to tackle issues in greater depth than non-triadic relations. This holds particularly true for transatlantic relations which – despite unprecedented acrimonious disputes and deepening divisions over policy toward Iraq – are highly institutionalized and built on equally close security and economic relations. While APEC and, to a lesser extent, ASEM concentrated on economic issues from the outset, there has been a tangible shift in their sectoral priorities after September 11, 2001. While the discussion of the East Timor crisis on the sidelines of the APEC summit in Auckland in 1999 might have been dictated by a coincidence of timing and expediency, after September 11 the United States deliberately and planfully instrumentalized APEC summits as a venue to forge a coalition of the willing in the war against international terrorism (see Aggarwal and Kwei, chapter 4). In the meantime, starting with the collapse of the US-propagated Early Voluntary Sectoral Liberalization (EVSL) scheme at the 1997 Kuala Lumpur APEC summit, the momentum of trade liberalization and facilitation has shifted back from the interregional level to the global level of the WTO.

ASEM differed from APEC as, from the very beginning, and on European insistence, it had a political dialogue that also touched upon security issues. Yet, due to Asian fears about European interference into their domestic affairs, this political dialogue has so far remained tentative, inconclusive and non-binding, though it gained greater stature in the 2000 Seoul summit. Yet, after September 11 ASEM, too, ventured deeper into issues of security, passing an anti-terrorism declaration at the Copenhagen summit in 2002. It is, however, interesting to note that both APEC and ASEM were reluctant to endorse the US military strikes against Afghanistan and Iraq. ASEM, for instance, insisted that any intervention must be legitimized by a UN mandate. Both forums thus expressed the concerns of many Asian and European governments about what they perceived as an increasing American trend toward unilateralism and a foreign policy primarily relying on superior military power.

## **Functions of interregionalism**

As pointed out in the introductory chapter of this volume, five major functions of interregionalism are distinguished in the literature: (1) balancing, (2) institution-building, (3) rationalizing, (4) agenda-setting and (5) collective identity-building. However, critics maintain that these functions are more theoretically deduced than empirically real. They are the result of an eclectic combination of arguments derived from the major schools of international relations, such as neorealism, liberal institutionalism and constructivism. A closer look at this debate may clarify some of the contested issues.

### ***Balancing and bandwagoning***

Where international relations are chiefly viewed in categories of power, balancing and bandwagoning become major functions of interregional forums. An example of this thinking is the representation of economic competition in militaristic and geoeconomic terms, such as “economic wars” and “economic encircling.” In this context, interregionalism is viewed as a device by which the triadic players maintain or re-establish an equilibrium among themselves and peripheral regions adjust to the dynamics of the Triad. Such balancing games may take two forms: “power balancing,” if they have a military dimension, and “institutional balancing,” if perceived disequilibria between regions are countered by interregional institution-building or the activation of existing interregional forums (see Maull and Okfen, chapter 14). This latter type of balancing comes close to what Link termed “competitive cooperation” and “cooperative balancing” (Link 1999).

Contributors to this volume agree that interregional dialogues have indeed frequently been used as balancing mechanisms both inside and outside the Triad. However, when authors speak about balancing they usually refer to “institutional balancing.” In fact, as Maull and Okfen contend, there is virtually no “power balancing” between regions. Sequences of “institutional balancing” have, however, been triggered by the EU through its single market and monetary union projects. APEC, the Canada–United States Free Trade Agreement (CUSFTA) and, subsequently, NAFTA, were all responses to the European Single Market, and ASEM was a response to APEC. The formation of APEC and the intensification of Pacific Rim cooperation under American leadership in the mid-1990s were seen in Europe as expression of the increasing economic dominance of the United States (and Japan) in the Far East. Mirroring Asian – and to a lesser extent American – fears of the emergence of a “Fortress Europe,” Europeans were similarly wary of an imminent American policy shift from the Atlantic to the Pacific. The much-touted coming “Pacific Century” raised among Europeans the specter of marginalization in what was then the world’s economically most dynamic region. The Trans-

atlantic Agenda was an American response to Asian and European preparations for ASEM, while, as Faust (chapter 10) demonstrates, EU-MERCOSUR relations have been a European response to US plans for a FTAA, a declining share in Latin American trade and aggressive merger and acquisition (M&A) strategies by US firms in Latin America. Conversely, MERCOSUR members, in particular Brazil, sought closer relations with Europe in order to reduce US influence in the Southern Hemisphere. FEALAC relations follow a similar logic: They are an attempt by the Asian as well as the Latin American side to diversify their economic and political relations, in an apparent attempt to balance strong US and, to a lesser extent, European influence. The creation of IOR-ARC, for its part, is a recognition of the fact that many of its members have been marginalized by globalization and the emerging institutions of the "new regionalism" in the core regions. Australia, for instance, seeks to compensate with its membership in IOR-ARC for its non-admission to ASEM, and India compensates for its exclusion from ASEM and APEC. Most other IOR-ARC member countries, and the regional organizations they belong to, are loosely linked to the EU through the Cotonou Agreement (2000). But the Cotonou Agreement's neoliberal thrust toward world market integration and WTO conformity raises serious doubts among ACP countries as to what benefits they may expect from the European connection. IOR-ARC thus serves as a fall-back position that may be activated should relations with the Triad deteriorate. Summing up, triadic balancing games may be characterized as a "concert of regions" (Roloff 1998), whereas non-triadic interregionalism may be instrumentalized by peripheral regions to adjust to the dynamics and changing power equation within the Triad. Accordingly, interregional forums may be regarded as pragmatic and flexible coalitions of regional players directed against others, which are activated when need arises.

Unlike "power balancing," which reflects realist notions of international relations, "institutional balancing" is indicative of the more recent convergence of realist and institutionalist arguments (Baldwin 1993). It is cognizant of the substantial growth and density of international institutions, and the declining effectiveness of military power as a means to exert influence in international relations, although upholding the realist argument that nation-states also regard international institutions as arenas to enhance power. Yet, developments surrounding the Iraq war may question such reasoning, with many analysts predicting a paradigmatic shift in international relations in which military power resumes its status as the most decisive power resource. Such projections could, however, prove premature in view of the enormous difficulties the US faces in post-war Iraq in transforming its military victory into a political order commensurate with American interests in the region. It may thus be speculated that the present priority attached by the United States to military power in international relations is transient and will, the more the United States gets entangled in the Iraq quagmire, give way to institutional approaches.

While the evidence of institutional balancing is hardly deniable, its effects are less clear, and therefore debatable. While Maull and Okfen are probably correct in their assumption that interregional relations have not enabled individual powers or groups of states to increase their influence in another region, interregional relations nevertheless have some impact on third regions. As an example, European trade concessions toward the end of the Uruguay Round were in all likelihood a response to the ratification of NAFTA by the US Senate and the convening of the first APEC summit by President Clinton in Seattle in November 1993.

An element somewhat ignored in the literature and the chapters of this volume is the fact that core players of the Triad also use interregional relations as a device to export their values and concepts of order to other regions. ASEM, for instance, is instrumentalized by the EU as a vehicle to propagate European concepts of good governance, rule of law, human rights, liberal democracy and market economy for adoption by their Asian counterparts. In the interregional dialogues they are involved in, Europeans as well as Americans expect that the adoption of what they consider as universal values and internationally accepted rules will level the playing field in Asian and non-triadic markets (Bowles 1997).

### *Institution-building*

Liberal institutionalists view international institution-building as a key to mitigate the anarchical character of international relations. Institutions, defined with Keohane as “an enduring set of rules, norms, and decision-making procedures that shape the expectations, interests, and behavior of actors” (Keohane 1989), make state behavior predictable, facilitate negotiated compromises, outlaw the illegitimate use of force, and thus reduce the likelihood of interstate violence. Institutions such as norms, rules and international organizations thus “legalize” international relations. They are major prerequisites for the emerging system of global governance.

Yet, the majority of contributions to this volume suggests that the institution-building functions of interregional forums may be less prominent than assumed by liberal institutionalists. Institution-building essentially relates to the creation of a new level of policy-making in a multi-layered international system and the creation of subsidiary institutions such as regular summits, ministerial and senior officials’ rounds, business dialogues, forums of non-governmental organizations and track two processes (i.e. informal expert meetings).

However, virtually all contributions show that interregional forums have so far opted for “soft institutionalization.” One reason for this may be the prevalence of balancing functions of interregional dialogues. As balancing responds to short-term shifts of power relations, and alliances or coalitions are given up when they have lost their rationale, building strong institutions is regarded as an unreasonably costly investment. This holds

true for “power balancing” and “institutional balancing” alike. In fact, positioning of the checks and balance type by regions has given rise to what Bowles calls “multiple regionalism,” i.e. membership in more than one regional forum (Bowles 1997). Interregionalism is “multiple regionalism” in the purest sense. By increasing institutional options for actors, “multiple regionalism” entails low opportunity costs, but potentially high governance costs (Lake 1999; Rüländ 2002b) – another reason for the shallow institutionalization of interregional dialogues.

Nevertheless, interregional dialogues have institutional repercussions on regional component organizations, albeit these are difficult to measure. Interregional dialogues create a need for unified positions and, hence, intensified consultation and coordination. Indeed, exposed to the superior coordination mechanisms of the EU, Asian members have set up their own regular caucuses prior to ASEM meetings (Soesastro/Nuttall 1997). While they failed to institutionalize such caucuses preceding APEC meetings, ASEAN ministers nevertheless seem to consult informally on the issues of the agenda.<sup>2</sup> Preparation prior to FEALAC meetings also exists – as Low (chapter 5) shows – but is low key, mirroring the low priority accorded to the dialogue by ASEAN and the other Asian participants. Though varying in intensity, intraregional communication and exchange of information is consequently enhanced through these exercises. Interregional institutions thereby contribute to a greater transparency and predictability in international politics. Yet, it is evident that these caucuses have so far failed to generate spill-over effects and propel regional component organizations into a higher gear of cooperation.

Hopes have also frequently been expressed that interregional dialogue will strengthen international institution-building, by containing great powers such as China, the United States or Brazil, minimizing their tendencies toward unilateral behavior and socializing them into multilateral institutional networks and cooperative norms. Unfortunately, there is not much empirical evidence that interregional institutions have performed such a function. Despite participating in an increasingly dense network of interregional dialogues, the United States began to abandon interregionalism during the Asian financial crisis. This tendency is even exacerbated by American responses to the September 11 terrorist attacks on New York and Washington. And despite China’s recent claims to pursue a multilateral foreign policy, her active involvement in the Shanghai Cooperation Organization and overtures to ASEAN countries for a FTA, China by and large also does not seem to deviate from her revered doctrine of maintaining a maximum degree of foreign policy autonomy. As a great power, Beijing subscribes to the same multilateralism *à la carte* as the United States, when it suits Chinese interests.

If most interregional forums are characterized by “soft institutionalization” and “soft law” (Kahler 1995, 2000; Abbott/Snidal 2000), is lack of institutionalization the main reason for their paralysis in times of crisis?

Is the “new regionalism,” and the interregional forums emanating from it, little more than “fair weather” or “sunshine cooperation”? Dieter and Higgott (chapter 15), Aggarwal and Kwei (chapter 4), Maull and Okfen (chapter 14) all agree that neither APEC nor ASEM contributed much to cushioning or even resolving the Asian currency crisis. EU–MERCOSUR relations have also done little to alleviate the consequences of the Brazilian and Argentinean crises. FEALAC, which links the two regions most severely affected by globalization crises in the last two decades, likewise did not seem to have utilized its “comparative advantage,” as it failed to produce meaningful exchanges of expertise in crisis management.

However, more recent research shows that the contribution of interregional forums to crisis management cannot exclusively be blamed on “soft institutionalization.” Institutionalization may be a sufficient condition for crisis management capacities of regional organizations as well as interregional forums. However, more important than institutionalization is the relationship between opportunity costs and governance costs (Lake 1999). If governance costs for maintaining cooperative arrangements exceed opportunity costs arising from “exit” (Hirschman 1970) behavior, the temptation to resort to unilateralism will be great.

However, while emphasis on the costs and benefits may suggest an overly rationalist perspective, it must be borne in mind that, in the absence of complete information, the way states tend to evaluate costs and benefits rests very much on cognitive factors. In fact, past experiences and ideas help shape their perceptions of costs and benefits (Goldstein/Keohane 1993; Jachtenfuchs 1995). Adverse historical experiences – chaos, an amoral concept of power, lack of cooperative tradition (McCloud 1986, 1995; Rüländ 1995), colonialism and, hence, a strongly developed concept of national sovereignty – explain why Asian nations in particular are averse to deepening ASEM’s institutionalization.

If this argument holds, then moving up one or more steps of the integration ladder does not automatically generate greater cohesion in regional and interregional relationships in times of crisis. First-wave Latin American integration schemes teach us that moves toward “deep” integration are no panacea to surviving crises (Mols 1981). Once more, the relationship between opportunity and governance costs comes in. It is thus also debatable whether institutional deepening stimulated by East Asian “monetary regionalism” (Dieter and Higgott, chapter 15) will strengthen capacities for crisis management. Whether Dieter and Higgott will in the end prevail with their prediction of growing East Asian regional cohesion converging on monetary cooperation cannot be decided here and now, and is up to the future. Nevertheless, despite new proposals toward closer East Asian monetary cooperation,<sup>3</sup> skepticism remains. Given the secretive aura surrounding economic data in many Asian countries, the continued persistence of official secrets acts which make non-authorized publication of economic data punishable, and the fact that in some countries such as

Vietnam not even the budget was published until recently, it is hardly conceivable that East Asian countries will in the near future be ready for the extremely sensitive process of deepened financial cooperation.

Moreover, the disappointing and belated contributions of APEC and ASEM to the management of the Asian currency crisis is further evidence that power categories still figure high even in the perception of Western governments. As interregional forums had increasingly been perceived as arenas for competing models of political and economic order prior to the crisis, Western governments saw the crisis as a welcome opportunity to discredit the very norms and institutions previously associated with the "Asian Way," perceived by them as major obstacles for a leveled economic playing field. This may explain why interregional forums mustered only lukewarm and declaratory support for debt-ridden governments. After all, both the United States and the EU were in full agreement that international financial institutions (with a Western voting majority) such as the International Monetary Fund (IMF) should be entrusted with crisis management. The latter was a calculated move to maintain maximum control over the reform process, to deflect criticism from the inevitable "collateral damages" of the austerity regime imposed by the IMF and to internationalize the costs of the rescue packages to the broadest possible extent.

Is there institutional redundancy in international relations? Is there a division of labor and a complementary relationship between institutions, or is their relationship characterized by competition and rivalry? Recalling the dizzying diversity of interregional dialogue relations presented by Hånggi (chapter 3), there seems indeed to be evidence that the current state of global governance is "a loose set of cross-national policy patchworks, conspicuous for their missing links and unnecessary overlaps," as criticized by Reinecke (1998). Striking examples are the intercontinental summits (Crawley, chapter 11; Olsen, chapter 13) and the parallel existence of the ASEAN–EU dialogue and ASEM (Rüland 2001a). Olsen, for instance, attributes primarily symbolic functions to the Europe–Africa summit, which, according to him, was established to compensate for the neglect of Africa by the EU. In the case of the ASEAN–EU dialogue and ASEM, despite institutional overlaps, and the fact that most functions of the ASEAN–EU dialogue have been absorbed by ASEM, neither the EU nor ASEAN seem to be interested in institutional streamlining. This corresponds with the observation that defunct regional organizations are rarely formally disbanded, begging the question why these forums still continue to exist.

One answer may be that interregional forums may exert functions not foreseen by the grand theories and functions not covered by a systemic level of analysis. Viewed from this angle, interregional dialogues may, for instance, perform rhetorical and symbolic functions for nation states, or they may provide a convenient platform for "rationalizing" bilateral meetings (Maull and Okfen, chapter 14). In fact, various studies have shown

that leaders use summits of interregional dialogues for extensive bilateral talks in the margins (Rüland 1996a; Maull/Tanaka 1997; Bersick 2003; Yeo 2003). In some cases they also owe their existence to idiosyncratic factors. ASEM and FEALAC are cases in point (Low, chapter 5). Both have been strongly promoted by Singaporean Prime Minister Goh Chok Tong, who sought to enhance his stature as a regional leader with these overtures. At a regional level, similar motivations may have guided Thai Prime Minister Thaksin Shinwatra to set up the Asian Dialogue Forum in 2002 or former Indonesian President Abdurrahman Wahid's proposal to form a Western Pacific Forum. Arguing from a systemic perspective, this multiplicity of regional and interregional forums compounds the phenomenon of "multiple regionalism," thus misallocating scarce resources, especially of developing countries, and thwarting more effective regional institution-building.

### *Rationalizing*

Rationalizing functions refer to the fact that global multilateral institutions have to contend with increasingly complex and technical policy matters, and a growing number of actors often representing extremely diverse interests. This slows down multilateral decision-making, reduces the efficiency of international forums and, as a corollary, erodes their legitimacy. Interregional dialogues may thus serve as clearing houses for decision-making bottlenecks in global multilateral forums. Regional and interregional forums may thereby divide negotiations on global issues into a staggered bottom-up process which may start at the regional level before being elevated to interregional forums and eventually to global institutions. On the aggregate such a step-by-step process may save time, as consensus-building in several numerically smaller forums is likely to be more efficient than in one unwieldy global body. Interregional relations thus streamline the overburdened agenda of global forums, keep in check the ensuing bottlenecks at the apex of the international system and thus prevent a paralysis of global institutions.

The case studies as well as the comparative analyses in this volume lend only scant evidence to this function. The most optimistic assessment comes from Dent (chapter 7), who provides some empirical evidence for what he calls ASEM's "multilateral utility." Dent cites the preparatory talks for WTO agreements in 1996, as well as meetings of ASEM foreign ministers at the sidelines of the UN General Assembly. With a view to APEC, the Information Technology Agreement (ITA) of the WTO adopted at its Singapore ministerial meeting in 1996 could be added. The way to this agreement was paved by preceding negotiations among APEC members. Transatlantic consultations also took place prior to WTO meetings – the last on agricultural subsidies on the eve of the Cancun WTO ministerial meeting in 2003. Interregional consultations also facilitated the way to the

WTO's Doha Round of trade liberalization negotiations, whereas in the Seattle ministerial meeting of 1999 the envisioned Millennium Round did not materialize in the absence of prior consultation and coordination among the core regions of the Triad.

Robles, on the other hand, disputes that ASEAN–EU relations have been able to agree on common positions for North–South forums such as the United Nations Conference on Trade and Development (UNCTAD). He also downplays previous research citing the utility of the dialogue for coordinating positions in the UN General Assembly (Snitwongse 1989). The latter basically refers to ASEAN–EU coordination following the invasion of Cambodia and Afghanistan in 1979 and 1980, when both sides successfully lobbied for the condemnation of the aggressors – in the first case Vietnam, in the second the Soviet Union. Based on empirical data for ASEM and APEC, Maull and Okfen (chapter 14) share Robles' skepticism.

Faust (chapter 10) goes even further. He shows that interregional forums may be considered only as a “second best solution” by key players – by coincidence another strong argument for “soft institutionalization.” “Governments,” writes Faust, “only commit themselves to interregional agreements in times when the global multilateral process is blocked.”

While even Dent himself admits that ASEM's “multilateral utility” is still weak, one should not dismiss it altogether as a product of overheated intellectual imagination. Interregional forums have indeed potential to become “multilateral utilities.” The more international issues gain in complexity and the more players become involved, governments may begin to appreciate this function more than hitherto. In May 2001, for instance, ASEM foreign ministers in their meeting in Beijing resolved to strengthen such rationalizing functions. The Chairman's statement mentioned in particular issues addressed by the UN. Henceforth, the statement urges, before sessions of the General Assembly ASEM would hold consultations at the appropriate level in New York or other places to exchange views on agenda items.

### *Agenda-setting*

If interregional dialogues are instrumentalized by nation-states or regional groupings for advancing policies or themes that at this point do not resonate in global forums, interregional institutions adopt agenda-setting means. As agenda-setting is closely related to the rationalizing function, it is hardly surprising that, again, there is not much evidence displayed in these chapters that interregional forums pursue such a function. The political dialogue introduced by the EU into interregional relations, in the case of ASEM against the declared will of the Asian side, provides a good occasion for agenda-setting functions. Yet, most dialogue partners reject binding agreements and seek to confine the political dialogue to a loose and non-committing exchange of information. Even then they exclude

sensitive issues. Yet, before more confident conclusions can be drawn about the agenda-setting functions of interregional forums, as in the case of the rationalizing function, more in-depth empirical research is needed.

### *Collective identity-building*

Recent studies have persuasively argued that interregional dialogues may spur collective identities (Gilson 2002a; Hänggi 2003). “Regionalism through interregionalism” (Hänggi 1998: 1) is thereby perceived as the product of cognitive processes. According to this view, interregional interaction reflects previous interactions of a region with another region (or, for that matter, states belonging to it). These experiences and their mental representations by political leaders shape the region’s self-identity, its role perception in international relations and its interests, as much as they shape the perceived identity, role perceptions and interests of the other region. But the way other regional groupings perceive a regional grouping also has an impact on its own view of itself, its perceptions of its role, and its interests. Interregional interaction may thus sharpen differences between self and other, create pressures to overcome diversity in order to increase the efficiency and effectiveness of collective action and thereby help galvanize regional solidarity on the basis of shared norms.

Collective identity-building through interregional interactions may be intended or unintended. It is intentional, if one group offers incentives to another for strengthening the latter’s regional cohesion. In the case of the EU, which is deliberately pursuing the role of an “external federator,” such a policy has a rationalizing effect on its own external relations because it enables Brussels to negotiate policy frameworks with entire groups of countries, where previously it had to deal with them individually. However, in cases of highly asymmetrical relationships interregionalism may also generate unintended collective identity-building. It occurs if the relationship is perceived by one side as a vehicle in the hands of the other to establish or consolidate superiority. Such perceptions, which tend to denounce the behavior of the superior organization as paternalism or, worse, neocolonialism, may produce backlashes by encouraging the weaker organization to develop its own set of collective symbols and mythology in explicit opposition to the other side. Good examples are European conditionalities vis-à-vis Asian countries, giving rise to the “Asian value” hypothesis which Asians celebrated as an alternative model of political and economic order. An example related to APEC was American opposition to an Asian Monetary Fund (AMF) which “sowed the seeds for a further polarization of the relationship between the Anglo-Pacific and the Asian APEC countries and bolstered the development of a dialogue between Southeast and Northeast Asia” (Dieter and Higgott, chapter 15), in fact strengthening the fledgling APT process.

Yet, the “regionalism through interregionalism” thesis should not be

overstated (Hänggi 2003). Certainly, Gilson's (2002a) reflexivist approach, in what is so far the most complete, subtle and comprehensive study of ASEM, complements existing systemic approaches in so far as it shows that there is a dynamic inherent in regionalism and interregionalism resulting from the interactions of regions. In other words: Regionalism and interregionalism are more than simply a consequence of globalization and the changing economic fortunes in the Triad.

However, dissociated from the systemic framework, the "regionalism through interregionalism" thesis cannot fully explain the rise of regionalism. For interregionalism to shape regional identities there must be a modicum of regional cooperation before. Moreover, interregional relations must be preceded by a history of contacts between the two regions which at least in one of them arouses emancipatory sentiments. Such historical legacies can be colonialism, a hegemonic or otherwise highly asymmetric relationship causing feelings of inferiority. That such emancipatory sentiments flourish presupposes self-confidence based on strength – be it military power or economic prowess. All these conditions mainly apply to ASEM, albeit to a lesser extent to transpacific and US–Latin America relations, too. The colonial humiliation is still deeply ingrained in Asia's collective memory, as is the often arrogant and insensitive donor attitude of Europeans up to the 1990s. This is paired with Asia's unprecedented boom and rapid modernization, which made Asia in Asian eyes an equal partner in ASEM. In all other interregional relationships the impact on regional identity-building is limited. In European–Latin American relationships colonialism has lost its emotionalizing appeal due to the fact that Latin American independence dates back nearly two centuries. In Europe's relations with Africa memories of colonialism are still fresh, but African countries lack the economic clout that would enable them to develop a regional identity challenging the EU. But the "regionalization through interregionalism" thesis also creates difficulties from a methodological point of view. How do we isolate the region-building impact of ASEM from other influences such as, for instance, the rise of another transregional forum like APEC. After all, it should not be ignored that the first, albeit failed, attempt at East Asian region-building was the proposal of Malaysian Prime Minister Mahathir Mohamad's to form an East Asian Economic Grouping (EAEG), later renamed the East Asian Economic Caucus (EAEC). EAEC, however, was in the first place a response to the formation of APEC, which Mahathir suspected was an American design to dominate East Asia. And while it may be argued that it was ASEM which eventually brought together the countries Mahathir wooed for EAEG, it was the Asian currency crisis which triggered the first East Asian summit in Kuala Lumpur in 1997 and later the latter's institutionalization under the APT format. After all, it was only then that ASEAN painfully realized its hapless exposure to the destructive forces of globalization and the need for a more weighty regional representation. To simplify complicated

issues: Interregionalism may indeed foster collective regional identity-building, but to what extent is difficult to gauge, differs markedly from dialogue to dialogue and its measurement poses formidable methodological challenges.

Apart from these key functions of interregionalism another function can be distilled from the chapters in this volume: Promotion of development.

### ***Promotion of development***

Development is the key objective of the EU's relations with the ACP countries and SADC (Southern African Development Community). While, in the EU's relationship with ACP states, geography is almost irrelevant as a facilitator of interregionalism and, as aptly termed by Holland (chapter 16), is "imagined interregionalism" at best, the Cotonou Agreement, concluded by the EU under pressure to reconcile the previous Lomé IV Convention with WTO rules, will encourage ACP states to reorganize themselves along the lines of regional free trade areas. As a result, EU-ACP relations will be broken down into a number of interregional relations. More than providing aid, "regional integration," writes Holland, will thus become "a key instrument for the integration of the ACP countries into the world economy." With the EU once more acting as an external federator, Cotonou may become a pacemaker for non-triadic interregionalism. The EU-SADC relationship, which, as Weiland explains, suffers much from the great asymmetry of actor capacities and SADC's institutional weakness, may nevertheless be viewed as a frontrunner of the new interregional relationships of the EU with the developing world.

### **Theoretical issues**

Not surprisingly, contributors diverged in their theoretical approach. While some seemed to give greater credence to arguments influenced by realism (Roloff, chapter 2; Kupchan, chapter 8), others placed greater emphasis on the role of institutions (Maull and Okfen, chapter 14; Dent, chapter 7). A structuralist political economy approach was applied by Robles (chapter 6) and Dieter and Higgott (chapter 15). Faust (chapter 10) relied on a strictly rationalist approach based on Olson's collective action approach, while Holland's (chapter 16) analysis is influenced by constructivism. As none of these approaches proved exhaustive as an analytical framework, there was – in line with more recent studies – a tendency to combine various approaches. Roloff (chapter 2), for instance, continued to combine his balancing argument with Keohane and Nye's concept of complex interdependence (Keohane/Nye 1989), whereas Schirm (chapter 17) and Maull and Okfen (chapter 14) analyzed interregional relations from the angle of realism, institutionalism and constructivism.

However, most of these analyses exclusively emphasized the systemic perspective. In a stimulating contribution, Faust (chapter 10) was able to extend the analytical framework to the domestic policy level. EU–MERCOSUR relations were portrayed by him as the outcome of political bargaining processes between regionally organized domestic business groups interested in market-opening policies and their protectionist opponents. Faust thus complemented the systemic outside-in perspective with an inside-out dimension.

More theoretical research is needed on the concept of actorness, which is addressed in passing in Weiland's contribution (chapter 12). Actorness refers to the capacities of regional organizations to become identifiable, to aggregate interests, formulate goals and policies, and make and implement decisions. Nevertheless, the "expectation–capability" gap (Hill 1993) and actor asymmetries became obvious in most of the interregional relations that were examined. Yet, while supranational institutions such as the EU stand for comparatively strong actor qualities, this is not necessarily the case. If decision-making procedures of supranational institutions are too complicated and opaque, actor qualities may suffer. Conversely, intergovernmental cooperation must not automatically be an indicator of weak actor qualities. Constellations are conceivable where intergovernmental cooperation could develop strong actor qualities; one such case is that of regional organizations controlled by a hegemon. NAFTA and, to a lesser extent, MERCOSUR are cases in point. But, as Schirm has shown (chapter 17), this presupposes a coherent and benign policy on the part of the hegemon.

However, most non-triadic regional organizations – even those with a hegemonic structure – are far from developing strong actor qualities. India in the South Asian Association of Regional Cooperation (SAARC) and South Africa in SADC are in such a hegemonic position, but sorely lack the resources for rewarding and sanctioning smaller partners as a strategy to gain their compliance. Hence, the contrary happens: Smaller partners seek to develop veto powers and do everything to contain the hegemon's influence on regional policy-making. Lack of resources to cover the high governance costs associated with strong actor qualities also explain why most non-triadic regional organizations have great problems in acting in a coherent way and thus constitute a difficult partner.

In a recent study, Doidge elaborated how asymmetrical actorness affects the functions of inter- and transregional dialogues. "It can," writes Doidge, "be expected that the early period of relations will result in institutional proliferation, intra-regional institution building and intra-regional collective identity formation" and, one may add, deviating from Doidge, in balancing. "As the actors and the relationship mature, however, it can be anticipated that the intraregional institution building and identity formation will be gradually replaced by substantive cooperation in the form of ... rationalizing and agenda-setting functions" (Doidge 2004: 333).

## **An agenda for future research**

As this volume addresses a novel field in international relations, it constitutes only the start of the journey toward deeper and theoretically more reflective insights into the nature of interregionalism. Toward this objective, seven conclusions concerning the future research agenda can be formulated:

- As the case study approach dominates interregionalism research, more comparative analysis – along the lines of the contribution by Maull and Okfen (chapter 14) – is needed in order to strengthen the empirical basis for theoretical research and to develop better analytical categories.
- More knowledge is required about the “nesting” (Aggarwal 1998) of interregional dialogues into global multilateral forums. Information of this kind would help to address the question of how far interregionalism is a building block for a nascent system of global governance. It also helps to clarify the question as to what extent interregional dialogues are redundant institutions, competing with others, or adopting the role of institutional intermediaries, thus performing important complementary functions in an increasingly unwieldy system of international decision-making.
- This also leads to the controversial question about the quality of the rationalizing and agenda-setting functions of interregional forums. More precisely, this involves the systematic study of decision-making processes of global multilateral bodies such as the UN, the WTO, or the climate change regime and the extent their decisions are pre-negotiated by interregional forums.
- Future research should also address the question if and to what extent functional differences exist between group-to-group dialogues and transregional forums. Empirically valid answers would also help to clarify the redundancy question raised above.
- More research is also needed on non-triadic dialogues. Yet, this volume has made clear the difficulties associated with such research, which is hamstrung by their shallow institutionalization and lack of events of meaningful activities.
- How can interregional dialogues contribute to crisis management? There is wide agreement that they have utterly failed in this respect in the Asian currency crisis, as well as more recently in the Brazilian and Argentinean crises. Do crises lead to an atrophy of interregional dialogue and, hence, of the evolving system of global governance? Will interregional institution-building be further undermined by the maneuvers of the United States and countermoves of other actors in the war against terrorism? And what will be the impact of the failed Cancun WTO ministerial meeting on interregional dialogues? Soon

after the meeting, members of the Group of 20, which represented the interests of developing nations in Cancun, announced they would adopt similar strategies in the 2003 APEC summit in Bangkok.

- Closely related to the rise of interregionalism and rarely addressed in the previous chapters is the “democracy problem.” The riots accompanying the Seattle ministerial meeting of the WTO in 1999 have clearly defined the problem paralleling the emergence of a multi-layered system of global governance. Global and interregional forums are increasingly perceived by sections of the public as arcane circles of government specialists which have lost their connection with the grassroots. NGO forums, think-tank meetings and exchanges of parliamentarians run parallel to, but rarely converge with, official governance. The democratization of international institutions must thus also attract greater scholarly attention than hitherto.

Returning to the initial question, “much ado about nothing” or “building block for global governance,” the answer remains at this point ambiguous. This volume has shown that interregionalism certainly has the potential to contribute to the emerging system of global governance, but also that its potential is by no means fully utilized. In the light of relatively low opportunity costs associated with interregional cooperation and a lack of will among nation states to invest more in the governance costs caused by more cohesive interregional institutions, interregionalism has, to date, mainly been used for balancing purposes. Yet, this volume has also revealed numerous opportunities for nation states and regional organizations to utilize interregional relations for global governance in a more constructive way than hitherto. To what extent such relations will be utilized depends to a great extent on the willingness of the great powers, in particular the United States, to pursue a foreign policy based on multilateralism. The present unilateral tendencies in US foreign policy, the divisive effects of the Iraq war on regional organizations such as the EU and ASEAN, and Washington’s previous policies of “unprincipled multilateralism” (Maul and Ofken, chapter 14) certainly impede the rise of a more norm and rule bound international order.

# Notes

## 3 Interregionalism as a multifaceted phenomenon

- 1 In this chapter, “region” and “subregion” stand for *international* regions and subregions (see chapter 1).
- 2 For a comparison of “old” and “new” regionalism see Yamamoto (1996) and Dosch (2003).
- 3 *A Singapore Discussion Paper about the Future of ASEM*, The First ASEM Foreign Ministers’ Meeting, Singapore: 15 February 1997, mimeo, pp. 1–2.
- 4 This term was coined in the context of the United States’ system of bilateral military alliances in the Asia-Pacific region.
- 5 The EC represented the most advanced model of a “group” or a regional organization, whereas the partner “groups” ranged from regional associations deliberately organized to play an international role (e.g. ASEAN, Gulf Cooperation Council [GCC]) to rather “imagined” groups, which were loosely tied together often for the sole purpose of dealing with the EC (e.g. the African, Caribbean and Pacific Countries [ACP] group) (Regelsberger 1990: 14).
- 6 As this essay represents work in progress, “*all*” has to be understood in relative terms, i.e. *all* institutionalized interregional relationships that the author was able to track down and to find sufficient information about, based on an extensive web-based research (see annex, pp. 57–62).
- 7 Starting in the 1970s, ASEAN established a system of structured dialogues with its major economic partners in the developed world. The system was institutionalized in 1979 through the annual Post Ministerial Conferences (PMC), which were (and still are) held after the annual ASEAN Ministerial Meeting (AMM).
- 8 The regional organization may be represented in a given interregional arrangement in its own right and/or by some or all of its member states. This holds particularly true for the representation of the EU in interregional arrangements such as ASEM, EU–LAC and the Cairo summit process.
- 9 There are a number of international institutions, which include states and groups of states from different regions, which are not considered as “inter-regional” relationships in this chapter. This applies to groupings based on a specific functional as opposed to (inter-)regional rationale such as the Agency of Francophone Countries, the Commonwealth, the Franco–African summit, the Iberian American summit, etc.
- 10 It is noteworthy that at their third summit meeting in November 1999, the East Asian leaders agreed “to intensify coordination and cooperation in various international and regional forums such as the UN, WTO, *APEC*, ASEM and the ARF” (emphasis added). *Joint Statement on East Asian Cooperation*, Manila: November 28, 1999, para. 7.

- 11 This section draws on Hånggi (2003).
- 12 During its Presidency, Portugal – which still has strong ties with its former colonies in Africa – pressed hard for such an initiative.

#### 4 Asia-Pacific Economic Cooperation (APEC)

- 1 David E. Sanger, “U.S. Revising North Korea Strategy,” *New York Times*, November 22, 1993, p. A5.
- 2 This table has been developed and discussed at length in Aggarwal (2000).
- 3 Joseph Kahn, “Hands Across Pacific: U.S.–China Ties Grow,” *New York Times*, November 15, 2002.
- 4 Australia, New Zealand, United States, Canada, Japan, Republic of Korea, Thailand, Malaysia, Republic of the Philippines, Singapore, Brunei Darussalam, People’s Republic of China, Chinese Taipei, Hong Kong, Mexico, Papua New Guinea, Chile, Peru, Russia and Vietnam.
- 5 See Aggarwal (1994) for a discussion. This section draws on this chapter.
- 6 This perspective views smaller coalitions of states as a potential replacement for the lack of a hegemonic power in the international system to drive negotiations in the WTO forward.
- 7 In Vancouver in 1997, Ministers agreed to consider nine additional sectors for fast-track liberalization: chemicals, energy-related equipment and services, environmental goods and services, forest products, medical equipment, telecommunications equipment, fish and fish products, toys, and gems and jewelry. In addition, they called for discussion of liberalization in six other sectors: Oilseeds and oilseed products, food, natural and synthetic rubber, fertilizers, automotive and civil aircraft.
- 8 *What’s happening in APEC?* Business Briefing Vol. 8, March 2000.
- 9 *Financial Times*, June 8, 2000, p. 12.
- 10 *What’s happening in APEC?* Business Briefing Vol. 9, July 2000.
- 11 *What’s happening in APEC?* Business Briefing Vol. 10, October 2000.
- 12 *Agence France Press*, Section: International News, March 31, 2000.
- 13 Associated Press, “APEC Leaders Pledge to Boost Trade,” October 28, 2002.
- 14 APEC Secretariat, *Final Report on Implementation of the Leaders’ 2001 Statement on Counterterrorism*, October 2002.
- 15 David Sanger, “U.S. Revising North Korea Strategy,” *New York Times*, November 22, 1993, p. A5.
- 16 Overview of ASEAN’s activities on Peace and Stability. Available online at: [www.aseansec.org/92.htm](http://www.aseansec.org/92.htm) (accessed September 20, 2004).
- 17 Tim Weiner, “War Clouds Darken Asia-Pacific Meeting in Mexico,” *New York Times*, October 23, 2002.
- 18 “APEC Leaders Eye New WTO Agreement by 2005,” *Reuters*, October 27, 2002.
- 19 *What’s happening in APEC?* Business Briefing Vol. 10, October 2000
- 20 Enoch Yiu, “SAR to help drive APEC bond project,” *South China Morning Post*, September 7, 2002.
- 21 “Asia-Pacific Leaders Agree to Develop Regional Bond Market,” *Korea Times*, October 29, 2002.
- 22 Fourteenth APEC Ministerial Meeting, Joint Statement issued October 23–24, 2002, Los Cabos, Mexico.
- 23 US Department of Transportation, *Remarks for the Honorable Norman Y. Mineta, Secretary of Transportation APEC News Conference Los Cabos*, Mexico, October 23, 2002. Available online at: [www.dot.gov/affairs/102302sp.htm](http://www.dot.gov/affairs/102302sp.htm) (accessed September 20, 2004).
- 24 “ABAC, Sharing Development in Reinforcing Global Security,” Los Cabos, 2002.

25 See Aggarwal (1994) for a discussion of these issues.

26 *What's happening in APEC?* Business Briefing Vol. 8, March 2000.

27 *Ibid.*

28 *Ibid.*

29 *Japan Economic Newswire*, September 8, 1999.

30 *Bernama: The Malaysian National News Agency*, September 19, 1999.

31 *Japan Economic Newswire*, June 26, 1999.

32 *US-ASEAN Business Report*, First Quarter, 2001, Vol. 12, n. 1.

33 Media Release, July 11, 2000, Australian Department of Foreign Affairs and Trade.

## 5 The Forum for East Asia–Latin America Cooperation (FEALAC)

1 *Singapore Sunday Times*, May 23, 1999, p. 37.

2 To be composed of the US, Australia, New Zealand, Chile and Singapore.

## 6 The Association of Southeast Asian Nations (ASEAN) and the European Union

1 For the full text see AEMM on Economic Matters, 1985, Joint Statement, Bangkok, October 17–18, 1985.

2 See 1st ASEAN–EC Ministerial Meeting (AEMM), Joint Declaration, Brussels: November 21, 1978, paragraphs 16–17; 2nd AEMM, 1980, ASEAN–EEC Joint Declaration, Kuala Lumpur, March 7, paragraph 11; 4th AEMM, Joint Declaration, Bangkok: March 25, 1983, paragraphs 11, 27 and 29; 4th AEMM, Joint Declaration, Bangkok: March 25, 1983, paragraph 28; 6th AEMM, Joint Declaration, Jakarta: October 20–21, 1986, paragraph 15; 7th AEMM, Joint Declaration, Düsseldorf, May 2–3, 1988, paragraph 16; 8th AEMM, Joint Declaration, Kuching, Malaysia, February 16–17, 1990, paragraph 67.

3 ASEAN–EC JCC: (7th). Joint Press Statement, Jakarta, April 30–May 2, 1987, p. 4.

4 COM(95) 219 final (June 16, 1995). Communication from the Commission. European Community support for regional economic integration efforts among developing countries.

5 For the full text see Council Regulation (EC) No. 3281/94 of December 19, 1994, *Official Journal*, L 348, 31 December 1994, pp. 1–28; and Council Regulation No. 1256/96 of June 20, 1996, *Official Journal*, L 160, June 29, 1996, pp. 1–11.

6 Council Regulation (EC) No. 648/96 of March 28, 1996 imposing a definitive antidumping duty on imports of bicycles originating in Indonesia, Malaysia and Thailand and collecting definitively the provisional duty imposed, *Official Journal*, L 091, April 12, 1996, pp. 1–17.

7 European Commission Regulation (EC) No. 984/97, May 30, 1997, *Official Journal*, L 141, May 31, 1997, pp. 57–60.

8 ASEAN–EC JCC, 1994 (11th). Summary Conclusions of the 11th ASEAN–EC JCC, Davao, Philippines, January 21–22. Annex 4 of Annex 7. Sub-Committee on Trade. ASEAN Discussion Paper. ASEAN Memorandum on Trade and Trade-Related Issues, p. 2.

9 Japan External Trade Organization (JETRO), 1999, 2000, 2001. White Paper on Foreign Direct Investment. Available online at: [www.jetro.go.jp/it/e/pub/whitepaper/invest1996–2002](http://www.jetro.go.jp/it/e/pub/whitepaper/invest1996–2002) (accessed March 2002).

10 ASEAN–EC Ministerial Meeting (AEMM), 1978 (1st), Joint Declaration, Brussels, November 21, § 20.

11 AEMM, 1992 (10th), Joint Declaration, Manila, October 29–30, § 14.

- 12 COM(2000) 135 final (March 13, 2000). Report from the Commission to the Council and the European Parliament. European Community Investment Partners (ECIP). Progress Report 1998, pp. 12, 20.
- 13 COM(94) 314 final (July 13, 1994). Communication from the Commission to the Council. Towards a New Asia Strategy.
- 14 COM(96) 314 final (July 3, 1996). Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee. Creating a New Dynamic in EU–ASEAN Relations.

## 7 The Asia–Europe Meeting (ASEM) process

- 1 This chapter is a substantially revised and updated version of a previous article written by the author entitled, “ASEM and the Cinderella Complex of EU–East Asia Economic Relations,” *Pacific Affairs*, 2001, vol. 74, 1: 25–52.
- 2 See EIU, *Pocket World in Figures 2004*, London: Economist Intelligence Unit, 2004.
- 3 Commission of the European Communities, *Free Trade Areas: An Appraisal*, 1995, SEC(95), 322 final, Brussels, p. 7.
- 4 Commission of the European Communities, *Towards a New Asia Strategy*, 1994, COM(94), 314 final, Brussels.
- 5 Commission of the European Communities, *Regarding the Asia–Europe Meeting (ASEM) to be held in Bangkok on 1–2 March 1996*, 1996, COM(96), 241 final, Brussels.
- 6 *The Economist*, August 21, 1999.
- 7 Commission of the European Communities, *Europe and Asia: A Strategic Framework for Enhanced Partnerships*, 2001, COM(2001), 469 final, Brussels.
- 8 *Ibid.*, p. 15.
- 9 Commission of the European Communities, *Perspectives and Priorities for the ASEM Process (Asia–Europe Meeting) into the New Decade*, 2000, COM(2000), 241 final, Brussels.
- 10 The EU, China, Japan and South Korea all took recourse to the WTO’s Dispute Settlement Mechanism regarding this.
- 11 ASEM Vision Group, *For a Better Tomorrow: Asia–Europe Partnership in the 21st Century*, Seoul: Ministry of Foreign Affairs and Trade, 1999.
- 12 *Ibid.*, p. 9.
- 13 Available online at: [europa.eu.int/comm/external\\_relations/asem/min\\_other\\_meeting/eco\\_min4.htm](http://europa.eu.int/comm/external_relations/asem/min_other_meeting/eco_min4.htm) (accessed September 16, 2004).
- 14 The Asia–Europe Meeting, *Chairman’s Statement*. Available online at: [europa.eu.int/comm/external\\_relations/asem/min\\_other\\_meeting/bf7.htm](http://europa.eu.int/comm/external_relations/asem/min_other_meeting/bf7.htm) (accessed September 9, 2004).
- 15 ASEM Vision Group, *For a Better Tomorrow*, pp. 6–7.
- 16 Available online at: [europa.eu.int/comm/external\\_relations/asem/min\\_other\\_meeting/fin\\_min4.htm](http://europa.eu.int/comm/external_relations/asem/min_other_meeting/fin_min4.htm) (accessed September 16, 2004).

## 8 The new Transatlantic interregionalism and the end of the Atlantic Alliance

- 1 This chapter draws on material presented in my book, *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-first Century*, New York: Alfred A. Knopf, 2002, and on my article, “Hollow Hegemony or Stable Multipolarity?” in G. John Ikdenberry, *America Unrivaled: The Future of the Balance of Power*, Ithaca: Cornell University Press, 2002.
- 2 On the development of transatlantic interregionalism, see Gardner (1997); Kahler/Link (1995).

- 3 Speech on the occasion of the twentieth Anniversary of the Institute Français des Relations Internationales, Elysee Palace, November 4, 1999. Text distributed by the French Embassy in Washington, DC.
- 4 Speech to the Polish Stock Exchange, October 6, 2000. Available online at: [www.number-10.gov.uk/news.asp?NewsId=1341&SectionId=32](http://www.number-10.gov.uk/news.asp?NewsId=1341&SectionId=32) (accessed September 26, 2004).
- 5 Suzanne Daley, "French Minister Calls U.S. Policy 'Simplistic,'" *New York Times*, February 7, 2002; Alan Friedman, "Schroeder Assails EU Deficit Critics," *International Herald Tribune*, February 2, 2002; Steven Erlanger, "Europe Open Convention to Set Future of Its Union," *New York Times*, March 1, 2002; T.R. Reid, "EU Summit Ends with a Bang and a Wimper," *Washington Post*, March 12, 2002.
- 6 For a good summary of this debate, see Zakaria (1992: 90–96).
- 7 "Why Did It Have to be a Perfect Morning?" *The Sunday Times*, September 15, 2001.
- 8 Jane Perlez, "As Diplomacy Loses Luster, Young Stars Flee State Dept.," *New York Times*, September 5, 2000. In 2001, the State Department launched a publicity campaign to reverse its recruiting woes. The campaign was an apparent success, with the number of applicants for the 2001 Foreign Service entrance exam substantially larger than for the 2000 exam. See David Stout, "Sign-Ups for Foreign Service Test Nearly Double After 10-Year Ebb," *New York Times*, August 31, 2001.
- 9 The Chicago Council on Foreign Relations carries out a public opinion survey every four years. The 1998 survey indicated that 96 percent of US leaders and 61 percent of the public "favor an active part for the US in world affairs." The figures for 1994 were 98 percent and 65 percent respectively, indicating only a slight drop. In general, public opinion surveys show only a minor decrease in internationalism since the end of the Cold War. See John E. Reilly (ed.) *American Public Opinion and U.S. Foreign Policy*, Chicago: Chicago Council on Foreign Relations, 1999.
- 10 Lindsay (2000: 2–8). The public opinion data in this paragraph are also from the Lindsay article.
- 11 Tyndall Report, as cited in David Shaw, "Foreign News Shrinks in an Era of Globalization," *Los Angeles Times*, September 27, 2001.
- 12 Hall's Magazine Editorial Reports cited in Hoge (1997: 48–52).
- 13 Peter Trubowitz, University of Texas-Austin, draft paper presented at the Autonomous National University of Mexico, Mexico City, August 20, 2000.
- 14 "Stymied by Senate, Would-Be Envoy Quits," *New York Times*, September 1, 2000.
- 15 Alison Mitchell, "Bush and the G.O.P. Congress: Do the Candidate's Internationalist Leanings Mean Trouble?" *New York Times*, May 19, 2000.
- 16 Alan Sipress, "Bush Retreats from U.S. Role as Peace Broker," *Washington Post*, March 17, 2001.
- 17 On September 14, 2001, both the Senate and the House voted on a resolution authorizing the president "to use all necessary and appropriate force" to respond to the attacks. The resolution passed 98–0 in the Senate and 420–1 in the House. In a poll conducted between September 20 and 23, 2001, 92 percent of the public supported military action against whoever was responsible for the attacks. See "Poll Finds Support for War and Fear on Economy," *New York Times*, September 25, 2001.
- 18 Address on January 28, 2003.
- 19 Shibley Telhami, "The Mideast is also Changed," *New York Times*, September 19, 2001.

- 20 “De l’après guerre froide à l’hyperterrorisme,” *Le Monde*, September 12, 2001.
- 21 See Elaine Sciolino and Eric Schmitt, “U.S. Rethinks Its Role in Saudi Arabia,” *New York Times*, March 10, 2002; and Shibley Telhami, “Shrinking Our Presence in Saudi Arabia,” *New York Times*, January 29, 2002.
- 22 See, for example, Richard Allen, “Seoul’s Choice: The U.S. or the North,” *New York Times*, January 16, 2003.
- 23 Adam Clymer, “A House Divided. Senate, Too,” *New York Times*, December 2, 2001.
- 24 For a summary of US concerns and why they are misguided, see Kupchan (2000).

## 9 The new Transatlantic interregionalism

- 1 George Bush (1990) *National Security Strategy of the United States*, New York: Brassey’s, p. 5.
- 2 Jean Monnet (1993) “Le Mémorandum du 3 Mai 1950,” *Politique Étrangère*, vol. 58, 1: 121–125.

## 10 The European Union’s relations with MERCOSUR

- 1 On trade between the EU and MERCOSUR in the 1990s see Bouzas/Svarzman (2000); Estevadeordal/Krivosos (2000); Rozo (2001).
- 2 In the case of Argentina, 27.6 percent of its imports, 17.7 percent of its exports and 23.1 percent of its total trade was with the EU in 1998, while for Brazil the corresponding numbers were 29.2 percent, 28.9 percent and 29.1 percent (Eurostat data).
- 3 Highly competitive products from MERCOSUR’s agro-industrial sectors in particular face barriers in the EU. Furthermore, important export products from Brazil and Argentina suffer from preferential agreements and reduced quantitative barriers that the EU has given to the Africa–Caribbean–Pacific (ACP) countries, Switzerland, Australia and New Zealand (Bouzas/Svarzman 2000: 15).
- 4 This position of MERCOSUR became even more credible with the macroeconomic instability in Brazil and Argentina, which led to a decline of the mechanism’s coherency and its maneuvering room in international negotiations.
- 5 The major argument of agricultural federations against such a mandate had been that an engagement in concrete negotiations would have overloaded the EU agenda with respect to the pending reform of the Common Agricultural Policy (CAP), the issue of EU enlargement, and the fiscal discipline imposed by the monetary union (IRELA 1998: 3).
- 6 The Council, as the legislative body on the EU’s external trade affairs, has been divided throughout most of the negotiation process. While some countries such as Germany, Italy, Portugal and Spain were rather pro-free-trade orientated, others such as France tried to stop the process and “most agricultural ministers rejected an immediate start of negotiations with MERCOSUR” (Sanchez Bajo 1999: 932). This division within the Council also created difficulties for more autonomous behavior by the European Commission, but struggles within the Commission have been less continuous. While, for instance, four Commissioners voted against the Commission’s initiative to obtain a negotiation mandate from the Council (IRELA 1998: 1), the Commission in general has been the driving pro-free-trade orientated force within the EU.
- 7 Articles 133 and 310 do allow the Commission to negotiate external trade agreements as long as they are consistent with WTO Article 24. However, the Council has the function to monitor the progress of these negotiations through a special

“supervisory” committee created by Article 133. After negotiations have been concluded the Council approves or rejects the agreement with a qualified majority voting or with a unanimous vote if issues such as trade in services and competition policy are included. Therefore, this restriction of qualified majority voting has augmented the collective action problems within the EU with respect to the negotiation of “modern” agreements, whether in the WTO or in other forums.

## 11 Europe–Latin America (EU–LAC) relations

- 1 Indeed, in the Declaration of Guadalajara the heads of state and government accepted Austria’s invitation to hold a fourth summit in Vienna on May 12–13, 2006.
- 2 This section draws on Andrew Crawley, “Las relaciones entre la Unión Europea y América Latina: más allá de la Cumbre de Madrid,” *Quórum. Revista de Pensamiento Iberoamericano*, 3: Winter 2001–2002. Universidad de Alcalá de Henares.
- 3 There have been three EU–LAC summits and the arrangements still seem to be somewhat ad hoc. Three years passed between the Rio and Madrid meetings, but only two passed between Madrid and Mexico. Another two will pass before the next meeting, to be held in Vienna in May 2006. Some fifty-eight countries take part: the twenty-five members of the EU, the seventeen members of the Rio Group and the sixteen members of the Caribbean Forum (Cariforum). The agendas to date are wide-ranging, and the final declarations have touched on a very broad array of issues. The summits provide a venue for separate meetings between the EU and its national and subregional partners: Mexico, the Andean Community, Chile and MERCOSUR. The Madrid gathering was preceded by a series of civil society, business and cultural fora. The mechanism has no formally constituted ancillary mechanisms and no secretariat. For the structure, see European Union, *The Regional and Institutional Groupings*. Available online at: [europa.eu.int/comm/world/lac/map\\_en.htm](http://europa.eu.int/comm/world/lac/map_en.htm) (accessed September 16, 2004).
- 4 European Union, *EU–Latin America and the Caribbean Summit: Conclusions. EU–LAC Common Values and Positions*. Available online at: [www.europa.eu.int/comm/world/lac/conc\\_en/val\\_pos.htm](http://www.europa.eu.int/comm/world/lac/conc_en/val_pos.htm) (accessed September 16, 2004).
- 5 European Union, *Declaration of Rio de Janeiro. First Summit of Heads of State and Government of the EU, Latin America and the Caribbean*, June 1999. Available online at: [www.europa.eu.int/comm/external\\_relations/andean/doc/rio\\_sum06\\_99.htm](http://www.europa.eu.int/comm/external_relations/andean/doc/rio_sum06_99.htm) (accessed September 16, 2004).
- 6 It might be said that a European bureaucrat working (for example) on acceptance of equal rights for women will find it easier to deal with countries in Latin America than with countries in the Persian Gulf. Perhaps that is true. What is certainly true is that a European entrepreneur active (for example) in the international oil business will find it easier to deal with governments in the Persian Gulf than with oil-producing countries in Latin America. The point: In the European–Latin American context at least, blanket assertions about common cultural values are often more of an ad hoc rhetorical device than an empirical aid to scholarly understanding.
- 7 Economic agreements were signed with Argentina (1971), Uruguay (1973), Brazil (1974) and Mexico (1975). The Andean countries were granted trade concessions in the Generalized System of Preferences (GSP) in 1971.
- 8 Inter-American Development Bank (IDB), *Integration and Trade in the Americas: Special Issue on Latin American and Caribbean Relations with the European Union*, May 2002, Washington, DC: IDB. Available online at: [www.iadb.org/INT/Trade/1\\_english/2\\_WhatWeDo/Documents/a\\_PeriodicNotes/j\\_May02.pdf](http://www.iadb.org/INT/Trade/1_english/2_WhatWeDo/Documents/a_PeriodicNotes/j_May02.pdf) (accessed September 16, 2004).

- 9 Institute for European–Latin American Relations (IRELA), *The Single European Market and Latin America*, Madrid: IRELA, 1994.
- 10 This concern, evident in latent form over a decade ago, found graphic expression in the reaction of some EU governments to the Anglo-American invasion of Iraq in the first half of 2003. That it was an Anglo-American invasion, and that it was supported by the governments of Spain and Denmark, says things beyond the scope of this chapter about the nature and limits of “regional” foreign policy. So too does the remarkable episode in which a European head of state publicly upbraided the governments of sovereign nations as if they were truculent adolescents for having the temerity to hold opinions different from his own.
- 11 IDB, *Integration and Trade in the Americas*.
- 12 ECLAC Notes, May 1999, no. 4: 1.
- 13 Worth noting is that the group of reticent European countries included some whose governments tend to be the most vocal in stressing the “Latin” dimension of European–Latin American relations. Cultural affinity, apparently, has some limits when quantifiable economic interests are at stake.
- 14 Inter-American Development Bank (IDB), *Economic and Social Progress in Latin America, 2003. Beyond Borders: The New Regionalism in the Americas*, Washington, DC: IDB.
- 15 European assistance to Latin America fell by over 17 percent in 1997. Thereafter it seemed to stabilize and regain upward momentum but fell by more than 25 percent in 2000. From the 1996 peak of \$3.2 billion, EU assistance to the region fell to \$1.84 billion in 2000 – a 43 percent decline.
- 16 For a detailed overview of developments in bi-regional trade and investment flows during the 1990s, see Inter-American Development Bank, *Integration and Trade in the Americas: Special Issue on Latin American and Caribbean Relations with the European Union*. For a more recent overview of interregional economic links, see Andrew Crawley and Anneke Jessen, “Las relaciones económicas entre la Unión Europea y América Latina,” in Christian Freres and Karina Pacheco (eds), *Desafíos para una nueva asociación: encuentros y desencuentros entre Europa y América Latina*, Madrid: Editorial Catarata (2004). Much of the data in this section are taken from these two sources.
- 17 Calculations of trade flows for 1998–2002 are based on official country data; data for 2002 are estimates. See Andrew Crawley and Anneke Jessen “Las relaciones económicas entre la Unión Europea y América Latina,” in Christian Freres and Karina Pacheco (eds), *Desafíos para una nueva asociación: encuentros y desencuentros entre Europa y América Latina*, Madrid: Editorial Catarata (2004).
- 18 Oxfam, *Milking the CAP: How Europe’s Dairy Regime is Devastating Livelihoods in the Developing World*, Oxfam Briefing Paper, 2002.
- 19 See “Trends in European Development Assistance for Latin America and the Caribbean” in IDB, op. cit.; and Crawley and Jessen, op. cit.
- 20 Quoted in *El Público*, Lisbon, April 16, 1999.
- 21 For the text of the Declaration of Guadalajara. Available online at: [europa.eu.int/comm/world/lac-guadal/declar/01\\_decl\\_polit\\_final\\_en.pdf](http://europa.eu.int/comm/world/lac-guadal/declar/01_decl_polit_final_en.pdf) (accessed October 1, 2004).

## 12 The European Union and Southern Africa

- 1 The Lomé Convention is the founding document for a long-lasting partnership between the EU and (at the final stage) seventy-seven countries in Africa, the Caribbean and the Pacific (ACP countries). The cooperation focused on trade liberalization and development assistance.

- 2 The Cotonou Agreement is a follow-up to the Lomé partnership. It started in 2000 and is envisioned to last for a period of twenty years.
- 3 European Commission, *Green Paper on the Relations between the European Union and the ACP Countries on the Eve of the 21st century*, Brussels 1996.
- 4 European Commission, *The Cotonou Agreement: Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States and the European Community and its Member States*, Brussels, 2000.
- 5 Members of SADC are Angola, Botswana, Democratic Republic of Congo, Malawi, Mauritius, Lesotho, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
- 6 The Declaration by the EU/Southern African ministerial conference of September 5–6, 1994 in Berlin states as its objective: “The EU and the SADC solemnly reaffirm their determination to reinforce their relationship and to establish a comprehensive dialogue” (Declaration of Berlin 1994).
- 7 SACU was formed in 1969 during apartheid. Members are South Africa, Botswana, Lesotho, Swaziland and Namibia. Only after its independence in 1990 did Namibia become a full member.
- 8 Members of COMESA are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.
- 9 Members of the EAC are Kenya, Tanzania and Uganda.
- 10 The COMESA–FTA Agreement has been signed by Burundi, Comoros, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe. Five of the signatories – Malawi, Mauritius, Uganda, Zambia and Zimbabwe – are also members of SADC.
- 11 REPAs are free trade areas within the framework of the Cotonou Agreement, which should take effect by 2008.
- 12 Quoted from Article 4 of the SADC Treaty.
- 13 Smart sanctions are targeted only at a small group of people, e.g. Mugabe and his clique (originally nineteen persons, later seventy-nine). The sanctions included a travel ban, an asset freeze for the same group of people, and an embargo on the sale of all weapons that could be used for internal repression.
- 14 The New Partnership for Africa’s Development (NEPAD) initiative is a “pledge by African leaders to the people of Africa to consolidate democracy and sound economic management, and to promote peace, security and people-centered development.” See *G8 Africa Action Plan 2002: Kananaskis Summit Declaration*, 2002.

### 13 The Africa–Europe (Cairo summit) process

- 1 *Financial Times*, April 4, 2000; *Le Monde*, April 5, 2000.
- 2 *Communiqué 2001: Africa–Europe Ministerial Conference*, October 11, 2001, 12762/01, DG EV.
- 3 *Ibid.*
- 4 *Final Communiqué, 2002, Africa–Europe Ministerial Meeting, Ouagadougou, Burkina Faso, November 28, 2002*, 15197/02, DG EV.
- 5 *Financial Times*, February 15/16, 2003, February 21, 2003; *Independent*, February 21, 2003.
- 6 Corneliu Bjola, “The impact of Symbolic Politics on Foreign Policy during the Democratization Process,” paper presented at the Kokalis Graduate Student Workshop on Southeastern and East-Central Europe, John F. Kennedy School of Government, Harvard University, February 12, 2000, p. 9.
- 7 *Ibid.*, p. 7.

- 8 Ibid., p. 4.
- 9 See *A Secure Europe in A Better World: European Security Strategy*, Brussels, December 12, 2003.
- 10 Personal interviews, Brussels, January 1995, November 1999, January 2002.
- 11 INRA, "Europeans and Development Aid," *Eurobarometer 50.1*, INRA European Coordination Office S.A., Brussels, February 8, 1999.
- 12 European Commission, Directorate General Press and Communication, Public Opinion Analysis, *Eurobarometer 56: Initial Findings*, Brussels: 2001, p.7; European Commission, Directorate General Press and Communication, Public Opinion Analysis, *Eurobarometer 57*, First Results, Brussels: 2002, p. 75.
- 13 Eurobarometer 57, p. 5.
- 14 Philippe Manigrat, "Public Opinion and European Defence," paper presented at the International Symposium on "Public Opinion and European Defence," Brussels: April 3-4, 2001, pp. 11ff.
- 15 Ibid., pp. 14ff.
- 16 Ibid., p. 18.
- 17 Council of the European Union, *Council Decision on the Nomination of Special Envoy for the African Great Lakes Region*, Brussels, March 25, 1996, Joint Action 96/250/CFSP.
- 18 Council of the European Union, *Official Web-site: Common Foreign and Security Policy (CFSP): Special Representative, Aldo Ajello*. Available online at: [www.ue.eu.int/pese/envoy/](http://www.ue.eu.int/pese/envoy/) (accessed June 16, 2002).
- 19 Council of the European Union 2002, *Review of the Common Position Concerning Conflict Prevention, Management and Resolution in Africa*, Brussels, 5603/1/REV 1, PESC 29, January 24, 2002.
- 20 The European Commission, DG VIII, *Green Paper on Relations between the European Union and the ACP Countries on the Eve of the 21st Century: Challenges and Options for a New Partnership*, Brussels: November 14, 1996.
- 21 OECD, *Efforts and Policies of the Members of the Development Assistance Committee: Development Co-operation*, 2001 report, Paris: 2002.
- 22 Ibid.
- 23 *Financial Times*, April 4, 2000.
- 24 Council of the EC, *Resolution on "Human Rights, Democracy and Development" adopted on November 28, 1991*, Brussels: November 28, 1991.
- 25 Maastricht Treaty, Art. 130U, sec. 2.
- 26 INRA, 1999, p. 3.
- 27 Ibid., p. 30.
- 28 See also INRA, 1999, p. 3.
- 29 Ibid., p. 3.
- 30 EU documentation, *How the Europeans See Themselves: Looking Through the Mirror with Public Opinion Surveys*, Brussels: European Commission, 2001, p. 30.

## 14 Comparing interregionalism

- 1 This is an extended version of an earlier article published by the authors as "Inter-regionalism in International Relations: Comparing APEC and ASEM," *Asia Europe Journal*, No. 1 (2003), pp. 237-249.
- 2 The following empirical analysis draws on a project conducted at the University of Trier by the authors of this chapter and by Markus Hund. This project, nicknamed COLLIDE, researched the evolution of collective regional identities in East Asia, looking at the ASEAN, APEC and ASEAN Plus Three member countries as three distinct potential collectives. Further information on the project and its findings is available online at: [www.politik.uni-trier.de/pubs/forsch/collide.pdf](http://www.politik.uni-trier.de/pubs/forsch/collide.pdf) (accessed September 28, 2004).

- 3 For further details on APEC, see Funabashi (1995); Aggarwal/Morrison (1998); Maull (2001b).
- 4 For further details on ASEM, see Rüländ (1996a); Pou Serradell (1996); Segal (1997); Okfen (1998); Maull (2001a); and Reiterer (2001).
- 5 Interestingly, however, both APEC and ASEM have been, or may be, drawn into a power balancing or collective defense effort in what could become a new fault line in international relations: the conflict between the world of states and governments and that of violent societal forces, such as Al-Qaeda or organized crime. APEC and ASEM have come out against international terrorism. Both may also well follow this up with specific arrangements for police and security services cooperation, money laundering, etc. This could be seen as a case of using interregionalism as a way to shift power balances, though it is perhaps more plausibly interpreted as an example in which interregionalism is enlisted in the service of global governance.
- 6 *International Herald Tribune*, "U.S. Waves the Asia Card in Stalled Trade Game," November 17, 1993, p. 1. See also in: *2000 Annual Report of the President of the United States on the Trade Agreements Progress*, Chapter I: Overview and the 2001 Agenda, p. 4. Available online at: [www.ustr.gov/reports/ch1.pdf](http://www.ustr.gov/reports/ch1.pdf) (accessed January 2002).
- 7 A comprehensive survey of individual country measures is given by the APEC secretariat. Available online at: [www.apec-iap.org/](http://www.apec-iap.org/) (accessed January 2002).
- 8 American demands for deepening APEC were frequently countered with the argument that this would run counter to the "Asian way" or "Asian values." See Nesadurai (1996).
- 9 *Süddeutsche Zeitung*, November 24, 1997.
- 10 *Bangkok Post*, November 20, 1998.
- 11 A. Elek, *Capacity-Building in the Asia-Pacific: A Way Forward for Ecotech*, Brunei 2000, p. 1. Available online at: [www.fdc.org.au/apec.htm](http://www.fdc.org.au/apec.htm) (accessed March 15, 2001). See also: *Learning from Experience. The first APIAN Policy Report*, Singapore, November 2000.
- 12 This made clear that Ecotech did not enjoy the same standing within APEC as the other two pillars, trade liberalization and trade facilitation. Those two have, since 1993, had an Economic Committee (EC) and a Committee on Trade and Investment (CTI).
- 13 European Commission, *Towards a New Asia Strategy*, COM (94) 314 final, Brussels, July 13, 1994.
- 14 *Press Conference by the Prime Minister of Japan on the Occasion of the Asia-Europe Meeting (ASEM) in Bangkok*. Available online at: [www.mofa.go.jp/policy/economy/asem/asem1/asem\\_302.html](http://www.mofa.go.jp/policy/economy/asem/asem1/asem_302.html) (accessed June 13, 2000).
- 15 *Financial Times*, "Japan and France Bridle at Dominion of the Dollar: Washington Faces Concerted Opposition to its Prevailing View on Currency Regimes," January 16, 2001. Online. Available HTTP: <http://globalarchive.ft.com/globalarchive/article.html?id=010116001376&query=ASEM> (accessed January 19, 2001). Edward Bannermann, *Turning East: Europe Courts Asia*. Available online at: [www.cer.org.uk/n5publicatio/bulletin.html#Anchor-THE-464](http://www.cer.org.uk/n5publicatio/bulletin.html#Anchor-THE-464) (accessed February 6, 2001). See also *Handelsblatt*, October 23, 2000.
- 16 *New Zealand Herald*, November 15, 2000. Available online at: [www.info.com.ph/~globalzn/apeckelsey.htm](http://www.info.com.ph/~globalzn/apeckelsey.htm) (accessed January 2002).
- 17 *Bangkok Post*, September 12, 1999.
- 18 Press briefing by a Senior Administration Official on the President's bilateral meetings. Available online at: [usinfo.state.gov/regional/ea/apec/shanghai/www1020brf.html](http://usinfo.state.gov/regional/ea/apec/shanghai/www1020brf.html) (accessed January 2002).
- 19 "This Asia-Pacific Economic Cooperation (APEC) meeting was truly meaningful since it discussed not only economic issues but also political issues, includ-

- ing the question of how to counter terrorism.” See “Remarks by Prime Minister Junichiro Koizumi at the Press Conference,” Shanghai, October 21, 2001. Available online at: [www.mofa.go.jp/policy/economy/apec/2001/pmremark.html](http://www.mofa.go.jp/policy/economy/apec/2001/pmremark.html) (accessed January 2002).
- 20 See “APEC Leaders’ Statement on Counter-Terrorism,” Shanghai, October 21, 2001. Available online at: [www.apecsec.org.sg/apec/leaders\\_declarations/2001/statement\\_on\\_counter-terrorism.html](http://www.apecsec.org.sg/apec/leaders_declarations/2001/statement_on_counter-terrorism.html) (accessed September 28, 2004).
- 21 *Far Eastern Economic Review*, October 26, 2000.
- 22 Jean Pierre Lehmann, *ASEM and Trade Issues*, Conference Paper presented to the Seoul Summit, The Way Ahead for the Asia–Europe Partnership, Seoul, July 2000. Available online at: [www.eviangroup.org/publications/pb\\_77jl.pdf](http://www.eviangroup.org/publications/pb_77jl.pdf) (accessed June 28, 2001).
- 23 ASEM Copenhagen Political Declaration for Peace on the Korea Peninsula, Copenhagen, September 24, 2002. Available online at: [europa.eu.int/comm/external\\_relations/asem/asem\\_summits/asem4/3.htm](http://europa.eu.int/comm/external_relations/asem/asem_summits/asem4/3.htm) (accessed September 28, 2004).
- 24 *Japan Times online*, October 26, 2002. Available online at: [www.japantimes.co.jp/cgi-bin/geted.pl5?eo20001026a1.htm](http://www.japantimes.co.jp/cgi-bin/geted.pl5?eo20001026a1.htm) (accessed October 26, 2002).
- 25 *Far Eastern Economic Review*, December 5, 1996.
- 26 See APIAN, *Learning from Experience: The First APIAN Policy Report*, Singapore, November 2000. Available online at: [www.apec.org/apec/apec\\_groups/other\\_apec\\_groups/apec\\_study\\_centers\\_consortium.downloadlinks.0004.LinkURL.Download.ver5.1.9](http://www.apec.org/apec/apec_groups/other_apec_groups/apec_study_centers_consortium.downloadlinks.0004.LinkURL.Download.ver5.1.9) (accessed September 28, 2004).
- 27 *Süddeutsche Zeitung*, October 22, 2001.
- 28 This, in brief, is the conclusion we drew from an extensive analysis of foreign policy discourses and behavior of East Asian countries in the institutional contexts of ASEAN, APEC, ASEAN Plus Three and ASEM. The discourse analyses of official statements, interviews, etc. by key government representatives sought to identify efforts at “constructing” “East Asia” as a collective identity, while our analyses of foreign policy behavior sought to identify behavioral features expressing collective identity, such as solidarity or common positions towards external actors. While we did find evidence to support the claim that ASEAN represents a collective identity, we found little support for corresponding claims that “East Asia” (under whatever name) represented a collective identity. See the project website *Collective Identities in East Asia Pacific, Collide*. Available online at: [www.politik.uni-trier.de/forschung/collide.php](http://www.politik.uni-trier.de/forschung/collide.php) (accessed September 28, 2004).

## 15 Beyond transregionalism

- 1 An earlier version of this chapter has been published in the *Review of International Political Economy*, August 2003, Vol. 10, 3: 430–454. The editors’ permission to use parts of that article is greatly acknowledged.
- 2 For reasons of space, the rise of free trade bilateralism is beyond the scope of this chapter.
- 3 The years after the Asian crisis saw a flurry of initiatives to conduct bilateral trade initiatives. These moves were spearheaded by Singapore, but in the meantime other Asian countries such as Thailand, the Philippines, Malaysia, Japan and China opened negotiations. For more details see Dent (2003) and Desker (2004).
- 4 The then Japanese Finance Minister Hiroshi Mitsuzuka outlined the plans for an AMF during a meeting on September 21, 1997. The meeting was attended by twelve countries: Japan, China, Hong Kong, Korea, Malaysia, Indonesia, the Philippines, Thailand, Australia, Singapore and New Zealand. The United

- States and the IMF attended the meeting with observer status. The observers opposed the Japanese plan; subsequently, the meeting was adjourned without a decision (Wang 2000: 207).
- 5 In the European Monetary System, there was initially a proposal for a pooling of reserves which was not implemented due to opposition from the German central bank. The envisaged percentage earmarked for joint use was 20 percent.
  - 6 Ravenhill argues that this is a major concern in East Asia: “The fear that the institutionalization of a discriminatory East Asian grouping might trigger a global trade war in which Asian economies would ultimately be the major victims still worries decision-makers in many Asian capitals” (Ravenhill 2000: 330).
  - 7 Without discussing this issue in detail, it appears that in Asia there is no room for a currency system built around one individual currency, i.e. the Japanese Yen (Wang 2000). The main reasons are: First, the monetary policy of the Japanese central bank lacks the transparency and cohesion that are necessary to achieve the status of a widely accepted reserve currency. Second, neither China nor other countries in East Asia would agree to a leading role for the Japanese central bank.
  - 8 *Financial Times*, November 29, 1999, p. 4.
  - 9 World Bank, *Development News*, January 12, 2000.
  - 10 *Frankfurter Allgemeine Zeitung*, March 29, 2000.
  - 11 *Financial Times*, May 6/7, 2000, p.9.
  - 12 In the Chiang Mai meeting, the envisaged volume of the swap agreements was very limited. Thailand, Malaysia, Singapore, Indonesia and the Philippines discussed an expansion of their existing swap arrangements from \$200 million to \$2 billion (*Financial Times*, May 8, 2000, p.10). Although such a step would not do harm, it is clearly too limited for an effective regional liquidity fund, which needs both Japan and China as contributing partners.
  - 13 For a discussion see Williamson (2000).
  - 14 *Financial Times*, November 27, 2000, p.3.
  - 15 The paper implicitly uses the approach of monetary regionalism. “Discussion Paper Jointly Prepared by French and Japanese Staff,” *Exchange Rate Regimes for Emerging Market Economies*. Available online at: [www.mof.go.jp/english/asem/asem03e.htm](http://www.mof.go.jp/english/asem/asem03e.htm) (accessed September 9, 2004).
  - 16 *Financial Times*, November 27, 2000, p. 3.
  - 17 *China News Digest*, June 26, 2002.
  - 18 This is not the place to rehearse the competing explanations of the origins of the Asian financial crises. The arguments are reviewed in a vast array of literature. See *inter alia*, Wade/Veneroso (1998); Higgott (1998a); Dieter (1998a); Jomo (1998); Bello (1998); Pempel (1999).

## 16 “Imagined” interregionalism

- 1 This chapter is based on research published in Martin Holland, *The European Union and the Third World*, Macmillan EU Series, London: Palgrave, 2002.
- 2 See *ACP–EU Partnership Agreement signed in Cotonou on 23 June 2000*, Special Issue, *The Courier*, European Commission, Brussels.
- 3 Council Regulation 416/2001. Available online at: [europa.eu.int/comm/trade/gsp/eba4\\_sum.htm](http://europa.eu.int/comm/trade/gsp/eba4_sum.htm) (accessed September 22, 2004).

## 17 Hemispheric interregionalism

- 1 “Fast-track authority” means that Congress can only approve or disapprove a trade agreement *in toto*, amendments are not possible. Without “fast-track” special interests would thwart the ratification of multilateral trade agreements. President Bush, jr. renamed “fast-track authority” as “trade promotion authority” (TPA) in 2001.
- 2 The 2001 Quebec summit was the most recent regular summit of the Americas. A special summit of the Americas was held in Monterrey in 2004.
- 3 Colombia is an exception to the neglect of Latin America in security matters because of the “War on Drugs.”
- 4 Quoted from Nolte and Calcagnotto (2001: 100).
- 5 *The Economist*, January 30, 1999, p. 67.
- 6 *The Economist*, April 21, 2001, pp. 19–22.
- 7 Rent-seekers are economic groups (e.g. entrepreneurs, unions) who receive benefits (“rents”) from governmental protection (e.g. trade barriers, subsidies, monopolies).
- 8 *The Economist*, September 14, 2002, pp. 53–54.
- 9 On the concepts of “hemispherism” and “anti-hemispherism” see Corrales/Feinberg (1999).
- 10 *The Economist*, April 28, 2001, p. 57.
- 11 Quoted from Pellegrini (2001: 2).

## 18 Beyond regionalism and transregionalism

- 1 The fourteen countries were Australia, India, Indonesia, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania and Yemen.
- 2 See A. Saeed, “SAARC and the New Realities in the India Ocean Region,” paper presented at the international seminar on *Regional Economic Trends and South Asian Security*, Bandos Island Resort, Maldives, October 17–20, 1995, pp. 18–21.
- 3 For details, see Mehta (1997).
- 4 See Article 3, i (Objectives) of the Charter of the Indian Ocean Rim Association for Regional Cooperation (IOR–ARC). Available online at: [www.iornet.com/newiornet/charter.htm](http://www.iornet.com/newiornet/charter.htm) (accessed December 5, 2001).
- 5 See “Trade group rejects Pakistan’s application,” *Dawn*, January 24, 2000; “Pakistan ineligible for IOR–ARC membership, says India,” *Deccan Herald*, January 24, 2000.
- 6 See E. Gareth, *India Ocean Regional Cooperation: Exploring the Possibilities*, Keynote address to the International Forum on the Indian Ocean Region, Perth, June 11, 1995. Available online at: [www.garethevans.dynamite.com.au/speechtexts/foreign/geifior.htm](http://www.garethevans.dynamite.com.au/speechtexts/foreign/geifior.htm) (accessed December 9, 2001).
- 7 See A. Downer, *Looking West: Australia and the Indian Ocean*, Address to the International Business Council of Western Australia, Perth, March 13, 1997. Available online at: [www.dfat.gov.au/media/speeches/foreign/1997/look\\_west.html](http://www.dfat.gov.au/media/speeches/foreign/1997/look_west.html) (accessed January 8, 2002).
- 8 On identity-building through interregionalism, see Gilson (1998) and Hånggi (2003).
- 9 See the remarks of Indian Prime Minister Deve Gowda and Acting Prime Minister R. Berenger of Mauritius, in *IORBC Newslines*, vol. 1, no. 1: 2.
- 10 I.K. Gujral, Speech by the External Affairs Minister Shri I.K. Gujral at the First Ministerial Meeting on the Indian Ocean Rim Association for Regional Cooperation at Port Louis, Mauritius, March 5–6, 1997, mimeographed paper, p. 2.

- 11 Personal communication with IOR–ARC secretariat.
- 12 See Australian Department of Foreign Affairs and Trade, *The Indian Ocean Rim: A Region of Opportunity*. Available online at: [www.dfat.gov.au/trade/iorarc](http://www.dfat.gov.au/trade/iorarc) (accessed January 10, 2002).
- 13 See Australian Government, Department of Foreign Affairs and Trade, *The Indian Ocean Rim Association for Regional Cooperation*. Available online at: [www.dfat.gov.au/trade/iorarc](http://www.dfat.gov.au/trade/iorarc) (accessed January 10, 2002).
- 14 See Article 3, vii (Objectives) of the Charter of the Indian Ocean Rim Association for Regional Cooperation (IOR–ARC). Available online at: [www.ior.net.com/newiornet/charter.htm](http://www.ior.net.com/newiornet/charter.htm) (accessed January 10, 2002).
- 15 Australia South Asia Research Centre, RSPAS, The Australian National University, *Enhancing the Trade and Investment Environment in the Indian Ocean Rim Region*, Full Report, Canberra 2000, p. 7.

## 19 Interregionalism

- 1 ASEAN's new members, Cambodia, Laos and Myanmar (Burma), were locked out due to a membership moratorium until the fifth summit, which took place in Hanoi in December 2004.
- 2 Interview with Malaysian diplomats, Kuala Lumpur, September 24, 2003.
- 3 *Far Eastern Economic Review*, April 8, 2004, p. 40; *Financial Times Deutschland*, May 17, 2004, p. 16.

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