The Political Economy of Regional Integration in Developing Countries

Jeanette Edblad

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PREFACE

The Centre for Regional Science at Umeå University (CERUM) and the Institute for Futures Studies in Stockholm has initiated a joint research effort concerning sustainable development. The general purpose of that comparative research program, which includes scientists from Sweden, Norway, the United States, Singapore, Taiwan, China, South Korea and Japan, is to analyze conditions for sustainable development in the rapidly developing economies of East Asia compared with the situation in Northern Europe. In this effort, sustainable development is analyzed as a complex interaction between economic growth, democratization and environmental concerns.

Within the project, participants from CERUM concentrate on new patterns of regional cooperation in East Asia. The particular focus of this research is the study of the economic and institutional framework of the so called Growth Triangle between the Johore province in Malaysia, Singapore and the Riau archipelago of Indonesia - and to compare these developments with similar efforts in the Baltic Sea Region and the Barents Region.

An important dimension of modern regionalism is different macroregional integration structures like the EU and the ASEAN. These institutional frameworks have a somewhat troublesome relation to traditional notions of national sovereignty, at the same time they create new opportunities for subnational as well as transnational regionalization.

This working paper is written in the context of this project by Jeanette Edblad at the Department of Political Science, Umeå University and is also her master thesis.

Umeå, February 1996

Janerik Gidlund
Professor of Public Administration, esp. regional politics and administration

CONTENTS

LIST OF ABBREVIATIONS

AFTA	ASEAN FREE TRADE AGREEMENT
ARF	ASEAN REGIONAL FORUM
ASEAN	ASSOCIATION OF SOUTHEAST ASIAN NATIONS
APEC	ASIA PACIFIC ECONOMIC COOPERATION FORUM
CACM	CENTRAL AMERICAN COMMON MARKET
CEAO	WEST AFRICAN ECONOMIC COMMUNITY
CET	COMMON EXTERNAL TARIFF
CRIES	COORDINATION REGIONAL DE INVESTIGACIONES Y ESTUDIOS
CU	CUSTOMS UNION
ECLA	UNITED NATIONS ECONOMIC COMMISSION FOR LATIN AMERICA
ECOWAS	ECONOMIC COMMUNITY OF WEST AFRICAN STATES
EU	EUROPEAN UNION
FCCD	FUND FOR COOPERATION, COMPENSATION AND DEVELOPMENT
FTA	FREE TRADE AREA
FTAA	FREE TRADE AREA OF THE AMERICAS
GATT / WTO	GENERAL AGREEMENT OF TARIFFS AND TRADE / WORLD TRADING ORGANIZATION
GSP	GENERAL SCHEMES OF PREFERENCES
MRU	MANO RIVER UNION
NAFTA	NORTH AMERICAN FREE TRADE AGREEMENT
NGO	NON GOVERNMENTAL ORGANIZATION
NIC	NEWLY INDUSTRIALIZED COUNTRY
NTB	NON TARIFF BARRIER
LDC	LESS DEVELOPED COUNTRY
OECD	ORGANIZATION OF ECONOMIC COOPERATION AND DEVELOPMENT
PTA	PREFERENTIAL TRADE AGREEMENT
SADC	SOUTH AFRICAN DEVELOPMENT CONFERENCE

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INTRODUCTION

Is the world economy becoming towards a triad of trading blocs: one around the United States encompassing most of the Americas, one around the European Union (EU) involving large parts of Europe and another around Japan including most of Asia? To many observers this is indeed the case. The internal European market was largely implemented by Europe, in the year of 1993. The North American Free Trade Agreement (NAFTA) was launched in 1994. In Latin America countries are trying hard to revive the integration schemes of the 1950s and 1960s. In Asia the Association of Southeast Asian Nations (ASEAN), born in 1967, has announced the launching of a free trade area (AFTA) before 2007.

Viewed from a global perspective these developments, together with the globalization of business through the spread of multinational companies, suggest a worldwide move towards regionalization. These two powerful and interrelated forces are - although not operating in exactly the same way - currently reshaping the world economy and international politics.

The formation of NAFTA, a fear that the Uruguay Round would end in failure, the transformation of the European Community into the European Union and the aggressive unilaterism of United State policy in the 1990s have led policy makers in less developed countries (LDCs) to reconsider the regional alternative. Regional cooperation among LDCs is the focus of this essay. Institutions like the IMF and the World Bank strongly push for regional cooperation as a means to achieve prosperity in the LDCs. Yet various experiments in regional cooperation tell another story. Several "grand designs" turned out to be nothing but "designs". Progress on tariff cuts have been slow and governments hesitant. It seems that economic integration remains a somewhat unrealistic alternative for LDCs. Agreements are often vague and vulnerable to lobbying by industry groups seeking continued protection. In Latin America, for example, the objectives of the participants reflect more a reflection of a defensive search by small states for trade agreements with larger powers, than the beginning of a gradual integration. Trade is nonetheless of critical importance for bringing greater prosperity to developing countries. Poor countries cannot depend on aid or investment to the extent that they could in the past. Economies that currently enjoy preferential treatment in US and EU markets may see the value of these privileges erode. These LDCs depend on trading in the world economy in order to increase wealth and they have become extremely dependent on their ability to find export markets. Thus, what LDCs need more than outside advice, more than aid, even more than foreign investment, is trade.

1.1 Purpose

The uneasy road to integration in LDCS is the general subject of this essay. Its main purpose can therefore be formulated by posing two closely related questions:

- **How have regional schemes in the developing world succeeded?**

- **What makes such schemes so hard to accomplish?**

Using insights drawn from a set of short case studies presented in chapter three I will draw some general conclusions about the record of regionalism in the developing world. I will also discuss how integration in the developing world can be intensified and increased. Is advanced regional integration and the so called European path to integration worth pursuing in these countries? Are there any alternatives? Moreover, are the theories presented in the theoretical chapter, relevant and applicable in the case studies?

The case studies review major integration schemes and their operation over the last thirty years. I intend to compare three regional organizations: the Association of Southeast Asian Nations (ASEAN), the Central American Common Market (CACM) and the Economic Community of West African States (ECOWAS).

The goal of the analysis is to answer the following questions:

- What has motivated countries to move along the path towards regional integration?
- What instruments and policies have been used in the integration process?
- Are there any natural, economic or political barriers to integration orpreconditions for successful regional integration?
- What are the similarities and differences among ASEAN, CACM AND ECOWAS with regard to obstacles to integration?
- How strong a role do security interests play in regional integration efforts?

I intend to answer the questions raised above in the evaluation following the case studies and in the final conclusion.

1.2 Method

To answer the questions central to the goals of this study a theoretical framework is necessary. This involves defining essential concepts and outlining two frequently used development strategies. The strictly theoretical aspects are taken from works by Hans C. Blomqvist, Langhammer & Hiemenz and Bertil Odén (ed.) which describe classic customs theory, development integration and neo-functional theory as well as import substitution policy and export orientation policy. The main part of the theoretical framework comes from various publications by Professor H.C. Blomqvist, at the Swedish School of Economics and Business Administration. He has produced several research reports on regionalism, foreign trade and economic development in Central America and Asia. Facts about customs union theory and the theory of preconditions and barriers are taken from the work of Blomqvist. Rolf J. Langhammer of the Kiel Institute of World Economics has produced several books and articles on the subject of regional integration. The building blocks of the theory of preconditions and barriers presented here has been taken in part from his book ”Regional Integration among Developing Countries”, written in collaboration with Ulrich Hiemenz. Bertil Odén works at the Scandinavian Institute of African Studies. He is the editor of a book in which Tom ∅stergaard of the Danish foreign ministry has written an article in which he reviews models of regional integration including the theory of development integration described in the theoretical chapter below. Facts about neo-functionalism are also taken from ∅stergaard. In contrast to neo-functional theory, the theory of development integration can only be used in an LDC context.

Together these theories are used to produce a theoretical framework for the studies of regional cooperation. Since the security dimension is grossly underappreciated in these works, which are mostly economic works, a theoretical understanding of security interests and regionalism have been taken from the work of Barry Buzan and Brian L. Job. Buzan's book "People, States and Fear" has been used, along with Amitav Achariya's article about the concept of regional security in Job's edited volume "The insecurity dilemma: National Security of Third World States".

The regional groupings analyzed in the case study are at different stages in the development process. There are elements of import substitution and export orientation in the history of all the regional organizations. For this reason I will briefly review these two development policies (import substitution and export orientation) at the beginning of the theoretical chapter.

The method used in this essay is largely qualitative and based on secondary sources. However, I also conduct some quantitative analysis, such as a comparison of statistical data of the regional groupings. The fact that it is difficult to measure the output of an organization and evaluate its performance is a problem. There are also problems related to the fact that the organizations of interest are situated in an developing country context which means that statistical data is not always reliable and there are many "gray zones" that cannot be measured. Since I rely mainly on qualitative sources this is not the major problem, it is nevertheless important to keep this in mind when evaluating the material. It is also important to acknowledge that one must be cautious about generalizing on the basis of secondary, qualitative material.

In order to make it possible to answer the questions raised in section 1.1 I use a comparative analysis. A background of the case studies and of the organizations is presented in 1.2.1. The similarities and differences revealed by a comparison of the regional organizations should provide answers to the questions outlined above. A comparative analysis can often reveal information that can remain hidden in single case studies. Furthermore, the comparative method often leads to results that give rise to a whole new set of questions and proposals.

1.2.1 Case Studies

The essay is an effort to evaluate the experiences and summarize the lessons from that can be drawn from three LDC cooperation and integration schemes on three different continents: ASEAN, ECOWAS and CACM which each represents a continent. I choose ASEAN because it is situated in an economically successful region with a well-known history of economic development. In addition, the most powerful impetus for ASEAN-cooperation was related to security. In contrast, conditions in the ECOWAS-region are dramatically different. There are many economic obstacles to integration and political conditions are unstable. Despite disappointments, African leaders continue to expound a positive view of regionalism as a path to prosperity. Studying African ECOWAS is a challenge because it is very often hard to find adequate material as well as reliable and comparable data. African integration efforts are therefore seldom included in analyses of regional efforts. Another interesting African scheme is the South African Development Conference (SADC). However, the fact that South Africa is not included in analyses and estimates of SADC (due to its late entrance into the organization) is of course a problem and makes the organization less attractive in this context. If ECOWAS is the opposite of ASEAN, CACM is somewhere in between. It is the oldest integration attempt in Latin America, where smaller countries in particular have pursued integration in order to widen their markets. Import substitution policy was the leading development strategy in Latin America for many years. My intention was to select regional organizations established at least a decade ago. Therefore, the three regional organizations selected were founded during the first wave of regionalism, which occurred after the establishment of the EC during the 1960s and 1970s.

The presentations of the organizations are not exactly the same because they are very different groupings and because none of the sources used described and compared all three organizations. Thus information available about one of them was not necessarily available about the others.

The countries participating in the regional integration schemes analyzed in this paper are classified by the World Bank as low, middle or high income economies. Low income and middle income economies are sometimes referred to as developing economies, though this does not imply that all economies in the group are undergoing the same kind of development. Classification by income does not necessarily reflect development status. An economy is considered to be a low income economy if the annual GDP per capita is less than $675. Middle income economies have annual GDPs per capita between $675 and $8 356. High income economies are countries whose annual GDP per capita is greater than $8 356.[1]

1.2.2 Literature

I have used a variety of books by various authors in the preparation of this essay. The authors mentioned in section 1.2 have been useful for preparing several sections of the essay. One frequently used source is the OECD. The trade committee of the OECD has produced the report ”Regional Integration and Developing Countries” which covers both theoretical and economic aspects of the subject. Articles from well-known journals such as the Journal of World Trade and Foreign Affairs have also been useful. I have relied on newspapers only for information about recent regional developments not reported elsewhere. My goal has been to use sources from a variety of different stand points in order to cover as many aspects of the problem as possible.

The economic data on population, GDP and area are United Nations estimates found in the most recent edition of the Handbook of International Trade and Development Statistics. I thought it important, for reasons of comparability, to use one source that presented key quantitative figures for same year for all three organizations. I have only therefore used quantitative data from other recently published books and magazines only when they were of particular interest.

1.3 Scope

Regionalism has both economic and political dimensions. In this essay I emphasize the political matters but I will not ignore economic considerations. A strictly economic perspective like the theory of customs unions is of too narrow a view for those interested in the politics of regionalism. Security, especially regime insecurity, can also be of importance for understanding regional organizations. Another very important perspective is historical context. The members of the three organizations I examine have been victims of colonialism colonial powers and this helps explain the successes and failures of regional schemes.

This essay does not attempt to evaluate the impact of regionalism in the developing world, on the world trading system, on world welfare or world politics. The impacts on the willingness of states to negotiate multilaterally within GATT/WTO will not be addressed. Instead, this essay is a theoretical analysis aimed at evaluating regionalism in terms of the interests of the states involved.

Development assistance will not be addressed nor the impact of regionalism on the developing world as a whole. These questions lie outside the scope of the paper. Nor is development economics a main issue, although some comments about it are inevitable.

In order not to widen the scope too much and lose focus, I have virtually disregarded the important relations between the three regional groups, ASEAN CACM and ECOWAS, and the big regional powers. Transnational enterprises are also important actors whose role in the process of regionalism is not analyzed here. The same is true for non-governmental organizations.

[1] IBRD, 1994b, p.x

The organization the paper is as follows. The next chapter includes a brief discussion of trends in regional cooperation and of the compatibility between regionalism and the General Agreement of Tariffs and Trade (GATT). The following chapter three begins with a discussion of the concepts basic to the process of integration. I then present a theoretical framework which includes the development strategies and theories mentioned in 1.2. The case studies are presented in chapter four. The evaluation of ASEAN, ECOWAS and CACM in chapter five will take both an ex ante (initial conditions) and an ex post (achievements) approach. At issue is what kind of problems and obstacles these organizations face and what theoretical implications they might have. In chapter six, I summarize and present some concluding remarks.

REGIONALISM SINCE WW II

2.1 Trends in Regional Cooperation

The regional cooperation schemes initiated in the 1950s and 1960s reflect three major trends. First, there was a move from bilateral as well as sector cooperation to economy-wide agreements. Second, institutional links became tighter (especially within the framework of the European Common Market). Finally, in Europe the EC and EFTA slowly moved towards a single European Economic Area. This core region has become an attractive market for non-members like the countries in Eastern Europe.[2]

Under the impetus of the European cooperation, the 1960s wave of regionalism reached Africa with the founding of the Central African Customs Union in 1964, Latin America via the Central American Common Market in 1960 and the Andean Pact in 1969. In Asia , ASEAN was launched in 1967.[3]

During much of the 1970s regional schemes languished, though there were some exceptions including the creation of the Community of West African States in 1975. In the 1980s regionalism speeded up again. The United States was a major player. It proposed the Americas Initiative and initiated FTAs with Israel (1989) and Canada (1985). In the Middle East, the Gulf Cooperation Council (GCC) was established in 1981. In Sub-Saharan Africa, the Southern African Development Consultative Conference (SADCC - today SADC) was formed in 1980. Australia and New Zealand also signed an agreement: the Australia, New Zealand Closer Economic Relation Trade Agreement (ANZERTA) in 1983.[4]

The situation of the 1990s has been partially sketched out in the introduction, but there are additional examples of the revival of regionalism. Mercosur in South America launched a customs union in January 1995[5] and the Andean Pact has been transformed into the New Andean Pact. The first step toward a trade bloc around the Indian Ocean (the Indian Ocean Rim, IOR) was taken in April 1995. It is a South African Initiative and the bloc is to include e.g. Australia, Oman, Singapore and India and encompass more than one billion people.[6]

Regionalization in the 90s reveals three new trends. First, the number of regional agreements has risen as has the number of countries that belong to a regional grouping. Second, in the case of the European Community, integration has advanced to the stage of implementing a European Union with free movement of factors of production, institutional harmonization and joint formulation of industrial, trade and competition policies. Thirdly, regionalism is beginning to produce its own dynamics. Non-members are afraid of being excluded from the integrated markets. That is why several Latin American countries have sought to obtain bilateral agreements with the United States. The same is true for Eastern Europe with regard to the EU.[7]

Discussions of regionalism today often make a distinction between old and new forms of regionalism. *Old* regionalism was, according to Hettne:

[2]Preusse, 1994 p. 148
[3]Kommerskolleguim, 1991, p.15 ff
[4]Kommerskolleguim, 1991, p.21 ff
[5]Wirmark, 1994, p.54
[6]SvD, April 3, 1995, p.25
[7]Preusse, 1994, p.148

- a reflection of the bipolar system
- the result of the struggle for power among the superpowers who surrounded themselves with client states
- inward-oriented with protectionist tendencies
- state-centered, in the sense that other actors, such as organizations and economic actors were not considered important.

The *new* regionalism is characterized by the fact that it:
- is developing within a multipolar system
- is a process emerging spontaneously or from within the region
- includes non-economic dimensions and thus results in a stronger regional identity a so-called extended nationalism
- is less inward looking since the world economy is now so interdependent
- promotes more than inter state cooperation. New regionalism is helping to transform the global system. Today we are only able to discern the tendencies of this transformation, which is most visible in the European region.[8]

2.2 Regionalism and the Conformity with GATT/WTO[9]

The recent revival of regionalism can be a serious challenge to multilaterism and the GATT international trade regime. The challenge becomes a threat if the major players in the world trading system shift their priorities away from multilaterism and concentrate on the proliferation of preferential trading agreements. The most striking example of change is the United States, once an ardent multilaterist but today also very active in pursuing unilateral, bilateral and regional agreements with countries in the Americas. It is not the purpose of this essay to explore whether regionalism is a threat to GATT, but it can be useful for the coming theoretical discussion to be aware of the GATT position on regionalism.

Regional agreements can have both trade diverting and trade creating effects (see section 3.2.2). According to Jones and Krueger the EU is generally seen as having had trade creating effects, although its common agriculture policy (CAP) has had serious trade diverting effects.[10]
The GATT founders' regarded regional agreements as promoting the goal of free trade provided that the requirements in the GATT treaty were met.
Article XXIV of the GATT treaty recognizes and permits regional groupings under certain conditions. A regional agreement is GATT-consistent provided that:

1. "Other GATT-members are notified of the details;
2. such arrangements facilitate trade among the countries concerned, without raising barriers to trade with the outside world. In this way, regional integration should complement the multilateral trading system and not threaten it; and
3. such arrangements cover substantially all trade between partners and commit them to reduce barriers to intra-regional trade, possibly by means of a schedule and within a reasonable length of time."[11]

GATT-rules allow FTAs to be established only if the partners set "duties and other regulations of commerce" that are not "higher or more restrictive" towards third countries than the initial (pre-integration) levels of protection. Although GATT tries to counter trade diversion by formulating these rules it has not succeeded because tariffs have been replaced by (NTBs). Today NTBs are the most common form of protectionism.[12]

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[8]Hettne, 1994, p.23
[9]The General Agreement of Tariffs and Trade is now a part of the recently established World Trading Organization, WTO (Jan 1995).
[10]Jones & Krueger, 1990, p.202 f
[11]Yeboah, 1993, p 34 f
[12]ibid, p 34 f

Despite the fact that regionalism can create a serious threat to multilaterism, it can also help to promote multilateral economic cooperation and global free trade. Several GATT-member states continue to pursue both regional and multilateral efforts. Mexico, for instance, is active in both NAFTA and GATT, which shows that its regional and multilateral interests are both driven by the country's fundamental shift to liberal economic policies. In order to be compatible with multilateral regionalism must be open to new members and tariff reductions must be non-discriminatory i.e. in GATT-terms they must use the most favored nation (MFN) approach. Such orientations will attract more countries to join the regional groups and global integration will be advanced. Unfortunately, in most regional groupings preferences are in fact discriminatory, i.e. they are extended to members only.

In summary, one can say that a positive incentive for integration is the effort to create a wider market. A negative reason for integration is to discriminate against non-member countries. In addition, the larger the customs union the more beneficial it its to world trade because larger groups are more likely to include the lowest-cost producer: In the extreme case, the world is the optimal customs union.

THEORY

3.1 Concepts and Definitions

Countries that agree to regional arrangements soon realize that the more they remove restrictions on the movement of goods and services, the more they lose control of the national economy. Moreover, if the process is allowed to continue, the more they lose control of domestic politics. Consequently, the integration of economies often takes place in stages, with the first preferential agreements being potentially less threatening to loss of domestic control than the later ones.

There is a need for a clear distinction between the terms integration and cooperation. The main goal of the process of integration is to abolish discrimination between local and foreign products, services and factors of production in member countries and to maintain protection against third countries. The process can take place on many different levels and has *at least* four stages and usually include a free trade area (FTA), a customs union, a common market and an economic (and political) union. The integration process is generally characterized as a linear movement from an FTA to and economic and political union. In an FTA member countries remove barriers to trade in goods and services between them but maintain their own tariff policies vis-à-vis third countries. Retention of national tariffs is what distinguishes an FTA from a customs union in which members establish a common external tariff (CET). Thus, a customs union combines free intra-regional trade with a CET. A common market is achieved when the circulation of production factors is liberalized. Capital, labor and entrepreneurship move freely among member countries. An economic union involves two steps. A full, economic and political union is characterized by a total unification of monetary, social and fiscal policies. A supranational body, whose decisions are binding on the union, supervises. In a complete political union the member countries literally become one state, i.e. the union's authority is also controlled by a central parliament. [13] No regional organization has ever reached the stage of economic and political union.[14]

Cooperation is more limited than integration. Any agreement aimed at reducing various kinds of discrimination in areas of common interest is a form of economic cooperation. All international organizations and agreements, including those aimed at integration are therefore types of cooperation.[15] In this paper emphasis is on cooperation aimed at integration.

An intermediate form of regional integration is the Asia Pacific Economic Cooperation Forum (APEC) established in 1989. It includes both developing and developed countries, (e.g., Japan, the US and China, and all members are considered equal partners. The objective of the organization is to promote trade liberalization in a manner consistent with GATT. APEC pursues this goal by promoting trade, improving information flows and working to improve each member's knowledge of each others' markets.[16]

Table 1 ***Categories of Economic Integration***

[13] This assumes that the US is not considered a political and economic union of states. This is supported by the fact that only Texas was once a *sovereign* state.
[14] Langhammer & Hiemenz, 1990, p.2
[15] Langhammer & Hiemenz, 1990, p.2
[16] The Economist, November 12, 1994, p.21 f

	No Tariffs or Quotas	Common or External Tariffs	Free Flow of Factors	Harmonization of Economic Policies	Unification of Policies and Political Institutions
1. Free Trade Area	X				
2. Customs Union	X	X			
3. Common Market	X	X	X		
4. Economic Union	X	X	X	X	
5. Total Economic and Political Integration	X	X	X	X	X

***Source**: Bela Balassa "The Theory of Economic Integration", 1962*

3.2 Theoretical Aspects of Economic Integration in LDCs

In this section the theoretical framework used in this essay is presented. It includes customs union theory, the theory of preconditions and barriers, the security aspect, the theory of development integration and neo-functional theory. Section 3.2.1 and 3.2.2 describes the development strategies import substitution and export orientation.

It is questionable whether these theories are well equipped to deal with the troublesome economic and political situation found in most of the LDCs involved in an integration scheme. When these countries try to implement an integration scheme they do not face the same kind of problems and obstacles as industrialized countries do. Their problems are well-known and concern security, poverty and colonial heritage. These areas of immediate concern for LDCs are of course seldom taken into consideration in conventional integration theories.

3.2.1 Import Substitution and Export Orientation Policy

Jacob Viner's classical customs union theory[17] and the so called Latin American structuralist paradigm made up the theoretical background for the discussion of economic integration among LDCs in the 1950s. The European integration process has also influenced the discussion.[18]

Early structuralism argued that the world trading system exploits LDCs and even perpetuates their poverty. It was also argued that underdevelopment in some parts of the world was a necessary condition for development in other parts. As European integration advanced it affected the structuralist paradigm. Structuralists began to promote closer regional cooperation as a way to create economies of scale and to liberate LDCs from the dependence on the more developed countries (MDCs). LDCs traditionally produce primary goods which structuralists argued received unfavorable treatment in the global economy. At the same time, the import barriers of the MDCs discouraged them from producing and exporting manufactured products. This lead many LDCs in the 1950s to advocate import substitution, development policy to encourage domestic production.

The theoretical core of import substitution policy is the protection of infant industries through tariffs. The strategy also involves the imposition of tariffs and non-tariff barriers to keep out foreign-produced goods and policies aimed at reducing the prices of goods produced in the domestic market, for example subsidies or a quality changes. Another element of import substitution is to get foreign companies to invest rather than trade. Foreign investment is supposed to bring technology and management know-how to LDCs. Import substitution is often part of a planned economy and includes many administrative regulations.[19] Two negative outcomes of the import-substitution policy are inefficient and protected industries and over-valued currencies.[20]

[17]see Viner, Jacob (1950): *The Customs Union Issue*, New York: Carnegie Endowment for International Peace
[18]Blomqvist, 1992b p. 3
[19]Blomqvist, 1992a p.143 ff
[20]de Melo & Panagariya, 1993, p.254

A second development strategy is export oriented industrialization. This has been a common strategy in two of the newly industrialized countries (NICs) in Southeast Asia; Hong Kong and Singapore. These are countries that have few primary products. Production in these countries is strictly oriented to make the most of comparative advantages. An interventionist state is a common feature of export-oriented development. The state provides infrastructure, low levels of taxation and subsidies to industries. A subsidy is regarded as less harmful than a tariff since it is too expensive for the state to provide a subsidy over a long period of time, whereas tariffs are often easy to retain for many years. The NICs are often accused of keeping the exchange rates undervalued in order to create even better opportunities and profits for export industries. Export-oriented policies are encouraged by both the IMF and the World Bank. Such a policy is often a prerequisite for getting a loan.[21]

The consequences of the two strategies are mixed. Import substitution based on primary products often leads to a dead-end. Domestic markets tend to be to small to encourage industrial development and protected domestic industries often produce products that are not attractive on the world markets. In the 1960s and 1970s, many policy makers in Africa and Latin America promoted the idea of linking regional markets. This was seen as a way of bolstering the import substitution strategies that were failing at the national level. The economic literature more often promotes export oriented policies as the best way to promote development, not least because the results of import substitution are discouraging.[22]

Export oriented policies demands a nation-wide commitment to exploiting the comparative advantages of domestic industries and active state support in identifying these advantages. Asian countries have been the most successful export oriented developers. Brazil has tried the export approach without success probably because of its big domestic market. Production for this home market competes with the production for export. Two other elements that might explain Brazil's lack of success are badly distributed profits and the relics of the old import substitution strategy. The attractiveness of domestic markets in Southeast Asia was small in the 1950s. Thus industry did not have the same incentive to produce for domestic consumers as did firms in big Latin American markets. Moreover, they lacked natural assets. Alternatives to export orientation were hard to find.[23]

Export orientation is not necessarily the best solution for other LDCs. It requires a disciplined work-force, management know-how, efficient public administration and perhaps a regime that can insulate itself from political pressure. Broad political support and patience is essential because countries may have to wait some time before realizing substantial success and increasing wealth.[24]

3.2.2 Customs Union Theory

The other important part of the theoretical framework that created the foundation for regionalism in its early days was the Viners work on customs union theory. Viner discovered that customs unions and the liberalizing of intra-regional trade produce two important effects. First is the replacement of higher-cost domestic production by lower-cost imports from partner countries (trade creation), and the second is the replacement of lower-cost imports from third countries by higher-cost imports from partners (trade diversion). Viner saw trade creation as welfare increasing for the union and the whole world. If trade between partners increases without changing its trade with the rest of the world, then the world moves closer to free trade. Trade diversion, by contrast, is welfare reducing from the point of view of world trade. National protection is extended to the regional level which is a movement away from free trade. Those who claim that regionalism is a positive force associate it with trade creation while those who

[21] Blomqvist, 1992a, p.150 ff
[22] Blomqvist, 1992a, p.153
[23] Blomqvist, 1992a, p.153 f
[24] ibid, p.155 f

think the opposite often relate it to trade diversion. Trade diversion and trade creation are the static effects of trade liberalization. The balance between trade creation and trade diversion determines whether economic integration is profitable or not. Modifications of Viner's work, such as a distinction between production and consumption effects, shows that the static effects account for only a small part of the effects of economic integration.[25] The issue of regionalism has become more complex and regional arrangements cannot be considered in isolation as Viner assumed they could. With blocs forming almost simultaneously throughout the world, the interaction effect as well as the strategic behavior of nations cannot be neglected.

It is therefore more fruitful to study the *dynamic* effects of economic integration. These are the consequences of free trade agreements on economies of scale, efficiency and competition, intra-industry specialization, investment growth rates and political decisions. The theory of preconditions and barriers deals with these dynamic effects.

3.2.3 The Theory of Preconditions and Barriers

There is an interesting parallel between the relationship between a supranational organization and a member country and the relationship between state and individual. The basic political-economic reason for the existence of the supranational organization as well as for the state is that they produce goods that the member country or the individual cannot or does not want to produce itself. Goods for all members to enjoy are produced by the regional organization in areas because joint production is sometimes profitable for all: for example defense, research, education and physical infrastructure projects. The security incentive for integration will be discussed in 3.2.4.

Joint production can produce large cost savings for individual countries compared with parallel production in protected domestic markets. The examples listed above are high-capital products, long-term projects and products with decreasing marginal costs. Products with these characteristics are often only available if supranational initiatives are undertaken.[26] Unfortunately, the productivity of the organization tends to decrease as the bureaucracy of the organization grows. One reason for this is that those employed in the bureaucratic machinery have a career interest in seeing it grow.[27]

The distribution of the net profits and costs of cooperative ventures often gives rise to problems. For political reasons, it is difficult for the countries that are better off to make income transfers and compensations. The distribution of production costs, national interest and lack of incentives can lead countries to stay outside of agreements. The factor that determines a country's position in favor of or against a regional commitment is how national welfare is affected. The welfare effects for the organization as a whole might be beneficial but that is not decisive for an individual country's decision to join or not to.[28]

Related to this is the free rider problem, which is a common phenomenon in international organizations. The problem arises because there is no incentive for a member to pay for a good if the payment does not determine how much of the good the member is able to consume. Governments may highly value regional cooperation because of the benefits such as, e.g. increased foreign aid and enhanced security, and at the same time they may be unwilling to bear the costs of liberalizing their own markets. Still, it is often difficult to exclude the non-paying member from consuming the public good.[29]

The priorities of members of an organization do not necessarily coincide and this makes it difficult to agree upon the goals of the regional organization. The regional organization may seek to liberalize internal trade, promote collective bargaining with non-members and/or

[25] Blomqvist, 1992b, p.3 f and Langhammer & Hiemenz, 1990 p.5
[26] Langhammer & Hiemenz, 1990 p.7 f
[27] Blomqvist, 1992d, p.547
[28] ibid, p.547
[29] ibid, p.547

encourage cooperation aimed at regional industrialization. Even if goals have been agreed upon it may be hard to agree on the best way of reaching them. In order to reach the goals, the organization is often forced to disregard dissenters. They then demand some kind of compensation to satisfy the needs of those whose preferences have not been met.[30]

If economic cooperation is to lead to trade creation certain conditions must be fulfilled including that tariffs and NTBs of non-members are high prior to integration. Incentives for diverting trade will then be low. Gains from freer trade are lower if the trade barriers of members are initially lower and there are opportunities for trade diversion. Thus the most desirable situation is high tariff levels and NTBs prior to integration. It is also preferable that the amount of extra-regional trade is low prior to integration since there will be little trade to be diverted. The regional integration schemes will strengthen neutral trading patterns.[31]

Different levels of industrialization and income lead to a polarization in favor of the more advanced countries in the group. Static and dynamic trade effects will be smaller the less developed an economy is. Large variations among the members may inhibit the process of economic adjustment and, among other things, cause labor migration which might provoke political tensions in the group as well as inside the countries.[32]

An initial lack of capital and a low pre-union level of industrialization are obstacles to integration. Advanced countries will accumulate capital and attract labor. More developed countries will be viewed by the less developed ones as reaping most of the benefits of integration , while the more industrialized countries themselves will fear the lower-cost labor in the less developed members. The demands in the markets of the less advanced countries can in many cases be met by industries in the more developed states. This nourishes intra-regional trade imbalances in manufactures which, among other things, affects the revenues of the net-importing, less advanced countries in the regional grouping. If the cooperation leads to trade creation the tax base will diminish as the domestic production is replaced by imports from other member countries. In the case of trade diversion, when trade is diverted from non-members to partner countries, the states lose customs revenues. These effects will make net-importers resist a liberalization of the intra-regional trade since they are dependent on customs revenues and have a weak tax base.[33] It should be noted that an expansion of intra-regional trade is not the only necessary condition for successful integration because it might be the result of both trade creation and diversion. The expansion of intra-regional trade is however an essential prerequisite for the realizing of trade gains.[34]

Different policies for promoting and planning regional industrialization might be a barrier to integration. Decisions on investments made in intergovernmental negotiations are not based on the same cost benefit analyses as are decisions taken by markets. This might make consensus more difficult to achieve.[35]

The issue of time is a decisive factor in the process of integration. Developing countries often have very limited experience with interrelations and a small economic base in the initial integration stage. The process of building up all the necessary planned webs of interaction is therefore time-consuming. The developing countries are immediately faced with the costs and constraints of integrating but have to wait a long time for the gains to arrive. Therefore it is important to select projects that will keep the fire of integration alive in anticipation of future benefits. The Andean Pact, for instance, chose to establish a common policy for the treatment of foreign investment, something that has become an important cohesive element for the group.

[30]ibid, p.547
[31]Blomqvist, 1992d, p.548
[32]Blomqvist, 1992b p.7
[33]Langhammer, 1990 p.15 f
[34]OECD, 1992. p.30 ff
[35]Langhammer & Hiemenz, 1990, p.16

Time has also implications for local leaders. They have to withstand the pressure coming from opposing political and economic agents. Their task is easier to manage if the integration projects implemented first have benefits that the grouping can enjoy as soon as possible or at least by some definable future date. It is of course preferable if the distribution of benefits is equal in order to avoid conflicts in the first sensitive stage.[36]

There are several non-economic benefits of regional integration. Cartelization can improve the LDCs collective bargaining power vis-à-vis the industrialized countries. Neighboring countries often produce the same agricultural commodities or minerals as a consequence of their countries being situated in the same climatic belts. But cartels only provide short-term income gains and are destructive for national welfare in the long-run. Politically, regional groupings may have a great advantage in voting power in international negotiations. Countries may be able to shift defense expenditures to third countries if the latter one consider regional unity to be an important national interest. When it comes to foreign aid and other external resources, donor countries may save time and money if they negotiate regionally instead of nationally.[37]

Geographic proximity is a relevant precondition for successful regional integration. Integration between countries location far away from each other is, of course, non-effective and gives rise to transportation as well as communication costs. Even though there are exceptions, it is probable that when close neighbors form an FTA they will divert little trade because they trade a lot with each other to begin with. Free trade agreements between distant countries, perhaps on different continents, will probably divert more trade than they create because they encourage unnatural trade relations. Although different languages evoke cultural, administrative, institutional and legal barriers, this is not insurmountable. The European integration process can serve as an example. Distortions caused by a country's colonial past can be barriers to integration. Exports priced above world market prices, maybe due to tied aid, can be an instrument used by former colonial states to retain power . Over time the importance of colonial ties have diminished, perhaps more visibly in anglophone than francophone countries.[38]
Many LDCs are still engaged in the process of creating a national identity which can diminish the importance of racial and tribal societies in Africa and Asia. This can be a barrier to regional integration since borders are an important symbol of sovereignty and integration schemes require some of it. Conflicts may be provoked to strengthen national feeling and they tend to be more likely the less important the markets of neighboring nations are for national welfare.[39]

In many LDCs the economic order is a relic of the colonial past. In others economic policy has been implemented by policy makers who lack experience. When partners in an integration scheme have different economic systems, consensus is hard to establish as was true in the case of Tanzania and Kenya. Controversies on fundamental issues about the economic order are a political barrier.[40]

Tariffs provide important governments revenues which can be hard to give up. In addition, administrative requirements necessary to manage the process of tariff reductions may not be met in some LDCs. These two factors do not contribute to a smooth integration process.[41]

An incentive for the creation of regional groupings that is often ignored but needs to be stressed is security cooperation. In order to understand the situation of developing countries it is important to define the concept of security because it has different meanings for developed and developing countries.

3.2.4 Security as an Incentive for Regional Cooperation

[36]Vaitsos, 1978, p.750
[37]Langhammer & Hiemenz, 1990, p.9 f
[38]ibid, p.13 f
[39]Blomqvist, 1992b, p.7
[40]Langhammer & Hiemenz, 1990, p.14 f
[41]Blomqvist, 1992b, p 7

Neighboring countries may have common concerns, such as external political threats, that lead them to initiate coordinated actions. This might pave the way for regional regimes based on norms and rules or concrete agreements. The positive results include mutual political support and burden sharing in security matters. The costs of cooperation are the financial support each is required to provide and restraints on national unilateral policy making. If the balance between benefits and disadvantages is positive, regional cooperation is profitable for the individual country.[42]

Buzan divides the developing world into five different security complexes that can be used as analytical devices: Latin America, Middle East, Southern Africa, South Asia and Southeast Asia.[43] Patterns of amity and enmity produce regional security complexes. Historical links, border disputes and ideological alignments explain the patterns of amity/enmity.[44]Strong insecurity links, for example those between Iran and Iraq, make countries part of the same complex, while the weak links between states - such as those between Burma/Myanmar[45] and its neighbors - mark a boundary between two complexes. Trust and friendship can serve as a binding force, as is evident in relations among ASEAN members.[46]

In every security complex there are often several smaller states which, due to their relatively small amount of power, will not seriously affect the structure of the complex. They can only constitute a threat to the larger states if they have and use their relations to important states. Examples of states in this position include Bahrain, Qatar and the UAE in the Gulf. Kuwait also functions as a buffer state in the region. Some states have an insulated position. Myanmar between South Asia and Southeast Asia is an example. It is isolated from the security dynamics on either side. Cultural and racial patterns are factors in identifying security complexes. It is not hard to see, for example, that Arab cultural factors have paved the way for regional cooperation. Arab nationalism have blurred the identity of the individual states and promoted regional groupings like the Gulf Cooperation Council and the Arab League. High levels of interpenetration become legitimized.[47]

The traditional view of national security is state-centric and oriented towards external threats. This view is difficult to apply to countries outside of the traditional Western hemisphere. Two important elements need to be added to make the term security meaningful for LDCs. First, domestic instability is a bigger problem for developing countries than external threats. Second, there is a difference between the security interests of the state and those of its regime. Regime security is "...a question of the ability of the government of the day, the ruling group or elite, to successfully manage and overcome the problems of governance while maintaining the continuity of its authority and hold on power. Regime insecurity may or may not be reflected in the tendency of the regime to use political power for its narrow ends or preserve itself through the use of violence."[48]

Problems arise when developing countries launch modernization projects. Modern policies may challenge traditional values upon which the legitimacy of LDC regimes are based. Also, conservative segments of the population may reject modernizing policies that run directly contrary to the traditional values and beliefs of the population. A troublesome fact is that LDC nations often have an almost complete lack of consensus on fundamental issues of social and political organization. This is a poor foundation for policy changes. Furthermore, during the modernization process, new criteria of legitimacy often based on Western concepts of political

[42]Langhammer & Hiemenz, 1990, p.10 f
[43]Buzan, 1991, p.225
[44]ibid, p.190 f
[45]Myanmar is the official name of Burma since 1989.
[46]Buzan, 1991, p.193 f
[47]ibid, p.209 ff
[48]Job, 1992, p.144

participation are adopted by domestic groups which then use them to challenge regime stability, thereby causing a legitimacy crisis.[49]

Traditionally, the security role of regional groupings is defined as " 1) the potential of a regional organization, through its peace keeping machinery and diplomatic techniques, for controlling the forceful settlement of disputes among its own members, and 2) the potential of the organization to present a common military front against an outside actor or actors"[50] As mentioned above, to develop an adequate definition of security for LDCs, internal security issues need to be addressed. LDC regional groupings often consist of nations which are characterized by structural weakness and regime insecurity. These characteristics constitute a threat to successful economic integration because they make it difficult to build up durable and stable local and political relations. Regional relations tend to be more conflict prone than problem-solving and therefore undesirable. Critics of weak state regionalism also claim that regional organizations tend to define lines of regional rivalry, to be exclusivist and sub regional and to be polarizing from the point of view of the larger region. Yet it should not be overlooked that weak states in a regional organization still face domestic challenges to their authority and legitimacy. Promoting economic, political and security cooperation can enhance domestic stability and regional tension might be reduced. The regional organization can deal with its members' common vulnerabilities, i.e. domestic challenges and threats to regime survival. Thus, regional agreements can be useful and desirable methods of dealing with these two serious threats. Incentives for collective defense arrangements can also arise out of a shared perception of common internal threats. Weak power alliances have proven ineffective in coping with aggression but dealing with regime security may be a more suitable task for them and does not necessarily demand military capabilities.[51]

3.2.5 The Theory of Development Integration

Since classic customs union theory is more or less irrelevant for integration schemes in the developing world a development integration model has been gradually developed. It is designed to address conditions in developing areas: economies of different sizes, at different levels of development and states with different kinds of political systems. Since the model emphasizes the impediments to cooperation in the developing world and LDCs relations with the developed world the theory seems to fit within the tradition of structuralist analysis. The main characteristic of the development integration model is a conscious emphasis on cooperation and interdependence by the member nations. In development integration, political cooperation at an advanced level is a necessary condition for implementation. As mentioned above, a political union is a very late stage in the traditional Balassa scheme. The development integration model requires a high level of state intervention. A second feature of the model is that it strives to secure an equitable distribution of the benefits produced by regional integration. At the lowest integration level this is done through compensatory measures. At a higher level of integration, the distributional problem is resolved by corrective measures such as planned regional industrial development that favors less developed members and funds or regional development banks that give priority to LDC loans.[52]

This model has proven difficult to implement because it requires a much higher level of commitment within and among the members nations than what is prescribed by the customs union theory. Also, uneven economic development can hardly be rectified through various compensatory schemes. Satisfactory long-term solutions to the problem must include corrective measures. Another problem related to the need for a high level of political cooperation is the importance of the relative strength of the member economies in negotiations. The more developed countries in the grouping often seek to increase the gains among member nations: they favor an expansive strategy. The less developed states want to decide in advance the

[49] ibid, p.144 f
[50] Job, p.147
[51] ibid, 1992, p.148 ff
[52] Blomqvist, 1992b p.33 f

distribution of any gains from integration. In other words they want a distributive strategy. Reaching regional agreements is therefore no easy task. National interests can be incompatible with, contrary to the regional ones, and national politicians are often reluctant to give up national interests in favor of the regional agenda. If an agreement is finally reached, it is often totally disregarded in cases in which national politicians realize that they will not get what they wanted.[53] The driving force behind integration often comes from the country that is economically and politically stronger for example Nigeria in ECOWAS. A likely problem if the schemes of compensation are comprehensive and detailed is that the richer countries' economic motives for integration fall.

3.2.6 Neo-functional Theory

The leading advocate of functionalism was David Mitrany who, after WW II, argued in favor of constructing an international system that would solve the problem of security. He did not want to have an institutionalized supranational system as the federalists wanted. He argued instead that concrete areas of cooperation from which states could reap immediate benefits should be defined. He believed in the gradual development of transnational networks of economic and social organizations. Such networks could help preventing aggression and wars. The problem with his thinking was his assumption that the political and economic functions of the state could be separated from each other. In most developing countries this is unlikely due to weak class formation and the limited role of interest groups. Mitrany's functionalism was later modified by Ernst B. Haas who, at the same time as the European Coal and Steel Community was formed, developed a neo-functional theory that combined the method of functionalism with a federalist objective.[54]

The important actors in neo-functional theory are not governments but interest groups and integrationist-technocrats. Functionalism and neo-functionalism agree that international cooperation should be initiated in technical or core functional areas. Functionalists argue that once success has been achieved in these areas, it would give rise to a spillover to other areas. Haas thought that once sector cooperation was attained in one area, the sector imbalance that it caused would create incentives to initiate integration in other areas to counter the imbalances. The integration in the functional areas would lead to political spillover. As functional sectors merged politicians would look for alternatives and redefine their tasks in order to control the new system. Interest groups would work on the regional level once they realized that their demands could be better met at the regional than the national level. The neo-functional theory is more useful than customs theory and development integration when it comes to an analysis of the benefit-distribution problem. This is because the sector-by sector approach minimizes the problem. The model also circumvents the problems that often occur with the surrender of power to supranational institutions.[55]

The previous sections have, in addition to describing development strategies, presented classic customs theory, the theory of preconditions and barriers to regional integration, development integration and neo-functionalism. It is obvious that these theories in their unmodified form are not applicable in a developing world context. Still, parts of the theories are relevant to the task of developing an understanding of the performance of regionalism in the developing world. The applicability of the theories will be further evaluated in chapter five.

[53]Odén (ed.), 1993, p.35 ff
[54]Odén (ed.), 1993, p.39
[55]ibid, p.40 f

4

CASE STUDIES

In this chapter I will compare three regional projects: ASEAN, CACM and ECOWAS. The aim is to answer the questions outlined in the purpose. The following chapter five consists of an evaluation of the facts presented in this chapter. The colonial background of the regions is briefly described in 4.1.

4.1 Colonial Background

Colonial imperialism was in many ways a question of economic exploitation of natural resources and labor. Traditional agriculture was transformed to serve the world market and thus finance the colonial system. America, Asia and Africa have all been victims of European imperialism. Europe globalized their form of political organization, the territorial state. In some cases the imposition took the form of a direct transfer of European peoples, as was the case in America and South Africa. In Asia the existing civilizational tradition was inserted into the new system. Local population were not replaced by European immigrants. In Africa, where the indigenous peoples constituted a mosaic of socially different populations, the spread of the territorial state was least successful.[56]

1492, when Columbus set off to search for India, was a fateful year. His discoveries laid the foundation for several wars of conquest. Columbus thought that the plundering was to finance new crusades against Jerusalem. The truth was that influential financiers intended to exploit Latin America and use its gold, silver, cotton and coffee to pay for luxurious consumption. It was not until the end of the 19th century that the Europeans decided to split up the rest of the non-European world. Africa was totally carved up and divided among the colonial powers. Although some Asian countries stayed formally independent, they were in fact ruled by Europeans. Latin America escaped a second colonization in the end of the 19th century. The economic importance of Latin America was apparently too small to challenge the US and its Monroe doctrine which declared the US region a sphere of interest in which Europeans were unwelcome.[57]

Through colonization, Europeans also ensured the universalization of their competitive style of anarchic international relations. European dominance, was first undermined in Latin America. Liberation movements were established during the end of the eighteenth century led among others, by Bolívar. 1811-1825 most of the countries in the region had won independence. Asia and Africa became independent after World War II. After the decolonization period the states needed to find a place in the international system and sort out their relationships to other states.[58] It took more than 400 years to build the European empires (the Portuguese were first to penetrate the Indian Ocean in the 1490s) but they vanished in 40 years. The transfer of power back to the former colonies sometimes lead to bloody conflicts but in most cases negotiations were enough. Portugal was most reluctant to give up power and only did so after its own 1974 revolution. This left only one European power in control of foreign territory - the USSR in a large area in Asia.[59]

[56]Buzan, 1991, p.204 f
[57] Hårmar,1993, p.3 f
[58]ibid, p.204 f
[59]Boyd, 1994, p.82 f

Spain dominated the CACM-region. In the ECOWAS area Britain and France were the main colonizers. In the ASEAN area there were three rulers: Britain ruled Malaysia; Holland controlled Indonesia and the US ruled the Philippines. As a buffer state between French and British interests, Thailand was the only independent nation before the WW II. During the cold war Thailand and the Philippines signed the SEATO-treaty (Treaty on Southeast Asian Defense) which officially linked them to the United States and Britain. SEATO cooperation ended in the 1970s and US bases in Thailand were withdrawn. The US remained in the Philippines until the early 1990s. The US has retained its naval dominance in the region.[60]

After WW II the official motivation for retaining colonies was to promote their welfare and develop the administration until the colonies could manage on their own. Europe distributed "special assistance" for development in the colonies a kind of precursor to aid assistance. The colonial system produced considerable social and structural change within the societies. These changes were reinforced by interference in infrastructure, transport systems, education, demography and administrative routines. Not all these changes can be considered destructive but yet it is fair to say that colonialism led to the global inequality that exists today. The colonial heritage and the guilty conscience of the colonizers are the main reasons why the "rich" part of the world gives aid to the "poor" parts. It is possible that the colonial heritage also plays an important role in LDCs regional cooperation.[61]

4.2 The Growing Economic Importance of East Asia

The regional interdependence in East Asia was significant in the 1930s. Intra-regional trade in 1938 amounted to 67 percent. The figure can be compared with approximately 40% today. At that time great plans were developed for an economic bloc in East Asia and a *Greater East Asian Prosperity Sphere.* Not much came out of these plans. [62]

WW II left East Asia in disorder. Institutions and political relationships had collapsed and trade flows were oriented to the United States. The US feared that the collapse of regional trade would hamper economic recovery and sought to prevent it by providing US aid for Japanese reparations.[63]

In the post-war period, East Asian trading relationships have been diversified due to three factors. First, the several GATT-rounds have moved the world towards global integration. The second factor is the fast development that has occurred the East Asian region. The products of the region have won greater acceptance in the foreign markets and communication and transport and marketing knowledge increased. Thirdly, the states of the region produce similar products and thus are competitors. This has made an expansion of East Asian's trade relations necessary, which has in turn promoted strong links with the Pacific region.[64]

During the 1980s East and Southeast Asia the most successful region in the international economy. The region's share of the world GDP, exports and imports have grown while its share of the world population has declined. In 1990 it accounted for one-fifth of world GDP and one-third of the world population.[65]

4.2.1 <u>Economic Development in East Asia</u>

The basis for the high rates of economic growth in the newly industrialized Asian countries is export oriented industrialization. The East Asian countries have however gone through import-

[60]ibid, p.194 ff
[61]Bra Böckers Världshistoria, Vol 12, p.134 ff
[62]IBRD, 1994a, p.20
[63]ibid, p.21 f
[64]IBRD, 1994a, p.22 f
[65]Panagariya, 1994, p. 819

substitution phases (Hong Kong excluded). The periods of import substitution ended earlier in these parts of the world than e.g. in Latin America. One of the reasons to this was a need of foreign currency.[66] The development strategy has in many cases involved active government intervention in the economy. Governments have supported private business and exports using instruments like controls and subsidies in sectors in which rapid potential gains were considered achievable. In recent years government interference has decreased. The fast-growing region has led to considerable spill-over effects because each country in the region provides the others with a rapidly expanding market for manufactures and primary goods. Following the classic "flying geese" pattern, as the earliest developers (the NICs) moved from simple manufactures to more sophisticated industries, and the less industrialized economies of Malaysia and Thailand developed to take their place. The NICs have acted as a nucleus for the promotion of export oriented strategies and have actually facilitated production in other developing countries via direct investments and technology transfers. This phenomenon has created interdependence in the region and has made it self-reliant in trade and finance. Exports to North America and Europe are nonetheless very important. The region is also very dependent on the performance of the Japanese and Chinese economies.[67] The flying geese pattern can be represented in the following way:

[66] IBRD, 1993, p.22
[67] UNCTAD, 1993, p.IV

JAPAN

Hong Kong
Singapore
Korea
Taiwan

China

South Asia

Malaysia
Thailand

Philippines
Indonesia

Japan is the leader of the geese, followed by the NICs. Malaysia and Thailand have a higher per capita income and a better political infrastructure than the Philippines and Indonesia. China is a large bird flying along side the geese, able to compete with the ASEAN-4 in labor intensive production and with Japan and the NICs in some industries. South Asia is in a similar situation.[68] All the economies involved and every single economy has the opportunity to improve its relative position in the formation.[69]

The stages of industrial growth which some countries in East Asia are expected to follow is outlined below in table 2. Notice for example that China will reach a late to high tech stage by the year 2000, as will Thailand. Indonesia will by then be in a middle or late stage of development.

Table 2 ***Stages of Industrial growth in East Asia***

Country	Stage in 1986	Stage in 2000
Indonesia	Early to middle	Middle to late
Philippines	Middle	Late
China	Early, middle and late	Late to high-tech
Thailand	Middle	Late to high-tech
Hong Kong	Late	Late to high-tech
Korea	Late to high-tech	High-tech
Taiwan	Late to high-tech	High-tech
Singapore	Late to high-tech	High-tech
Japan	High-tech	High-tech

Source*: UN Development Paper No 16, 1992, p.16*

The traditional view of East Asian development as following a "flying geese" pattern has been criticized by Bernard and Ravenhill. They argue that the process has not been marked by replication and homogenization of industrial structures. Rather, the spread of technology has varied from country to country and been linked to a "supply architecture". It is, according to them, too simple to look upon the Southeast Asian miracle as a replication of the experiences of Taiwan and Korea. Instead, the spread of technology has produced an intra-regional hierarchy of production. Korea and Taiwan had a history of import substituting industrialization which makes them unlike the rest of Southeast Asia.[70]

4.3 ASEAN

[68]United Nations, 1992, p.16
[69]Blomqvist, 1991, p.3
[70]Bernard & Ravenhill, 1995, p.177

The Association of Southeast Asia, ASEAN, is not a traditional trade integration scheme. It is rather a program for industrial planning that includes a preferential trading agreement (PTA). ASEAN was born as a result of five states' fear of communism in the neighboring country of Vietnam. Indonesia, Malaysia, the Philippines, Singapore and Thailand decided to form the organization in 1967 and were joined by Brunei in 1984.[71] It was also in Brunei, at a meeting in July 1995, that Vietnam took the very important, strategic step of joining ASEAN.[72] A goal of the original six is to bring the other Southeast Asian countries - Vietnam Laos, Cambodia and Myanmar - into the organization as full members and to form the *SEA-10* by the year 2000. Laos and Cambodia hope to join within two years now that Vietnam has paved the way.[73] It is possible that the association will at that point transform itself into the so called *Southeast Asia Community.*[74]

4.3.1 ASEAN Objectives

In the original treaty, the Bangkok Declaration, declared the objectives of the organization to be to bring "peace, progress and prosperity" based on a "spirit of equality and partnership". It is worth noticing that the principal aim of ASEAN is not to achieve freer regional trade or to pursue an economic union. Rather the cooperation is to increase the political weight of its members in matters of trade, to deal with common intra- and extra-regional problems and, most important, to enhance security within the region. Although the organization stresses economic cooperation more than economic integration, there are instruments for deepening economic integration as well. [75]

In 1976 the first ASEAN summit was held in Bali. The summit signed the ASEAN Concord which became the first plan of action. The Concord established the "Zone of Peace, Freedom and Neutrality (ZOPFAN). The Treaty of Amity and Cooperation declaring the principle of sovereignty of every nation, non-interference in internal affairs of members and a commitment to peaceful dispute settlements was also signed. The treaty was amended in 1987 by a protocol that gave non-members the right to sign the treaty of Amity and Cooperation. Laos and Vietnam signed in the treaty 1992 as a step toward membership.

[71]Blomqvist, 1992b, p.8
[72]Economist, July 8, 1995, p.16
[73]Economist, August 5, 1995, p.59
[74]Schwartz &Tasker, 1994, p.24
[75]OECD, 1992, p.50

Four principal areas of cooperation are highlighted in the treaty:

1. Basic Goods Preferential access to supplies and markets (mainly food and energy) was granted members in times of critical circumstances.
2. Industrial Cooperation Establishment of large-scale regional industrial projects to promote industrial development, especially in sectors producing the region's basic needs.
3. Trade The promotion of intra-ASEAN trade.
4. United Stand The organization is supposed to represent the members on world economic issues.[76]

A secretariat was established in 1976 in Jakarta, Indonesia to provide administrative support. The administrative apparatus has a coordinating rather than decision-making role. The highest organization's authority is the summit meeting of Heads of States. The process of decision-making in ASEAN is ruled by the principle of consensus.[77]The most recent summit was held in Singapore in January 1992. The next summit, the fifth one, is scheduled to take place in Bangkok in December 1995. ASEAN is supposed to hold a summit every third year, though it often violates this rule. Several ASEAN committees have been established in eleven foreign countries in order to help the organization conduct relations with other nations and international organizations.[78] For example, ASEAN represents the six countries for example in talks with the EU.

4.3.2 Economic Conditions in the ASEAN countries

The big countries in ASEAN are Indonesia, Malaysia, Thailand and the Philippines. They have traditionally been important exporters of primary goods but have in the last few decades experienced a rapid process of industrialization. There is not much convergence in economic terms between the six. The group consists of high income countries (Brunei, Singapore), middle income countries (Malaysia, Philippines, Thailand) and a two low income nations (Indonesia and Vietnam). The population of ASEAN is 328 million within an area of 3,053,829 square kilometers. The GDP of the organization was $345,608 million in 1991 or $1053[79] per capita.[80] Natural resources are not distributed uniformly across the region and there are great differences in levels of industrialization and wage levels. However, through a process of technology transfer and trade they are moving towards greater interdependence.

4.3.3 ASEAN Politics and Security

The member nations of ASEAN can be described as conservative in a political sense. The economies are outward oriented, favorable to foreign capital and attuned to the market forces. They are democracies but their political systems are rather nonetheless authoritarian, sometimes even repressive according to Hettne.[81]
The member states have rather heterogeneous populations. The most homogeneous country is Singapore, whose population is 75% Chinese. There are therefore potential ethnic and religious conflicts that can be restrained if pluralistic political ideas are allowed to dominate.[82]

ASEAN is no military alliance. There are military links between the United States and Thailand and the Philippines. Asians do not accept the presence of American troops stationed in Asia, so only the US marines operate in the area. The rapid growth of Asian economies and its close links to the US economy through trade and investment mean that the US sees the Pacific as more interesting than in the past. As China's military power grows many Asians appreciate American

[76]OECD, 1992, p.50 f
[77]Blomqvist, 1992b p.8
[78]Europa Publications, 1994, p.1067
[79]The population of Vietnam is 70 million, its area 332 000 sq kilom and annual income a head $200 in 1994. (Economist, July 8, 1995, p.4 ff) These figures are not included in the estimates of ASEAN.
[80]United Nations, 1993
[81]Hettne, 1992, p.113
[82]Hettne, 1992, p.126

interest.[83] There is an irony behind the renewed US interest in East Asia. At present, the two traditional pillars of US power - the economic muscle and the security muscle - are both diminishing. In addition, while the US involvement in the Pacific is increasing in absolute terms, it is decreasing in relative terms.[84]

In some security matters ASEAN has cooperated successfully. They managed to prevent the regime installed in Cambodia by Vietnam from taking over the Cambodian seat in the United Nations. Another example of the security problems addressed by ASEAN occurred in 1975 when refugees tried to escape the communist regimes in Indochina. Many of these came by boat and got temporary shelter in ASEAN countries.[85] The grouping has also proudly announced that it contributed to the release of the opposition leader in Myanmar, through its effort of "constructive engagement".[86]

Territorial disputes between ASEAN members are rare although there have been some bilateral ones. China, Vietnam, Taiwan, Brunei, Malaysia and the Philippines all lay claim to the Spratly Islands in the South China Sea. China believes that there are vast deposits of oil in the area, while Philippines is officially more interested in protecting the fishing grounds.[87] The summit of 1992 suggested a peaceful resolution of the conflict based on the Treaty of Amity and Cooperation. ASEAN has requested US military presence in the region as a compensation for its departure from the Philippines.[88]

In order to involve China in the security dialogue of the region ASEAN established the Regional Forum (ARF) in 1993. ASEAN does not want to contain China. China's participation in the ARF is more important in the long-run than the resolution of the Spratly conflict. The aims of the forum include to improve security in the region, enhance the collection and spread of non-classified, military information and to work for cooperation in regional peace-keeping. The forum's members include Japan, Russia, the US, China and the EU.[89] This Asian version of Europe's Conference on Security and Cooperation will never become a Southeast Asian NATO. There is no Soviet threat to counter and there are no US naval bases on the Philippines. The US has also become less reluctant to proposals that Southeast Asia be made a nuclear-weapons free zone.[90]

4.3.4 ASEAN Achievements

In its early years, the organization provided regional security and cohesion against communism in Indochina. But ASEAN has expanded and launched five different industrial projects:

1. the ASEAN Industrial Projects (AIP),
2. the ASEAN Industrial Complementation (AIC),
3. the ASEAN Industrial Joint Ventures (AIJV),
4. the Preferential Trading Arrangement (PTA), and
5. the ASEAN Dialogue Partner System (ADPS)

ASEAN's only integration instrument is the PTA. Its results has been meager, apparently because of limited tariff cuts (25%) and the exclusion of many sectors. In the beginning of the 1990s tariffs on most goods were significantly reduced but important NTBs exist and this is a major problem. The Philippines seems to be the least integrated of the six. It has tended to be more

[83] Halloran, 1995, p.32
[84] Manning & Stern, 1994, p.85
[85] Boyd, 1994, p.176 f.
[86] Economist, August 5, 1995, p.59
[87] Economist, July 8, 1995, p.66
[88] Europa Publications, 1994, p.1068
[89] ibid, p.1068
[90] Schwartz & Tasker, 1994, p.24

interested in the United States, which makes it different from the others which are more "Europe-centered".[91]

Intra-regional trade is low (see appendix II). If Singapore is excluded, the figures are even lower, which is clear evidence of its pivotal role in the region as a trade and service center.[92] The main explanation for the low level of intra-ASEAN trade is that it is not considered as important as extra-regional trade. The latter has been the engine in growth of ASEAN. During the years 1970-1988 ASEAN's extra-regional trade of ASEAN increased by 40.6% compared to an increase of intra-regional trade by only 5.0% (when measured relative to combined regional incomes). A positive outcome of its small volume of intra-regional trade is that ASEAN has avoided the trade diversion that is common in other LDC regional groupings.[93] Another important reason for low intra-ASEAN trade is that large parts of the manufacturing industry is foreign-owned and vertically integrated with the home-country's industry. This explains the high degree of intra-industry trade between Japan and ASEAN and the NICs and ASEAN.[94] A further explanation for the relatively weak intra-regional trade is protectionist policies in the member states.[95]

In the economic realm ASEAN has developed three instruments for industrial cooperation: AIP, AIC and AIJV. Each was a substitute for the old approach. AIP consisted of five big industrial plants that were to be located in the five founding states, for example a diesel engine plant in Singapore and a super-phosphate plant in the Philippines. AIP was not implemented and hence monopoly rights could not be realized. Instead AIC was launched in 1980.[96] It was to be a substitute for AIP but it as the subsequent program, AIJV, remained dormant. The two were supposed to support industrial joint ventures, provide long-term supply contracts, grant preferential financing and supply access to government procurement within the region.[97] The fifth project, the ADPS, is supposed to promote discussion in fields of mutual interest with trade partners such as the United States, the EU, Australia and Japan. This forum is important for ASEAN, which is prosperous as a result of extra-regional trade and the benefits of relatively free international trade.[98]

The PTA is a necessary prerequisite for the schemes described above (AIP, AIC and AIJV). A decision has been taken to upgrade the PTA to an FTA, i.e. an ASEAN Free Trade Area (AFTA) by the year 2003.[99] (Previous propositions have included plans to create an East-Asian grouping, EAEG, with more members than ASEAN states).[100] AFTA is supposed to be the cornerstone of a coming ASEAN single market. Tariffs are to be gradually reduced to zero over a fifteen year period to not higher than five percent by 2003 with different countries moving at different speeds. Malaysia will make annual cuts in its top level tariffs of 50% so that they are only 20% by 2000. Thailand and Indonesia will not begin lowering tariffs until 1998. Fifteen commodities are on a fast-track to free trade. Criticism against AFTA include charges that its agreements are too vague, not legally binding and vulnerable to lobbying by protectionist industries such as petro-chemical and palm-oil producers. Singapore has the most to gain from a successful AFTA because it is the member with the largest trade flows with other ASEAN-members. This is because of Singapore's port which is the biggest transshipment center in Southeast Asia.[101]

Despite a recent decline in FDI flows, the low-and middle income economies of East Asia attract substantial levels of investments. The FDI-led miracles in Asia are Malaysia and Thailand.

[91]Blomqvist, 1992a, p.550f
[92]Blomqvist, 1992b p.8 f
[93]OECD, 1992, p.51
[94]Blomqvist, 1992b, p.10
[95]Kommerskollegium, 1991, p.31
[96]Langhammer & Hiemenz, 1990, p.55
[97]OECD, 1992 p.52
[98]Blomqvist, 1992b, p. 11
[99]Economist, September 16, 1995, p.23
[100]OECD, 1992, p.52
[101]Vatikiotis, 1993, p.49

Singapore has also evidently benefited from FDI flows in the past-quarter century.[102] It should be noted that the major foreign investors are non-members of ASEAN as are ASEAN states' main trade partners. [103]

4.4 Latin American Integration

The countries of Latin America, those that lie south of the US, differ in size, climate, population density and level of development. Brazil and Mexico have the largest populations and account for half of the region's production. The Latin American countries are similar to both Europe and to Africa and Asia. They are European in the sense that they have high levels of urbanization, increasing life expectancy and industrial pollution. Its resemblance to Asia and Africa is obvious with regard to its social cleavages, poverty, population growth, political unrest and instability and weak or non existent civilian control over the military. [104]

Latin America was colonized during the 16th century, an experience left it with a more or less westernized culture. The reason for Latin America's underdevelopment compared to the West is often explained by its economic dependence on the United States, Britain and other industrialized countries. It has also been argued that the Catholic colonizers Portugal and Spain had an obsolete form of social rule as early as the 16th century. They forced it on Latin America and even today the problems of the region can be traced back to this development. In the 19th century republican constitutions like those in north America were adopted by the countries as they became independent. Although countries in Latin America won independence one hundred years before the big wave of decolonization, their economies and social and political development were slow.[105]

In the 1930s the governments slowly adopted import substitution policy in order to counter the effects of world depression and the contraction of world trade. But domestic industries that were supposed to be favored were hindered by their inability to import necessary capital goods. After the war, an improved global trading climate made it possible for exporting to finance the industrial growth which made Argentina, Brazil and Mexico the most industrialized countries in the developing world in the 1960s. Chile, Colombia and other middle-sized countries also advanced rapidly. Smaller Central American countries remained dependent on agriculture and primary product output.[106]

Latin American states have been ruled by military regimes on and off throughout the twentieth century. These dictators served as an alternative form of power in the wake of the failure of the Cuban socialist revolution and American liberal ideas.[107] In the mid-1950s Latin American trade, influenced by the UN Economic Commission for Latin America (ECLA), adopted a more western approach to trade. ECLA later advocated regional integration. Intra-regional trade fell from twelve percent of total exports in 1953 to only six percent in 1961. At the same time, imports from outside the region increased. In order to change this imbalance and to replace existing bilateral agreements, regional agreements were made. The first of these was the Central American Common Market, CACM, in 1960. Other agreements founded during this period include: the Latin American Free Trade Association, (LAFTA) in 1961 (replaced by LAIA in 1980), the Andean Pact in 1969 and the Caribbean Common Market (CARICOM) in 1973.[108]

4.4.1 Latin American Economic Conditions

[102]IBRD, 1994a, p.46
[103]Blomqvist, 1992b, p.12
[104]Latinamerikainstitutet, p.5
[105]ibid, p.5
[106]The Cambridge Encyclopedia of Latin America and the Caribbean, 1992, p.71 ff
[107]ibid, p.71 ff
[108]ibid, p.89 f

During the 1980s Latin America experienced a severe debt crisis which disrupted economic growth. In response to the crisis the governments shifted economic policies and began promoting trade liberalization reducing the size of the public sector and privatizing the economy. The immediate result of the reforms was economic stagnation which hit the poor and middle-class the hardest. But the policy change has also made Latin America more marketoriented than East Asia is. It has today fewer restrictions on trade and capital movements. In 1992 the inflation dropped by half from 50% in 1991 to about 25% and annual growth rates rose to five percent.[109] In 1991, the annual growth rates were three percent.[110] The most important new developments in Latin America are openness and a diversified export sector directed toward the world markets.[111]A good sign is the significant reduction in the export of primary products. It means that the region has managed to reduce its dependence on trade in traditional primary goods and a few agriculture products. Such trade patterns have been devastating for Latin America in periods when world market prices have fluctuated. Trade patterns reveal that primary goods are mostly exported to markets outside the region. The important extra-regional partners are the EU and the US. Intra-regional trade involves mostly manufacture products.[112]

Consumption rather than investment has driven the recent growth in Latin America. Private sector investment in infrastructure has been low and this will have negative consequences for the private sector in the long run. The number of entrepreneurs is growing at the same rate as privatization proceeds but they are not investing as much as they might. There has also been a lack of dynamism in exporting, especially in manufactures. Exports did not boom when the trade anti-export bias of the old import substitution policy was removed. The reason for this are a loss of competitiveness and the lack of government intervention to promote exporting and protection of domestic producers.[113]

Much of the intensity of Latin America's social conflicts is a result of the rapid and fundamental changes that the region has experienced: from largely rural societies dominated by large landowners to urbanization and high degrees of industrialization; from almost total dependence on primary exports subject to unstable world markets industrial exports more sensitive to domestic costs and incentives; from a mixture of personalized dictatorships and moderately open political systems under the leadership of an old elite, able to keep the majority of the population out of the decision process, to a range of populist, radical, ultra reactionary and fairly open democratic societies.[114]

The new model of development and the more stable economic and political environment has brought new life to regional cooperation schemes. Old schemes have found new forms and new organizations have been established. In the north there is NAFTA and in the south there is Mercosur.[115]

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[109]Brazil, which accounts for one third of the region's GDP and has a lot of fiscal adjustment to attend to, is excluded in both measures.
[110]Trade and Development Report, 1993, p.V
[111]Wirmark, 1994, p.59
[112]ibid, p.62 f
[113]The Cambridge Encyclopedia of Latin America and the Caribbean, 1992, p.68 ff
[114]Beaujeu-Garnier & Lefort, 1994, p.19 f
[115]Wirmark, 1994, p.59 f

4.5 CACM

The members of CACM are Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua. The organization was founded in 1961 by the General Treaty of Central American Integration, signed at Managua, Nicaragua in 1960. Costa Rica signed the Treaty in 1962. Panama is a "not-quite member" and Belize is a "not-yet member".[116]

The creation of CACM was encouraged by historical, economic and cultural roots. For centuries Spain ruled the five countries as a single entity and after it became independent in 1821 it formed a Central American federation although this did not last very long. The economic and political similarities of the countries is a good foundation for integration although there are differences in size, population, density and level of income. It was after WW II that Central American countries began to discuss close economic cooperation seriously. At that time the structuralist paradigm which advocated policies of import substitution and integration was the ruling development philosophy. CACM became its most important instrument. It should be noted that CACM never had ambitions of closing itself off from the global economy. It only wanted to protect infant industries until they were ready for world competition.[117] It was probably beneficial that some institutional strengthening took place in the early post-war period, for example the establishment of central banks and the emergence of tariff policy and social legislation.[118]

4.5.1 CACM Goals

The main goal of CACM is the elimination of all tariffs and other barriers between members as well as the establishment of a CET. Other goals are a common customs administration, harmonized fiscal policy, regional industrial policy and coordinated regional policies for agriculture, public health, labor, education and transport. The policy-making body of CACM is the Central American Economic Council composed of the ministers of economic affairs of the member-governments. Operational control rests with the Executive Council whose members are deputies to the ministers and their alternate. The Secretary General runs the permanent secretariat and a high-level committee with representatives of the member countries periodically reviews the CACM procedures and policies.[119] Other CACM institutions include a central bank for the financing of infrastructure projects and the Central American Monetary Stabilization Fund (FOCEM) to deal with balance of payment problems. The FOCEM was replaced by the Central American Common Market Fund in 1981 because the latter was unable to manage the very serious imbalances from the late 1970s.[120]

4.5.2 Economic Characteristics of CACM

The total GDP of CACM was $25,753 million in 1991. Since CACM's population in 1991 was 27 million, the GDP per capita amounts to $955.[121]
The signatories of CACM were all low-income economies when the organization was created in the 1960s. Today, only Honduras and Nicaragua remain low-income economies, the rest are middle-income economies. CACM was considered to be an excellent candidate for integration.[122]
The five economies initially had the same levels of absolute and per capita income. Since no country in the CACM region had any dominance over any other, there were few distributional concerns. Furthermore the signatories had largely complementary industrial structures. In each country industry accounted for about one quarter of economic activity. Thus, rationalization was possible, though due to the small market (15.4 million in 1960) the scope for economies of scale was limited.[123]

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[116] Economist, November 26, 1994, p.52
[117] Blomqvist, 1992c, p.2 f
[118] ibid, p.4
[119] Encyclopedia of the third world, 1992, p. xxxvii
[120] Blomqvist, 1992d, p.4 f
[121] United Nations, 1993
[122] The Cambridge Encyclopedia of Latin America and the Caribbean, 1992, p.90
[123] OECD, 1992, p.43

The CACM economies are all dependent on a few primary goods including coffee, bananas, cotton and sugar as well as some vegetables and spices. In El Salvador the oligarchy of "the fourteen families" controlled production, while the US company United Fruit controlled the banana industry in Guatemala. The sales of United Fruit, today called United Brand, are five times bigger than the exports of Honduras.[124]

The most important external export markets for CACM is the US and the EU (Germany). Canada and Japan are also valuable markets. The US, Japan and the EU are also the group's most important import markets.[125] In 1985 the European Community decided to promote economic cooperation and provide aid to CACM.[126] Today, the EU concentrates on Mercosur, trying to establish a FTA.[127] The EU gives import advantages to bananas from West India and Africa while Latin American bananas are subject to tariffs and quotas.[128]

4.5.3 CACM Politics and Security

Despite the fact that the area of CACM is almost the same size as Sweden (423,120 square kilometers), the two are very different. Costa Rica has a long tradition of peace and a standard of living that is far higher than Nicaragua's and Honduras'.[129] Half of the population of Guatemala are Indians, while the majority of the populations in the other CACM countries are white.[130]

The number of American military inventions in Central America is significant but they have been less important than the indirect power that the US has exerted on Central America. Since a large part of the Central American land is owned and controlled by US fruit companies and since the military, police and the counterintelligence is educated and trained in the US or at US institutions in Panama, it would be irrational for Central America to take a hostile position against the US.[131] The revolutionary movements in Central America have been close and loyal to each other. For example, the guerrillas of El Salvador were supported by Nicaragua after 1979 and the Sandinists had a base in Costa Rica. National sovereignty is consequently a concept that is complex and not easy to identify in Central America. Political territory is easily penetrated. When a revolutionary movement come to power their cordial relations to other movements, their allies, lead them into involvement in domestic state affairs of other states. This can obviously lead to international entanglements.[132]

The political relations in Central America are so close and similar kinds of conflict - between transnational companies and national interests, a Spanish culture and oppressed Indian populations, various political oligarchies against the poor - are found throughout the region. This explains why tensions between two states or within one tend to have consequences all over Central America.[133]

4.5.4 Realization of CACM

The five-day long football-war in 1969 between Honduras and El Salvador[134] led Honduras to leave the organization.[135] It was dissatisfied with the unequal distributions of gains. All the

[124]Hettne, 1992, p.146
[125]Latinamerika insititutet, 1994, p.24 ff
[126]Encyclopedia of the third world, 1992, p. xxxvii
[127]SvD, May 22, 1995, p.13
[128]DI, October 14, 1995
[129]SvD February 11, 1995, p.21
[130]Hettne, 1992, p.146
[131]Hettne, 1992, p.129
[132]ibid, p.145 ff
[133]ibid, p.145 ff
[134]The war was caused by the large amount of people from El Salvador immigrating into Honduras, a low-density neighbor.

members seem to have gained from the CACM cooperation over the years but in different proportions.[136] Today Honduras considers itself a de jure member although most of its trade with CACM states is covered by bilateral agreements. Other disturbing developments in Central America during the 1980s were the civil wars in El Salvador, Guatemala and Nicaragua (which also suffered under a US trade embargo) and a the severe debt crisis that led countries to re-establish trade barriers. The promising figures of the 1960s did not survive. [137] In 1961 as much as 81% of the intra-regional trade was free from trade barriers. In the early 1970s, the figure was 96%. 80% of CACM's external trade was covered by a CET. The general pattern was that the CET protected consumer products and that there were lower rates for capital goods, which is typical for countries with import substitution policies. The break-down of CACM was a fact in the end of the 1980s. Later, two rounds of cuts in the CET and a decline in internal barriers provided a stimulation that the organization badly needed. Today tariff levels have fallen back to the levels of the 1960s. The CET is 5-20% on 95% of traded goods, compared to 85% in 1985.[138]

The initial success in expanding intra-regional trade has four specific causes. First trade liberalization quickly produced fast returns. Second, a cohesive group of government officials from all of the member countries could smooth the process of information concerning CACM progress. As mentioned earlier, the idea of regional integration was promoted from outside, from ECLA which provided technical assistance. Third, trade also increased because investment was attracted to Central America and made possible the emergence of new industries.[139] Finally, the US share of total trade diminished from 60-70% in the 1950s to less than 40% in 1968. The expansion of intra-regional trade was achieved at the expense of the US.[140]

During the troublesome period in the 1970s serious distributional problems emerged. There was not a lack of benefits, but they were distributed unequally and this encouraged the raising of protective trade barriers.[141] The distributional problems stemmed from the dualistic economic pattern in Central America in which the rural population lives in extreme poverty. Costa Rica had a more equitable distribution from the start because of its more equal distribution of land and is therefore an exception.[142] The growth potential of CACM was limited. The first phase of import substitution; domestic production of consumer goods, was easier to accomplish than the production of more advanced products in the following phases. The need to import rather increased than decreased since the countries had to import the majority of the factors of production that the industry was in need of. In addition, the only source of foreign currency available was the traditional export of agricultural products.[143] However, despite this fact, intra-regional trade has grown, although modestly, from 1960 to 1988, and there has been net trade creation. Moreover, the group has also become more open to international trade.[144]

The revival of the CACM at the end of the 1980s a variety of causes. One is that there is a relative peace in Central America and an interest in preserving it by closer cooperation. Secondly, other regional agreements have been signed by actors around CACM. The World Bank recommends integration and believes in its basis for economic and social progress. CACM is also frightened by the close cooperation between Mexico and the US within the NAFTA agreement. This will have negative consequences for Latin America because it makes Mexico more attracted to US and Canadian investment and because it makes it more likely that Mexico will look to the US and

[135] The Cambridge Encyclopedia of Latin America And the Carribbean, p. 90 f
[136] Blomqvist, 1992b, p.14
[137] The Cambridge Encyclopedia of Latin America And the Carribbean, p. 90 f
[138] SvD, February 11, 1995, p.21
[139] OECD, 1992, p.44
[140] Blomqvist, 1992b, p.14
[141] OECD, 1992, p.44
[142] Blomqvist, 1992c, p.18
[143] Blomqvist, 1993, p.4f
[144] OECD, 1992, p.44

Canada for imports. Thus, Central America is threatened by a loss of investment and export markets.[145]

The church has supported regional integration. An organization called CRIES (Coordination Regional de Investigaciones y Estudios) was established in 1980 at the initiative of the Catholic church. It analyzes social and economic structures and the roots of conflicts in the Central American region. They provide economic facts that the governments lack. The CRIES analysis are not based on North American values, which has often been true of data on Central America.[146]

CACM has three policy instruments: free trade zones (allowing industries to import intermediate and capital goods duty-free); a CET and some fiscal incentives. Foreign companies were the target of many of its policy measures. In the beginning of the 1990s one third of the industrial sector was owned by foreigners. When it comes to industrial planning the question has been raised as to whether CACM as an organization has ever had one at all. The dual system of CACM was based on the continued importance of the traditional primary sector dominated by the old oligarchy in coexistence with an industrialization program. The degree of repression needed to run the system was high.[147]

Costa Rica has the highest GDP per capita in the region but is not part of the so-called CA-4: the leading nations El Salvador, Guatemala, Honduras and Nicaragua. In the Protocol of Guatemala of October 1993 the CACM members agreed that the speed of integration would vary. (The Protocol also succeeded in making travel passport free in the three northern countries though less so in the south.[148]) As the most developed country, Costa Rica has higher wages and therefore worries about the expected flood of labor migration that is the likely of labor market liberalization. Costa Rica is therefore reluctant to liberalize and has also pursued bilateral negotiations with Mexico.[149]

4.6 Experiences of Regional Integration in Sub-Saharan Africa

Political leaders in Africa are traditionally in favor of regional integration and this has resulted led to a large number of integration projects. The richest source of experiments with regional integration and cooperation in the world is found in Sub-Saharan Africa . Some schemes are more ambitious than others, for example the Organization of African Unity (OAU) formed in 1980 aiming for an African Economic Community by the year of 2025. Other projects are more modest and limited.[150]

Most of the integration schemes were adopted after decolonization and independence from the late 1960 to the early 1980s. It is not uncommon that the members of a grouping had the same colonial ties to the same foreign power and therefore had the same official language, common institutions and a common currency. A shared colonial language encouraged French and Belgian colonies, who were both ruled by French speaking colonialists, to form the Communities of the Great Lakes and of Central African States. In Southern Africa there is another historical impetus for regionalism. The economic and political dominance of South Africa motivated the front-line states of Lesotho, Malawi, Namibia and Swaziland to form SADCC, nowadays known as the Southern African Development Conference (SADC) and includes South Africa. Since support for SADCC was considered a positive measure to encourage change in the region - in contrast to

[145]SvD, February 11, 1995, p.21
[146]Nylund, 1987, p.98 f.
[147]Blomqvist, 1992c, p.5
[148]Economist, June 18th 1994, p.49
[149]SvD, February 11, 1995, p.21
[150]Langhammer & Hiemenz, 1990. p.34

economic sanctions - the organization attracted a lot of outside aid. As much as 90% of the organization's budget for projects came from foreign official development assistance.[151]

Trends in the international economy create incentives for regional integration. European integration has had a positive demonstration effect on Africa. It has also influenced integration. The EU has many discriminatory trading arrangements with non-members. This has encouraged the developing countries to adopt regional integration in self-defense against the EU, rather than as a response to natural trade patterns. The idea of pan-Africanism, which is an emotional appeal for unity among African peoples, has also spurred regional cooperation.[152]

4.6.1 Economic Situation in Sub-Saharan Africa

The desire to integrating regionally is strong in Africa. The number of regional schemes in Sub-Saharan Africa is impressive, yet their results are not. Since over half of the nations in Africa has a population under ten million, there is a need for regional cooperation. Nonetheless, only about six percent of the officially recorded trade in Africa is intra-African trade, thus Africa remains as dependent upon commodity exports to the industrial world as ever.[153] It is easier to understand why the organizations so often fail if one keeps in mind the fact that their combined GDP in 1989 was approximately equal to Belgium's. Imagine subdividing the Belgian economy into more than forty independent economies, each with its own public administration, currency, monetary mechanism, transportation network, army etc. An administrative apparatus is expensive which naturally creates problem for the poor countries in Africa. For them, integration and cooperation can help compensate for low levels of human and physical capital.[154] The countries faced a decade of economic stagnation and falling living standards in the 1980s. Heavy debt burdens, low levels of investment, weak institutions, declining terms of trade for raw materials, high population growth, massive unemployment and the rapid increase in the number of people with AIDS are further impediments to progress in the region.[155] Most Sub Saharan countries have been trying to adopt a free market philosophy using structural adjustment programs during the 1980s. But growth has been slow and successes few. This is also due to the natural and manmade catastrophes including droughts, floods, wars and political unrest.[156]

The actual cost of colonizing Africa was high. It was motivated not only by economic considerations but for political and strategic reasons. Production structures in Africa were transformed to serve the demands of European markets and to make African colonies cash economies capable of providing the financial resources necessary to pay the administrative costs of colonialism. Infra-structure and investments were concentrated in areas where the greatest payoff to Europe could be secured. Total investments in Sub-Saharan Africa between 1870 and 1936 amounted to about £1,222, 000,000 in loans and grants to both governments and private capitalists. Only 1/8 of this amount was invested in areas in which mineral exploitation was not the dominant trading commodity. The African territories were developed to be, critically dependent on foreign trade and financial support and they remain so to this day.[157]

Both Latin America and Africa have had to face falling commodity prices during the last decade but Africa suffered the most, especially those countries dependent on cocoa and coffee. Furthermore, Africa did not receive investments of the magnitude Latin America did. Africa has gotten aid assistance but not nearly enough to cover the losses due to the changing terms of trade. The delayed recovery and the continuing debt and foreign exchange crises damage

[151] Odén et al, 1993, pp.28, 227 f
[152] Odén, 1993, p.28
[153] Sandbrook, 1993, p. 142
[154] Odén, 1993, p.28
[155] Baile & Breier, 1994, p.21
[156] Trade and Development Report, 1993 p. VI
[157] Morrison et al, 1989, p.174

investors' confidence and affect their willingness to invest the money necessary to improve economic conditions in Africa.[158]

There is little doubt that capitalism is, despite its weaknesses, more suitable than socialism for stimulating African development and spurring the transition from the present pre-capitalist stage of development. The market can also promote the rise of a necessary local bourgeoisie.[159]

The national institutions in Africa were founded by the colonizers. When independence came the new elite were naturally inclined to tear down the existing macro-economic structures on the grounds that they were primarily instruments of exploitative imperialist rule. The political and social implications of this choice have been positive, but it has harmed economic development.[160]

It might be correct to say that "the influence in international affairs of the African statesmen seems in direct relation to both their cohesiveness and their stability".[161] If Africa was united, it would be the strongest regional bloc in the United Nations. That this has not happened is in part due to factors in the international system which impact on African cohesiveness and internal stability. These include 1) the continued importance of their ties to old colonial masters, 2) the obvious division of states into industrial and developing countries, something which is supported by the economic dependence of the developing nations on the developed world.[162]

The East Asian and Central American regions attract more investments than Africa, mainly from the closest member of the Triad. Investors seek to exploit natural resources, get access to developing country markets and take advantage of cheap factors of production. This does not mean that LDCs do not benefit from the foreign investment. They do but Africa is, unfortunately, the forgotten continent in this context. The unwillingness of foreigners to invest in Africa is linked to inadequate infrastructure and economic policies that do not promote exports and consumption. Africa's markets are too small and the purchasing power of its people often very low. Frequent droughts, political instability and fluctuating prices for primary goods add to the poor conditions and help make Africa an insecure place for investment. To be able to compete, Africa needs new techniques and better infrastructure, things that are almost impossible to obtain without foreign investment.[163]

Although the economic situation is very bad in Africa, there are now some signs of recovery. Growth has been increased in the East and South (though not in West Africa). Direct investment increased by 23% in 1994. The value of the Sub Saharan stock markets may increase as much as five fold during the next fifteen years. The stock market in Ghana, an ECOWAS member, has been successful. Investors' profits in Africa may actually be higher than in Asia but the risks of investing (droughts, political instability and fluctuating prices) are also higher.[164]

4.7 ECOWAS

The Economic Community of West African States was formally established in 1975 but the original idea arose in the mid-1960s and included all of Eastern Africa.[165] ECOWAS encompass 200 million people[166] in 16 countries. It lists some overlaps with those of two other groups in West Africa: the West African Economic Community (CEAO) and the Mano River Union (MRU).

[158] Trade and Development Report, 1993 p. VI
[159] Hydén, 1983, p.25
[160] Hydén, 1983, p.18 f
[161] Morrison et al., 1989, p. 173
[162] ibid, p. 173
[163] Hårsmar, 1993, 39 f
[164] SvD, May 15, 1995, p.8
[165] OECD, 1992 p.32
[166] United Nations 1993

Members of ECOWAS are Benin, Burkina-Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. These are countries to the west of Niger and Nigeria. They cover a territory of 6, 124, 609 square kilometers.[167]

Many ECOWAS countries are also signatories to the EU's Lomé-convention. The fourth Lomé-convention runs until the year of 2000 and provides the African signatories with preferential access to EU markets (99% of their products are subject to no customs duty or equivalent taxes and they are not required to reciprocate), aid and cooperation.[168] ECOWAS consists of anglophone (Ghana, Sierra Leone, Liberia and Nigeria), lusophone (Guinea-Bissau) and francophone (the rest) countries who, even if they do not share a language they are definitely economically linked through smuggling and labor migration.[169]

4.7.1 The ECOWAS plan

The ECOWAS treaty is the Treaty of Lagos and its main objective is to create a single market for the members. The steps to be used to achieve this were regional trade liberalization, free movement of factors of production and harmonization of monetary, fiscal and agriculture policies. A Fund for Cooperation, Compensation and Development (FCCD) was established in order to mitigate the impact of integration and tariff reductions on the least developed members. At the 1978 Conference of Heads of State and Government a decision was taken to prohibit any increase in tariffs on goods from any member. This was regarded as a first step towards a CU. Several decisions were taken during the 1980s to speed up tariff reductions but the timetables agreed upon have not been realistic. The tariff levels were supposed to be gradually lowered until they were completely eliminated by 1989.[170] (A CET was to be formed in 1994 but has not been established.) In 1983 a Conference of Heads of States and Government decided to begin studying the formation of a single ECOWAS monetary zone.[171] Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo are already members of the Franc Zone. (The currencies of countries in the Franc Zone are tied to the French franc at a fixed rate of exchange.)[172] The ECOWAS scheme is ambitious and seeks to bridge cultural, ethical and language barriers. Its member states have large populations (a total of 194 million of people) which is one reason it has gotten a lot of international attention.[173]

The ECOWAS organization consists of an executive secretariat in Lagos, Nigeria which is headed by a Secretary General. The highest authority in ECOWAS is the Conference of Heads of State and Government which meets once a year. The Community Tribunal is the organization's dispute settlement mechanism. The Council of Ministers meets twice a year and consists of two representatives from each country The council actually runs the Community. There are also five different commissions covering trade, industry, transport, culture and administration and finance.[174]

Politically powerful Nigeria is one of the main promoters of ECOWAS cooperation. Its goals have been to reduce its oil dependence and increase its influence in the francophone part of the region. Private business enterprises from West Africa mostly from Nigeria, also supported the idea as a way to get a competitive position vis-à-vis multinational corporations.[175]

4.7.2 Economic Features of ECOWAS

[167]OECD, 1992 p.32
[168]EU, 1991, p.28f.
[169]Langhammer & Hiemenz, 1990, p.35
[170]OECD, 1992, p. 32
[171]Europa Publications, 1990, p. 205
[172]ibid, p. 208
[173]Langhammer & Hiemenz, 1990, p.40
[174]Europa Publications, 1990, p. 205
[175]de Melo & Panagariya et al, 1993, p.243

The estimated total GDP of ECOWAS was $68, 917 million in 1991. It has significant mineral resources and produce a lot of agricultural products. The region is the most diversified economic community in Sub-Saharan Africa. The ECOWAS region is nonetheless still undeveloped and poor, with a GDP per capita of $345 in 1991 and economic activity primarily based on only a few commodities.[176]

Economically, the states are different in some respects. All of the ECOWAS-members are low-income economies except for Senegal and Côte d'Ivoire which are middle-income economies. Although it is a low-income economy, Nigeria's income is more than hundred times greater than that of the smallest economies (Guinea-Bissau and Gambia). This discrepancy is greater than those found in other integration groups throughout the world.[177] The Nigerian markets have a huge potential to become new export markets for the smaller countries who can meet rules of origin and other requirements. The smaller countries are, however, reluctant to open their markets to Nigerian products.[178] The structure of the economies is similar. Twelve members of ECOWAS, have agriculture sectors that account for at least 25% of their gross national production and in nine countries the share is 30%. In order for a successful intra-regional trade to develop specialization is necessary. According to 1970-figures, intra-regional trade it was less than 3% of the total exports of the grouping a figure suggests that comparative advantages have been found in trade with non-regional partners. Import substitution and extensive government intervention also posed a challenge to the implementation of the liberalization policies called for in the ECOWAS treaty.[179] Only 6.4% of the total world exports went to Sub-Saharan Africa in 1990. That is a small increase (3.6%) from 1980.[180] Another explanation for the low intra-regional trade is that the currencies of the member countries are not completely convertible within ECOWAS. In addition, in the francophone countries relatively little industry is locally owned. It is mainly controlled by multinational corporations. In the anglophone countries local owners are more influential.[181]

4.7.3 Politics and Security in the ECOWAS

The ECOWAS members are more different than with regard to history, culture and politics. Their different colonial experiences (British, French and Portuguese) explain why they have different official languages. It also explains their different fiscal codes, value systems and differences in border controls, currencies and public administration policies.[182] One difference in administration is that the French, for example, allowed more Africans to have important positions than did the British. This is noticeable today in Senegal, where French colonizers appointed Africans to significant posts.[183] The political relations between the members have consisted of numerous territorial disputes and political rivalries. In addition, there is great political instability in most ECOWAS countries, and it has given rise to frequent and violent changes in political leadership.[184]

Traditionally there have been strong links between France and its francophone commonwealth in West Africa. Of the ECOWAS members, only Nigeria, Ghana, Mauritania and five other smaller nations west of Côte d'Ivoire are outside the Franc zone. The francophones have always had direct personal links to French headquarters since de Gaulle's time. French arms protect African allies, French aid has flowed to the region and French political parties even get donations from African leaders. But the French bond with Africa is becoming weaker and will be less important

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[176] United Nations, 1993
[177] OECD, 1992, p. 32
[178] Langhammer & Hiemenz, 1990, p.40
[179] OECD, 1992, p.41
[180] de Melo & Panagariya, 1993, p.241
[181] Langhammer, 1990, p.41
[182] de Melo & Panagariya et al, 1993, p.243
[183] Hydén, 1983, p.18
[184] de Melo & Panagariya et al, 1993, p.243

in the future. France has supported the francophone economies by guaranteeing the African franc. It was a severe shock to the Africans when the French devalued it by half in 1994. France has thus revealed that it will not continue to shield Africa from economic reality and will look after its own interests.[185]

Before the colonial period there were only a few European-style states in Africa. (Some of which were in the ECOWAS area) This is why African states have little historical experience in pursuing *national* economic policy. Leaders are not used to thinking in national terms and often pursue short-run rent-seeking policies in which they have an interest.[186]

After independence Benin, Burkina Faso, Ghana, Guinea Bissau, Mali, Mauritania, Niger, Nigeria, Senegal and Togo have all experienced coups. In 1980 Liberia had very bloody civil conflict and in 1991 civil war broke out. Twelve peace agreements have failed to bring peace. In the summer of 1995 the UN even threatened to leave Liberia on the grounds that the combatants lacked a genuine commitment to sustainable peace. The Liberian civil war has caused a "spill-over effect" and started a civil war in neighboring Sierra Leone too.[187]

4.7.4 Outcome of ECOWAS Regional Integration

A regional motor insurance ("Brown Card") plan was established in 1984 and the United Nations helped the region develop a revised road map. In 1988 a project to improve internal and inter-state communications - Intelcom - was completed. It included the setting up of telex and television links in different parts of the region. ECOWAS is also working on harmonizing road signs and traffic laws. Also in 1988, a decision was taken by the World Bank and other donor organizations to provide financial support for road improvement in the ECOWAS-region. Programs to monitor West African ports and enhance air traffic safety have also been launched, as have cooperation projects in energy, tsetse fly control and the establishment of cattle ranches. In 1990 a computer system to process customs and trade statistics and calculate the loss of revenue due to intra-ECOWAS trade liberalization was created. The 1988 Conference decided to condemn all dumping of nuclear and industrial waste in Africa by countries outside the region.[188] Finally, a so-called ECO-bank, emphasizing offshore banking has been launched a private sector enterprise project.[189]

A protocol of non-aggression was signed at the third Conference of Heads of State and Government. Thirteen ECOWAS-members signed the 1981 protocol on mutual defense assistance. A standing mediation committee was established in 1990 to help resolving member states disputes.[190] The members also agreed in 1990 to send a peace keeping force (mainly Nigerian but participants from Gambia, Ghana, Guinea and Sierra Leone) to try to stop the Liberian civil war. At a summit Conference in Bamako, four months later, the three Liberian forces agreed to a cease-fire. Unfortunately the civil war has continued. Normally ECOWAS follows the rule of non-intervention in the affairs of other states but the effort to resolve the Liberian Civil war was an exception.[191]

[185]Economist, August 12, 1995. p.45 f
[186]Svedberg, 1995, p.295 f.
[187]SvD, September 14, 1995, p.4
[188]Europa publications Ltd, 1990, p.206
[189]Langhammer & Hiemenz, 1990, p.42
[190]Europa publications Ltd, 1990, p.206
[191]Boyd, 1994, p. 108

5

EVALUATION AND LESSONS FROM THEORY

This chapter will evaluate the three organizations from an ex ante and an ex post perspective. The ex ante perspective is based on the rationale, goals and background of the regional formation. Such information is useful for studying whether the regional grouping have sufficient incentives to pursue the integration policy or not. The ex post evaluation will look for qualitative evidence about the political and economic achievements of the two regions over the period dating from their establishment to the early 1990s. The thought used to make an assessment was presented in chapter three. Some basic indicators of the organizations is collected in table three and four in appendices I and II. Finally, in section 5.4 the applicability of the theoretical framework is evaluated.

5.1 ASEAN

Ex Ante The economies of ASEAN were very different but all ASEAN members were for the most part politically homogeneous though they had different political heritage. The economic diversity of the members will probably increase when Laos and Cambodia join.

The fact that the founding members were direct competitors in many areas of trade made the removal of protective barriers especially sensitive. The countries also relied heavily on trade with countries outside the ASEAN-region. Extra-trade is still important for the ASEAN-members. Therefore, the incentives to integrate were not particularly strong and decisive.

The objectives in the Bangkok declaration of 1967 were not nearly as comprehensive as, for example those set out in the ECOWAS treaty. The ASEAN treaty did not even include the goal of creating an FTA. Security defined as protection from the threat of communism, was the single most important reason for the creation of ASEAN. Considering the political turmoil in the region in the mid-60s, this should not be too surprising.

Ex-Post The growth of members of ASEAN has increased since the organization was established but how much of this is due to the organization is unknown. As a matter of fact, extra-regional trade rather than intra-regional has been the engine of growth for ASEAN countries. ASEAN's record of promoting industrial cooperation has not been as successful as its promotion of trade growth.

The more developed countries in ASEAN tend to reap the major benefits and thus causes considerable political friction. According to theory, a high level of variation in the economies impedes progress on institutionalized integration for both political and economic reasons.
Since its inception ASEAN has been based on the principle of voluntary consent. There is no majority rule and no binding contractual commitments. Only one supranational good has been produced by ASEAN, ADPS. This project is the only one of its kind which provides both public and supranational goods without violating the principle of subsidiarity.

It is sometimes argued that it is not appropriate for ASEAN to establish an AFTA because the participants are not complementary but competing industrial nations. The market they constitute together is also quite small if compared, for example, to Europe. Its size will be an obstacle to letting free trade drive the development towards greater complementary. The post-war development in Asia differs from the development in Europe. The European leaders choose to emphasize economic and later also political integration in order to secure peace. Asia followed an other path. It was pushed by the US, the conquering hero in the Pacific, into fostering close political and economic ties, not with Asian countries but with Uncle Sam. Today's growing, wealthy economies of Asia are therefore very dependent on exports to the US and Europe. That is why, consequently, an "Asian Union" is not interesting enough. Their markets are located in North America and Western Europe. They do not have enough incentives to engage in a distracting push for economic integration as long as the global free trade system symbolized by the WTO works.

APEC might be a more suitable development, although Malaysia, for example, would prefer an Asian-only alternative to APEC. Malaysia considers today's APEC to be too dominated by the US and Australia.[192] The problem is that Southeast Asia is too dependent on the US leadership. A Japanese leadership in an East Asian regional grouping is the only way to achieve economic integration without US involvement but it is also a serious threat to the EU and the US. A large FTA comprising all East Asian countries could produce major changes because of its size and the related economies of scale. But it would be harder to negotiate with such a big area and it would probably be trade diverting. Countries outside the region, such as those in South Asia would find it more difficult to penetrate this market.

Southeast Asia's prospects are crucially linked to openness in trade and investment. It is in the region's interest to take initiatives that strengthen linkages both within Southeast Asia, within East Asia and between Southeast Asia and its world trading partners. The economies are too dependent on extra-regional trade to seriously discriminate against non-member countries. This is one of the most important explanations as to why the results of ASEAN have been so meager.

There is no doubt that the process of bringing Vietnam into the group, the organization's bête noire for many years, will take several years. It is possible that this will distract the organization from the work related to AFTA. Eventually, as we know, ASEAN plans to include not only Vietnam but also Cambodia, Laos and Myanmar as members. This poses some problems. Economic diversity has already been mentioned. Laos and Cambodia, for example, not only lack the financial resources but also something as basic as officials fluent in English, ASEAN's official language. Myanmar's military dictatorship remains problematic even though the country has taken the first steps towards membership and convergence with the rest.

ASEAN has managed to establish some common positions in security matters such as Vietnam, and has also been able to support the positions over a long period of time. The worldwide recognition of ASEAN, and the OECD's acceptance of it as a permanent dialogue partner is a far more important achievement than internal integration and industrial cooperation. The grouping has also formed a strong internal network of consultations.

The commitment to liberalizing regional trade and promoting industrial cooperation between members has been weak in ASEAN. It therefore seems likely that ASEAN is not sufficiently motivated to create an Asian free trade area. AFTA might even be a way of guarding against the possibility of an isolationist EU or NAFTA in the future or against a break-down of the multilateral trade regime. If regional schemes in other parts of the world remain as open as they are today will this then make AFTA unnecessary? And if WTO is further invigorated will this also diminish the need for further ASEAN integration? If it is true that AFTA is really a parachute for an emergency, then the actors probably lack sufficient incentives to seriously work regional integration.

It is quite clear that ASEAN has dropped its traditional reluctance to publicly dealing with security matters. It is no longer only a political and economic grouping. The organization is widening its role making more responsibility for regional and pan-Asian security matters and welcoming new members. Security matters are often dealt with in ARF-meetings. These efforts are not as visible as tariff cuts and increased intra-regional trade. ASEAN is widening its sphere of interest but its main preoccupation- what it does best - is trade and economics. Since economic prosperity is

[192]Economist, July 8, 1995, p.66

only possible if there is peace it might be necessary to take on security responsibilities in order to guarantee future economic security. In sum, the most important outcome of ASEAN is that it has structured the relations among the members so that it can take common positions and joint actions in the international arena.

5.2 CACM

Ex Ante In the initial phase, despite the small market, CACM members had excellent prospects for integration. There were for example no histories of one country dominating another country and their industrial structures were complementary. Thus there were plenty of incentives for pursuing integration policies.

The countries of CACM have a common language. This is an important source of cohesion and beneficial regional integration. Another positive initial factor when CACM was founded was equal income levels in member states. As integration developed three of them advanced from the low- to the middle-income stage.

The population of the region was not homogeneous and the area was conflict-prone. That is the region was and is characterized by instability. For bad or worse the countries were and remained dependent on the US. A common external threat was not the reason for integration in 1960s, but preventing a return to insecurity in the region has been an important reason for integration in the 1990s. There is relative peace today and it needs to be sustained and secured.

Ex Post CACM could not bring about stability during the 1980s. In the face of negative developments the organization also collapsed (only to be resurrected in the 1990s). The debt crisis led the countries to raise trade barriers in the 1980s. The organization gained new life in the 1990s and trade barriers were again lowered to 1960-levels.

In its successful years in the 1960s the organization established a CET which covered large parts of its external trade. The CET was revived in the 1990s. In the initial phase the countries were rapidly industrialized and they experienced increasing GDP rates. Yet despite the promising initial conditions the organization had serious problems over distributional issues in the 1990s.

Although the results of the 1960s and 70s were ruined by the breakdown in the 1980s the overall CACM experiences with integration have been positive. The countries are not interested in abandoning integration because that would probably mean going back to import substitution policy and losing the dynamic advantages in regional cooperation. The questions that engage Central American politicians today include how to diversify Central American trade so that dependence on US markets can be reduced, how to diversify exports and how to integrate poor farmers into the national economy. Most authors claim that developing diversified exports and a continued shift away from primary exports is necessary if CACM economies are to prosper. CACM efforts in the 1990s are much more outward-oriented than in the 1960s.

The latest scheme for CACM is not as comprehensive as the original one and the speed of integration varies between countries and is more realistic. Traveling between countries in the north requires no pass-port and it is hoped that this will be extended to the south as well. CACM may accept new members in coming years (beginning with Panama and Belize in the first place). It is also interested in joining an American North-South initiative something which can have both positive and negative consequences for CACM. Whatever the outcome, CACM has to pursue a policy which does not threaten the possible security interests of the US but promotes regional political and economic independence

5.3 ECOWAS

Ex-ante The existence of high barriers to intra- and extra-regional trade, geographical proximity and a shared belief of the benefits of regionalism seemed to favor the ECOWAS project. But conditions which have benefited EU integration - complementary in production structures, similar levels of income, a willingness to cooperate rooted in historical experience, a political structure which allows national interests to be overridden or used for the common purpose - have been more or less absent in the case of ECOWAS. It is somewhat hard to imagine how a significant growth in intra-regional trade could be created.

In order to complete a project as comprehensive as a regional integration scheme experts, diplomatic skills and most important; political will are needed. The ECOWAS-region lacks many of these resources. Moreover, the states are often run by rent-seeking elites with short-run goals. Democracy, where it exists, is threatened by, among other things, poverty and a lack of political rights. It is an open question, whether democracy is necessary for successful economic integration. However, the environment for integration could be better and the incentives for integration are, according to theory, low.

There are several other organizations within the ECOWAS. The over-lapping membership in these various organizations is mostly a problematic element that undermines cohesion. The members do not pay enough attention to ECOWAS-work. They are also tied to the EU's Lomé-convention. They were already in this trading block before the establishment of the ECOWAS. The African economies export raw materials and tropical products and import capital goods and manufactured consumer goods. This pattern of trade; the complementary between African and European economies obstructs intra-regional trade in ECOWAS, strengthens a one-sided dependency and undermines the ECOWAS states' incentives to adopt regional strategies. To that can be added that nine percent, almost one tenth, of the budgets in Sub-Saharan Africa consists of aid. The average for all LDCS is three percent.[193]

Ex-post The results of cooperation in ECOWAS is far from impressing. There exists no CET, labor cannot move freely within ECOWAS and fiscal and monetary harmonization are ambitious objectives whose realization will not be possible for a very long time. These have been the main objectives of ECOWAS since it was founded. Some projects have been implemented but they have not affected trade liberalization much.

An often cited reason for the failure of intra-regional trade to develop in ECOWAS is the absence of currency convertibility. Another reason is that governments often try to keep out imports from other member countries as a way to counter balances of payments problems. Intra-regional trade figures are therefore very low in comparison with Asia and Central America. The structural features of the West African economics, the pursuit of the import-substitution policies and the economic differences that produce an uneven distribution of benefits and costs of integration have so far prevented any serious and meaningful intra-trade integration. So, if intra-regional trade is an appropriate indicator of integration, it can be concluded that ECOWAS more or less has failed. But as de Melo and Panagariya[194] point out, when product differentiation and intra-industry trade is possible, countries with similar factor endowments (like the members of ECOWAS) can still trade with each other. Traditionally, a difference in states' factor endowments turns them into natural trading partners. The members of ECOWAS are thus not natural trading partners, which leads to a lack of trade creation.

Governments have allowed interstate jealousies and suspicions to inhibit cooperation. The contributions to and outlays from the FCCD fund that was supposed to mitigate the negative consequences of integration create repeated controversies. Tariff revenues are so important for the national budgets that there is little chance of successful liberalization. A necessary condition for successful integration is that a member either has something to gain by competition or gets

[193] Svedberg, 1995, p.295
[194] de Melo & Panagariya, 1993, p.252

compensated for a loss. This condition is not fulfilled in ECOWAS. There is, as mentioned above, a skewed distribution of benefits and costs. There has also been a lack of commitment by member governments. There is a reluctance to implement policies at the national level and the members often do not pay their membership fees. Also the national links to the secretariat, the center of the organization, are in many cases weak.

The historical fact that the countries have regained their independence only recently makes it difficult for them to surrender sovereignty to a supra-national body. But a slow policy change, a step-by-step abandoning of past import-substitution policies and the adoption of structural adjustment schemes and export-oriented policies, can accelerate the pace of integration and hopefully, speed up economic development.

Although recent changes on the world political scene are likely to promote the move in Africa towards democracy and reduce political conflicts, complete trade and factor integration is no more likely in the near future than it is today. There seems to be consensus that ECOWAS is in fact, a poor candidate for trade integration but a promising one for cooperation.

5.4 Evaluation of the applicability of the theoretical framework

It is evident that the Balassa stages and models of gradual, linear integration is not always correct. There is no doubt that most regional groupings have a hard time achieving even a FTA. This fact is obvious from the case studies. The European Union is today the only grouping that has more or less followed the Balassa's stages. In contrast, the monetary union in the Franc Zone has existed without effective integration of goods and markets for factors of production. In theory however, monetary integration is one of the last stages. Nonetheless, when analyzing regional schemes of integration there is a need for a classification scheme that reviews the classic stages leading to complete integration regardless of whether they are applicable to conditions in LDCs.

The two development strategies, import substitution and export orientation, were also presented in chapter three. There are two reasons for this. First, they are the two development strategies employed in the three organizations analyzed in the case study. It is therefore it is important to have these strategies in mind when studying regional groupings. Secondly, import substitution was a part of the Latin American structuralist paradigm of the 1950s alongside of the customs union theory reviewed below. Today the debate is moving beyond the dichotomy between import substitution based and export oriented industrialization. The former strategy is sometimes seen as an important step in the development of the latter as it was in the case of East Asian economic development.

Customs union theory In the 1950s, classic customs union theory was frequently employed along with import substitution theory as a part of the Latin American structuralist paradigm. The central concepts in the theory are, according to Blomqvist; trade creation and trade diversion. These concepts are still interesting and not dependent on whether the country under consideration is found in an LDC context or not. In the initial phase of integration it is interesting to know whether the new trade flows and patterns will increase welfare, that is when high-cost domestic production will be replaced by lower-cost partner countries, or will reduce welfare through the replacement of lower-cost imports from third countries with higher-cost imports from partner countries. The first phenomenon is trade creation and the second is usually called trade diversion. They emerge as intra-regional trade tariffs are lowered. Knowing that integration will give rise to trade creation is a strong incentive for integration. The concepts trade creation / trade diversion are rather economic in their nature but they are commonly used in political economic studies of regionalism.

The theory of preconditions and barriers This theory has been the most important theoretical building block in this essay. The theory has succeeded in pointing to the relevant motives for and barriers to integration and it is based on the concepts of trade creation and trade diversion. The preconditions / barriers stated in the theory are concrete and realistic and well suited to developing country conditions. It is argued in the theory that the principal rationale for integration stems from the potential dynamic effects such as GDP growth, economics of scale etc. When a country is deciding whether to join a regional organization or not the static effects in the customs union theory are not as important a consideration as the dynamic effects stressed by the theory of preconditions and barriers.

In my opinion the theory of preconditions and barriers covers the important aspects of regional integration among LDCs. Due to its broad scope which covers economic, political and to some extent security aspects, it is ideal to use in the analysis carried out above. Despite the different characteristics of the three organizations the theory has been relevant in all three cases. This is due to the fact that regional integration schemes in developing countries more or less face the same kind of problems. Furthermore it is advantageous that the theory of preconditions and barriers does not stress any particular factor, i.e. that it is not too narrowly focused. However the theory would benefit from some insights from the development integration model and a further consideration of security factors.

Development integration theory Development integration theory stresses equal distribution and the need for compensation schemes, something which many writers claim the organizations studied here have more or less overlooked. This problem of equitable distribution, or the polarization effect as it also called, is a central issue in both the development integration model and the theory of preconditions and barriers. According to both it is one of the reasons why the progress of integration is often slow. As the studies showed, none of the integration schemes has solved this problem.

None of the organizations has reached the level of advanced political cooperation that development integration theory considers a foundation for progress. It is extremely difficult for the organizations to implement even the programs and policies that the members of the regional organization have agreed upon. The heads of states cannot guarantee that their governments and other national actors will respect the decisions of the organization. In some cases the problem might be that the states are too weakly integrated on the *national* level.
The need for high level political cooperation is a reason why the model of development integration is not useful. Although the preconditions in the theory are supposedly adapted to the context of developing countries they still seem to be hard for LDCs to meet.

Neo-functional theory Neo-functionalism is integration from below. The engine and the main actors are interest groups with market power. A crucial problem with the neo-functional theory is that it assumes functioning pluralism, which is almost absent in some LDC regions, for example in Africa. With pluralism absent, regional politicians are deprived of the allies useful in the integration process. Interest groups are also useful channels of information in the formation of economic policy. The lack of interest groups makes the Heads of States the supreme decision making authorities. This in turn makes cordial relationships between the personalities concerned far too important. Political instabilities and inter-state disputes become very influential in the integration process. The form of neo-functionalism that relies on national and regional interest groups is therefore hard to apply to developing country situations. Since I am not focusing on NGOs, the only relevance of the theory is to point out that functioning pluralism could be an important engine in the process. There is no doubt that this motor is more or less absent in the developing world.

Security There is only one case in this study in which security interests were explicitly one of the motivations for integration, that is ASEAN. Although the explicit reason for CACM and ECOWAS integration was not security, regime insecurity is an always-present threat to cooperation and development in these parts of the world. In the ECOWAS area the ruling elite tend to use political power for their own narrow ends or to preserve themselves through the use of violence. In Central America regime insecurity has been a serious problem in the 1980s but is less so today. The new CACM treaty aims to maintain existing relative peace. The region of ASEAN is no exception: Thailand, for example, has experienced 17 coups by the military armed forces since the end of absolute monarchy in 1932. The most recent one took place in 1991. In Job's book it is argued that the regional relations of such weak states are more conflict-prone than problem solving and therefore not desirable. On the other hand, dealing with regime security problems such as domestic instability can be a task more suitable for a regional grouping, more suitable than coping with external aggression.

To sum up, what the theories actually tell us is that a less ambiguous form of integration is the remedy for most LDC organizations. This is also my conclusion which is further developed in the following chapter. What is needed is a theory that goes beyond the traditional national frontiers that can suggest a feasible way to implement and that also takes into consideration what the natural trading patterns look like. The following description of the new concept of growth triangles matches, to a large extent that description.

In order to overcome cultural heterogeneity, tribalism, colonial heritage and other differences that will always obstruct regional integration and make supra-national institutions more or less impossible, research may come to focus more and more on so called growth triangles or growth zones. This promising concept is an East Asian phenomenon and was first proposed by Singapore in 1989 though not much has been written about it. Toh Mun Heng and Linda Low are editors of a book called ”Regional Cooperation and Growth Triangles in ASEAN” which provides much useful information about the concept.

The ASEAN countries have different comparative advantages and the concept is therefore based on competitive cooperation. The countries in the growth triangle can offer global companies a superior business environment: skilled workers, land at competitive prices, a satisfactory level of infrastructure and support facilities. This is made possible by cooperation in the triangle among countries at different stages of economic development. In the Southern Growth Triangle, the governments of Singapore, Johor in Malaysia and the Riau Islands in Indonesia support the regional enterprise. They want to enable the companies to consider the zone as a single investment region so that the comparative advantages of each area can be maximized. This means, of course, the free flow of goods, services and investments among the areas (not among the states). The growth triangle emphasizes an outward-oriented development strategy which is different from NAFTA, for example, which does not pursue open regionalism. The authors even claim that this development can have implications for and demonstration effects on the global trading system.[195] The Southern Growth Triangle is an example of an active zone with a rapid development. There are at least four other examples of growth zones (more or less active). One is situated in South China and an other includes Russia and Japan.[196]

The outstanding advantage of the concept of growth triangles is that it is not based on national frontiers but on economic complementarity and is thus easier to implement. It is less artificial than traditional regional schemes and driven by the market forces yet supported by the governments. Neo-functionalism would thus be an appropriate theory to apply to this context. In addition, the governmental support has given the regional cooperative enterprise in Southeast Asia legitimacy which is crucial for among other things, the reducing of uncertainty and business risk.

The concept of growth triangles is a new phenomenon and further research is needed. It is also outside the scope of this study. Moreover, the ideal environment for the above mentioned development is naturally found in East Asia. The preconditions are not at all the same in Africa which is why the concept of growth triangles needs some further modification to be applicable there. In the mean time, theories used in this essay are more useful to analyses of Africa. In general however, none of the theories in their pure forms, apply in a LDC context. Some kind of

[195]Heng & Low, 1993, p.ix ff
[196]Yamazawa, 1992, p.1525 f. and Tiglao, 1994, pp.40-45

eclectic combination of the theory of preconditions and barriers, development integration and theoretical aspects of regime security might be a useful framework.

CONCLUSION

I am well aware that I have not covered all economic, political and security aspects of the problem or should I say possibilities - of regional integration in LDCs. Despite this, I have found in my brief survey of three regional groupings some features worth taking up in this conclusion.

The performance of the regional organizations analyzed in the case studies and in the developing world as a whole is not impressing. One important reason to this fact is that the organizations have serious economic, political and security problems to overcome. If the organizations in the case studies are compared, the African ECOWAS, not surprisingly, has the most serious problems to deal with. The main reasons for the meager results of the ECOWAS experiment are above all political instability and poverty.

Although intra-regional trade figures for ASEAN are higher than those for ECOWAS and CACM, they are still rather insignificant compared to, for example the EU (see Appendix II). If Singapore, which has a pivotal role, is excluded the picture changes considerably. This is once again because extra-trade is so important for ASEAN. Moreover, ASEAN members are not convinced that regionalism is the one and only alternative. Nevertheless, ASEAN and CACM have avoided trade diversion. These two regional organizations are along with the Asian Bangkok Agreement[197] the only LDC groupings in the world that have managed to avoid trade diversion.[198] However, ASEAN is not promising as far as deep regional integration (not cooperation) is concerned.

The organization of CACM in the context of a future Pan-American agreement seem to be the most dynamic organization of the three in a regional integration sense. The free trade area of the Americas (FTAA) is well ahead of APEC and the goal is to create it by 2005. CACM will be a part of it because the agreement will be built on existing FTAs and the network of bilateral agreements in the North and South America. But integration between developed and developing countries is not easily achieved. There is a need for great adjustments on both sides. Because there are benefits and costs from this kind of integration, it is not likely that all-embracing FTAs will be frequently established. More likely are partial FTAs which can exclude sensitive sectors such as light manufactures and agriculture.

Changes in the global trading environment provide new and better opportunities for South-South trade. The import-substitution policies of many developing countries have kept the developing countries from developing extensive trade relations with developed states. Many of these countries have now become more outward oriented and open to imports as a way of responding to debt problems and the need to raise fresh capital. It is true that countries creating FTAs are less likely to fight for global free trade which, of course, is negative for those in favor of free trade. But for questions not satisfactorily covered by the WTO, for example rules on FDIs, free trade agreements may spur developments. Thus regional attempts to reach long-term trade policy goals may be useful for the world trading system. Despite the fact that developing country organizations often focused on short-run interests a leading group or country within the regional organization may realize the limits of relying on regional integration only. This group or country can lead the push for multilaterism, which can be very important for the world trading system.

For LDCs, regional cooperation is better than integration. Not only because it is easier to achieve but because integration seem to be a ”mission impossible” for the developing countries. A better alternative could therefore be free trade with countries outside as well as inside the region. This

[197]The Bankok Agreement consists of Bangladesh, India, Laos, Sri Lanka and South Korea
[198]According to the OECD, 1992

aims at regional trade strategies which are as open and non-discriminating as possible and which also include serious attempts to further strengthen the region's position in WTO. The developing countries are becoming increasingly important in WTO negotiations, something reflected in the Uruguay Round. Moreover, an outward oriented economic integration strategy can serve as a spring-board for producers who aim at competing in the world market.

However, it can also be argued that in political terms, it is unclear whether the "coalition" approach of regional integration is any more effective than bilateral negotiations with developed nations. The approach loses its value the more diverse the group and diversity is clearly a feature of LDCs. In addition, preferential arrangements for LDCs in developed country markets (such as general schemes of preference (GSP) and Lomé agreements) undermine LDC cohesion and incentives for regional LDC organizations.

The fact that the countries seeking to form successful regional organizations are heterogeneous and unwilling to surrender national power makes the implementation of treaties very difficult. The possibility of overcoming this through the use of the new concept of growth zones (described in 4.4) is therefore a tempting and interesting idea. Moreover, these areas are based on economic complementarity instead of national frontiers.

In my view, the development of growth triangles might, if successful, outrun ASEAN and maybe even incentives for further ASEAN cooperation. At the same time, the significance of the ASEAN organization should not be neglected because the ASEAN framework and the worldwide reputation of the organization are of great value to the region.

LDCs will continue to be vulnerable to external shocks and competition from developed countries. Reductions in the demand for primary products, increased competition from developed countries in primary products, falling prices for LDC exports, debt and overproduction are all problems for the LDCs and they cannot be *fully* solved by regional integration, however intense and open. There is instead a need for industrialization, sound economic policies and diversified trade. Therefore, the importance of regional integration for development in any part of the world should not be exaggerated It should not, however, be disregarded either. It is a matter of fact that integration as such cannot replace sound domestic policies or make them any less essential. Nevertheless, efforts to reap the benefits of integration may drive LDCs to implement good and sound domestic policies that strongly contribute to the development. The road to integration may in fact be the goal.

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APPENDIX I

Table 3 ***Comparison between different basic indicators of ASEAN, CACM and ECOWAS***

	ASEAN	CACM	ECOWAS
AREA	3 053 829 km^2	19 296 484 km^2	6 124 609 km^2
POPULATION/NUMBER OF MEMBERS	328 mill / 7	30 mill / 5	200 mill / 16
TOTAL GDP	$345 608 mill	$25 753 mill	$68 917 mill
TOTAL GDP / CAP	$1053	$955	$345
OTHER REGIONAL GROUPINGS WITHIN THE AREA ?	Yes	Yes	Yes
TREATY	Not comprehensive	Latest treaty less comprehensive than the original treaty	Comprehensive and ambitious
PRINCIPAL AIM	FTA	CU	CU
COUNTRY LEADING THE INTEGRATION	Indonesia	CA-4 (El Salvador, Guatemala, Honduras and Nicaragua)	Nigeria
EONOMICALLY POWERFUL COUNTRY	Singapore	Costa Rica	Nigeria
COLONIAL TIES	British, Dutch	Spanish	French, British and Portugese
WORLDWIDE REPUTATION ?	Yes	No	No
TRADE CREATION/ TRADE DIVERSION ?	Creation	Creation	Diversion

APPENDIX II

Table 4 ***Comparison between some characteristics of ASEAN, ECOWAS and CACM and some other regional groupings in the world.***

	AVERAGE INTRA-GROUP TRADE IMBALANCE INDEX [a]		SHARE OF MANUFACTURING IN GDP IN 1989			SHARE OF INTRA-GROUP EXPORT TRADE IN TOTAL EXPORTS			
	1980	1990	MIN	MAX	MIN AS % OF MAX	1970	1980	1985	1990
ASEAN	13	23	17	26	65	14,8	18,3	18,4	18,5
CACM	21	20	14	27	62	26,2	25,4	15,5	14,2
ECOWAS	52	54	3	20	15	2,9	3,5	5,3	5,7
SADCC[b]	31	57	4	24	17	2,6	2,1	3,6	4,8
EC[c]	6	8	18	32	56	53,2	55,7	54,7	60,6
NAFTA	6	5	13	17	76	36,3	33,6	39,7	41,5

Source: de Melo and Panagariya, 1993, p.247 f.

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[a]The index for individual countries is calculated as total exports to the group - total imports from the group expressed as a percentage of trade with the group. The average for the group is a weighted average of each member country's index where weights are equal to the sum of the share of exports and imports.
[b]Data for SADCC exclude Namibia and South Africa.
[c]Data for the EC: 1980 and1990 refer to EC (12). Data on the share of manufacturing excludes Ireland. Note that the average trade imblance index for EC (6) in 1958 was equal to 8.

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