Regionalism in World Politics

REGIONAL ORGANIZATION AND INTERNATIONAL ORDER

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from the outset that there is no commonly accepted view of the 'new regionalism' nor indeed of its place in any evolving international order. The debate on regionalism remains very much an open one.

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Regionalism in Theoretical Perspective

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THIS chapter addresses two very basic questions: first, what do we mean when we talk of regionalism and what are the principal varieties of regionalism? And second, what are the major sets of theories that may be deployed to explain the dynamics of regionalism? Theory, of course, is not everything. But it is central to the creation of the definitions, concepts, and categories around which the analysis of regionalism is necessarily conducted; it brings to the surface assumptions that remain explicit and unquestioned in purely descriptive or historical work on regionalism; it sharpens our understanding of the main explanatory variables and causal mechanisms; and it provides a coherent framework for systematically comparing different forms of regionalism in different parts of the world. The purpose of this chapter, then, is to open up a series of theoretical perspectives on the study of contemporary regionalism and to highlight the close connections that exist between the analysis of contemporary regionalism and the major theoretical debates in the academic study of International Relations. The theoretical literature on regionalism is enormous, but it is also uneven and fragmented. Moreover, leaving aside the ongoing theoretical debates about the European Community, the amount of explicitly theoretical or conceptual work on the resurgence of regionalism since the late 1980s has been relatively modest. This chapter, then, draws together some of the principal elements of the theoretical literature, first in terms of the *process* by which different forms of regional arrangements may emerge, and, second, in terms of the *character* of those arrangements. It does not press the theoretical strengths of any one school of thought, but rather tries to give an idea of what the theoretical landscape looks like and to provide a framework for understanding and assessing the arguments that appear in subsequent chapters.

1. VARIETIES OF REGIONALISM

Both 'region' and 'regionalism' are ambiguous terms. The terrain is contested and the debate on definitions has produced little consensus. Although geographical proximity and contiguity in themselves tell us very little about either the definitions of regions or the dynamics of regionalism, they do helpfully distinguish regionalism from other forms of 'less than global' organization. Without some geographical limits the term 'regionalism' becomes diffuse and unmanageable. The problem of defining regions and regionalism attracted a good deal of academic attention in the late 1960s and early 1970s but the results yielded few clear conclusions. Regionalism was often analysed in terms of the degree of social cohesiveness (ethnicity, race, language, religion, culture, history, consciousness of a common heritage); economic cohesiveness (trade patterns, economic complementarity), political cohesiveness (regime type, ideology), and organizational cohesiveness (existence of formal regional institutions).[1] Particular attention was given to the idea of regional interdependence.[2]

Nevertheless, attempts (such as those by Bruce Russett) to define and delineate regions 'scientifically' produced little clear result.[3] The range of factors that may be implicated in the growth of regionalism is very wide and includes economic, social, political, cultural, or historic dimensions. There are no 'natural' regions, and definitions of 'region' and indicators of 'regionness' vary according to the particular problem or question under investigation.

Moreover it is how political actors perceive and interpret the idea of a region and notions of 'regionness' that is critical: all regions are

[1] See e.g. Bruce M. Russett, 'International Regimes and the Study of Regions', *International Studies Quarterly*, 13/4 (Dec. 1969); Louis J. Cantori and Steven L. Spiegel (eds.), *The International Politics of Regions: A Comparative Approach* (Englewood Cliffs, NJ: Prentice-Hall, 1970); William Thompson, 'The Regional Subsystem: A Conceptual Explication and a Propositional Inventory', *International Studies Quarterly*, 17/1 (1973); and Raimo Väyrynen, 'Regional Conflict Formations: An Intractable Problem of International Relations', *Journal of Peace Research*, 21/4 (1984).

[2] A good example is Joseph S. Nye (ed.), *International Regionalism: Readings* (Boston: Little, Brown & Co., 1968).

[3] Bruce Russett, *International Regions and the International System* (Chicago: Rand McNally, 1967). For a discussion of the difficulties of classifying regional systems, see David Grigg, 'The Logic of Regional Systems', *Annals of the Association of American Geographers*, 55 (1965).

socially constructed and hence politically contested. This makes it especially important to distinguish between regionalism as description and regionalism as prescription—regionalism as a moral position or as a doctrine as to how international relations ought to be organized. As with the more general idea of interdependence, there is often a strong sense that the states of a given region are all in the same 'regional boat', ecologically, strategically, economically; that they are not pulling together; but that, either explicitly stated or implicitly implied, they should put aside national egoisms and devise new forms of co-operation. In much of the political and academic debate, then, there is a strong implication that regionalism is a naturally good thing.

Even a cursory glance at recent debates suggests that the broad term 'regionalism' is used to cover a variety of distinct phenomena. Indeed rather than try and work with a single, very broad overarching concept, it is helpful to break up the notion of 'regionalism' into a five different categories. These are analytically distinct although the ways in which they can be related to each other lie at the heart of both the theory and practice of contemporary regionalism.

(a) *Regionalization*

Regionalization refers to the growth of societal integration within a region and to the often undirected processes of social and economic interaction. This is what early writers on regionalism described as informal integration and what some contemporary analysts refer to as 'soft regionalism'. The term lays particular weight on autonomous economic processes which lead to higher levels of economic interdependence within a given geographical area than between that area and the rest of the world. Although seldom unaffected by state policies, the most important driving forces for economic regionalization come from markets, from private trade and investment flows, and from the policies and decisions of companies. The growth of intra-firm trade, the increasing numbers of international mergers and acquisitions, and the emergence of an increasingly dense network of strategic alliances between firms are of particular importance. For many commentators '[T]hese flows are creating inexorable momentum towards the further integration of economies

within and across regions.'[4] Such regionalization processes have become a particularly important feature of Asia-Pacific regionalism, driven by complex, market-based imperatives of international specialization and organized around transnational (and especially Japanese) firms and regional business networks.

Regionalization can also involve increasing flows of people, the development of multiple channels and complex social networks by which ideas, political attitudes, and ways of thinking spread from one area to another, and the creation of a transnational regional civil society. Regionalization is therefore commonly conceptualized in terms of 'complexes', 'flows', 'networks' or 'mosaics'. It is seen as undermining the monolithic character of the state, leading to the creation of cross-governmental alliances, multi-level and multi-player games and to the emergence of new forms of identity both above and below existing territorially defined states.[5]

Two points should be stressed. First, that regionalization is not based on the conscious policy of states or groups of states, nor does it presuppose any particular impact on the relations between the states of the region.[6] And second, that patterns of regionalization do not necessarily coincide with the borders of states. Migration, markets, and social networks may lead to increased interaction and interconnectedness tying together parts of existing states and creating new cross-border regions. The core of such 'transnational regionalism' may be economic as in the development of transborder growth triangles, industrial corridors, or the increasingly dense networks linking major industrial centres. Or it can be built around human interpenetration, for example the transnational economic role played by overseas Chinese in East Asia or the dense societal linkages that now exist between California and Mexico.[7]

[4] Robert D. Hormats, 'Making Regionalism Safe', *Foreign Affairs* (Mar./Apr. 1994), 98.

[5] For a discussion of these trends in the European case, see William Wallace, *The Transformation of Western Europe* (London: Pinter for RIIA, 1990).

[6] The distinction between conscious political direction and autonomous market processes is developed in Andrew Wyatt-Walter's chapter. See also Christopher Bliss's definition of an economic bloc: '[Yet] co-ordination of policy, whether with regard to trade or exchange rates, is at the heart of the idea', Christopher Bliss, *Economic Theory and Policy for Trading Blocks* (Manchester: Manchester UP, 1994), 14.

[7] For a fascinating study of this phenomenon, see Abraham F. Lowenthal and Katrina Burgess (eds.), *The California–Mexico Connection* (Stanford, Calif: Stanford UP, 1993).

(*b*) *Regional awareness and identity*

'Regional awareness', 'regional identity', and 'regional consciousness' are inherently imprecise and fuzzy notions. Nevertheless they are impossible to ignore and, for many commentators, have become ever more central to the analysis of contemporary regionalism. All regions are to some extent subjectively defined and can be understood in terms of what Emmanuel Adler has termed 'cognitive regions'.[8] As with nations, so regions can be seen as imagined communities which rest on mental maps whose lines highlight some features whilst ignoring others. Discussions of regional awareness lay great emphasis on language and rhetoric; on the discourse of regionalism and the political processes by which definitions of regionalism and regional identity are constantly defined and redefined; and on the shared understandings and the meanings given to political activity by the actors involved.

Regional awareness, the shared perception of belonging to a particular community can rest on internal factors, often defined in terms of common culture, history, or religious traditions. It can also be defined against some external 'other' which may be understood primarily in terms of a security threat (Europe's self-image defined as against the Soviet Union or Latin American nationalism defined against the threat of US hegemony); or an external cultural challenge (the long tradition by which 'Europe' was defined in opposition to the non-European and, especially, Islamic world; or, more recently, the revival of notions of an Asian identity in contradistinction to the 'West').[9] Although concerns with the 'idea' of Europe, the Americas, or Asia are indeed striking features of the 'new regionalism', they are framed by historically deep-rooted arguments about the definition of the region and the values and purposes that it represents—although, again as with nationalism, there is a good deal of historical rediscovery, myth-making, and invented traditions.

[8] Emanuel Adler, 'Imagined (Security) Communities', Paper presented at 1994 Annual Meeting of the American Political Science Meeting, New York, 1–4 Sept. 1994. See also Anthony D. Smith, 'National Identity and the Idea of European Unity', *International Affairs*, 68/1 (Jan. 1992), and Wallace, *The Transformation of Western Europe*, ch. 2.

[9] For an example of these perspectives, see Iver B. Neumann and Jennifer Welsh, 'The Other in European Self-Definition: An Addendum to the Literature on International Society', *Review of International Studies*, 17/4 (Oct. 1991).

(c) *Regional interstate co-operation*

A great deal of regionalist activity involves the negotiation and construction of interstate or intergovernmental agreements or regimes. Such co-operation can be formal or informal and high levels of institutionalization are no guarantee of either effectiveness or political importance. As Oran Young correctly pointed out: 'Though all regimes, even highly decentralized private-enterprise arrangements, are social institutions, they need not be accompanied by organizations possessing their own personnel, budgets, physical facilities and so forth.'[10] It was this awareness that led those concerned with international co-operation to move away from the study of formal organizations and to focus instead on the broader concept of 'regime': 'explicit or implicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations'.[11] Regional co-operation may therefore entail the creation of formal institutions, but it can often be based on a much looser structure, involving patterns of regular meetings with some rules attached, together with mechanisms for preparation and follow-up.

Such co-operative arrangements can serve a wide variety of purposes. On the one hand, they can serve as a means of responding to external challenges and of co-ordinating regional positions in international institutions or negotiating forums. On the other, they can be developed to secure welfare gains, to promote common values, or to solve common problems, especially problems arising from increased levels of regional interdependence. In the security field, for example, such co-operation can range from the stabilization of a regional balance of power, to the institutionalization of confidence-building measures, to the negotiation of a region-wide security regime. Unlike some brands of regional integration, such co-operative arrangements are very clearly statist, designed to protect and enhance the role of the state and the power of the government. They involve a reassertion and extension of state authority as part of a process by which states are increasingly willing to trade a degree of legal freedom of action for a greater degree of practical influence over the policies of other states and over the management of common problems.[12]

[10] Oran Young, *International Cooperation: Building Regimes for Natural Resources and the Environment* (Ithaca, NY: Cornell UP, 1989), 25.

[11] Stephen D. Krasner, 'Structural Causes and Regime Consequences: Regimes as Intervening Variables', in Krasner (ed.), *International Regimes* (Ithaca, NY: Cornell UP, 1983), 1.

(d) *State-promoted regional integration*

An important subcategory of regional co-operation concerns regional economic integration. Regional integration involves specific policy decisions by governments designed to reduce or remove barriers to mutual exchange of goods, services, capital, and people. Such policies have generated an enormous literature: on the processes of integration, on the paths which it might take, and on the objectives that it might fulfil.[13] As Peter Smith points out, regional economic integration can be compared along various dimensions: scope (the range of issues included); depth (the extent of policy harmonization); institutionalization (the extent of formal institutional building); and centralization (the degree to which effective authority is centralized).[14] Early stages of integration tend to concentrate on the elimination of trade barriers and the formation of a customs union in goods. As integration proceeds, the agenda expands to cover non-tariff barriers, the regulation of markets, and the development of common policies at both the micro- and macro-levels. Dominated by the European 'model', regionalism is all too often simply equated with regional economic integration, even though this is only one aspect of a more general phenomenon.

[12] Although designed to reinforce state power, there may still be an important difference between *intention* and *outcome*. The mushrooming of co-operative arrangements may set in motion changes that ultimately tie down states in a process of 'institutional enmeshment'. On the ways in which cumulative institutionalization may be changing the dynamics of world politics see Mark W. Zacher, 'The Decaying Pillars of the Westphalian Temple: Implications for Order and Governance', in James N. Rosenau and Ernst-Otto Czempiel (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge: Cambridge UP, 1992).

[13] Some of this literature is surveyed in Andrew Walter's chapter. One of the most important classic works is Bela Balassa, *The Theory of Economic Integration* (London: Allen & Unwin, 1961). For an up-to-date analysis of the evolving process of European integration see Loukas Tsoukalis, *The New European Economy. The Politics and Economics of Integration* (Oxford: OUP, 2nd edn., 1993).

[14] Peter H. Smith, 'Introduction: The Politics of Integration: Concepts and Themes', in Peter H. Smith (ed.), *The Challenge of Integration: Europe and the Americas* (New Brunswick, NJ: Transaction, 1992), 5.

(e) *Regional cohesion*

Regional cohesion refers to the possibility that, at some point, a combination of these first four processes might lead to the emergence of a cohesive and consolidated regional unit. It is this cohesion that makes regionalism of particular interest to the study of international relations. Cohesion can be understood in two senses: (i) when the region plays a defining role in the relations between the states (and other major actors) of that region and the rest of the world; and (ii) when the region forms the organizing basis for policy within the region across a range of issues.

As we have seen, regionalism is often defined in terms of patterns or networks of interdependence. But political significance derives not from some absolute measure of interdependence, but from the extent to which that interdependence (and the possibility of its disruption) imposes significant potential or actual costs on important actors. For those outside the region, regionalism is politically significant to the extent that it can impose costs on outsiders: whether through the detrimental impact of preferential regional economic arrangements (so-called malign regionalism that diverts trade and investment) or through causing a shift in the distribution of political power. It is also politically significant when outsiders (again including both states and non-state actors) are forced to define their policies towards individual regional states in regionalist terms. For those inside the region, regionalism matters when exclusion from regional arrangements imposes significant costs, both economic and political (such as loss of autonomy or a reduction in foreign policy options) and when the region becomes the organizing basis for policy within the region across a range of important issues. An important indicator of regional cohesion is the extent to which, as is increasingly the case in Western Europe, regional developments and regional politics come to shape and define the domestic political landscape.

It is extremely important to recognize that there are different paths to regional cohesion. The early theorists of European integration were obsessed by a particular end-goal (the formation of a new form of political community) and by a particular route to that goal (increased economic integration). Their concern was with the possible transformation of the role of nation states via the pooling of sovereignty, leading to the emergence of some new form of political community.

Yet regional cohesion might be based on various models. One might indeed be the gradual creation of supranational regional organization within the context of deepening economic integration. A second model might involve the creation of series of overlapping and institutionally strong interstate arrangements or regimes. A third model (perhaps visible in the current status of the European Union) might derive from a complex and evolving mixture of traditional intergovernmentalism and emerging supranationalism. A fourth might involve the development of 'consociationalist' constitutional arrangements of the kind discussed by Paul Taylor.[15] Fifthly, regional cohesion might be conceived of in terms of a 'neomedieval' order in which the principles of territoriality and sovereignty are replaced by a pattern of overlapping identities and authorities.[16] Finally, cohesion might be based on a strong regional hegemon which, with or without strong regional institutions, both polices the foreign policies of states within its sphere of influence and sets limits on the permissible range of domestic policy options.[17]

2. EXPLAINING REGIONALISM IN WORLD POLITICS

The theoretical analysis of regionalism conventionally begins with those theories that were developed explicitly to explain the creation and early evolution of the European Community.[18] This literature

[15] Paul Taylor, *International Organization in the Modern World. The Regional and Global Process* (London: Pinter, 1993), esp. ch. 4.

[16] John Ruggie, for example, describes the EC as a 'multiperspectival polity' 'in which the process of unbundling territoriality has gone further than anywhere else': 'Territoriality and Beyond: Problematizing Modernity in International Relations', *International Organization*, 47/1 (Winter 1993), 171–2. The notion of 'neomedievalism' (and the parallel idea of a 'Grotian moment') was developed by Hedley Bull, *The Anarchical Society* (London: Macmillan, 1977), 264–76.

[17] On the multiple roles played by regional powers, see Iver B. Neumann (ed.), *Regional Great Powers in International Politics* (London: Macmillan, 1992).

[18] Most surveys tend to focus overwhelmingly on Europe, e.g. Carole Webb, 'Theoretical Perspectives and Problems', in Helen Wallace, William Wallace, and Carole Webb (eds.), *Policy-making in the European Community* (Chichester: Wiley, 2nd edn., 1983); Charles Pentland, *International Theory and European Integration* (London: Faber & Faber, 1973); or more recently Simon Hix, 'Approaches to the Study of the EC: The Challenge to Comparative Politics', *West European Politics*, 17/1 (Jan. 1994). For a broader survey, see Clive Archer, *International Organizations* (London: Routledge, 2nd edn., 1992), esp. ch. 3. For an excellent reader, see Friedrich Kratochwil and Edward D. Mansfield (eds.), *International Organization. A Reader* (New York: HarperCollins, 1994).

was dominated by liberal theorists who focused on the changing character of intra-regional relations, on the conditions that were likely to promote or to hinder the movement towards regional economic integration, and on the relationship between deepening economic integration on the one hand and the prospects for peace and political community on the other. Yet the strongly Eurocentric character of this work and and its dominant concern with processes of economic integration suggest the need for an alternative focus. In order to escape from the theoretical shadow of the European Community, this section will start with the relevance of systemic theories to the analysis of contemporary regionalism, and then move on to consider, first, those theories which focus on the impact of regional interdependence, and, second, those theories which highlight the importance of domestic factors.

(a) *Systemic theories*

In the modern world there can be no wholly self-contained regions, immune from outside pressures.[19] Systemic theories underline the importance of the broader political and economic structures within which regionalist schemes are embedded and the impact of outside pressures working on the region.[20] Two sets of systemic or structural theories are especially significant: first, neo-realist theory that stresses the constraints of the anarchical international system and the importance of power-political competition; and second, theories of structural interdependence and globalization which emphasize the changing character of the international system and the impact of economic and technological change.

1. Neo-realism. On one level regional co-operation has often seemed to pose a direct challenge to realism. The appearance of 'islands of peace and co-operation' in what was commonly viewed as an inherently conflictual world dominated by the struggle for power was widely seen in the 1950s as an anomaly that realism was incapable of explaining. Indeed, much of the early work on

[19] For a useful discussion of the concept of regionalism in Geography, see Paul Cloke, Chris Philo, David Sadler (eds.), *Approaching Human Geography: An Introduction to Contemporary Theoretical Debates* (London: Paul Chapman Publishers, 1991), 8–13.

[20] The useful distinction between 'outside-in' and 'inside-out' approaches to regionalism has been developed by Iver B. Neumann, 'A Region-Building Approach to Northern Europe', *Review of International Studies*, 20/1 (Jan. 1994).

regionalism and regional integration can be seen as an attempt to shed light on this apparent anomaly. Yet, neo-realism can in fact tell us a number of very important things about regionalism.

Regionalism, Power Politics, and Mercantilism. Both classical realism and its more recent neo-realist variants stress the importance of external configurations of power, the dynamics of power-political competition, and the constraining role of the international political system considered as a whole.[21] For the neo-realist, the politics of regionalism and the emergence of regionalist alignments have much in common with the politics of alliance formation.[22] Regionalism is understood by looking at the region from the outside in and by analysing the place of the region in the broader international system. Regional groupings form in response to external challenges and there is no essential difference between economic and political regionalism.

Proponents of such a view, for example, emphasize the fundamental importance of the geopolitical framework within which the moves towards European integration took place.[23] As William Wallace's chapter argues, the ending of the Cold War makes it easier to understand the extent to which the dramatic shift within Europe in the 1940s and early 1950s from war and competition to regional co-operation and then to the promotion of regional integration depended on a very particular set of geopolitical circumstances: the erosion and then collapse of the colonial empires on which the power of Britain and France had been built; the immense physical destruction and psychological exhaustion of the thirty-year European civil war; the perception of a burgeoning threat from the Soviet Union; the long-predicted transformation in the scale of power and the emergence of a new class of superpowers (with whom the traditional nation states of Western Europe acting alone could no longer hope to compete); and the powerful pressure from the USA to move towards greater regional co-operation.

[21] The most influential statement of the structural realist position has been Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979).

[22] See, in particular, Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell UP, 1987).

[23] For a strong restatement of the realist position, see John Mearsheimer, 'Back to the Future: Instability in Europe after the Cold War', *International Organization*, 15 (Summer 1990).

For the neo-realist, US hegemony was especially important. Neo-realists highlight the degree to which integration was spurred by direct US encouragement and pressure (for example, the conditions attached to Marshall Aid leading to the formation of the OEEC (Organization of European Economic Co-operation) and EPU; or the determination of Washington to press ahead with the rearmament of West Germany following the start of the Korean War, thus forcing Europe to find a way of living with the rehabilitation of German power. They also stress the extent to which European integration—which was in reality subregional integration—was embedded within a transatlantic security framework. This meant that the immensely difficult tasks of politico-military co-operation and security could be left to one side. The acceptance of security dependence was therefore one of the essential compromises on which European co-operation and integration was built—a fact that makes it vital to examine the relationship between economics and security issues in other parts of the world.

Neo-realism focuses attention both on power-political pressures and on the dynamics of mercantilist economic competition. This suggests to the neo-realist that 'outside-in' pressures have continued to influence the path of European integration, but that these have had ever more to do with mercantilist economic rivalry. Thus already in the 1960s de Gaulle placed great weight on European co-operation (albeit in the form of a *Europe des patries*) as a means of countering *le défi americain* and reducing what he saw as the 'exorbitant privilege' of the USA. Equally, the relaunch of European integration in the 1980s can be interpreted as a response *au défi japonais* and the loss of competitiveness, especially in strategically (*sic*) important high-technology industries. From this perspective the economic objectives of regional integration do not derive from the pursuit of welfare, but from the close relationship that exists between economic wealth and political power and from states' 'inevitable' concern with relative gains and losses.

Economic regionalism can therefore be seen as a strategy in the game of neo-mercantilist competition. It can also be deployed as a bargaining chip in the negotiations that determine the shape of the international economic order. From this perspective, for example, growing US interest in economic regionalism in the mid-1980s was both a response to its declining competitiveness and its relative loss of economic power *vis-à-vis* Europe and Japan, and a negotiating

ploy or bargaining tool (NAFTA as a 'stick' to increase pressure on Japan to open its markets; APEC as a means of applying pressure on the EU in the final stages of the negotiations on the Uruguay Round of GATT).

The same neo-realist logic can also be applied to the policies of smaller states outside Europe. On this view many regionalist groupings are basically the natural response of weak states trapped in the world of the strong. Thus much regionalist activity through the Cold War years involved, in essence, schemes for diplomatic and political co-operation designed to improve their region's position in the international system, either by increasing its bargaining strength or by attempting to seal off the region and reduce the scope for outside intervention. Equally, the revival of regionalism that gathered pace in many parts of the developing world in the 1980s followed logically from the erosion of alternative, cross-regional coalitions. As Louise Fawcett argues in her chapter, the erosion of the Third World coalition on which so many hopes had been pinned in the 1970s, combined with a fear of marginalization and vulnerability, pressed developing countries in Africa, Latin America, and the Middle East towards 'group-solidarity' of a more limited, regional character.

Neo-realism also brings out the extent to which regional economic and security arrangements created by relatively weak states remain contingent upon the policies and attitudes of the major powers. Thus during the Cold War both superpowers favoured those regionalist arrangements that reinforced the strength of their respective alliance systems or provided support for important clients. But where regionalism went against their geopolitical interests it was firmly opposed—as, for example, in the US opposition to subregional co-operation in Latin America in the early 1950s, or to numerous proposals for 'zones of peace' or nuclear-free zones; or the Soviet ambivalence towards European regionalism. Although much has changed as a result of the end of the Cold War, the neo-realist would expect this pattern to continue—for example, that the success of subregional co-operation will be contingent upon the policies of either major powers acting unilaterally, or of the macro-regional groupings which those powers will naturally come to dominate. In Asia Pacific, for example, it is the evolving character of the Chinese–Japanese–US balance that will ultimately determine the fate of existing subregional groupings such as ASEAN, as well

as broader co-operative schemes such as APEC or the ASEAN Regional Forum.

Hegemony. Although a vast amount of effort has been expended in analysing the general relationship between hegemony and co-operation, links between hegemony and regionalism remain undertheorized. Clearly the existence of a powerful hegemon within a region may undermine efforts to construct inclusive regional arrangements involving all or most of the states within a region. India's position in the subcontinent and the chequered history of SAARC provides a powerful illustration. But the picture is far more interesting and complex than this. There are at least four ways in which hegemony may act as a powerful stimulus to regionalism and to the creation of regionalist institutions.

First, subregional groupings often develop as a *response* to the existence of an actual or potential hegemonic power. Thus in many parts of the world there is a tendency for subregional groupings to form as a means of improving the balance of power *vis-à-vis* a locally dominant or threatening state. Although varied in scope and character, ASEAN (against Vietnam), the Gulf Co-operation Council (against Iran), SADC (against South Africa), the Contadora Group, the Rio Group and *Mercosur* (against the USA) cannot be understood except against the background of their respective regional balances of power and the policies of the regionally dominant power.

Second, regionalism can emerge as an attempt to restrict the free exercise of hegemonic power through the creation of regional institutions. Many would see the position of Germany within the European Community as the classic illustration of this 'regionalist entrapment'. If European integration was pressed from outside by the threat of the Soviet Union on the one side and by the hegemonic leadership of the USA on the other, it was also explicitly promoted as a means of managing German power. Although the division of Germany mitigated the fears of other Europeans, it certainly did not remove them. Europe needed German economic power to fuel post-war recovery and German military power to counter the Soviet threat. Indeed, the specific project of regional *integration* arose precisely as the preferred means of dealing with this problem: permitting rearmament and economic rehabilitation by tying a semi-sovereign Germany into an integrated network of institutions in both the economic field (the EC) and the military (NATO/WEU).

From Germany's perspective, regionalism has provided the essential multilateral cover under which it could first of all re-establish its position and recover its sovereignty and, more recently, re-establish its influence.[24] In the Far East, by contrast, the containment of Japanese power was achieved by undermining macro-regionalism and relying instead on extra-regional bilateral alliances with the USA.

Although the end of the Cold War has altered the context, the idea of using institutionalized regionalism as a means of tying down or constraining the potentially disruptive effects of unequal power remains an important factor in the international politics of both Europe and Asia Pacific.[25] In addition, the relationship between institutions and unequal power can serve as a plausible starting-point for theorizing about the different character of regionalism in different parts of the world. Consider, for example, the contrast between the relatively highly institutionalized structures of NAFTA on the one hand, and the loose character of APEC on the other. In both cases the USA has a clear set of economic objectives that it has only been partially able to promote through the GATT. For Mexico and the relatively weak states of South America, outright opposition would be dangerous and costly. The balance of incentives therefore favours a rule-constrained hegemonic order in which acceptance of major US objectives is traded for more secure access to the crucial US market and in which relatively high levels of institutionalization will (hopefully) restrict their vulnerability to the unilateral exercise of US power. In Asia Pacific, by contrast, the far stronger states of the region have successfully resisted US efforts to promote APEC as an alternative formal vehicle for pressing its foreign economic agenda. From their perspective a loose regional arrangement is a way of keeping the USA involved in the security of the region, whilst at the same time restricting its ability to press its economic agenda.

This kind of behaviour is often closely linked to a third possibility, namely the tendency of weaker states to seek regional

[24] On the multiple uses of the idea and institutions of Europe, see Timothy Garton Ash, *In Europe's Name: Germany and the Divided Continent* (London: Vintage, 1994).

[25] Attempts at institutional 'taming' or 'entrapment' do not of course always succeed, as illustrated by repeated attempts in the Middle East to use regionalism to restrict e.g. Iraq or Libya.

accommodation with the local hegemon either in the hope of receiving special rewards ('bandwagoning' in the realist jargon). Neo-realist theory predicts that this kind of behaviour is most likely when power differentials are very great, when there are few external alternatives to accommodation with the hegemon, and when the small state finds itself in close geographic proximity. Although prompted by actual or potential vulnerability such a strategy offers the smaller state the possibility of material benefits. Participation in a great-power-dominated military coalition may, for example, be the most viable means of acquiring modern weapons systems. Clearly the greater the degree to which the dominant power is prepared to accept a rule-constrained hegemonic order, the more acceptable is a strategy of bandwagoning for the weak states.[26]

Fourth, the hegemon itself may seek to become involved actively in the construction of regional institutions. Interestingly the logic here is at variance with the argument that the emergence of co-operation and the creation of international institutions are linked with hegemonic ascendancy. Looking almost exclusively at non-regional institutions, theorists of hegemonic stability argued that the creation of institutionalized co-operation depends very heavily on unequal power and on the existence of hegemony. Yet, if the hegemon is in an extremely dominant position, the very extent of that power may make institutions, and in this case, institutionalized regionalism unnecessary or at best marginal. Declining hegemony, however, may well press the hegemon towards the creation of common institutions to pursue its interests, to share burdens, to solve common problems, and to generate international support and legitimacy for its policies. This combination of still marked inequality but declining overall levels of power may be particularly conducive to the creation of regionalist arrangements. On the one hand, the core state is strong enough to provide effective leadership and, if

[26] On traditional realist accounts in which states will always be fearful of unequal *power*, bandwagoning will be an exception. However, if, as Stephen Walt argues, states seek to balance *threats* rather than simply power and if factors such as ideological commonality and institutionalization play a role, then accommodation with the hegemon becomes a less anomalous policy. For Walt's modification of traditional balance of power logic, see *The Origins of Alliances*, esp. ch. 1. For a restatement of the view that states will always balance unequal power, see Kenneth Waltz, 'The Emerging Structure of International Politics', *International Security* 18/2 (Fall 1993).

necessary coercion. On the other, this is balanced by the perception that declining power makes co-operation ever more necessary.[27]

Neo-realism, then, has little interest in *regionalization* or *regional economic integration*, believing so called 'autonomous market processes' to be ultimately determined by the structures of the international political system and the policies of major states. *Regional cohesion* is indeed possible, but as the result of either the power of a regional hegemon or of a sustained convergence of material interests and incentives. Little weight is given to the notion of *regional awareness*. Within its own limits, neo-realist theory still has a good deal to tell us both about the importance of 'outside-in' pressures and about the importance of hegemony. It is helpful in unravelling the ways in which external constraints and the structure of the international system shape the regionalist options of all states, but especially of relatively weak states. It is also good at explaining the logic of strategic interaction when the identity of the actors and the nature of their interests is known and well understood.

Neo-realism, however, says little about the character of regional co-operation once established and the ways in which the habits of sustained co-operation may involve institutional structures very different from the traditional idea of a coalition, alliance, or traditional international organization. The workings of such institutions may lead to a new definition of self-interest, and perhaps to new conceptions of 'self'. Neo-realism also says very little about the impact of domestic factors. It talks a great deal about states as self-interested actors competing in an anarchical world but leaves the identity of the 'self' and the nature of the interests unexplained, or simply assumed. Moreover, if there are limitations regarding both domestic factors and the workings of regional institutions, there are also major difficulties on the external side, and it is to these that we now turn.

2. *Structural interdependence and globalization.* One of the most consistent and telling criticisms of neo-realism has been its mischaracterization of the international system. On this view sys-

[27] This argument has recently been made in relation to the Asia-Pacific region by Donald Crone, see 'Does Hegemony Matter? The Reorganization of the Pacific Political Economy', *World Politics* 45/4 (July 1993). In relation to Latin America, see Andrew Hurrell, 'Latin America and the New World Order: A Regional Bloc in the Americas?', *International Affairs*, 68/1 (Jan. 1992).

temic factors are extremely important, but neo-realism provides a grossly oversimplified account of the nature of the system and one which neglects the ways in which the competitive dynamics of the system change over time. In particular, its picture of the international system misses out entirely the ways in which both the nature of political and economic competition and the consequent definition of state interests are affected by changes in the global economic system.

Criticisms of this kind grew out of the work in the 1970s on interdependence and modernization associated with writers such as Joseph Nye, Robert Keohane, and Edward Morse. Yet the structural or systemic focus of this work became blurred (and all too often disappeared entirely) as attention shifted to the links between interdependence and state power, and to the nature and role of regimes for managing interdependence within a specific-issue area;[28] and as the initial concern with transnationalism and non-state actors was replaced by a strongly state-centric perspective. Although the focus on issue-specific regimes is undoubtedly significant, it is also extremely important to revive the idea of interdependence as a systemic or structural phenomenon and to set contemporary regionalism against what many see as powerful trends towards ever deeper interdependence and globalization.

'Globalization' has become an important theme of the post-Cold War discussion of the nature of international order. Although rarely tied to any very clearly articulated *theory*, it has become a very powerful *metaphor* for the sense that a number of universal processes are at work generating increased interconnection and interdependence between both states and societies. The increasingly common image is of a global flood of money, people, images, values, and ideas overflowing the old system of national barriers that sought to preserve state autonomy. The result is that territorial boundaries are becoming decreasingly important, that traditional understandings of sovereignty are being undermined, and that individual regions must be viewed within a broader global context.

[28] Thus in *Power and Interdependence*, which largely set the agenda for this scholarship, Keohane and Nye write that they 'sought to integrate realism and liberalism *using a conception of interdependence which focused on bargaining*' (my emphasis). Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, 2nd edn. (Glenview, Ill.: Scott, Foresman & Co., 1989), 251.

Such perspectives are well captured by such catchphrases as the 'borderless world' or the 'end of geography'.[29]

Most contemporary arguments in favour of globalization rest on some combination of the following arguments. First, that we are witnessing a dramatic increase in the 'density' and 'depth' of economic interdependence; second, that information technology and the information revolution is playing an especially critical role in diffusing knowledge, technology, and ideas; third, that these developments create the material infrastructure for the strengthening of societal interdependence. This, together with the integrating and homogenizing influence of market forces, facilitates increased flows of values, knowledge, and ideas, and increases the ability of like-minded groups to organize across national boundaries, creating a transnational civil society that includes both transnational policy communities and transnational social movements; and fourth, that this is leading to an unprecedented and growing consciousness of 'global problems' (such as global environmental change) and of belonging to a single 'human community'.

But how do these ideas relate to regionalism? The answer is complex and ambiguous. On one side, there are a number of ways in which globalization works against the emergence of regionalism. In the first place, increasing levels of economic interdependence, together with the rise of new global issues (such as environmental degradation, refugees, responding to humanitarian disasters), create powerful 'demand' for non-regionally based, issue-specific international institutions designed to solve common problems and to manage the many new sources of friction to which interdependence gives rise. Indeed it was precisely increased concern with patterns of interdependence that transcended any single region that persuaded many of those involved in the study of regional integration to turn their attention to a broader stage.[30]

Second, the expansion of economic interdependence and the growth of political, economic, and security co-operation across the OECD world has created powerful elements of 'Western' rather than specifically regional cohesion. Although these institutional

[29] Richard O'Brien, *Global Financial Integration: The End of Geography* (London: Pinter for RIIA, 1992); Kenichi Ohmae, *The Borderless World* (London: Fontana, 1991).

[30] See Keohane and Nye, *Power and Interdependence*, 247–51; and Ernst Haas, *The Obsolescence of Regional Integration Theory* (Berkeley: Institute of International Studies, 1975).

structures have been diffuse (the Bretton Woods institutions, the OECD, the Group of Seven, transatlantic and transpacific security systems), taken together they have represented (and continue to represent) an important constraint on the growth of coherent regional groupings. Third, as the following chapter analyses in more detail, the balance between the globalization and regionalization of economic activity is a complex one. Although there has been some shift in the balance towards regionalization, there is much ambiguity in the data and there are powerful integrative forces, especially in the areas of global finance, of global production structures involving state/firm alliances that cut across regions.

Nevertheless there are also a number of ways in which globalization may act as a stimulus to regionalism. In the first place, ever-deepening integration creates problems which demand collective management and, more specifically, particular forms of management and regulation that bite ever more deeply into the domestic affairs and sovereign prerogatives of states. This is a stimulus to regionalism to the extent that it is politically more viable to construct such institutions at the regional rather than the global level. On this view, commonality of culture, history, homogeneity of social systems and values, convergence of political and security interests, and the character of domestic coalitions all make it far easier to accept the necessary levels of intrusive management, both in terms of standard-setting and regulation, but even more of enforcement and effective implementation.

Second, the 'global' character of many issues is often exaggerated. Although there are undoubtedly genuinely global issues (such as climate change or the loss of biodiversity) and although many other issues (such as the problems of environmental refugees) do indeed constitute a global issue when aggregated, their effects are likely to be felt most directly within particular regions and it is on a regional, rather than a global, level that the balance of interests and incentives is likely to press states to seek some policy response. Thus, although in an abstract sense the logic of co-operation may point towards globalism, there are powerful practical arguments in favour of regionally based contributions to solving global problems, and of the regional enforcement of globally agreed standards or measures.

Third, there is the related argument that regionalism represents the most viable level at which to reconcile the integrative market

and techological pressures towards globalization and integration on the one hand, and the equally visible trends towards fission and fragmentation on the other. Liberals recognize the strains involved but see this process of reconciliation as a necessary adjustment to new technological opportunities which will in the long run enhance global welfare. Radical theorists, by contrast, highlight the extent to which the general shift in authority from states to markets is driven by the changing corporate strategies of transnational capital.[31] They argue that the reduction in the domestic regulatory role of the state and its replacement by politically weak international institutions at both the regional and global levels have important implications for the balance of wealth and power among social groups within and across regions. The politics of regionalism are therefore centrally about issues of inequality and redistribution.

Fourth, global integration may have acted as a powerful stimulus to economic regionalism by altering and intensifying patterns of mercantilist economic competition. Changes in technology, in communications, in the operation of global markets, and in the growth of global systems of production have certainly had a profound impact on the ways in which governments have defined the two most important goals of foreign policy—economic development and political autonomy—and the range of acceptable trade-offs between them. On the one hand, globalization means that states are facing powerful pressures towards the homogenization of economic policies, in order to attract foreign investment and technology and to compete in an ever more closely linked market-place. These systemically driven pressures towards market-liberal policies have increased the importance of export expansion and trade liberalization at *both* global *and* regional levels. On the other hand, the nature of competition presses towards the formation of larger units, both for economic efficiency and to ensure the political power necessary to bargain effectively over the rules and institutions that govern the world economy. Within this picture, states cease to be the only important actors. Economic regionalization may be driven by transnational companies and the politics of regional integration

[31] See e.g. 'Papers from the International Conference on the NAFTA, Mexico City, March 1993', *Review of Radical Political Economics*, 25/4 (Dec. 1993). For arguments linking regionalism to 'a crisis of global economic order', see Stephen Gill, 'Restructuring Global Politics: Trilateral Relations and World Order "After" the Cold War' (York University, CISS Working Paper, Sept. 1992).

can be understood in terms of a convergence of interests between state élites and firms in response to changes in the international economic structure.

Thus, for example, whilst at one level it may be true to see the relaunch of European integration in the 1980s as promoted by fears of 'Eurosclerosis' and of falling behind in the competitive battle with the USA and Japan, this picture is too simple. We need to ask what changed in the period from the 1960s to the 1980s that made previous foreign economic policies decreasingly viable. The answer cannot be gleaned from the parsimonious but barren world of neo-realist theory. Changes in the global economy (in technology and production systems, but especially the impact of information technologies and the second industrial revolution) meant that national industrial policies and the promotion of national champions were no longer considered adequate. A changing global environment had undermined the possibility of successful national-level responses to the challenges of international competition, as well as putting in doubt the reliance on Keynesian and welfarist policies on which domestic political bargains had so heavily depended.[32] As a result we have seen the growth of European-level programmes of technological development, the promotion of European 'champions', and a complex pattern of deregulation, collaboration, and strategic alliances.

(*b*) *Regionalism and interdependence*

In contrast to these 'outside-in' approaches which start with the system as a whole, a second cluster of theories sees a close link between regionalism and regional (as opposed to global) interdependence. The first two variants view regionalism as a functional response by states to the problems created by regional interdependence and stresses the critical role of institutions in fostering and developing regional cohesion. They stand full square in the liberal camp with their emphasis on rationality, welfare goals, scientific and technical knowledge, and their generally pluralist view of inter-

[32] On the importance of changes in the international structure for understanding the 1992 process in Europe, see Wayne Sandholtz and John Zysman, '1992: Recasting the European Bargain', *World Politics*, 42/1 (Oct. 1989). See also Margaret Sharp, 'Technology and the Dynamics of Integration', in William Wallace (ed.), *The Dynamics of European Integration* (London: Pinter for RIIA, 1990).

national society. The third lays greater emphasis on the relationship between material interdependence and understandings of identity and community.

1. Neo-functionalism. Neo-functionalism has played a central, although much criticized, role in the development of theories of European integration.[33] Neo-functionalists argued that high and rising levels of interdependence would set in motion an ongoing process of co-operation that would lead eventually to political integration. Supranational institutions were seen as the most effective means of solving common problems, beginning with technical and non-controversial issues, but 'spilling over' into the realm of high politics and leading to a redefinition of group identity around the regional unit.

The central prediction of neo-functionalism was that integration would become self-sustaining and that the central metaphor was that of 'spillover'. There were two sorts of spillover, each of which would deepen integration by working through interest-group pressure, public opinion, and élite socialization. First, functional spillover whereby partial small initial steps down the integration road would create new problems that could only be solved by further co-operation. Partial integration and the increased complexity of interdependence meant that co-operation in one area would force governments to expand their co-operative endeavours into further areas. Pressure groups would press for further integration in order to capture greater economic benefits. Second, political spillover, whereby the existence of supranational institutions would set in motion a self-reinforcing process of institution building. On this view the management of complex interdependence requires centralized technocratic management. Once created, institutions generate an internal dynamic of their own (hence the great attention to the role of the Commission in articulating goals, proposing and brokering bargains).[34] The end-result would be a

[33] The classic texts are Ernst B. Haas, *The Uniting of Europe: Political, Social and Economic Forces* (London: Stevens, 1958), pp. xv–xvi; and Leon N. Lindberg, *The Political Dynamics of European Economic Integration* (Stanford, Calif.: Stanford UP, 1963).

[34] More recently there has been a good deal of attention given to the dynamics of legal integration and the idea of 'legal spillover'. See e.g. J. H. H. Weiler, 'Journey to an Unknown Destination: A Retrospective and Prospective of the European Court of Justice in the Arena of Political Integration', *Journal of Common Market Studies*, 31/4 (Dec. 1993).

shift in loyalties. For Ernst Haas, integration was: 'the process whereby actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards a new centre whose institutions possess or demand jurisdiction over the pre-exisiting national states.'[35]

Neo-functionalism therefore laid great emphasis on the unintended consequences of previous (and often small) decisions; on the idea of learning how to adapt to new situations; on the extensive interbureaucratic penetration of the EC; and on the capacity of supranational officials to provide leadership. Yet, as the EC developed in ways that were often at variance with the predictions of the theory, criticisms grew: that the theory failed to predict evolution of the EC; that it underestimated the resilience of nation states and of loyalties at the national level; that it ignored the great differences that exist between matters of 'low politics' which may be subject to technocratic management and matters of 'high politics' that remain essential to national sovereignty; that it ignored the changing role of external factors, political, economic, and security (and also the influence of shifts in the economic cycle); and that it was overly deterministic, technocratic, and apolitical with little ability to explain the nature of power-political and distributional conflicts between member states and the choices between different means of managing them. Yet the core idea that enhanced interstate co-operation and moves towards formal integration are essentially responses to increased social and economic interdependence has remained an important element in the European debate and the renewed momentum of integration in the late 1980s prompted a reconsideration of the relevance of the theory.[36]

Despite its influence on both the theory and practice of European regionalism, its relevance to contemporary regionalism elsewhere is rather less clear. In the first place, neo-functionalism has always had more to say about the ongoing role of institutions than about the factors that explain the birth of regionalist schemes. Second, its

[35] Haas, *The Uniting of Europe*, pp. xv–xvi.

[36] See e.g. Andrew Moravcsik, 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach', *Journal of Common Market Studies*, 31/4 (Dec. 1993), esp. 474–80; Robert O. Keohane and Stanley Hoffmann, 'Conclusions: Community Politics and Institutional Change', in Wallace (ed.), *The Dynamics of European Integration*; and Jeppe Tranholm-Mikkelsen, 'Neo-functionalism: Obstinate or Obsolete? A Reappraisal in the Light of the New Dynamism of the EC', *Millennium*, 20/1 (1991).

expectations about the declining role of the state in relation to central institutions seem radically at variance with the very heavily statist orientation of most regionalist arrangements outside the EC. Third, (in contrast to both neo-liberal institutionalism and Deutsch's concept of security community) neo-functionalism views institutions as fundamental and is thus difficult to relate to the relatively low levels of institutionalization found in many regionalist schemes. It is, however, possible that neo-functionalist insights may become more relevant in the future as regional co-operation deepens and as regional institutions become more firmly established. Thus, for example, recent institutional developments in *Mercosur* or the wide-ranging and often highly technical provisions of NAFTA may lead to the kinds of social and political processes that have been so central to neo-functionalist thinking about European integration: the process of institutional growth and spillover across different sectors; the leading role for technical élites and international bureaucracies; and the extent to which the institutionalized structure of the complex negotiating process opens the way for transnational interest group mobilization.

2. *Neo-liberal institutionalism.* Neo-liberalism institutionalism has been the most influential theoretical approach to the recent study of international co-operation and represents a highly plausible and generalizable theory for understanding the resurgence of regionalism.[37] Institutionalists base their analysis on a number of core arguments. In the first place, increasing levels of interdependence generate increased 'demand' for international co-operation. Institutions are viewed as purposively generated solutions to different kinds of collective action problems. As Robert Keohane puts it:

> Institutionalists do not elevate international regimes to mythical positions of authority over states: on the contrary, such regimes are established by states to achieve their purposes. Facing dilemmas of coordination and collaboration under conditions of interdependence, governments demand

[37] The literature is enormous. See e.g. Robert O. Keohane, *International Institutions and State Power* (Boulder, Colo.: Westview, 1989); Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton UP, 1984); David A. Baldwin (ed.), *Neorealism and Neoliberalism* (New York: Columbia UP, 1993); Volker Rittberger (ed.), *Regime Theory and International Relations* (Oxford: OUP, 1993); Helen Milner, 'International Theory of Cooperation among Nations: Strengths and Weaknesses', *World Politics*, 44 (Apr. 1992).

international institutions to enable them to achieve their interests through limited collective action.[38]

Norms, rules, and institutions are generated because they help states deal with common problems and because they enhance welfare.

Second, neo-liberal institutionalism is heavily statist, concerned with ways in which states conceived of as rational egoists can be led to co-operate.[39] In contrast to the pluralist networks stressed by the neo-functionalists, the state is viewed as the effective gatekeeper between the domestic and international. Indeed, this approach emphasizes how the successful collaborative management of common problems strengthens the role of the state. Thus the dominant strand of rationalist institutionalism has sought to retain neo-realist assumptions but to argue that they do not preclude co-operation. The aim is to analyse and isolate the particular constellations of power, interests, and preferences likely to explain the sources and constraints of co-operative behaviour.

Third, institutions matter because of the benefits that they provide, and because of their impact on the calculations of the players and the ways in which states define their interests. They achieve this through the provision of information, the promotion of transparency and monitoring, the reduction of transaction costs, the development of convergent expectations, and facilitating the productive use of issue-linkage strategies. Particular attention is paid to the number of players; the extent to which states are involved in an ongoing process of co-operation (the idea of repeated games or 'iteration' and the importance of lengthening the shadow of the future'); and the effectiveness of mechanisms to discourage cheating (it is cheating or defection that is considered the main obstacle to co-operation rather than, as neo-realists argue, distributional conflict and concern for relative gains).

Institutionalist theories, then, concentrate on the ways in which strategic interaction may lead to the emergence of co-operation in a given area of international relations. As noted earlier, the dominant trend in the 1970s and 1980s was to apply this approach to non-region-specific questions (mainly in the economic and environmental fields, but with some emphasis on security regimes). However, institutionalists have increasingly turned their attention to the EC, highlighting the extent to which even institutionally complex regional arrangements rest on an evolving set of intergovernmental bargains between the major states; and pointing to the reassertion of the control of European national governments after the early moves in the direction of supranationalism and the creation or strengthening of intergovernmental practices and institutions.[40]

Applied to other examples of regionalism, institutionalist theory would seek to identify the ways in which processes of *regionalization* and *regional economic integration* create, first, material problems and what Richard Cooper has called 'international policy externalities' that require collective management; and, second, incentives for reducing transaction costs and facilitating intra-regional linkages.[41] It is expected that both lead to the expansion of formal or informal *interstate co-operative institutions*. Thus, for example, the choice facing the USA and Mexico in the NAFTA process was not whether to move closer to each other; but rather whether the management of the increasingly complex and dense economic, environmental, and societal interdependencies that had emerged over the past forty years should be formalized and institutionalized, or left to *ad hoc* political bargaining. Equally, for institutionalist theory, the increased emphasis on political regionalism in Asia Pacific reflects the need to 'manage' the increased levels of economic interdependence that have grown up across the region. As Peter Petri has argued:

> The importance of a particular partner in a country's transactions is likely to be closely related to the country's investments in linkages with that partner. It is thus not surprising that a wide array of regional initiatives have recently emerged to address the new issues generated by East Asian interdependence. From an analytical perspective, these initiatives can be seen as attempts to reduce transaction costs in regional trade, manage

[38] Robert O. Keohane, 'Institutionalist Theory and the Realist Challenge After the Cold War', in Baldwin (ed.), *Neorealism and Neoliberalism*, 274.

[39] Because it takes states as central, this is often seen as a realist theory (e.g. by Hix, 'Approaches to the Study of the EC'). Unlike realism, however, institutionalism accords a major role to institutions and accepts that sustained co-operation is possible.

[40] See e.g. Robert O. Keohane and Stanley Hoffmann (eds.), *The New European Community: Decisionmaking and Institutional Change* (Boulder, Colo.: Westview, 1991).

[41] Richard N. Cooper, 'Interdependence and Co-ordination of Policies', in Cooper, *Economic Policy in an Interdependent World: Essays in World Economics* (Cambridge, Mass.: MIT Press, 1986).

intraregional trade frictions, and marshal regional economic forces against external economic challenges.[42]

From an institutionalist perspective, the emergence of regional security regimes (such as CSCE or the ASEAN Regional Forum, or the network of confidence-building measures in South America) should not be viewed in terms of the balance of power or alliance formation. Rather they have been created and will survive because of the benefits they provide: by facilitating communication, information, transparency; by reducing mutual threat perceptions and worst-case thinking; and by undercutting the self-fulfilling prophecies that lie at the heart of the security dilemma.

Finally *regional cohesion* would emerge, on this view, not from grand proposals to create new federal structures but from the way in which individual or issue-specific co-operation comes to form an increasingly dense network where co-operation on each new issue becomes embedded in a larger and more complex whole.

3. *Constructivism.* Constructivist theories focus on *regional awareness* and regional identity, on the shared sense of belonging to a particular regional community, and on what has been called 'cognitive regionalism'. They stress the extent to which *regional cohesion* depends on a sustained and durable sense of community based on mutual responsiveness, trust, and high levels of what might be called 'cognitive interdependence'.

There are two main variants that are relevant to the study of regionalism.[43] The first derives very centrally and directly from Deutsch's original work on integration. It involves a view of evolving community that stresses two central ideas: first, that the *character* of interstate (or more accurately for Deutsch, inter-societal)

[42] Peter A. Petri, 'The East Asian Trading Bloc: An Analytical History', in Jeffrey A. Frankel and Miles Kahler (eds.), *Regionalism and Rivalry. Japan and the United States in Pacific Asia* (Chicago: University of Chicago Press, 1993), 42–3. See also Stephan Haggard's comment on Petri, pp. 48–52.

[43] Nicholas Onuf used the term 'constructivism' in his study of rules in international relations (*World of Our Making. Rules and Rule in Social Theory and International Relations* (Columbia, SC: University of South Carolina Press, 1989). Its more general use has arisen out of the critique of both Waltzian structural realism and rationalist theories of co-operation. For a particularly clear account of constructivism see Alexander Wendt, 'Collective Identity Formation and the International State', *American Political Science Review*, 88/2 (June 1994). See also Keohane's distinction between rationalist and reflectivist approaches: 'International Institutions: Two Approaches', in *International Institutions and State Power* (Boulder, Colo.: Westview, 1989), ch. 7.

relations within such a community can (and should be) understood in terms of a sense of community, 'we-ness', mutual sympathy, loyalty, and shared identity. This in turn is likely to be based on shared principles, on collectively held norms, and on common understandings, rather than on expediency or a temporary conjunction of short-term interests. And second, that the *process* by which such a community emerges is related in some way to the compatibility of major societal values (especially capitalism and liberal democracy); and to processes of social communication based on an increase in the level of transactions between two or more societies (hence the label 'transactionalism').

The second variant rejects the rigidity of the linkage in Deutsch's work between transactions and identity, but upholds the fundamental importance of understanding the processes by which new communities are created and sustained.[44] This involves a number of central ideas: first, that, in contrast to rationalist theories, we need to pay far more attention to the processes by which both interests and identities are created and evolve, to the ways in which self-images interact with changing material incentives, and to the language and discourse through which these understandings are expressed; second, that it matters how actors interpret the world and how their understandings of 'where they belong' are formed; and third, that both interests and identities are shaped by particular histories and cultures, by domestic factors, and by ongoing processes of interaction with other states.

Instead of focusing solely on material incentives, constructivists emphasize the importance of shared knowledge, learning, ideational forces, and normative and institutional structures. They claim that understanding intersubjective structures allows us to trace the ways in which interests and identities change over time and new forms of co-operation and community can emerge. As Wendt puts it: 'Constructivists are interested in the construction of identities and interests, and, as such, take a more sociological than economic approach to systemic theory. On this basis, they have argued that states are not structurally or exogenously given but constructed by historically contingent inter-

[44] For a discussion of the weaknesses of Deutsch's views and the contemporary relevance of the concept of 'security community', see Emanuel Adler and Michael Barnett, 'Pluralistic Security Communities: Past, Present and Future', *Working Paper Series on Regional Security*, 1 (University of Wisconsin, 1994).

actions.'[45] To their neo-realist and rationalist critics, however, they overestimate the importance of regional identities and the discourse of regions and region-building. Instead neo-realists repeatedly point out that violent conflict has often occurred within highly integrated communities sharing values and beliefs (not least as part of civil wars), and highlight the malleability of identity and the fluidity of regionalist rhetoric.

The revival of interest in such approaches reflects a strong belief that the constant and confused eddying of contemporary claims to identity has become more important and more contentious. Thus the present difficulties facing regionalism in Europe need to be set against the erosion of the apparently solid and durable myths around which the EC was born and developed.[46] In Europe, the Americas, and Asia, the politics of regionalism may be complicated by the existence of different *national* conceptions of the region, and there may be deep conflicts over the geographical scope of the region and the values which it is held to represent.[47]

(c) *Domestic-level theories*

A third cluster of theories focuses on the role of shared domestic attributes or characteristics. Such an emphasis is not new. Those seeking to define regions have often highlighted the importance of commonalities of ethnicity, race, language, religion, culture, history, and consciousness of a common heritage. Writers such as Karl Deutsch stressed the importance of 'the compatibility of major values relevant to political decision-making' in the emergence of security communities. Neo-functionalists believed that the dynamics of the 'spillover' depended on certain domestic prerequisites, above all the pluralist nature of modern industrialized societies and the particular role played by élites in redefining

[45] Wendt, 'Collective Identity Formation', 385. As this quotation indicates, constructivism can be seen as a systemic theory. Whilst perceptions of a non-regional 'other' can indeed reinforce regional identity, it is constructivism's analysis of strategic interaction and cognitive interdependence within the region that is most relevant for our purposes.

[46] See Tony Judt, 'The Past is Another Country: Myth and Memory in Postwar Europe', Daedalus, 121/4 (Fall 1992).

[47] Ole Waever, 'Three Competing Europes: German, French and Russian', *International Affairs*, 66/3 (1990), and 'Territory, Authority and Identity', Paper for EUPRA Conference on European Identity, Florence, 8–10 Nov. 1991.

interests on a broader than national basis. There are three ways in which domestic factors can be related to contemporary regionalism.

1. Regionalism and state coherence. Regionalism is often seen as an alternative to the state or as a means of going 'beyond the nation state', and it has been common (and perhaps rather too easy) for regional enthusiasts in Europe to talk about the end of sovereignty or the unimportance of national frontiers (conveniently forgetting the case of Yugoslavia and the Balkans). Yet the possibilities of regional co-operation and integration are likely to depend very heavily on the coherence and viability of the states and state structures within a given region. It is becoming a truism that many of the most serious problems of the post-Cold War world result not from the lack legitimacy between states, but from the still greater lack of legitimacy within them. In many parts of the post-colonial world political instability, civil war, economic mismanagement, and environmental degradation interact to undermine the cohesion of state structures, to erode the economic base and social fabric of many weak states, and to produce a deadly downward spiral leading towards disintegration and anarchy.

The absence of viable states (both in terms of effective state apparatuses and mutually accepted territorial boundaries) makes the process of region-building difficult, if not impossible. If the state collapses it is all too likely that the warlords and the drug barons will move in. These problems already stand as major obstacles to the development of effective regionalism in parts of Africa and South Asia; and, as Charles Tripp's chapter argues, the instability of regimes, their intolerance of all opposition, and the erosion of projects of state-dominated economic development work powerfully to undermine sustained interstate co-operation in the Middle East. It is, therefore, no coincidence that the most elaborate examples of regionalism (the EC, NAFTA, ASEAN, *Mercosur*) have occurred in regions where state structures remain *relatively* strong and where the legitimacy of both frontiers and regimes is not widely called into question (although territorial disputes might continue to exist). Whilst regionalism may over time lead to the creation of new forms of political organization, regionalism and state strength do not stand in opposition to each other and states remain the essential building-blocks with which regionalist arrangements are constructed.

2. *Regime type and democratization.* A great deal of theoretical attention has been devoted over the past few years to re-evaluating the importance of domestic factors and the impact of democracy and democratization. This has formed part of the broader attack on neo-realism and its emphasis on the overriding importance of systemic pressures and dynamics. Substantial theoretical momentum has developed around the proposition that democracy does indeed make a fundamental difference and, in particular, that democracies do not go to war with each other.[48] Much of this work is concerned with general propositions about the behaviour of liberal states. Equally many would seek to identify 'liberal zones' that cross geographical regions (the North Atlantic area in Deutsch's classic study, or Daniel Deudney and John Ikenberry's picture of continued co-operation across the OECD world, or Anne-Marie Burley's analysis of legal dynamics of liberal zones).[49] Nevertheless, the possible existence of *regional pacific unions* is clearly of major potential importance for understanding the dynamics of contemporary regionalism. Indeed, as Raymond Cohen argues, the robustness of the link between democracy and peace within regional clusters of states that have historically been willing and able to fight each other is central to assessing the overall theory.[50]

The importance of democracy was easy to overlook in the early phases of the European community. Whilst the commitment to multiparty democracy was an explicit feature of the Treaty of Rome, the success of democratization in West Germany and Italy meant that the founding fathers could accept a common commitment to democracy as given, and theorists could relegate pluralist democracy as a background factor. However, this situation was not to last and each round of enlargement has made the difficult issue of the political criteria for admission ever more pressing.[51] In part these questions have to do with confidence in the processes of democratic consolidation in the would-be member states. In part they have to do with more diffuse, volatile, but very powerful questions of boundaries (who is European?) and of identity (what is it to be European?).[52] Such questions also suggest the need to reassess the degree to which the past success of economic integration depended upon the subregional character of the Community and on the existence of common democratic institutions, common culture, and common history.

As the previous chapter discussed, there are certainly cases where the wave of democratic transitions that swept the world in the 1980s can be plausibly implicated in the revival of regionalism. Moves towards subregional co-operation in South America occurred against the background of a region-wide shift away from military and bureaucratic-authoritarian regimes. Yet it is also clear that the relationship between regionalism and democracy is complex. Thus even in cases where democratization did play a role, its relative weight needs to be assessed with some precision and on the basis of more detailed studies than have yet been undertaken. In Latin America, for example, the consistent relatively pacific character of interstate relations in this century cannot be easily related to the often extremely illiberal and violent character of many of the domestic regimes that have governed in this same period. Moreover, as Chapter 9 argues, there are numerous other factors that have been important in the revival of subregional co-operation. Equally, there are other important examples of contemporary regionalism in which democracy has clearly not played a major direct

[48] The literature is expanding very rapidly. But see esp. Melvin Small and J. David Singer, 'The War Process of Democratic Regimes', *The Jerusalem Journal of International Relations*, 1 (1976); R. J. Rummel, 'Libertarian Propositions on Violence within and between Nations', *Journal of Conflict Resolution*, 29 (1985); Michael W. Doyle, 'Kant, Liberal Legacies, and Foreign Affairs', *Philosophy and Public Affairs* 12/3 and 4 (1983); Zeev Maoz and Bruce Russett, 'Normative and Structural Causes of Democratic Peace, 1946–1986', *American Political Science Review*, 87 (1993); and Bruce Russett, *Grasping the Democratic Peace* (Princeton: Princeton UP, 1993).

[49] Deutsch, *Political Community in the North Atlantic Area*; Daniel Deudney and G. John Ikenberry, 'The Logic of the West', *World Policy Journal*, 10/4 (Winter 1993/4); Anne-Marie Burley, 'Law among Liberal States: Liberal Internationalism and the Act of State Doctrine', *Columbia Law Review*, 92 (Dec. 1992).

[50] Raymond Cohen, 'Pacific Unions: A Reappraisal of the Theory that "Democracies do not Go to War with Each Other"', *Review of International Studies*, 20/3 (July 1994).

[51] For a comparative treatment of this issue, see Laurence Whitehead, 'Requisites for Admission', in Peter H. Smith (ed.), *The Challenge of Integration: Europe and the Americas* (New Brunswick, NJ: Transaction Publishers, 1992).

[52] They also reinforce and complicate a problem that has become increasingly central to the European debate but remains marginal elsewhere, namely the question of democracy and legitimacy within the the EC itself. Liberal theorists of integration (indeed liberal economic thought more generally) had a deeply apolitical view of what integration involved. From the perspective of the early 1990s, however, it is clear that any theory of integration has to pay far greater attention to the relationship between the institutions by which states have sought to manage interdependence and issues of representation, accountability, and political legitimacy.

role—for example, the creation of NAFTA in which the limitations of political democracy in Mexico have threatened to become an obstacle to integration; or the case of ASEAN, in which increased regional interaction and institutional deepening in both the security and economic spheres has occurred despite the fact that only one ASEAN member can be considered democratic and despite the explicit rejection of Western-style liberalism and democracy.[53] Unravelling the complexity of these connections will involve paying more attention to a number of difficult issues: the precise meaning of 'liberal democracy', 'liberal regimes', and the ways in which different components of democracy might contribute in different ways to the creation and maintenance of a democratic peace; whether it is political democracy *per se* that contributes to regional peace or whether analysis should concentrate on underlying factors or prerequisites that sustain *both* democratic forms of government *and* pacific foreign policies; the relationship between *processes of democratization* and regional peace (as opposed to the emphasis in the existing literature on the behaviour of fully consolidated democracies); and the relationship between democratization and forms of social violence and instability that fall short of formal interstate war. Yet, however these issues are resolved, the links between democratization and regionalism are likely to remain of great theoretical and practical interest.

3. *Convergence theories.* Convergence theories understand the dynamics of regional co-operation and especially regional economic integration in terms of converging domestic policy preferences among regional states. Thus revisionist writings on the European Community have emphasized the extent to which the political mythology of European integration was deeply misleading. It was not pursued as part of a grand project of moving 'beyond the nation state', but rather as the best means of sheltering or protecting a particular domestic project built around Keynesian economics, social welfare, and corporatist social arrangements. Integration therefore emerged from the pursuit of quite narrowly focused national policies and parochial rather than internationalist visions and could result in a strengthening, not a weakening in the role of

[53] In both cases, however, domestic factors may still play an important role: changes in societal values and attitudes towards the USA in the case of Mexico; increased awareness of common social, economic, and political values in the case of ASEAN.

the state.[54] Similarly, the revival of integrationist momentum in the mid-1980s can be seen in terms of the convergence of national economic policy preferences, centred around economic liberalization and deregulation.[55]

Domestic policy convergence has undoubtedly been an important factor in the resurgence of regionalism, especially the widespread shift in the developing world towards market-liberal policies that stress trade liberalization and export expansion. Moreover, in some cases, regional integration becomes a way of consolidating market-liberal policies. Thus, for example, the importance of NAFTA does not rest on trade liberalization (much of which had already taken place) but on the ways in which the treaty locks Mexico into the particular set of domestic economic policies and insulates its economic reforms from future domestic political interference. The confidence created by this 'locking in' is central to the economic expectations (securing continuing flows of foreign capital), but is also intended to cement the political power of those groups that have benefited from reform.

3. CONCLUSION

This chapter has argued that debates over the revival of regionalism are deeply connected with the broader theoretical debates that have dominated International Relations and that much is to be gained by exposing and exploring the nature of these connections. It has also argued that the theories of regional integration that have dominated the analysis of the EC provide only a partial and incomplete guide to understanding contemporary regionalism. It has analysed three separate clusters of theories on three levels of analysis: the systemic, the regional, and the domestic. Yet, again as in International Relations more generally, a great deal hangs on how these levels are to be related to each other. There are three broad strategies.[56]

[54] As Alan Milward writes: '[D]omestic policy was not in the end sustainable unless this neo-mercantilism could be guaranteed by its Europeanization'; *The European Rescue of the Nation-State* (London: Routledge, 1992), 134.

[55] See Hix, 'Approaches to the Study of the EC', 7–8.

[56] For relevant discussions of the 'levels of analysis' problem, see R. B. J. Walker, *Inside/Outside: International Relations as Political Theory* (Cambridge: Cambridge UP, 1993), esp. 130–40; and Andrew Moravcsik, 'Introduction. Integrating Inter-

In the first place, the theorist can claim that primacy should be given to one level of analysis. Neo-realists, for example, argue for the primacy of the international political system. Their claim is not that systemic or structural theory can explain everything, but that, as Kenneth Waltz argues, it explains a small number of big and important things.[57] Other theories can be left to fill in the rest of the picture, to explain 'residual variance'. Similarly institutionalist theory focuses on intra-regional interactions, downplaying the importance of both domestic-level factors and the geopolitical context. Much is to be gained from such bold claims to primacy, particularly when theory is used to map the political landscape, to raise important questions about individual regionalist schemes, and to illuminate historical developments. But there are two difficulties. First, it is far from clear that even the main lines of any historical example of regionalism can be plausibly understood by focusing on a single level of analysis. And second, as Andrew Moravscik argues, assumptions about other levels of analysis are often smuggled in surreptitiously and then modified to explain anomalies in the theory.[58]

A second path is therefore to explore the nature of the interaction between the different logics that we see at work in contemporary regionalism. Thus constructivism provides a theoretically rich and promising way of conceptualizing the interaction between material incentives, inter-subjective structures, and the identity and interests of the actors (although there remains a considerable gap between conceptual sophistication and empirical application). Liberal theorists are increasingly seeking to link institutionalist ideas about interstate co-operation with domestically rooted theories of preference formation.[59] And finally much greater attention needs to be

national and Domestic Theories of International Bargaining', in Peter B. Evans, Harold K. Jacobsen, and Robert D. Putnam (eds.), *Double-Edged Diplomacy* (Berkeley and Los Angeles: University of California Press, 1993).

[57] See Kenneth Waltz, 'A Response to my Critics', in Robert O. Keohane (ed.), *Neorealism and its Critics* (New York: Columbia UP, 1986), 329.

[58] Moravscik, 'Introduction', 6–17. A good example is Stephen Walt's modification of neo-realist alliance theory, noted earlier (see n. 26). His argument that states seek to balance against threats and perceived intentions, rather than unequal power is certainly plausible. However, enquiring into such perceptions leads unavoidably to an analysis of domestic-level political and cognitive factors, thereby vitiating the much vaunted parsimony of neo-realist theory.

[59] For an important move in this direction see Moravscik, 'Preferences and Power'.

given to the tradition of dependency and radical political economy which has long stressed the need to unpack the 'state' and to examine the changing domestic political coalitions and 'state–society complexes' on which many examples of the new regionalism have come to rely.

Thirdly, one can adopt a phased or 'stage-theory' approach to understanding regionalism. Although theoretically somewhat unsatisfying, it is historically often very plausible. Thus, it might be argued that the early phases of regional co-operation may be the result of the existence of a common enemy or powerful hegemonic power; but that having been thrown together, different logics begin to develop: the functionalist or problem-solving logic stressed by institutionalists; or the logic of community highlighted by the constructivists. Thus, neo-realists may be right to stress the importance of the geopolitical context in the early stages of European unity, and yet wrong in ignoring the degree to which both informal integration and successful institutionalization altered the dynamics of European international relations over the following forty years. This kind of 'staged' approach has a great deal to offer in sharpening our understanding of the moves towards economic integration in the case of NAFTA, of the evolving pattern of co-operation within ASEAN, or of the growth of subregional co-operation in South America.