

Building Regions

The Regionalization of the World Order

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region-building story-line is therefore the reference to states. In other words, all regionhood implies some form of statehood. But not all statehood implies regionhood.

Labelling a process as regional integration rather than as cooperation is thus always done in a specific discursive context. But adhering to such a social constructivist approach does not mean that one should neglect factual elements. One also needs to take into account the situation of the elements of integration in a given geographical area; that is, the concerned states. It does not make sense to claim for instance that regional integration is a process that can or will occur in the same way for any given set of neighbouring countries. In order to understand the regionality of regions one has to look at the concrete context and this implies scrutinizing the characteristics of the states that are involved in processes of regionification or region-building.

States differ from each other in many ways. First there are differences between small and big states that were already mentioned in Chapter 1. The EU for instance is an integrated area of 27 states that is itself still smaller than a single state such as China. And Iceland, itself a state, is smaller than many sub-national regions in Europe. Secondly, states have very different regimes, including various modes of liberal democracy, totalitarianism and others. These regimes obviously influence the functioning of a state. States also differ in economical and political power, from landlocked, poor or even failed states on the one hand to super-powers with a rich colonial past on the other hand. And finally, some states are largely decentralized with federal structures, while others have a very centralized form of governance. All these variables will affect processes of integration and disintegration. Studying region-building processes from a discursive point of view therefore needs to take into account the geographical, political and economic reality of the entities involved. And in addition, the fact that some states have taken a certain road towards integration or disintegration, will affect other integration processes as the actors of integration are aware of these examples. They can be copied or on the contrary seen as roads not to follow. The result is a complex landscape of varieties of regionalism that calls for a further conceptual refinement.

Chapter 4

Varieties of Regional Integration

As mentioned before, acquiring regionhood (that is the process by which a geographical area becomes a region) can be achieved in three ways: as a process of integration between two or more states, as a process of cooperation between cross-border areas, or as a process of disintegration within or across existing states. These different region-building processes result in the emergence of a variety of regions. Each region has its own regionality that makes it a unique entity (metaphorically this can be compared with a person being a unique personality) as well as an entity that belongs to certain categories (as one can say that every person belongs to certain personality types). This chapter is devoted to exploring how integration between states can occur and to how this leads to different varieties of integrated regions.¹ In theoretical terms, integration refers to a process in which units move from a condition of total or partial isolation towards a complete or partial unification. It is a concept that as Van Middelaar (2009: 20) notes, seems to refer to a smooth quasi-chemical process where the end product is a perfect mixture. It is therefore not a neutral concept, but one that suggests a certain vision of how change occurs and that serves a purpose in integration-speak discourses. Applied to the interaction between sovereign states, regional integration can thus be understood as a process of complex social transformations, which may or may not imply some kind of permanent institutional structure or mutual cooperation between sovereign states. The reverse holds for disintegration but it is regional integration that has become an important economic and political issue and a key factor in the regionalization of the world. Both integration and disintegration are observable processes that can be monitored through the use of indicators that measure for instance the degree of institutionalization, level of policy implementation or the evolution of interdependencies (De Lombaerde and Van Langenhove 2006). But integration and disintegration are not only observable phenomena, they are also concepts used by actors in certain social situations. Speaking of integration therefore also involves a positioning (see previous chapter). When including such a social constructionist angle in the study of integration, this allows us to link the study of regional integration to the Morgan (2005: 4) perspectives introduced on page 47.

First, there is the study of the integration *projects*: the normative ideals and goals put forward by region-builders as the *télôs* of what needs to be achieved by the integration. Secondly, there is the study of the integration *processes*, the

1 A similar exercise is possible for sub-national regions and cross-border regions, but this falls outside the scope of this book.

actual step-by-step transformations that lead to integration and that are based upon discursive acts and interactions. Thirdly, there is the study of the *products* of integration, the institutions, policies and practices that have emerged as outcome of the process and that all have a discursive nature as well. Most comparative regional integration studies focus on the products and describe the varieties of regional integration in terms of geographical mapping. Regional organizations or regional agreements such as Mercosur, ECOWAS, SADC, ASEAN, NAFTA and many others are listed as case studies that map how regional integration manifests itself in Africa, Asia, the America's, the Pacific and Europe (see for instance Farrell, Hettne and Van Langenhove 2005; Laursen 2010; and especially Kühnhardt 2010a and 2010b). In this chapter most attention will however go to the integration projects as this allows best to understand the varieties in processes and products. Such an approach also stresses the centrality of the visions and the related discursive acts that are the goals and dreams in the phenomenon of region-building. At the end of the day all regionalization is a human project. This implies that persons and groups undertake actions to transform society into a direction they believe to be desirable.

Integration and disintegration may occur in any policy area of the social realm. Take for instance the organization of a national education system. All states have their own specific educational system but in Europe there is a tendency towards integration. A good example is the European Credit Transfer System (ECTS) which makes it easier to take courses in different European countries and therefore creates a sort of integrated European Higher Education area. Meanwhile the Belgian educational system for instance has been devolved (disintegrated) into two separate educational systems governed by the Flemish and French communities with little interaction between both. This shows again that regional integration may occur simultaneously with devolution and that it is linked to the functioning of states.

As a region can be defined as a geographical area with certain statehood properties, this implies that regional integration will be always linked to certain policy domains of states: it is there that the statehood properties are acquired. According to the nature of the policy domain involved, different varieties of integration are thus possible. Consider the following three broad policy domains introduced on page 17 that together define a state's actorness:

- i. the economic policy tissue (every state is a 'single market' with its own economic policy);
- ii. the institutional framework with regard to the delivery of public goods (every state has an executive, legislative and judicial power); and
- iii. the sovereignty that allows the state to have authority over its citizens as well as being an actor in international gremia.

In principle all states regardless of their history and their differences in size look alike on these three dimensions: they are single economic spaces, they have an

organization to establish internal governance and the distribution of public goods that spans the whole territory and they are the sole bearers of sovereignty. But, each of these three domains can also be subject of processes of regional integration or devolution. It makes therefore sense to unpack the concept of regions according to three dimensions:

- the economic single space dimension;
- the provision of public goods' dimension; and
- the actorness and sovereignty dimension.

For each of these three dimensions of state-functioning, regions can take over or complement the state actorness. This results in three different major varieties of regional integration, each representing a different take on what the integration project is. First, a region can take over or complement the state actorness with regard to the economic dimension. This is for instance the ambition of the EU that wants to be an EU-27 single market and has moved pretty far in that direction. Secondly, a region can also act as a provider of public goods. This is happening at the level of many sub-national or cross-border regions and can also be part of an integration process. And finally, some regions can have their own sovereignty and actorness potential. Flanders – a region within Belgium – has for instance the right to sign institutional treaties with other states. And Flanders, together with many other sub-national regions or supra-national organizations, such as the EU, also has its own diplomatic missions to states or multilateral organizations. Some regional organizations such as the EU or ASEAN even have a legal personality.

So, for regions of a supra-national nature, one can relate processes of regional integration to the three above-mentioned dimensions. And each time the possible end-result could be a total integration whereby what once was functioning at the level of an individual state now operates at the supra-national regional level. But the envisaged end-result can also be a form of division of labour between states and regions. In other words, there exists a different *télos* for the integration of each policy domain. The development of each specific regional integration scheme can thus be benchmarked in relation to the three *téloi* of complete integration. For each variety, the development will depend on the level of comprehensiveness (in terms of competences), capacity (in terms of tools) and autonomy (from the national level). Supposing that such a total integration could occur simultaneously at all three levels then the conditions for the emergence of a new state would have been created. But such total integration does not seem to exist. Probably because the dimension of nationhood is missing. What does exist is partial integration in each of the three domains or close to complete integration in one of the domains. Accordingly, one can identify three major types of actions that lead to regional integration and which are related to the main dimensions of statehood: (i) the act of removing economic obstacles towards integration; (ii) the act of building adequate institutions or regulations that favour the delivery of regional public goods and (iii) the act of presenting the integrated region as a unity with some

levels of sovereignty. This chapter is further devoted to a discussion of these three types of integration-acts. It will be argued that they have led to three varieties of regional integration, each type corresponding to a specific ideal-type of regional integration (cf. Costea and Van Langenhove 2007). Each regional integration process follows its own trajectory and can remain insulated within one dimension of governance or, alternatively, spill-over and cumulate some characteristics from the other varieties. The result is that today regional integration comes in many forms and varieties.²

Integration by Removing Economic Obstacles

Several obstacles hinder building a supra-national region. Perhaps the most important one being the concept of sovereignty as it limits – *de jure* – the possibility of mutual ‘interference’ in internal affairs of each of the concerned states. Feelings of traditional national identity can also be a major obstacle, as it – *de facto* – will limit the urge towards integration and region-building. Another very important obstacle is the concept of borders. Fixed boundaries between states can be used to control and limit the flow of goods, people and money across borders. This results in states being more or less economic islands: within a given state travel and trade are easy but crossing the borders can be difficult if not impossible. But while states need borders to operate as units of governance, markets do not need borders and trade has been always aimed at expanding beyond markets (Findlay and O’Rourke 2007).

Consequently, one of the main drivers towards regional integration has always been cross-border trade and this for obvious reasons: if one has goods to sell, why limit oneself to a market that coincides with a certain national territory? In principle market-expansion does not want to be limited by borders. Nonetheless, for long states have had a general tendency to limit free trade across borders. Partly because out of protectionism (limiting the inflow of goods should increase the internal sales) and partly because trade across borders can generate income for the state through tariffs and custom duties. Ever since the writings of Adam Smith and David Ricardo in the eighteenth century, protectionism became under siege and by now, most economists will agree that allowing a maximum of free trade across borders will generate more benefits for all parties involved. Not surprisingly then an important manifestation of regional integration has been and still is the economic integration of neighbouring states that consists out of the progressive

2 In previous publications (Costea and Van Langenhove 2007, Van Langenhove and Marchesi 2008 and Söderbaum and Van Langenhove 2005), the three varieties of regional integration have been labelled ‘generations’ in order to emphasize that some forms of regionalism built upon previously existing ones. But speaking of generations gives too much the impression that there is a strict chronological order, which is not the case. Hence the introduction of the notion of ‘varieties’.

lowering of all internal boundaries for trade and the establishment of common external boundaries.

The first variety of regional integration is thus characterized by mainly economic integration, leading to experiences such as free trade agreements, customs unions or common markets. These schemes are characterized mainly by ‘negative integration’ – a process of removing the barriers to the free flow of economic factors – and by the widening of the membership included in the process. Actual transfer or pooling of sovereignty, though, can occur, as this implies that realizing the *télos* would result in the creation of a new single market that comprises the old national markets of each of the participatory states.

In the case of the first variety of regional integration, the *télos* is thus a complete single regional economic space that cannot be distinguished from a national market. The first of such regional integration initiatives appeared already in the nineteenth century. In 1828 Prussia established a customs union with Hesse-Darmstadt. It was soon followed by the *Zollverein* between a number of German states. This integration process stated in 1834 and resulted in 1842 in an integrated economic space between 28 states. The *Zollverein* ended in 1871 with the creation of a new state, the German Empire. A similar evolution occurred in what is now called Switzerland, a political union created in 1848 and based upon an integrated Swiss market. The early regional integration schemes thus led to the creation of new states. Since World War II, this idea has been largely abandoned and economic integration is no longer seen as a process that would lead to the creation of new states. The essence is now on the building of regional markets as ‘a deliberate process where barriers to exchange are quickly removed and people from diverse backgrounds are expected to interact with each other’ (Duina 2006: 5). Three aspects of this first variety of regional integration deserve to be further discussed. First, the sequential nature of this form of integration processes; secondly, the particular development of this variety in Europe; thirdly, the current proliferation of regional trade arrangements.

The Sequencing of Economic Integration

The first variety of regional integration is based upon the idea of a linear sequential process of economic integration involving the merging of separate (national) economic spaces into larger supra-national economic regions (Balassa 1961). This process begins with a *Regional Trade Agreement* (RTA), *Free Trade Area* (FTA) in which states agree to remove all custom duties and quotas on trade passing between them, keeping however the right to determine unilaterally the level of custom duties on imports coming from outside the region.³ This allows the free movement of all (or specific categories) of goods within the territory of

3 It should be noted that in the academic literature ‘RTA’ and ‘FTA’ are used as synonyms. But as will be argued on page 106, not all FTAs are RTAs as in some cases the FTA includes non-neighbouring countries and hence there is no ‘regional’ dimension in the

the participating states. Preferential rules of origin have to be devised to allow identifying the origins of the goods traded. Increasingly such RTAs will also include provisions for liberalizing trade in services and investment flows as well. Next stage is the customs union where a common level of duty on external trade arrangements is applied. This common external tariff is negotiated and allows to conducting a common commercial policy. It is as if the states of that customs union have together one single border with their neighbouring countries. As all states involved apply the same external tariff on goods there is no need to develop preferential rules of origin. Next comes the *Common Market* where the free movement of goods and factors of production are added to the free trade. As such a 'single market' is created for goods, services, investment and people are allowed to move freely between the participating countries. The realization of these 'four freedoms' requires harmonization of different policy-areas and so-called accompanying policies, for example social and regional policies and competition policy. The final stage of the process is the *Economic Union* where a common market is installed that also has a complete unification of monetary and fiscal policy. Here an exchange rate system establishes a relative monetary stability. In order to achieve that, some kind of coordination of macro-economic policies is needed. In case of a complete *Monetary Union*, a single currency is backed by a common monetary policy instituted in a common central bank. A full economic union involves such a large number of common policies that one may speak of a 'political union'. The common market now operates 'exactly as if it were one single national market' (Glöckler et al. 1998: 90). It replaces the original single national markets and operates in an integrated way. Mattli has defined such an economic regional integration as

the voluntary linking in the economic domain of two or more formerly independent states to the extent that authority over key areas of domestic regulation and policy is shifted to the supra-national level. (1999: 1)

The emphasis is thus on *economic* integration and consequently on trade. And to the extent that the single economic space that is constituted out of a number of states that were formerly each a separate economic space, one can say that a region has been built that has some statehood properties.

The main driver behind such economic integration is thus the expansion of markets. State boundaries have always limited markets and cross-border trade but, as argued by Mattli (1999: 46) new technologies have increased the scope of markets between the boundaries of a single state. So, those who expect to gain from wider markets 'will seek to change an existing governance structure in order to realise these gains to the fullest extent' (Mattli 1999: 46). Globalization as well as developments in transport have undoubtedly contributed to an increased demand

geographic sense. Preferential trade agreement (PRA) is yet another synonym for RTA and again: not all PTAs can be considered to be RTAs.

for such regional economic integration. States have acted accordingly and have in many cases judged that it was in their own national interest to open up borders and to become part of a larger economic entity. In other words, the first variety of integration can be understood as a response of states to the economic challenges of globalization. It is a way of trying to enlarge markets while keeping some national sovereignty. But there can also be other drivers for this first variety of integration. Another driver towards economic integration might be security considerations and the limitations of the possibility of war. The reasoning being that, to the underlying extent that states form a single economic space, the costs of war between them will increase. Creating a single economic space might thus contribute to preventing war. But it is of course no guarantee for that.

The classical example of a linear evolution of economic integration is offered by the evolution of Western Europe after World War II: the creation of the European Economic Community with the *Treaty of Rome* in 1957 removing the tariffs and quotas on intra-EEC trade, the achievement of a customs union in 1968 with the establishment of a common external tariff (CET), the creation of a *Single European Market* in the mid-1980s eliminating the barriers still existing to trade and the establishment of the 'four freedoms' of circulation (persons, goods, services and capital). The economic union is in the process of being completed following the creation of the single currency, although, even in the EU, unification is still needed in important fields such as fiscal policy. The European case of economic integration will be further explored below as Europe can be regarded as the cradle of regional integration. Today, there are nevertheless numerous other examples worldwide of such regional agreements that can be placed at different levels of the above-mentioned spectrum of economic integration. In many cases, the European market integration has become a trigger for the creation of similar common markets and free trade areas. This has been the case in the Middle East, Africa, the Pacific and the Americas during the 1960s and early 1970s. But despite the proliferation of RTAs, the European integration project and process remains a unique endeavour of supra-national region-building.

The European Experience

In geographic terms, Europe constitutes the westernmost part of the Eurasian land mass, a region of an enormous diversity that became Europeanized, with a certain level of 'regionness' already in the Middle Ages, based in Latin Christendom (expanding in all directions through trade, missionary activities and the Crusades). Hettne (2002) has nicely described how Europe started as a regional space when under control of Charlemagne in the ninth century. It became a regional social system with the emergence of the Westphalian world order. But with the Westphalian process of state formation, a new fragmentation of the European identity took place. This order went through cyclical movements, from repeated attempts at continental unification to reassertion of a decentralized state system, also important in the formation of region identity. The heterogeneity of

Europe indeed exceeds that of most other regions, but at the same time there is an unmistakable 'Europeanness' from North to South and West to East. As Europe came to rule the world it exported its model of nation-state sovereignty. But as Europe continued to be plagued by destructive wars in the nineteenth century and first half of the twentieth century, a new step was set towards the emergence of a regional community: the EEC, now EU. Gradually, Europe became a fully institutionalized regional polity.

The mosaic of integration in Europe is complex and the result of many different historical developments. One of the very first regional integration processes in Europe has been the Benelux. Its three members, Belgium, the Netherlands and Luxembourg, have a long common history and were even united during the period 1815–1830. Belgium became a sovereign state in 1830 and Luxembourg in 1890. Already in 1907, a commission of Belgian and Dutch parliamentarians discussed the idea of a customs union. After World War I both countries together with Luxembourg signed the Ouchy Convention, an 'international agreement for lowering of tariffs'. This treaty was open for other European states to join, but was rejected by the UK (and also by the US) and never got into force. During World War II, the Benelux countries represented by their governments in exile signed in 1943 a monetary agreement. This agreement became the basis of a customs union signed in 1947. From 1948 onwards the Benelux developed in a first and second variety a form of regional integration that served as a kind of laboratory for the wider European integration processes. Today the Benelux operates as an Economic Union and as a regional organization with its own political and judicial institutions. And the Benelux is the only one recognized by the EU as a sub-regional arrangement! (Wouters, Van Langenhove et al. 2006).

Also in 1948, the Organization for European Economic Cooperation was created as the answer of 16 European states to the US Marshall Plan. Its immediate plan was the execution of the European reconversion programme. The OEEC was in itself not a trade integration exercise but it played an important role in lowering trade barriers throughout Western Europe and it was a pioneering experiment in collaboration and integration. The OEEC Council of Ministers operated as an intergovernmental body but took its decisions by unanimity. This was in response to the Marshall Plan request that the European countries needed to negotiate amongst themselves how to distribute the Marshall funds.

In the Fifties, the European Coal and Steel Community (1950) and the European Economic Community (1958) institutionalized the first variety of integration in Europe. But since the Treaty of Rome in 1957 a decisive move was made towards a form of second variety integration. The six countries agreed right from the start to eliminate all tariffs and quotas and to implement a customs union. But as noted by Baldwin (2008: 12) the fear was that various governments would offset the trade liberalization by state-led interventions. Hence this was an insistence on ruling out trade distortions. But as it was said that the Treaty could not foresee all future distortions the famous Spaak Committee recommended the creation of an independent European Commission to monitor the internal market as well as an

independent judiciary to settle disputes. In other words, the economic integration became increasingly accompanied by a political integration.

In contrast with the OEEC, the EEC operated on a discriminatory basis. Not all European states followed this line of reasoning. As a result, a number of other European countries started their own – first variety – integration scheme. In 1959 the EFTA was created by the UK and six other European countries. Europe was now confronted with two competing forms of first generation regional integration: the 'Europe of the Six' versus 'the Europe of the Seven'. What followed was a long political struggle to extend both Regional Trade Agreements. And it was of course also a battle to move from the first to the second variety. As the EEC deepened and widened its integration, the position of EFTA countries became more and more difficult. The UK – the lead country of EFTA! – was the first domino to fall as it applied for EC membership in 1961. In the Nineties most countries of EFTA decided to join the Single Market. But Norway rejected membership and in 1995 Austria, Finland and Sweden joined the EU. Today, Norway is a member of the European Economic Area, which gives it access to the EU's internal market. Together with Switzerland, Iceland and Liechtenstein they are the only remaining members of EFTA. It seems to be only a matter of time before the organization is to be wound up.

Obviously, the EU is the most advanced and most developed integration scheme in Europe. But it should not be forgotten that, next to the EU, many other integration or collaboration schemes have been established that certainly contribute to a sense of European regionness as well. In the field of science and technology for instance, a number of joint activities and institutes have been established – mostly based upon intergovernmental agreements. Amongst them are the European Science Foundation, the European Space Agency and the European Southern Observatory and so on. These initiatives have their roots in a will to pool resources at a time when the EU had not yet the (legal and political) possibility to deal with science and technology. Today, the EU has its own proper Research and Technology Development (RTD) policy, but the institutions mentioned above have been so firmly established that they remain autonomous outside the EU institutional framework. Nevertheless, there is a movement of *rapprochement* between these integration schemes and the EU. It is not to be excluded that one day they will all operate under one Treaty.

The story of European integration is further complicated by yet a parallel development: the creation of the Council of Europe. Already founded in 1949, the Council of Europe is the oldest European integration initiator. It now comprises 47 member states (which implies that its geographical scope is not on economic integration but on legal standards and protection of human rights). It has its own legal personality and institutional structure that include a Parliamentary Assembly (comprised of national parliamentarians), a European Court of Human Rights and a series of affiliated semi-autonomous structures dealing with a diverse range of topics such as audiovisuals, medicine, sports, drug trafficking and so on. The

Council of Europe can be considered as a second variety of integration scheme that is not rooted in a first variety experience.

The Council of Europe aims to achieve 'greater unity' between its members by common actions on economic, social, cultural, scientific, legal and administrative issues. Since the 1993 Vienna Summit, the Council of Europe is seeing itself as the guardian of 'democratic security' – founded upon human rights, democracy and the rule of law. Today it works primarily in four areas: human rights, social cohesion, security of citizens, democratic values and cultural diversity. Over the years there has been a growing set of relations between the Council of Europe and the European Union. In 2001 both organizations signed a Joint Declaration on Cooperation and Partnership. And with the Lisbon Treaty that grants the EU a legal personality it is now even proposed that the EU joins the Council of Europe as a fully-fledged member!

Amongst the many other integration schemes in Europe, the following deserve to be mentioned: the Nordic Council, the Southeast European cooperation process (SEECP), the Community of Democratic Choice (CDC), the Central European Free Trade Agreement (CEFTA), the Black Sea Economic Cooperation (BSEC) and so on. Together they form a kind of European spaghetti bowl of regional integration. Undoubtedly, the EU is to be considered as the 'hegemon' amongst the schemes. But it remains an issue that is not always clear who should speak for Europe.

The RTA Spaghetti Bowl

In recent years the first variety of regional integration has become a very prominent phenomenon worldwide. It is estimated that today more than 200 regional trade agreements are in force. If one counts all the RTAs notified to the World Trade Organization (WTO) and those in the pipeline, the figure mounts to close than 400! At first sight it looks as if there is a proliferation of RTAs and thus of first variety regional integration. Robinson and Diaz-Bonilla (2004) have analysed the evolution of the emergence of RTAs and concluded that, while the world trading system in the 1960s still reflected a bipolar world organized around the US and Europe, today the situation is a multipolar world (with the emergence of the East and Southeast Asian block) and a number of new nascent trading blocks being formed in Latin America and Africa. Together with the many hub-and-spokes RTAs, this gives a complex map of entangled regional integration schemes that Jagdish Bhagwati once called 'a spaghetti bowl'. It should however be noted that not all RTAs are regional, but still the vast bulk of them are amongst neighbouring countries or at least on the same continent. If one considers a free trade agreement as regional only if it involves more than two partners (thus excluding bilateral agreements) and if it involves only neighbouring countries, then only 20 per cent of the RTAs qualify as a 'real' regional trade agreement.⁴

4 Data obtained from the Regional Integration Knowledge System (RIKS). Available at: <http://www.riks.garnet-eu.org> (accessed in July 2009).

A study of Fiorentino et al. (2009) has further revealed that, of all the WTO notified RTAs, more than 80 per cent are free trade areas. Only 8 per cent are custom agreements. And of the projected RTAs, 92 per cent are intended to be FTAs and only 1 per cent customs unions! On top of it, the study shows that the proliferation of RTAs goes hand in hand with a decrease in real regional plurilateral RTAs and an increase in bilateral and cross-regional RTAs. Bilateral agreements now account for 80 per cent of all notified RTAs. This can be explained from a historical perspective: region-wide plurilateral RTAs have been established during past waves of regionalism and today RTAs are no longer only a sign of first generation regional integration. They have become an instrument for strategic market access used by individual countries without real integration motives. They are used for preferential partnerships driven by political and economic drivers but unrelated to regional dynamics. Fiorentino et al. (2009) even argue that such RTAs may in some cases even be weakening regional integration processes! Indeed, if a number of neighbouring countries are engaged in an integration process whilst at the same time also concluding FTAs on an individual basis, this shows a lack of commitment to the integration of their region. At the end of the day, a truly economic integration should result in the region, not the member countries, concluding FTAs with third parties. In a limited number of cases, this is what is happening. There are bilateral RTAs, in which one of the parties is itself a RTA. And a new emerging configuration is the bilateral RTA where each party is a distinct RTA itself! Of the RTAs notified in 2006, only 12 per cent are cross-regional. This figure increases to 43 per cent for the agreements signed and to 52 per cent those at the proposal stage.

The 'web' of RTAs across the world is thus dense, but it is not necessarily a sign of region-building. There are too many RTAs where participating states are not neighbouring. This makes it difficult to see them as being part of building a region. Rather, these trends are related to global developments in free trade policy. This story goes back to the 1930s when high tariff barriers emerged and Western state leaders believed that these needed to be reduced. With the signing of the GATT in the late 1940s, the signal was given to aim for a worldwide 'multilateral' approach to liberalize trade. Ever since both political leaders and economists have been pleading for free trade in goods, services and foreign direct investments as the best option for economic development and worldwide prosperity.

With the current suspension of the Doha global trade negotiations, the road towards more economic bilateralism lays open and in that context it seems that regionalism is a 'natural response to the diversity in the world of economy' (Ahearne et al. 2006). As worldwide free trade seems to be difficult to achieve on a short-time basis, these ideas have led to a global spread of first variety regional integration schemes. This regionalism is however characterized by both an element of free trade and an element of protectionism: the liberalization occurs within the boundaries of the RTA. Outside those boundaries, RTAs become discriminatory trade agreements. This is often the case with the poorest countries in the South as biggest victims. First variety of regional integration can thus be seen both as a

stumbling block or stepping stone for achieving a world of free trade as well as for building a region. Indeed, working towards a RTA seems only to be a necessary condition for building a supranational region. It is by no means a sufficient condition.

There has been a wide academic debate in the economic field aiming to measure the extent to which regional integration can increase free trade. For an overview see De Lombaerde (2006). Originally the creation of a FTA or CU were justified, in economic terms, as long as the trade creation induced by the tariff removal between member countries was exceeding the trade diversion brought by the displacement of imports from low-cost third countries producers to high-cost new FTA partners. The underlying theory was based upon the concepts of trade creation and trade diversion derived from a partial equilibrium analysis of the welfare effects of tariff elimination.⁵ The theory can however give no definitive answer as to which effect will predominate. The customs union theory fails to take into account the dynamic effects of RTAs – arguably the most important in the long run. A larger regional market provides opportunities for economies of scale, stimulated competition and provides incentives for investment. Achieving economies of scale is very important for firms in small countries and especially in developing countries. Economies of scale may occur through product specialization enabling firms in two countries to specialize in particular product lines instead of producing the full product line (to rationalize production and to internationalize production). Perhaps the most important effect of a RTA is the stimulus to competition and investment that it brings. Large firms in small countries protected by tariffs will lose their monopolistic quiet life as border protection falls forcing them to compete in the larger market. The investment stimulus will include foreign direct investment (FDI), which will enhance competition. Customs union theory ignores transport costs, which can ultimately decide the fate of a RTA.

The academic answer to the above classical approach to regional integration has been the development of the so-called 'new regionalism theory' that aims to integrate the dynamic effects of economic integration, the interaction between trade and investment, and the role of institutional arrangements as incentives for regional integration.

The question whether regional trading arrangements hinder or contribute to the good functioning of the multilateral trading system is a very interesting one. As underlined by G. Sampson, it addresses two developments that appear to be paradoxical:

on the one hand, non-discrimination is the pillar of the multilateral trading system, on the other, all but two of the 140-plus members of the World Trade Organization (WTO) are parties to at least one – and some as many as 26 – preferential trading arrangements. (2003:3)

5 The old regionalism is built upon the seminal work of customs union theory by Jacob Viner (1950).

A detailed analysis on whether regional trade agreements are building blocks or stumbling blocks in the way of multilateralism concluded that

what characterizes policy development in dealing with the regulatory issues in trade and investment regimes is a multilevel process rather than a choice between regional and multilateral approaches. Regional agreements represent one aspect of this multilevel process. The question should therefore be about what role regional agreements play in this multilevel process. (Woolcock 2003: 315)

The first variety of regional integration is thus a hybrid phenomenon. It exists worldwide under the form of regional trade arrangements, which are a special case of free trade agreements. The existence of a regional trade agreement in a region can be regarded as an attempt to build a single economic space amongst the participating states. But in most cases it never comes to that point. Furthermore, RTAs need also to be regarded as instruments in a worldwide multilevel game to liberate and/or control trade flows.

Integration by Building Institutions and Regulations

The second variety of regional integration describes regional schemes where the focus of cooperation is not purely economic but concerns mainly the provision of public goods, including regulation, redistribution or security. Here, the integration project relates to one or several aspects of how states manage their internal affairs. Basically any domain of the state's functioning can be part of the project, including the legislative and judicial powers. Regional schemes of this variety are less prominent than the purely economic integration schemes, but nevertheless they also proliferated across all continents, particularly following the end of the Cold War in a complex process that was then labelled with the all-encompassing notion of 'new regionalism'. But most of them did not go really far in creating a supra-national space for the delivery of public goods. Only the EU has managed to become a fully fledged example of this second variety regional integration in certain domains. Nevertheless, a lot of other regional integration schemes across the world have ambitions in that direction. The *télos* of such schemes is to establish a common approach towards certain public goods and 'internal affairs': this includes infrastructure, energy and environment policy, but also security policy, social policy, health, employment, research and so on. Here, the level of integration can vary from superficial political dialogue and coordination, to actual binding regulation and common policies. Further, the process of policy expansion can be accompanied by a process of democratization of the supra-national level, through the creation of parliamentary assemblies, the concentration of interest representation and other instances of input legitimacy and participation.

In the specific EU case, political cooperation and 'positive integration' emerged as a consequence – for instance through functional 'spill over' – of the

previous negative integration, which was failing to achieve a functioning common market. As a broader concept, however, this second variety of regionalism can also be an original project not stemming from an economic integration dynamic or anticipating economic integration. But whatever the original driving force, this variety of regionalism is by and large still conceptually introspective, focussing at managing problems that are internal to the regional area. But this is not to say that this regionalism is cut off from the outside world. On the contrary, both the first and second varieties of regionalism are in many ways responses to the wider globalization process and to the problems and challenges that derive from it. Furthermore, these types of regionalisms have a presence and impact on the wider international context. On the one hand, they can be seen as favouring or hindering global multilateralism. On the other hand, by their mere existence they contribute to a general process of emulation or 'contagion' (Fawcett 2005: 21) of regionalism around the world. Second variety regionalism has three aspects that deserve a further discussion:

- i. it implies cooperation between states that limits the autonomy of those states;
- ii. it can be based upon either the model of federalism or intergovernmentalism; and
- iii. it is based upon an institutional architecture.

Half-way Integration

The first variety of regional integration can be organized by states on a purely intergovernmental basis. It suffices to create a regional structure where national delegates can take decisions. But this implies that there is always a risk that states, notwithstanding their collective agreement to integrate economically, will individually distort the integration through state interventions (Baldwin 2008: 12). States might be forced to do so in response to national pressure groups. Whatever states agree at one time may be challenged in the future. Simple free trade agreements cannot foresee such potential future distortions. Exactly that was the reason why in 1956 the Spaak Commission proposed to accompany the European economic integration with the creation of an independent European Commission to 'monitor' the single regional market together with an equally independent judicial power to deal with potential conflicts. With this, attention shifted from purely economic issues to how states are functioning. The integration process invaded the 'internal affairs' of states. This proposal marked therefore the transition between first and second variety of integration in Europe.

The second variety of regional integration can thus follow directly from the first variety of regionalism as a way to make sure that the economic integration is fully realized. But it can also occur independently of the above-described sequencing of economic integration. Indeed, economic integration is not the only possible driver for building a supra-national region. There are other domains in which states want

to cooperate in order to facilitate dealing with common problems or in order to create win-win situations. Security is such a driver. Also, feelings of belonging to joint cultural or language groups may foster integration. There is not a single aspect of the social realm that cannot be subject of integration processes. And in principle such integration can be initiated by any kind of actor. This implies that not only state-driven integration is possible but also integration from below, that is when the initiative comes from citizens. Of course much citizen-driven integration can only occur to the extent that states allow such integration to occur.

The transition from the first to the second variety of regional integration will also be conditioned by problems encountered in realizing the first variety. Besides the already mentioned conflicts between the national interests of individual states and their willingness to integrate, one can identify three more phenomena on which states need to come to an agreement. First there is the issue of geographical limits of the process: which countries can or cannot join to an existing agreement? Not only economical but also political considerations will be of importance in deciding upon the widening. This opens possibilities for integration of the second variety as the attention shifts from a purely economic approach to consideration about how states are internally organized. Secondly there is the so-called deepening or 'spill-over': where is the economic integration stopping? If, for instance, one wants to create a competitive economic union this implies achieving a good innovation system, this in turn is linked to research and development. So one might consider moving away from national science policies toward one regional research area. But research is linked to the higher education system, so again there can be a tendency towards unifying the educational system. And thirdly there is the question if the integration towards a common policy remains intergovernmental or if it implies the transfer of part of the national sovereignty to a supra-national instance that can act autonomously and where the decision structure is not based upon national delegates. To the extent that it only involves a partial transfer of sovereignty, one can describe this as 'half-way integration', defined as 'giving nations full or nearly full autonomy in some important matters while providing full or nearly full control to a supra-national authority on other important matters' (Etzioni 2001: xxv). Such half-way integration can be considered as the most important characteristic of the second variety of regional integration. Most free trade arrangements do not have any supra-national structures and have an institutional support that remains rather limited. But as mentioned on page 104, one needs an instrument to rule out trade distortions. And this can only take the form of an independent institution to monitor the market and settle disputes. While the economic integration *stricto sensu* is mostly a story of lifting obstacles, the non-economic integration thus easily involves specific institution building or regulations that promote or facilitate integration in fields such as justice, security, culture, education and so on. For instance, if two or more countries want to build a common security policy, this involves not necessarily merging the separate armies but it will necessitate building a common security infrastructure such as a centralized command.

The European Union is nowadays the exemplar case of an economic regionalization that has been broadened towards other areas of society because it is believed that a truly economic integration cannot be achieved if trade and economy are isolated from the rest of society. As already mentioned some scholars have called this 'new regionalism': a form of supra-national regional integration that involves a deep economic integration as well as integration in many other domains (Hettne, Inotai and Sunkel 1999). The *télos* of the second variety of regional integration is thus the unification of what is usually considered to be the 'internal affairs' of individual states that is, the provision of public goods. So, in the second variety, the provision of certain public goods shifts from the national to the supra-national regional level. This implies in principle the transfer of part of the national sovereignty. The EU can be considered as a partially completed second variety organization that has 'deepened' integration beyond economic issues. In some policy domains the EU is even close to a 'supra-national state' but in many other domains, cooperation – not to say integration – is still very weak or even inexistent.

Federalism versus Intergovernmentalism

In Europe, the *télos* of second generation integration can be related to ideas to achieve a 'United States of Europe' in which the European states only exist as subordinated units of a federal Europe, much in the same way as the 50 American States exist as subordinated units of the US (Morgan 2005: 5). In 2006, the former Belgian Prime Minister, Guy Verhofstadt, has explicitly put this on the political agenda again by publishing a book entitled *The United States of Europe*. This seems going one bridge too far as it cannot be imagined that especially the big European countries will ever accept this. Still, the parallel with the emergence of the US is interesting. Consider the decades of debates and controversy over the nature of the Union in the US that culminated in the famous Webster-Hayne debates in 1830. To Senator Daniel Webster the US was to be considered as an indivisible Union and one nation. To Senator Hayne, the Union was nothing more than a voluntary compact amongst sovereign states. The two men's classic expositions of their views framed the political conflicts that culminated in the Civil War of 1861–1865 (Belz 2000). Today the US does act as one sovereign state but the issue remains relevant and controversial in American government and politics. And from a European perspective, it is interesting to note that this debate was taking place at the time when Europe was still in a phase of nation-building. However, not all integration projects in Europe have been driven by such a *télos*. So in order to understand the transition from first to second variety, it is necessary to have a closer look to the European history of integration.

As stated before, the aftermath of World War II gave birth to different (competing) European integration schemes of the first generation such as the Marshall Fund's Organization for European Economic Cooperation (OEEC), the European Free Trade Association (EFTA) and the European Coal and Steel Communities

(ECSC). All of these integration schemes qualify as 'first generation' and had economic goals and motives. But, as already mentioned, there was also a political drive that goes back to the disaster experiences of both World Wars. As Baldwin (2008: 7) noted, in 1945 it was experienced that something was radically wrong with the way Europe governed itself and this opened the mind of the Europeans to radical changes. Avoiding future wars by integrating old military adversaries was the ideological goal. Security became thus the driver and economic integration was only the tool. But soon two contradicting views on how to organize European integration emerged: the federalist versus the intergovernmentalist approach.

The first ideas for a federalist integration in Europe can be found in the work of the so-called Commission Von Brentano in 1951. This Commission was installed by the ECSC as a kind of 'pre-constituent' with the task to draft a Treaty for a European Political Community. Inspired by the European federalist movement, they pleaded for a far going transfer of sovereignty, even to the point that the European Commission should have the autonomous right to raise taxes for its federal tasks. The Von Brentano Commission also foresaw a European executive and judicial power as well as a legislative power composed through direct European elections. This project was however never realized and more 'soft' approaches emerged (cf. the Spaak report).

These approaches tried to consent the idea of the necessity of a European approach to the delivery of certain public goods with the conception of sovereignty. In other words, the issues were how to combine supra-national ideals with the reality of intergovernmentalism. In Europe, second generation regionalism has tried to be a synthesis of both currents. It is difficult to advance a symbolic birthday for the second variety integration scheme, but 1965 is a good candidate. In that year on 8 April the Treaty of Brussels was signed. This Treaty (effective from 1 June 1967) can indeed be considered as the beginning of the modern European Union. It created the European Commission and the Council of Ministers as common institutions for the former integration schemes ECSSC, EEC and Euratom. But of course, there was already the European Court (created in 1951) that gave – uniquely in the world – citizens of European countries the right to undertake action against their own country. On top of it, the primacy of European law upon nations' legislation was installed. Already since 1952 there existed a European Parliament, composed out of representatives from the different national parliaments, be it without legislative power. In 1970 the European Parliament became responsible for the budget of the Commission and in 1979 its members were for the very first time elected directly.

So, gradually, a lot of the 1951 spirit became eventually realized. But nevertheless already in 1965, the European integration process got into a deep crisis. This crisis was paradoxically related to the positive results of the economic integration. As economic integration proceeded, the Commission – driven by the 'spill-overs' – pushed towards the realization of a further political integration. Most member states were reluctant. In the seventies and eighties there was a 'eurosclerosis' that emerged. It took the Plan Delors in 1989 to come to a break-through. But all in all,

the whole European integration process continues to oscillate between federalism and intergovernmentalism. One has the impression that federalism is not the most popular concept in European integration today as intergovernmentalism seems to be the discourse needed to keep the member states on board.⁶

Pillars and a Temple

A main characteristic of second generation regional integration as developed in Europe is its strong institutional framework. In a long development process from 1957 to the Lisbon Treaty in 2000, European governments have been giving the EU a unique and complex institutional architecture. The basis of this architecture has long been the so-called 'three pillars'. This first pillar consisted of what was once known as the EEC together with a series of procedures and accompanying institutions or arrangements such as the co-decision procedure with the European Parliament, a consultative Committee of the Regions and a programme of monetary integration. This pillar can be regarded as 'supra-national'. The second pillar dealt with the Common Foreign and Security Policy (CFSP) and is regarded as weaker as it is basically intergovernmental. The same holds for the third pillar: cooperation in Justice and Home Affairs (later labelled as 'Police and Judicial Cooperation in Criminal Matters'). The three pillars shared the same institutions, although they played different roles in each of them. And on top of the pillars was placed a set of common provisions, giving the European Council a guiding role. The main institutions are: the Commission, the Council of Ministers, the European Parliament, the Economic and Social Committee, the Court of Justice and the Court of Auditors.

With the exception of the judicial power, the other institutions (executive and legislative) are shared by the Parliament, the Council and the Commission. So the old principle of powers, so typical for the modern sovereign state, is not reflected in the institutional framework of the EU. What came instead is a unique day-to-day relationship between the European institutions and the member states that allows the integration process to further develop step by step. The Dutch philosopher (now spokesman of the first European President) Luuk Van Middelaar has beautifully described and analysed this by portraying the European integration as consisting out of three concentric 'spheres' in which the European states have organized their relations. The outer-sphere is the one of sovereign states who are driven by their own state interest. The inner-sphere is the Community or Union based upon treaties and supported by the European institutions. Together they form the antagonists in the constant battle between sovereignty and integration. But according to Van Middelaar (2009: 32), there also exists a 'middle-sphere', that of the sovereign states behaving as 'member states' moving between self-interest and awareness of common interests. Perhaps the most important mechanism of this middle-sphere

⁶ For a detailed discussion of the federalism debate in Europe, see Knüpling (2009) and Swenden (2006).

is the COREPER, the permanent representatives of the member states in Brussels, who on a day-to-day basis interact with the inner and outer spheres. It is here that important discourses about integration occur. It is here that the Europe of the Offices, the States and the Citizens meet! Until recently, only the EU had such a middle sphere but ASEAN has created a similar mechanism in 2010.

The European Union is thus the first and most developed case of second variety regional integration that is not only multidimensional, but also based upon building a strong institutional and legal framework. It is a political model that challenges conventional assumptions about governance all over the world. The second variety of regionalism in Europe and to some extent elsewhere in the world is related to a transformation of the state and 'the dispersion of authoritative decision-making across multiple territorial levels' (Hooghe and Marks 2001: xi). European integration is a 'polity-creating process in which authority and policy-making influence are shared across multiple levels of government – sub-national, national, and supra-national' (Hooghe and Marks 2001: 2). The multilevel model reveals a shift of authority in several key areas of policy-making, from national states up to European level institutions, at the same time as a decentralization of political authority from the national level down to the sub-national level of government. And all of this never seems to happen against the will of the member states; the COREPER being the main instrument of dialogue. But still, there are occasions where the inner and outer circles clash and sometimes the outer circle has to obey the inner circle.

At the same time, the second variety regionalism is becoming more and more *extroverted*. Due to globalization, the border between purely internal and external policies is getting extremely blurred. Competences related to foreign policy formulation in fields such as trade and development, tend to migrate even if partially to the regional level. This opens the door for a third variety of regionalism, one that challenges one of the key features of sovereignty: the ability to be an actor on the geopolitical theatre.

Integration by Building a Geopolitical Identity

So far the picture is that the first variety of regional integration is a worldwide development, although one needs to be careful in labelling free trade agreements as regional integration schemes. The second variety is less prominent and here the EU comes in the picture as a regional organization that has gone relatively far in establishing a common regional public good sphere. As for the third variety, the EU again plays a central role, as one can say that until today it is perhaps the only form of regional integration with clear ambitions to move forward in being an external actor. As mentioned before, states have played a major role in the process of European integration and whatever the level of integration achieved, member states have managed carefully to retain most of their core competences. Giving up sovereignty has never been really on the agenda. Still there are a number of

for a loose consultation between the Member States in foreign policy matters, the EPC allowed already to a certain extent to build common positions in international organizations.

On the other hand, several perceptions of the European Communities by external actors and partners started to take shape. Quite often, reference was made to the 'fortress Europe', a concept with a negative connotation stemming from the protectionist nature of the EC's behaviour in external trade relations, an EU too inwardly focused at the time on the building of impenetrable trade barriers for mainly protecting its common agricultural policy (CAP). Another growing image of EC's foreign policy identity took shape through the growing perception of the EC as an exclusively 'civilian power'. In the 1970s, when trying to assess the international actorness of the European Communities, François Duchêne (1972: 43) used for the first time this concept in the 1970s in a positive way. According to Duchêne,

a primarily civilian power on the scale of a Western Europe, accounting for a fifth of world production and nearly a third of world trade, could play a very important and potentially constructive role. More and more, security policies today, even for superpowers, consist in shaping the international milieu often in areas which at first sight have little to do with security. (1973: 43)

Duchêne's optimistic view was nevertheless opposed by the realists, who pointed that only the building up of strong diplomacy and military capabilities allowed for international actorness. In his 1982 answer to Duchêne, in an article symbolically titled *Civilian Power Europe: A Contradiction in terms?* Hedley Bull argued that 'Europe' is not an actor in international affairs, and does not seem likely to become one' (Bull 1982: 150–151). As will be discussed below, today there are more reasons to follow Duchêne and argue that the EU is indeed an external actor.

The development of distinctive characteristics of EC/EU's foreign policy identity has considerably evolved over the last decades. Building on the European Political Cooperation launched at the end of the 1970s, the EC created with the Treaty of Maastricht a political union comprising a Common Foreign and Security Policy pillar which aspires to give the Union a strong voice in world affairs, which has been gradually consolidated by the following treaties (see Regelsberger et al. 1997, Nuttall 2000). In parallel with this institution-building, the EU developed ambitions that its foreign policy identity would be acknowledged around the concept of 'global actor' (Bretherton and Vogler 1999). This evolution has brought a considerable conceptual challenge to traditional state-centred international relations thinking, requiring new theoretical 'lenses' and tools. For a useful basis for the theoretical conceptualization of EU's global actorness see: Sjöstedt (1976), Allen and Smith (1991), Bretherton and Vogler (1999), Günsberg (2001). The achievements of the Treaties of Lisbon, Maastricht and Amsterdam all aspired to give Europe the opportunity to become a strong security actor designing new institutional tools and legal instruments of foreign policy, such as

policy domains that are in principle open to integration processes, although they are closely linked to sovereignty. That is on the one hand the external sovereignty that allows a state – or a region – to be considered as an actor in international gremia. And on the other hand there is the internal sovereignty that allows a state – or a region – to have authority over its citizens.

The third variety integration can be considered as a form of regional integration that includes a partial or full transfer of sovereignty from the level of member states to the supra-national entity. Here the *télos* would be the establishment of the region as an external actor equal to states. This would imply a full transfer of the foreign policy of its member states to the regional level. It would equally involve the establishment of regional citizenship. Combined with a full realization of the first and second variety, this would imply nothing less than the dissolution of the existing sovereign states and the birth of a new state. Looking at the world today this seems at first glance a very unlikely development in Europe or elsewhere. Still, this is what happened when the US were created or this has been the *télos* of failed integration processes such as the Federation of the West-Indies (1958–1962) or the United Arab Republic (1958–1961). And the ongoing developments in Europe show that steps are been taken on the road to a third variety of integration, especially since the Lisbon Treaty.

One can identify three key features that are specific to the third variety of regional integration:

- the building of institutional capacity for the region to have external actions;
- the political willingness to engage at regional level relations with states outside the region and/or inter-regional relations with other regions;
- the engagement of the region as an actor within the multilateral system, particularly the UN.

Below, these three issues will be explored with special reference to the EU.

Building Capacity for External Action

The first and second varieties of regional integration are thus predominantly focused on economic integration and internal prosperity of the region, and the development of a regional foreign policy remains minimal. Nevertheless, the European Communities as established in the sixties, already offered a first context for the development of a certain degree of external regional identity, if one looks both at internal actions and the perceptions of external partners.

On the one hand, internally, following the October 1970 Davignon report, which recommended that member states should try – where possible – to speak with a single voice on international problems, the six EC member governments of the time have introduced informally the European Political Cooperation (EPC). Though formalized only in 1987 by the Single European Act, and allowing only

the creation of a High-Representative for CFSP, the definition of the Petersberg Tasks and the path towards the creation of a unified defence policy. But this was not an easy task and the EU was confronted by a *capabilities-expectations gap* (Hill 1993, 1998) brought by the lack of a valid military capability to support its policy goals. Though the Cologne and Helsinki summits have drawn the main lines for the achievement of the 'headline goal' of creating a European Rapid Reaction Force, the emerging ESDP has been confronted with several challenges such as the problem of resources (Howorth 2000), the lack of cooperation between the European defence industries (Schmitt 2000), the need of avoiding duplication, and, most of all, the need of clarifying the relationship with NATO.

The difficulties in using efficiently the complex mechanisms of the CFSP and the lack of the necessary defence capabilities maintained the perception of the EU as a still predominantly 'civilian power', a 'payer' rather than a 'player' (Ginsberg 2001) in global peace and security. Still, although the EU has been so far unable to exert strong military power when conflicts are rising, it has been rather successful when working in peace building and post-war stabilization. There were promising results in the first Rapid Reaction Force Missions such as the FYR of Macedonia and operation Artemis in Congo, but we are still a long way before the existence of a strong and unified European 'hard security' arm.

The main difficulty encountered by the EU while trying to be acknowledged as a 'global actor' comes from the contradiction between its strong 'civilian power' (exercited in fields such as trade, development cooperation, environment, humanitarian aid) and its weak power in the fields of 'high politics', which include foreign affairs and defence. The EU's external policies cover a wide array of non-military areas: economy, development aid, regional cooperation, allowing Piening to speak of a 'global Europe' while referring to 'the EU's external role as partner, trader, competitor, benefactor, investor and paradigm for countries and emerging regional groupings throughout the world' (Piening 1997: 7).

So it has been trade that has first developed from the inception of the European Communities as its main instrument of external actorness. The EC/EU's role as a global trade actor has considerably grown with the transition from the 'old' trade regionalism to 'new regionalism'. The achievement of the Single Market, determined by the structural changes in the global economy of the 1990s imposed by globalization, has brought an important impetus for the increased acknowledgement of Europe as a 'global trade actor'. The EU is at present the 'world largest trading entity' with a share of global imports and exports around 20 per cent.⁷ But the importance of the EU as a global trade actor from a 'new regionalism' perspective is not only to be measured through its weight in economic terms. More importantly, a distinctive feature of foreign policy identity is the use of EU's weight as a trade entity in order to promote and support trade regionalism worldwide, while still remaining committed to multilateralism.

7 According to DG Trade data: 18.1 per cent for goods and 26.4 per cent for services 2004.

In the third variety of regionalism the institutional environment for dealing with 'out of area' consequences of regional policies should become fully consolidated. The Lisbon Treaty in force since 2010 has been a major step in such a consolidation as for what Europe concerns. Despite the problems of ratification, the European Constitutional Treaty, signed in Rome on 29 October 2004, has brought the EU closer than ever to unifying its foreign policy-representation through the intermediary of several institutional innovations. Such as the creation of the function of permanent President of the Council which enforces the external 'one voice' image of the EU as well as the function of 'High Representative' for foreign affairs which boils down to a kind of a Union Minister of Foreign Affairs, who conducts the Union's common foreign and security policy presiding over the Foreign Affairs Council while acting also as a full member and Vice-President of the European Commission. This should ensure a better coordination between the Council of foreign policy and security competences ruled by a purely intergovernmental method and the Commission's work in external relations, development, and foreign trade dominated by the supra-national method. Moreover, the Union 'Minister' for Foreign Affairs is assisted by a European External Action Service, made of officials from relevant departments of the General Secretariat of the Council and of the Commission as well as staff seconded from national diplomatic services (EEAS) of the member states. The EEAS was still being established at the time of writing this book, so it was not yet possible to fully grasp the importance of this new diplomatic service. Already, the EU possessed more than 100 representations outside the Union. These will become strengthened and will start functioning as embassies of the Union. The Treaty does not mention anything about the role of the embassies of member states, but it is not to be excluded that some member states will eventually close down some of their embassies. So the EEAS does not question the diplomatic missions of member states, but in the long term the service will have major consequences for the functioning of national diplomatic forces. Also, the possibility of closer structured cooperation in the field of defence policy is newly introduced in the Lisbon Treaty. This opens the door for further developing the idea of establishing a true European army. And finally it should be noted that at the same time, the Constitutional Treaty gives the EU a legal personality and creates therefore the jurisdiction to act as a supra-national organization within the framework of the UN. Being a legal entity implies that the EU has the ability to enter into an agreement, notably to be part of an international convention or be a member of an international organization. As a result, Member States will only be allowed signing international agreements that are compatible with EU law. It also means that 'the third pillar' in the field of justice and home affairs will be disappearing (be it only after a five year transition period).

These institutional innovations have the potential to unify the European foreign policies currently undermined by the existing fragmentation between the Council and the Commission's work. This could also help addressing the current 'frustrating ambiguity' about EU's foreign policy identity choice between 'civilian power' and military power (Telò 2005). By achieving a complete 'package of capabilities'

combining both 'soft power' and 'hard power' elements, the EU could promote a quite unique vision of international affairs, in which multilateralism should prevail over unilateralism, and a specific strategy of conflict prevention combining civilian and military aspects.

Overall, the Lisbon Treaty contains a number of governance innovations that make the EU a truly unique endeavour. First, there is the already mentioned fact that the EU will have legal personality (Article 46 A) in external actions. The Treaty of Lisbon has also major consequences for how the EU will operate from a democratic point of view. Secondly, the Council of Ministers will operate under a new voting rule: 'the qualified majority'. This rule boils down to a double majority calculated according to two criteria: state majority and population majority.

Thirdly, the Lisbon Treaty gives more power to the European Parliament in order to democratize the EU. This includes an extension of the legislative co-decision procedure that gives the European Parliament legislative powers comparable to those of the Council of Ministers. Also, the European Parliament elects the President of the Commission on the proposal of the European Council.

Together, these issues make the EU a unique form of regional integration firmly based upon representative democracy principally, a balance of powers between small and large member states and supremacy of its law above individual member states. As such the Treaty is a further move away from an intergovernmental approach to Europe. But still, the Common Foreign and Security Policy and defence policies will continue to have intergovernmental procedures.

Promoting Inter-regionalism

A second characteristic of third variety regionalism is that the region engages in bilateral relations with other regions. Regional organizations are becoming more pro-active engaging in inter-regional arrangements and agreements that go beyond trade and can have effects on relations at the global level. During the last decade there was an increasing emphasis within the EU on inter-regionalism (region-to-region relations) as a foundation for its external policies. This foreign policy 'doctrine' is deeply rooted in the European Commission and has become a key feature of the relations between the EU and other regions in many parts of the world.

In Asia, the EU is engaged in strong inter-regional relations with the Association of Southeast Asian Nations (ASEAN), and also offers support for the South Asian Association for Regional Cooperation (SAARC) focused on trade integration among South Asian countries. The EU's exchanges with ASEAN gave birth to a new institutional framework of inter-regional multidimensional relations with the creation of the Asia-Europe Meeting (ASEM) in 1996. The historical ASEM 5 Summit held in Hanoi in October 2004 marked the enlargement of ASEM from 26 to 39 partners through the accession of the ten new EU member states and three new countries from ASEAN that were not yet part of the process: Cambodia, Laos and Burma/Myanmar. The most developed relationship in Latin America is

with Mercosur in the framework of the EU-Mercosur Inter-regional Framework Cooperation Agreement and the EU has prepared the ground towards the opening of negotiations on Association Agreements with Central America and the Andean Community.

Additionally, the EU has clearly acknowledged the link between regional integration and development in its policy towards the African, Caribbean and Pacific (ACP) countries by including regional integration among the three focal priorities for poverty reduction mentioned in the Cotonou Agreement.⁸ Given that the ACP framework comprises countries widely dispersed geographically, the EU has also developed more specific inter-regional partnerships (EPAs) with Central Africa, Eastern Africa, Southern Africa, the Caribbean and the Indian Ocean.

During the last decades the European Union has also strongly supported regional trade integration in Latin America (Mercosur, CAN), Africa, the Caribbean and the Pacific (through the ACP process). Furthermore, the EU is perceived as an important global actor in the fields of development cooperation and humanitarian aid. The EC has continuously extended its policy of cooperation with the countries from sub-Saharan Africa, the Caribbean and the Pacific, through the Yaoundé (1963–1974) and Lomé Conventions (1975–2000) and the ongoing Cotonou Agreement (2000), becoming a major actor in North-South relations. The EU's policy has evolved from a philosophy of development fostered by preferential market access offered to ACP countries under the Yaoundé and Lomé Conventions to the conditionality of aid based on *political* criteria, as comprised in the Cotonou Agreement. Through the promotion of democratic governance and market reforms, the EU-ACP agreements can be considered as a 'genuine act of foreign policy' considerably strengthening EU's acknowledgment as a 'global development actor'.

Another important feature of EU foreign policy identity stems from its actions as a 'democracy promoter' and the use of political conditionality as a foreign policy 'weapon' for stabilizing and securing the near abroad. The Europe Agreements concluded in the context of the process of enlargement to the Central and Eastern Europe Countries required the implementation of Copenhagen criteria, while the Euro-Med Partnership in the South involved the conclusion of Euro-Mediterranean Association Agreements, comprising a strong political element. At present, the strategy is going even further with the European Neighbourhood Policy, which aims to create a ring of friends around the borders of the new enlarged EU in order to share peace, stability and prosperity.

8 As stated in article 28 of the Agreement: 'Cooperation shall provide effective assistance to achieve the objectives and priorities which the ACP States have set themselves in the context of regional and sub-regional cooperation and integration, including inter-regional and intra-ACP cooperation' European Commission Development DG, The Cotonou Agreement, Part 3, Title I, Chapter 2. Available at: http://europa.eu.int/comm/development/body/cotonou/agreement/agr14_en.htm. Accessed 23 February 2005.

Despite the 'sprawling variety' (Gilson 2005) across regions and sectors in this policy of inter-regional relations, the EU is becoming the 'hub' of inter-regional arrangements, which, in turn, is strengthening its own regionalist ideology. As pointed by Söderbaum and Van Langenhove (2005) this selfimage as the 'natural' point of reference for regional initiatives and the efforts to promote its own regional experience as the norm for region-building throughout the globe are, at least partly, due to the promotion of EU's *self-identity*. The European Union is undoubtedly still the biggest initiator of inter-regional agreements, but has been increasingly followed on this path by regional organizations on other continents as well. For instance, in April 2004, the Common Market of the South (Mercosur) and the Andean Community (CAN) have strengthened their ties through the conclusion of the negotiations of the Free Trade Agreement between the two regions conceived as a first step towards the establishment of a South American Community of Nations. The Andean Community and APEC have launched on 20 October 2004, the implementation of the 'CAN-APEC 2008' programme aiming to strengthen the relationship between the two organizations and to increase the presence of Andean countries in the Asia-Pacific Basin.

Promoting regional and inter-regional relations not only justifies and enhances the EU's own existence and efficiency as an 'actor', the strategy also promote the legitimacy and status of other regions. This, in turn, supports further cross-cutting regionalism and inter-regionalism around the world. Most of these EU-promoted inter-regional arrangements encompass not only trade and economic relations but also political dialogue, development cooperation, cultural relations and security cooperation. The proponents of this approach even speak of a European model or doctrine of global policy based on inter-regionalism. According to Björn Hettne, this foreign policy strategy of the EU based on inter-regionalism has even the potential to counteract and offer an alternative model of world order to the unipolar *Pax Americana* (Hettne, 2003).

Being an Actor in the Multilateral System

The third key feature of a third variety regional integration scheme is the engagement of the region as an actor within the multilateral system. Again it is the EU that is most advanced in this respect. A non exhaustive overview gives the following picture. The EU is full member of the WTO, FAO and EBRD. It has a statute of participant at the Commission for Sustainable Development and at the Organization for Civil Aviation. As what the UN concerns, the EU has the status of observer at the General Assembly and participates as such in all the Summits and Conferences. That observer status holds also for many UN agencies such as the UNDP, UNHCR, UNICEF, UNESCO and so on. Moreover the EU has its own delegation in New York and Geneva and most UN agencies have offices in Brussels. In other words, the EU has excellent and deep working relations with the UN but it is not (yet?) a full member.

The Lisbon Treaty is again changing this. Until now it was the six month rotating presidency of the Council of the EU that has traditionally spoken on behalf of the EU during UN meetings. But with the phasing out of the rotating presidency this will be no longer possible. The alternatives are that the EU is in the future represented by a member of the EU's delegation to the UN or by the High Representative for Foreign Affairs and Security Policy or for meetings at the Heads of State Level by either the President of the European Commission or by the President of the European Council. But in order to make this possible, the UN rules need to change. Hence, in September 2010 a resolution was prepared by EU member states to grant the EU unprecedented speaking rights during formal meetings of the General Assembly. This would put the EU at least on a par with states that are holding observer status and it constitutes an important precedent in moving beyond the state-centric nature of the UN. Not surprisingly, the resolution was at first objected to by other regional organizations, such as the African Union or the League of Arab States who asked to be treated in an equal way.

Third variety regionalism is emerging and a major development is an increased presence of regions in the UN system whereby regions become more actively engaged at the UN. The European Union is paving the way for this by its explicit commitment to multilateralism that has been gradually consolidated as a defining principle of its foreign policy identity. The European Commission Communication from 9 September 2003, *The European Union and the United Nations: The choice of multilateralism* underlined Europe's attachment to multilateralism – and to the UN, as the pivot of the multilateral system – and highlighted two aspects, in particular, of the EU's contribution to the effectiveness of multilateral legal instruments and commitments established under UN auspices that could be further developed: 'First, the EU's ability to act as a "front-runner" in developing and implementing multilateral instruments and commitments. And second, support, where necessary, for the capacity of other countries to implement their multilateral commitments effectively'.⁹ The communication also stated the need to lay the foundations for a wider EU–UN partnership going beyond development and to build co-operation in conflict prevention, crisis management, peace-keeping and peace-building.

But the presence of the EU in the UN will always be limited to the extent that the UN is an organization that brings together states and the EU is not a state. However, in the context of the UN reform debates a number of developments are going on that could pave the way for an alliance between a third generation regionalism and the UN (cf. Thakur and Van Langenhove, 2006). The High-Level Panel on Threats, Challenges and Change (2004) for instance, recognized that regional organizations can be a vital part of the multilateral system and this was confirmed by the UN SG in his report *In Larger Freedom*. Also, the UN member states have called for a stronger relationship between the UN and regional organizations at the Millennium Review Summit in 2005. It was even suggested

⁹ Emphasis added, European Commission (2003, p. 5).

that regional organizations should be involved in the proceedings of the Security Council. Meanwhile, the since 1992 existing high-level meetings between the UN and regional organizations have become annual since 2006 and coordinated with meetings of the Security Council.

In 2005, the Security Council adopted Resolution 1631 that also calls upon developing cooperation with regional organizations and requested the Secretary-General to submit a report on the issue to the Security Council. Kofi Annan presented in July 2006 that report that was entitled *A Regional-Global Security Partnership: Challenges and Opportunities* (UN 2006).

All of these recent developments go back to the UN Charter, where the so-called Chapter VIII already foresaw a specific role for regional organizations. Scholars such as Graham and Felício (2006) and Tavares (2006) have argued that the time is ripe to take Chapter VIII as the basis of a new global-regional security system. Of course, this cannot be seen independently of the hot issue of the reform of the Security Council. A regional framework for Security Council membership could facilitate UN-Regional Organizations (RO) cooperation and allow regional actors such as the EU to play a greater role in international politics.

In other words, a number of developments within the UN are gradually allowing regional organizations to act much more as an international actor just as states do (See also Van Langenhove 2003, 2009). One would expect the EU, as the most advanced form of the second variety in the world, to fully take advantage of this and support the UN reform processes that create a space where it can manifest itself as a third generation integration scheme. This is, however, not the case and the main reason seems to be that the EU does not want to be identified as a 'Chapter VIII' agency. Given its current special status within the UN, accepting Chapter VIII status would somehow be perceived as a degradation, putting the EU at the same level of say the African Union or the League of Arab States.

The essence of third variety regionalism is thus that a region sees itself as a fully-fledged actor in the theatre of international relations. This implies that the region claims a position similar to that of a state in the multilateral organs. It also implies that a region engages in 'bilateral' relations with other regions or states, again much as any other state would do. Defined as such, one can say that such a third variety of regionalism does not yet exist as such. But the EU seems close to it and it can not be excluded that one day this might happen. A third variety of regionalism characterized by the development of an appropriate institutional design able to support the region as a 'global actor', the promotion of inter-regionalism, and a pro-active role at the UN will have important consequences for the future of multilateralism and the Westphalian world order.

Conclusion

This chapter has presented the projects of supra-national regionalism into three varieties: trade-based first variety regionalism, a second variety concerned with

public goods and political cooperation, and a third variety, with a focus on the external projection of the region. This allows us to 'unpack' regional integration into different strands.

There is no evidence that there is a kind of natural evolution that brings cases of the first variety of regional integration automatically to the level of the second or third variety. Each case is driven by its own historical background and by a number of specific supply and demand features. The result is a diverse patchwork of regional integration projects that span the whole world. The different varieties exist next to and sometimes across to each other. This creates a complex situation of regional actors (all with different degrees of statehood properties) that interact with states, each other and with multilateral institutions. Hence, the ideas behind the projects are spread and the actors involved in the different forms of regionalism, interact with each other. As such, there is a constant possibility of emulating, of sharing experiences or of deliberately not following the road taken by others. Building regions is thus a process that involves both local and global ideas and practices. Take for instance the case of Asian integration: Asia's trade and investment integration is well advanced, particularly the integration of production schemes (Chen, 2010) but the institutional back-up seems to be less well developed. But recently some progress has been made towards crafting the architecture for cooperation such as ASEAN+3. The Asian Development Bank keeps pushing the agenda by publishing reports that call for a deeper Asian regionalism (Asian Development Bank 2010) and they are clearly inspired by the European developments. Acharya (2009) has documented how this can be understood as 'constitutive localization': ideas that are spread in the international system are conditioned and accepted by Asian local actors. There is no reason why similar processes should not be taking place in the rest of the world. The result is that the varieties of regional integration will continue to influence each other and further develop. This will have major consequences on how the world will look like from an international relations' perspective.

The social constructionist perspective on regions presented in the previous chapter combined with the above unpacking exercise, allows us to formulate the outline of a general theory of regions that brings a single perspective to studying regional integration theory, cross-border cooperation and sub-national devolution. This opens new avenues for comparative research. It also allows us to develop a conceptual apparatus that is precise and that can accommodate theoretical perspectives. The core concept of the theoretical perspective presented here has been 'regionhood': that what distinguishes regions from non-regions as presented in the previous chapter. Furthermore, there is 'regionality' – analogue to 'personality' – that aims to capture how regions manifest their individuality. And finally there is 'regionification': the process of becoming a region.

When looking at regions and how to theorize them, a distinction needs to be made between statements that delineate the things that are common to all regions and disclose the inherent attributes of a region. One could call this the 'core of regionality' and one can picture that core as consisting out of a 'core

tendency', a statement about the purpose and function of regions, and a number of 'core characteristics', structural entities implied in the core tendency. The claim advanced in this book is that a major core tendency of regions is that they provide assistance to states in coping with the forces of globalization and localization. Another possible core tendency is that regions can compete with states and try to obtain more statehood properties.

As for the core characteristics, one can advance the three dimensions of statehood (single economic space, single public goods space and single sovereignty) that can be observed within regions and that are a specification of the core tendency. Next to an internal core there is also an observable 'periphery' and it is at the peripheral level that regions are visible in different varieties. Regions can exist within, above and across states and for each type of region different sub-types are possible. For the supra-national regions for instance, a distinction can be made between regional trade agreements that aim at establishing a single economic space, regional organizations that aim at providing public goods and regional actors with clear-cut sovereign characteristics. The link between the core and periphery of regionality is regionalization, the historical process of acquiring regionhood. Readers with a biological background will have noticed that the logical structure of the core-periphery-development scheme draws upon the metaphor of biological development: genotype – phylogenesis-phenotype and it allows very well to characterize the basic model of a theory and differentiate it from the statements about concrete issues which it is able to make. Actually, Maddi (1976) once used this scheme to represent and compare the major theories of personality. Pushing the metaphor of personality to the study of regions, one could very well imagine to use this scheme in order to perform a systematic comparison of existing integration theories. But I have limited myself here to a description of the combined theoretical perspectives advanced in this book. Together, the above statements form the essence of a theory of regionhood and if anything this perspective allows us to bring together into one single framework region-building through integration and disintegration. As Philippe Schmitter once said: 'Any comprehensive theory of integration should potentially be a theory of disintegration' (Schmitter 2004: 47). Indeed, it should.

Chapter 5

Towards a Regional World Order?

The main argument advanced in this book is that regions are built by different actors, including states, mainly as the tool to adapt to the pressures upon states related to globalization and other main transformations of society. As a result more and more governance units that have some regionhood properties are emerging in today's world. And, the regions built have in turn acquired some statehood properties. The varieties of regional integration processes as well as the rise of sub-national regions, demonstrate this trend. The old world of states is thus becoming a world of states *and* regions: the latter not being states but behaving to some extent as if they were states.

Is all of this challenging the Westphalian world order and its basic constituent, the sovereign state? At first sight, there seems to be no real evidence for that. The number of states recently continued to increase and states as region-builders largely stay in control of the processes of regionalization. So in the foreseeable future the world of states seems here to stay. But, as will be advocated below, the global spread of regionalization and regionification is changing the nature of the Westphalian world order and the place of states in that order.

That Westphalian world order is, just as any other human endeavour, subject to changes both as a response to external forces and as a result of its own internal dynamics. The processes described in this book indicate that a major ongoing change process is that other territorial entities than states – regions – are becoming more important as loci of governance and that statehood properties are shifting from state-level to other regional levels of governance. At the supra-national level, different varieties of regional organizations, such as the EU, the African Union, ASEAN, Mercosur, the League of Arab States and so on, are playing an important role in global governance. Processes of regional integration are indeed increasingly affecting and even shaping international relations. Trade and economic cooperation, as well as coping with transborder issues and problems such as managing water basins or illegal trafficking, are dealt with more and more at a regional supra-national level. The number of regional trade arrangements notified at the WTO is a significant indicator of this trend, and in many cases the economic integration is related to peace and security issues. We are nevertheless not entering some kind of post-Westphalian world order in which states are disappearing or becoming irrelevant. On the contrary, states remain important for identity and local governance. But the Westphalian world order has become a very complex system, where states do not necessarily act homogeneously, where there are other global actors such as regional organizations, and where complex interdependencies rather than simple linear causality models shape the world. As such one can say