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Comparative Regionalism's Conceptual Challenge: Distinguishing among World Regions' Different Types Has Analytical Implications for Understanding Globalization's Current Phase

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When deciding whether or not to engage in greater cooperation and integration, states must judge whether the expected gains compensate for their potentially reduced independence. Regional institutions can bring many benefits to overcoming the problems of collective action. Socio-economic integration among neighbouring states and their resulting political cooperation has been a phenomenon whose importance has been growing -- and becoming more complex – throughout the two main public-policy eras since World War II. We will first sketch in the context for the emergence of world regions as a significant factor in processes of global governance in order to set the stage for our empirical review of how they seem to be faltering as the global balance of power shifts from the global North to the global South.

1. Keynesianism

When the Bretton Woods institutions provided an overarching global economic governance for largely autonomous national economies, regionalism was primarily an issue within the confines of national borders where states made efforts to bring the levels of economic development and social well-being of their poorer areas up to those enjoyed by the more prosperous ones.

In the war-devastated countries of continental Europe, the new European Community gave the notion of regionalism two new meanings. As processes of social and economic integration spanned national boundaries, "border regions" offered a challenge to analysts and policy makers who had to deal with the new phenomenon of trans-border governance at the local level. At the supra-national level, the institutions that performed increasingly sophisticated executive, legislative, administrative, and judicial functions which directly impacted the policy-making sphere of member states were seen by social scientists to have opened a new chapter in what became known as global governance.

Using various approaches, scholars debated whether processes of trans-border economic integration necessarily generated corresponding trans-national political institutions, whether states were simply adjusting traditional forms of inter-governmental relations to achieve their national goals, and whether the successively strengthened institutions were establishing models that would inspire other state groupings to give up some of their autonomy in order to raise their economic prosperity, social well-being, and even security. Indeed on other continents, nationstates did make efforts to group together to strengthen their voice in international affairs, to address internal political problems, or achieve such economic goals as trade expansion by lowering tariffs.

2. Neoconservatism

With new technological capacities allowing constantly-operating markets to transfer capital instantly around the world and with global production chains exploiting cheap labour in the poorest countries – phenomena that would be labelled globalization in the 1990s – transnational corporations started to shake off their dependence on national regulators causing nation states to adjust to the threatening challenges of globalized competition. With the fiscal crisis of governments whose public debts had grown because revenues constrained by business-pleasing tax cuts could not keep pace with politicians' demands on the public purse and with the Keynesian paradigm's delegitimization by neo-conservative theorists' attacks, the stage was set for a new generation of transnational regional governance experiments.

Beyond the cutback of state powers to liberate market actors within national economies, the international side of the neoconservative paradigm was a set of new rules for trade and investment to beat back the the protectionist capacities of both northern and southern governments and to facilitate TNCs' operations in the new borderless world. Faced with footloose firms outsourcing their corporations' suppliers or moving holus-bolus to cheaper venues, Europe push the process of economic integration to the new level of monetary union. As states outside Europe from the weakest (Bolivia) to the strongest (United States of America) reviewed their strategies for responding to or creating new global economic rules, many opted for arrangements with their neighbours in the hope that they could improve their prospects.

In North America, the United States formed up a watershed free trade agreement with its two geographical neighbours, Canada and Mexico (1994), that carefully rejected the EU's supranationalism. In South America Brazil, Argentina, Uruguay and Paraguay grouped together to form Mercosur with the EU's institutional model very much in mind. In Africa similarly intentioned groupings of post-colonial states were cobbled together in the northern, southern, eastern, western, and central zones of the vast continent. In Southeast Asia the major players tightened their collaboration. Even in the zone of perpetual conflict known as the Middle East, some regional groupings were set up.

Scholars deconstructed this spreading phenomenon in terms of the variety of its degrees of integration, interdependence, or cohesion. They weighed the benefits versus the costs of nationstates' participation in these groupings and positive provocative questions. Was regionalism a new intervening variable through which nation-states could deal with their globalization challenges or did globalization itself threatened to abort the new formations? Was regionalism producing new actors that shaped their members' internal policy landscapes and played autonomous roles on the world stage? Did transnational institutions imposed sacrifices of state sovereignty or could they operate by some autonomy-respecting consensus?

Beyond categorizing these regions' static qualities, researchers addressed their dynamic trends. The differentials in power and size among the members within all these groupings raised questions about the functionality of asymmetry in their long-term prospects. Does regionalism require a hegemon to create stability or did power asymmetries ultimately threaten to undo regional solidarity? Did integration create a virtuous circle of ever deepening cohesion? Were national boundaries irreversibly disappearing?

In the aftermath of a number of disturbances and shocks experienced in the first years of the 21st century – “9/11” and the US commitment to total security, the stalemate of the WTO's Doha round of negotiations for generating new rules, the rise of China as a new global force, the 2008 crisis of financial institutions – regionalism is experiencing different challenges. This report suggests that regionalism is not as robust as it was expected to become. In no way irreversible, it remains more potential than actual since some aspects of globalization – specifically economic bilateralism – seem to be prevailing as the dominant reality in the global political economy.

Armed with these questions, we proceeded inductively by reviewing the nature of a number of areas that are commonly thought of outside the academic world as regions because they coincide with continents on the map. The cases we chose to examine were determined by the interests of the research team, a group of young scholars with an interest in the present dynamics of global regionalism. They do not cover all organizations that are labelled "regional," but focus on those that coincide with or are contained within the world's major continents outside Europe and North America. Apart from none appearing to have operationalized the European Union's model of sophisticated supranational and intergovernmental institutions or to have copied North America's highly detailed rulebook, our six cases fall into three distinct categories. Two are marked by a noticeably higher degree of consensus in their approach to problem-solving. -- Latin America and South East Asia. Two are distinguished by particularly high levels of intra-regional conflict – Africa and the politically-constructed Middle East. Our last two continents display characteristics that jeopardize the achievement of transnational governance because of the extreme power asymmetry that makes the dominant state reluctant to grant its neighbours the authority to impinge on its sovereignty. They are South Asia (India) and East Asia (China).

Our exposition, which will necessarily be brief for each case, is structured by a set of common criteria developed to facilitate a comparative exposition of our analysis.
-social and cultural cohesion
-common economic interests and the importance of intraregional trade
-common security interests
-institutional effectiveness of governance both at the regional & domestic level
-asymmetry within the region
-extra-regional international relations and treaties with other countries and the role of external powers in the region

The uniqueness of each of our cases will, of course, require some criteria to be given more attention than others.

With these caveats in mind, we will proceed by first looking at the two regions most successful in generating cooperation among their members, then at the two with the greatest difficulties in developing a mode of transnational governance that might support individual members' interests, and lastly at the regional reality defined by our two giant states' behaviour.

I Regional governance by consensus

Two regions that have had some success in generating a modest degree of transnational governance are those that have made most of their achievements through processes of consensually developed rather than institutionally determined decision-making.

1. ASEAN

The Association of Southeast Asian Nations (ASEAN) is a geo-political bloc that encompasses virtually all of Southeast Asia. Originally created in 1967, ASEAN is now entering its fifth decade as a prominent regional organization. With a total population of 590 million people and a combined GDP of approximately US$1.5 trillion, ASEAN represents some 9 per cent of the world's population and collectively the 9th largest economy in the world[1].

<u>Social cohesion</u>

Despite their common experience of colonialism and the Cold War, their shared histories failed to integrate ASEAN into a cohesive entity. On the contrary, it has produced a set of cultural values which promote nationalism and domestic sovereignty under the rubric of non-interference, also known as "the ASEAN way," which became the collective guiding principle for the region's political elites[2].

The "ASEAN way" entrenches existing cultural and religious tensions, mitigating any potential for social cohesion. The region's sheer diversity is not conducive to social cohesion which makes the "ASEAN way" for conducting relationships between countries the rationale for low levels of institutionalization and non-binding interactions[3]. Informal regulative norms which guide ASEAN countries' behaviour, are codified in treaties, but are not enforced by any external body. The 1976 Treaty of Amity and Cooperation spelled out these principles as:

a. Mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations;

b. The right of every State to lead its national existence free from external interference,

[1] "ASEAN Selected Key Indicators," ASEAN official website, http://www.aseansec.org/stat/SummaryTable.pdf, accessed on 3 March 2011.

[2] Shaun Narine, *Explaining ASEAN: regionalism in Southeast Asia*, (Colorado: Lynne Rienner, 2002), 31-33.

[3] Narine, *Explaining ASEAN*, 31-33.

subversion or coercion;
c. Non-interference in the internal affairs of one another[4].
The 2003 ASEAN Social and Cultural Community institutionalized part of a new proposal to create an ASEAN Community[5]. Under its aegis some civil society organizations have formed up but they enjoy little priority compared to economic, political and financial issues.

Common economic interests
ASEAN was initially created to address political and security interests, and did not consider economic objectives until the 1980s and 1990s. Levels of intra-ASEAN trade have always hovered at low levels, ranging from 15 to 25 per cent of total ASEAN trade over the years[6]. When Singapore is excluded, intra-ASEAN trade falls abruptly to 5 to 6 per cent[7]. [By comparison, trade among NAFTA countries makes up about 40 per cent of the region's total trade, and in the EU, the ratio stands at about 70 per cent[8].]

In 1992 the ASEAN Free Trade Area (AFTA) was not launched to create an internal ASEAN market or increase cross-border trade between ASEAN countries but to create larger market to draw FDI away from its competitor China[9].

The degree of economic complementarity among ASEAN members is low. Most countries are relatively similarly endowed with natural resources and productive industries such that they have been competitors rather than traders with each other[10]. As a result they have had little comparative advantage vis-à-vis one another and so have had more incentive to trade with countries outside their region than with each other.

Sharp differences have distinguished the interests of the original founder countries' bigger, more prosperous economies from those of the smaller countries which joined later. Cambodia, Laos, and Myanmar are among the countries with the lowest GDP and living standards in the entire world[11]. These significant economic asymmetries impeded prospects for better integrating the region.

The Asian financial crisis which originated in Thailand in 1997 but quickly spread across Southeast Asia before reverberating around the world caused dramatic currency devaluations and panic on Asian markets[12]. Most pertinent for our analysis, it revealed

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[4] "ASEAN Charter," ASEAN official website, http://www.aseansec.org/publications/ASEAN-Charter.pdf, accessed on 3 March 2011.
[5] Nicholas Thomas, "Towards an East Asian Community: implications from the EAVG Report," in *Asian Regional Governance: Crisis and Change*, ed. Kanishka Jayasuriya (London: RoutledgeCurzon, 2004), 198.
[6] Narine, *Explaining ASEAN*, 27, 132.
[7] Narine, *Explaining ASEAN*, 132.
[8] John Ravenhill, "Economic Cooperation in Southeast Asia," *Asian Survey* 35:9 (1995): 862 cited in Narine, *Explaining ASEAN*, 132-133.
[9] Narine, *Explaining ASEAN*, 126.
[10] Alice Ba, *(Re)negotiating East and Southeast Asia : region, regionalism, and the Association of Southeast Asian Nations*, (California, Stanford University Press, 2009), 88.
[11] David M. Jones, "Security and democracy: the ASEAN charter and the dilemmas of regionalism in South-East Asia," *International Affairs* 84:4 (2008): 749.
[12] Jürgen Rüland, "ASEAN and the Asian crisis: theoretical implications and practical consequences for Southeast Asian regionalism," *The Pacific Review* 13:3 (2000): 425.

how fragmented ASEAN was and how incapable of responding effectively to transnational crises. In its wake, ASEAN and East Asia took steps to achieve greater economic integration. The Chiang Mai Initiative (CMI) signed in 2000 by all ten ASEAN countries and China, South Korea, and Japan (ASEAN+3) in response to the financial crisis of 1997 provides currency swap arrangements as an "Asian monetary fund"[13]. An ASEAN Economic Community (AEC) was proposed in 2003 to enhance regional integration and establish a single market by 2010, reduce tariffs and barriers to intra-ASEAN trade, and increase financial integration[14].

Some progress has been made in these areas but the richer, strong economies in ASEAN have shown more interest in forging closer ties with countries outside of ASEAN. In recent years, there has been a surge in bilateral trade agreements with non-ASEAN countries. Singapore has already signed with countries such as Australia, USA, and Japan, while other ASEAN members including Thailand and the Philippines have similar proposals pending[15].

Governmental diversity

The legacy of colonialism and the Cold War has given rise to marked variations in regimes, ideologies, and methods of rule. With four constitutional monarchies, two socialist states, three republics, and a military junta, few of the domestic governments in ASEAN countries can be considered democratic or stable[16]. The result is that many countries still struggle with military threats, endemic corruption, democratic deficits, and human rights abuses. Singapore has been under stable one-party rule for over five decades, but is an exception in an area which still lacks stability.

With domestic issues and political instability being the primary concern for political leaders, regional commitments remain of secondary importance. Since maintaining sovereignty is the foremost interest for Southeast Asian governments, regional objectives must always be compatible with this goal[17].

There is a distinct gulf between the larger, original founders (Indonesia, Malaysia, Singapore, the Philippines, Thailand), and the smaller CLMV (Cambodia, Laos, Myanmar, Vietnam) countries which joined much later[18]. The fact that Indonesia's GDP is nearly 300 times that of Laos is a stark demonstration of the differences in size, capacity and resources separating the strongest and weakest members of ASEAN which has become a two-tiered organization—the core founding members as one group and the CLMV countries as another[19]. In addition to having stronger economies, the original members also share anti-communist ideologies and a number of integrative ties outside of

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[13] Thomas, "Towards an East Asian Community", 199.

[14] Donald E. Weatherbee, *International Relations in Southeast Asia*, (Maryland: Rowman & Littlefield Publishers, 2009), 105.

[15] John Ravenhill, "The new bilateralism in the Asia-Pacific," in *Asian Regional Governance: Crisis and Change*, ed. Kanishka Jayasuriya (London: RoutledgeCurzon, 2004), 66-67.

[16] Weatherbee, *International Relations*, 14-15.

[17] Narine, *Explaining ASEAN*, 193-195.

[18] Rüland, "ASEAN and the Asian crisis", 426.

[19] "ASEAN Selected Key Macroeconomic Indicators", ASEAN official website, http://www.asean.org/stat/Table2.pdf, accessed on 3 March 2011.

Southeast Asia. The CLMV countries are much less economically developed, globally integrated, and politically stable.

Regional governance within ASEAN

In contrast with the European Union, regional governance in ASEAN is conducted on a less institutionalized, less formal basis consistent with the "ASEAN way". Decisions are made on a consensual basis, each country maintaining ultimate sovereignty, and there is no supranational decision-making or enforcement mechanism[20].
ASEAN governance's lack of institutionalization results in a lowest-common-denominator approach that bypasses divisive issues in favour of maintaining consensus[21]. The case of Myanmar provides one of the best examples of the dilemmas this causes. Beginning in 1997, Western countries pressured ASEAN to sanction Myanmar for its record of blood-stained violence and human rights abuses[22]. However, ASEAN ultimately chose to admit Myanmar, justifying the decision on the basis of ASEAN-way values of non-interference and respect for sovereignty[23]. This meant there was no reason to ban membership to ASEAN on the basis of Myanmar's internal domestic affairs.

However, this stance has worked to the detriment of ASEAN's internal unity and external image. Various non-intrusive attempts made by ASEAN to engage with Myanmar in changing its policies have been met with dismissal and little success. When Thailand and Malaysia proposed slight changes to the non-interference norm, other ASEAN countries rejected such ideas--further revealing how divided the region is[24]. Meanwhile, the international image of ASEAN suffered losses of credibility and weaker relationships with some Western countries.

The lack of compliance and the unpredictable policy environment is the direct result of ASEAN's elite-led, top-down informal decision-making, its lack of transparency or accountability, and its well-documented cronyism and nepotism[25].

ASEAN in the global context

Shifting our analysis to the international stage, the 1990s revealed ASEAN's increasing global presence. It joined the Asia-Pacific Economic Cooperation (APEC) launched in 1989, which in deference to ASEAN, has functioned on similar principles such as a loose, institutional framework and consensus-style decision making[26]. ASEAN has also played a large role in the ASEAN Regional Forum (ARF), the Asia-Pacific security counterpart to APEC established in 1994[27]. Similar to APEC, ARF is an informal forum for member countries to engage in regional security dialogues.

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[20] David M. Jones and M. L. R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order," *International Security* 32:1 (2007): 155.
[21] Narine, *Explaining ASEAN*, 31.
[22] Ba, *(Re)negotiating East and Southeast Asia*, 117.
[23] Ba, 122.
[24] Narine, *Explaining ASEAN*, 168.
[25] Jones, "Security and democracy," 745.
[26] Narine, *Explaining ASEAN*, 123.
[27] Weatherbee, *International Relations*, 160-163.

Given the prevalence of “the ASEAN way,” it might appear that it has been successfully adopted in international interactions. In reality however, neither of these initiatives has afforded ASEAN real influence over the direction of global affairs. Neither APEC nor ARF were of much significance for the greater powers involved, such as the United States, because they provided no practical benefits—a fact which is likely due to their low levels of institutionalization[28]. Yet, as a collection of weaker powers, ASEAN is understandably leery of further institutionalization for fear of being dominated by the bigger members in both APEC and the ARF.

The role that ASEAN plays in the global context is better described as a mediator—it has tended to lessen the pressures between competing great powers, encouraged building trust among top officials, and fostered more open dialogues[29]. ASEAN’s international credibility suffered a significant blow following the 1997 financial crisis, but since then has clearly direct its efforts towards strengthening its image because of ASEAN's potential for a greater presence on the world stage, it is strengthening its institutional structures to achieve more effective regional governance. In 2002 ASEAN economic ministers introduced a policy of “10 minus x” which allows a subgroup of ASEAN countries to proceed with cooperation and integration in certain areas without having obtained full consensus[30]. This allows countries to opt out of agreements in order to enhance cooperation but prevent free-riding while maintaining organizational integrity.

The 2007 introduction of the ASEAN Charter was presumed to be a meaningful step towards a more legal and institutionalized ASEAN identity. But rhetorical intentions “to strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms” seem inherently incompatible with the Charter’s affirmation of other existing ASEAN norms, such as that of non-interference which has tolerated many ASEAN countries' blatant disregard for the principles of democracy in the past[31].

Extra-regional international relations

Southeast Asia's legacy of external intervention and colonial power domination provided the foundation for its members' political framework and help explain why some countries lag so far behind others economically. The height of the United States' involvement in Southeast Asia was during the Cold War and Vietnam War when it gave large amounts of aid to the anti-communist members/founders of ASEAN and partly explains the developmental divide with the later joiners[32].

Following the 1997 AFC crisis, the relationship between the United States and ASEAN began to deteriorate. The US-influenced International Monetary Fund (IMF) was viewed as having worsened the financial situation in East Asia, and the United States initially

[28] Narine, *Explaining ASEAN*, 124.
[29] Weatherbee, *International Relations*, 112.
[30] Thomas, "Towards an East Asian Community", 201.
[31] Jones, "Security and democracy,” 737-738.
[32] Peter A. Coclanis, "Framing Southeast Asia's Economic History: Cycles of Globalization over la Longue Durée," *Journal of the Historical Society* 8:1 (2008): 17.

hesitated to assist the countries most heavily affected by the crisis[33]. It was clear that more local alternatives were needed to address future potential problems. ASEAN+3—a regional grouping between ASEAN and the East Asian countries of China, Japan, and South Korea was created in 1997 to solidify relations between China and to mediate between China's and Japan's competition for regional leadership, and thereby lessen regional tensions[34]. But the formation of ASEAN+3 threatens to weaken the voice of ASEAN members in East Asia.

A further factor weakening ASEAN is the opportunity for its members to negotiate bilateral ties within ASEAN+3 as well as with countries outside the region, which may be more appealing to them than regional agreements. This new wave of local bilateralism necessarily has a disintegrating effect on the original regional organization.

The reality that ASEAN members are facing is that -- individually or as part of a regional whole -- they are relatively weak in the global context and play little role in shaping the direction of international affairs. In large part, Southeast Asia has yet to achieve a sense of strong regional unity.

The "ASEAN way" principles have bound members together but have also pushed them further apart. Moving into the 21st century, its limitations have become increasingly clear as its members are confronted with transnational issues and regional economic interdependence has grown. Whether the trend into bilateralism and East Asian regionalism will make ASEAN irrelevant is too early to predict. If the region hopes to remain effective for its members, it may need to reconsider "the ASEAN way" as its guiding principles. Otherwise, without providing more of the economic, political or security benefits that enhanced institutionalization or other arrangements might offer, ASEAN could become a regional organization with little relevance for its members.

2. South America

As a continent, South America enjoys a multitude of common historical and cultural characteristics inherited from its pre-colonial indigenous peoples and its Spanish and Portuguese colonizations.[35] But like other outposts of empire, its artificial political boundaries have generated self-perpetuatingly centrifugal institutional divisions which offset such centripetal pressures as the need for weak states to benefit from cooperative approaches to common problems.[36]

South American is home to some 414 million people with $5.5 trillion of nominal gross product (as of 2011). [37]

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[33] Jones and Smith, "Making Process, Not Progress," 162.
[34] Thomas, "Towards an East Asian Community", 193, 206.
[35] Teodosio Fernández, "José Martí y la invención de la identidad hispanoamericana," in J*osé Martí: historia y literatura ante el fin del siglo XIX* ed. Carmen A. Bay et al. (Havana: Alicante, 1997).
[36] John Charles Chasteen, *Born in Blood and Fire: A Concise History of Latin America* (New York: W.W. Norton., 2005), 91-112.
[37] South America includes Argentina, Ecuador, Bolivia, Brazil, Peru, Paraguay, Suriname, Uruguay, Venezuela, Colombia, Chile, and Guyana.

Social Cohesion

Linguistically, the majority of South America's population speaks Spanish or Portuguese, with native languages spoken mostly along the Pacific and in the Andes.

Culturally, the region can be divided between the 193 million Portuguese-speaking Brazilians and the 193 million with a Spanish heritage.[38] Thanks to the continent's rich cultural history in literature, music, theatre, and other areas, the region's "Latin American" identity is widely accepted.[39]

Social cohesion is a different matter. Societal conflicts abound within national boundaries. Land-reform related social movements in Brazil and Argentina seek to correct the unequal land distribution that has been plaguing the continent ever since colonization. Indigenous movements in Bolivia and Ecuador led to massive social clashes in the 2006 and 2010 respectively. The production and transportation of contraband narcotics to North America is a growing international as well as domestic problem. The drug cartels have already built up sizeable armed forces of their own, and US military involvement against the cartels in the region often exacerbates its tensions.[40]

Political fragmentation

Brazil stayed largely intact after independence. The former Spanish empire was split into four viceroyalties, which were further divided up following the independence movement into ten separate states linked by similar cultural origins but divided by somewhat artificial political boundaries and separate constitutional regimes. The region's ideological character has veered, often in unison, from periods of authoritarianism and corporatism on the one hand to times of democracy and socialism on the other.[41] Currently, Hugo Chavez and the rising "pink tide" of left-leaning leaders reflect the tensions that built up in the region during its neoconservative phase.[42]

Common economic interests

The region's economies followed a common pattern since colonial times when they exported raw, unprocessed goods from minerals such as coal and silver to agricultural

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[38] 2010 estimates aggregated data from each of: Argentina Gustavo Pérez "Proyecciones provinciales de población por sexo y grupos de edad 2001–2015," INDEC and Argentina Ministry of Economy and Production. Retrieved 2011-05-12.;Bolivia Central Intelligence Agency. "Bolivia". The World Factbook, Retrieved 2011-05-12.; Brazil Instituto Brasileiro de Geografia e Estatística "Resultados do Censo 2010," Retrieved 2011-05-12.; Colombia "Departamento Administrativo Nacional de Estadística". Retrieved 2011-05-12.; Ecuador Central Intelligence Agency. "Ecuador". The World Factbook, Retrieved 2011-05-12.; Paraguay Central Intelligence Agency. "Paraguay". The World Factbook, Retrieved 2011-05-12.;;Peru Instituto Nacional de Estadística e Informática del Perú. "Censos Nacionales 2007: XI de Poblaciòn y VI de Vivienda," (in Spanish). Retrieved 2011-05-12; Uruguay Central Intelligence Agency. "Uruguay". The World Factbook. Retrieved 2011-05-12

[39] Harry E. Vanden and Gary Prevost, *Politics of Latin America: The Power Game* (New York: Oxford University Press, 2008), 169

[40] Greg Grandin, "Muscling Latin America," *The Nation* 290:5 (2010): 9-18.

[41] Jorge G. Castañeda, "A Tale of Two Lefts," in James A. Wood et al., eds.,. *Problems in Modern Latin American History: Sources and Interpretations* (Plymouth, Rowman & Littlefeld, 2009), 303-06.

[42] Vanden and Prevost, *Politics of Latin America: The Power Game*, 68-70.

products. During the nation-building phase of 1900s, the leaders developed such infrastructure as roads, railroads, and electricity generation to expedite the export process, rather than to create an industrialized economy. Region-wide import-substitution-industrialization (ISI) schemes from the 1950s were successful in those countries that enjoyed sufficient economies of scale such as Argentina and Brazil. Seeking more foreign capital to develop moved them towards further market liberalization, which exposed their already fragile capital markets to international shocks later in the 1980s. Smaller countries had much less successful ISI program, and still remained exporters of mainly unprocessed goods.

The region has always been drawn towards political integration, but when it has come down to creating supranational institution that would take over traditional aspects of governance, member states have tended to balk. Earlier sub-continental trade agreements had little impact on the smaller states' primary economic orientation of exporting raw materials overseas and importing manufactured goods and did little to increase the integration of the most industrialized countries with their continental partners.

The Latin American Free Trade Association (ALALC, 1960) was made up of Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. By the late 1960s, the bloc was producing $90 billion of goods annually with a population of 220 million.[43] ALALC's goals were to foster regional trade and the region's overall trade with the United States and Europe. However, the treaty only applied to goods, not services or investment, nor did it have measures to coordinate policies among the member nations. ALALC was superseded by the Latin American Integration Association (ALADI, 1980) with the addition of Bolivia, Colombia, Ecuador, and Venezuela. Modest efforts were made at lowering barriers to greater commercial exchanges across neighbouring economies' borders. They were conceived to achieve the scales necessary for ISI by integrating the neighbouring economies, but never achieved a significant level of commercial integration.

Attracting foreign investment was one of the justifications put forward for market liberalization in the 1980s. However, it is difficult to sustain a cooperative economic approach to the outside world when each member nation is pitted against its neighbour when competing for limited available amounts of foreign investment. Compounded by the balance of payment crises in the "lost decade" of 1980s, ALADI was largely abandoned.[44] Although ALADI still exists today, deeper integration proceeded in separate ways within ALADI through sub-regional groupings.

Within Argentina, Brazil, Paraguay, and Uruguay, the protectionist reflexes of uncompetitive national economic sectors vied with larger firms, for instance the efforts represented by the Brazilian Business Coalition which pressed for regional integration.[45]

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[43] Montague Yudelman, "Agricultural Development and Economic Integration in Latin America". (London: Inter-American Development Bank, 1969), 23.

[44] Jeffrey W. Cason, *The Political Economy of Integration: The Experience of Mercosur,* 37-8.
[45] Ibid., 80-84.

A consensus about tariff reduction and market liberalization among outward-looking business interests and the national political elites in the four countries was shared by the multinational corporate community and helped these future members of Mercosur (the Common Market of the South) negotiate the Treaty of Asunción in 1991, which crystallized with the Treaty of Ouro Preto and established specific policies for the customs union.

Mercosur has a population of some 270 million and a combined GDP of $2.9 trillion which amounts to 82 per cent of South America's GDP. While a striking innovation in transnational soul-regional governance for Latin America, Mercosur is far from being highly integrated economically speaking. Its intra-regional trade has merely a 9% share of its members' total trade. Foreign investment remains a source of conflict. Argentina, Brazil, and Uruguay are all auto-makers, and the crux of the problem is that when Honda builds plant in Argentina, Brazil and Uruguay do not get one..

The wave of neoliberal reforms and attempts at market liberalization introduced in the 1980s resulted in two significant exercises in regionalization. The Communidad Andina (CAN, the Andean Community, 1996), which superseded the Andean Pact, is made up of Bolivia, Colombia, and Ecuador and currently has a population of more than 61 million people and a combined GDP of $363 billion accounting for 12% of South America's nominal GDP. [46] CAN's intra-regional trade has a 16 % share of its members' total trade.[47]

Asymmetry

By all measures, Brazil is South America's dominant state. Its GNP of $XX trillion makes up YY% of the continent's gross product. Its YY million citizens constitute XX% of the continent's population. Following democratization and market liberalization, Brazil's policies have tried to reconcile the two somewhat opposing tendencies of stronger regional cooperation on the one hand and its own relations with industrial countries overseas on the other.

With its global standing elevated following its incorporation, as a member of the second tier grouping known as BRIC (Brazil, Russia, India, and China), in the G20 when the G8 lost legitimacy in the late to thousands, Brazil's international energies have been increasingly invested in global affairs. In his extra-regional relations, Lula da Silva maintained a cordial relationship with both the United States and the European Union. He even tried negotiating a solution to the crisis between Turkey and Israel in 2010.

Notwithstanding his performance on the world stage, Lula has concentrated on making Brazil the central player in South American regionalism. Since his election in 2003, Brazil shifted from not participating in Mercosur affairs towards having an active, if two-face regional presence there. Brazil gave new life to Mercosur, although this did not translate into relinquishing any sovereignty. Brazil helped expand many regional

[46] Figure based on IMF World Economic Outlook, 2011.

[47] Intra-regional trade share = (intraregional trade) / (total trade of the region) * 100, figure based on International Merchandise Trade Statistics (IMTS) of United Nations Statistics Division.

integration frameworks and became the focal point of regional cooperation, often working with Chavez under an anti-American banner. It led regional diplomatic efforts in many areas, including the United Nations' stabilization mission in Haiti.

Venezuela has also been seeking regional leadership by using its large oil revenues to offer financial support to left-meaning governments and by pushing its own integration project, the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA, Bolivarian Alliance for the Peoples of Our America) as an alternative to the Communidad Andina and Mercosur. ALBA is made up of both South American countries – Bolivia, Ecuador, and Venezuela – and Central American and Caribbean countries – Antigua and Barbuda, , Cuba, Dominica, , Nicaragua, and Saint Vincent and the Granadines. It has a population of 70 million and a combined GDP of $.6 trillion.[48]

Brazil made economic trade-offs to contain this expansion of Venezuela's sphere of influence. When Evo Morales nationalized the Bolivian assets of Petrobras, Brazil's oil company, Lula reacted temperately lest too violent a response push Morales further into Chavez' Bolivariana camp.[49]

Brazil has successfully striven in the last decade both to prevent regional integration from constraining its autonomy while consolidating its leadership in the region. It has exercised its soft power to convince its regional partners to play by its rulebook with alternate forms of regional cooperation that fall short of integration.

Largely due to the successful negotiation between Argentinian President Nestor Kirchner and his Brazilian counterpart, the Bank of the South (Banco del Sur) was established in 2009 with startup capital of $20 billion as a regional alternative to the Inter American Development Bank (IDB) and even the International Monetary Fund (IMF). Along with Mercosur's Argentina, Brazil, Paraguay, and Uruguay, members include Bolivia, Ecuador, and Venezuela.

Infrastructure integration is a common interest in the region. IIRSA (the Initiative for the Integration of the Regional Infrastructure of South America) has developed the most ambitious project, seeking to connect the continent north-south from the Caribbean basin to the tip of the Andes, and west-east from Venezuela through Guyana, the former Dutch colony Suriname, and French Guyana to Brazil.

Mercosur has aspired to create a Latin American version of the Schengen area, and member-states already share a common passport, which facilitates cross-border movement and immigration.

During the last decade, a web of extra-regional bilateral trade agreements have been woven, putting multilateral economic unions in the shadows. In Latin America, this

[48] Figure based on IMF World Economic Outlook, 2011.
[49] Nikolas Kozloff, "The Chavez-Moralez Axis," in *Problems in Modern Latin American History*, 314-17.

process has been particularly salient in Chile and Peru, which have led the race to sign bilateral free trade agreements with overseas partners.

Resisting this trend, Mercosur has maintained considerable sub-continental solidarity by resisting the centrifugal effect of globalization's current trend to trade bilateralism.[50] It maintains a strict prohibition on members signing bilateral free trade agreements, and none has signed any individual FTAs with overseas states for almost twenty years. A significant sign of Mercosur's continuing vitality is its negotiating new economic agreements with overseas players. Notably, the EU-Mercosur economic talks with the European Union resumed in 2010 after the failed negotiation attempts almost a decade before. Mercosur also has economic agreements under negotiation with the European Free Trade Association, South Korea, and the Gulf Cooperation Council.

First steps have recently been taken to develop a truly continental governance organization known as the Union of South American Nations (Unasur) which aims to integrate Mercosur and CAN into a single market by 2019. Unasur became an entity with international legal personality in March 2011, by which date it had been ratified by ten out of its proposed twelve states, only Brazil and Paraguay not yet having ratified the treaty. Unasur plans to extend a Schengen-like common passport to all its members.

Security

Under the 1991 agreement establishing "Brazilian–Argentine Agency for Accounting and Control of Nuclear Materials," Latin America was declared a nuclear-free zone. Currently, the military in Latin America has a much diminished position in contrast to twenty years ago, when the region was under the help of military dictatorships.

Unasur has created an additional framework for security cooperation under the Consejo Defensa Sudamericano (CDS, South American Defense Council). Unasur also played a pivotal role in the 2009 diplomatic crisis provoked when president open [first name] Uribe, emboldened by US military support, ignited a political standoff with Venezuela over its alleged aid to the FARC guerillas with which the Colombian government had been battling for years. Under the leadership of Presidents Kirchner and da Silva, Unasur actively intervened to repair relations, successfully bypassing both the United States and the Organization of American States in which Washington wielded considerable influence. Colombia's granting the Pentagon the military use of seven of its bases sparked a fierce protest from other Latin American countries, and Unasur spoke out unanimously against this reminder of the United States' long history of divisive intervention in South America's affairs.

Colombia remains a sore spot for the region. Constantly criticized by Unasur, the country receives nearly $780 million per year from Washington under Plan Colombia, 80% of which goes to its armed forces. The American military involvement in Colombia has frequently been denounced by Unasur, but guerilla attacks on oil pipelines continue, and the FARC remains in control of large tracts of the deeply troubled country.

[50] Nèstor Kirchner and Luiz Inàcio Lula da Silva, "The Buenes Aires Consensus," in *Problems in Modern Latin American History*, 296-300.

In the light of the United States' direct and proxy presence in Colombia, Brazil's massive military power seems more reassuring than threatening to South American security. By 2010, it had an active troop count of 1.7 million which compares with Cuba's 1.2 million; Colombia's 0.5 million, and Venezuela's and Argentina's 0.1 million. Brazil is the only country in the region to have aircraft carriers of which it has five and has more fighter jets than the next two countries, Cuba and Chile, combined.

In sum, while South America retains sources of conflict that obstruct its development of transnational governance at the continental level, Mercosur has retained a certain integrative momentum based on a general consensus shared by both its largest and weakest members that the cooperative provision of collective goods works in the interest of all providing that national sovereignty is not significantly impinged upon.

II Governance Paralysis with Intra-Regional Conflict

Two regions that have had the greatest difficulty in generating transnational governance are those within which deep-rooted inter-state or intra-state conflicts and high levels of foreign powers' intervention have frustrated cooperative approaches to regional problem-solving that might serve the interests of member states.

1. Africa

With a population of one billion and a gross product of $1.3 trillion, the continent of Africa is a geopolitically significant presence on the global stage. Whether its fifty-three nation-states can play a role on the world stage commensurate with their collective power would seem to depend on their ability to cohere as a trans-national governance regime, whether at the continental level or in the sub-continental regions. The possibility for either eventuality occurring appear limited because of the staggering cultural, economic as well as political disadvantages from which the continent's members suffer.

-In terms of its prospects for social cohesion, that over 1000 languages are spoken in Africa gives a first impression of its problem.

-The challenge to the continent's "regionness" is not just linguistic. Politically speaking, Africa is the most conflict-ridden region in the world.[51] Politically, African states are the artificial residue of the major European powers' shameless scramble to establish colonies in the late 19th and early 20th centuries. The nation-states that emerged on the global stage following the success of the post-World War II national liberation movement had artificially drawn national boundaries that divided ethnic groupings. Their size militated against economic sustainability, less than a dozen having populations of more than 30 million. With no tradition of citizen-based democratic governance, these newly independent countries' political efficacy has been limited, their capacity for internal conflict considerable, and their resulting instability endemic.

[51] Paul Collier and Anke Hoeffler, "On the Incidence of Civil War in Africa," *Journal of Conflict Resolution* 46:1 (2002): 13.

-Its economic circumstances are no less forbidding: as the only major region with negative per growth from 1980-2000,[52] its share of global output – only 3.1 per cent in the 1970s -- decreased to 1.8 per cent in the period 2000-2003.[53] Africa's significance for the rest of the world has declined proportionally. In the 1970s, Africa accounted for 6 per cent of global trade flows, whereas now it only comprises 2 to 3 per cent.[54] More conservative figures place this measure of economic heft at 1 per cent.

The multiplicity of small states with weak economies calls for transnational cooperation in regional groupings to overcome extreme ethnic diversity, weak bargaining power, small markets, low populations, resource shortages, and slow growth, but these very characteristics undermine the possibilities of successful collective action whether at the continental or the sub-continental level.

Continental: The African Union

Formed in 2002 to replace the Organization of African Unity which the newly decolonized dates had established in 1963, the African Union (AU) aims to coordinate Africa's economic and social policies. Structurally speaking, the AU bears many institutional similarities to the European Union perceived as the paragon of international political modernity.[55] A pan-African parliament has merely advisory and consultative functions and appears to be merely a symbolic representation of unity. The AU's eight commissions (Peace and Security, Political Affairs, Infrastructure and Energy, Social Affairs, Human Resources, Trade and Industry, Rural Economy and Agriculture, and Economic Affairs) promote policy coordination in these areas across the continent. In 2008 a protocol was passed to create a Court of Justice and Human Rights but has not been created yet. A Committee of Permanent Representatives assists the AU's Executive Council, which also coordinates policy among member states, but the Permanents Reps do not have a real mandate. The African Investment Bank and the African Monetary Fund have been agreed upon but not created. A tendency towards excessive ambitions and promising results irrespective of "task environments, functional capacities, or overall capabilities"[56] leads to the AU continuing to disappoint. As objectives are not met, resources are directed towards maintaining the AU's image of legitimacy. Institutional incapacity becomes self-perpetuating.

The African Economic Community (AEC) was established in 2004 by the African Union to promote the "coordination and harmonization of economic and social policies" within the continent's several regional economic communities (RECs), with the aim of increasing inter-regional trade and integration.[57] Although it aspires to create an African currency, an African central bank, and a pan-African Parliament, its actual pillars are the sub-continental organizations set up in its northern, southern, eastern, south-eastern, western, and central zones.

52 Jan Joost Teunissen, and Age Akkerman, *Africa in the World Economy*: *The National Regional, and International Challenges* (Seoul: Korea Institute for International Economic Policy, 2006), 23.
53 Stephan et al., *Scramble for Africa*, 242.
54 Harry Stephan et al., *The Scramble for Africa in the 21st Century: A View from the South,* (South Africa: Renaissance Press, 2006), 242.
55 Jolliff and Jupille, "Method, Model, and Mentor," 18-21.
56 Jolliff and Jupille, "Method, Model, and Mentor," 5.
57 Kyambalesa and Houngnikpo, *Integration and Development*, 93.

Sub-continental regions

Groupings of geographically contiguous states into organizations with collective goals and aspirations to establish transnational governance can only be as good as their individual members. But many African countries have democratic deficits and some have internal security problems as serious as civil wars, all of which prevents the co-ordination of RECs' economic policies. Irrespective of these significant governance issues within the member states, high levels of asymmetry between the largest REC member and its partner states tends to militate against the development of transnational governance institutions to which the regional hegemon is willing to subordinate its sovereignty.

A further obstacle to regional economic integration is the low level of intra-regional trade that characterizes these sub-continental groupings of postcolonial states whose main export clients are on other continents.

-In the north, the Arab Maghreb Union (AMU) is made up of five states – Algeria, Morocco, Tunisia, Mauritania, Libya – with a population of more than 82 million people and has a combined GDP of $336.9 billion accounting for 25.9 per cent of Africa's GDP. AMU seeks closer economic integration, defense relations, and cultural cooperation aimed at the "teachings of Islam as well as at safeguarding Arab national identity."[58] The AMU is fractured by political disagreements over such issues as the Western Sahara has derailed progress. Because of this intraregional political discord it does not function effectively as an economic bloc and falls far short of achieving Arab national solidarity.

-In the south, the Southern African Development Coordination Conference (SADCC) was created in 1979 with five member states -- Botswana, Angola, Tanzania, Zambia and Mozambique – largely as a response to South Africa's pressure for these states to join South Africa's proposed Constellation of Southern African States. As a non- member of the SADCC, South Africa pursued a "regional destabilization strategy" effectively presenting the SADCC with an ultimatum that regional cooperation and development could not be achieved without it. This led to South Africa joining a revamped Southern African Development Community (SADC) in 1994.[59] SADC is made up of fifteen states – Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe – with a population of some 260 million people and has a combined GDP of $471 billion accounting for 36.2 per cent of Africa's GDP. While there is a moderate degree of macroeconomic coordination, the asymmetries are large since South Africa accounts for 71 per cent of SADC's gross product. The community's second largest economy, Tanzania, contributes only 4 per cent of its GNP.[60]

-In the east, the East African Community (EAC) is made up of Burundi, Kenya, Rwanda, Tanzania, and Uganda with a total population of more than 125 million people and has a combined GDP of $75 billion accounting for 5.8 per cent of Africa's GDP.[61] It has ambitious goals of establishing a political federation by 2015, complete with a shared currency and

[58] Buthelezi, "*Regional Integration,*" 157.
[59] Lee, *Regionalism in Southern Africa*, 45.
[60] Lee, *Regionalism in Southern Africa*, 63.
[61] "FACTBOX: East African Common Market."

common market. However, progress has been prevented by a host of intraregional problems such as the continuing civil war in Northern Uganda. Without basic internal stability, intergovernmental cooperation can hardly flourish. Recurring droughts and other natural disasters between 1974 and 1984 caused widespread famine, ecological degradation and economic hardship in the Horn of Africa, motivating Djibouti, Ethiopia, Kenya, Somalia, Sudan, and Uganda to establish through the United Nations in 1986 the Intergovernmental Authority on Drought and Development. This became a vehicle for regional security and political dialogue work was morphed in 1996 into the Intergovernmental Authority on Development, which expanded its activities in 2008 in order to improve the investment, trade and banking environments of member states. Institutionally, it has an Assembly of Heads of State and Government as its supreme policy making organ, a Secretariat, a Council of Ministers and a Committee of Ambassadors which advises the Executive Secretary but cooperation has practically stopped for several reasons including the conflict between Ethiopia and Eritrean over many sections of their common border, Sudan's serious internal conflicts, and Somalia having no functioning central government since the outbreak of civil war in 1991.

-In the south-east, the Common Market for Eastern and Southern Africa (COMESA) is made up of twenty-two states – Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe – with a population of 430 million and has a combined GDP of $472 billion which accounts for 36 per cent of Africa's GDP. It has the ambitious goal of establishing a currency union by 2025.[62] COMESA has made strides towards regional integration, but the lack of intra-regional trade and income disparities between member states undermine economic integration. Besides, it faces other internal challenges. High HIV/AIDS rates in such member countries as Zimbabwe and Swaziland devastate civil society, undermine economic productivity, and so impede the development of commercial interdependence. Furthermore, member states have not removed considerable tariff walls which results in less than 8 per cent of their international trade occurring among member states.[63]

-In the west, Economic Community of West African States (ECOWAS) is made up of fifteen member states -- Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo – with a population of more than 263 million people and has a combined GDP of $82 billion accounting for 6.3 per cent of Africa's GDP.[64] It envisions complete trade liberalization through the elimination of all trade barriers, and the convergence of monetary, agricultural, and industrial policies. Yet, ECOWAS has been ineffective due to its members' huge financial burdens which add up to a combined external debt of nearly $70 billion or some 85 per cent of the region's GDP.[65]

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[62] Fabrizio Carmignani, "The Road to Regional Integration in Africa: Macroeconomic Convergence and Performance in COMESA," *Journal of African Economies* 15 (2006): 214.
[63] Carmignani, "Road to Regional Integration," 232.
[64] Buthelezi, *"Regional Integration,"* 137.
[65] Buthelezi, *"Regional Integration,"* 139.

-In the centre, the Economic Community of Central African States (ECCAS) is made up of ten member states -- Angola, Burundi, Cameroon, Central African Republic, DRC, Congo, Gabon, Equatorial Guinea, Sao Tomé and Principe. The Community of Sahel-Saharan States (CEN-SAD), which was established in 1998 by six states has since grown to twenty-eight with the aim of achieving economic unity through the free movement of people and goods. These are Africa's least effective RECs, existing on paper rather than in practice. These are essentially nominal institutions with negligible transnational efficacy because such states as Rwanda, Zaire, Sudan, and Somalia have been crippled by state failure and civil war.

Africa does not just have many sub-continental regions. Many of these states belong to several of these regions simultaneously. All CEN-SAD member countries are also participating in other regions that share the aim to create a common African Economic Community. But its proposed free-trade area would be hard to implement because its membership overlaps with ECOWAS' envisioned Customs Unions, ECCAS, COMESA, and other trade blocs more advanced in their integration.

Considering the state of disarray throughout Africa's RECs, the AU's difficulties in achieving its goal of harmonizing the continent's economic and social policies across already fragmented institutions become clear. Its high levels of intraregional conflict and its resulting lack of internal cohesion drastically undermine Africa's potential an economically powerful global region.[66]

While it used to be maintained that regions needed a hegemon to generate intraregional stability, hegemons in African regions present another centripetal factor. In Northern Africa Algeria and Egypt are the two dominant economies, in West Africa Nigeria and Côte d'Ivoire, in Eastern and Central Africa Kenya and Cameroon, and in Southern Africa Angola and South Africa. Together, these eight economies (AFR-8) constitute 68 per cent of Africa's GDP and 41 per cent of Africa's population.[67] Over the past 35 years, intra-African trade within AFR-8 has been steadily increasing, although wide discrepancies exist. In Côte d'Ivoire, intra-African trade accounts for more than a third of its total trade, whereas just over 1 per cent of Algeria's trade is transacted within the continent. Taken together, intra-African trade amounts to only 8 per cent in these eight countries.[68]

Not only does the lack of economic integration create little centripetal energy; the far more important impact on resource-exporting economies of overseas partners – their former imperial power, the United States since decolonization, and, much more recently, China – regenerate centrifugal forces that perpetuate the continent's fragmentation.

<u>Extra-Regional Relations</u>

Some regions play the role of agents on the global stage; others are objects of global forces. Whereas Europe provides the prime example of the former, Africa exemplifies the latter in its three main clientelistic economic relationships which frustrate any hopes that regionalism might develop a significant momentum.

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[66] Taye, "AU as an Importer," 28.
[67] Adom et al., "Economic Integration," 246.
[68] Adom et al., "Economic Integration," 247.

African trade with the European Union, the USA, and China is significant but highly asymmetrical in the type of goods exchanged. Africa overwhelmingly exports primary commodities which are subject to volatile pricing and international demand. Growth in the extractive sectors benefits individual countries such as South Africa, Nigeria, or Angola but not their regions.

The European Union. Via the Cotonou Agreement, the EU seeks to strengthen African intra-regional efforts and develop the AU's regional capabilities. EU-African/Caribbean/Pacific (ACP) trade has focused on primary resources with oil, diamonds, cocoa, and wood constituting almost 50 per cent of trade alone.[69] The majority of EU-ACP trade occurs between more developed exporters such as Nigeria and Angola, while poorer ACP countries remain marginalized. Hence, while EU policy is to support African RECs, in reality it is primarily the leading regional economies that participate in and consequently gain from global trade.

The EU leads other world regions, commanding a 31 per cent, share of Africa's export market but closely followed by the United States with 28 per cent, leaving China a distant third with 13 per cent. 78 per cent of EU exports to Africa were manufactured goods, chemicals, and machinery.[70]

The United States. The nature of the United States' trading relationship with Africa is very similar to the EU's. In 2007, Africa accounted for 1 per cent of U.S. exports and 3 per cent of U.S. imports and was the client for 28.4 per cent of Africa's exports.[71] 81 per cent of American imports are oil, followed by platinum, motor vehicles, and diamonds. Taken together, these four goods constitute nearly 95 per cent of U.S. imports.[72] Primary goods constitute a large proportion of Africa's total trade but a minute proportion of its overseas partners' total trade.

China. In 2006, China-Africa trade was more than $55 billion, and Chinese companies had invested $11.7 billion in Africa.[73] The Chinese have had a strong peacekeeping presence in some of the continent's conflicts and have forgiven more than $1 billion in African debt.[74] China provides an immense export market for African resources, and in 2009 alone imported almost $28 billion worth of mineral fuels.[75] Currently, China gets a third of its oil from Africa.[76] While China is Africa's third largest trading partner (behind the EU and the United States. Africa itself only accounts for 2 per cent of China's

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69 Tanya Lyons and Geralyn Pye, eds, *Africa on a Global Stage* (Eritrea: Africa World Press, 2006), 126.
70 European Commission, "EU-Africa trade," 2007.
71 "U.S.-African Trade Profile," U.S. Department of Commerce, last modified July, 2009, www.agoa.gov/resources/US_African_Trade_Profile_2009.pdf, 5.
72 "U.S.-African Trade Profile," 13.
73 Paul Tiyambe Zeleza, "Dancing with the Dragon: Africa's Courtship with China." *The Global South* 2:2 (2008): 171-187.
173.
74 Tull, "China's Engagement in Africa," 463.
75 William Wallis and Tom Burgis, "Continent drives a harder bargain," *Financial Times*, June 14, 2010, http://media.ft.com/cms/de832bb2-7500-11df-aed7-00144feabdc0.pdf.
76 Geoff Dyer, "Anxious to shed colonial image and foster a new cycle of trade," *Financial Times*, June 14, 2010, http://media.ft.com/cms/de832bb2-7500-11df-aed7-00144feabdc0.pdf.

external trade.[77] This points to an inherent asymmetry or lack of balance in this trade relationship.

While many envision the China-Africa relationship as a harbinger of development, so far it mimics the continent's previous asymmetrical economic relationships with the West.[78] For instance, China has demonstrated little support for the African Union and its initiatives, instead preferring to channel investment through the Forum on China-Africa Cooperation as a means to circumvent AU priorities such as democracy, transparency, and the like.[79] Chinese-African trade does not always present a win-win scenario. China is not altruistic in its financing: its investment does not attempt to strengthen regional African initiatives. China seeks profit and invests in individual countries likely to provide high returns. There is a significant lack of Chinese long-term investment in industries outside of the extractive, resource sector.[80] Hence for some analysts, China's massive incursion into Africa represents a negative political development.[81]

Trade with overseas partners brings growth to Africa's extractive sectors but favours individual countries, particularly the sub-continental regions' dominant economies. While pockets of Africa are experiencing strong economic development, African RECs are largely ineffective and growth is not being evenly distributed**.** Africa is constrained by the economic interests of other regional powers whose trade and investment may not be entirely compatible with strengthening its RECs and producing long-term growth. In effect, external relations with China, the EU, and the U.S. create centrifugal forces that are disintegrative to African unity.

Africa's economic relationships with the European Union, the United States, and China define its global role as a resource supplier but circumscribe its economic influence as an actor.

Africa's economic relationships with the European Union, the United States, and China define its global role as a resource supplier but circumscribe its economic influence as an actor. As for its political relationships with the world beyond the continent's boundaries, the 2011 crisis in Libya offered up the most recent example of the African Union's inability to provide the continent an approximation of transnational governance. The chairman of the AU Commission, Jean Ping, said "Nobody talked to us, nobody consulted us" before NATO airstrikes began. The AU did not even support the United Nations' no-fly zone. Foreign interests in Africa defined the course of events in Libya, confirming globalization's continuing disintegrative impact on African regionalism.

2. The Middle East

With a combined gross product of \$3.8 trillion, an average GDP per capita of \$24,000, and a culturally and religiously diverse population of 383,291,600, the Middle East – or "West Asia" as it is known in the rest of Asia – is a zone of both solidarity and conflict. Geographically, it is commonly thought to include the Levant (Israel, Palestine, Syria,

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[77] Tull, "China's Engagement in Africa," 464.
[78] Tull, "China's Engagement in Africa," 475.
[79] Tull, "China's Engagement in Africa," 476-477.
[80] Tull, "China's Engagement in Africa," 473.
[81] Tull, "China's Engagement in Africa," 476.

Lebanon, Jordan), the Arab states of Asia (Iraq, Kuwait, Saudi Arabia, Yemen, UAE, Oman, Qatar, Bahrain), Egypt, Turkey, and Iran.[82] Economically, it does only 16 per cent of its trade intra-regionally but its economies succeed largely because of the world's dependence on oil.

While conceived of as a region by outsiders, the Middle has not succeeded in generating significant area-wide institutions of transnational governance because of its endemic conflict and the related intrusion of foreign powers in its political and economic relations.

Its best-known organization, the Arab League, excludes the region's two most powerful states, Israel and Iran, and the enduring Arab-Israeli rift precludes Israel's participation in any sustained regional relationships. Four factors account for the failure of "regionness" to develop: the diversity in regional identity, lack of common interest in both peaceful relations and economic cooperation, and harmful external intervention.

Lack of Regional Identity

Although the Middle East shares certain characteristics, the role of identity largely results in disunity, even if it has promoted the development of certain sub-regional groups.

The Middle East is a predominantly Muslim region, with the exception of Israel and Christian populations in Lebanon and Syria, but because Islam is practised differently within and between different states, it is less often a foundation for cooperative relationships than a source of conflict, particularly since the rise of radical Islam. Linguistically, Arabic is the language spoken in the majority of Middle East states, although not in Iran, Turkey, and Israel.

The location of of non-Arab and non-Islamic states within the region limits the ability of intergovernmental institutions to develop based on a common linguistic, ethnic, or religious identity. Thanks to antagonistic stereotypes drawn from long histories of conflict, certain states construct inclusion and exclusion schemes that preclude inclusive intra-regional relationships. The fact that the Middle East has no basis for the development of a common identity means that regional consciousness can neither spark nor sustain regional institutions.

Although the Middle East has no common identity, sub-regional identities support some sub-regional institutions, such as the League of Arab States and the Gulf Cooperation Council, thus creating an institutional barrier to region-wide cooperation.

League of Arab States. Now composed of twenty-two members, the League of Arab States (LAS) was formed in 1945 by Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Jordan, and Yemen in order to unify the Arab-speaking nations of the region[83] around the

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[82] Many also add North African Arab states, such as Libya, Tunisia, Algeria, and Morocco. Roderic Davison, "Where is the Middle East", *Foreign Affairs* 38 (1960), 675; Bernard Lewis, *The Middle East and the West.* (Harper & Row, 1966); Geoffrey Kemp, *Strategic Geography and the Changing Middle East*, Brookings Institution Press, 1997, 16.

[83] David Romano, "Regional Organizations". In *Beyond Regionalism?*, eds. Cilja Harders and Matteo Legrenzi (Aldershot: Ashgate Pub, 2008), 158.

"Palestine question."[84] Currently its main political thrusts are to resist Zionism and foreign exploitation. It is also committed to the promotion of mutual economic, social, and culture issues so has developed a number of specialized agencies including the Arab Monetary Fund, Arab Fund for Technical Assistance, and the Arab Cultural Organization.[85] In terms of regional governance, the Arab League scores low because it makes decisions by consensus and its policies are non-binding policy.[86] Unable to develop a common foreign policy, LAS was divided over Iraq's invasion of Kuwait in 1990 and Egypt's peace deal with Israel in the Camp David accord of 1979. Although the League has failed in its goal of pan-Arabism, it nevertheless does provide an important voice for Arab States, especially as a regional organization recognized by the United Nations.

The Gulf Cooperation Council. The Gulf Cooperation Council (GCC) is mainly sustained by a strong sense of common ethnic, religious, and political identities among the Gulf state regimes. One political reason for the GCC's survival is that all Gulf states are Sheikdoms which share a common political logic structure.[87] Their sense of insecurity motivated them to form an alliance, although external dependencies and continued rivalries have prevented the emergence of a true security community.[88] Nevertheless, a degree of social cohesion was apparent when Saudi Arabia and the UAE sent troops to Bahrain to protect the ruling regime against domestic opposition.

Lack of a Common Interest in Peace

The absence of peaceful relations among states in the Middle East is one of the most serious impediments to regionalism. The Middle East has been infamous for conflict since the beginnings of external intervention in the area in the 18th century. The most significant conflict is between Israel and Palestine which dates back to the Balfour Declaration in 1917 and has largely been sustained through external support. Conflict can be explained as a result of cultural and religious diversity, regime heterogeneity, and weak, resource-rich states vulnerable to exploitation. Conflict is also significantly due to such external intervention, as the United States' support for Israel and its military intervention in Iraq in 2003.

Lack of economic integration

Economic structures in the Middle East also inhibit significant cooperation among states. Structural factors include small market size, inadequate infrastructure, weak financial and legal systems, and similar comparative advantage, while intra-regional trade barriers include similar cost and production structures, and a lack of product complementarity. The region's economies are also prone to instability due to volatile prices and political

[84] Mary Farrell, *Global politics of regionalism: Theory and Practice*. (Pluto Press, 2005), 188.
[85] Ewan Anderson, *The Middle East: Geography and Geopolitics.* Routledge: Taylor and Francis Group, 2000.
[86] This characterization is based on Lawson's four indicators - (1) The degree to which states cede to a multilateral institution the authority to make binding policy decisions regarding a significant number of issue areas, (2) Whether the multilateral institution operates on the basis of general consensus, majority vote, or arrangement with veto, (3) A measure of the multilateral institution's stock of incentives to secure member cooperation in region-wide programs, (4) and the institution's ability to support and encourage increased levels or ranges of economic interdependence among member states (Romano 2008, 158).
[87] Farrell 2005, 192.
[88] Louise Fawcett, *International Relations of the Middle East*. Oxford University Press, 2009, 199.

conflicts. That many of these states also rely heavily on the sale of oil, but do not have the capability to refine it, means that they are dependent on external actors. This reasoning accounts for why the Middle East has relatively low levels of intra-regional trade at 19.3 per cent in 2007.[89]

Disruptive external intervention

External intervention has had a largely fragmenting effect on the Middle East, primarily through dividing it into artificial nation states. Foreign governments' divisive role was entrenched through a number of post-World War I treaties which partitioned the defeated Ottoman empire amongst the French, British, Arab allies, and eventually the Jews. These zones of foreign control were further divided into “nation-states” which entrenched political barriers to the development of an overarching common identity.

The current centrifugal effect of foreign intervention is maintained by outside powers' support for corrupt leaders and their actively promoting conflict between member-states, a phenomenon best exemplified by Soviet and American support for the opposing sides during the Iran-Iraq War in the 1980s. In addition, external powers have a particularly powerful influence on regime stability, in the oil-rich Gulf States. Prioritizing stability over human rights and democracy, external actors have selectively supported “pro-Western” elites and turned a blind eye to the wishes of the Middle Eastern public. The most flagrant examples include the joint US-UK intervention in Iran in 1953, leading to the removal of the democratically-elected leader and reinstitution of the Shah. These interventions have worked to forestall the emergence of stable and democratic states in the region.

This record of intervention has had a number of consequences. Since external actors serve the interests of certain ruling elites, their interventionary actions are supported by some Middle-East regimes. For example, the US invasion of Iraq in 2003 was supported by Saudi Arabia and the other Gulf states despite Iraq’s sovereignty having been infringed. Currently, Israel views overseas support for promoting democracy around the region as contrary to its security interests. However, aggressive external intervention has also served to unify parts of the region in the past. Foreign intervention has created very negative attitudes towards the West in many Middle-East states. Given its history of domineering behavior, the West is now represented in much of the region's popular literature as the source of all evil. Continued foreign intervention in the Middle East's affairs could lead to the construction of a common enemy in the region's collective identity and become a very powerful force for cohesion, if not for cooperative governance.

The result of the largely Arab-Islamic region's artificial division was a number of very weak states which lacked a base of nationhood and had imperfectly developed state institutions. As is characteristic of many resource-rich states, “rentier” regimes can maintain stability through patronage networks and popular subsidies, so do not experience the need to develop strong state institutions. At the time that the Middle East was divided into states, the international system was prioritizing state sovereignty, a

[89] Gulf News 2009.

value that protected weak states. Of course some Middle Eastern states are surprisingly strong: recent events have shown the unexpected stability of many ruling regimes. But others are too weak to risk engaging in the intimate forms of cooperation with neighbouring states that transnational governance institutions requires.

Weak states tend to generate weaker cooperative relationships, because cooperation requires trust that partners will keep their commitments, is premised on expectations of reliability and predictability, and requires an acceptance of the rule of law. Weak states which are prone to political uncertainty and patrimonial regimes characterized by governmental corruption and inefficiency increase the risks of cooperation among partners. It can be argued that the weakness of individual states may encourage cooperation based on the expectation that this will increase their bargaining strength at the international level. However, empirical evidence points to a correlation between stronger states having more effective regional institutions. ASEAN and the EU are groupings of states whose frontiers' legitimacy and regimes' independence are not widely called into question.

Domestic conditions of conflict and intercontinental dynamics of perpetual intervention combine to explain why regionalism has failed in the Middle East. As a result of conflict, poorly integrated economies, and weak states, regionalism is not only difficult to achieve but is not considered beneficial to the interests of many of the region's states. If regionalism does not support a state's interests, it will disengage from efforts at collaboration and not pursue further cooperation, particularly if it fears it may lose its sovereignty.

With the advent of international trade there are many issues in the Middle East that can more easily be solved through cooperation. Benefits include facilitating communication, information gathering, transparency, and reducing mutual threat perceptions.[90] However, both endogenous and exogenous circumstances in the Middle East do not make it in most states' national interest to develop region-wide institutions of transnational governance.

Two other regions which have failed to generate significant transnational governance are dominated by states so powerful relative to their periphery that they are unwilling to concede to their neighbours any collective governance prerogatives that might infringe on their sovereignty.

III Giant States with Hub-and-Spoke Bilateralism

Every global region displays power discrepancies between its strongest and weakest members, but some asymmetries present greater resistance to transnational governance than others. In our third grouping of world regions, the disparity is so large that we call the dominant player a "giant state" by which we mean that it is so powerful in relationship to its immediate neighbours that it can successfully refuse to let its autonomy be compromised by accepting their participation in a regional governance system.

[90] Fawcett 2009, 192.

1. South Asia as a Giant-State Region

South Asia covers nearly 4.8 million square kilometres, spreading north from Sri Lanka to Afghanistan and east from Pakistan to Bhutan, Nepal, and Bangladesh. This large area is highly diverse region in terms of cultural identity, security problems, and economic qualities, but it is differentiated our first two categories of world regions by a further characteristic – the sovereign dominance of its demographically, militarily, and economically central state, India.

Potential social cohesion and actual political dissension

A first measure of the continent's asymmetry and the one on which its giant's status is based is that, of its total population of 1.6 billion persons, three quarters live in India.

South Asia’s cultural heterogeneity is not in itself the root cause of its post-colonial turmoil. Although very diverse, the region's many cultures have a longer history of living together harmoniously and trading with one another productively – most recently under the British Raj – than they do of fearing and vilifying each other. The proclivity for mutual distrust and the refusal to engage in constructive negotiation is the more recent product of fundamentalist elements who spread hatreds that are justified and fuelled by random acts of terrorism.

Mistrust at the negotiating table is politically rewarded: the population on either side would not re-elect a politician who gave concessions to the other. This self-destructive dynamic characterizes India's relations with all its neighbours but is most pronounced between it and Pakistan, the region’s two biggest players, whose relationship is the most contentious and also the most heavily militarized.

The continent's vicious circles of insecurity

As in the Middle East, domestic conflicts within South Asian countries, which are perpetuated by extra-regional intervention, poison their transborder relations and impede intra-regional economic cooperation. Many conflicts, which are domestically rooted and involve non-state extremists launching terrorist attacks on civilian targets, reciprocally perpetuate hostile relations with its territorial neighbours. Tamil separatism exacerbated relations with Sri Lanka and Sri Lanka's civil war stimulated Tamil separatism. The November 2008 attacks by Pakistani Lascar-e-Taiba in Mumbai provoked violence against Indian Muslims, which further deepened the two nuclear-armed countries' mutual distrust.

Enhancing intra-regional security could foster productive cooperation between neighbouring states. The transnational and cross-border qualities of the region’s myriad security issues speak to the value but increase the difficulty of co-ordinating regional security. India has a strong interest in stabilizing the region's inter-state relations, but it regularly accuses its neighbours of tolerating and even indirectly supporting cross-border terrorism and fails to follow through on attempts to co-ordinate regional security efforts following such crises as the Taliban's bombing the Indian embassy in Kabul.

Inevitably, transborder conflicts increase the friction frustrating any kind of regional cooperation. Although the solutions to their insecurity require the interstate co-ordination of such functions as intelligence sharing to counter terrorist groups, few politicians are willing to gamble on a cooperative outcome.

The ineffectiveness of regional governance

The prime internal factor militating against the evolution of transborder governance on the continent is India's resistance to cooperation with its geographical neighbours. Regional cooperation in post-colonial South Asia has never meaningfully coalesced, either formally or effectively. In spite of ceaselessly upbeat rhetoric about the South Asian Association for Regional Cooperation (SAARC), heated intraregional political tensions and less conflictual extraregional relations render the ideal of effective neighbourly cooperation between India and its continental neighbours nearly impossible.

Despite SAARC’s stated commitment to develop closer ties among its members, it has made no significant progress since it held the first of fourteen regional summits in [date]. Although SAARC meetings refrain from engaging in contentious political debates, cooperation cannot develop without a minimal level of mutual trust. During the 12^{th} and 13^{th} SAARC summits there was strong emphasis on cooperative efforts to fight regional terrorism, but the member states’ security agencies ultimately found it impossible to work together.

China has sought membership in SAARC and received privileges as an observer at the 2005 Dhaka summit. Nepal, Pakistan, and Bangladesh supported its candidacy, but India would not approve its full membership which would have offset its dominance in the association.

Regional economic characteristics

South Asian' total domestic product is $4.4 trillion. A measure of the continent's economic asymmetry is that India’s thriving economy accounts for 80 per cent of continental GDP with the remaining 20 per cent divided unevenly among its seven neighbours.

Regional cooperation cannot develop without the pro-active support of the region’s giant player, but India currently spends its diplomatic energy building economic relations with partners outside its immediate region rather than engage collectively with its neighbours with whom it maintains separate bilateral relations using a classic giant-state's hub-and-spoke approach.

Intraregional trade makes up a very small portion of the region’s total trade, with some 5 per cent of South Asia’s exports going to other South-Asian economies. The member-states' high protectionism based on an import substitution industrialization (ISI) theory of economic development taxed imports heavily to protect domestic industries from outside competition, effectively doing a disservice to smaller neighbours who were shut out of larger markets, principally India's. Apart from India whose economy is large and diversified enough to enjoy high levels of self-sufficiency the smaller South Asian economies are export-oriented and focus on trade with extra-regional markets.

The South Asian economies' diversity generates many potential complementarities, but the collective failure to coordinate policies or to cooperate meaningfully to achieve collective objectives means that a large portion of the region’s potential wealth is lost. The smaller players are left at the bottom of the value chain, while the larger ones compete internationally for industrial inputs on global markets rather than exploiting regionally-available natural resources.

Although there are opportunities for economic synergies in South Asia now that its biggest market is lowering its protectionist trade barriers, neighbours, which had to sign sub-optimal trading agreements with larger extra-regional partners, are unable to negotiate productively with one another and so the project of regional cooperation in South Asia remains unrealized.

Even the relatively apolitical South Asian Free Trade Agreement (SAFTA) has failed to enact the much-needed reduction of intraregional trade barriers that it had committed to. Despite its ambitious commitments to achieving zero per cent tariffs on regional trade by 2012 and to substitute the existing ‘white list’ of approved tradable goods with a ‘negative’ system which allows any trade not explicitly protected to pass freely, the South Asian Free Trade Agreement (SAFTA) has not met its intermediate goals (reducing tariffs to 20 per cent by 2009).

Extra-regional international economic relations

No region exists in a global vacuum. Since gaining their independence, South Asian states have developed ties with many extra-regional partners. Following its start in the early 1990s to begin dismantling its highly protectionist system, India preferred to negotiate economic agreements with overseas partners rather than to embrace its neighbours. It was large enough to choose with whom and in which industries it wanted to trade and preferred to negotiate treaties on a case-by-case basis rather than commit itself to a tariff-controlled regime or an economic union with its neighbours.

Given the nature of trade negotiations in which the parties typically negotiate market-access concessions which are of roughly equal value, India's large economy and its many remaining barriers to foreign investment enable it to negotiate from a position of strength. Indeed, its Department of Commerce has been busy negotiating new bilateral trade deals with such major international markets as ASEAN (2003), China (2010), Malaysia (2011), and Japan (2011).

It is also in the process of negotiating new trade and investment rules with the United States, the European Union, and Canada. Because New Delhi is aggressively establishing new ties with overseas players who can match its scale, it has less incentive to invest political capital in negotiating deals with its contentious neighbours that are likely to yield low returns on its political investment. As a result, India’s network of foreign economic relations is the most extensive on the continent.

Intervention of external powers in the region
While India's giant-state behaviour has prevented the region from developing centripetal momentum, South Asia also experiences considerable centrifugal pressures owing to the intervention of foreign powers in its smaller states. Beijing has found opportunities thanks to India's behaviour and is showering smaller states with generous gifts in the form of technical assistance, infrastructure projects, and much-needed development credits. Because South Asia's giant has long been China's greatest cause for concern as the closest thing it has to a peer on it western flank,[91] China is buying political capital among India's neighbours, using the currency of armaments and military technology as its business strategy.

It has its fingers in every single conflict in South Asia, often supplying the arms and munitions that tear apart neighbourly ties. China has an interest in aggravating destabilizing relations among India's smaller neighbours with whom it can win influence and so foster its pan-Asian primacy via its 'String of Pearls' strategy for geopolitical dominance. The island of Sri Lanka is the most strategically important naval/marine asset, and China inserted itself there after supplying ordinance for Colombo's ultimately successful war against its Tamil minority. Sri Lanka subsequently received a new seaport along with its post-Tsunami reconstruction bundle.[92]

China has already built a deep-water port at Gwadar, Baluchistan, in Pakistan to which Beijing offers generous military support for Islamabad's armed forces in Kashmir (now the most heavily militarized zone in the world). It supports the revolutionary and vocally anti-Indian Maoist regime in Nepal and engages with other South Asian states with the apparent purpose of destabilizing the region at India's expense. Chinese influence plays a significant role in undermining intra-regional cooperation, diplomacy, and security (some more covertly than others).

For its part, the United States hedges its bets by supporting Pakistan militarily to get access to Afghanistan while, on the world stage at the UN and the G20, it has offered substantial support to India in an effort to check China's growing regional presence. While supplying arms, technology, and funding to both sides does nothing to reduce tensions, American foreign policy is not systematically aggravating conflicts between the giant and its neighbours throughout the continent.

For the moment we can conclude that regional cooperation in post-colonial South Asia has never meaningfully coalesced, whether formally or effectively. Its heated intraregional political tensions render the South Asian Association for Regional Cooperation's ideal of effective neighbourly cooperation nearly impossible to realize on the sub-continent. Regional cooperation is meaningless without the pro-active involvement of the region's biggest player. But India's economy is blossoming with bilateral trading opportunities overseas and, with its focus pointed outwards, it prefers to neglect the politically expensive chore of dealing with its neighbours, made all the more

[91] Chang, Gordon. The Coming Collapse of China. New York: Random House, 2001.
[92] Lamont, James; Kazmin, Amy. "Fear of influence." *London Financial Times,* 12 July 2009, http://www.ft.com/cms/s/84a13062-6f0c-11de-9109-00144feabdc0,dwp_uuid=03d100e8-2fff-11da-ba9f-00000e2511c8,print=yes.html .

unattractive by its chronic reluctan T to engage with productive modes of engagement with them either individually or collectively . India's response to China's assertion of its pan-Asian primacy has been to shore up its military defences and to hedge its bets with bilateral trade deals rather than to embrace the neighbours whose subordination it has taken for granted and whom it has consistently bullied since independence to achieve its narrow, short-term goals while paying little heed to other stakeholders. Such shortsightedness has cost India in the longer run by feeding a dynamic of mistrust that aggravates already marginalized groups which in turn nourishes extremist movements which perpetrate such further disruptions of the continent's politics as the assassination of Prime Minister Rajiv Gandhi by Sikh extremists

India's autonomy-preserving entrenchment in a South Asian regime of mutual hostility is not irreversible. Already there is the potential for the centrifugal effect of China's outside intervention to cause the South Asian giant to rethink its strategy towards its continental periphery. The smaller South Asian nations' relationships with China are already pressing India into being less unilateral, coercive, and dismissive towards its neighbours. Indeed, a single generation of relatively pragmatic political leaders interested in an economic-growth and a peace-building agenda might be all that the region needs to develop a more cohesive regionness that would make South Asia more than just the sum of its parts.

2. East Asia

If a giant-state region is one in which the dominant player's power advantage insulates it from the need to concede to its neighbours any authority over its actions by institutionally or consensually developing common approaches to achieve regional objectives, China provides us with a more complex case than India's because it is not just a regional but a global power.

China is the third largest country in the world geographically, occupying most of the East Asian landmass, and withits rapidly growing economy and commiserate military power, it has become a global force.

Historically, China has seen itself as the 'Middle Kingdom,' in which tributaries have flown from the periphery states to the center.[93] This tribute system – characterized by patron-client ties, security protection for those closest to China and cultural assimilation into Confucian customs – constituted the regional system in Asia for centuries.

The Asian giant is bordered by fourteen states. Some of these abut its territory -- Mongolia, Russia, North Korea, Vietnam, Myanmar, India, Pakistan, Nepal, Bhutan, Laos, Afghanistan, Tajikistan, Kyrgyzstan, and Kazakhstan --while others are neighbours across the water: Japan, South Korea, and Taiwan. For our purposes, China's region of East Asia includes all of the above states with the exception of those to its north and west: India and Russia.

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[93] Susan Shirk, *China: Fragile Superpower* (New York: Oxford University Press, 2008), 12.

East Asia possesses not only a quarter of the world's population, but also a quarter of global exports and imports, a fifth of the world's foreign direct investment, and more than 60 per cent of international reserves.[94] One measure of China's dominance within the region is that its population of 1.3 billion people is 87 per cent of East Asia's more than 1.5 billion. China's GDP of $ 5.7 trillion represents 45 per cent of East Asia, a relatively low indicator of asymmetry since Japan's $5.4 trillion accounts makes up 42 per cent and South Korea's another 8 per cent.[95]

Cultural and social cohesion

China's cultural influence in East Asia is considerable. Throughout the region's history, Japan, Korea, Vietnam, among others have, to varying degrees, embraced Chinese customs and religion.[96] China has one of the world's oldest written languages from which many East Asian scripts and words have originated. Chinese cultural traditions, in particular Confucian moral and social ethics, have influenced the whole region to which some have attached the label of 'Sinosphere' in recognition of its cultural regionness.

Political cohesion

In terms of political integration, the region is far from Sinospheric. Japan's invasions, such atrocities as the Nanking Massacre in 1937, and its war crimes committed in the Second World War left deep rifts in the China-Japan power dynamic. On the other hand, China is North Korea's most important ally and largest trading partner. Since the launch of official diplomatic relations in 1992, China has become a strategic partner for South Korea.

Since the 1997 Asian crisis, China has developed a stable and cooperative relationship with Southeast Asian countries and has participated actively in regional initiatives. A form of political cohesion has developed through the notion of the 'ASEAN way.' In contrast to Western regionalism, this emphasizes a bottom-up, consensus-driven approach that opposes, the centralized, legalistic, binding, and therefore constraining institutions exemplified by the European Union. This flexible approach has turned China from being an object of passive suspicion to becoming an active participant in the region's organizations.

Economic cohesion

China's opening to foreign direct investment helped establish a large set of production networks that developed considerable regional investment and trade integration.[97] China imports large amounts of intermediate goods from its neighbours, assembles them, and sells the final goods to Europe and North America. Increasingly creating the demand for those final goods, China is becoming even more the central force behind intra-regional trade.

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[94] Ming Wan, *The Political Economy of East Asia: Striving for Wealth and Power* (Washington: CQ Press, 2008), 253.
[95] David Shambaugh, *Power Shift: China and Asia's New Dynamics* (London: University of California, 2005), 187.
[96] Jonathan Spence, *The Search for Modern China* (New York: W.W. Norton & Company, 1999), xix.
[97] Yunling Zhang, *China and Asian Regionalism* (Singapore: World Scientific, 2010), 39.

More than 50 per cent of China's trade is intra-regional, putting China at the centre of East Asia's economic division of labour.[98] To take one example, trade between China and the rest of Asia rose to $495 billion in 2003, marking a 37 percent increase from the previous year.[99] Trade growth was driven by a sharp, 42 percent rise in China's imports from the region to $270 billion. In 2004, exports to its thirteen neighbouring countries grew by 42 percent, while imports increased 66 percent. Chinese trade and investment fast became East Asia's engine of economic growth, helping to boost a number of the region's economies, to constitute the hub of a complex collection of production networks, and to provide the main trading partner for neighboring countries. However, it has not achieved complete dominance, locked as it is in economic competition with Japan and the United States.

With China originating liberalization initiatives and free trade agreements in the region, the East Asian economic system is becoming increasingly Sino-centric. Beijing has signed a significant China-ASEAN Free Trade Area agreement. Cooperation has also taken place in areas of public health, information technology, transportation, environment, and cultural exchanges. As a result of these transformations, China is the largest or near-largest trading partner with all its regional neighbors.

<u>Security in the region</u>

In recent years, China has increased its military spending at a rate of almost 18 per cent per annum.[100] It possesses Asia's sole set of fully operational strategic, regional, and tactical nuclear weapons, so that no other power can challenge its pre-eminence on the continent. China strives to assure the rest of East Asia there is nothing to be feared from its dramatic rise, insisting it requires a stable region to pursue its economic and political development. Its White Paper of 2002 maintained, "A developing China needs a peaceful international environment and a favourable climate on its periphery."[101]

<u>Regional cooperation</u>

Regionally speaking, China's 'New Security Concept' presented it as a 'good neighbor' who was a responsible member of East Asia's multilateral organizations. While China was not initially enthusiastic about Asian regionalism, it decided to engage actively with ASEAN, showing greater interest in interacting with the region's other members, and cooperating to achieve regional goals.

To this end, China has signed a significant number of diplomatic treaties over the past two decades and greatly improved its economic and strategic partnerships with South

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[98] Stephen Bosworth, "The Geopolitics of East Asia in Twenty-First Century," in Jane Little, *Global Imbalances* (Boston: Federal Reserve, 2008), 41.
[99] Hidetaka Yoshimatsu, *The Political Economy of Regionalism in East Asia* (New York: Palgrave Macmillan, 2008), 94.
[100] G. John Ikenberry, "The Rise of China and the Future of the West Can the Liberal System Survive?" *Foreign Affairs* (2008): 26.
[101] *China's National Defense 2002 (Beijing: The Information Office of the State Council, December 9, 2002), in FBIS-China, December 9, 2002, p.1*

Korea, Vietnam, North Korea, and even Japan. It has peacefully resolved almost all its land border disputes (except with India), settling over 20,000 kilometers of boundaries.

It has also made notable compromises to advance greater engagement in multilateral frameworks. In 2003, China became the first non-ASEAN state to sign the Treaty of Amity and Cooperation, binding it to key components of the ASEAN charter and committing it to principles of non-aggression and resolving disputes by peaceful means. Along with other regional initiatives, it has played a leading role in groupings such as the ASEAN Plus Three and East Asian Summits.[102]

In this process, China has traded some sovereign interests to achieve certain regional and global objectives – stability to nurture its economic development and restricting American influence, respectively. Although China has a number of unresolved maritime disputes in the region, its commitment to regionalism is impressive, considering that only two decades ago it did not enjoy full diplomatic relations with Indonesia, Singapore, or South Korea and its relations with Vietnam and India were hostile.[103]

Transborder governance

Seeing the rise of China to regional dominance as inevitable, countries and groupings such as ASEAN have tried to hedge against its overbearing actions by weaving it into as many regional forums as possible. While regionalization efforts in East Asia have not sought to constrain China, they have successfully embedded it into diplomatic and economic webs to encourage its peaceful behaviour.

With a significant interest of its own in a stable regional order for its own economic development, China has struck a low-key tone and maintains a friendly posture within dialogue processes with players in the region. To the extent that China accepted ASEAN's principles of non-interference and respect for sovereignty, it has not had to submit to governance rulings that constrain its sovereignty or bind it to commitments that are against its interests. It has sought to engage with other regional forums, such as becoming a founding member of ASEAN Plus Three (China, South Korea, Japan).

East and Southeast Asia's ‘open-regionalism’ is based on open consultation aimed at bringing together diverse political systems to promote such regional goals as prosperity.[104] East Asia operates within a cultural framework that favours states' network building rather than their participation in elaborate institutional structures. This kind of transnational politics is more informal and consensus-driven than formal and centralized, more incremental than bold, more consultative than legalistic and binding.[105] It does not attempt to achieve regional integration via formal political structures or supranational organizations. By the same token, it does not constrain governments, China first of all.

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[102] Richard Stubbs, “ASEAN Plus Three: Emerging Asian Regionalism?” *Asian Survey* (2002), 441.
[103] David Shambaugh, “China Engages Asia: Reshaping Regional Order,” *International Security* (2004), 66.
[104] Jessie Poon, “Regionalism in the Asia Pacific: Is Geography Destiny?” *Royal Geographic Society* (2001), 254.
[105] Ellen Frost, *Asia's New Regionalism* (Boulder: Lynne Rienner, 2008), 63.

For these reasons, China's huge power advantage and its significant soft-power influence throughout East Asia qualify it to be understood regionally as a giant state in the same way – mutatis mutandis – that India is in South Asia and that the United States is North America's giant state.

<u>When giant states interact</u>

How two giant states interact outside their region and inside each other's region is another matter. In North America, China is not just a powerful factor in the United States' own economy but is beginning to penetrate the US periphery with its investments in Canadian resource extraction and its growing presence in such Mexican industries as textiles.

While China is clearly the undisputed land power in continental Asia, its maritime presence is challenged by both Japan's air and naval power and by the United States.[106] In maritime Asia, the United States acts as a countervailing power to China with its own regional security architecture. Its extensive regional alliance system with South Korea, Japan, Australia, the Philippines, and Thailand provides strong partnerships and secure access to naval and air facilities. Despite its waning influence, the United States still maintains strong diplomatic and economic ties, leaving it to balance its military power with China's.

In East and Southeast Asia, many states want to offset the unspoken threat of Chinese intervention by leaning on the American security guarantee, while they continue trading with China.[107] A collapse of the North Korean regime is a flashpoint that would seriously test China's and the United States' capacity to cooperate. Taiwan's desire for independence could lead to a clash between China's insistence on reunification and the US commitment to its long-term ally. While South Korea is realigning to accommodate Beijing, Japan is seeking closer relations with Washington.

Central Asia's Shanghai Cooperation Organization is a rare case in which China has not only engaged in a non-economic intra-regional enterprise but also launched its own unique regional organization with Russia and the Central Asian states. This permanent body can be viewed as China’s attempt to block the United States’ and NATO's intrusion in what it sees as its regional sphere of influence in addition to dealing with trans-border issues of separatism and regional fundamentalism.[108]

In sum, as a giant state in its region, China in East Asia has not significantly compromised its sovereignty due the fact that regional processes are informal rather than formal. There are no regional rulings or imposed structures that China must follow. As

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[106] Robert Ross, "The Geography of the Peace: East Asia in the Twenty-first Century,” *International Security* (1999): 116.
[107] Jusuf Wanandi, "China and Asia Pacific Regionalism," *Rise of China and a Changing East Asian Order* (Tokyo: Japan Center for International Exchange, 2004), 38.
[108] Chien-peng Chung, “The Shanghai Co-operation Organization: China's Changing Influence in Central Asia,” *The China Quarterly* (December, 2004), 990.

the region develops, its giant can profit from these new-age tributaries and increase its own prosperity and security without limiting its own freedom of action.

Conclusions

Our review of regionalism outside Europe and North America suggests that one set of endogenous and one set of exogenous factors are significantly constraining the consolidation of transnational governance in world regions. On the one hand, high levels of conflict among states (and in some cases within states), including the problems provoked by the power asymmetries that divide them, are impeding their potential for cooperation. On the other hand, the centrifugal forces of trade bilateralism are pulling neighbouring countries further apart as they compete to get access to markets abroad and to attract foreign investment to their economies. The consensual practices within Southeast Asia and Latin America have generated only moderate levels of intra-regional economic integration. Conflictual behaviour rather than consensus building characterizes the African and Middle-East continents. The giantism of India and China also condemns regional governance to insignificance in the regions where these two powers power over their geographical fellows.

Regional institutions that were built on Keynesian foundations have not lived up to their post-war expectations as harbingers of consistent growth and economic development for their members. Following the displacement of Keynesianism by neo-conservatism, transnational economic ties negotiated between non-contiguous states have permitted these actors to achieve the politico-economic benefits previously associated with regional cooperation. The development of strong relationships between regional members and extra-regional actors presents a challenge to regionalism outside Europe and suggests that, as individual countries continue to promote bilateral connections with overseas partners intra-regional disparities will increase so that the regions' membership will not experience the better-distributed benefits of shared development. If this worldwide trend towards bilateralism continues to prevail over intra-regional cooperation and consolidation, regionalism will lose its expected role as the midwife of globalization.