Under which conditions will institutionalized regional cooperation between states start and further develop? Which role do other regional organizations play? Despite the fact that regional integration is ‘booming business’ and regional integration organizations (RIOs) proliferate,¹ and in spite of a wealth of research starting from E.B. Haas and the European experience in the 1950s, we still lack a coherent theoretical approach enabling us to answer the question mentioned before. My paper aims to contribute to the development of such an approach, offering a better understanding of conditions for success and failure of regional integration. I will formulate some ‘hypotheses’ derived from different IR theories, and explore their validity applied to the integration processes in Latin America (LAFTA, Mercosur), Southern Africa (SADC) and Southeast Asia (ASEAN).

In this paper I argue that we cannot adequately understand regional integration processes if we focus solely on the regional level. We have to combine insights from intra- and inter-regional approaches. This might give us an idea as to whether inter-regionalism contributes to a liberal, pluralistic, inter-connected world system or results in a multipolar world of competing regional trade blocs and security structures.

¹ Bob Reinalda counts no less than 191 regional organizations of different kinds established between 1945 and 2000, and 54 for the 1990s only (Reinalda forthcoming).
1. Situating the region

This paper focuses on regional integration organizations (RIOs). They may be distinguished from other forms of cooperation according to three aspects. In the first place, they are formally established organizations composed of states. This distinguishes them from regimes, which lack a single institutionalized core, such as the non-proliferation regime or the climate change regime. It also sets them apart from transnational organizations composed of non-state actors.

Secondly, there is the aspect of territoriality. RIOs are composed of states sharing borders and belonging to a geographically delimited region. They have a restricted membership. Geographical proximity is a necessary but not sufficient condition to be considered part of a region. To be member of a region, a state has to share some combination of cultural, economic, linguistic, or political ties (Mansfield and Milner 1999, 591). RIOs often refer to a common identity based on the shared history of this territorial entity, even though regional borders are not given or natural, but constructed and geopolitical. We also see ‘nested regions’ and ‘nested RIOs’, such as Southern Africa (SADC) which is nested in sub-Saharan Africa (COMESA) which is nested in Africa (AU). The ‘constructed’ territorial and identity aspects make RIOs a specific kind of international organization, distinguishing it from organizations with potentially global membership such as the UN.

Thirdly, RIOs have a potentially broad mission which evolves from a limited set of tasks to a more encompassing role, as opposed to functional international organizations which focus on a specific policy area, such as health (WHO), food (FAO), security (NATO) or labour relations (ILO). This also sets them apart from bilateral preferential trading arrangements and free trade areas which eliminate internal trade barriers (negative integration) but do not aim at any further steps implying positive integration.

These three aspects do not suggest that I conceive of RIOs as state-like actors. A RIO is an inter-state unit. It derives its power and weakness from precisely this status, being as strong as its constituent parts accept it to be. Even the European Union, number one of all RIOs if one measures institutional strength, clearly is not a state since it ‘does not claim a sovereign status and is not recognized as sovereign state by the other members of international society’ (Werner and De Wilde 2001, 303) – nor by its citizens. Member states ‘have handed over powers to a degree unprecedented in the history of international organizations’ (Werner and De Wilde 2001, 302), but they
continue to claim their sovereignty before domestic and international audiences and those claims continue to be recognized.

In the literature usually two waves of ‘regionalism’, defined here as the creation and development of RIOs, are identified (Mansfield and Milner 1999, 600). A first wave started in the late 1950s, a second wave after the end of the Cold War. How can we explain this alternation of progress and stagnation? And: what role does inter-regionalism play in the creation and stagnation, respectively, of RIOs? These are the two questions further investigated in this paper.

2. Explaining progress and stagnation of regionalism

Neo-functionalist approaches expected regional cooperation, once started, to ‘spill over’ into other policy areas and further develop successfully due to pressure of non-state actors and the increased costs of non-integration (functional spill-over), unintended consequences of institutional locking-in and shifts of loyalty by political elites from the national to the supranational level (political spillover) (Haas 1958; Schmitter 2004). The stop-and-go character of regional cooperation belied these expectations: once established, RIOs developed less according to a functional logic and more according to the rhythm of (geo-)political considerations. Therefore I opt for a more state-centred approach able to conceptualize power and shifts in power distribution which might offer a key to understanding both progress and stagnation.

Following neo-realist and neo-institutionalist approaches of IR (Waltz 1979; Keohane 1984), I assume that states have an interest in survival and therefore, at a minimum, want to preserve their relative power position. I distinguish between the external structure (the structure of the international system), the external environment and the internal structure of states. Between these three levels complex interactions are at play. The first level is the external structure which ‘constrains and enables behaviour’ because states have to take it into account if they want to preserve their power position. The external structure of the international system is characterized by an anarchical ordering; implying the absence of a higher authority entitled to protect the interest of minor powers or to enforce compliance with mutual agreements. For that reason, states will be concerned about the distribution of power between the major powers in the international system and shifts in the distribution of power (stability or instability). To what extent and in what way they react to shifts or instability in the external structure depends on their capabilities and their internal structure (Van der Vleuten 2001).
addition, the extent to which structural characteristics affect state behaviour is not constant. As shown in Figure 1, the effects of the external structure are ‘filtered’ by the external environment, the level of interaction processes.

Figure 1. The international system, seen from a state – structural model

The external environment is the second level. It has a certain interaction capacity (the quantity, speed and diversity of transactions) influenced by technological developments such as ICT, transport, and weapon technology, and it has a certain institutional density (or dynamic density, see Ruggie 1998), composed of shared norms and practices (informal institutional density) and of formal institutions such as bilateral and multilateral agreements, international (global or regional) organizations and transnational networks (Buzan et al. 1993). In the 1980s, the external environment changed as economic and political liberalism, structural adjustment and economic globalization ‘filled’ the informal institutional density. These changes influenced the preferences of states and their interactions with state and non-state actors.

The formal institutional density of a region may be established according to three dimensions: 1. The ‘locus of institutionalization’: loose bilateral treaties, a multitude of overlapping organizations or a clearly dominant organization; 2. the ‘scope of activity’: the subjects and policy domains which are regionalized; 3. the ‘level of
institutional authority’: how many competences have been delegated by the governments, to what extent is there an intergovernmental or a supranational organization (Grieco 1997, 165–7). After the end of the Cold War, the formal institutional density strongly increased as no less than 54 RIOs were established during the 1990s, while between 1950 and 1990 on average 30 RIOs per decade were created.

The interaction capacity and the institutional density affect the effects of structural system characteristics on the interaction processes between states. Interaction processes show certain patterns: competition, socialization and specialization. In an external environment with a low interaction capacity, interaction processes will be more characterized by competition. If the interaction capacity increases, socialization plays a more important role and the informal institutional density increases as well. Subsequently, formal institutional density may increase as well, enabling states to opt for specialization. In this way, changes in the interaction capacity of the external environment lead to changes in interaction patterns and state behaviour. Once formal institutions exist, they in turn increase the interaction capacity of the external environment. This implies that the filter becomes more and more close-knit. We see this filter effect for instance in the behaviour of states which are member of an RIO in an environment with a high informal and formal institutional density. In case of an instable external structure due to shifts in power distribution, undermining the relative power position of the RIO and its member states vis-à-vis other states, the major member states will not resort to unilateral strategies and classical balancing patterns, as John Mearsheimer would expect them to do in an anarchical system (Mearsheimer 1990). They will rather intensify regional cooperation in order to strengthen the relative power position of the RIO and thus their own position. This is what happened in Western Europe after the end of the bipolar world, when instability did not lead to stagnation and disintegration but to an acceleration of integration.

In Figure 1 no arrow links the external environment to the external structure, as changes in the process level do not change the ordering of the system or the distribution of capabilities directly. An increase in institutional density does not lead to a hierarchical ordering as long as states remain sovereign units and decide whether to pool sovereignty partially – and whether to revoke this decision. This implies that state interests do not change fundamentally due to RIO membership; in an environment with a high interaction capacity it will continue to give priority to its interests in terms of security. The change enabled by the filter is that a state will value the maintenance of
the relative power position of the RIO higher than its individual relative power position at short term, but not that other interests will prevail over security.

At the regional level, in order to explain regional integration we have to take into account the distribution of material capabilities as well as the internal structure of the major power(s) concerned. Depending on the power distribution, there will be a regional unipolar structure with a regional hegemon (US in NAFTA, Nigeria in ECOWAS, Zimbabwe in SADCC, South Africa in SADC), a bipolar structure where two major powers constitute the central axis (France and Germany in the EC) or a multipolar structure. The interest of the major power(s) has a geopolitical dimension aimed (at the minimum) at preserving its/their relative power position, a material dimension aimed at controlling wealth and resources, and an immaterial dimension aimed at safeguarding its/their prestige (Van der Vleuten 2001). The interest of the regional hegemon or the regional major powers in promoting regional integration is a necessary condition for the establishment of a RIO as states are able to tackle collective action problems and institutionalize cooperation only if the major powers bear the costs by providing the politico-military and diplomatic means which are necessary to create formal institutions (Keohane 1984). The major power(s) also play a key role in maintaining cooperation as they function as a large market; act as ‘paymaster’ and as ‘gatekeeper’ (Grieco 1997, 173; Mattli 1999, 14). We expect regionalization to develop only in regions which have a hegemon or a two-headed leadership capable of creating regional institutions and guarantee their functioning, and willing to do so. Whether this is the case also depends on its internal structure.

The internal structure of a state is characterized by a certain distribution of power and ideas between state, market and society. We may distinguish three ideal-types (cf. Katzenstein 1978), according to whether power is located primarily in the state, in the market or in society. The internal structure may have a statist character, where state authority is strongly centralized, the interest group system is pluralist and lacks formal access to the central authority, and the state strongly intervenes in the market (France). The second type is liberal, where the extent of state intervention in the market is limited, there is a pluralist interest group system and the market dominates (UK). The third type of power distribution is corporatist, where state intervenes in the market but less than in a statist internal structure, and organized societal actors have formal access to the state which has to negotiate policy change (Germany). Depending on the norms dominating the external environment (informal institutional density) and
the type of internal structure of the hegemon/major powers, regionalization will be a more or less attractive option.

3. Regionalism and inter-regionalism

Regional integration does not take place in a vacuum. Inter-regional shifts in power and inter-regional policies influence the prospects of regional integration. If the power relations in the external structure are perceived to change to the disadvantage of the states in a region, the probability that the states in this region opt for regional integration increases. If regional integration develops between states resulting in a regional bloc while these states had intensive contacts with other states, it is to be expected that these non-member states will be negatively affected by regional integration. They will try to merge with the group which causes external effects (bandwagon; geographical spill-over), or create their own group if they are not accepted (balance). We expect to find an almost simultaneous development of regional blocs in regions with a high inter-regional interaction density.

An ‘external’ major power or another RIO may intervene in the affairs of a region, supporting regionalization or favouring divide-and-rule policies, depending on the power distribution and on the match between the identity of the RIO ‘in the dock’ and the identity of the ‘external actor’. Several patterns may be identified. First of all, there is the pattern of ‘positive inter-regionalism’: a RIO plays a hegemonic role as paymaster (donor) and ‘teacher’ vis-à-vis another, weaker region. I do not assume that this ‘benign hegemon’ acts out of altruism, but rather that it will anticipate bandwagon behaviour by its ‘pupil’, which in turn will strengthen its own position at the global level and help it to balance a third region or RIO – or superpower. For instance, US supported the creation of the ECSC in Western Europe offering financial support and security guarantees in order to assure itself of Western European support and balance Soviet influence in the region. As a reaction, the SU supported the creation of COMECON.

A second pattern is that of ‘negative inter-regionalism’, one regional bloc attempting to curb the regional cooperation process in another region by bilateral divide-and-rule policies. The ‘malign hegemon’ thus aims at preventing the rise of a competitor able to balance its power. For instance, US interventions in Latin-America aim at binding allies through bilateral accords and a multilateral project including US, seducing them away from joining a regional integration scheme without US.
Which pattern prevails, depends on ideational factors: whether the identities of the ‘hegemon’ and the weaker player are perceived as similar or different. As argued in the first section, the claim to a regional identity is precisely one of the aspects which distinguish RIOs from functional and global organizations. This ideational factor will influence interaction processes between RIOs. Here we come back to socialization and competition processes – we expect RIOs to socialize and bandwagon with the ‘familiar Other’ or compete and balance with the ‘alien Other’. Of course this expectation raises the question of how to assess identity and the ‘compatibility of identities’. [to be elaborated].

4. Regionalism in Southern Africa, Southeast Asia and Latin-America

*Southern Africa – apartheid contra black rule*

In 1979, the black-ruled frontline states created the Southern African Development Coordination Conference (SADCC) to mobilize development assistance to the region and reduce their dependence on white-ruled South Africa and the world at large by forging closer ties among themselves. They opted for collective self-reliance and tried to avoid trade and market integration (Söderbaum 2004). SADCC received financial support from US and EC/EU, compensating the fact that they maintained economic relations with South Africa, as they considered the apartheid regime as a bastion against communism. Until 1992, Zimbabwe was the uncontested leader of the Frontline States and of SADCC. In 1992, SADCC was reorganized and became SADC, oriented towards market liberalization and structural adjustment.

When post-apartheid South Africa joined the SADC, Zimbabwe had to accept a secondary position. Judged by its economic capacities, South Africa clearly is the regional hegemon. Its GDP is four times that of the other 13 SADC countries combined (Bauer and Taylor 2005, 334). However, the hegemon is a Gulliver. South Africa is reluctant to assume its role of hegemon because ‘given the history of apartheid destabilization, South Africa is acutely sensitive to being perceived by other African countries as a bully’ (Nathan 2005, 365). For that reason, to be embedded in regional cooperation is crucial for South Africa. The parallel with Germany is striking here; the way in which the newly constituted *Bundesrepublik* (FRG) was embedded in the European Coal and Steel Community in 1951 (*Westbindung*, as Adenauer’s motto called it) and a reunified Germany was embedded in the EMU in 1991.
**Latin America**

The first wave of regionalization in Latin America, in the 1950s, took place as a reaction to the creation of the EC, notably the confrontation with the common external tariff of the EC, the preferential tariffs for the (ex)colonies of EC member states (ACP countries) and the protectionist common agricultural policy (CAP) (Mattli 1999). Latin-America strongly depended on free access to the markets of the industrialized countries for the export of primary goods and it feared to be heavily hit by the potential shifts in trade, even more so because at that moment economic growth experienced a decline and Latin-American terms of trade had deteriorated due to declining coffee prices (Mattli 1999, 140). Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay created in 1960 the Latin American Free Trade Association (LAFTA), in 1961 extended with Ecuador and Colombia, in 1966 with Venezuela and Bolivia. They opted for a combination of regionalization and protectionism. They hoped that regionalization would strengthen their trade position on the world market and would increase their export prices. In addition, they hoped that the creation of a regional bloc would enable import substitution at regional scale and would enable regional economies to specialize within the framework of a protected regional market (Mattli 1999, 141). Brazil, Argentina and Mexico were according to their economic capabilities the potential leaders of LAFTA. Yet, they were not prepared to assume the leadership role and redistribute the benefits of integration. Brazil was statist: it had a large, closed economy, import-substitution oriented. Interaction capacity in the region was low and remained low, providing no incentive to strengthen regional cooperation. The treaty articles were not implemented and intraregional trade did not increase but decreased (from 8,7% of total trade between 1952 and 1960 to 7,9% between 1961 and 1964). In 1969 the member states acknowledged that LAFTA was a failure. The fear for European unification had turned out to be unfounded: damage to the Latin-American economy due to European protectionism turned out to remain limited due to the reductions in the EC external tariff in the subsequent GATT rounds (Dillon, Kennedy and Tokio) and the fact that the EC concluded preferential agreements with several LAFTA members. Latin-American exports to the EC increased between 1958 and 1964 with no less than 97% (Mattli 1999, 146).

Latin America made a new start in 1986, when Argentina and Brazil signed an agreement for mutual integration using the sector approach. Due to failure of economic policies and political instability, a more general approach was chosen in 1991, when
Brazil, Argentina, Uruguay and Paraguay created Mercosur. In 1995 they established a customs union. As regards the locus of institutionalization, since the mid-1990s Mercosur is the dominant organization and is now the fourth economic bloc of the world.\(^2\) As regards the second dimension, Mercosur is predominately economic, but it also has a political dimension as results from the Ushuaia protocols on the safeguarding of democracy. Concerning the third dimension Mercosur institutions are intergovernmental, but a tribunal has been created and the parliamentary structure is evolving from purely intra-parliamentary one (Joint Parliamentary Committee) to an elected one (Parlasur) (Bajo 2005).

This second wave of regionalization was like the first one a reaction to external developments which were threatening the region’s position. First of all, due to German unification and developments in Central and Eastern Europe, Latin America feared losses due to trade diversion (20% of its exports go to the EU), loss of investments (in 1989 48–49.6% of the Foreign Investment Stock in Brazil and Argentina came from EU) and aid (EU gave in 1990 $2.7 billion aid, twice as much as the US) (Mattli 1999, 152–3). Secondly, the decision of Mexico to accede to NAFTA came as a shock, weakening Latin American resistance against US hegemony and causing shifts in trade and investments. Thirdly, unilateral import substitution oriented trade policies had not been successful, as the share of Latin-America in the world market had declined from 12% in 1950 to 3.6% in 1992 (Mattli 1999, 154–55). Mercosur is more successful than its predecessors, as intraregional trade has strongly increased since 1995 and further liberalization has been agreed upon, although it is like the EC/EU no easy success story. In 1982, at its 25\(^{th}\) anniversary, the EC was diagnosed ‘moribund’ by the British weekly the Economist (Dinan 2004, 177). Mercosur suffered from paralysis and was weakened by several financial crisis (1995, Mexico; 1997, Asia and 1998, Brazil) and Argentina’s political and economic troubles in 2001. In 2003, change of presidency in Brazil and Argentina made way for new joint leadership and progress. As regards Brazilian hegemony, Brazil has taken a liberal turn under Fernando H. Cardoso, enabling its support for an integration project aimed at the constitution of a common market. Yet, Brazil plays an ambivalent role as it blocks institutional supranationalization, requested by the smaller Mercosur countries, and tends to pursue short-term national interests instead of functioning as ‘paymaster’. Further development of Mercosur depends on

\(^2\) [http://europa.eu.int/comm/world/lac/merc.htm](http://europa.eu.int/comm/world/lac/merc.htm)
whether Brazil will find that it is able to pursue hegemony only at the price of self-binding and institutionalization (Buzan and Waever 2003, 324), such as Germany has accepted to do.

_Southeast Asia_ [to be elaborated]

5. Inter-regionalism: EU and SADC, ASEAN and Mercosur

_EU-SADC_

The EU is the world’s largest donor in Africa and is the continent’s most important economic and trade partner (EU website). Agreements with Southern African states were covered by the agreements of the EU with ACP-countries, former European colonies in Africa, the Caribbean and the Pacific. A strategy aimed at strengthening regional cooperation was agreed by EU and SADC representatives in 2002. Yet, EU also plays divide-and-rule as it continues to privilege bilateral agreements with South Africa. How can we assess EU-SADC inter-regionalism in terms of shifts in power distribution and convergence of identities?

Global shifts in power distribution have not played a consequential role in EU behaviour vis-à-vis SADC due to the limited economic size of SADC in the world market. US interest in concluding preferential agreements with the region has remained limited to the Africa Growth and Opportunity Act (AGOA), signed by US President Bill Clinton in 2000 and extended to 2015 by the Bush administration. AGOA has had only a limited number of benefits for a limited number of countries, notably Lesotho, Mauritius and South Africa, but it remains a limited instrument (Bauer 2005, 343–5). The EU does not need to compete with US involvement in SADC nor does it need SADC to bandwagon in order to balance US at the global level.

As regards identities, EU acknowledges a ‘particular responsibility’ towards the African continent based on ‘common history, interlocking cultures and shared values’ (EU Commissioner Louis Michel, on EU website). This view, however, is not shared by Southern Africans which becomes clear in cases where opinions diverge. The issue of how to deal with the crisis in Zimbabwe, its economic collapse and the authoritarian regime of Robert Mugabe has pitted EU and SADC against each other. In spite of the

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destabilizing effects of the crisis and the economic damage to the region – huge losses of Southern African investments in the mining industry, telecom and energy; millions of refugees – SADC does not criticize openly Mugabe (Bauer and Taylor 2005, 349). It continues to favour ‘quiet diplomacy’ while the EU has imposed ‘smart sanctions’. South African president Thabo Mbeki has accused the EU of using Zimbabwe as a smokescreen in order not to have to face Africa’s real problems (Neethling 2004). Clearly Southern Africa perceives EU as the ‘alien Other’. All six founding member states of the EC/EU share a past as colonial powers with claims on territories in Africa. Until the late 1980s they have supported the South African apartheid regime.  

In contrast, the identity of SADC is rooted in the liberation struggles against colonialism and apartheid, linked to the concept of ‘African renaissance’ – *Ubuntu* in Zulu – which was launched by then South-African President Nelson Mandela in 1994. The vision of African renaissance refers to the ‘emergence of the continent from a long period of darkness and fear into one of light and a dream fulfilled’ in which ‘through our personal efforts we have redefined ourselves …’ (Mbeki, cited in Nathan 2005, 363). This Africanist, anti-colonial identity has a double-edged effect. On the one hand, it reduces SADC sensitivity to pressure by the EU and on the other hand, it enables Mugabe to accuse his Southern African critics of serving ‘colonial interests’. In spite of SADC interest in EU aid, SADC does not bandwagon but strongly protests EU involvement, insisting on its autonomy.

**EU–ASEAN**

In 2007, EU and ASEAN have taken steps to establish a new EU-ASEAN partnership after 30 years of collaboration, in order to enhance ‘mutual awareness and the EU’s profile in South East Asia’ (EU website). This awareness is lacking, as was revealed by an investigation of the European Commission in 2003. EU aims at playing the role of ‘teacher’, offering ASEAN support through technical assistance programs. It ‘regularly shares experience in regional integration on specific areas’ (EU website). Yet, the European Commission has recognized that it has to adapt more to the ASEAN way of doing business and slow down as EU initiatives ‘were not paced with ASEAN’s own agenda’ and ‘lacked sufficient ownership on behalf of ASEAN’ (RIP 2005, 4). The rise

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4 See Audie Klotz (1996) for an extensive account of the reluctance of Western European governments to impose sanctions against white minority government in South Africa.
of terrorism and the need to balance the rise of China have enhanced EU interest in the region. After US and Japan, EU is the third largest trading partner for ASEAN, but inter-regional relations were limited and difficult (Regional Indicative Programme 2005, 4). One of the obstacles is the situation in Myanmar, member of ASEAN since 1997, and the way how to deal with it. EU has made it clear that Myanmar cannot participate in EC-ASEAN cooperation actions as long as the situation in Myanmar as regards democracy and human rights does not improve significantly (EU website).

In its dealings with the EU, ASEAN accentuates its own, very different identity. The ‘Asean way’ of dealing with difficult issues is deemed superior to the direct Western diplomatic style. The Asean way is characterized by three sets of norms. Consensus, informality and non-use of force are the three key words. It refers to a style of decision-making that focuses on building consensus (Muafakat) through a process of extensive consultations (Musyawarah) (Caballero-Anthony 2005, 72–76). If consensus is not reached, the issue is shelved. In addition, Southeast Asian diplomacy makes use of informal, non-official and bilateral relationships; there is an aversion against institutionalism (Bellamy 2004, 170). ASEAN not only insists upon doing things differently, it also cherishes its regional identity. The idea of a ‘family’ is often accentuated, like in ‘Cambodia wants to be part of the Family’ (ASEAN 1998). The summit in November 2004 in Vientiane had as a theme ‘Advancing a Secure and Dynamic ASEAN Family’ (ASEAN 2004). The decision to admit Myanmar as member, against all criticism from US and EU at that time, testifies of this stubborn defence of South-East Asian autonomy against foreign interference. EU and ASEAN clearly consider each other as the ‘alien Other’. To the extent that EU intervenes in ASEAN conduct of affairs as ‘teacher’, offering technical assistance or political guidance, this is not accepted.

**EU/EC-LAFTA/Mercosur**

The fear for weakening of the Latin-American position vis-à-vis the EC played a crucial role in the establishment of LAFTA in 1960. Once the fear turned out to be unfounded, the incentive to implement the agreements lacked. The EC did not play the benign hegemon which favours regional integration, but played ‘divide and rule’ by concluding bilateral preferential trading arrangements.

EU warmly welcomed the creation of Mercosur (Bajo 2005) and in 1992, EU and Mercosur signed an Inter-Institutional Cooperation Agreement as basis for EU
support to Mercosur’s institutional development. Other economic and political cooperation agreements followed. EU behaves as a ‘benign hegemon’ in the role of donor and teacher. The main source of conflict is agricultural liberalization, as 55% of all Mercosur exports to EU concern agricultural products, but negotiations are underway (Bajo 2005, 38). EU–Mercosur regionalism has for Mercosur a balancing function to ‘reinforce and protect itself’ from the USA and its FTAA initiative (Bajo 2005, 41). For EU, it plays a role in its competition with the US for markets. Yet, by 2003 the difference between US and EU as first trading partner of Mercosur became marginal. Negotiations between EU and Mercosur gained momentum again. US invasion in Iraq alienated Latin American countries and part of EU (France and Germany) from the US, and the failure of WTO in Cancun motivated EU to seek an alliance with Mercosur.

Identity: As opposed to Asia and Africa, Latin-American countries gained independence from European colonial powers as early as 1810–1825 and the influence of ex-colonial powers is considered to be relatively limited (Buzan and Weaver 2003, 305). EU is perceived by Mercosur as ‘familiar Other’ with a shared approach to world governance (multilateralism, international law). Mercosur and EU have a ‘strong cultural relationship and political affinity’ (Bajo 2005, 56). This contrasts sharply with cultural and intellectual anti-Americanism, fed by US intervention in Chile in 1972 and US support for repressive military regimes in the 1960s and 1970s in Argentina and Brazil (Buzan and Weaver 2003, 310). While the hemispheric format of the FTAA is perceived as part of the American strategy to weaken regional attempts that do not include the US, EU-Mercosur agreements are viewed positively, inducing bandwagoning by Mercosur. EU role as teacher is accepted.

5. Conclusion

Based on the exploration of the cases, some preliminary conclusions may be drawn. First of all, real or perceived shifts in the distribution of capabilities threatening the relative power position of a region will influence state preferences in favour of the establishment of a RIO (LAFTA, Mercosur). Whether regionalization becomes a success, in the sense that it results in geopolitical and economic benefits for the member states and develops into a customs union, a security community or a common market is influenced by the interaction capacity of the region and the role of the regional leadership (hegemon or two-headed) which acts as political leader and as paymaster. If interaction capacity of a region remains low, the potential intraregional benefits remain
low, no socialization takes place and states (elites) will not be prepared to agree to pool or delegate sovereignty (supranationalization). A regional hegemon is able to assume a leadership role depending on its capabilities and its internal structure: a RIO aimed at market liberalization would require a hegemon which supports liberal policies and the concomitant role of state and market, and accepts to affirm its position by embedding it in a RIO (South-Africa in SADC).

Secondly, exploring patterns of inter-regionalism I have looked at the behaviour of EU towards three other RIOs: SADC, ASEAN and Mercosur, and the behaviour of these three RIOs towards EU. In all three cases we see a strong power asymmetry, enabling the EU to play ‘donor’ or ‘paymaster’. In addition, EU plays teacher, offering technical assistance aimed at reproduction of EU institutional structures, and offering political guidance on the respect of international norms. I expect RIOs to be open for socialization by and bandwagon with the ‘familiar Other’, such as seems to be the case with Mercosur. In contrast, a RIO will not accept guidance and will not socialize but compete and balance if EU is perceived as an ‘alien Other’, such as by ASEAN and SADC. These findings are summarized in Figure 2.

Figure 2. Inter-regionalism

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<th>behaviour other RIO</th>
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<td>EU-SADC</td>
<td>donor, teacher, divide-and-rule</td>
<td>alien Other</td>
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<td>EU-ASEAN</td>
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<td>EU-Mercosur</td>
<td>donor, teacher</td>
<td>familiar Other</td>
<td>socialize, bandwagon</td>
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From my argument would follow that inter-regionalism does not lead towards a liberal, pluralistic, inter-connected world system, as long as regional identities are perceived as incompatible. A multipolar world is a more plausible outcome, in which there are competing RIOs and clusters of ‘familiar’ RIOs.

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