

**FROM DEVELOPMENTAL  
REGIONALISM TO DEVELOPMENTAL  
INTERREGIONALISM?**

**THE EUROPEAN UNION APPROACH**

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# FROM DEVELOPMENTAL REGIONALISM TO DEVELOPMENTAL INTERREGIONALISM?

## THE EUROPEAN UNION APPROACH

Mathew Doidge

### INTRODUCTION

With the signing of the Cotonou Agreement, the European Union's development approach to the ACP states underwent a profound change. The Union has adopted a regionalist approach to development, disaggregating this larger grouping into six smaller regions. This approach, however, is nested within a wider network of region-to-region dialogue structures in which the EU is engaged. The result is both the appearance of certain synergies between developmental regionalism and interregional dialogue structures, but also, as is typical of EU interregional dialogues, the leaking of elements of interregionalism into the development framework that are inappropriate for the current level of integration of the ACP sub-groups.

The purpose of this paper is to explore this concept of developmental regionalism, looking at its history, and its perceived benefits today. Discussion therefore begins with an investigation of the historic application of regionalism to development. Consideration is given to the linking of 'old' regionalism to Structuralist and Dependency views of the international economy and the causes of underdevelopment, and of the 'new' regionalism's ties to the Neoliberal counter-revolution in development thinking. The paper then moves on to exploring some of the perceived benefits, both economic and non-economic, for developing countries of the new developmental regionalism. Finally, the paper considers the manner in which developmental regionalism is being applied by the EU. Specifically, it is concerned with the interregional context of the new developmental regionalism. In other words, it is interested in the way in which the EU approach firmly entrenches developmental regionalism within the broader architecture of global governance, and the synergies between developmental regionalism and interregionalism – can we conceive a

‘developmental interregionalism’? In this respect, this paper constitutes a first tentative attempt to explore a formal role for interregionalism in development.

## REGIONALISM AND DEVELOPMENT: FROM WITHDRAWAL TO INTEGRATION

Regionalism is not a new phenomenon. It is a characteristic, in varying forms, of the international system of the twentieth and twenty-first centuries. Nor is the application of regionalism to development a new idea. What can be seen, however, is a continuing evolution of the notion of developmental regionalism, adapting as a response to changes in the economic and political context in which states operate.

As Fawcett (1995, p.11) acknowledges, if formal organisation at the regional level is to be taken as the indicator for the emergence of regionalism, it is difficult to place its origins much before 1945. Theoretical convention refers to two waves of regionalism in the post-World War II period, identifying the ‘old regionalism’ of the 1950s and 1960s, and the ‘new regionalism’ that has increasingly emerged since the mid-1980s.<sup>1</sup> From a developmental perspective, these two forms display significant differences, differences firmly entrenched in the dominant developmental discourses in which they emerged.

### Old Regionalism and Development

As far as regional approaches to development are concerned, it has always been the case that development has in some way been linked with economic growth, with the two in many instances being treated as synonymous. In the decades after the Second

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<sup>1</sup> It must be acknowledged, however, that some theorists (e.g. Sideri, 2000) posit three waves of regionalism, tracing the process as far back as the 1930s. The first wave identified under such a chronology is the regionalisation that occurred within defined imperialist blocs dominated by hegemonial powers such as Germany (in Central and Eastern Europe), Japan (the Greater East Asia Co-Prosperity Sphere), the United Kingdom (the Commonwealth) and the United States (the dollar bloc). (A detailed discussion of the regionalisation of the inter-war years may be found in Eichengreen and Frankel, 1995).

The process evident in the 1930s may, however, be distinguished from the post-World War II integration arrangements, justifying its exclusion from the following analysis. In contrast to the post-1945 situation with regionalism premised upon the sovereign equality of states, inter-war initiatives were hegemonially driven. As Eichengreen and Frankel (1995, p.97) state, “[o]nce Germany reasserted itself in foreign affairs, it sought to build a self-contained regional bloc composed of the Reich and the countries to its east in order to minimize dependence on potential enemies and to achieve geopolitical aims. This encouraged France and Britain to pursue bloc-oriented initiatives of their own”. The result was a system defined by competitive regions designed to achieve the independence and self-reliance of the hegemonial master, rather than the collective development of all bloc members.

World War, this involved an emphasis on ‘modernisation’, essentially defined as industrialisation, made possible by the foreign exchange generated through commodity exports.<sup>2</sup> Industrial modernisation, it was argued, was essential to increasing productivity and therefore aggregate welfare. The unique difficulties of developing states in achieving this, however, were increasingly highlighted by so-called ‘two-gap models’, which pointed to the low propensity to save and the inelasticity of earnings on commodity exports in LDCs.

Development discourse in the 1950s and 1960s was further complicated by the rise of the Latin American structuralists. The structuralist approach, later to become the dependency critique of development theory, modelled an international economic order polarised between an industrialised and developed core and an underdeveloped periphery.<sup>3</sup> Dependency theorists argued that the international economic system was characterised by unequal exchange, and that consequently sustained growth through exports was an impossibility. Countries of the periphery would find themselves trapped in a position of permanent underdevelopment as suppliers of inexpensive raw materials to the developed core.<sup>4</sup> In its most extreme formulation, this led some dependency theorists to the conclusion that the best path for developing countries was to de-link from the international economy. More generally, however, it led to the advocacy of policies of self-reliance.<sup>5</sup>

The policy implication of this development discourse was emphasis on an activist state, demanded both by the requirements of domestic resource mobilisation and by the need to implement interventionist and protectionist policies to overcome the structural impediments to growth faced by LDCs in the global economy (Bowles, 2000, p.435). Free trade was rejected as it led to the establishment of a more or less fixed core-periphery structure. When commodity prices bottomed-out in the 1970s, the prospects for development among these countries seemed dim indeed. Development theory, therefore, was premised on finding solutions to the structural impediments to growth imposed on LDCs by the international capitalist system. Typical solutions centred on the transfer of resources through Official Development

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<sup>2</sup> See, for example, the works of theorists such as Lewis (1954) and Rostow (1960).

<sup>3</sup> The model was later further nuanced through the introduction of a semi-periphery, roughly corresponding to the Communist second world.

<sup>4</sup> See Baran (1957) and Frank (1966, 1967, 1969) for a fuller understanding of the dependency approach.

<sup>5</sup> This approach was favoured by many post-independence leaders in the developing world, including *inter alia* Jawaharlal Nehru in India, and Kwame Nkrumah in Ghana.

Assistance (ODA) as a means for remedying foreign exchange deficits, and on the stabilisation of commodity prices through the creation of artificial regimes designed to stabilise export earnings.<sup>6</sup> Import-Substituting Industrialisation (ISI) became the policy of choice for many developing countries.

South-South regional initiatives emerged as a natural complement to these protectionist development strategies. Regionalism itself, while having been recognised as early as the Preliminary UN Charter negotiated at Dumbarton Oaks in 1944 (Fawcett, 1995, p.12), was not launched onto the international agenda until the 1950s with the creation of the European Coal and Steel Community (ECSC). On the heels of this European initiative, a distinctly Third World approach to regionalism emerged, contextualised within the development discourse outlined above. While there was some division among Third World writers on the utility of regionalism for development,<sup>7</sup> a core group in favour of a regionalist approach emerged, motivated by the economic rationale of Cooper and Massell (1965a, 1965b), Johnson (1965) and Bhagwati (1968). Accepting industrial modernisation as a “legitimate policy goal” (Cooper and Massell, 1965b, p.462) in seeking development, the Cooper and Massell-Johnson-Bhagwati model suggested that in the context of an ISI policy, the structural impediment of small markets and the high costs of industrialisation could be overcome by developing countries by exploiting the economies of scale available as a result of regional integration through, for example, withdrawing behind common external tariff barriers, market- and industry-sharing agreements etc. In addition, as Ghatak (2003, p.214) observes, political incentives for the establishment of regional blocs were foreseen: “Regional co-ordination among LDCs is supposed to provide them with greater bargaining power in their economic and political relationships with DCs”. For these reasons, regionalism was seen by Third World structuralists as a tool in the struggle to end the exploitative and dependent relationship between LDCs and the industrialised North.

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<sup>6</sup> In the latter respect, the European Union (then European Economic Community, EEC) led the charge, introducing STABEX (Stabilisation of Export Earnings) in 1975 to combat the vulnerability of developing countries to commodity price fluctuations. It constituted, in effect, “an insurance policy for the ACP” (Holland, 2002, p.36), with the EU guaranteeing a minimum earnings threshold and providing compensation for any losses incurred by lower prices or loss of production.

<sup>7</sup> See Archer (1992, pp.118-124) for an overview of Third World writing on regionalism in this period.

Despite the foundation of a number of political and economic organisations dominated by developing countries,<sup>8</sup> the solidarity demanded by structuralist theorists failed to materialise (Fawcett, 1995, p.15). Bhagwati (1993, p.28) points to the tendency of LDCs launching such initiatives to use bureaucratic negotiation rather than trade liberalisation (and hence prices) in determining industry allocations, and to tie trade to the resulting allocation, thus “putting the cart before the horse and killing the forward motion”, as being the key factor behind the collapse of the regionalising imperative. To this, however, may be added the decline in ISI to which developmentally-focused regionalism had been tied, a result of the gross inefficiencies produced by sheltering industries from competition. The net result was that, by the end of the 1960s, regionalism in all but the original European Community and in the European Free Trade Area (EFTA) had stagnated or collapsed. Succinctly summarised by de Melo *et al.* (1992, p.3), regional integration among developing countries in the 1960s “was a failure, both in terms of implementation, and in terms of the stated objectives of accelerating the pace of industrialization by raising intra-regional trade”.

### New Regionalism and Development

Regionalism re-emerged in the 1980s, again the result of European activity, but contextualised within a profoundly altered development paradigm. The new development era was ushered in by the collapse of the Bretton Woods system in 1971, the oil shocks of 1973 and 1979, the debt crisis and the emergence and adoption by certain developed country governments of the neoliberal economic discourse during the 1980s, not to mention the rise of multinational corporations (MNCs), the end of the bipolar conflict and, of course, globalisation with its attendant linkages and exchanges transcending the regulatory power of individual states.

The rise of neoliberalism, in particular, led to challenges to the role of an activist and protectionist state, a process, as Bowles (2000) acknowledges, reinforced by the increasing awareness of the differential development outcomes achieved by protectionist and liberalising LDCs. The neoliberal counter-revolution in development

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<sup>8</sup> Including *inter alia* the Non-Aligned Movement (NAM) in 1961, the Central American Common Market (CACM) and the Latin American Free Trade Area (LAFTA) in 1960, the Central African Customs and Economic Union (CACEU/UDEAC) in 1964, and the Caribbean Free Trade Area (CARIFTA) in 1968. See Pazos (1973) and de Melo *et al.* (1992) for detail on these early regional arrangements.

economics (Toye, 1987), therefore, called into question the role of state-led development and of ISI, arguing that the result was inefficient production, discouragement of export-earning and of traditional wealth-creating activities (Kiely, 1998, p.31). The neoliberal solution to the underdevelopment that protectionism and ISI perpetuated was liberalisation, including particularly the liberalisation of international trade, currency devaluation and the rolling back of the state.<sup>9</sup> By 1990 this prescription had been given a name – the ‘Washington Consensus’ (Williamson, 1990).

The first application of the new counter-revolutionary development discourse came with the creation by the major IFIs of Structural Adjustment Programmes (SAPs) to address the problem of the debt crisis through policy-based lending. Designed to slash government expenditure, reduce state intervention and promote deregulation and trade, SAPs were made a prerequisite for economic aid to developing countries. By the end of the 1990s, however, SAPs had proved controversial, and were being credited with high and rising inequalities in the developing world. In response, the IFIs embarked on a rebranding of development policy, and in 1999 Poverty Reduction Strategy Papers (PRSPs) were born.

By the first years of the twenty-first century, the notion that development is about poverty reduction had become the working assumption of development actors,<sup>10</sup> an assumption that enabled a neat dovetail with the dominant neoliberal economics. By reducing development to poverty reduction, neoliberal development literature posits a solution involving promoting economic growth through full integration into the liberalised global economic system.<sup>11</sup>

Further, what has become almost universally accepted, despite frequent argument as to the deleterious effects of free markets, is that this economic growth (and therefore poverty reduction) is best achieved through “universal, open, rules-based, predictable and non-discriminatory” international trade (NZAID, 2003, p.5).

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<sup>9</sup> Indicative of this trend was the 1984 report of US President Reagan’s ‘Task Force on International Private Enterprise’ (TFIPE, 1984), which urged a focus on the economic rather than the social side of development, arguing that this would produce the resources necessary for later social programmes. Achieving economic development was understood by the Task Force as involving promoting “the role of private enterprise, free markets and competition” (p.30).

<sup>10</sup> This has been expressed by, for example, the European Union, World Bank, International Monetary Fund, OECD, DFID, the ‘Make Poverty History’ campaign, to name but a few.

<sup>11</sup> Notes the World Bank (2001, pp.46-47), “the stark differences in poverty outcomes between rich and poor countries point to the central role of economic development in poverty reduction”. The UNDP (2003, p.67), too, has trumpeted the role of economic growth in poverty reduction.



“Trade”, stated the European Commission (2000, p.7) in its 2000 Communication on EC development policy, “is the most efficient means to generate resources necessary for self-sustained development”. This can be seen in the policies of states,<sup>12</sup> regional organisations,<sup>13</sup> NGOs<sup>14</sup> and IFIs,<sup>15</sup> and was a key assertion in the report of the Commission for Africa.<sup>16</sup>

When the end of history arrived in the 1990s, it signalled a change in approach for Northern development actors, who quickly came to accept the assertion that the historical alternatives to liberal democracy and free market capitalism had been discredited. As far as development is concerned, a new modernisation appears to have emerged, where the end point is precisely liberal democracy allied with free market economics. Given the emphasis on globalisation and trade liberalisation, the differential development of some states has increasingly been explained not as a failure of neoliberal economics, but rather of domestic policy. Distorting state interventions were often highlighted, the IMF (1994, p.54), for example, asserting that “lack of economic stability, inadequate and distorted financial markets, unproductive state intrusion, and inward-looking trade policies have all acted to restrain growth in many cases”. In other words, the structural impediments to development inherent within the global economy that had previously been highlighted by development theorists have been replaced in explanations of underdevelopment by reference to poor governance

In the context of this new development paradigm, the relaunching of European integration with the signing of the Single European Act (SEA) in 1986 (incorporating

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<sup>12</sup> The UK’s Department for International Development (DFID, 2000, p.17), for example, states: “Everywhere it is clear that openness is a necessary – though not sufficient – condition for national prosperity. No developed country is closed. The initially poor countries that have been most successful in catching up in recent decades – the newly industrialising east Asian countries and China – seized the opportunity offered by more open world markets to build strong export sectors and to attract inward investment”.

<sup>13</sup> Alongside the EU, the African Union (AU), for example, asserted in a Declaration of 5<sup>th</sup> July 2005 that the poverty reduction target and other Millennium Development Goals (MDGs) would only be achieved through *inter alia* the establishment of “a fair and equitable trading system and... facilitat[i]on of] Africa’s access to their [Developed Countries’] markets” (AU, 2005, Decl.1, s.8).

<sup>14</sup> Oxfam (2002, p.47), for example, asserts that the “financial transfers from development assistance are dwarfed by the potential benefits that would result if developing countries increased their share of world exports”.

<sup>15</sup> States the World Bank (2001, p.8): “All countries that have had major reductions in income poverty have made use of international trade”.

<sup>16</sup> The Commission’s report states that “[t]rade has been a key driver of growth over the past 50 years” and that “Africa will fail to achieve sustainable growth and poverty reduction, and fail to meet the Millennium Development Goals, unless it increases its diminishing share of world trade” (Commission for Africa, 2005, p.255).

as it did plans to complete a Single European Market (SEM) by 1992), constituted the seminal moment for new regionalism. The revitalisation of European integration was closely tied to the fundamental changes being experienced by the international system. Intrinsic to this was a de-territorialisation of economics such that states, in order to avoid marginalisation, band together to create a policy community with greater weight in the international system. The new development paradigm and the new regionalism, therefore, stemming from the same basic motive forces, have become inextricably linked.

As Fawcett (1995, p.23) acknowledges, “there are few regions of the world where the apparently spectacular progress of the European Community towards economic and political union has failed to evince a response”. NAFTA and APEC owe much of their impetus to the existence of European regionalism, constituting in part a response to a feared ‘fortress Europe’. This fear of a fortress Europe made itself felt in the developing world too, with many ACP leaders certain that the Single Market process would “involve restrictions on imports into Europe as well as blocking ready access to industrial technology” (Aluko, 1991, p.37). Allied to this was a belief that European economic success in the new liberalised and globalised economy could be credited to its integrative solution, a solution that could be adopted elsewhere in the world.<sup>17</sup> Thus was seen the launch of Third World schemes premised on the Common Market ideal, including, for example, single market initiatives by the Arab Maghreb Union, the Andean Pact, MERCOSUR and CARICOM. In short, both developing states and development actors have come to view regionalism as a means for overcoming the negative effects on LDCs of integration into the global economy, as well as of promoting the liberalising process, through expanding markets, attracting foreign direct investment (FDI), allowing a step-by-step process to liberalisation etc. It is, in other words, a building block rather than a stumbling block in the emergence of a global economic system, a stark contrast to the old regionalism.

The upshot of these changes which have occurred since the 1980s is that regionalism has become truly a ‘model for development’. The new regionalism

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<sup>17</sup> In 1988, for example, Olesegun Obasanjo (1988, p.21) argued that African states will only meet the challenges posed by the SEM and the broader global economy through some form of confederation, while Julius Nyerere, at the 1989 Belgrade Summit of the Non-Aligned Movement, asserted that the only path to development for the south lay in “national and collective self-reliance” (quoted in Aluko, 1991, p.37). By 1990, Obasanjo was criticising the “ridiculously large number of often economically unviable states” in Africa, to which the proposed solution was “a European-type integration to pool capacities” (ibid.).

implies openness to global markets and to the process of globalisation. As such, it is intrinsically linked to the new development discourse outline above. The adoption of regionalism, therefore, has come to mean the pursuit of economic growth through interaction with global markets, which, it is argued, will deliver the poverty reduction now seemingly seen by major actors as synonymous with development. Market liberalisation is no longer a policy choice of regional groupings, it is implied by regionalism. Follow the regionalist model, it is argued, and all will be delivered. In other words, regionalism is increasingly seen as the ‘killer application’ for economic growth-led development.

### Developmental Regionalism in EU Policy

While developmental regionalism has become popular among a number of development actors, none have pursued it with more fervour than has the European Union. Indeed, the EU’s development policy is now largely based on supporting the creation of regional organisations among developing countries. In part this may be attributable to a narcissistic desire to see its own form mirrored in the world around it. Mostly, however, it stems from a strong belief in the ability of a form of organisation that has done much to spread peace and prosperity across the European continent to do the same elsewhere in the world.

As far back as 1992, the Council of the European Union had raised integrationist arrangements as a policy goal, in its regulation on cooperation with Asia and Latin America explicitly asserting that “[r]egional cooperation between developing countries shall be considered a priority area for financial and technical assistance” (Council of the European Union, 1992, Art.5). By late 1995, with the establishment of its Institutional Development Programme for the ASEAN Secretariat (IDPAS), the Union’s support for regionalism among its partners had become proactive.<sup>18</sup>

In its 1996 Green Paper on cooperation with the ACP in the twenty-first century (European Commission, 1996), it became clear just how closely initiatives for regional integration were to be tied to EU development policy. Asserting that

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<sup>18</sup> With the goal of building the ASEAN Secretariat as a central institution modelled to some extent on the European Commission, IDPAS constituted an overt attempt to affect ASEAN’s institutional structure to achieve further integration and development. IDPAS was succeeded in 2001 by the ASEAN Programme for Regional Integration Support (APRIS), designed to enhance the ASEAN Secretariat’s capacity for fostering integrative activities.

development must involve the developing countries' "smooth and gradual integration into the world economy" (p.3), the Green Paper went on to state that the EU should "promote actively, and provide the conditions for facilitating the success of regional integration processes among ACP partners". The Green Paper was to form the basis of what was to become the post-Lomé EU-ACP Partnership Agreement (Cotonou Agreement) of 2000. The Paper, appropriately given the structure of the new regionalism, was a mirror of IMF and World Bank thinking on development, highlighting clearly a transition in EU development policy away from that of innovator that was characteristic of the Lomé period, to that of committed disciple of the IFI approach. Indeed, Grynberg (1997), then trade economist of the Pacific Islands Forum Secretariat, launched a blistering attack, asserting that the proposals "when stripped of their diplomatic pleasantries, are in effect a recitation of IMF/World Bank structural adjustment policies with a politically correct veneer of concern for human rights, the environment and gender issues".

Importantly, and in line with above discussion on regionalism as an alternative to multilateralism, the Cotonou Agreement was signed in the wake of the collapsed 1999 Seattle WTO Ministerial, and made provision for reciprocal free trade agreements that went beyond what the Union could possibly secure at the WTO. The stated central objectives of the Cotonou Agreement are "poverty reduction and ultimately its eradication; sustainable development; and progressive integration of the ACP countries into the world economy" (Art.19), the general approach for achieving which was to be WTO consistent regional integration among sub-groups of ACP states (Arts.28-30) fostered through a framework of EPAs.

## THE BENEFITS OF DEVELOPMENTAL REGIONALISM

Many of the perceived developmental benefits of regionalism have become clear through the above discussion. What the following section does is to elaborate on a couple of key benefits most often highlighted by theorists, and which have found reflection in EU policy documents. This is clearly a far from exhaustive treatment, but nevertheless one that deals with many of the elements seen as bearing most upon development.

## Economic Benefits of Regionalism

Given the emphasis in the new development discourse on economic growth through integration into the global economy, it is unsurprising that the majority of potential benefits for development attributed to RIAs are economic.<sup>19</sup> A number of benefits of regionalism have been highlighted by theorists in relation to the new development discourse. While these are many and varied, it is market size that is most often attributed with delivering the benefits of development.

Arguments relating to market size are essentially reducible to the proposition that regional integration allows the “largely unmitigated beneficial effect” (Fernández and Portes, 1998, p.201) of the creation of larger markets through reducing internal barriers to trade, allowing advantage to be taken of economies of scale in the production of goods and services, and increased potential for investment. This is a response to the increasing recognition that the constraints imposed by globalisation and market liberalisation affect small and medium states to a greater extent than large states. Indeed, in Casella’s (1996, p.412) study of large and small countries in regional trade blocs, it was determined that “[s]mall country firms will see a decline in their relative cost disadvantage and will be the main beneficiaries of the enlargement of the trade bloc”. Fernández (1997, p.9) mirrors this position, drawing from this the conclusion that “[s]ince small countries will benefit more than larger countries – because they are starting at a lower base – from economies of scale and increased competition, we would expect to see them attach a higher priority to joining a RTA”.

That economic expansion occurs as a result of such regionalising initiatives has often been contentious, though in a recent paper exploring the growth effects of integration, Berthelon (2004) concludes that there is strong evidence that expanding domestic markets through regional integration does indeed produce economic growth. What seems generally to be agreed is that economic growth and trade creation will occur where regional economic liberalisation takes place in the context of, rather than instead of, multilateral liberalisation.<sup>20</sup>

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<sup>19</sup> This link between regionalism and the economic aspects of development is recognised by Sunkel (2000, p.67), who notes that “[t]he assumption seems to be that neoliberal economic reforms in each country – liberalization, deregulation, privatization, a diminishing role of the state and an open economy – plus initiatives like NAFTA, Mercosur and bilateral and multilateral free-trade agreements, will bring about economic and social development”.

<sup>20</sup> See, for example, discussion in de Melo and Panagariya (1993).

Further to trade creation, enlarged markets are seen to be a key factor in attracting FDI. As the amount of concessional lending to developing countries has fallen in recent years, the importance of FDI to economic growth and therefore development has increased. Indeed, the need to attract investment is increasingly cited as a factor providing important impetus to regional economic integration,<sup>21</sup> with considerable evidence now pointing to the success of regionalism in this respect (World Bank, 2005b, p.37). The result, stated simply by Lederman *et al.* (2003, p.128), is that “joining a trade block leads to higher FDI inflows”.<sup>22</sup>

### Non-Economic Benefits of Regionalism

With the emphasis on regionalism as a path to poverty reduction, non-economic benefits such as, for example, securitisation and the creation of collective identities, and the emergence of some kind of collective bargaining capacity, have been largely ignored.<sup>23</sup>

Securitisation has featured comparatively little in the work of theorists of developmental regionalism, a surprising situation given the ever closer linkages being drawn between stability and development, and indeed between conflict and underdevelopment. Nevertheless, occasional throwaway statements may be found, such as that of Cosbey *et al.* (2004, p.24) that “FTAs may also be concluded in an effort to stabilize potentially antagonistic relations”. This is not to say, however, that the link between regionalism and stability has not been drawn by theorists of other fields, though empirical studies remain sparse. Indeed, as far back as 1889 Wilfred Pareto (quoted in Machlup, 1977, p.143) argued that “customs unions and other systems of closer commercial relations [could serve] as means to the improvement of political relations and the maintenance of peace”. In recent years, a burgeoning literature has grown around the concept of enhanced flows through preferential trading arrangements leading to reductions in political conflict between member states, and the concept has found its way, albeit with no real analysis, into the World Bank’s report on Global Economic Prospects, with the acknowledgement that “[t]he

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<sup>21</sup> See, for example, Balasubramanyam and Greenaway (1993), Blomström and Kokko (1997) and Fernández (1997).

<sup>22</sup> For an overview of empirical research on regional integration and foreign direct investment, see Blomström and Kokko (1997).

<sup>23</sup> In referring to non-economic benefits, it is not being asserted that these factors bear no relation to the economic sphere. Rather, it is simply to acknowledge that their focus is not specifically economic or trade related.

tentative conclusion of existing studies is that RTAs that expand trade flows appear to have a substantial dampening impact on conflict” (World Bank, 2005a, p.36).

The most comprehensive treatment of this process is provided by Mansfield and Pevehouse (2000), though, perhaps appropriately given the economic focus of developmental regionalism, this centers on an economic argument for security promotion. Essentially reducible to a notion of rational self-interest, this argument posits that states involved in economic regionalism<sup>24</sup> will not be willing to put the economic benefits, or even simply anticipated future benefits, of a PTA at risk by engaging in confrontational behaviour.<sup>25</sup> The conclusion of Mansfield and Pevehouse’s study is that as intraregional trade flows increase, so the chance of conflict falls. This is not an uncontested position. Powers (2003), for example, points out that even trade-producing RTAs may promote conflict where the gains are asymmetrically distributed, a situation that may particularly occur in regional arrangements involving states with stark divergences in size or level of development.<sup>26</sup> Either way, the reduction of the argument to one on the level of intra-regional trade is an impoverished view of the impact of regionalism on securitisation, something that will be elaborated in more detail later in this piece.

The second non-economic benefit to be considered here, closely linked to the economic benefit of increased market size, is that of interest aggregation and collective bargaining through what is effectively coalition formation at the regional level. This aspect of regionalism has come to be seen as an important element in global governance, most recently having occupied a central place in the work of theorists of interregionalism.<sup>27</sup> Interregionalists, drawing on the broad school of institutionalism, highlight the cooperative *agenda setting* role of RIAs, arguing that smaller numbers and a greater sense of common interest characteristic of regional organisations lead to the possibility of establishing combined negotiating agendas for expression in extra-regional, and particularly global multilateral, negotiations. This,

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<sup>24</sup> Mansfield and Pevehouse (2000) refer specifically to PTAs.

<sup>25</sup> As an adjunct to this, the argument is made that PTAs sometimes create a forum for bargaining and negotiation that can help to alleviate any tensions.

<sup>26</sup> This idea is not a new one. The idea that gains from trade are not evenly distributed and therefore affect inter-state power relations may be seen in the work of Baldwin (1980), Hirschman (1945), and Keohane and Nye (1977). The additional recognition that changes in inter-state power equations are a source of military conflict may be found in the writing of Gilpin (1981), Levy (1989), and Mearsheimer (1990).

<sup>27</sup> See, for example, Doidge (2004b), Hänggi (1999), and Rüländ (2000, 2001).

argue developmental regionalists,<sup>28</sup> is a necessary step for developing states wishing to have their voices heard in the global system for, in the globalised economy, a country's negotiating power is strongly defined by market size (Oman, 1994, p.29). With these obvious asymmetries in the structures of global governance in mind, Hettne (2000, p.61) asserts that "[c]ollective bargaining at the level of the region could improve the economic position of marginalised countries in the world system, or protect the structural position and market access of new successful exporters".

It is not just to the advantage of developing countries, however, to pursue gains in negotiating power. Developed actors hope to be able to use these newly created/strengthened RIAs as a source of support for their own positions in global multilateral negotiations, with such dialogues effectively serving as a clearing-house for achieving agreement prior to negotiations in multilateral fora.<sup>29</sup>

Coalitions are generally established around a collective interest or viewpoint which the participant states wish to see expressed, or more negatively in opposition to another interest or viewpoint. They are seen as being better able to represent the interests of their constituent states than would be the case if said states were acting alone. Comments Touval (1989, p.161), "[t]he implicit threat to others that if they do not accept the terms proposed, their relationship with all the members of the coalition will suffer is more impressive than a similar threat made by a single state".<sup>30</sup> In addition to the standard threat and counter-threat game, coalitions have shown themselves to be effective brokers in the face of great power antagonism, creating what Kahler (1992, p.706) refers to as "a focal point for negotiating equilibrium".<sup>31</sup>

Though the assumption of development actors seems to be that such cooperation will occur almost by default when states regionalise, effective collective bargaining is not a simple process. Indeed, coalitions may also hinder agreement.

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<sup>28</sup> See, for example, Birdsall and Rojas-Suarez (2004), Cosbey *et al.* (2004), de Melo and Panagariya (1992), Hettne (2000), and Sideri (2000).

<sup>29</sup> Indeed, theorists of interregionalism count this as one of the five key functions of such dialogues (Doidge, 2004b; Rüländ, 2001). This is discussed in more detail below.

<sup>30</sup> Touval (1989, p.161) goes on to state that "[t]hreats to break off negotiations without reaching an agreement may also be more effective, for states will be perceived by their opponents as being better able to withstand the consequences of no agreement if they are members of a coalition.

<sup>31</sup> Higgott and Cooper's (1990) exploration of the role of the Cairns Group of agricultural nations in achieving a consensus at the 1986 Punta del Este GATT meeting for a new round of trade negotiations, and in the conduct of the subsequent Uruguay Round, recognises just such a function. Arguing that the negotiating process cannot be understood simply in terms of the power of the US and the then EC as the two dominant actors, they assert that agenda setting and negotiating was greatly facilitated by the Cairns Group's activities as bridge builder and consensus seeker between the major actors themselves



Andriamananjara and Schiff (1998, pp.4-5), for example, highlight this problem, noting that while “the member countries save on the costs of international negotiation... [they] incur the costs of negotiating between themselves to reach common policy stances”.

At their core, the arguments relating to the problematic nature of coalitions amount to the assertion that it is often difficult for these groups to agree a common negotiating position. The process of intra-coalition negotiation, and the need to satisfy even only a comparatively small number of coalition members, means that any consensus reached often leaves very little room for flexibility. Such a straitjacketed position is not conducive to subsequent multilateral negotiation, which itself is premised on give and take. The necessary renegotiation of intra-coalition positions in response to the broader multilateral bargaining process would again be a difficult and time-consuming task, complicated by intra-group rivalries and the possibility of defection to rival coalitions. Much therefore depends on the nature of the coalition itself, with a key feature being the extent to which it is able to promote unity among its members.

While constituting natural coalitions, common positions have been notoriously difficult to achieve even for regional groupings at a relatively advanced stage of integration. The EU, for example, has frequently been the subject of denunciations for its inability to coalesce around issues on which it was expected to present a united front<sup>32</sup> Much of the difficulty that has been experienced by regional organisations in this respect is attributable to the problem of reconciling an often diverse array of viewpoints using the cooperative machinery available. To assume that developing countries within a newly minted RIA will be able to overcome this hurdle when their more established predecessors cannot seems, therefore, to be an unsustainable leap of faith.<sup>33</sup> It is clear that this weakness in intraregional cooperation will have a significant impact on the utility of the regional framework as a basis for dialogue with third parties.

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and, at times, between the major actors and what they term the more ‘antagonistic’ developing countries.

<sup>32</sup> Thus producing what is now commonly termed a capability-expectations gap (Hill, 1993).

<sup>33</sup> Many developing countries possess a further disadvantage not faced by their developed counterparts: inadequate state machinery. Speaking particularly of LDCs, Sideri (2000, pp.32-33) notes that their state machinery may not be able to provide necessary backing for regional cooperation to be successful.

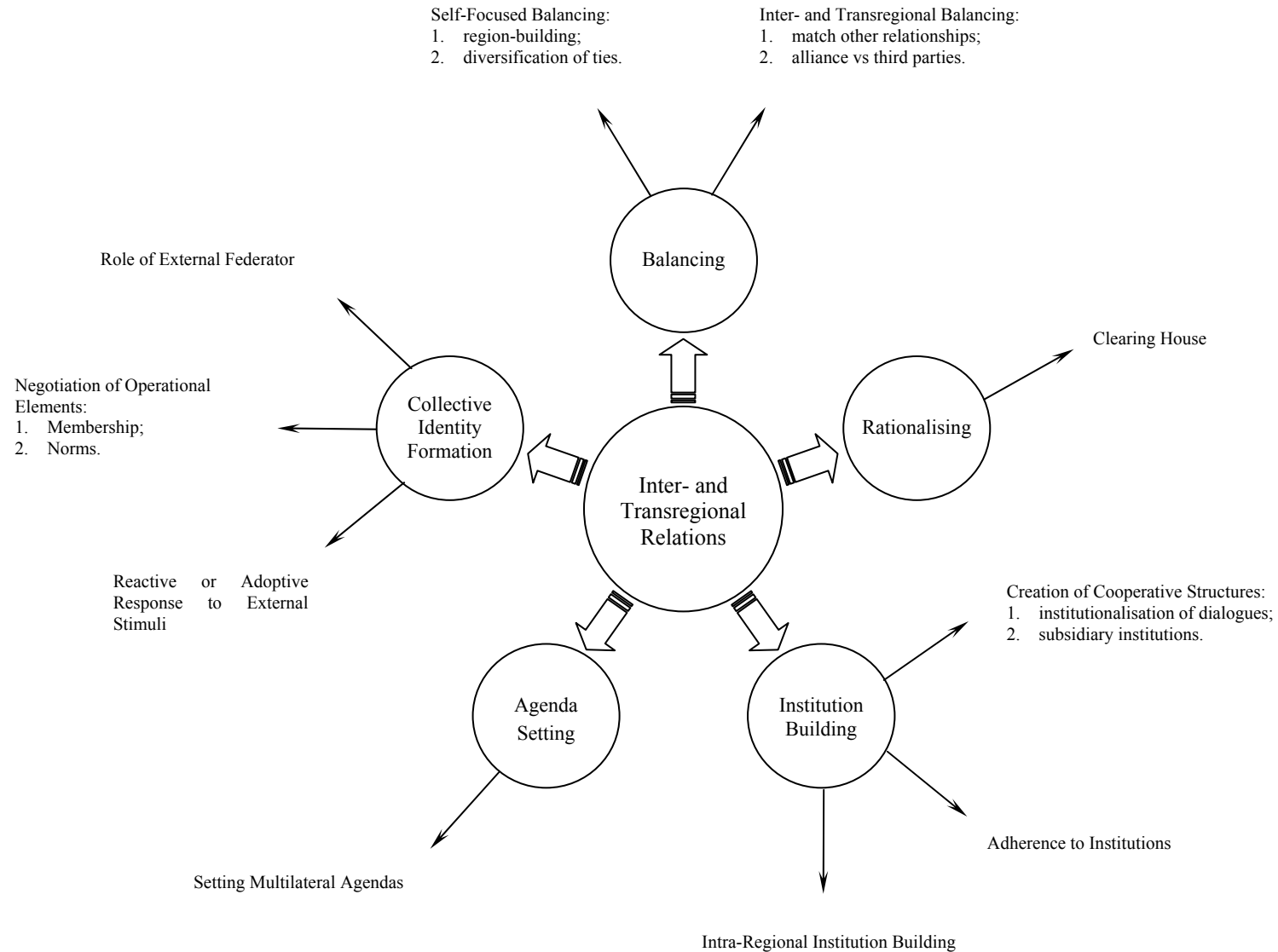
## DEVELOPMENTAL INTERREGIONALISM?

What is interesting about the benefits outlined above is the way in which they may be affected by the dialogue structure in which the ACP sub-groups are engaged with the European Union. In the case of the EU's developmental regionalism, this is undertaken within the context of interregionalism. The result is that we are seeing the fusion of a specific regional development focus with many of the roles and functions of interregionalism – an interregionalism which is increasingly conceived as constituting a specific functional layer in the architecture of global governance.

Since Rüländ (1999) first embarked upon a functional analysis of the place of interregionalism in global governance, an array of functions for this level have been elucidated and expanded upon. Very briefly, five roles and functions of interregionalism are generally recognised (see Figure 1 for further disaggregation of the functions). These are:

1. **Balancing:** based on a realist conception of actor competition, this involves the balancing (self-focused and externalised) of region against region, to maintain equilibrium in the international system;
2. **Institution Building:** the creation of norms and institutions both intra-regionally (i.e. region-building) and interregionally;
3. **Rationalising:** interregional dialogues as potential clearing house for global multilateral for a;
4. **Agenda Setting:** related to Rationalising, but involving the setting of collective agendas at the interregional level for expression in global negotiations;
5. **Collective Identity Formation:** interregionalism contributes to the formation of regional identities, providing a solid foundation for regional integration, and for the emergence of regional security communities.

Importantly, as Doidge (2004a, 2004b, 2007) has demonstrated, these roles and functions are affected in their performance by the specific constellation of regional actors involved. It matters, in other words, whether we are talking about a dialogue between strong regional actors, weak regional actors, or a combination of the two. This recognition has allowed the disaggregation of interregionalism into two functional varieties: (i) an internally focused, capacity building interregionalism; and (ii) an externally focused, globally active interregionalism (Doidge, 2007, p.242). And



**FIGURE 1: DETAILED ROLES/FUNCTIONS OF INTER- AND TRANSREGIONAL DIALOGUES**

it is this type 1 capacity building interregionalism which most clearly demonstrates a synergy with developmental regionalism.

Capacity building interregionalism involves the gradual strengthening over time of a weaker regional integration arrangement through involvement with a strong interregional counterpart. What has been demonstrated in cases where a distinct asymmetry in strength of actorness exists within an interregional dialogue, is that specific roles and functions of interregionalism are more likely to be performed than others. These include:

1. Intra-regional institution building: whereby weaker regional actors are effectively forced to cooperate more closely in order to engage more fully with their interregional dialogue partner (Doidge, 2004a; 2007, p.239) – in other words, an integrative response among the weaker of the two counterparts;
2. Collective identity formation: whereby the process of interaction with a common external ‘other’ at the interregional level leads to a reinforcement of identities at the regional level (Gilson, 2001, 2002, 2005; Doidge, 2004a, 2007).

Both of these elements offer clear synergies with the developmental interregionalism currently being utilised by the EU.

The fostering of regional integration and regional institutions is specified directly in the Cotonou Agreement, and in individual strategy documents. What is significant is the overlap with the perceived economic benefits of developmental interregionalism. An essential component of regional economic integration, the component that is necessary if the benefits of economic scale, trade creation and the attraction of FDI are to occur, is the establishment of strong regional institutions. Indeed, the failure of ‘old’ regionalism as a development strategy for the South as a result of a lack of solidarity among Member States has already been recognised. But it is precisely these structures of solidarity, coordination and cooperation that capacity building interregionalism has been demonstrated to develop, a process that has been explored in considerable detail in relation to the EU-ASEAN dialogue and the ASEM process. Indeed, the generally accepted view of the ASEM process is that “[i]n face of the well established coordination machinery of the EU, the Asian countries were almost forced to engage in some sort of regional coordination in order to alleviate the sharp asymmetry in internal organisation between the two regions” (Hänggi, 2003, pp.211-212).

Clearly, the formation of collective identities at the regional level reinforces this process of intra-regional institution building, but it also contributes to another of the perceived benefits of development interregionalism – that of securitisation. Regional securitisation as a function of trade relations has already been discussed, and criticised for constituting too narrow an understanding of the effect of regionalism on security. A far more nuanced approach to securitisation through regionalisation may be found in the concept of the security community, defined in the Deutschian tradition. Intrinsic to this is a notion of identity; indeed Deutsch (1988, p.271) viewed the creation of security communities as an exercise in identity building. Clearly, intra-regional trade flows constitute only one strand in this process.

Drawing heavily on constructivist literature, identity is understood as being constructed through inter-subjective interaction within a structure of collective meaning. It is, in other words, endogenous to interaction. In this way, the level of interaction present within a region is essential to the formation of collective identities. Thus it can be assumed that the thicker the structures of interaction,<sup>34</sup> and the broader their scope, the greater the chance of endogenous identity modification occurring. It is here that the earlier comment that intra-regional trade flows constitute only one strand in the process may again be raised. If collective identification, and thus securitisation, is to occur, the key is to encourage the process of inter-subjective interaction across as broad an array of issues as possible, something that the expansive process of interregionalism favoured by the EU tends to deliver.

But interregionalism further contributes to this process of identity formation beyond providing an expansive arena for engagement. By confronting a comparatively weaker regional organisation with a coherent external ‘other’ with a strong identity, such as the EU, the process of interregionalism encourages the responsive formation of collective identity through what Zimmerling (1991) refers to as positive and negative external cogency. This has been explored in considerable detail by Gilson in relation to the ASEM process, on which she makes the comment

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<sup>34</sup> A number of structural and systemic factors are highlighted as being influential of collective identity formation. The first is the level of ‘slack’ in the system allowing space for collective identities to develop. The second factor of importance is rising interdependence, which has an effect in two ways. The first is an increase in the *dynamic density* of interaction as a result of, for example, trade flows (Wendt, 1994, p.389). The second is the emergence or existence of a common ‘other’, either personified in another actor – “denigrated, feared or emulated” (Ruggie, 1998, p.873) – or as a newly arising or crisis situation. “As interdependence rises”, in the words of Wendt (1994, pp.388-389), “so will the potential for endogenous transformations of identity”.

that “Asia acts as Asia for the purpose of engaging with the EU, and in the process of that interaction is responded to as though its interlocutor is responding to ‘Asia’, thereby reinforcing a sense of communal identity among a group not previously constituted for any other purpose” (Gilson, 2002, p.24). In this respect, therefore, interregionalism provides positive reinforcement for the processes leading to increased regional securitisation that are seen as a benefit of a developmental regionalist approach.

Finally, if the creation of intra-regional institutions, and the formation of collective identities progresses sufficiently, the regional organisations in question will find it far simpler to engage in the sort of interest aggregation and collective bargaining outlined above as the second perceived non-economic benefit of interregionalism.

The point being, that a developmental regionalist approach such as that being pursued by the EU, nested within interregionalism, may demonstrate positive synergies which, it can be hoped, will contribute to an overall positive result. However, as with interregionalism in general, in order for the best to be gained, it is necessary to recognise what is achievable, and what unachievable given the structures of the regional organisations involved. This recognition seems, unfortunately, to be lacking in the EU’s strategy towards the ACP states, in much the same way that it is lacking in its broader array of interregional relationships.

What we see in the EU’s interregionalist approach to developmental regionalism is a highlighting of aspects of the globally active variety of interregionalism briefly raised above. The globally active variety of interregionalism is “concerned with the expression of interregional cooperation on the global stage” (Doidge, 2007, pp.242-243). It incorporates the high-end functions of interregionalism such as:

1. Alliance style balancing: the use of interregional relationships as a means for keeping other players in the system ‘honest’;
2. Rationalising: (see above);
3. Agenda setting: (see above).

It is the rationalising and agenda setting functions that appear most clearly in the EU’s approach to developmental regionalism. Indeed, Chapter 4 of the Cotonou Agreement is dedicated to these functions, specifying the agreement of the signatories “to cooperate closely in identifying and furthering their common interests in international

economic and trade cooperation in particular in the WTO” (Art.39(2)). Such commitments on the need to cooperate in global fora are also to be found in the strategy documents on EU relations with the Pacific Islands and the Caribbean.

However, what is significant about the globally active variety of interregionalism, is the requirement that the regional organisations engaged demonstrate a high level of actorness in order that the functions associated with this form of interregionalism be performed (Doidge, 2004b, 2007). The weak regional structures that are characteristic of the ACP sub-groups towards which the EU is targeting its developmental regionalist approach simply do not reach the required threshold. The risk of this is that we see the emergence of an interregional capability-expectations gap *a la* Hill (1993), as the relationship fails to deliver the sort of cooperation at the global level that is envisaged. Whether such a failure to deliver the high-end functions of interregional cooperation discourages the EU, and has a subsequent detrimental effect on the low-end capacity building functions that are more clearly linked to developmental regionalism, only time can tell.

## CONCLUSION

This paper has explored the concept of developmental regionalism, charting its emergence in its ‘old’ formed linked with the Structuralist and Dependency views of underdevelopment, and following its transition to a ‘new’ form associated with the Neoliberal counter-revolution in development. In this latter respect, it went on to consider the specific benefits that are perceived to be gained if developing countries engage in some form of regional integration. Finally, the paper considered the place of the EU’s developmental regionalism with the interregional layer in the architecture of global governance.

The paper has recognised that interregionalism as a component of global governance, and specifically its capacity building variety, possesses certain synergies with developmental regionalism, and in this respect, the interregional context of the EU-ACP development relationship may serve to reinforce the regional development process. If this is to be the case, however, these synergies need to be recognised and acted upon. The Union needs to focus its interregional efforts on those aspects that will build the capacity of their dialogue partners in the ACP. In this way, the development model chosen may be positively reinforced. A focus on roles and

functions of interregionalism that are essentially beyond the capacity of their ACP partners would be to waste resources for little perceived benefit, and in a worst case scenario, such failures could breed discouragement. Such functions may, eventually, be performed as the intra-regional integration process within developing country groupings progresses, but to push them at the outset is a virtual recipe for failure.

Importantly, in making such recognitions, this paper has begun the first tentative steps in the elaboration of a model of 'developmental interregionalism'. A developmental interregionalism can be envisaged in which the regionalist model of development is premised upon the existence of interregional dialogue, thus both reinforcing the developmental process, but also situating it firmly within the broader architecture of global governance. By situating such developmental relationships within the broader system of governance, much may be done to overcome the sense of exclusion of which developing countries often complain.



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