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# UNIT 15 COMPARATIVE REGIONAL INTEGRATION

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## Structure

- 15.0 Introduction
- 15.1 Objectives
- 15.2 The EU and Regional Organizations
  - 15.2.1 The EU and Mercosur
  - 15.2.2 The EU and the Central American Integration System
  - 15.2.3 The EU and the Andean Community
  - 15.2.4 The EU and the Gulf Cooperation Council
- 15.3 The European Union and ASEAN
- 15.4 Asia-Europe Meeting (ASEM)
- 15.5 The European Union and SAARC
  - 15.5.1 Regionalism in South Asia and Europe: A Comparison
  - 15.5.2 Relations between the EU and SAARC
- 15.6 Is the European Union a Model for other Regional Organizations?
  - 15.6.1 Is the European Union a Model for SAARC?
  - 15.6.2 Lessons of the EU Experiences for SAARC
- 15.7 Comparative Regional Integration
- 15.8 Nature of European Integration
- 15.9 Summary
- 15.10 Exercises
- 15.11 References and Readings

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## 15.0 INTRODUCTION

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During the 1980s and 1990s, there has been a resurgence of regionalism in Western Europe, North America, Latin America, and Asia. The resurgence of many of these regional groupings has been inspired by the example of the European Union in cementing political relations between historical rivals through increased trade, investment, and denser cultural and elite linkages. Economic regionalization in the South has been accelerated as a result of the end of the Cold War, globalization, and a keen desire to provide a stimulus to investment, employment, and growth in view of an increasingly competitive international economic environment. The European Union attaches considerable importance to regional integration as a vehicle to foster better understanding between **neighbouring** countries and to forging of multilateralism and a multipolar world in the long run.

The European Union has cooperation agreements with a number of regional organizations, viz. the Andean Community (CAN; formerly the Andean Pact), the Association of South East Asian Nations (ASEAN), the Gulf Cooperation Council (GCC), Mercosur (Mercado del Sur), the South African Development Community (SADC), and the South Asian Association for Regional Cooperation (SAARC). Most of these interregional arrangements include trade and economic relations in addition to political dialogue, development cooperation, and cultural relations. We analyse these in this unit.

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## 1.1 OBJECTIVES

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After going through this unit you should be able to understand:

- Nature of European Union's relationship with other regional groupings including SAARC;
- Peculiar characteristics of European Union which can be considered as model of regional cooperation;
- Lessons SAARC can learn from European Union experience; and
- Place and nature of European Union in the framework of current trends in regional integrations.

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## 15.2 THE EU AND REGIONAL ORGANIZATIONS

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### 15.2.1 The EU and Mercosur

Amongst the three main regional integration processes in Latin America, viz. Mercosur (Mercado del Sur), the Central American Integration System (SICA), and the Andean Community, the European Union's relations with Mercosur are the most developed.

Less than a year after the establishment of Mercosur (comprising of Argentina, Brazil, Paraguay and Uruguay) in 1991, the European Commission signed an agreement to provide technical and institutional support for the organization's fledgling structures in an Interregional Framework Cooperation Agreement in 1996.

The European Union conducted negotiations on the conclusion of a Political and Economic Association Agreement with the Mercosur between 1999 and 2004, which is regarded as the most advanced regional economic grouping in Latin America. Mercosur remains basically an intergovernmental organization even though a number of regional institutions, including a Secretariat, have been set up. It does not yet have any genuine elements of supranational organizations like the EU and it has not so far been able to establish a Common Market. Negotiations to conclude a free trade agreement between the EU and Mercosur have not yet led to a concrete result so far. [European Commission, "The EU's Relations with Latin America – Overview," at [http://ec.europa.eu/comm/external\\_relations/la/index.htm](http://ec.europa.eu/comm/external_relations/la/index.htm).]

### 15.2.2 The EU and the Central American Integration System

Cooperation between the EU and the Central American Integration System (SICA) takes place on the basis of the 1993 Framework Cooperation Agreement, which led to the establishment of a Joint Committee and a Sub-committee for Cooperation, which meets at regular intervals. EU-SICA cooperation has focused on human rights and democracy, integrated rural development, disaster prevention and reconstruction, social development and regional integration. During the period 1995-2001, the region has received an average of Euro 145 million per annum of economic, technical and financial cooperation. The EU signed a new Political Dialogue and Cooperation Agreement with the Central American Integration System (SICA) on 15 December 2003. In May 2006, the EU and SICA agreed to initiate negotiations on an association treaty, including the establishment of a Free Trade Area between the EU and Central America. This will replace the 1993 agreement after it has been ratified by all signatories. [European Commission, "The EU's Relations with Central America – Overview," at [http://ec.europa.eu/comm/external\\_relations/ca/index.htm](http://ec.europa.eu/comm/external_relations/ca/index.htm).]

### 15.2.3 The EU and the Andean Community

The European Union concluded the first Framework Agreement with the Andean Community (originally called the Andean Pact) in 1983. This was replaced by a second agreement in 1993, which envisaged cooperation in social infrastructure and services. Regular political dialogue has been conducted on the basis of the Rome Declaration of 1996. The new Political and Cooperation Agreement was signed on 15 December 2003. In July 2006, the European Commission and the Andean Community decided to initiate the necessary internal consultations and undertake the necessary steps allowing for the launch of

negotiations for an Association Agreement between the EU and the Andean Community. [European Commission, "The EU's Relations with Latin America – Overview," at [http://ec.europa.eu/comm/external\\_relations/la/index.htm](http://ec.europa.eu/comm/external_relations/la/index.htm).]

### 15.2.4 The EU and the Gulf Cooperation Council

The European Community and the Cooperation Council for the Arab States of the Gulf (GCC) (consisting of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) signed a cooperation agreement in 1989, which seeks to contribute to strengthening stability in a region of strategic importance and to facilitate political and economic relations. The Working groups have been established in the fields of energy and the economy. The Cooperation Agreement provides for an annual Joint Council/Ministerial Meeting between the EU and the GCC foreign ministers and senior officials. The 1989 cooperation agreement also stipulated that both sides would seek to enter into negotiations on a Free Trade Agreement.

Negotiations gained some momentum in 1999 when the GCC resolved to create a GCC customs union. Negotiations, which resumed in early 2002, are still continuing. In the aftermath of the war in Iraq (2003), the European Commission is seeking to enhance cooperation activities with the GCC within the framework of the Strategic Partnership for the Mediterranean and the Middle East approved by the European Council in June 2004. [European Union, "The EU's Relations with the Gulf Cooperation Council – Overview," at [http://ec.europa.eu/comm/external\\_relations/gulf\\_cooperation/intro/index.html](http://ec.europa.eu/comm/external_relations/gulf_cooperation/intro/index.html).]

The GCC is the EU's sixth largest export market and the EU is the first trading partner. In 2004, EU exports to the GCC amounted to Euro 40 billion whereas EU imports from the regional amounted to Euro 25 billion. EU foreign direct investment in the Gulf 8 (six GCC countries plus Yemen and Iraq) declined from Euro 1.8 billion in 2001 to Euro 600 million in 2003.

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## 15.3 THE EUROPEAN UNION AND ASEAN

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The European Economic Community (EEC) was the first dialogue partner to establish informal relations with the Association of Southeast Asian Nations (ASEAN) in 1972. The links were institutionalised when the EEC signed a Cooperation Agreement with the ASEAN in March 1980.

The EU participates in a series of consultative meetings with ASEAN, which include the ASEAN Regional Forum, the ASEAN-EU Ministerial Meeting, Economic Ministers Meeting, and meeting of Senior Officials. There is a region-to-region dialogue on policy sectors like trade, information and communication technologies, climate change, transport, etc.

Clashes over values arose in the early 1990s between the EU and ASEAN because the European Commission sought to include clauses on human rights and democracy in the new "third generation" cooperation agreement that was to replace the 1980 one. When around 1993, ASEAN began to counter "Western universalism with Asian cultural relativism" by its advocacy of the Asian value doctrine, ASEAN-EC relations were caught in "a stalemate". However, the protracted economic recession and resultant fears of being economically and politically marginalized in an emerging Pacific Century led to a change in the EU's ASEAN policy. (Juergen Rueland, 2001, p. 18-19.) The return to more pragmatic policies by concentrating on common economic interests. The European Union's New Asia Strategy (1994) declared that ASEAN would remain the cornerstone of the EU's dialogue with Asian countries.

With the establishment of the Asia-Europe Meeting (ASEM) in 1996, the enthusiasm and momentum in ASEAN-EC bi-regional dialogue began to decline. After ASEAN accepted Burma/Myanmar as its member in July 1997, there was considerable friction with the European Union, which had imposed sanctions on the Burmese military junta. In the wake of the Asian financial crisis of 1997, the Asians were disappointed with the EU's lack of solidarity. However, it emboldened the EU to "return" to its previous value-based foreign policy. In view of continuing differences over Burma, the Joint Commission Meetings (JCC) were postponed for more than two years and the ministerial meetings for nearly three years. It was only in 2000 that a compromise was reached whereby Burma was allowed to attend JCC meetings provided it did not speak at the meeting. Laos and Cambodia were admitted to the ASEAN-EU Cooperation Agreement in July 2000,

Burma continues to be kept out of it so far. (Rueland, "ASEAN and the European Union," p. 20.) However, differences over human rights issues remained and lack of interest on the part of Europeans which was reflected in the low level of European attendance.

In September 2001, the European Commission presented its Communication "Europe and Asia: A Strategic Framework for Enhanced Partnerships", which identified ASEAN as a key economic and political partner of the EC and emphasised its importance as a locomotive for overall relations between Europe and Asia.

On 6 December 2006, the European Commission requested a negotiating mandate from the Member States for a comprehensive and competitiveness-driven bilateral trade agreement with ASEAN which will include a great degree of trade liberalization of services and investment. The Commission hopes to begin negotiations in early 2007.

ASEAN-EU interregionalism is characterized by a number of problems:

- 1) ASEAN-EU regionalism basically performs balancing functions. This reduces incentives for deepening inter- and transregional institutions. The EU's policy vis-à-vis ASEAN lacks direction and strongly responds to changing power relations. Its pre- and post-Asian crisis value policy is indicative of this. . .
- 2) If ... the present low level of institutionalization persists, there is little likelihood that the relationship will ever transcend the present state of low politics characterized by a laundry list of uncoordinated projects.
- 3) By creating parallel structures including ASEAN-EU ministerial meetings and ASEM, Euro-Asian interregionalism has contributed to redundancy in international institution-building.... (Rueland, "ASEAN and the European Union," pp. 27-28.)

In recent years, the European Union has tended to concentrate on China, East Asia and India and has tended to accord less priority to ASEAN.

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## 15.4 ASIA-EUROPE MEETING (ASEM)

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The Asia-Europe Meeting (ASEM) is an informal dialogue process, which was established in 1996 against the background of the end of the Cold War, the growing importance of Asia, and the deepening of European integration. Though economic factors were primary motivating factors for its establishment, it was also related to the desire of Asian countries to balance their dependence on Japan and the United States. The First Summit was held in Bangkok, Thailand in March 1996 and the sixth summit, which celebrated ten years of the organization, was held in Helsinki (Finland) on 10-11 September 2006 between 38 Heads of State or Government (comprising the EU-25 and the President of the European Commission and the 13 Asian countries, viz. Brunei, Burma/Myanmar, China, Cambodia, Indonesia, Japan, South Korea, Malaysia, Laos, the Philippines, Singapore, Thailand and Vietnam). In September 2006, the Helsinki ASEM 6 summit decided to admit Bulgaria and Romania on the European side and India, Mongolia and Pakistan and the ASEAN Secretariat on the Asian side to the ASEM process, upon their completion of the necessary procedures. Thus, at the next ASEM summit in 2008, 43 (27 European and 16 Asian) states will take part.

The key characteristics of the ASEM process are that it is informal, multidimensional in the areas that it covers, and provides a platform for meetings at high level (heads of state or government, ministers and senior officials), and with an increasing focus on fostering people-to-people contacts in all sectors of society. ASEM summits, held every two years alternating between Europe and Asia, provide overall political guidance for the process. The overall coordination of the ASEM process is in the hands of the foreign ministers and their senior officials. They are assisted by four coordinators: two from Europe (the European Commission and the country holding the presidency) and two from Asia (one from the 10 Southeast Asian countries and one from the three Northeast Asian countries). There are also ministerial level meetings which take place every year between foreign affairs, finance, economics ministers and more recently on science and technology, environment, and migration issues) and ministerial conferences on cultures and civilizations apart from meetings of Finance Deputies and senior officials on trade and investment matters. seminars and joint projects on a wide range of issues, involving business, civil society and other stakeholders as well as the official level.

ASEM established the Asia Europe Foundation (ASEF) in 1997 to promote cultural and intellectual exchanges. European involvement in the ASEAN Regional Forum (ARF) continues to be limited.

ASEM activities are organized into three pillars, viz. political, economic, social/cultural/intellectual. Within the political pillar, the key focus is on reinforcing the multilateral system, addressing major international and regional development, security and cooperation in dealing with terrorism, environmental and human rights issues, and dealing with global issues like migration, transnational crime, etc. In the economics pillar, key activities have included the promotion of multilateralism, trade and investment, dialogue on financial issues and with the business sector, and the pursuit of closer business partnerships. Within the social/cultural/intellectual pillar, the emphasis has been on promoting cultural diversity and inter-faith dialogue. [See European Commission, External Relations, *ASEM 6, 10-11 September 2006, Helsinki: 10 Years of ASEM: Global Challenges – Joint Responses* (Luxembourg, 2006), pp. 11-15, at [http://ec.europa.eu/comm/external\\_relations/asem/asem\\_summits/asem6/asem6\\_brochure\\_72.pdf](http://ec.europa.eu/comm/external_relations/asem/asem_summits/asem6/asem6_brochure_72.pdf).]

The importance of the ASEM lies in (a) as a dialogue facilitator between Asia and Europe providing a forum to discuss major regional and international issues; (b) a policy-making laboratory allowing participants to develop and test new ideas for policy-making and for sharing knowledge and experiences; (c) management of Asia-Europe relations; and (d) development of broader political dialogue, stronger economic relations, and more extensive cultural relations. [10 Years of ASEM: Global Challenges – Joint Responses (Luxembourg, 2006), pp. 19-20.]

Since its inception, Asian countries preferred to talk about non-controversial issues like economic and cultural issues whereas the Commission stressed political dialogue and political issues, especially human rights, good governance and rule of law. Perhaps the problem is related more to the ways of doing things and thinking rather than about values.

ASEM has contributed to clarifying Asian perceptions in Europe and vice versa. It has led to greater socialization of governmental and nongovernmental elites of its member countries and fostered a more positive attitude towards multilateralism. It played a catalytic role in encouraging Asians to express openly and harmonize their positions on security issues leading to concrete cooperation in "soft" security areas like money laundering.

In recent years, Asian member states of ASEM have felt that many European countries did not take ASEM seriously since there has been a lack of attendance of higher-level representatives at ASEM meetings. There was some disillusionment with Europe because of its lack of support and solidarity during the 1997 Asian financial crisis. Some member states have urged the need for a permanent Secretariat for ASEM, but the European Commission has stressed the non-necessity of a secretariat. As an inter-regional forum, ASEM essentially remains an instrument used for diplomacy networking, information-gathering, and confidence-building.

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## 15.5 THE EUROPEAN UNION AND SAARC

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### 15.5.1 Regionalism in South Asia and Europe: A Comparison

Like Europe, the founding fathers of SAARC felt that in view of the inherent problems of geography, perception and history, it was best to begin with "low politics" – the relatively non-controversial issues of socio-cultural cooperation which could gradually and in due course be expanded to enhanced cooperation in core areas of trade and commerce. Both the EU and SAARC seek to build common approaches in the two regions and contend with the divergent perceptions and reservations of individual member countries.

The objectives and processes of regionalism in Western Europe and South Asia differ considerably including conceptually and structurally. Historically and culturally, too, Western Europe exhibits several features of commonality, which do not prevail in South Asia.

First, SAARC and the European Union are very different. The European Union consists of "old" industrial, developed countries, which have graduated from the tasks of nation-state building and are willing to look at themselves as part of a larger whole. SAARC, on the other hand, still comprises developing countries with

low incomes, which for decades has hampered the process of regional cooperation. Unlike South Asia, Western Europe is an extremely cohesive and homogeneous in terms of ethnicity, language and culture. The common features of West European cultural conditions contributed positively to making international coordination feasible. These differences are significant in the identification of problems, of how policies are formulated, and what instruments are used for implementing those policies.

Second, EU member states are committed to parliamentary democracy, a multi-party system, free and regular elections, market economy and public institutions. Though the European Community did not initially have a formal requirement that member states ought to be democracies, but subsequently by convention and practice such a precondition has existed since the 1960s. One of the major justifications for the admission of Greece, Spain and Portugal was to help stabilize, consolidate and strengthen democracy. The pattern of nation-building in South Asia, on the other hand, has been complex and far from uniform. Apart from India and Sri Lanka, democratic experiments in other South Asian countries have floundered time and again. South Asia has several democracies (India, Sri Lanka, Maldives, Bangladesh, and most recently Nepal [which has very recently dethroned the monarchy]), one monarchy (Bhutan), and a military dictatorship (Pakistan).

Third, the motivations for regional integration in Western Europe and South Asia are different. Political motives behind European integration was the result of the quest for an alternative for the discarded nationalist identities and ideologies which led to huge losses in the Second World War and the overwhelming desire to avoid conflict in future. The cornerstone of the European Community was the political resolve to settle differences between two arch-enemies – France and Germany. European integration was also driven by the need to accelerate postwar economic recovery by the creation of a large common market, and expectations that an integrated Europe would lead to a new shared power in world politics and facilitate political independence in a world dominated by the super powers. Economic and military integration in Western Europe was considerably facilitated by the United States – the external federator. None of these internal or external factors were prime movers of regional cooperation in South Asia. The divergence in security perceptions of SAARC member states handicapped and dampened regional integration. South Asian regionalism was neither super power-sponsored nor born to deal with an external threat. Political-security concerns were entirely absent from the concerns of South Asian elites in the formation of SAARC, which arose from a purely economic rationale.

Fourth, the perception of a common external threat was a significant factor leading to the establishment of both the European Economic Community. The United States as the external federator was determined to foster economic and military integration of Western Europe so that it would not fall under communist influence. In the case of South Asia, however, there neither was an external catalyst nor a similar perception of external threat. On the contrary, India was perceived as posing a threat to the security and territorial integrity of the smaller states, against which security was necessary (which usually took the form of soliciting the involvement of external powers in subcontinental affairs) whereas India perceived her neighbours as being integral to its own security. The divergence in security perceptions of SAARC member states has impeded enhanced regional economic cooperation. The urge to form a regional economic grouping was internal, without the direct or indirect involvement of any external power.

Fifth, market forces and powerful economic interests, both public and private, stressed the need for a large and secure European market not only as an outlet for their production and services, but also as a base to enable them to compete effectively in their international markets. The driving force behind the Single Market was more economic than political, more the urging of the business community than the initiative of the public. In South Asia, on the other hand, the process is from top-down with a minimal role for South Asian business interests to become the driving force for fostering regional integration. All initiatives are **government-sponsored** and government-managed.

Sixth, in the European Union, the process of regionalism remains an elite driven process. Despite fifty years of integration, there continues to be a low level of popular support for the regionalist enterprise. Each step towards coordination and cooperation in any one specific sector led to new awareness of obstacles, or of **unexploited** opportunities for coordination in related or other new sectors. This led to increasing **international** consultation on an ever-widening range of issues. Steps towards integration have not been dictated by economic logic.

Seventh, Western Europe is characterized by the dispersal of strength in Europe. In the European Union, despite variations in size and population of member states, there is no one member which looms as large as India, or is the only unifying or dividing factor. The European Union has at least four, viz. the United Kingdom, France, Germany, and Italy, of a relatively similar population and similar economic strength. No one Member State has the ability to dominate the region. South Asia, on the other hand, is characterized by the overwhelming predominance of India in terms of size, population, resources, potential of economic growth, military strength and a number of smaller states with no common border between them. While India borders or is adjacent to five SAARC member states, its neighbours have borders with none. This basic asymmetry colours the perceptions of India's neighbours, who have sought to counterbalance Indian influence by seeking the involvement and support of external powers in the region. A prime motivating factor behind the establishment of SAARC was the common fear of all small countries of domination by India and hopes that Indian ambitions to regional hegemony could be contained within the framework of a regional grouping. South Asian ruling elites have been more concerned about domination rather than working out a functional relationship with India as has been the case in ASEAN despite Indonesia's overwhelming position.

Eighth, the European Union has supranational laws and institutions, comparable to those existing in national systems. EU Member States have found different and creative ways of sharing sovereignty and pooling common interests and policies. Unlike the steadily expanding sphere of competences of the European Union and a common desire to curtail elements of sovereignty in most areas by the creation of supranational institutions, there is no desire whatsoever in South Asia to do so.

Ninth, unlike Western Europe, there is a lack of economic complementarity in South Asia. Thus, despite a common civilizational heritage, shared history, and potentially integrative eco-systems, member states of SAARC have still been unable to meaningfully and effectively cooperate in fostering greater economic development in trade, industry, and investment. South Asian economies are competitive rather than complementary and dependent to a large extent on the same product categories. Unlike the European Union where intra-regional trade accounts for over 65 per cent, intra-regional trade in South Asia is about 5 per cent of its global trade and intra-SAARC investment is only 1 per cent of its total investment.

Tenth, unlike the principle of consensus or majority voting as is increasingly followed in the European Union, all formal decisions in SAARC, including the choice of issues to be discussed and the areas in which to cooperate, must be unanimous.

Eleventh, there is no formal institutionalized process for the discussion of bilateral political disputes among member states within the existing framework of SAARC. Political discussions have taken place, including on some bilateral issues, between the countries directly concerned, informally and on the sidelines of summits and Council meetings. These meetings have contributed both to the diffusion of tension and the facilitated the resolution of some disputes.

The differences in the evolution, geo-political milieu of the European Union and SAARC are significant in the identification of problems, of how policies are formulated, and what instruments are used for implementing those policies. There is therefore a natural difference in their priorities and institutional frameworks. Comparisons can therefore be misleading. Thus, given the structural differences in the conditions and the institutional frameworks for the EU and SAARC one cannot apparently compare the incomparable since the former is perhaps the most successful experiment in human history and the most advanced and complex grouping and the latter is nearer the other end of the spectrum. The goal of SAARC is neither political nor economic integration; it seeks closer economic cooperation. The above discussion demonstrates the limits and possibilities of inter-regional comparative analysis.

## **15.5.2 Relations between the EU and SAARC**

Since the end of the 1970s, the European Community has been increasingly inclined to encourage and strengthen links with other regional economic groupings. However, from the outset member states of SAARC preferred to maintain their bilateral agreements with the European Community rather than develop a regional basis for future cooperation.

Initial contacts between the European Union and SAARC were initiated in 1988, but the first attempt to reach out to the European Community was made only in 1992. A Memorandum of Understanding between the European Commission and the SAARC Secretariat (10 July 1996) envisaged cooperation in three main areas, viz. exchanges of information on issues of mutual interest, staff training to strengthen the functioning of the SAARC institutions, and technical assistance. However, internal problems within SAARC prevented any effective implementation of the MoU even though agreement was reached to cooperate in certain areas.

SAARC has had an informal Ministerial-level dialogue with the European Union on the sidelines of the United Nations General Assembly in 1998 and 1999. But Indo-Pak tensions and the deployment of troops on the border led to heightened tensions in the region. After the withdrawal of troops in October 2002, the Dutch presidency sought to resume the dialogue in 2003 but it could not be held due to "logistical reasons". Thus, political dialogue between the EU and SAARC had, at best, been *ad hoc*. There was no mechanism to develop this along the lines of the EU-ASEAN dialogue.

Despite the keen desire of the European Union to enter into more concrete areas of activity like a free trade area, banking and development of norms and standards, WTO-related issues, transit and maritime issues and the area of environment, etc., hopes that the EU-SAARC dialogue would become a regular feature and help identify new areas of economic and social cooperation as well as move to effectively implement projects and programmes in agreed areas of cooperation on which the two groups have some measure of understanding has not made much progress.

There has been very limited cooperation between the European Union and SAARC. Apart from the inclusion of SAARC in the Generalised System of Preferences Cumulative Clause of the Rules of Origin (w.e.f. 1 October 2000), there are really no meaningful EU-SAARC projects that are being financed by the European Commission. The lack of political cohesion among the SAARC members themselves, especially the uneasy relationship between India and Pakistan, makes the organization "unsuitable as a political dialogue partner". The European Commission feels that "internal divisions" within SAARC, has prevented much effective cooperation with the European Union.

SAARC found new dynamism with the adoption of the SAFTA framework treaty by the 12th SAARC summit (January 2004) (operational w.e.f. 1 January 2006), SAARC, the European Commission felt, had thus given itself "a clear economic integration agenda, which could provide the basis for closer cooperation with the EU". However implementation of SAFTA remains clouded. Therefore, as long as South Asian regionalism remains underdeveloped and does not make much headway in closer economic cooperation, there do not seem to be bright prospects of developing an inter-regional Europe-South Asian relationship.

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## 15.6 IS THE EUROPEAN UNION A MODEL FOR OTHER REGIONAL ORGANISATIONS?

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The successes of the process of European integration, among others, include (a) desire for avoidance of war and Franco-German reconciliation; (b) successive enlargements; (c) achievement of the European Monetary Union and the launch of the Euro; (d) establishment of a single market; (e) common economic policies; (f) the Common Foreign and Security Policy; and (g) Justice and Home Affairs. It has "altered the dynamics of international diplomacy, of international and interregional trade relations and our understanding of the nature and scope and reach of global actors. It has wrought an alteration of the previously understood boundaries between domestic and international politics. Its complex political arrangements, institutional practice and governance have established it as a putative model for international governance norms and standards as well as regionalisation". [Philomena Murray, 2003, p. 103.]

At the same time, the European Union has been criticized, among others, on the following grounds: (a) a protectionist bloc, especially its Common Agricultural Policy; (b) inward-looking, self-engrossed and Eurocentric; (c) excessively market-driven; (d) its governance structure and norms lack transparency, accountability, and democracy; (e) its management style is perceived by some as being over-technical, technocratic and bureaucratic, characterized by occasional corruption, nepotism, and excessive secrecy. [Murray, pp. 103-104.]



"Sharing our experience of regional integration," External Affairs Commissioner Chris Patten pointed out, is perhaps "one of the most important international contributions that Europe can make". The EU has "a natural interest" in regional integration, being itself a kind of project for regional stability and free trade.

Both the European Union and a number of scholars argue that the EU can "export" its model of regional economic integration both horizontally and vertically to the global level, to global institutions (supranational governance) and that the EU can export its liberal vision of peace through democracy. The notion of a EU like "more advanced model on a linear trajectory" has pervaded not only European discourse but often of those who seek to emulate it. (K. Nicolaidis and R. Howse, 2003, pp. 342-343.) In the ultimate analysis, the EU is less a model to be emulated than "a laboratory" where "options for politics beyond the states are generated, for the taking". It is a laboratory where "approaches to inter-state problems are tested, refined or rejected and where notions of justice beyond the state are progressively and tentatively operationalized". [Nicolaidis and Howse, pp. 345 and 357.]

The prospects for the export of the EU model seem to be determined in important respects by the extent to which the European Union itself engages with other regions and provides them with incentives to integrate. This has most clearly been evident in the case of the enlargement process in Central and Eastern Europe, the Mediterranean and the Balkans, where propitious conditions were present.

### 15.6.1 Is the European Union a Model for SAARC?

In the extensive literature on South Asian regional cooperation, there are some who admire the achievements of European integration and wonder why some of its successes cannot be emulated in the subcontinent, especially in promoting regional trade and economic cooperation. In January 2003, India's Foreign Minister Yashwant Sinha remarked that the EU was indeed an "example of regional cooperation that we in Asia could emulate". He urged that "we move forward from SAARC and think of a South Asian Union...[which] will not merely be an economic entity. It will acquire a political dimension in the same manner which the European Union has come to acquire a political and strategic dimension.... I am not suggesting an end to SAARC but an upgradation of SAARC into a South Asian Union." At the Islamabad summit (January 2004), Prime Minister Vajpayee proposed a common currency for South Asia.

On the other hand, others maintain that the continuity of the EU and the failure of some regional experiments in the developing countries, e.g. the Latin American Free Trade Association (LAFTA), the East African Common Market (EAC), etc. attest to the difficulty in drawing either a parallel, or seeking a model for SAARC from the European case. Thus, the European integration process is absolutely exceptional and difficult to export as such elsewhere in the world.

### 15.6.2 Lessons of the EU Experiences for SAARC

The European Union fully realizes the "difficulties that SAARC has in discussing political issues, and SAARC member states are not Europe". However, the Commission feels that it "can help consolidate the integration process through its economic influence in the region, its own experience in dealing with diversity, and its interest in crisis prevention".

Amongst the lessons that the process of European integration can have for South Asia are the following:

- 1) ***Seeking compromises.*** One of the lessons that SAARC can learn from the EU is the need to build on common interests in order to promote the common good reconciled divergent interests in order to reduce the potential for conflict and increase mutual benefits of cooperation.
- 2) ***Equitable distribution of benefits.*** The process of European integration illustrates that even though there have been recurrent conflicts amongst member states over an equitable distribution of benefits, the more prosperous states like Germany have willingly accepted the redistribution of resources to less well-to-do states like the South European countries through instruments such as regional and structural funds in order to reduce disparities and to accelerate the process of economic development in poorer regions. Some of the smaller member states of SAARC have been urging transfers somewhat similar to other trade blocs, to weaker economies to mitigate the adverse effects of more liberalized trade.

- 3) *Spillover effects.* Regional cooperation in Europe has fostered positive spillover effects: the gradual cascading of gradually increasing economic cooperation will foster greater political cooperation. However, while spillovers can soften adversary positions they are unlikely to dissolve them **directly** and quickly.
- 4) *Procedural innovation.* Though the complex structures of EU institutions cannot be reproduced in other regions, SAARC can gain some insights and knowledge from EU experiences in institutionalized integration since there are certain common elements such as the guiding principles, flexibility and strength in practice, the handling of national and regional issues, the **formulation** of proposals which are of common benefits to the region, and how economic integration and political consultation could proceed side-by-side each reinforcing the other. The European Union has always survived by finding innovative, creative solutions to problems. It has sought to do so by institutionalizing **consensus** and compromises and the adoption of two new tools, viz. open method of cooperation (intergovernmental) and reinforced cooperation (Schengen, Euro).
- 5) *Role of civil society.* Europeans frequently stress the advantages of Track II diplomacy, which has been of considerable success in Europe. Cross-border connectivities and cross-community linkages have been of considerable importance because more contacts mean more interdependencies. But, people-to-people contacts also have their limitations. They are useful, but by themselves they cannot trigger fundamental changes.

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## 15.7 COMPARATIVE REGIONAL INTEGRATION

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Interregionalism – comparative by a new phenomenon in international relations – is a derivative of the twin processes of globalization and the so-called “new regionalism”. It is of two types, viz. bilateral interregionalism or bi-regionalism (group-to-group dialogues without common overarching institutions) and trans-regionalism, which typically develops common institutions such as a secretariat and a modicum of independent actorness. (Juergen Rueland, 2007, p. 107-110.) Interregionalism has five major functions, viz. balancing, institution-building, rationalizing, agenda-setting, and identity-building. [See Rueland, pp. 112-115.] Interregionalism is a “potentially important intermediary level of policy-making in an emerging multi-layered system of global governance”. [Rueland, p. 122.]

Ludger Kuehnhardt draws the following conclusions on comparative regional integration:

- 1) There is no universally applicable theory of integration. No law of politics explains inevitable patterns toward regional integration. Contingent combinations of motives, context, goals, interests and potentials define every individual integration process. . . .
- 2) The European experience with integration suggests that functional integration takes place notwithstanding the original purpose and orientation of integration schemes. It can, in fact, reach out into a new policy field, depending on political circumstances in a region and the challenge as defined by regional political leaders. . . .
- 3) Motives [for transnational cooperation in most non-European states] remain mixed and approaches mostly inconclusive. . . . The search for answers to specific economic, political or security challenges is increasingly geared toward regional responses. . . .
- 4) As long as bilateral conflicts nurture mistrust in a region that is divided by different political regimes, progress toward viable integration is unlikely (SAARC, ASEAN, SADC). . . .
5. Widely spread in non-European regions is either the presence of one dominating regional power or the absence of a clearly and “naturally” defined “lead couple” (Saudi Arabia, India, Nigeria, South Africa. Often it is therefore not obvious which countries could play the joint role of a locomotive for regional integration [like France and Germany in the European Union]. In the absence of this possibility, regional integration remains largely reactive to challenges the whole region can recognize as common concern. [Ludger Kuehnhardt, “The Global Proliferation of Regional Integration: European Experiences and Worldwide Trends,” *ZEI Discussion Paper C136/2004* (Bonn: Center for European Integration Studies, 2004), pp. 53-57.]

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## 15.8 NATURE OF EUROPEAN INTEGRATION

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The European Union is a strange political and economic animal which is not easy for Europeans to understand. It is even more difficult for Indians to understand the EU – its institutions and its working because of (a) the distance; (b) the EU is not a typical or **classical/traditional** international organization; (c) because the EU is not getting the attention that it deserves; and (d) because of the fear of the unfamiliar: what is it; how does it work.

European integration began under very specific and rather complex geo-strategic, political, and economic conditions after World War II. Integration was favoured by the United States (external federator) and the urgent need for the reconstruction and revitalisation of devastated West European economies during the Cold War. There were *five major reasons for the economic and political integration of Europe*, viz. (a) desire for a new identity (alternative to narrow nationalism; avoid a recurrence of war); (b) the containment of Germany; (c) the wish for security since in the aftermath of the Second World War, Europe was the scene of the largest concentration of atomic, biological, and chemical weapons; (d) hopes of economic prosperity and recovery ("Trade, you will, not fight" was the basic principle); and (e) expectations of a new shared power since at the end of the Second World War all major European powers were relegated to the status of **second-class** middle powers.

*Franco-German reconciliation* formed the foundation of the process of European integration. The two arch enemies agreed to overcome their bloody past by pooling their interests, forming supranational institutions and pursuing integration. France and Germany constituted 40 per cent of the population of the EU and produced 50 per cent of the EU output; each is each other's principal trading partner. The objective behind Franco-German amity was to create a web of cooperation to generate *de facto* solidarities to make new conflicts unthinkable, but to bring an ever closer union. In fact, close Franco-German cooperation has provided the motor for the process of European integration. At every stage, joint action by France and Germany played a crucial role even though their nationals often differed on economic and monetary policies as well as on foreign policy issues, especially regarding relations with the United States. However, when France and Germany were able to reach a compromise, it tended to be fairly close to the common denominator on which other member states could also eventually agree upon. Stagnation in the process of European integration was usually the result when France and Germany failed to reach an agreement. In an enlarged EU of 25, and from 1 January 2007 27 Member States with the admission of Bulgaria and Romania, the relative influence of the Franco-German motor has declined somewhat. However, despite differences over long-term objectives, Berlin and Paris were often able to agree on mutually acceptable interim steps.

The European idea was not an answer to a common vision, but more of muddling through. It has not been possible to predict outcomes in the process of European integration. Progress has generally been contingent on the degree of compromise that was possible to achieve. Very often, this was an outcome of open or hidden political games.

European integration has not been a **unilinear** path of constant progress and advancement. There have been both advances and setbacks. In fact, the EU matured from fits and starts; progress in European integration has been the result of many crises.

The process of European integration has essentially been a movement from "low" politics (economic cooperation, common market, single market, single currency) to "high" politics (foreign policy and security).

Despite disagreements amongst member states as to just how much, and what kind of integration they wanted, there has been general agreement that there are benefits for all from the integration process, viz. promotion of economic growth and the promotion of harmonious relations amongst states of Europe.

European integration is essentially an elite-driven process because there are no direct lines of accountability between decision-makers and the citizenry; a top-down process. However, it is also true that European elites do not always reflect popular concerns. They also do not display a general desire amongst all member states to open treaties to popular referendum or approval.

The EU is emerging as a regulatory state with convergence at both national and EC levels primarily because of a willful transfer to competences to supranational authorities. It is creating new areas of state **interventionism** as well as creating and transferring competences. Within the EU, transferring authority from member countries to the Union has occurred, with the EU's regulatory decisions now affecting all the member states. However, the decisions are being made by authorities (e.g. the Commission and the Council of Ministers) that are not fully democratic and certainly not fully accountable.

The Community remains, as it always has been, a non-stop negotiating machine, with detailed programmes and policies. Negotiations lead to compromises over **conflicting/competing** national interests. Over time, members have developed habits of reconciling divergent national interests and harmonizing differences, and reaching compromises. However, compromises always leave some degree of dissatisfaction and therefore bear the seed of new negotiations. Several issues which do not lend themselves to a solution separately, are linked and an overall compromise ("package deal") is found in a complex process of give and take. Sometimes the lowest common denominator prevails. Trade-offs are common. It is only where agreement is not possible, does political involvement become inevitable. As a result, the image of the EU as an eternal talking shop is deeply etched – the meetings, the committees and the simultaneous translations – there are the endless rules and regulations and recurrent wrangling at summits.

The fundamental principle is delegation of sovereignty in a limited, but decisive area. "The cooperation among nations, as important as it may be," as Jean Monnet points out, "does not solve anything. What ought to be sought is a fusion of interests... and not simply their maintenance".

According to Jean Monnet, the nature of the institutional set-up of European integration has been premised on a small and independent executive committee with real decision-making powers composed of distinguished personalities with no official government connections. Such an institutional set-up, Monnet felt, creates transparency amongst member countries; it is based on the principle that "everybody controls everybody" and it forces the member states into constant negotiations with one another. It allows for compromises, which could otherwise not be reached. The secret of success, in terms of the formation of a peace community, lies in intensive social **intercourse** together with the institutional and political need to permanently negotiate has **given rise** to a new culture of conflict management in Europe.

Over the decades, there has been a constant debate between the federalism and intergovernmentalism. There has been no abiding definition of how power is shared by the EU and the European nation-states. Over the years, Europeans have been at odds over who should retain or be assigned what powers and how authority is to be divided among the various levels

The EU is a unique regional economic organization. It is different from supranational groupings of the past. Decisions are taken by institutions of a different kind – planning, collecting information and opinion, drawing up blueprints, re-examining, reconciling – and doing all this from an independent standpoint.

The EU's institutions have always, from the earliest origins of the European Economic Community operated in a highly contested environment. There is no universal agreement about what the EU is or ought to be, and never has been. European integration has become a highly political exercise. This exercise is becoming even more complex in a more heterogeneous EU of 25 states. Irrespective of who is in favour of further EU integration, there remain a divergent natural interests. They will continue to exist, even if the institutional structures become more advanced.

From modest beginnings in the 1950s, European states have increasingly **pooled** some of their sovereignty and delegated powers to European institutions. As a result, many policies (partially or entirely) are decided at the European level, European law is supreme over national law, and 12 states share a common currency. But there **are** still areas – Common Foreign Policy and Security Policy – which nation-states most zealously guard and are most reluctant to move towards European decision-making.

There has been no grand design about the European Union. In fact, no grand, rational strategy towards integration existed. Had one existed, it was rather unlikely for it to succeed.

Integration process has been characterized by an almost constant edging forward, with "advances" followed by pressures for more advances.

The distinctive feature of European integration has not been the final result. This remains an unknown destination. The distinctive feature is that the member states have agreed to undertake a common journey. They have done so because they share the belief that they can solve certain problems much better collectively than they can alone. The EU does not represent a final political union. In fact, ideas among member states about what the EU is and what it should become differ widely.

The European Union is, as it were, work in progress; it does not stop to develop and mature. The European Union is a complex and constantly evolving political system. The EU is undergoing a process of fundamental institutional changes that are comparatively rare in democratic nation states. It is undergoing a process of permanent transformation and adjustment to changing circumstances.

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## 15.9 SUMMARY

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In this unit, you have studied the nature and scope of the relationship of the European Union with other regional organizations in other parts of the world. We have also discussed in detail the EU's relationship with three organizations in Asia, viz. ASEAN, ASEM and SAARC. We have also examined the difficulties of comparative regional analysis, the problems of interregionalism. We have then sought to demystify the nature of European integration by highlighting its most important features.

The experiences gained by a particular organization like the European Union are unique and their strategies or models of cooperation cannot be replicated and or emulate its pattern of goals or events in other regions because no two regions can ever be similar in regard to the motivations, imperatives and strategies for regional cooperation in view of the differences in history, socio-economic and geopolitical conditions. Each region has developed its own approach towards regional cooperation and it is based on its unique characteristics, its own institutional dynamics, and the degree of success which a particular region may have is obviously linked to historical, political, economic, and cultural factors. All regions prefer to pursue a strategy which is consistent with its geo-political milieu.

Studying the EU and European integration is a fascinating and challenging task, but at times it is a tiring and tedious affair. In fact, the European Union is a fascinating laboratory of managing growing interdependence. Globalization has tended to increase the debate about the goals and objectives of European integration.

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## 15.10 EXERCISES

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- 1) Critically evaluate the EU-ASEAN relationship.
- 2) Discuss the working of the Asia-Europe Meeting.
- 3) Make a comparative analysis of regionalism in South Asia and Europe.
- 4) Examine the lessons of European integration for the South Asian Association for Regional Cooperation?
- 5) Evaluate the nature of European integration.

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