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Research for Action

The New Regionalism

Implications for Global Development
and International Security

Björn Hettne

András Inotai

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PREFACE

The papers in this booklet are the two introductory studies of a new UNU/WIDER project on regional cooperation and neo-regionalism. Both are pilot papers; one deals with the main theoretical issues, the other is a case study on Latin America.

The United Nations University commissioned a major research project in the 1980s on regionalism. This new project of UNU/WIDER is built on the experiences gained by that research together with new initiatives stimulated by the main processes of the global political and economic development.

The pursuit of regional cooperation has a long, varied and chequered history. A region is definable, of course, in many different ways. The geographical concept of a region is usually based on its physical characteristics. From an economic point of view, a region is an zone within which there is more intensive cooperation between the countries than their relations with the rest of the world. Geographically, a region is a specific area of political cooperation and/or conflictive relationships. The cultural definition of a region may emphasise the similarity of historical development in such factors as ethnicity, religion, lifestyle, language, and other characteristics of societies. These factors are often inter-related and express one or another aspect of the symbiosis in a given part of the world. Regions could be identified within one country or in the framework of a larger international framework.

For centuries, attempts have been made in Europe to create regions of peace and cooperation, thereby eliminating the causes of tensions and conflicts between nations. In the 18th century, the establishment of the United States on the American continent inspired political thinkers and statesmen to construct similar federal arrangements in other parts of the world. Some of the Hungarian revolutionaries in the mid-19th century dreamt about a federation of nations in the valley of the Danube that would be established on the ruins of the Austrian empire. Nineteenth-century Latin American revolutionaries like Simón Bolívar sought to create a federal structure to maintain, protect, or increase the autonomy of the new countries of Latin America against external powers. In this century, many African revolutionaries have thought in terms of a united, federal Africa. The vision of a united Arab world has been promoted time and again, with pragmatic, albeit ultimately unsuccessful, steps taken toward its realisation by such pan-Arabist politicians as President Gamal Abdel Nasser of Egypt. In the early stages of planning for the post-World War II order, Winston Churchill suggested the establishment of a number of regional councils through which the great powers could exercise leadership in the world.

These are examples of past and unfulfilled ambitions. In the post-World War II era, however, a number of regional organizations have been established in a wide range of areas, including military alliances, like NATO, essentially political groups like the OAS, the OAU, and the Arab League, and economic bodies like the European Economic Community and more than 30 other integration groups, free trade areas, regional development banks, and the regional economic commissions of the UN. The European Community has been by far the most successful and important in influencing both the countries and the global economy. Regional organizations have differed in their geographical breadth; in their specific mandates and political, economic, or military responsibilities; and in their relations to global cooperation structures.

Earlier research work in the framework of the UNU revealed that regionalism (or regionalization) – is a term that has been used to describe very different institutionalized preferences and trends in international political, military, or economic relations among sets of countries – has been promoted by many of its advocates as an interconnecting, unifying process that is a natural outgrowth of bilateral relations. Regionalism, more than three decades ago, has been characterized as a ‘halfway house at a time when single nations are no longer viable and the world is not ready to become one.’¹ According to this definition, regionalism as a bridge could be even beneficial for global cooperation.

Regional regimes and agencies have often also performed a valuable service in the past by enhancing cooperation. The strengthening of the regionalization process has raised since the 1980s growing concerns about the adverse effects on the future of world-wide cooperation. It is a danger indeed, that the emergence of ‘regional fortresses’ and the functioning of comprehensive regional, political and economic cooperation structures within the global system may result in major changes in the post-Cold War order. Since the late 1980s, concern has been growing for example, that the global trading system may disintegrate into a number of trading blocs, regional integration groups, or special cooperation zones which would usher in new forms of competition and conflict. In addition, the Maastricht Treaty, as a milestone in the process of European unification, has prompted additional concerns. There is a danger that the emergence of this new political and economic power centre may inspire other regions to form similar regional blocs and thereby undermine collective global cooperation and security efforts. In the global system of the mid-1990s, the main trends and forms of regionalization – the organization of regional economic integration groups and their consolidation; the development of ‘economic spaces’ within which different preferential agreements for free trade policy harmonization are functioning and the progress toward regional security agreements and institutions – influence cooperation in different ways.

The European economic space is, in fact, an extension of the European Community to countries which may become members at a later stage. This extension is based on agreements which are in harmony with the integration process. Essentially, they are focusing on the liberalization of trade relations with the community. The

¹ Harlan Cleveland, "Reflections on the Pacific Community", *Department of State Bulletin* 48, No. 1243 (April 22, 1963):614

American economic space, known as the 'American Enterprise' has been declared as a goal by President Bush in June 1990 meaning a free trade zone 'from Anchorage to Tierra del Fuego'² The realisation of the North American Free Trade Agreement (NAFTA) has been considered as the first major step. NAFTA, however, could represent a significant step for splitting the American continent.

The third 'economic space' has been conceived by a number of countries in Asia, and initiated by the USA. In this framework, the concrete initiatives for the establishment of an Asia-Pacific Economic Community in 1989 (APEC) and the proposals for its strengthening in 1993 (which did not receive universal support in the region) have been partially justified by the needs of giving an appropriate answer to the 'escalation of inward-looking regionalism throughout the world'.³ Regionalism, and its liberal forms in the post-Cold War era, has many important political and economic sources. Some of them are traditional, some are of relatively recent origin. The failure of the global cooperation regions to create a credible structure of global security and peace and to respond to regional conflicts in an efficient way is probably the most important sources of regionalism. In the post-Cold War era, there is widespread expectation that most international political disputes and military conflicts during the next decade are likely to be confined to a given region. At least, in principle, the management and resolution of these conflicts should prove easier to accomplish if undertaken by entities with a more limited geographic and political scope than the UN Security Council. In practical terms, however, the case of the former Yugoslavia has shown that this principle may not always apply: a regional entity may be hamstrung in its efforts to resolve a conflict because its members have bilateral ties to opposing sides; or because it possesses limited resources to intervene in a large-scale conflict, or because (as in the case of the CSCE) its requirement of consensual decision-making prevents a timely response to a fast-moving situation. In recognition of these problems, efforts are underway in Europe to increase the role and enhance the efficacy of regional institutions in security matters. These efforts include proposals for the establishment of a European security council with a mandate similar to that of the UN Security Council, and the formation of a European court of conciliation.⁴

Another reason why regionalism will become more important is the emergence of a multipolar world. Russia is certain to be substantially less involved in remote regions of the world than was the Soviet Union; her major sphere of interest and influence will be the former territory of the Soviet Union. The USA too seems likely to show less interest in many regions of the world than it did during the Cold War. In the absence of a globally pervasive bipolarity, many regional powers will have the opportunity to strengthen their international positions by forming regional structures within which they can enjoy great influence. Regionalism also offers many less

² R. E. Feinberg and Dalia M. Boylan, "Modular Multilateralism", *The Washington Quarterly* 15, No. 1 (Winter 1991): 195-196

³ Quoted from an edited excerpt of a confidential report to the Asia-Pacific summit meeting "Now Let's Build an Asia-Pacific Economic Community", *International Herald Tribune*, 4 November 1993, p.3.

⁴ The British-American Security Information Council, Basis Report, No. 21 (10 April, 1992): 2.

powerful countries – especially those in the developing world – the chance to improve their bargaining positions in the global policy-making arena by combining to form a formidable collective unit.

A growth in regionalism in accordance with the direction of several ongoing economic trends. Capital flows and technological cooperation have been increasing more rapidly within certain regions – Europe and Asia, most notably – than between regions. In addition, certain currencies are playing a more prominent role within particular regions. In Europe, the leading currency is the Deutschmark, which together with the ECU, is also the *de facto* common currency unit within the EC. Likewise in the Far East, economic currents are shaping a Yen-based economic bloc.

Regionalism and globalization (and of course also the fragmentation of existing structures) are tied to certain interests of countries or such groups as the transnational corporations. Regional institutions, like the European Community, are also playing a self-generating role in the process. It is not only global or bilateral cooperation however which faces significant obstacles and uncertainties but also of regional cooperation. A question which is often raised for example in Europe: could the momentum which resulted in regionalism be sustained in view of the changing interests of the participating countries? Another fundamental question concerns the extent to which regional cooperation can more efficiently satisfy the political, security, and economic needs of countries than can traditional forms of bilateral cooperation, or global multilateralism. A further, more delicate, question is whether or not regionalism will be able to provide greater security for smaller nations against the actions of regional hegemonies than global institutions have been able to achieve. The new UNU/WIDER project looks for answers to those questions not only by analysing the existing institutions but also future political and economic changes.

Where regional cooperation is most advanced, the impediments to its further progress tend to become more concrete. Europe, for example, in the 1990s will have to grapple with several major problems. One such problem concerns the widening and deepening of the EC. To date, the EC has been able to maintain a delicate balance of collective and national interests. This may be more difficult in the future concentration of power. Any increase in the membership or powers of the community might easily upset this balance, imperilling the interests of member countries, provoking domestic opposition to supranational policies. This ultimately may be halting or derailing the process of integration. Another problem for Europe will be how to respond to threats to the security of the region, especially those arising in the countries of Central and Eastern Europe. The Yugoslavian imbroglio has proved that no European institution by itself is yet sufficiently well organized and powerful to ensure regional security.

The experiences of other regions are even more discouraging. Although such continental organization as the OAU and the OAS serve as forums for negotiations, they have achieved only limited success in building security structures and promoting qualitative improvements in economic cooperation. In many sub-regions of the

developing world, the work of integration groups has hardly progressed beyond the declaration of intentions. Remarks made in 1985 by Maurice Bertrand, a member of the Joint Inspection Unit of the United Nations regarding the implications of regional cooperation in some parts of the world may be still valid today.

‘The integration groups mainly provide the occasion for a large number of meetings, either at an administrative level or at that of officials, but because of the poverty of their means of action, the limitation of the level of their jurisdiction and the failure of the models used to adapt to local problems, they frequently do no more than increase the complexity of handling national problems without helping either to identify or take over the specific problems of the region.’⁵

As Bertrand's observations suggest, regional cooperation institutions are not always more effective than are global organizations and regimes. Indeed, both regional and global bodies suffer from similar problems: the heterogeneity of interests of their member states, an unreliable propensity for cooperation, inadequate financial resources and expertise, bureaucratization, and so forth.

Joseph Nye has enumerated three arguments against the establishment of the three potential – European, Far Eastern and North American – economic blocs. One, that they run counter to the thrust of global technological trend and the interests of transitional corporation; two, that they are counter to interests of smaller states needing a global system for protection against domination by larger neighbours; and three, that they cannot diminish the fears of non-nuclear nations regarding their nuclear neighbours in the region.⁶ Although these arguments are sound, we cannot afford to disregard the possibility that 21st century power politics may be characterized by increasing inter-regional conflicts and regionalism, with competing regions structured as security and economic networks centred around major regional powers.

The regionalization of the global bargaining process and of security issues, the establishment of regional security complexes, and the compartmentalization of global cooperation and institutional structures could, however, very possibly obstruct global cooperation if different regions choose to structure themselves as protectionist and exclusive ‘regional fortresses’. In such a situation, inter-regional relations would become a zero-sum game played by competitive blocs.

Alternatively, however, more intensive regional cooperation could complement and enhance global cooperation and networking. As it was suggested by H. Cleveland, regionalism could serve as a bridge between countries and global processes by facilitating internationalization and liberalization within the more transparent regional

⁵ Maurice Bertrand, "Some Reflections on Reform of the United Nations", Geneva: The United Nations Inspection Unit, 1985, 56. JIU/REP/85/9.

⁶ Joseph S. Nye, Jr., "What New World Order?", *Foreign Affairs*, Spring 1992: 87.

structures which are more familiar for the countries where traditional, cultural and economic ties are present, where gains and losses resulting from trade regimes, and other forms of cooperation could be more easily balanced. Furthermore, regional structures could promote different forms of cooperation between countries in a wide variety of areas, ranging from the fight against poverty and the control of migration to the development of physical infrastructure and the establishment of regional information and telecommunications structures. Regionalism could also facilitate the co-ordination of policies and the elaboration of common attitudes on such issues as environmental protection and demilitarization.

The two scenarios of the character and consequences of future regional cooperation have been the subject of heated debate within industrial countries, especially with regard to the future of the international trading system. Take, for example, the following extract from a summary report of an OECD conference.

‘Some observers have expressed deep concern about the increased regionalization of the world economy. They point out, in particular, that the preferential trade liberalization features of such agreements could be a major source of trade diversion which may well offset their trade-creating effects. Moreover, regionalization could have adverse overspill effects since it may induce outsiders who bear the brunt of trade diversion to retaliate by seeking preferential trade agreements among themselves so as to offset their loss of markets and strengthen their bargaining power. This process of competitive regionalization may undermine the multilateral system and, far from contributing to global liberalization, could turn the world into one of hostile economic blocs and discriminatory trade regimes similar to those that prevailed in the 1930s.

Others disagree. They welcome regional and plurilateral strategies as perhaps the best way to foster global liberalization, given the growing obstacles which have brought multilateral negotiations to a virtual halt at present and which are not likely to disappear in the future...[R]egional agreements are attractive, because they make negotiations more manageable; a relatively small number of like-minded countries are involved, which reduces the likelihood that liberalization will be held hostage by a recalcitrant power.’⁷

In principle, bilateral or regional and global multilateral cooperation should not necessarily be considered as contradictory forms of relations. They can co-exist, and may even be mutually supportive in open democratic systems. In closed or constrained systems of cooperation, however, they may be conflictive.

⁷ OECD "Forum for the Future: Long Term Prospects for the World Economy", *Outlook, Main Issues and Summary of Discussions*, Paris, OECD, 1992, 17-18. OCDE/GD/(92)68.

The fundamental issue for the political future of regionalism is its efficiency and the extent of its specific role in facilitating peace, stability, and the protection of human rights over globalization. The economic future of regionalism will depend to a large extent on the response of the process to the needs of economic development of the members. This includes the growth of output and incomes, employment, trade, capital flows and entrepreneurship. The transnational business sector as a key actor, especially in the industrial world, could of course better humanise the process of globalization and regionalization within its corporate structure than the smaller firms. Another factor shaping the future of regionalism is the efficiency of regional governance, its cost effectiveness, the timely and flexible response to the needs of the member countries, the way it is managing relations within the region, with the rest of the world, and helping to sustain development and cooperation on a global level, corresponding to the new needs of the participants in the global system.

Mihály Simai
Director, UNU/WIDER
February 1994

THE NEW REGIONALISM: IMPLICATIONS FOR DEVELOPMENT AND PEACE

Björn Hettne

1. Introduction

This article provides a preliminary theoretical, analytical and conceptual framework for a comparative study of emerging regions and their role in the current economic and political transformation, with particular reference to economic development, peace and security and ecological sustainability. It also gives a tentative analysis of emerging regions and, finally, suggests areas for further research.

The working hypothesis is not that a regionalized world will be the ultimate world order but, more modestly, that the two processes of globalization and regionalization are articulated within the same larger process of global structural change.

Globalization means a compression of the world, not only in the objective sense of a new pattern of production, an integrated financial sphere, a homogenization of culture, but also in the subjective sense, of how the world is conceived (Robertson 1992).

The new regionalism usually refers to the second wave of regional cooperation, which started in the 1980s, after the decline of integration theory and praxis in the 1970s (Palmer 1991). This decline was due both to the slow-down in West European integration and the failure of Third World free trade areas. Rather than leading to development, they reproduced the global centre-periphery structure within the regions. This led to inter-state conflicts and, of course, disillusion as far as regional cooperation was concerned.

Why does regionalism again attract the curiosity and interest of the social science community? Either the content or the context of regionalization must have changed. The argument of this article is that both have changed. Current regional projects are not only carried out in a changing world order but the whole concept of regional cooperation is also changing.

The 'new' regionalism differs from the 'old' regionalism in the following respects:

- (1) Whereas the old regionalism was formed in a bipolar Cold War context, the new is taking shape in a more multipolar world order.

- (2) Whereas the old regionalism was created from outside and 'from above' (i.e. by the superpowers), the new is a more spontaneous process from within and 'from below' (in the sense that the constituent states themselves are main actors).
- (3) Whereas the old regionalism was specific with regard to objectives, the new is a more comprehensive, multidimensional process.

The new regionalism thus implies a stronger emphasis on the political dimensions. Regional organizations which emerged after the Second World War, whether economic or more security oriented, were usually organized from above and from outside the region. The new regionalism is emerging in a post Cold War context, in a situation where 'national' economies are outgrowing their national polities. It is, furthermore, a world wide phenomenon, although, just like in the first wave, it started from Europe. It can be defined as a world order concept, since any particular regionalization process has systemic repercussions in individual regions throughout the world.

By 'region' in this context we refer to 'macro-regions' or 'world regions'. A world region can be defined in different ways and in terms of different levels of complexity, the most comprehensive would be to see it as a historical formation, a political subject with its own identity. No region actually lives up to that definition, but it can be seen as an ideal model which different geographical areas approach in various degrees.

Since we are dealing with an emergent phenomenon, it is difficult to work with very precise definitions. We cannot define regions because they define themselves by evolving from objective, but dormant, to subjective, active existence.

The process of regionalization from within can be compared with the historical formation of nation states with the important difference that a coercive centre is lacking in processes of regionalization which presuppose a shared intention among the potential members. But this is not a sufficiently clear criterion. The difference between regionalism and the infinite process of spontaneous economic integration is that there is a politically defined limit to the former process. This limitation, however, is a historical outcome of attempts to find a transnational level of governance which includes certain shared values and minimizes certain shared perceptions of danger. Like the formation of ethnic and national identities, the regional identity is dependent on historical context and shaped by conflicts. And like nations and ethnies, regional formations which have a subjective quality, as here defined, as 'imagined communities'.

The comparative framework has (to a large extent within the UNU programme 'regional perspectives' and later on the programme 'Multilateralism and the United Nations System' coordinated by Robert Cox) been derived from studying the process of Europeanization, the development of a regional identity in Europe (Hettne 1986, 1988, 1991a, 1991b, 1993) and applied to the case of other regions (Hettne 1992; Dominguez-Hettne 1993), under the assumption that despite enormous historical, structural, and

contextual differences, there is an underlying logic behind contemporary processes of regionalization. This logic does not refer to a single dimension. Some key dimensions are cultural identity, degree of economic and political homogeneity, and security order, in particular the relative capability of regional conflict resolution.

The new regionalism also presupposes the growth of a regional civil society opting for regional solutions to local and national problems. The implication of this is that not only economic, but also social and cultural networks are developing more quickly than the formal political cooperation at the regional level. One rather clear example of a regional civil society is the Nordic region (or perhaps subregion) where security policies during the Cold War differed to a high degree, while the respective national societies over a long period converged towards a Nordic community.

Our first task is to provide a conceptual framework for analyzing the regional factor in the emerging world system: the *world order*, defining the basic structural properties of the way the global system is organized, and *regionalism*, or more particularly 'the new regionalism', suggesting one possible way in which the new world order may be organized in the next decade. But it is of course not the only way.

2. Regionalism and World Order

In international political economy theory, 'world order' is usually referred to as an arrangement which provides the necessary framework for transactions in the world economy. It is important to distinguish the theoretical meaning of the concept from its varying real life content, i.e. specific solutions to the problem of world order at a particular point in time. Thus world orders are historical and there are presumably alternative future world orders, more or less attractive or repulsive, depending on our perspective and values.

This paper explores the potentials and possibilities of a regionalized world order, i.e. the territorial logic of the state applied to the emerging regional systems (neo-mercantilism). It should be remembered, however, that real developments depend on the dialectical relationship between the two logics, the forces of market expansion and the need for political control. The one constitutes a measure for correcting the other, but neither of them can be seen as a final solution or 'the end of history'.

Hegemony and World Order

In order to function, a market presupposes some kind of social order. This premise holds for the past as well as for the present. It was the historical function of mercantilism to create 'national economies' out of localized 'natural economies'.

The crucial issue now is how economic exchange can take place under the conditions of anarchy supposedly characterizing the international system.

Theoretically, at least, this problem can be solved in more than one way. Recent debate has focused on the importance of hegemonic stability for the functioning of the international economy and, to the extent that this role is considered essential, the consequent implications of hegemonic decline. These are, on the economic level, a fragmentation of the world economy, and, on the political level, increased rivalry between leading capitalist countries, or possibly between carriers of the predominant model and a project to replace it with some qualitatively different model.

Hegemony on the level of the world order can thus be described as a form of world governance, i.e. a set of rules backed by the authority (and credibility) of the hegemon. In the post-war world order this role has been performed by the USA, and the set of rules which made up the hegemonic order in the 'free world' were manifest in the Bretton Woods institutions. The communist sub-system which existed up to 1989 in general applied these rules in its external relations.

Hegemony is thus a special kind of power, based on different but mutually supportive dimensions, fulfilling certain functions (providing international collective goods) in a larger system which lacks formal authority structure, and, consequently, more or less voluntarily accepted by other actors.

The Cold War order was dualistic, in the sense that a socialist sub-system existed as a challenge to the capitalist world order, providing rebellious states with a safe heaven. In 1989 this sub-system broke down under the pressure of military burden, lagging technological capability, and exhaustion of the various dimensions of hegemonic power.

Regionalism in this system had been subsumed under the Cold War logic, which implied a linkage also between regional organizations and the fundamental cleavage of the system (hegemonic regionalism). A new world order thus implies a new type of regionalism. Regional powers are no longer 'sub-imperialist' but driven by their own ambitions which very well could be hegemonic, if not on the global level so on the regional. Regional hegemonism is the 'malign' form of neo-mercantilism while the new regionalism is the 'benign' form. The great task in creating a post-hegemonic future is thus to promote benign rather than malign neo-mercantilism.

There is nothing repetitive or automatic about hegemonic decline. The very fact that its possibility is discussed already forms part of a movement towards restructuring and renewal. This is one of three possible scenarios. Secondly, there may be a hegemonic succession. Thirdly, and this is our main concern, there are several possible post-hegemonic scenarios.

Post-hegemonic World Order Scenarios

Assuming that the current decline of the USA is irreversible and that no other great power is prepared to assume the role of hegemon, what will the post-hegemonic world order look like? The usual way to deal with future uncertainties is to develop

scenarios based on alternative assumptions. In the current debate on the post-hegemonic world order, it is possible to identify the following alternatives:

- The first scenario can be called interdependence based on multilateralism. It is a world of cooperating and mutually dependent nations who have learnt the advantages of cooperation (Keohane 1984). A related possibility, but implying a somewhat more fragmented world, is the development of international regimes (systems of management) in specific realms (trade, oceans, finance, energy) where nations comply with established norms without hegemonic pressure. Such post-hegemonic cooperation, which is more selective, also relies on the self-interest of nation states depending on an open world economy.
- A second scenario, which also assumes a more or less open world economy, is the trilateralist, in which the three capitalist centres – the US, Western Europe and Japan – take a shared hegemonic responsibility. Here international economic institutions and multinational corporations rather than nation-state actors take predominance (Gill 1990). A more conflictive variety is a world economy consisting of competing trading blocs, sometimes called the Triad. Depending on the gravity of conflict this may indicate a transition to a more closed, regionalized world economy.
- A third scenario is a more territorial type of fragmentation in the form of regionalization of the world into more or less self-contained regional groupings with relatively stable internal structures and inter-regional relations. The region as such emerges as an actor and spokesman for the constituent states. The fragmentation may go even further towards national protectionism or, in other words, more classical ‘mercantilism’. This is not very likely in the current transnationalized world economy.

The various scenarios outlined above can be combined in different ways, since no scenario has a monopoly on the future. The crucial issue regarding the quality of the future world order seems to be the proper balance between the functional and territorial principles: the universal economic interdependence, as expressed in the transnational corporation and a universalized consumerist culture, versus neo-mercantilist politicization and regionalization of the world economy. This less well-known option will be further elaborated below.

Approaches to Regionalism

What, first of all, is a region? A region could, of course, be any particular territory delimited for some analytical purpose, for instance, a regional security complex as defined by Barry Buzan (Buzan 1991), or as a specific territory delimited for planning purposes in regional planning. Here we are concerned with ‘international’, ‘transnational’ or ‘supranational’ regions. Let us call them macro-regions or world regions. They should be distinguished from micro-regions, the former being supranational, the latter subnational (Cox 1992, p.34). This is more than an analytical

distinction. As we shall see, the emergence of macro-regionalism and micro-regionalism are interlinked processes.

Regionalism is not a very homogeneous phenomenon, even if we now limit ourselves to world regions (macro-regions) and forget about different subnational regions or micro-regions. Three contrasting, although not necessarily contradicting, models could be mentioned: trading blocs or 'mega markets' resulting from the possible breaking up of the increasingly shaky free trade regime (indicated by the present difficulties in the Uruguay Round of GATT negotiations), the geopolitical division of the world into sometimes competing, sometimes aligned power blocs (more or less corresponding to the trade blocs, but interpreted more in power terms than in economic terms), and the process of regionalization from within (resulting largely from internal transformations within emerging regions). Here we are mainly concerned with regions in the third sense, i.e. transnational formations which express a regional identity rather similar to nationalism. This 'extended nationalism', a concept Dudley Seers used with reference to Europe (Seers 1983), is what we shall mean by the new regionalism.

Second, one has to make a distinction between a normative and a positive understanding of regionalism. One can debate in favour of or against regionalism, but it should be possible to agree on the relevance to make empirical studies of the regional factor in the formation of a new world order. In what follows, I suggest a normative meaning of regionalism by using it primarily with regard to regional integration as a political project (neo-mercantilism), while using substitutes such as 'regional cooperation', 'regional initiatives' and 'regional integration' in a more positive (i.e. descriptive) context.

Third, one should in this context also distinguish hegemonic regionalism, imposed from outside and 'from above' and exemplified by SEATO, CENTO, etc. from autonomous regionalism which essentially is regionalism from within the region if not 'from below' (Acharya 1992; Muni 1992). It is the latter which is relevant in discussing the new regionalism. The hegemonic regional arrangements led to a few, if any, links among its members and were of little use in intra-regional and intra-state conflict resolution.

Fourth, regionalism can refer exclusively to a particular region, or it can be a world order concept. One can argue in favour of or against, for instance, ASEAN regionalism without bothering about other regions. One can even deplore the formation of rival regions. However, one can also be primarily concerned with advantages or disadvantages of a regionalized world, i.e. a world order consisting of regional groupings as the defining element. The first meaning of regionalism, as a form of 'extended nationalism' with a potential aggressiveness towards other regions, can perhaps be called particularistic regionalism, the second, as a potential world order, universalistic regionalism. The positive and normative approaches apply in both cases.

Finally, it must be emphasized that world regions as distinct political actors are evolving through a dialectical historical process and that consequently they differ a lot in their capacity as actors. We could perhaps speak of degrees of 'regionness' in analogy

with concepts such as 'stateness' and 'nationness'. A higher degree of regionness implies a higher degree of economic interdependence, communication, cultural homogeneity, coherence, capacity to act and, in particular, capacity to resolve conflicts. Regionalization is the process of increasing regionness and the concept can refer to a single region as well as to the world system.

Levels of Regionness

We can distinguish five levels of regional complexity or regionness. They express a certain evolutionary logic, but the idea is not to suggest a stage theory but rather a framework for comparative analysis.

The first level is region as a geographical and ecological unit delimited by natural physical barriers – Europe from the Atlantic to the Ural; Africa south of Sahara, or the Indian subcontinent. In order to further regionalize, this particular territory must necessarily be inhabited by human beings.

The second level is, thus, region as social system, which implies translocal relations of social, political, cultural and economic nature between human groups. These relations may be positive or negative but, either way, they constitute some kind of regional complex. For instance, they can form a security complex, in which the constituent units are dependent on each other as well as the overall political stability of the regional system, as far as their own security is concerned (Buzan 1991).

The region, like the international system of which it forms part, is anarchic. The classic case is 19th century Europe. At this low level of organization, power balance or some kind of 'concert' is the sole security guarantee.

The third level is region as organized cooperation in any of the cultural, economic, political or military fields. In this case, region is defined by the membership of the regional organization in question. The point to be stressed here is the unidimensionality which characterizes this stage of regional cooperation. The creation of a regional organization is a crucial step towards multilateralism in a regional context. In the absence of any organized regional cooperation, the concept of regionalism does not make much sense. But it is also important that the organized cooperation covers the whole relevant region. It should not be any group of countries in more or less temporary coalitions pursuing purely national interests. It should be possible to relate the 'formal region' (defined by organizational membership) to the 'real region' (which has to be defined through less precise criteria) in order to assess the relevance and future potential of any particular regional organization.

Regional cooperation through a formal organization is sometimes rather superficial, but at least a framework for cooperation is created. This can be of great value, if and when an objective need for cooperation should arise. An example is the SAARC cooperation in South Asia.

Of particular importance in this case is that the ‘organizational region’ corresponds to the regional security complex. This is, for instance, not the case with ASEAN, which organizes the capitalist countries in the South East Asian region, in contradistinction to the communist or post-communist grouping. As this particular division loses its relevance, prerequisites for a more authentic regionalism are formed.

The fourth level is region as regional civil society, which takes shape when the organizational framework promotes social communication and convergence of values throughout the region. Of course the pre-existence of a shared cultural tradition throughout the region is of crucial importance here. Culture is not only a given but continuously created and recreated. However, the defining element here is the multidimensional quality of regional cooperation.

The fifth level of regionness is region as acting subject with a distinct identity, actor capability, legitimacy, and structure of decision-making. Crucial areas for regional intervention are conflict resolution (between and within former ‘states’), management of the ecological system (water management, for instance) and welfare (in terms of social security and regional balance). The organizational expression of this level of complexity naturally also tends to become more complex, as the current transformation of the European Community into a European Union shows. The ultimate outcome of this comprehensive level of regionalism (which is something for the future) could be a ‘region-state’ which in terms of scope can be compared to the classical empires, but in terms of political order constitutes a voluntary evolution of sovereign national political units into a supranational community to which certain functions are transferred.

The higher degrees of regionness define what in this project is meant by the new regionalism.

Dimensions of Regionalization

The process of regionalization implies a change from relative heterogeneity to increased homogeneity with regard to different dimensions; the most important being culture, security, economic policies, development, and political regime.

Cultural homogeneity is formed very slowly. Normally, regionalization necessitates a certain degree of cultural homogeneity to start with, what we can call an ‘inherent regional civil society’. The Nordic countries, for instance, are and have always been culturally very similar and this made it possible for them to adopt very different solutions to their security problems and yet constitute what has been called a security community. In contrast, the fundamental cultural similarity among South Asian states has not prevented inter-state hostilities which are due to differences in all other dimensions.

Security is a crucial dimension and security divisions, therefore, imply economic divisions, as is very clearly shown in the pattern of regional economic cooperation in Europe during the Cold War. Consequently, a fundamental change of the security order paves way for a new pattern of regional economic cooperation as well (Hettne 1991). It

should therefore be expected that the dismantling of the Cold War system dramatically changes the preconditions for regional cooperation globally. A greater South East Asia (ASEAN plus the Indochina region) and a reunification of the two Koreas are cases in point. The Indo-Pakistan conflict, although largely indigenous to the region, also had its Cold War dimension which further complicated the issue. Similarly, an eventual post-apartheid Africa will be a quite different political entity compared with the situation that has prevailed so far.

A common security order is a necessary, albeit not sufficient, precondition for regional integration. Of equal importance is the compatibility of economic policies. An autarkic ambition of a certain state, particularly if it happens to be the regional power (like India in South Asia) will effectively prevent a process of regionalization from taking place to the extent that the rest of the states are outward-oriented. Regional integration based on a shared commitment to the market principle is the normal case but history has shown that free trade areas, in which unequal countries participate, regularly generate tensions which ultimately erode the regional arrangement. The new regionalism consciously avoids this trap by a commitment to 'developmental regionalism', which implies political intervention without necessarily going to the extent of delinking. This is a precarious process of which we so far have very little empirical experience.

The homogenization of economic policies may pave the way for further regionalization in a spontaneous way, as when similar regimes are voted to power simultaneously, but it may also be a conscious political decision, as when the economic and political union was decided in Maastricht. This decision was obviously premature in view of the real differences among the twelve, not to speak of some of the candidates for future membership. Nevertheless, the decision will lead to a further harmonization of economic policies in order to avoid or not to prolong two or more camps within the European union.

On the global level, the IMF and the World Bank exercise a near monopoly over credit as far as weaker clients are concerned. The conditions of access to this credit system, the economic conditionalities, are such as to homogenize the rules of the economic game throughout the world.

Similarly, there are strong global forces favouring democratization of national political regimes. In 1991 the number of democratic states for the first time in world history exceeded the number of non-democratic states (Holm-Sørensen 1992). To some extent this is the result of new political conditionalities in development aid. It goes without saying that the democratic reforms 'imposed' by these measures are in harmony with Western conceptions of democracy, whereas, as the Algerian aborted election showed, radical popular influences in Third World societies are not necessarily welcomed by the guardians of the world order.

Regionalization is a complex process of change taking place simultaneously at three levels: the structure of the world system as a whole, the level of inter-regional relations, and the internal pattern of the single region. It is not possible to state which of these levels comes first, or which one is most important, since changes on the three levels interact and the relative importance of each differs from one region to another.

The structure of the world system must permit room for manoeuvre for the regional actors, at the same time as the increase in regionalism in itself constitutes structural change on a world level. True regionalism, or what I call the new regionalism, was not consistent with the bipolar Cold War system. The end of it can either lead to a multipolar system or to a reinforcement of US hegemony.

Moving to the level of inter-regional relations, European regionalism is the trigger of global regionalization at least in two different ways: one positive (promoting regionalism), the other negative (provoking regionalism).

Finally, on the level of 'the region in the process of taking shape', the basic dimension is homogenization, the elimination of extremes, in terms of culture, security, economic policies and political system, as was discussed above.

In South Asia, the security order has created a very strange situation with an introverted India – and all other states maximizing their external economic relations in order to minimize their dependence on the regional great power. Again, a transformation of the South Asian regional security complex into a regional security community would also completely change the basis for regional economic cooperation.

Another example, which few would consider a likely candidate for a coherent region, is the post-Soviet region organized in the CIS. It may be said that the one thing making the CIS a region is precisely the conflicts. A formation of a regional political structure, more or less like the formation of nation-states, implies a major transformation of power structures on different levels of society, and this would hardly be possible without a major crisis.

The actual process of regionalization is triggered by events, the importance of which can only be understood in retrospect. However, one type of events relevant for regionalization which seems to turn up more frequently is the 'black hole' syndrome.

'Black hole' (a metaphor coined by Richard Falk) is a 'pretheoretic' way of accounting for the disintegration of nation states, or rather 'nation-state projects' in the context of global change. The earlier examples of breakdown of states are few, and tended rather to confirm the basic persistence of the inter-state system. The division of Pakistan was explained by the geopolitical peculiarity of that particular state-formation, Biafra proved the impossibility of separatism, and Lebanon reverted to a generalized state of conflict rather than breaking up.

Today, the situation is different and the reason is that the structure of the world order is changing, thus lifting the 'overlay' of stabilizing controls which formed part of the old order, i.e. the Cold War. The peripheral tendencies characterizing a number of state-formations containing great socio-economic and cultural differences will consequently take the upper hand as the geopolitical environment becomes transformed and creates new possible alignments and a direct approach to the world economy for emerging micro-regions.

Regionalization goes together with a strengthening of micro-regions and it is the national level that suffers. This can be seen all over Europe today – Great Britain, Spain, Italy, Belgium, Switzerland, former Czechoslovakia, not to speak of former Yugoslavia.

The domestic and the external processes are thus interrelated in complex ways and there is a strong need for innovative and constructive leadership in countries which are at risk of becoming black holes. However, the tendency is rather to resort to ethno-nationalism or other parochial solidarities which instead speed up the process of disintegration. Yugoslavia provides the paradigm now repeated all over the post-Soviet region. The collapse of political authority at one level opens up a previously latent power struggle at a lower level and the process may go on almost indefinitely in a complex multiethnic polity. However, sooner or later there will be a reorganization of social power and political authority on a higher level of societal organization.

To the extent that there is a regional institutional framework which can be used for purposes of conflict resolution, the tendency is for the region to intervene. Thus, the eruption of black holes promotes the process of regionalization. It may even form part of the process of regionalization, since the changing regional configuration provides opportunities for different subnational interests to reassert themselves.

Black holes, or the threat of them, lead to regional security crises, as we can see – Yugoslavia in Europe, Sri Lanka in South Asia, Afghanistan in Central Asia, Lebanon in the Middle East, Liberia in West Africa, Somalia and Ethiopia in East Africa, Cambodia in South East Asia, and Nagorno-Karabakh and Moldova in the latest region: the Commonwealth of Independent States (CIS). These security crises form part of regionalization processes – but there is of course no uniform outcome. Rather, one could say that black holes can make or break regions.

Let us now try to draw the threads together. The new regionalism can be defined as a multidimensional process of regional integration which includes economic, political, social and cultural aspects. It is a package rather than a single policy, whether concerned with economics or foreign policy. The concept thus goes beyond the free trade market idea, i.e. the interlinking of several previously more or less secluded national markets into one functional economic unit. Rather, the political ambition of creating territorial identity and regional coherence is the primary neo-mercantilist goal. In this observation other differences between old and new regionalism are implied. New regionalism is spontaneous and from below, whereas the old type often was imposed on a group of countries in the interest of superpower strategy. Thus, the new regionalism belongs to a new global situation characterized by multipolarism.

3. Europe: the Paradigm

Europe represents the most advanced regional arrangement the world has seen, and it will consequently serve as our paradigm for the new regionalism in the sense that its conceptualization eagerly draws on empirical observations of the European process. Furthermore, Europe is also a concrete model often referred to as an example to follow by other regional organizations such as ASEAN, SAARC and OAU. In more negative terms, the integration process in Europe is seen as a threat to the global trade system, the so called Fortress Europe, and therefore a pretext for organizing regional trade systems, such as NAFTA or EAEG. Thus, the emphasis on the new regionalism as a process 'from within' does not mean that it is purely endogenous to the respective region. Even if the initiatives are taken within the region, the factors which make these initiatives necessary are global.

Europe was during the Cold War era merely an arena for the global bipolar conflict, but gradually and with very few manifest conflicts, it was transformed from object to subject. The Soviet Union withdrew from hegemony in the East, which dramatically reinforced the 'de-East Europeanization' process. In the early 1980s the great peace demonstrations in northern Europe undermined the Atlantic bridge and in the late 1980s there were further signs of a more fundamental European autonomy vis-à-vis the USA. The Gulf War temporarily reversed this tendency of eroding US influence but there are no doubts about the new Europe's intentions to deal with its own crises. There is undoubtedly a European regionalism 'from below', even if assessments as to its strength and future significance vary, particularly after 'the Maastricht hangover'. The 'national interest' has not disappeared. It is rather on the contrary. Integration and disintegration seem to go together.

As far as the global level is concerned, I shall assume that hegemonic decline and multipolarism in the post-Cold War period will further underline the development of a more autonomous and homogeneous Greater Europe, a process often referred to as the 'Europeanization' of Europe. The essential meaning of this concept is the process toward increasing economic and political homogeneity, the elimination of extremes (Hettne 1991b).

Changing Security Order

In modern times, Europe became fragmented, mainly through the emergence of a large number of nation states. Peace in the established inter-state system – the Westfalian system – was maintained through a balance of power mechanism which functioned throughout the 19th century. After that it broke down and was, after two great wars, replaced with the Cold War order. The two post-war military blocs, albeit with a group of neutrals in between, clearly expressed Europe's political subordination under the superpowers.

From the viewpoint of economic organization, the security imperative imposed a more or less corresponding cleavage pattern. Since economics belongs to the area of 'low politics', there tends to be more change and flexibility in the economic field. In

periods of detente, it became evident that economic contacts tended to follow a logic of their own (Hettne 1988). In periods of high tension, economic relations have had to adapt to the political imperatives built into the security arrangement.

The first economic associations in post-war Europe were the Coal and Steel Community (1951) and the EC (1957). The motivations in the first case were more political, those behind the Treaty of Rome more economic. Behind EFTA (1959) there was first of all the traditional British national interest of avoiding involvement in any supranational European scheme and, secondly, diverse national security interests of minor states expressed in different forms of neutrality. In the case of COMECON/CMEA (1949) the national interests seem to have been 'the less integration, the better'. In fact, most cooperation within the bloc was simply bilateral and the CMEA was a hindrance rather than an instrument of regional integration. A more relaxed security situation signalled its dissolution. Much the same can be said of EFTA, which became a 'waiting room' for the EC membership candidates. All this underlines the predominance of the security factor.

Thus, during the Cold War, the overall pattern of integration in Europe, whatever the underlying rationale of the integration process, was fundamentally shaped by the security imperative. It was essentially political – and far from the ideal world of Adam Smith, where the size of the market determines the degree of economic efficiency. In the emerging security order, beyond the Cold War, the pattern of relations will be shaped by a European civil society, for which not even the EC is an adequate organization. Security, however, will still be the main concern. The difference is that the security threats will be increasingly seen as internal, integration and disintegration being two sides of the same coin.

There is already a certain competition between existing institutions regarding their respective roles in the emerging security order. This political creation will take place in the context of crisis rather than through orderly planning. The Gulf War was one type of such crisis; another, the breakdown of the Yugoslav federation and the disintegration of the Soviet internal empire; a third, the desperate pressure for immigration from the Balkan or from North Africa across the Mediterranean. Thus, due to the element of surprise and the pressing time factor, the actual organizational solutions may be sub-optimal.

If the purpose of NATO was to 'keep the Americans in, the Russians out and the Germans down' that purpose has now been lost. My assumption is that NATO will fade away, and instead the EC will take upon itself a stronger political and military role. The internal divisions surfacing in connection with the Gulf War revealed the problems involved in creating a new security order for Europe, but also the need for a common European political (and consequently military) front. However, security orders are not really created on the negotiation table, they emerge from responses to real challenges, and therefore they cannot be predicted.

By homogenization we shall imply the reduction of differences within a political space, in this case an emerging region. The recent process of homogenization in Europe has gone through three phases: in the South, the disappearance of fascist regimes in the mid-1970s; in the West, the self-assertion of the Atlantic partners in Europe in the early 1980s; and in the East, the downfall of the communist regimes in the late 1980s. Fascism and communism (some countries have tried both) can be seen as nationalist 'catching up' ideologies in a historical context of Western technological superiority over Eastern and Southern Europe. The elimination of the Mediterranean dictatorships removed some anomalies from the European scene and put the continent on the road towards political homogeneity, a basic precondition for substantial economic integration. As far as Eastern Europe is concerned, the system simply had exhausted its potential, not least as a model of development.

Socialism was basically a response to underdevelopment, rather than an outcome of capitalist development. 'Real socialism' took concrete shape in Russia as an articulation of 'underdevelopment' in the context of a European centre-periphery structure. Subsequently, it became the official doctrine of the Soviet 'empire', with one internal and one external part. It was a successor to the Russian empire, operating on the same geopolitical foundations. In the final phase of its rise, it formed a mercantilist protected sub-system of a bipolar world order dominated by capitalism. Due to lack of internal dynamism, related among other things to a coercive social order, the socialist system rapidly began to disintegrate in 1989, the beginning of the end of socialism albeit of a peculiar and historically specific kind – the communist social order.

The political homogenization also implied an increased similarity as far as economic and even social policies are concerned. The course toward economic union and a common financial structure is now set, although the timetable may be affected by different types of crisis. Thus, Europe seems to appear more and more as one single actor in world politics, albeit gradually and not without birth pangs. Europe is outgrowing the integrative framework of the EC and this makes it necessarily more concerned with 'domestic' issues. There are forces which want to make Europe a global power, but these forces are countered by other interests and movements favouring a non-hegemonic world system. There are thus several 'Europes' and consequently several possible future scenarios, both regarding internal developments and external policies.

The process of homogenization has led to a state of liberal hegemony in Europe, and democracy and market will therefore provide the basis for future integration. This political homogenization of Europe is and will be expressed in the enlargement of the EC, unless the twelve present members take a protectionist attitude to the rest of Europe, which would be an untenable position, as it would imply different degrees of European citizenship.

The '1992 project', a vision rooted in European internationalized capital, had a mobilizing impact which made the EC magnetic. The attitudes concerning deepening vs. enlarging among the twelve are, however, very mixed while an increasing number of

countries are queuing up. There are two groups of countries in the line: the EFTA-countries and the central European post-communist states. In the course of the 1990s, the number of members can thus reach, perhaps, more than twenty. Beyond that, the EC will more or less coincide with Europe as a whole. It will provide a definition of 'Europe'. As specified in the Copenhagen (June 1993) summit, conditions for membership include stable democracy; the rule of law; a market economy; and acceptable minority rights (*The Economist*, June 26, 1993)

The transformation going on in the post-communist countries can be interpreted as forming part of the general homogenization process, or the Europeanization of Europe. If we take the ex-communist countries in eastern Europe as our main case in point, we can identify at least three important aspects of the transformation: the creation of a more pluralist political system, the retreat of the state from the economy and the deeper integration of the country in question to the world economy. This package is usually seen as the credibility test of the fledgling market democracies in the east, but the three dimensions are not unproblematic or free from internal contradictions.

There is also a trend towards heterogeneity in Europe, because of the new 'springtime of nations' and the wave of nationalist separatism. This disintegrative process may in fact be seen as forming part of the Europeanization process since it implies a denial of certain identities (Soviet, British, Spanish) without contradicting an identity with Europe.

The European Prospects

Post-Maastricht Europe has lost speed as far as purposeful integration is concerned. At the same time various problems which need to be managed jointly, continue to accumulate: security, environment, refugee migration and economic recession. The fundamental problem is that the EC institutions originally were designed in a different age and with a different purpose, i.e. in a context of Cold War and a trans-Atlantic alliance and to create a coherent and homogeneous capitalist core out of the two traditionally hostile great powers of Europe. Now the Cold War is over and so is (almost) the trans-Atlantic alliance. Furthermore of the specific alliance within Europe which gave a solid base for the integration process, i.e. the French-German axis, not very much is left. Instead there will be changing alliances on specific issues, further sharpening the unpredictability of the integration process in Europe.

The increasing gap between growing challenges and insufficient capabilities means a crisis for planned integration but not necessarily therefore the end of Europeanization. However, the processes of integration and disintegration will go on parallelly and the one or the other will predominate at any particular point in time. For the next couple of years the latter process will probably characterize political events. The Council of Ministers will prevail over the Commission in Brussels and, consequently, national interests over federalism. Then, another expansion of the EC will define Europe, change the character of the community, and force a restructuring of EC institutions. This will be the end of the old European Community and the start of a new project; perhaps the United States of Europe? Or perhaps a sliding back to the 'Europe

of the Nations'? It is unlikely that there will be any clear direction before the review conference in 1996. To many people 'more Europe' is still the answer. But what is the question?

4. Comparative Analysis of Non-European World Regions

Regardless of the ultimate outcome in terms of its external policy choices, the emergence of Europe will have, and already has had, an impact on how the world organizes itself politically. The mere existence of a more autonomous Europe (after having been simply an arena for competition between the superpowers) implies a new international political order, since the institutionalized division of Europe formed the most essential part of the old security order. The reactive impulse from other power centres – established or emerging – will also be to form blocs, while watching the nature of the European regional formation and its impact on the structure of interdependence.

Even the hegemon of the post-war order, i.e. the Bretton Woods System, is preparing for an eventual regionalization of the world order, and we will start with regionalism in the Americas.

North Americanization of the Americas?

The economic and political dynamics of what we, in order to simplify, can call the Americas, has to do with the post-war hegemonic position of the USA and its recent transformation to a regional power. This is shown in the formation of NAFTA, and the way in which the other regions of the new world are reacting to this.

The region we are dealing with here is what usually is referred as new world, i.e. the North and South American continents, plus Central America and the Caribbean Islands. This world is known as new in the sense that people from Europe, the old world, colonized it. Its present diversity reflects this colonial heritage. There are the rulers, with different European backgrounds (not only 'Ladinos'), and the conquered, so called 'Indians', with an immensely heterogeneous ethnic background.

There is little to suggest that a genuine regional identity is emerging among the traditionally not very closely related subregions: North America, Mexico and Central America, the Caribbean basin and South America with its northern part, dominated by the Andeans, and the southern Cone.

The United States of America, Canada and Mexico are three subregions with a common history which contains many tensions. Their internal heterogeneity is, furthermore, as significant as that of the larger region.

The USA was consolidated as a 'national state' only after a bloody civil war, and after a war with Mexico in which the latter lost half of its territory. Its internal heterogeneity is a result of indigenous groups, immigrants and black slave labour. The major non-assimilated ethnic minorities are blacks, 'chicanos' and other Hispanic

Americans, and Asian Americans. They are substantively poorer than the dominant Anglo-Saxon population (Dominguez-Hettne 1993).

Leaving out the indigenous groups, Canada is two nations – the British and the French – within one state, a state with a very uncertain future.

In Mexico the tradition of nationalism, protectionism and ‘anti-gringoism’ is still alive since the war with the USA. However, the economic reforms undertaken by President Salinas will speed up the inevitable integration into the North American economy, previously so much feared by the Mexican left.

Mexico has consequently abandoned the Third World concept, so important for the image of some of the previous Mexican presidents (*LARR Mexico & Central America*, July 18, 1991). This means that also the small states of Central America are tilting towards the north. This could also be an option for Chile and some other countries squeezed between north and south.

The smaller Central American states have strong incentives for regional cooperation, and the change of regime in Nicaragua has increased the political homogeneity of the region. So has the settlement of the border conflict between Honduras and El Salvador. The crucial issue is whether the countries can develop a common approach to the emerging US-Canada-Mexico bloc, or whether they will join this bloc as individual client states.

In the Caribbean, the 13 member regional organization, CARICOM, now contains less than six million people. The USA traditionally follows a policy of bilateralism which does not facilitate regional cooperation. On the other hand, the European connection through the Lomé-framework is pushing these countries towards a wider community.

We now move towards the Latin America's ‘deep south’, where the question of cultural identity and the artificiality of the nation state are equally burning issues. Leaders of independence movements were more inspired by concepts of liberty and sovereignty than by nationalism (Stavenhagen 1992). Whereas later developed nationalist emotions marked the mestizo middle classes, the indigenous peoples (35 millions today) were excluded from the nation state projects and usually constituted the anti-state guerrillas. The recent process of democratization will possibly mean that the perception of national identity changes towards a wider concept of multi-cultural, multi-ethnic society (Stavenhagen, op.cit, p. 440).

Latin American countries are since the mid 80s also in a process of restructuring their economies and have opened up their economies to greater international competition at the same time as different subregional schemes are being tested. Apart from Mexico and Central America, the traditional groupings are the Andean Group and the Southern Cone. The convergence of liberal economic policies throughout the continent creates unprecedented possibilities for regional integration (Lahera 1992).

Latin America has a lot of, mostly negative, experience of various regional arrangements. They have collapsed due to both internal conflicts and the whole structure of dependence. As long as the USA was a global superpower, there was little room for manoeuvre for the Latin American states. Radical development models were unacceptable as they were interpreted as an advancement for 'the other side' in the Cold War. The only regionalism that was accepted was thus 'hegemonic regionalism'. The Organization of American States (OAS), for instance, has been an organization manipulated by US interests.

A new free trade area (NAFTA) 'from the Yukon to the Yukatan', due to take effect in 1994, was recently agreed between the USA, Canada and Mexico, and will result in a single market over a period of fifteen years. This means a free trade zone with 355 million inhabitants. It will be an expansion of the 1988 free trade agreement between the USA and Canada, which in itself led to controversies, particularly in Canada. NAFTA is even more controversial since it associates one of the mightiest economies of the world to that of a developing economy (Dominguez-Hettne 1993).

There is thus little enthusiasm expressed within the countries concerned, although their governments now have committed themselves to go through with it. Like in Europe, there is increasingly critical public debate. Canadians are not all happy even with the current free trade agreement with the USA, supposed by some to increase the national economic dependence. The French-speaking region of Quebec is generally more in favour, happy to deal directly with the USA. In the USA there is fear of losing investments and jobs as capital is attracted to cheap labour zones. Only a decade ago it would have been impossible for most Mexicans to conceive integration with 'gringos', and this is probably still the case with the left, or what remains of it. The growing middle class has embraced the American way of life, but environmentalists (never a very strong lobby in Mexico) are worried about the environmental damage when polluting industries move south of the border (*International Herald Tribune*, August 13, 1992).

As in Europe, real (economic) integration has gone on and still goes on even without formal agreements: Northern Mexico and Texas are merging into one subregion, while southern Mexico is increasingly marginalized. Unlike in Europe, there are no social and regional funds to compensate the disadvantaged since NAFTA so far is merely a trade agreement. There is little to suggest that it will become anything else. Nobody talks about a North American Maastricht. Nobody believes that NAFTA would imply more state intervention, the typical fear of neo-liberals in Europe. The economic issues such as the 'local contents problem' are dominating the rather technical debate. Very few express any long-term visions about a united North America or a united 'Americas'. However, the issues brought into the negotiations are not only trade issues. The areas include access to markets; trade rules; dispute settlement; foreign investments; services and intellectual property. To the extent that they all become incorporated, one could speak of a common market rather than free trade zone. It is also unavoidable that the issue of migration is taken up one way or the other. Furthermore, some suggest that NAFTA could be an instrument for dealing with other economic blocs.

NAFTA could, therefore, be seen as a reaction to the threatening fragmentization of the world economy, a 'Fortress North America' as a response to the eventual 'fortress Europe'. Thus, there is no reason to rule out the possibility of political regionalism as a response to new challenges in the world economy. In the section below we take a closer look at the preconditions and trends in the major subregions – North America, Central America and the Caribbean (the Caribbean Basin) and South America.

The economic and geopolitical change in the north of Latin America puts a certain pressure on the Southern Cone, which contains 44 per cent of Latin America's population and 52 per cent of its GNP. The democratization from the mid-80s paved way for more solid regional cooperation. A treaty signed by Argentina and Brazil removed some traditional causes of tension between the two countries and put fresh life into the integration process in the region. In March 1991 a free-trade agreement, the Asunción Treaty or the Common Market of the South (MERCOSUR) was signed between these two countries, and also Uruguay and Paraguay (*LARR-Brazil*, May 2, 1991). This new kind of cooperation, designed to prevent further marginalization of Latin America in the world economy, is modelled on the EC and the Single Market concept. When this agreement takes effect there will be created a market with 195 million inhabitants. The production will amount to one twelfth of the EES and one tenth of the USA (Dreifuss 1993). Also a subregional parliament is being established and democracy institutionalized in a regional framework.

The fledgling common market will enable free circulation of goods, services, capital and manpower by gradually reducing custom tariffs and other barriers in the member countries during the period up to 1995. These countries will also coordinate certain aspects of macro-economic policy and foreign currency policy as well as their economic relations with third countries. The treaty is open to other Latin American countries as they restructure their economies.

The Andean subregion, in the case MERCOSUR, will really develop to a viable regional grouping, feel the pull both from the north and the south. For instance, Chile (at present vacillating between north and south) and Bolivia are invited to join. Chile, which is far advanced than the other Latin American countries as far as structural reform is concerned, prefers for the time being bilateral negotiations with the USA (*LARR-Southern Cone*, July 4, 1991). Bolivia is already member of the Andean pact which prevents it from joining MERCOSUR.

The comparative strength of the new organization is that it will only contain members committed to the integration project. It is thus to a large extent a case of 'regionalism from within', but can hardly provide a regional system with its own dynamic. The main purpose is to establish sustainable relations with emerging trading blocs, particularly NAFTA.

The Third Worldist posture of MERCOSUR lacks credibility. The coherence of particularly the Brazilian society is fragile, as shown by a report from Escola Superior

de Guerra warning against street children as a future potential revolutionary army (*LARR-Brazil*, Nov. 28, 1991).

Open Regionalism?

Asia-Pacific is becoming the new centre of global capitalism. It can also be seen as an emerging trade bloc under the leadership of Japan, depending on the relative degrees of cooperation and conflict among competing capitalisms – North America, Europe and Asia-Pacific. Finally it contains several potential regional formations, the shapes of which are still uncertain due to unresolved security dilemmas.

The Asia-Pacific area contains three regions – East Asia, South East Asia and the European Pacific. Australia and New Zealand, although geographically distant from Europe, have European origins. Under the impact of successive immigrations this heritage is becoming less distinct and the region is economically becoming part of Asia. 65 % of Asia-Pacific trade is intra-regional (compared to 62% in the EC).

East Asia is the most dynamic of the world regions, containing a hegemonic contender (Japan), an enormous domestic market (China), three NICs (South Korea, Taiwan and Hong Kong) and a socialist autarky (North Korea), preparing itself for major changes which may alter the pattern of cooperation within the region. A reunification of Korea, a democratization of China, and a more independent Japanese role would release an enormous potential. These changes are admittedly not immediate but, on the other hand, quite feasible.

At present the region is a region largely in the geographical and perhaps cultural sense of the concept. Previous experiences of regionalism have rather been various imperialistic projects. The degree of 'regionness' is thus low in spite of the fact that unplanned economic integration is now taking place due to the dominance of the yen (*FEER*, Oct. 1990). Regional integration thus takes place without much formal institutionalization (Palmer 1991, p. 5).

The ending of the Cold War opened up new possibilities for inter-subregional contacts, widening the potential regional cooperation. The Confucian Model provides a dominant pattern of social and political organization which now frequently is hailed as a cultural alternative to westernization.

Korean unification is the key to formal regional cooperation. Considering the economic superiority of South Korea and the political lag in North Korea, it will probably be a spontaneous process of the German type, an 'Anschluss'.

South Korea together with the other NICs are facing changes in those objective conditions which originally made them into NICs. Their strategy in the 1990s will probably be betting on the domestic market, preferably a regional market.

China will continue the long road towards a more open economy in spite of the temporary isolation followed in the wake of the Tiananmen Square incident. China's

self-reliance oriented economy built in the Cold War context is in need of transformation which (as in the case of Vietnam) implies a change in the regional balance of power away from Beijing and towards the south where foreign investment flows.

Perhaps the most complex issue in the region is the future role of Japan. Will it remain number two in Pax Americana or take a more independent global role? The latter, and perhaps more likely option, would imply the accumulation of military strength and a break with the introvert Japanese world-view. It also implies reversing the process of 'de-Asianization' begun in the 19th century. The former course presupposes that the US itself does not turn to isolationism which would create great confusion as far as Japan is concerned (Tamamoto 1990). References to 'global partnership' cannot hide the fact that the old security order is defunct, due to the disappearance of the main threat against which the order was built, and the emergence of new threats.

The so-called Yoshida-doctrine (Shiguru Yoshida was the leading politician after the war) contains the following four principles:

1. Economic competition with the West;
2. Low level of armament – cautious posture in international conflicts;
3. Acceptance of US leadership;
4. Trade with all – no discrimination.

This doctrine has been undermined by Japan's economic success. There are various alternatives suggested by different domestic groupings.

Japan, not a great practitioner of, but increasingly dependent on, free trade, has so far been rather negative or at least neutral to the idea of regionalism. Japan has a rather weak identity as Asian power, and the prospect of 're-Asianization' does not seem to be very popular. This is the Japanese dilemma. Its future path depends on the development of Japanese – US relations, as well as the process of regionalization elsewhere (*FEER*, June 20, 1991). At the moment, Japan has 'a regional policy for Asia but not a policy of regionalism', June 18, 1992). The latter would necessitate that Japan acted more like a powerful nation-state, less like an international trading firm (Pyle 1993).

Southeast Asia has been divided in two economic and political blocs – ASEAN (Indonesia, Thailand, Singapore, Malaysia, the Philippines and, since 1984, Brunei) and the 'Indo-Chinese' area or Mekong River Basin (Vietnam, Kampuchea and Laos). The latter subregion has been under communist rule with Vietnam exercising subregional hegemony. This role is now played down at the same time as market-oriented economic policies (*doimoi*) are tried.

Vietnam, and behind it the Soviet Union, was earlier seen as a threat by the ASEAN countries. This security complex is the reason why ASEAN has worked rather well as a regional organization. Inter-state conflicts between ASEAN countries which ultimately were solved by negotiation were also instrumental. The source of common cause and identity was thus partly an external threat and there were few incentives for economic cooperation. Only recently (January 1993) a free trade agreement was implemented within a fifteen years period. Many doubt that this free trade zone will be realized. ASEAN countries are direct competitors in many areas and it will take a long time for them to develop into complementary economies. From the very beginning ASEAN was a political rather than economic organization (Yamakage 1990) and now the political preconditions are rapidly changing.

In fact there are strong inter-state as well as intra-state tensions in the two subregions. The latter can be exemplified by ethnic tensions (Malaysia, the Philippines) and the former by old territorial disputes (Indonesia vs. Malaysia) as well as contrasting views on regional security (Singapore vs. Indonesia and Malaysia).

As in Europe, the dismantling of the Cold War system will change the pattern of conflict rather than eliminate the conflicts. We can therefore expect more relaxation between the two subregions, but more conflicts within them. Possibly the ASEAN framework is now strong enough to deal with them.

The countries in ASEAN could be described as capitalist in economic terms and conservative in political terms although Singapore and Indonesia, for instance, differ significantly in their economic policies. The economic integration that has taken place so far is rather modest and the figure for intra-region trade is only about 20 per cent. The external dependence on Japan is felt to be problematic.

The national economies are outward-oriented and the political systems are formally democratic but in practice more or less authoritarian. The Confucian Model has a strong impact on this region as well, so authoritarianism in fact constitutes the homogenizing political factor. The ASEAN countries are in various phases of a NIC-type development path. Problems on the international market usually reinforce domestic authoritarianism due to the strong two-way causal relationship between economic growth and political stability. Economic growth and redistribution is a precondition for ethnic peace, political stability a precondition for the economic confidence expressed by international capital towards the region.

Australia and New Zealand, although geographically distant from Europe, have European – and particularly British – origins. Under the impact of successive immigrations, the European heritage is becoming less distinctive. Economically, they are becoming part of Asia and dependent on Japan (Mennell 1992). Australia will be the first European country to become genuinely Asian (Button 1993). Foreign Minister Gareth Evans has coined the word 'open regionalism' for regional trade arrangements that do not hurt third parties (Usher 1993).

In 1990 the Malaysian Prime Minister Mahathir (in frustration over drawn out GATT negotiations) urged Japan to act as a leader of an East Asian Economic Grouping (EAEG) which would create an East Asian and South East Asian super bloc with a Sino-Japanese core. EAEG (it has since been modestly renamed East Asia Economic Caucus – EAEC) would be a sort of response to the European and North American ‘fortresses’. The EAEC proposal is slowly gaining support among other ASEAN countries whereas the East Asian countries, particularly Japan and South Korea, have taken a more sceptical attitude. So has the USA and the World Bank.

A more comprehensive alternative is the 15 member strong forum for Asia Pacific Economic Cooperation (APEC) which was set up in 1989 and will be further developed in case GATT fails. Thus, it has regional and inter-regional trade expansion as its main goal (*Asiaweek*, August 28, 1992). APEC can be compared to ‘the Atlantic project’ in Europe. It is a transregional network providing a bridge for the USA in the area, and therefore supported by US-oriented regimes and opposed by spokesmen for a genuinely Asian regionalism.

As should be clear by now, it is not so easy to tell what is intra-regional and inter-regional in the case of Asia-Pacific. So far the three regions within the Asia-Pacific area show a low degree of regionness – East Asia completely lacks any kind of regionalist framework. South East Asia contains two regional formations – the more or less post-communist Indochina and the anti-communist ASEAN. The political rationales for these formations are completely changing, much like in Europe, and there are new possible alignments. The European Pacific may turn Euro-Asian, but it is still an open question how the ‘open regionalism’ will navigate in the transformed regional landscape.

A Poor Man’s Club?

South Asia is one of the last regions to wake up to the challenge of the new regionalism. It has been called ‘a region without regionalism’ (Palmer 1991, p. 75). It has been a region of distrust and conflict, penetrated by external powers, which, as a matter of fact, have been invited by the states of the region as part of their internal hostilities. Until the mid-1980s there was no regional cooperation whatsoever. To the extent that one can say that South Asia had reached the second level of regional complexity, its network of relations was mainly conflictive. It was an ‘immature’ regional security complex (Buzan 1991), far from being a ‘security community’ (Deutsch 1957). The region has experienced no less than three wars between the two major powers. The dominant power has a record of bilateral conflict with most of the other states in the region. Thus there are quite a number of obstacles to overcome. Currently, the region is being marginalized. The concept of Asia has more and more come to mean East- and South-East Asia (Chambers 1993).

South Asia is undoubtedly heterogeneous and conflictive. Perhaps only an outsider can recognize a special South Asian atmosphere, from Karachi to Chittagong, and from Kathmandu to Trincomale. This is the power of culture.

A second source of unity in this region of diversity is the administrative structure and ethos inherited from the British colonial rule. Hereby a bureaucratic framework was created which still is recognizable in all parts of the region. This complemented the unifying role of a much older shared civilization.

Thus, South Asia can be seen as a historical regional formation, albeit cut up by the process of violent state formation and frustrated nation-building.

The current nation-state projects in South Asia were all moulded by complex historical processes in which the formation and dissolution of the British Empire played a major role. The intensity of colonial penetration varied between different parts of the empire (Phadnis 1989). The post-colonial Indian government inherited what can be termed a 'colonial project', which then formed the basis of its own nation-state project. The primary aim of that particular project was to hold the empire together in a new form and to further assimilate the peripheral areas. In this sense, India can be considered to have failed from the start.

The creation of the Indian Union in 1947 can be viewed as a milestone in a longer process whereby every ethnic group/nation attempts to secede from, or increase its autonomy within 'the empire'. The first example is the Indian (largely Hindu-Brahmin) elite itself, which created the Indian National Congress as an instrument with which to gain independence. Secondly, the Muslim elite organized the Muslim League and seceded from the new Indian Empire. Thirdly, other nations or ethnic groups such as the Nagas, the Kashmiris, and the Sikhs have subsequently tried to do the same. Particularly during the last decade, an increasing number of ethnic groups have begun to question the legitimacy of the state and have formed autonomist or separatist movements, not only in India but over the entire subcontinent. From the point of view of these groups, their liberation forms part of the struggle against colonization.

So far there are not more than seven states in the region. Pakistan was divided into two, but on the other hand Sikkim was absorbed by India. Ever since the traumatic partition of Pakistan, there is a sensitivity about border changes in the region. India's response was secularism, what the Rudolphs have called India's founding myth, strongly associated with the Nehru-Gandhi family (Rudolph & Rudolph 1988). A pragmatic ground for secularism was the fact that the Congress party before the second rise of Indira Gandhi (1980) to a large extent relied on the vote of the minorities. Pakistan's response was to make Islam a state religion which, however, could not prevent the secession of an equally Islamic Bangladesh.

Sri Lanka originally took the secular route but is now on its way towards a Sinhalese/Buddhist state with a rebellious Tamil/Hindu minority, the latter with a nation state project of its own (Eelam).

Nepal is a Hindu monarchy, previously authoritarian but now in a process towards a more secular, democratic system.

Bhutan is a traditional monarchy with a consociational power structure and until recently has experienced little ethnic strife. In order to soften the external impact on indigenous institutions, Bhutan adopted a gradualistic approach to economic development (Phadnis 1989, p. 80).

The Maldives is a comparatively homogeneous state in this region with one religion (Islam) and one language (Divehi). A certain element of authoritarianism has survived the sultanate (which was replaced by a presidential system in 1968). There are no political parties in this atoll state.

The overall trend in the region is towards occasionally crisis-ridden muddling-through democracies, where the threats from intra-state heterogeneity are more problematic than inter-state conflicts. However, to an increasing degree, internal and external issues become interleaved/interwoven.

In the case of Europe, processes of homogenization changed the dimensions of the regionalization process in a dramatic way when authoritarianism fell and the market was recognized as the major mechanism of distribution. In South Asia we can also expect overall changes in two areas – political democratization and economic liberalization.

The democratic record in South Asia is comparatively decent, although the democratic evolution has been uneven and not without its setbacks (Muni 1991). The old democracies, Sri Lanka and India, have shown impressive resilience under great stress. Furthermore, there is a clear trend of political homogenization of the regional political space in the form of democratic openings in Pakistan, Bangladesh and Nepal. The great danger is that these weak political structures may not survive growing ethnic tensions. Regionalism could become a democratic guarantee but this strategy presupposes that democracy survives in India.

My argument is that there is a necessary relationship between democratization and regionalism (at least the new regionalism). The potential for regionalism thus depends on a democratic development in the constituent states. On the other hand, democratization may lead to more conflicts between the states and consequently constitute an obstacle to further regionalization.

This contradiction can be resolved in different ways. We could say that democratization is a necessary but not sufficient condition. Another way of putting it, is to distinguish between the homogenization of the political space in terms of forms of political regime, and in terms of policy content whether it is economic policies or foreign policies.

In terms of economic policies, Bangladesh (inspired by Thailand) and Sri Lanka (wanting to become the Singapore of South Asia) are trying to catch up with the second generation NICs (Rao 1991). Pakistan, traditionally more externally oriented, has intensified its privatization programme. India may now also opt for a more open economy, due to pressures from the IMF, thus reducing the gap in economic policies

between the regional power, with its tradition of import substitution, and the smaller, more extroverted states.

Regional cooperation in the economic field, or developmental regionalism, is at best embryonic. The economic rationale is not overwhelming, but has to be created (Adiseshiah 1987). In the field of resource management, because of the shared river systems, there are strong interdependencies which so far have been a source of conflict rather than cooperation. They may also be turned into regionalist imperatives.

The 1991 SAARC meeting confirmed a commitment to economic liberalization in the region and Narasimha Rao, the Indian Prime Minister stressed the need for cooperation to 'face the eventualities of economic groupings of developed countries' (*India Today*, Jan. 15, 1992). This can be compared to the Malaysian Prime Minister Mahathir's call for an EAEG (East Asian Economic Grouping) after the breakdown of the GATT negotiations in December 1990 (*FEER*, July 25, 1991). It shows that regional institutional frameworks tend to slumber until real events suddenly increase their potential relevance.

After the Dhaka summit in 1993 and the South Asia Preferential Trade Agreement, the SAARC countries are committed to slash duties on imports from member countries by one-tenth. Thus the slow process of economic convergence has at least started.

In 1985 South Asian cooperation after five years of preparations at last got its own organization – South Asian Association for Regional Cooperation (SAARC). The initiative originated from Bangladesh with a proposal made by President Ziaur Rahman in 1980. Significantly, academic scholars from the region have been very active developing the concept. India was rather lukewarm, while the smaller countries in regional cooperation saw a possibility to coordinate their resistance to Indian control (Mishra 1984; Muni 1985). Regional cooperation has in fact been initiated as a counterforce to regional hegemonism but at the same time, India was successful in resisting external sponsorship and strategic orientation for the organization (Muni 1992).

The greatest obstacle to the initiative was the complex security situation, particularly after the Soviet intervention in Afghanistan in 1979. In South Asia, world powers such as the USA, the Soviet Union and China have promoted their interests by forging alliances with local states. The division of Pakistan further destabilized the region, transforming it into an arena of superpower competition, as a weakened Pakistan received support from both China and the USA, while India entered into a treaty with the Soviet Union. As a culture and civilization with a special capacity for handling diversities and contradictions, India was and still is a giant. The problem of regional hegemonism is thus present here, as in Europe.

The security situation in South Asia cannot be understood unless the ethnic, regional and religious conflicts within the states – and the way these affect inter-state relations – are carefully considered. In a situation of geopolitical dominance by India,

ethnic strife, secession and disintegration could be the main vehicles for changes in the inter-state system. Over the years the security situation has grown more and more complicated (Buzan and Rizvi 1986). Because of the overwhelming importance of security, the potential economic complementarities are largely untapped, and what existed of a regional economic system before 1947 more or less destroyed.

So far, SAARCs main constraints are the Indo-Pakistan and the Indo-Sri Lanka tensions. The world is going through dramatic structural changes and there are two different types of options for the South Asian countries – regional or national. In principle there is little difference between the two levels, since the regional diversity is reflected within the individual states as well. There is no rationale for an Indian or Pakistan nation which does not apply to the South Asian region as a whole. The reason to search for regional solutions is that bilateral suspicion makes any other solution narrow-based and fragile.

One could, of course, also think of regional cooperation through some other regional framework. Sri Lanka has, for instance, approached ASEAN (in 1981) and Pakistan can perhaps more easily change from a South Asian to a West Asian regional identity. A potential regional formation is the five post-Soviet Central Asian republics together with Turkey, Iran and Pakistan. This will however imply internal splits in Pakistan, and link up the South Asian regional security complex with those of the Middle East and (in the case of a Lankan drop out) South East Asia.

The proper way to keep the South Asian states intact would rather be for the seven countries to remain South Asian, to delegate powers to the regional level, but also to increase the internal self-determination for various cultural groups.

Too Many Regional Powers?

The Middle East region, a 'region' mainly in the geographical sense, is in many ways the most complex. Regionalism is therefore bound to emerge and re-surge in different manifestations and constellations, and has to transcend many contradictions. The region is extremely diverse in ethnic terms while at the same time, it is largely dominated by one religion and one linguistic culture. Great ambitions towards regional unity coexist with constant conflicts between states and ethnic groups.

Of importance is the frustrated, but yet surviving idea of an Arab Nation, nurtured not least by Arabic Christian minorities – particularly in the initial period of Arab nationalism – and today politically articulated in Syrian and Iraqi Ba'athism. This idea, badly injured by the Gulf War, corresponds to a potential 'regional civil society' among the Arabs, today at best a sleeping potentiality. With the rise of political Islamic movements in the 1980s and 90s, it looks as though Islamism today has gained the upper hand over pan-Arabism, and therefore a broader 'community' for identity purposes is provided.

Since conflict is the main characteristic of the region, the best way of approaching the regional issue is through the regional complex concept suggested by Barry Buzan.

The present political boundaries were externally imposed by the European colonial powers and they lack emotional significance, not only because they are so recent but because they have been changed so often in the past. Urban centres such as Cairo, Damascus, Baghdad and Istanbul thus all have possessed regional significance far beyond their present national roles. It is the region of 'realist thinking' par preference. The artificial boundaries, the competing elites, and the lack of democratic tradition make the power play between heavily armed states as close to Machiavelli's world as one can come. Superpower involvement has followed the same cynical logic. Allies have been sought with little regard for their domestic human rights record. Previous regional arrangements have been dictated by external powers (hegemonic regionalism) and several states (Iran under the Shah, Turkey and Israel) have played 'sub-imperialist' roles.

The problem of regional hegemonism has a long historical tradition and there are several competing major states with a potential for regional leadership or hegemony, but also with decisive handicaps in performing that particular role. Iraq was the strongest candidate before the war that crippled it. Syria and Egypt, the remaining Arab contenders, have become too involved with the West to be credible. Turkey is an outsider, being member of NATO and having ambitions of becoming a European state but now finding a new role in the Middle East. Iran, in a process of re-armament while Iraq is forced to re-arm, is feared throughout the region as non-Arabic and Shiite.

Despite the difficulties there are, however, several (sub)regional groupings and institutions. The most well-known is the Arab League based on the idea of Arab unity. However, due to the decline of Arab nationalism and political conflicts between the Arab states, it will probably be the many different sub-organizations of the Arab League that will be of importance in the future. Further, subregional cooperative arrangements such as the Gulf Cooperation Council (GCC) and the formation of the Arab Cooperation Council right before the outbreak of the Gulf War may indicate that various subregional arrangements will be the way in which regionalism in the future expresses itself in the Middle East.

A recent cooperative agreement between Turkey, Iran and Pakistan (ECO) in which the post-Soviet Central Asian republics are included, gives one example of the many possible (but until now short-lived) regional initiatives in this region of diversity (*FEER*, Sept. 5, 1991). This is a non-Arabic organization containing 1/4 of the Muslims of the world but with an internal Turkish-Persian cleavage. Turkish initiatives for the formation of a Turkic subregion are also seen in the formation of the Black Sea Economic Cooperation Pact in June 1992.

A regional democratization wave would be needed to create a more solid civil society base for regional initiatives. The major problem, however, lies in the field of

security. Peace will open a new world and therefore the recent breakthrough in the peace process is extremely important.

For obvious economic and strategic reasons, the superpower involvement in the region has been deep-going. In the most recent political crisis in the region triggered by Iraq's occupation of Kuwait in August 1990, attempts at finding a regional solution, not very realistic anyway, were halted by US intervention, leading to a polarization within the region between conservative and radical currents. As the Soviet Union opted out, the USA with the help of frustrated potential regional influentials established itself in the region – nobody knows for how long because the threatening breakup of Iraq could be the beginning of a long struggle for regional dominance in which external interests headed by the USA will play a major role.

The intervention of regional influentials such as Egypt, Turkey and Syria was not necessarily popular among the people of these regions. This opens the door for unexpected domestic repercussions which in turn will affect the power game. The regional alliance is already cracking up and the smaller Gulf countries seem to define their security as US protective presence, while the major players have their own, largely incompatible, schemes.

It is thus very difficult to foresee what a new security system in the Middle East would look like. Ironically, Saddam Hussein is still needed for balance of power purposes, since no alternative military government is coming forward to guarantee the status quo. What now binds the countries together is their fear of Iraq becoming the regional hegemonic power. The problems to be solved are, however, many – first of all, to contain the power and influence of Iran, to find a solution to the Palestine question, and to reduce the gap between the rich Gulf states and the poor Arab masses. Then there is a host of minority and human rights problems, the most urgent of which is the Kurd question.

The Middle East as a region is linked to Africa through its Arabic dimension and through its Islamic dimension to West Asia and Central Asia. These relations contain at the same time elements of cooperation and conflict, the pattern of which may take completely new directions after a peace treaty with Israel.

Between Europe and the Far East there is the central part of Asia which is an enormous land area with a low level of regionnes and which historically has been a buffer zone between the Russian/Soviet and the Chinese empires. With the dissolution of the Soviet Union and the weakening central authority in China, the area has become a geopolitical no man's land, and consequently finds itself in great turbulence leading to violence and possibly wars. We can hardly speak of 'region' except in a purely geographical sense. Rather it is a colonized area, now liberated to, nobody knows what.

Developmental Regionalism?

As a geographical region, Africa is culturally divided between Arab and African areas. In Sub-Saharan Africa (SSA) there has been little regional integration, simply because there is little to integrate.

There is an urgent need for a broader and more dynamic concept of development, beyond stabilization. Again this is only possible within a framework of regional cooperation. The 'dynamic approach' to regional integration (Robson 1968) must be re-emphasized and the model of 'development integration' (Østergaard 1993) further developed. Above all, this must become a political imperative among African leaders as the only way to halt the continued marginalization of the continent. This also implies a more realistic view on political intervention in the economic process than has been the case during the last decade. If the great discovery of the 1980s was that political intervention is not necessarily good, the discovery of the 1990s may be that it is not necessarily bad either.

Developmental regionalism has thus been the main issue. The nation-state system is more or less dead and the concept of a national development process is dying with it. The cruel choice seems to be regionalization or recolonization.

Regionalism, however, has been a highly politicized issue in Africa. It tends to create suspicion in the national centres of decision-making. Today, little remains of Nkrumah's pan-Africanism but what was a dream then, has nevertheless now become a necessity. This is not only for economic reasons. Many ethnic conflicts, for instance, cannot be resolved within the nation-state framework, particularly as the unsuccessful nation-building project in fact is the main cause behind these conflicts. This is a strong argument for regional cooperation.

The African countries are grouped into more than 200 regional bodies. However, judging from the results of integration, it is not the number of regional organizations that counts. To the extent that one can speak of a new regionalism in the African context, the trend should rather be from single issue organizations to consolidated, multidimensional regions with some supranational authority, ranging from economic development to security.

At the 1991 OAU summit in Abuja it was repeatedly stressed that the ongoing integration of Europe called for a collective response from the member states, in the form of an African Economic Community (AEC). The theme of the summit was the threatening marginalization of Africa, to which regionalism was then seen as the remedy. Many previous initiatives have of course been taken in this direction, for instance the Lagos Plan of Action (1980) but undoubtedly the issue now has assumed a special urgency. The implementation of the AEC will take decades and the first five year period will realistically be devoted to the strengthening of existing regional economic communities as building blocs in the creation of a continent wide unity. Promising efforts are made in southern, western and northern Africa.

One important subregional initiative in the context of the new regionalism, at least in terms of declared objectives, is SADCC (Southern Africa Development Cooperation Conference), covering ten countries. Originally the main function of SADCC (now SADC, i.e. Southern Africa Development Community) was to reduce the dependence on South Africa, a regional power with evident designs of regional control through the destabilization of 'hostile' regimes. Thus, it is a fairly clear example of the new regionalism, since SADCC was not simply based on the common market concept but had wider political objectives. So far, however, the instruments have been lacking and no supranational powers conferred (Tostensen 1992). Attempts are now made to upgrade the level of regional integration by establishing a formal treaty. The most recent SADC documents indicate an awareness of the need for political intervention to prevent regional economic disparities from destabilizing the security situation. The areas to be covered by SADC are (1) food security, land and agriculture; (2) infrastructure and services; (3) industry, trade, investment and finance; (4) human resources development, science and technology; (5) natural resources and environment; (6) social welfare, information and culture; (7) politics, diplomacy, international relations, peace and security.

After apartheid has been declared a 'closed book', the agenda for regional cooperation in southern Africa will change fundamentally – and the incentives will perhaps become positive rather than negative.

Much depends on the character of a post-apartheid regime, not only for southern Africa but for the whole sub-Saharan Africa. Three possible scenarios can be mentioned (Martin 1991):

- (1) regional restabilization under South African dominance;
- (2) regional breakup, peripheralization and bilateralization of internal and external relations; and
- (3) a neo-regional alternative implying regional restructuring based on a symmetric and solidaric pattern of development.

The last one is a very optimistic scenario.

As with all regional scenarios, it is the domestic politics of the constituent states which play the decisive role. To this must of course be added the international arena from which southern Africa (including South Africa) has been increasingly marginalized. The regional cooperation must include South Africa and move from a defensive alliance between 'front states' to becoming a real regional actor. This would necessitate a stronger economic base without which regional cooperation at the most can play the role of a negotiating cartel.

The prospects for regional cooperation, however, generally begin to look brighter, partly as a result of the weakening of the previously so almighty nation states as the dominant political institutions. This does not mean that a complete disintegration of the states in a region can be seen as a path towards regionalism.

In the Horn of Africa, for instance, the record of conflict is longer than the record of cooperation. However, in recent years joint efforts have been made to combat an enemy that in the long run may prove more formidable than even war, namely the deteriorating environment. What is more, the two threats are most likely linked (Molvaer 1990; 1991). Thus, there is an urgent need for regional cooperation. The countries in the region (Somalia, Djibouti, Ethiopia, Eritrea, and Sudan) have (in January 1986) established the Intergovernmental Authority on Drought and Development (IGADD). Normally, there must be an embryonic regional framework to build upon. For the first time in decades the countries in the region do not have open conflicts among themselves (*Horn of Africa Bulletin*, vol 5, No 4, July – Aug. 1993).

After the miserable Somalia operation the UN will be less eager to undertake peace-keeping – not to speak of peace-enforcing – operations. The regions themselves will have to develop some emerging organization for this, perhaps in cooperation with and with support from the UN. Furthermore, the new kinds of conflicts, characterized by a complete breakdown of political order, also necessitate some kind of organized governance imposed on the ‘black holes’. This is best done by a regional authority, if there is any in the first place. If not, the best security policy for Africa would be to develop a structure of transnational governance in all the subregions.

In West Africa, where the major regional initiative ECOWAS has been more or less paralyzed for a long time, there are signs of economic and political homogenization and a somewhat more active regionalism. National repressive regimes are crumbling, the ‘socialist’ experiments are over and even old ‘liberal’ autocracies such as Côte d’Ivoire are slowly democratizing. The delinking of the state apparatus from elite interests may lead to a strengthening of the regional as well as the local level; the regional because of the development imperative, the local because this is where the democratic forces are.

In the Maghreb subregion, forming part of the Arab world, harsh realities both in terms of inter-state conflicts and social and economic problems lead to new attempts at stimulating regional integration. Earlier attempts at regional integration have failed, usually due to the ‘hegemonic’ model of integration implying dominance for the larger states (Algeria and Morocco) who, furthermore, were involved in bilateral conflicts (Deeb 1993). The smaller states (Tunisia, Libya, Mauritania) have countered attempts at domination in a classical balance-of-power pattern, at the same time as the region has closed ranks and acted in a more concerted way in the face of external interference (France, Egypt). More recently, the external threat has rather been one of marginalization of the region, as when the European Mediterranean countries joined the EC (1986).

In February 1989, the five countries’ Arab Maghreb (or Mahgribi) Union (UMA) was created in order to tackle both peace (the Western Sahara conflict) and development (the debt crisis) issues. There is great fear within the region that the traditional European markets will close after 1992. The aim of the Maghreb Union is to stimulate trade between member states, increasing non-traditional exports, and cutting imports (South, May, 1989). The UMA is at the same time modelled on the EC and provoked by the

‘fortress of Europe’. A number of joint projects have already been initiated. Even a single currency system has been discussed. In the long run it is hoped that the economic relations with the EC will increase rather than decrease, as the UMA gains in political stability and economic strength. It is not unrealistic to think that the EC will invest on the other side of its own version of the Rio Grande, in order to counter a wave of immigrants as well as fundamentalist revolutions. The question is whether this may not be too late now. The dilemma is that the political liberalization which should accompany the economic liberalization is likely to lead to an upsurge of accumulated frustration.

The southern European countries in particular are thus much concerned about the stability in Arab North Africa and have developed the project of creating a Conference on Security and Cooperation in the Mediterranean (CSCM) modelled after the CSCE, but based on an even broader concept of security including, for instance, water scarcity as a security risk.

In regional security terms the UMA softened intra-Maghreb relations, but provoked a number of Arab countries (among them Egypt and Iraq) to form the Arab Cooperation Council (1989) which significantly, consciously and explicitly avoided any geographical limitation of membership. This organization collapsed after the Gulf War.

Of importance here is the ongoing democratization, the so called ‘second liberation’, in Africa, including South Africa, which, to the extent that there is a democratic political culture underneath the authoritarian model, will increase the political homogeneity of the region, although the political winds are unpredictable (Riley 1992).

Similarly, economic policies are ‘harmonized’ due to the dramatically increased dependence on IMF and the World Bank as well as the donor countries. The new political conditionalities can be criticized from many points of view but they undoubtedly harmonize the political cultures in the various nation-states. The problem is whether the externally imposed economic policies are consistent with internal political pluralism in unstable states.

The regional or rather subregional structures, however weak, will play an increasing role in conflict resolution in real and potential black holes, of which Africa has its fair share. This syndrome may also soon include the Maghreb.

The nation-states do not seem to be on firmer ground today than after decolonization. Hence the need for regionalism and for the development of a regional capacity for conflict resolution.

A significant development in this context is that OAU has opened a Division of Conflict to deal with tensions between and within member states. The principle of non-interference is thus being reconsidered (NA, June 1992, no 297). This trend of self-criticism and preparedness for intervention in domestic conflicts was further strengthened at the Cairo Summit, June 1993.

From now on, the more stable regimes within a certain region may feel obliged to interfere through regional institutions in countries on route toward anarchy. It needs not to be said that there are dangers in this as well. However, under the conditions that the intervention has a degree of legitimacy in comparison with the regime against which the intervention is carried through, the regional cause is strengthened. Integration and disintegration go together, in Africa as well as in Europe.

5. The Emerging Research Agenda

As an ‘imagined community’, the region perhaps constitutes the limit of human empathy. Is it a new kind of tribalism nurtured by fear and hostility, and provoking more of the same? Is it an obstacle or a road to planetary citizenship? This concluding section will raise some research questions about forces behind the emerging new regionalism, what type of world order it implies and how the regional factor will affect important global issues such as development, peace, and ecological sustainability.

The Underlying Forces

What conclusions as far as underlying forces are concerned can be drawn from a comparative overview of regionalization throughout the world and, in particular, attempts at regional cooperation from within?

We have assumed that overall structural changes in the world system permit and even encourage a process of regionalization in different parts of the world. This process is thus both related to global changes and to internal transformation in different regions. In fact the two cannot be separated.

The structure of the world system must permit room for manoeuvre for the regional actors, at the same time as the increase in regional activity in itself constitutes structural change on the world level. The new regionalism would not have been consistent with the hegemonic regionalism of the bipolar Cold War system, since the ‘quasi-regions’ in this system tended to reflect the global ideological divisions. This was evident in Europe, East Asia, South East Asia, and the Middle East. In South Asia the dominant power was associated with the Soviet Union whereas the rest of the countries leaned towards the US camp. In Latin American and the Caribbean there were exceptional cases where countries departed from the dominant geopolitical camp and also had to face the consequences. In Africa the Cold War pattern was less deepgoing, but it played a part in the development aid game. In contrast with this Cold War pattern of hegemonic regionalism, the dynamics of regionalization is at present within the region itself.

On the level of inter-regional relations, I have made the point that European regionalism is the trigger of global regionalization at least in two different ways – one positive, the other negative.

In the positive way, Europe, as far as regional cooperation is concerned, is universally seen as a success story by the other regions. The European Community in particular has been seen as the model to emulate. This was explicitly stated in the (December 1991) Colombo meeting of the South Asian Association for Regional Cooperation (SAARC). Similarly the Abuja Summit (July 1991) of the Organization for African Unity (OAU) called for an African Economic Community on the lines of the EC, and the SADCC (renaming itself SADC) recently upgraded its supranational competence.

The EC is, furthermore, actively encouraging regional formations in the Third World through its 'regional dialogue' or 'group-to-group diplomacy'. This is quite different from the entrenched US bilateralism with the more or less explicit purpose of discouraging regionalism.

The negative aspect is, of course, the infamous European fortress – the threat of regional protectionism which will provoke, rather than promote, other regional bloc formations. After the breakdown in the GATT negotiations in late 1991, for which European agricultural protectionism was blamed, the Malaysian prime minister referred to the European fortress as an established fact, and consequently invited Japan to act as a leader of an East Asian Economic Grouping. The Japanese response was silence but there are reasons to believe that the option is kept open and dependent on events in other regions. Thus, even in regions where there is a strong commitment to multilateralism, preparations for regional groupings are being made, perhaps in secret.

Will the European Community become a fortress Europe? No one knows, and the point to be made here is that the future pattern of inter-regional relations depends on which of several possible scenarios for internal change and external relations will come true. What could be more unpredictable than the fall of the Berlin Wall in 1989? And the consequences are still hard to grasp. Will the CIS become a region in the sense that the concept has been used in this study or will it be a new Russian empire? Or will Ukraine and Belorus turn to the West while Russia 'goes Pacific'? Where will Central Asia belong? Will it remain in the CIS or will it be 'divided' between Turkey and Iran? As was pointed out earlier, regions are emerging phenomena and will define themselves.

As far as the regional level itself is concerned, we have noted that a process of homogenization of political regime and economic development policy is a necessary precondition for a deepening of the regionalization process. In particular, the security system strongly seems to influence the pattern of economic relations between the states of the region. In Europe, economic organizations such as the EEC, EFTA, and COMECON were reflections of the Cold War order. The end of this order, characterized by hegemonic regionalism, created a new situation as far as economic cooperation was concerned. The same trend can now be discerned in most regions.

The overall result could be a new 'balance of power'-system within, as well as between, the regions. But power, depending on the nature of the inter-regional relations, may increasingly be more of the economic than of the military kind — 'soft' rather than 'hard' power. This dimension will distinguish regions which search for a role in the

world economy from regions which helplessly turn into war zones because there are no regional institutions which are strong enough to arrest a process of disintegration caused by ethno-nationalist challenges to ongoing nation-state projects.

Europe is of the first type, the CIS may turn out to be of the latter. The ASEAN subregion of South East Asia may in the coming years establish some kind of regional security structure. East Asia so far lacks an institutional framework, mainly due to the ambivalence of Japan. In Africa the situation differs radically from one subregion to another, for instance West Africa and the Horn of Africa. Why?

The actual process of regionalization seems to be triggered by events, the importance of which can be understood only in retrospect. Furthermore, it seems as if the regionalization not only provokes processes of national disintegration, but actually feeds on these crises which, for their solution, necessitate further regional integration. However, in this there can be an element of force and coercion which does not form part of a genuine process of regionalization from below. The CIS is a case in point. It may turn out to be a case of old imperialism rather than new regionalism.

The new regionalism, expressing an advanced level of regional complexity, implies a regional formation with a distinct identity and a capacity as actor. This can be seen as a form of 'extended nationalism' (Seers 1983). It does not preclude a function for the old nation-state which for certain purposes could be a useful level of decision-making. To the extent that the nation-states are given specific functions within larger political structures, a rethinking of the nation-state concept is (once again) necessary.

The history of regionalism shows that regional institutions become relevant only when there is an objective need for them, and possibly for different purposes than were originally conceived. This unevenness in regional development is an important field of research. The EEC, for instance, developed far behind the schedule agreed in the 1957 treaty. During the late 1980s the process was speeded up and today one can even question the relevance of the EC institutions for the dramatic and largely spontaneous process of integration in Europe and the emergence of a European civil society. There are in fact several competing frameworks, particularly in the area of security.

Maastricht represents a first step towards the unification and consolidation of several institutional structures into one. It is becoming increasingly clear that this process is not to be a smooth one. Regionalization can not be taken for granted as a macro-process inherent in history. Rather, each regionalization process must be seen as a social project, sometimes competing social projects within one single region, and behind each project are socially based actors with visions and strategies, as well as opponents. This is particularly clear in the cases of EC and NAFTA. Another important question is what institutional structures are available in the first place. Here, Europe is comparatively well provided.

What about the non-European regions? On the 'frontiers' of Europe there is hardly anything in terms of institutional structure to fall back on. These areas may be areas for European intervention, as already can be seen in the Balkan. The CIS was

formed as a reaction to the disintegration of the Soviet empire and is patently inadequate in view of the challenges it faces. It is, however, necessary.

North American regionalism (including Central America and the Caribbean) is a new departure, so far limited to free trade. The rest of the Americas, the Andean area and the Cone, still have to make a basic choice about how to relate to NAFTA.

East Asia is another case of lacking institutional structure with unhappy remembrances of hegemonic regionalism. ASEAN became relevant as a defensive (not military) organization in the face of a Vietnamese threat. Only today its members are discovering the economic usefulness of the organization. SAARC was originally an attempt by the smaller states in South Asia to unite against the regional bully but now the regional organization is seen as a useful adaptation to world order changes, including regionalization of other areas. ECOWAS slumbered until a complete anarchy fell over one of its members and the organization took upon itself an interventionist role unprecedented in the history of African regional cooperation. SADCC is tentatively moving from defensive to offensive regionalism. In the Horn of Africa there is disintegration of states (Ethiopia, Somalia) without any transnational organization whatsoever. Somalia, like Cambodia, has become UN territory, albeit in competition with local war lords.

It should finally be underlined that the process of regionalization is a combined result of global and domestic changes. The objective need for further steps may appear sooner than the political leaders expect. The actual shape of regions will depend on dynamics not easily foreseen, particularly not in the political vacuums created by the black hole syndrome.

Regional integration implies a security dimension, which is quite essential to the dynamics of the integration process. It does not make sense to distinguish the economics of integration, on the one hand, from the politics of disintegration, on the other. Integration and disintegration form part of the same dialectical process and should be dealt with within a single theoretical framework. To develop such a framework is a challenge to the social sciences.

If the regional factor becomes as important as this article has argued, the process of globalization will in fact be a process of inter-regional cooperation and conflict. The dynamics of inter-regional relations will be a new and important concern in International Political Economy. The study of inter-regional-relations is immensely complex, since it will not be sufficient to deal with inter-governmental contacts only. The multi-layered nature of policy-making makes it hard to foresee in what direction the relations ultimately will develop.

For example, the EEC repeatedly changes its face due to changes in commissioners and 'chair-country' which makes it reasonable to conceive it as some times protectionist, sometimes free-trade oriented. Even Japan, after the demise of the 'system of 1955', will be less predictable in the future. The policy shifts of the major

regional powers thus change the external relations of the regions and, again, they will adapt to each other in the course of these changes.

The Problem of Order

In spite of its strongly ideological flavour, the concept of 'world order', and, in the present transitional context, the 'new world order', is one of the most crucial issues in contemporary social science. The transition implies lack of order, uncertainty about the rules of the game, lack of confidence, and a growing resort to violence within and between nations. In the field of International Political Economy the problem of order primarily refers to the rules by which the economic transactions obey.

An economic system presupposes some kind of social order. A social order is a coherent system of rules which are accepted by the actors constituting the system. The concept can contain both coercive and consensual dimensions. Thus the market system of exchange is not in itself an order, but confined by a particular order and expressing its underlying value system or normative content. Therefore, market systems differ to the extent that their underlying social orders differ. If, as in the case of the post-communist world, there is a transition between different orders, the market can only reflect the confusion and turbulence of this transition, but it will not by itself create order. Neither can it, of course, define a society.

This also implies that there will be different capitalisms reflecting different underlying social orders. A key issue, as far as the new world order is concerned, is what kind of capitalism that will put its mark upon it – the 'American', the 'European' or the 'Japanese'. We are not dealing primarily with territorially based hegemonies here, even if the three types of capitalisms are rooted in the respective regions.

In the USA where competitive capitalism not always has been the rule, Alexander Hamilton (in 1791) expressed the mercantilist logic in a way that has become classic: 'Not only the wealth but the independence and security of a country appear to be materially connected to the prosperity of manufactures' (quoted from Carr 1946, p. 122). The more backward the country, the more interventionist the state had to be (Gerschenkron 1962). This was the rationale behind the so called state-capitalist strategy.

The contemporary issue of declining industrial regions (re-industrialization) is basically similar to the industrialization problem in general, although the question is to prevent de-industrialization rather than to promote industrialization. For the USA the challenge, which in some respects could be compared to the old modernization imperative, is to compete with Japan. What is the role of the state in this respect? Even today the legitimizing argument for industrial policy in the USA is by reference to Hamilton's 1791 report on manufactures (Grant, in Jones 1988, p. 79).

Japan was the first non-Western country to join the exclusive club of developed countries and consequently has been much discussed as a model, not only for those who want to catch up, but also for developed countries who experience difficulties in

sustaining economic growth. There are, however, many theoretical interpretations of this particular model. Chalmers Johnson (1982, p. 17) suggests that Japan's political economy can be located 'in the line of descent from the German Historical School, sometimes labelled 'economic nationalism', Handelspolitik, or neo-mercantilism'.

In Europe, the concept of 'social market' is commonly used to designate a market system which is mildly regulated to maintain a reasonable degree of social justice in society. In the context of the EC/EU, the so-called 'social dimension' of the integration process fulfils a similar role, although it is uncertain how to implement it in a transnational context in which states differ in their commitments to the goal of social justice.

Thus, within the family of capitalisms, there are distinct social orders that articulate the market-state nexus in different ways. There are also social orders which, in order to achieve complete control over economic flows, try to extinguish the market logic and are punished by stagnation.

Socialism was basically a response to underdevelopment rather than an outcome of capitalist development. 'Real socialism' took concrete shape in Russia as an articulation of underdevelopment in the context of a European centre-periphery structure. Subsequently, it became the official doctrine of the Soviet 'empire' with one internal and one external part. It was a successor to the Russian empire operating on the same geopolitical foundations. In the final phase of its rise, it formed a mercantilist protected sub-system of a bipolar world order dominated by capitalism. Due to lack of internal dynamism, related among other things to a coercive social order, the socialist system rapidly began to disintegrate in 1989, the beginning of the end of socialism albeit of a peculiar and historically specific kind – the communist social order.

Rather than being the start of a transition to market economy, political pluralism and integration into the world, post-communism means a return to the search for a viable social order in the European periphery.

As we should all know, the traumatic relationship between western and eastern Europe which now is surfacing is a very old story. The five hundred years old cleavage between the two parts of the continent, the problem of 'backwardness' in European economic history partly explains why these countries frequently resorted to authoritarianism, fascism as well as communism.

Without this historical perspective the current process cannot be grasped. Communism failed to bridge this historical cleavage. It was not the solution; instead, it became part of the problem. This, however, does not mean that communism by itself constituted the problem as is sometimes naively believed.

The problem of social order and what is often called 'economic freedom', meaning non-regulation of economic activities and flows, has been thoroughly analyzed and discussed primarily in national contexts in which the social order is guaranteed by the state.

A market system, based on the principle of the self-regulating market, provides many potential opportunities for individuals and corporations to make gains. But at the same time it generates social dislocations which are not always easy to relate back to the way the market, usually considered as 'neutral', operates. For this reason, critics of the market have often spoken to deaf ears, or been forced into an academic underworld of Marxism, institutionalism, mercantilism and other heterodox approaches, whose evident lack of success in becoming mainstream theory in no way can be said to refute the original problem: how reasonably large room for economic manoeuvring can be reconciled with social order and, in particular, social security.

The simplistic solution – to abolish economic freedom with the view to create an order characterized by social justice, a solution historically known by the name of socialism – has failed miserably. We are now left with a lot of freedom but without much order, in spite of the much debated new world order. Some would rather describe the world as an increasingly chaotic and dangerous place.

The problematique referred to is, as already mentioned, a classic and much discussed one in social science but big problems and great debates regularly reappear. My own understanding of it has been much influenced by Karl Polanyi, the Central European intellectual and economic historian. According to him, modern society must be understood both as a result of the expansion of the market mechanism and the self-protection of society against the destructive consequences of the way the market mechanism operates. The latter response is complex and includes the need for political control as well as social protection. Thus a sort of balance between state and market is created through the so-called 'double movement'. This holistic and dialectic approach makes it difficult to place Polanyi in any of the conventional boxes of political economy. The legacy of his work is obviously a deep suspicion about the role of the market as a self-regulating system. There is also the idea of a need for it to be balanced by a different logic which has to be more political (or interventionist).

To the followers of this tradition, the political, redistributive logic stands out as less destructive and less harmful than the anarchistic logic of the market itself but other alternatives rooted in the principle of 'reciprocity' or 'civil society' are not ruled out (Polanyi–Levitt 1990; Mendell–Salée 1991). The contrary logic may be called 'socialist', if we refer to the pursuit of social justice, or 'mercantilist', if we refer to what I would call the pursuit of stateness (Hettne 1992). The protection of the state, as far as economic processes are concerned, is thus the essence of mercantilism.

Consequently, autarky is the extreme mercantilist position. An extreme position is always dysfunctional but, on the other hand, 'the artificial promotion of some degree of autarky is a necessary condition of orderly social existence' (Carr 1981, p. 121). A balance must be found between the freedom of the market, on the one hand, and social security and national coherence, on the other. It is the useful analysis of a dialectic between the two logics which constitutes Polanyi's contribution to social science.

Today we have to apply this approach in a completely new context, the transnationalized economic system, and the social order we are searching for is a world order. World order is thus a kind of social order in the sense it was discussed above. The problem of finding order on a world scale is the essentially anarchic character of the inter-state system.

Regionalism and World Order Values

The question whether a regionalist world order is positive or negative development can, for other than neo-mercantilists, only be answered in relation to alternative world orders and with reference to specific world order values (Falk-Mendlovitz 1973). In this section we will focus on three world order values – development, peace and ecological sustainability.

Developmental Regionalism

We discussed the role of regionalism in development mainly with regard to Africa, since the more artificial the nation state is, the less can it serve the purpose of sustaining a process of development. Regionalism can thus provide an appropriate territorial base for development in the case of small countries with disarticulated and little integrated economies.

It is essential to grasp the difference between the old and the new regionalism from a developmental perspective. First, the old regionalism was often imposed from outside for geopolitical reasons and, in such cases, there were few incentives for economic cooperation, particularly if the natural economic region was divided in accordance with the cold war pattern. Secondly, the attempts at regional cooperation/integration that actually took place were often inherited from colonial times and did not go far beyond the signing of free trade treaties. The outcome was rarely encouraging as the global pattern of uneven development was reproduced within the region with political tensions as a result.

In contrast, the new regionalism is more political. Its approach to free trade is cautious, far from autarkic but more selective in its external relations and careful to see to the interests of the region as a whole.

Regionalism and Peace

In the case of inter-state and intra-state conflicts (for instance, ethnic conflict resolution) the predominance of the nation state prevents rational solutions, whereas the regional level opens up new, and previously untapped, possibilities to solve conflicts built into the state formation. The larger region can absorb tensions which have become institutionalized in the historical state formations. Under the umbrella of multilateralism, the regional actor can, with lesser risk of provoking bilateral hostilities, intervene in intra-state conflicts which threaten to become destructive. The outcome is by no means uniform. Rather it would be correct to say that incidents of national disintegration can make or break regional organizations.

The record of regional conflict resolution is a recent one and so far the empirical base for making an assessment is fairly weak. However, in all regions there are attempts at conflict resolution with an element of regional intervention in what we have called black holes. Important cases to study are Bosnia (Europe), Nicaragua (North America), Cambodia (Asia Pacific), Sri Lanka (South Asia), Lebanon (Middle East) and Liberia (Africa). It would be necessary to apply some kind of comparative framework to these six cases in order to assess the relative importance of the regional factor, i.e. the nature of the intervening party, the credibility and legitimacy of the intervenor, the existence or non-existence of an institutionalized mechanism of conflict resolution. The more important the regional factor in conflict resolution, the higher the degree of 'regionness' of the region in question.

Looking at the nature of conflict itself, we can distinguish between relatively stable and controlled conflicts on the one hand, and on the other, those which are explosive and non-controllable. The former are stable in the sense that they do not constitute a threat to regional security but rather used as a pretext for intervention which then has other causes such as regional power ambitions. On the other hand, the explosive and non-controllable conflicts, genuine black holes, are a direct threat to regional security or raise very strong human rights concerns which call for some action.

Looking at the type of intervention, we can first make a distinction between unilateral and multilateral operations. The former can either be carried out by a concerned neighbour or a regional/superpower. It is suggested that this type will diminish. The latter can either be regionally confined, for instance carried out by a regional organization, or international, for instance the UN system. It is suggested that the regional type will become more common than the international.

A third point of comparison is the nature of conflict resolution, to the extent that there is any. Usually it is more appropriate to speak of conflict management. Few of the conflicts under review are resolved in a more definite way and it is not at all certain that even very successful conflict resolution will have permanent character. It is not the permanence but the type of conflict resolution attempted which is of interest here. Of the six cases, Nicaragua exemplifies the old regionalism of an hegemonic kind albeit in the context of embryonic regionalism, whereas Liberia shows the way future regional conflicts may be resolved, i.e. conflict resolution under the new regionalism.

Regionalism and Ecological Sustainability

It is well known that ecological and political borders rarely coincide. It is furthermore increasingly realized that few serious ecological problems can be solved within the framework of the nation-state. Some problems are bilateral, some are global, quite a few are regional. The regional are often related to water: coastal waters, rivers, and ground water. Examples are the South Chinese Sea, Barents Sea, the South Asian river systems, the Mekong River system, the Nile, Euphrat-Tigris, and the uneven exploitation of ground water resources in the areas around Jordan. As is evident these issues cannot be studied in separation from the issue of regional security.

In fact the issues of development, security and peace, and ecological sustainability form one integrated complex, at the same time as they constitute as many imperatives for deepening regional cooperation, if not regional integration. The levels of regionness between regions in the process of being formed will continue to be uneven but only the future will decide where the levels will be and where the balance between regionalization and globalization will be struck.

Abbreviations

AEC	African Economic Community
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
CARICOM	Caribbean Community and Common Market
CARIFTA	Caribbean Free Trade Agreement
CBI	Caribbean Basin Initiative
CIS	Commonwealth of Independent States
COMECON	Commission for Mutual Economic Assistance (the Russian abbreviations is CMEA or SEV)
CSCE	Conference on Security and Cooperation in Europe
SCM	Security and Cooperation in the Mediterranean
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Grouping
ECOWAS	Economic Community of West African States
EC	European Community
EEC	European Economic Community
EES	European Economic Space
EFTA	European Free Trade Association
GATT	General Agreement on Tariffs and Trade
MERCOSUR	Mercado Comun Del Sur
NAFTA	North American Free Trade Area
NATO	North Atlantic Treaty Organization
NICs	Newly Industrialized Countries
NIEO	New International Economic Order
OAU	Organization for African Community
SAARC	South Asian Association for Regional Cooperation
SADC	Southern Africa Development Community
SADCC	Southern African Development Cooperation Conference
SDI	Strategic Defence Initiative

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International Management (IM)	Latin American Regional Report (LARR)
The Middle East (ME)	New African (NA)
South	West Africa (WA)

Journals

Financial Times (FT)
 International Herald Tribune (IHT)
 Bangkok Post (BP)
 Japan Times (JT)

THE NEW REGIONALISM AND LATIN AMERICA

András Inotai

1. Introduction

The history of independent Latin America can be described as a series of political, institutional and economic plans to strengthen regional cooperation and integration. However, intra-regional cooperation between the Central and South American countries was always accompanied by efforts to create an inter-regional or hemispheric framework of cooperation. While the former was necessarily initiated by the Latin American countries, the latter reflected the hemispheric interests of the United States, the hegemonic power of the New World.

In the past, intra- and inter-regional plans followed each other, and were mainly influenced by developments of the international scene, and their implications on the prospects of the Western Hemisphere. At the very first time, the gaining of independence of most of the former Spanish and Portuguese colonies in the early 19th century put on the agenda the idea of a Spanish American confederation. Unfortunately, the creation of mostly small, economically weak nation-states, with vital links to the former dominant centres of Europe, and with practically no contacts among each other, has led to the abandoning of this concept. In turn, it gave way to the idea of inter-regional cooperation dominated by the strengthening economic and political power of the United States. The Monroe doctrine was the first clear expression of the institutionalization of inter-regional cooperation.

After the second world war, and in line with the creation of a large number of new international institutions, the Organization of American States (OAS, 1948) was entitled to develop inter-regional contacts. As, however, the United States started to use its global role when the cold war broke out, and its allies both in Western Europe and in Asia were in bad need of US. economic, political and military support, inter-regional, hemispheric relations were placed at a low level of priorities. In turn, intra-regional cooperation started to get higher importance in Latin America, as the traditional national economic policies were confronted with the end of the boom period produced by World War Two and its aftermath.

In the late fifties, Latin America experienced a strong wave of regional integrations, including almost all countries of the 'Green Continent' into one (and later even more) regional integration frameworks. This development was generated by internal and external factors. In the domestic context, the economic development philosophy elaborated by the Economic Commission for Latin America (ECLA or

CEPAL) claimed for stronger regional links, as the import-substitution policies based on the increasingly narrow domestic markets showed clear signs of exhaustion. The opening up of the narrow domestic markets and the implementation of a region-wide import substitution were believed the appropriate policy instruments to remedy the unfolding economic and political crisis. In the external context, the successful implementation of the European Economic Community provided powerful arguments for intra-regional cooperation in Latin America.

The position of the United States, traditionally characterized by inter-regional and overwhelmingly by political considerations, had to be adjusted to the new situation. While the Cuban issue has substantially fostered the necessity of inter-regional political cooperation between the United States and the Latin American countries, for the first time, the United States was ready to give economic support to intra-regional (intra-Latin American) cooperation (Alliance for the Progress, as announced by President Kennedy).

By the late sixties, the failure of the prolonged and geographically widened pattern of import substitution became evident. Regional integrations were unable to develop viable economic development strategies. On the contrary, first statistics revealed the economic marginalization of Latin America. Intra-regional cooperation did not help use potential economies of scale benefits. Technological backwardness and the loss of international competitiveness could not be avoided. Integration-made problems, as growing bilateral trade imbalances, the unequal distribution of gains from cooperation, political stalemate over the location of new industries, aggravated the situation. External support, in itself insufficient and often mis-oriented, remained highly inefficient because of the prevailing semi-feudal socio-political system. Interestingly, intra-regional cooperation did not change the pre-integration system, but evidently contributed to 'fossilize' the already previously outdated pattern of government and distribution of income. With the Cuban crisis adequately settled, and the Vietnam war going on, the United States did not feel the necessity and did not have the capacity to revive the inter-regional pattern of hemispheric cooperation.

Surprisingly, the new inter-regionalist approach came from Latin America. In the seventies, Latin American politicians and economists were in the first rank of those who demanded a new world economic order, based on extensive South-South cooperation and on the globally planned redistribution of resources in favour of the developing countries. The first idea was rooted in the several times collapsed national and regional import substitution and wanted to extend collective import substitution on the whole of South-South economic relations. The second one expressed the deep dissatisfaction with the prevailing pattern of generating and distributing resources on the global scale.

For a short period, the oil crisis seemed to provide some support to the non-hemispheric inter-regional concept. However, it turned out soon to be a lethal weapon to Latin America. The unfolding debt crisis has destroyed not only the illusions connected with South-South inter-regional cooperation, but it seriously limited the scope of intra-regional cooperation as well. Most importantly, however, it forced Latin American countries to a stabilization, adjustment and development path that had very few, if any, in common with the old economic and political patterns of the past decades.

During the extremely painful transformation process of the 'lost decade' (the eighties), in which every national economy had to fight its own struggle, and, obviously, scarce attention, if any, could be devoted to regional integration, substantial changes took place in the longer-term internal and external conditions for regional cooperation. First, consensus started to emerge among economic policy-makers on the anchors of sound policy. Second, deep political changes led to democratic systems in most countries of Latin America. Third, and for our current topic most importantly, a new regionalism, characterized by two basic novelties, has been developing. On the one hand, and for the first time in the history of Latin America, intra-regional and hemispheric inter-regional cooperation is progressing simultaneously, and not as a substitute to each other. On the other hand, the United States has ceased to be an outside player, exclusively or predominantly interested in the political stability of the continent. It has clearly revealed strong economic interests, and, moreover, is going to become an inside actor of hemispheric regionalism.

The goal of this paper is limited and well defined. It does not analyze general factors contributing to growing regionalism world-wide⁸, but concentrates on Latin America exclusively. At the same time, it devotes due attention to those new and influential integration and cooperation frameworks that involve, and mostly have been initiated by the United States.

The study is divided into five chapters. Chapter I presents a statistical overview of current external trade developments of the region. Chapter II shortly describes the functioning regional groupings, focusing on the new elements of regional integration. The most important reasons for the emerging new regionalism will be dealt with in Chapter III. Chapter IV outlines some of the most feasible future scenarios of regional cooperation in the Western Hemisphere. The concluding Chapter V formulates basic questions of for the ongoing research project and outlines the medium-term prospects for new regionalism.

2. Statistical Overview

Most Latin American countries can look back to an extremely difficult decade. However, at the beginning of the nineties, most economies of the continent seem to be not only in a better, but in a different shape. The debt crisis forced all of them to reconsider not only some economic policy instruments but the very fundamentals of economic philosophy. In order to face the consequences of the debt crisis, a new economic policy based on (selective) export-orientation has been adopted. This required the implementation of such basic policy instruments as monetary stabilization, restructuring of government budgets, trade liberalization,⁹ realistic exchange rates and

⁸ For a global survey see Inotai (1993).

⁹ Import licensing and other import restrictions were mostly abolished, or, import quotas were even expressively prohibited by law. As a result of consecutive cuts, tariffs fell substantially, from sometimes over 40 per cent to 10 per cent or less, in most cases. For more details see (Gitli and Ryd 1992).

the redistribution of national income in favour of the exporters.¹⁰ On the socio-political side of this development, a new and younger generation of export-oriented businessmen emerged. Even more importantly, more liberal economic policies, increasing openness and progressing structural integration into the international economy significantly contributed to the strengthening of the institutions of civil society and political democracy.

Although the current economic situation differs substantially from country to country, those national economies that started with the economic reforms and the opening up of the economies earlier, can register favourable outlook. The openness of the economy increased noticeably, exports, at least partly, became the engine of growth, and also the commodity pattern of exports shows evident structural improvements.¹¹ Growth rates jumped from an average of 0.25 per cent between 1985 and 1990, to 3.5 per cent in 1991 and 2.4 per cent in 1992. Mexico, Chile, Argentina and Venezuela have performed particularly well, in most cases better than at any time in the last 15 years. Net capital inflow that declined to a historical low between 1983 and 1989 (with a yearly average figure of slightly more than US\$ 8 bn), sharply recovered after 1990. During the three-year period between 1990 and 1992 a net inflow of almost US\$ 120 bn has been registered. This has turned the balance of resource transfers from a yearly net outflow of more than US\$ 20 bn into a net inflow of US\$ 8 bn in 1991 and of US\$ 27 bn in 1992, the first net inflow years after 1981. Although the level of gross external indebtedness kept on slowly rising, and reached US\$ 450 bn by the end of 1992, all important debt indicators pointed to the substantial improvement of the situation. Total interest due as a percentage of exports of goods and services fell from over 30 per cent during most of the eighties, to less than 20 per cent in 1992. Improvement was particularly impressive in the countries with the highest amount of debt (Comisión Económica para América Latina y el Caribe, 1993).

Global exports of Latin America grew by almost 50 per cent between 1980 and (1991), with the lion's share of growth between 1988 and 1991. Intra-regional trade declined even in absolute figures, and, logically, even more as a share of total trade, between 1980 and 1985, when debt-ridden economies had to turn to the international market where growth and demand for their products were higher than in the depressed Latin American region. Intra-regional trade started to recover in the second half of the eighties, and, in absolute terms, reached the level of 1980 in 1989. Thereafter, it maintained its dynamism. In the most important Latin American Integration Association (LAIA), 1991 figures were twice as high as in 1985. Both Mercosur and the Andean Group show similar developments in intra-regional exports. Recovery of intra-regional trade was much less pronounced in Central America and the Caribbean (Table 1).

Percentage shares indicated in Table 2 provide some interesting insights into the development of intra-regional trade of different integration groups. First, the share of

¹⁰ For a good analysis see Sangmeister (1993).

¹¹ At the beginning of the 90s, manufactured goods accounted for 34 per cent of total Latin American exports, and their share is rapidly growing. Exports to the United States did particularly well, with 55 per cent consisting of manufactured goods, as compared to 23 per cent in 1980 (Kuwayama, 1992).

intra-exports in total exports slowly increased after 1985, but still did not reach their level of 1980 (excepting the Andean Group). This trend is particularly pronounced in the case of the Central American Common Market (CACM) and the Caribbean region. Thus, intra-regional trade figures, generally a small portion of total trade, do not justify clearcut regionalization tendencies in Latin American trade. Second, higher trade with other Latin American countries was often generated by those economies of the region that do not form part of the same regional groupings. This implies that, at least for some groupings, trade regionalization was shifted from the smaller group to the larger Latin American area. Between 1985 and (1991), exports to Latin America of four of the five groups (LAIA, Mercosur, Andean Group, CACM) grew more quickly than their world exports. However, between 1988 and (1991), exports to other Latin American countries than the given integration groupings increased more dynamically than intra-group exports for LAIA, Andean Group and CACM alike (Table 3).

Individual Latin American countries show a very differentiated dependence on intra-regional exports and imports. The small economies around the Mercosur anchor of Brazil and Argentina (Bolivia, Paraguay and Uruguay) reveal the highest intra-regional trade shares in their total trade, while, at the other end of the scale, Mexico, and partly Venezuela, are least inclined to regional trade. Between 1985 and (1991), intra-regional exports significantly grew in Argentina, Brazil, Paraguay and Uruguay (Mercosur), as well as in Colombia and Ecuador (Andean Group), El Salvador and Guatemala (CACM). It seems that some countries, either due to better regional market access as a result of trade liberalization or new regional framework agreements, or as a consequence of less good performance in the global market, started to rely more on regional partners. It is interesting, that developments in intra-regional exports and imports did not run parallelly. On the import side, intra-Latin American reliance grew mainly in Bolivia, Peru and Nicaragua. As a result, largely different export and import dependence on the intra-regional market developed. The gap is especially large in the case of Peru, Chile, Bolivia, Honduras, Nicaragua, Trinidad-Tobago and the Dominican Republic, where intra-regional imports represent a much higher share in total imports than intra-regional exports in total exports. The opposite holds for Guatemala and Panamá only (Table 4).

Intra- and cross-integration trade flows by countries have been calculated in Table 5. The most important regional trading countries are Brazil, Argentina, Venezuela and Colombia. In most cases, trade within the given regional group is higher than with other integration groups in Latin America. However, Bolivia has a much higher trade with Mercosur than with the Andean Group of which it is a member. Also Venezuela registers more intense trade with the Caribbean than with the Andean Group. It has to be noted that some countries, although with highest trade figures within their integration group, have succeeded to develop substantial trade with other regional groupings in Latin America. In practically all cases, geographic proximity has played a decisive role. Argentina and Brazil both with the Andean Group (to a large extent with Bolivia) and with Chile, or Colombia with the Caribbean.

Beyond intra-Latin American trade flows, it is instructive to analyze the importance of inter-regional trade flows, with special emphasis on trade within the Western Hemisphere (mainly with the United States). These figures may reveal,

whether, and if yes, to what extent, hemispheric regionalization of trade relations took place in the last years. Unfortunately, overall and comparable data were available until 1990 only. Between 1985 and 1990, the geographic pattern of exports and imports of 12 Latin American countries was analyzed. In exports, 5 countries registered growing OECD shares, while 6 countries reported declining OECD shares. At the same time, the share of intra-Latin American trade grew in 7 cases and dropped in two cases only. In imports, the share of OECD increased for 7 countries and decreased for 4 countries (with 3 and 5 countries, respectively, as of the share of their imports from Latin America). More importantly, at first glance, no gaining ground of the United States can be indicated. The US market became more important for six Latin American countries in exports (while the EC for eight countries), and reliance on US imports grew in 8 countries (for 6 countries on the EC). Still, the EC remained the main export market for Argentina, Bolivia, Chile, Paraguay and Uruguay. More importantly, the EC replaced the US as the main market for Brazil and Peru just in the second half of the eighties (the opposite shift took place for Colombian exports). On the import side, Latin American countries depend much more on the US than on the EC. The United States was the leading OECD supplier for 7 countries. These statistics do not reveal any clear trend to growing hemispheric regionalism. They only indicate that the Latin American countries can be grouped into two main categories regarding their trade relations with the United States and the EC, and those dependent on the United States (Colombia, Ecuador, Mexico, Panama and Venezuela) reveal a higher level of dependence than those dependent on the EC (Table 6).

The importance of hemispheric trade relations comes, however, clearly to the limelight if Latin American shares in total exports and imports of the main OECD countries are examined (Table 7). While about 14 to 17 per cent of the United States' total exports are directed to Latin America, the same figure does not reach 5 per cent in the average of the OECD, and is about 2 per cent in total EC exports. Similar picture is provided on the import side, where 11 to 13 per cent of total US imports originate from Latin America, while the same figure is as low as 2 per cent for the EC. There are, however, two more important messages to be read from the figures. First, as a result of better economic prospects for Latin America, all of the selected main OECD countries could increase their deliveries above average (the share of Latin America as an import market for their goods started to grow again, after 1990). Second, there is one slight indication for growing regionalism in the Western Hemisphere. Despite the better export performance, Latin America's share in total OECD imports, and first of all, in total EC imports, keeps on declining. In turn, its position in the US import market increased between 1986 and 1990, and could be stabilized thereafter.

Assuming that the commodity pattern of exports may indicate the future export potential of the Latin American countries, there are some justified reasons for arguing in favour of increasing regionalism in the Western Hemisphere. The most important difference between the US and the EC, as key export markets for Latin American goods is in the surprisingly different commodity pattern of exports. While the United States buys 55 per cent of the Latin American exports to the OECD, and the EC purchases just half of this amount (29 per cent), the latter is clearly leading as a market for Latin American agricultural products (48 per cent of OECD imports) and of mineral raw

materials (50 per cent). Also, material-intensive industrial goods, mainly semi-manufactured products indicate a higher than average share (34 per cent). In turn, more than three-quarters of the Latin American machinery exports and 85 per cent of the exports of industrial consumer goods are directed to the US market (Table 8). In other words, the Latin American countries have specialized on food, raw materials and material-intensive industrial goods in their exports to the EC, and to more technology- and labour-intensive products in their exports to the United States. Taking into account the high level of EC protectionism just in those areas Latin America has specialized on, the future expansion of exports to the EC would require either substantial opening up by Brussels (which is hardly likely), or the restructuring of exports to the Community (which has to compete with Central and Eastern European products). In this light, the potential of intra-hemispheric trade seems to be higher than the potential of exports to other parts of the world.

In this context, the fundamental question is to what extent can Latin America compete with Far Eastern products already in strong market position in the United States. A comparison of 1985 and 1991 data indicates that, in the given period, both groups could increase their market share in the US. Although Latin America was a late-starter and, in absolute figures, its exports are substantially smaller than those by Far Eastern economies, prospects for Latin American exports are encouraging. Exports of machinery and of industrial consumer goods more than doubled in six years, and revealed a higher dynamism than the same exports by Far Eastern countries (Table 9).

A comparison with the EC market, reinforces the already formulated hypothesis, according to which Latin American exporters were much less successful in Western European markets, as compared with Far Eastern competitors (Table 10). Although exports of manufactured goods, including machinery, grew well above average, they are but a tiny portion of Far Eastern exports. While Latin American machinery exports to the United States amount to almost half of the machinery exports by Far Eastern competitors, the same proportion is more than 1 to 10 in the EC market. (In industrial consumer goods, the respective proportions are 1 to 5 in the US market and 1 to 30 in the EC market.)

Finally, it has to be mentioned that the 'commodity structure gap' between intra-Latin American exports and exports to the United States is rapidly narrowing. Traditionally, intra-regional exports had a higher share of manufactured goods, while exports to the United States (and elsewhere outside the region) were characterized by the preponderance of agricultural produce and raw materials. By the end of the eighties, for Argentina, Bolivia, Paraguay, Peru and Uruguay, manufactured goods already represented a higher portion in their respective exports to North America (US plus Canada) than in exports to other Latin American countries (Éltető 1993).

Evidently, trade alone cannot cover the whole story of regionalism, but, considering its importance in external economic relations, it can be considered as a good proxy. Other areas of intra-hemispheric cooperation, as direct investment, financial flows, technology, tourism, personal services, etc. generally justify a higher and not lower level of (inter)dependence than those revealed by the analysis of trade relations. In

many areas, as airlines, telecommunications or manpower, a deeply-rooted functional integration to the United States of various Latin American national economies (mainly in the Caribbean and in Central America) can be stated (Lowenthal 1993).

3. A Progress Report on Regional Integrations

Newly-born regionalism in Latin America can be classified in three groups: (a) the continuation, although in a new form, of traditional integration schemes; (b) new initiatives by Latin American countries or groups of countries; and (c) regional cooperation and integration plans proposed by the United States.

(a) From the late fifties, Latin America experienced the birth and proliferation of various integration schemes. Although the gap between expectations and performance had been widening during the decades of integration history, the most important groupings never stopped to exist, at least officially. On the contrary, the eighties saw a rebirth of regional integrations, partly under different conditions, with new objectives and policy instruments.

(aa) LAIA (or ALADI, Latin American Integration Association), established in 1980, was still the product of pre-debt-crisis period, and represented a renewed version of the collapsing LAFTA (or ALALC, Latin American Free Trade Agreement). It tried to correct some of the serious problems of LAFTA (treatment of less-developed member countries, more flexible and partial trade liberalization, parallelity of bi- and multilateral trade preferences). However, its basic economic philosophy did not reveal substantial changes, in a period already signaling dramatic global changes ahead. Virtually it was a return (or an unconscious flight) to the old-fashioned import-substituting regional integration idea after the collapse of the North-South dialogue on the new international economic order. Although never dissolved, it had no meaningful impact on the transformation of Latin American economies that started to take place during the eighties.

(ab) Almost simultaneously with LAFTA, also the Central American Common Market (CACM) was established in the early sixties. After a decade of successful integration marked by substantial increase of intra-regional trade, the establishment of integration industries and the setting up of a surprisingly extensive net of common institutions, in 1969 the integration entered a critical period produced by growing intra-regional economic imbalance and political hostilities. Revival attempts have repeatedly failed during the seventies, and the eighties found a disintegrating region with daunting political and security threats, including overt guerrilla fighting. As a result of collapsing intra-regional contacts and due to serious economic problems, all countries (except for Nicaragua) launched essential economic reforms and started to restore the national economies by opening up to extra-regional markets. Regional peace agreements and the political changes in Nicaragua have created the political conditions for a new start. Simultaneously, the progress of economic transformation led to the reconsideration of regional cooperation under new circumstances. The share of intra-regional trade in total trade of the member countries grew from its historical low of about 10 per cent in 1986

to over 16 per cent in the early nineties. Member countries decided to eliminate restrictions on agricultural trade and to reduce tariffs by 20 per cent until the end of 1992. Agreement has been achieved on strengthening intra-regional trade without reducing the already achieved openness towards the external world. More emphasis has been given to joint infrastructure projects and to the attraction of external resources to the region and the coordination of region-wide export promotion (Caballeros Otero 1992; Cáceres 1992).

(ac) The Andean Group, created in 1969 as a subregional entity within the LAFTA, by countries that became unsatisfied with the functioning of the large Latin American integration mechanism, was the forefront fighter of a new international economic order in the first half of the seventies. Nevertheless, political declarations and economic realities differed very much in the suddenly rich-made countries. Large and revalued natural resources (mainly oil) were never used to strengthen regional cooperation but to get extra-regional investment inputs, technology, and, to a large extent, consumer goods. Large-scale regional planning of industrial locations was used as an instrument of redistributing hypothetical integrational benefits and losses. Strict, sometimes prohibitive rules on foreign direct investments were adopted (but never implemented) in order to enhance economic independence. After a short-lived cooperation period of extremely limited scope, different national economic policies left the integration without any hope for success. In the eighties, cooperation between Colombia and Venezuela, the two countries least hit by the debt crisis in the region, started to develop. The early nineties have brought some signs of revival on the regional level. In (1991), member countries agreed on the creation of a free trade area by dismantling tariffs in intra-regional trade and by creating a customs union until the end of 1995.

(ad) CARICOM (Caribbean Community), created in 1973 from CARIFTA, was based on the desire to transform a free trade area into a common market. Despite frequently declared ambitious plans, intra-regional trade still faces much higher barriers than most exports to the outside world.

(b) Considering the small or dubious progress of (reformed) integration schemes, Latin American countries opted for new approaches in the last years.

(ba) The economically most important new group has been formed by the two most powerful South American economies, Argentina and Brazil. Large-scale economic reform plans in both countries, and the return to political democracy have substantially contributed to the necessity of enhanced cooperation between the two countries that, in the past, used to be considered more rivals than partners. Also Paraguay and Uruguay joined the MERCOSUR agreement that envisages the liberalization of intra-regional trade and the establishment of a common external tariff until the end of 1995. Trade liberalization, including the Brazilian and Argentinean investment goods sectors has already produced essential results and helped boost bilateral trade which amounted to almost US\$ 5 bn, by far the most important trade flow between two Latin American countries. Simultaneously, Brazil became the most important trading partner for Argentina, while the two small countries, always more oriented towards the region, were

increasingly 'captured' by the relatively large markets of Brazil and Argentina. The future of MERCOSUR crucially depends on the balance between Argentina and Brazil. However, most recently just this pillar seems to be threatened. As the economic policy of the two countries tends to diverge, trade imbalances become acute. As a result of the stabilization of the Argentine economy, Argentine exports became less and less competitive against Brazilian goods which regularly benefit from the devaluation of the national currency, as a result of the recession-hit Brazilian economy. In this way not only the positive effects of Argentina's stabilization may be questioned, but one of, if not the most important economic interest of Argentina, namely the constantly large trade surplus vis-à-vis Brazil may be eliminated as well.¹² Trade imbalances have already led to the (re)introduction of trade barriers. Unless temporary measures question the viability of MERCOSUR, here a new subregional growth centre may be developed.

(bb) Relatively few attention has been given to a second potential 'regional anchor', the cooperation of the Group of Three consisting of Mexico, Colombia and Venezuela¹³. Based on decade-long political and economic cooperation in Central America and the Caribbean, and, most recently, pushed by Mexico's entry into NAFTA, a free-trade area should be created until the end of 1996.

(bc) As a new feature of Latin American economic development and cooperation, also policies of individual countries tend to contribute to the creation of free regional trade. The colourful basket of efforts includes country-to-group approach, country-to-country trade policy steps, Latin American country initiatives towards to United States, and also infrastructural cooperation with sizeable trade impact. Mexico, an influential political and partly also economic partner of the Central American countries, has envisaged to establish a free trade area with CACM until the end of 1996. Chile, probably the most advanced Latin American country in the economic transformation process, already signed an agreement with Mexico on reducing tariffs imposed on products of the two countries to 10 per cent immediately, and eliminate them totally until 1995. Similar agreement has been concluded between Chile and Venezuela, and its preparation is making good progress between Chile and Colombia. Chile, the forerunner of bilateral trade agreements leading to free trade in Latin America, and the only South American country outside regional integrations, also wants free trade with the United States. In addition, huge joint infrastructural developments are considered to link the country closer to its neighbours and to boost trade, without entering regional groups that might have adverse impacts on the already achieved stabilization of Chile. In this context, the Argentina-Chile gas pipeline to be completed by 1996, has to be mentioned.

(c) Perhaps the most important and remarkable development of regionalism in the Western Hemisphere is the changing attitude of the United States towards its

¹² In 1992, half of Argentina's trade deficit of \$ 2.6 bn was with Brazil.

¹³ Trade between Colombia and Venezuela, always the key bilateral trade flow within the Andean Group, rose from \$ 525 mn in 1990 to \$ 932 mn in 1992. In the last year, also Colombian exports to Mexico increased by 27 per cent. As a new phenomenon, Venezuela issued a \$ 100 mn-worth of government bonds in the Colombian stockmarkets.

Southern partners. The increasing priority given to the Latin American world, or at least to some selected countries or regions within it, may point to a historical shift in past-war US politics and economics. It is still premature to see those views justified that predict a return of the United States to a more regional, or even inward-looking attitude. Nevertheless, two major US initiatives tend to go into this direction.

(ca) The Enterprise for the Americas Initiative (EAI) put forward by the then-President Bush in 1990 represents a new US approach, and maybe the first step of a longer-term strategy regarding Latin America. Sporadic signs of a hemispheric undertaking have been manifest several years before the announcement of this plan. The United States launched the Caribbean Basin Initiative in 1984 to offer 23 Caribbean countries preferential access to the market of the United States.¹⁴ In 1990, the initially temporary character of the granting of preferences for 12 years has been made permanent. In addition, and as a reward for the Andean countries' coordinated struggle against drug trafficking, the United States granted 10-year trade preferences to the Andean countries (except for Venezuela).¹⁵

The EAI project includes three main supportive elements: reduction of official debt, setting up of a fund for regional investments, and creation of a free trade area. In turn, the United States expects bold economic reforms, the dismantling of still valid barriers to foreign investments, backing of the US position in the Uruguay Round of multilateral negotiations, and, last but not least, cooperation in such issues as illegal migration, drug control and environmental protection.

The detailed assessment of the strategic aspects of the initiative will need longer time. However, after three years of the launching of the plan, some experience has been gathered regarding the 'innovative elements'. First, debt reduction schemes have been implemented in the case of several countries, but they hardly offer sizeable relief, because most of the outstanding Latin American debt is not with the United States government (only \$ 12 bn from the total debt of \$ 450 bn and debts to United States companies of \$ 100 bn). In addition, the amount asked by Bush from the Congress, has been curtailed, and the Clinton administration seems to have downgraded this policy instrument. More importantly, the proposed debt reduction scheme contains stricter conditions than those generally formulated by the Paris Club. Second, the Multilateral Investment Fund with a capital of \$ 1.5 bn, to be paid up in 5 years in yearly instalments of \$ 300 mn, and to be managed by the Inter-American Development Bank, seems to be too modest to make a meaningful contribution to the huge modernization and investment needs of the region.¹⁶ Third, trade liberalization should be reciprocal, without any kind of asymmetry in favour of the much less developed countries.

¹⁴ However, benefits, even if used, could not improve the situation of the Caribbean countries. The fall in oil prices and the exclusion from the system of some important products (textiles, footwear, travel goods, tuna fish, petroleum products) turned the Caribbean countries' trade balance with the United States from a surplus of \$ 3.7 bn (1983) into a deficit of \$ 2.3 bn (1989).

¹⁵ Andean exports to the United States enjoy duty-free treatment, if the products contain a domestic or Andean value added share of at least 35 per cent (SELA 1991).

¹⁶ The amount of \$ 1.5 bn is equal to the interests on foreign debt of Latin America, to be paid in three weeks.

The most detailed all-Latin American analysis made by SELA calls attention to the fact that although the EAI signalizes a new approach to the region by the United States, but it evidently reflects basic US interests (SELA 1991 and SELA 1992). The conditions for longer-term cooperation have been set by the United States unilaterally, and not in consultation with Latin American countries. According to SELA, the balance of potential gains and probable losses seems to be detrimental to Latin American interests in three major areas. First, freedom of capital flows are not connected with (even limited) freedom of the movement of labour, certainly a priority issue for Latin America. Second, unconditional support to the United States in international economic (and political) negotiations may damage Latin America's relations with other main economic partners, essentially Western Europe and Japan. Third, the case-by-case approach of qualifying Latin American countries for benefits, may undermine Latin American cooperation and divide regional integrations.

(cb) By far the most important development leading to increased regionalism in the Americas is the creation of NAFTA. After the signing of the free trade agreement between the United States and Canada (1989), the North American free trade area is likely to be extended to Mexico as of January 1993. Geographic, economic, political and social reasons justify this extension. Mexico is the only Latin American country with common borders to the United States. The Mexican economy was uniquely dependent on the US economy since the end of the last century. In the last decades, the establishment of the **maquiladora** system strengthened Mexico's structural links to its Northern neighbour. In addition, Mexican immigrants now form not only one of the fastest growing population segment in the United States but are in clear majority in several Southern regions of the US.¹⁷ Political stability in Mexico and in the United States are increasingly interlinked. Nevertheless, the most important impetus to membership in NAFTA was provided by the bold economic liberalization in Mexico. It is important to note that in 1986 Mexico became a GATT member country.

NAFTA is a comprehensive treaty going much beyond trade liberalization. Trade, including agricultural trade, among member countries has to be liberalized in four stages (immediate, 5 and 10 years and until 2009), according to the 'sensitiveness' of the respected products. This regulation does not apply for those Mexican products already enjoying GSP treatment (here the GSP benefits will remain in force). At the same time, all member countries of NAFTA maintain their national customs system towards third countries, thus no customs union has been striven for. Rules of origin, most importantly in the automotive sector, protect regional production and markets. Foreign firms get national status in local activities, although the Mexican oil sector will remain in 100 per cent national ownership. US ownership in the Mexican banking sector will be made possible.¹⁸ Two additional non-trade issues of US priority interest have

¹⁷ As a result of the process of legalization, nearly three million Mexicans became US citizens or green card holders (Castaneda-Heredia, 1992).

¹⁸ In the first year of the agreement, 8 per cent of the assets of Mexican banks can be purchased by US banks. At the end of the transition period, all limitations will be lifted.

been included: the acceptance and 'upward harmonization' of environmental standards, and the protection of intellectual property.

International and Mexican evaluations of the benefits and handicaps of NAFTA are overwhelmingly positive concerning the impact of NAFTA on Mexico. Three main arguments can be outlined. First, the benefits are clear in trade, as Mexico's foreign trade is very much oriented to the North American (mainly US) market. US-Canadian trade and increasing (unilateral) preferences provided by the United States to a number of Latin American and Far Eastern developing countries was feared to crowd out part of Mexican manufacturing exports from the US market. The opening up of the Canadian market may offer some possibility to diversify trade relations. More importantly, NAFTA could guarantee a secured and on the longer term reliable market at a time of growing world-wide protectionism. Second, Mexico is expected to attract large amounts of foreign direct investment operating from Mexico in the large NAFTA market. Taking into account global interest in increasing participation in the North American market, membership in NAFTA may stimulate not only US and Canadian, but also European and Asian investors to locate their plants in Mexico, and contribute in this way to the diversification of economic dependence of the country. In addition, the inflow of FDI could provide substantial impetus to the prospective growth and structural change of the Mexican economy. Third, essential economic policy considerations favour Mexico's presence in NAFTA. The sustainability of the process of economic transformation, political stability, reduction of unemployment and of striking regional imbalances and the insertion of the economy into the global division of labour are among the most important arguments.

The opponents to the trade agreement, certainly in minority, point out that NAFTA does not take into account the large difference between the economic development level and potential of Mexico and the United States. The trade policy philosophy of the agreement is based on reciprocal liberalization, with very limited scope of 'asymmetry'. The instruments and time schedule contained in the agreement are absolutely inadequate to compensate the historically produced development gap. As the United States is much more competitive, a large number of Mexican firms, mainly in the rapidly developing small- and medium-sized scale, are likely to die. Neither agricultural trade regulation is favourable for Mexico, because just the basic Mexican export products will be facing trade barriers for a long time ahead. While Mexico could not prevent the inclusion of environmental issues, which are likely to deteriorate the competitiveness of Mexican industry, the Mexican government failed to convince the United States of considering the issue of labour movement (migration, working contracts) as part of the NAFTA document to be signed. Most importantly, NAFTA does not envisage any financial compensation to the less developed Mexican economy, nor contains it the establishment of regional funds supporting backward areas in each of the three participating countries.

Interestingly, and most recently, more hostile views on NAFTA have been expressed by US lobbies. To be sure, the Clinton administration firmly supports NAFTA, and would like to finalize the approval process by the Congress in a very short time. The Government's main arguments in favour of Mexico's entry include positive

impact on US exports and trade surplus,¹⁹ medium-term US growth rates, net increase of job opportunities,²⁰ the involvement of US capital in Mexico, but also on overall structural transformation and increasing global competitiveness of the US economy. Also the availability of Mexican oil may become a strategic advantage in case of future turmoils in the international oil market.

Arguments against converting the US-Canadian free trade pact into a trilateral cooperation which includes Mexico, emphasize that, given the relatively small size of the Mexican economy, positive growth effects on the US will remain meaningless. Due to the substantial difference in wage costs, even if they are adjusted to opposite differences in productivity, free access of Mexican goods to the US market will eliminate important US industries and increase unemployment. Textile industry, steel and energy, but, first of all, the car industry may be most seriously hit. Another powerful argument comes from the environmental lobby that also has strong supporters within the Government. Finally, a non-economic point, based on the deficiencies of Mexican democracy and the application of human rights, would like to renegotiate (but, in a clear text, prevent) NAFTA.

Despite headline-making political discussions in the United States, NAFTA can hardly be defeated or renegotiated. The real issue is, how NAFTA will affect other countries of the Western Hemisphere, and also the global economy.

4. Factors Influencing the New Regionalism in America

It is far from easy to explain the spread of different regional cooperation schemes in the Western Hemisphere by listing a set of transparent and convincing arguments. Not only the time horizon is still very short to make generally valid statements. Also some of the fundamental constructions that are expected to influence the future of regional cooperation and regionalism in a substantive way, are unclear and pending on difficult decisions to be made. In addition, regional cooperation and integration efforts have different historical background and interest patterns of the (potential) member countries. Some of them may turn out a re-edited version of old and outdated regionalism, while some others can achieve substantial restructuring of previous patterns. At the same time, the most important plans do not have any history, and only their implementation will tell, whether they offer an answer to the challenges that made new regional efforts necessary. By recognizing the variety of factors that underlie the different regional(ist) approaches, we try to give a tentative classification of the main building stones). Four main baskets of arguments will be provided: (a) Latin American interests; (b) US interests; (c) common(ly felt) interests of the Western Hemisphere; and (d) external (or global) developments.

¹⁹ Mexico's traditional export surplus in its trade with the United States turned to a substantial deficit in the last years of economic recovery.

²⁰ In reality, above average growth of US exports to Mexico has created additional jobs in the last years. Recent calculations predict net job creation, even if in some sectors jobs will be lost.

(a) Latin American arguments in favour of a new and open regionalism can be supported by five factors.

(aa) First, there are powerful economic arguments to justify enhanced regional cooperation. In the last years, Latin American national economies carried out decisive policy reforms. Most of the countries have made substantial progress in restructuring the economy and integrating it into the global division of labour. Rapid trade liberalization not only improved prospects for growth but eliminated one of the major barriers to regional integration in the past. Even more importantly, opening up vis-à-vis the world has to be accompanied by a similar process between and among Latin American countries in order to avoid trade diversion from the region to other countries offering better market access conditions. Thanks to the progress made in economic adjustment, at present most Latin American economies look healthier, more competitive and self-confident than at any time in the last decades. The stabilization and adjustment policies had a number of common features and made use of similar or identical policy instruments. Therefore, it is supposed that national economies are not only stronger but also more homogeneous in their economic priorities than in the past.²¹ Finally, Latin American politicians and economic policy-makers seem to have learnt the lessons from previous experiments with regional integration. They know what should be avoided, and how the new and open regionalism can be addressed. As trade barriers do not represent a major difficulty, or can be dismantled in a rapid process of overall liberalization, regional cooperation should focus on new areas, as the improvement of physical and human infrastructure, attraction of international (extra-regional) resources, the strengthening of micro-level (inter-firm) cooperation, or the creation of a dense network of bi- and multilateral links (Gana 1992).

(ab) The return to political democracy has given new confidence in regional plans, and greatly improved the general atmosphere of negotiations and commitments in the region. Another important political factor for more cooperation, mainly with North America, was the changing image of the United States in Latin America. Traditional confrontation with the United States, based on exploitation, dependence and interventionism gave way to more positive attitude towards stronger economic links with the powerful Northern neighbour. Part of the accusations that blamed the United States for Latin American frustrations, disappeared as Latin American countries could successfully reshape their economy and started to feel themselves efficient and competitive partners of other countries.

(ac) Some experts emphasize that, despite the obvious results of economic and political transformation, the new regionalism is not based on a clear strategy. Much more, it is the expression of a fundamentally defensive approach to the changing world environment. According to this view, political democracy is still very fragile, and also the global economic competitiveness is still to be proved. Therefore, the newly

²¹ In fact, all Latin American economic policy packages included three key components: macroeconomic stabilization, restructuring of the state sector and opening up to the world economy. Economic reforms started by Mexico and Chile were rapidly followed by other countries, as Uruguay, Bolivia, Venezuela or Costa Rica as early as the mid-eighties (Corbo 1992).

constructed regional markets have to train regional exporters before they go out to the global market. Also, international economic, technological and mainly political developments may keep Latin America in its marginalized position. As compared to this scenario, economic integration with the United States, certainly a highly disputed and unbalanced issue, may seem the less dangerous alternative. This apparently forward-looking, but in fact, defensive approach has substantially shaped the Mexican policy towards NAFTA (Hurrell 1992).

(ad) Other analysts, however, argue that the new regionalism is offensive, because it, and only it, provides the conditions for successful adjustment to the global challenges of the nineties. On the one hand, the main task of the enlarged market is to support restructuring, competition and technological progress, and not to offer additional protection to regional actors. On the other hand, regional integration is absolutely necessary to get access to the increasingly scarce (financial) resources of the world economy. It is particularly capital, and mainly in the form of foreign direct investments, that can only be attracted if a sufficiently large regional market with good prospects for sustainable growth has been created.

(ae) Finally, Mexico's turnaround in favour of inter-American regionalism has to be mentioned. It has not only created a unique demonstration effect to be followed by others, but contains a strong psychological element by challenging the traditional pattern of Latin American political and cultural unity vis-à-vis the Northern neighbour representing different socio-cultural values.

(b) In the recent years, regionalization trends have been strengthening also in the United States.

(ba) The collapse of communism and the bipolar world has left the United States without a clear and threatening enemy. Therefore, the traditional security priority of defending the Western Hemisphere against communism has remained without any justification. The peaceful settlement of the Nicaraguan problem and the near-to-collapse of the Cuban system seem to have eliminated the main foci of crisis-generation throughout the continent.

(bb) Simultaneously, new and longer-term US interests have appeared as priorities. The challenges coming from the dramatic economic reform and political democratization of Latin America do not bear imminent security threats to the United States. However, their eventual collapse could produce a large variety of unforeseeable and adverse developments. In order to secure the sustainability of the favourable processes in Latin America, the United States has to give much more attention to economic and political cooperation with the countries of the continent.

(bc) Strong US economic interests can be linked to the new hemispheric regionalism. Statistical data indicate that the United States has much stronger market position in Latin America than in other parts of the world. The integration of the Latin American national markets, accompanied by substantial growth, can become an essential, or, under certain world economic circumstances, **the** vital engine of US (and

hemispheric) economic development. In a more pessimistic context, a United States losing global competitiveness and market shares in other parts of the world, may still find adequate alternative export outlets in a widening regional free trade area (IRELA 1991).

(bd) Also domestic political considerations argue for more intensive regional cooperation. The Latin share of the US population is growing extremely rapidly, both as a result of high birth rate and of sustained immigration from the South. Consequently, the divisive line between a genuine domestic policy and a Latin American policy will become increasingly difficult to be identified (Lowenthal 1993).

(c) Common United States and Latin American interests in strengthening regional cooperation are very similar to those several times stressed by other large regional groupings, first of all by the European Communities.

(ca) The Western Hemisphere has a huge economic potential. In contrast to a population of 110 million in Central and Eastern European reforming countries, Latin American population amounts to 430 million. Most of the Latin American countries represent a rapidly increasing purchasing power, and new 'economic tigers' may be born as a result of successful restructuring and free access to large markets. Regional trade has particularly vast reserves, for intra-regional trade accounts for just 4 per cent of the Western Hemisphere's GDP (as compared to 14 per cent of total EC output, and 17 per cent of South East Asian GDP) (IRELA 1991).

(cb) Larger economic units usually possess higher bargaining power that may be crucial, if one considers the growing conflictive potential in the economic relations of internationally leading actors. Both Latin American and US interests are expected to be represented, recognized or protected more efficiently if the new regionalism takes shape.

(cc) Although the United States and most of the transforming Latin American economies are crucially interested in global trade liberalization and the dismantling of non-tariff barriers still protecting the markets of their main trading partners. The aim of the new and open regionalism is similar in the regional market, but has a very important additional feature. Open regionalism is supposed to guarantee not only free but secured markets for regional players. This may turn out a particularly important stabilizing factor, considering the increasing problems of free world trade and the key role of medium-term economic strategy in the strengthening of the new political and economic pattern across Latin America.

(d) The emergence of new regionalism in the Western Hemisphere can only partly be attributed to 'home-made' developments. It is not unlikely that the most important single impetus to the launching of NAFTA (and more extensive and far-reaching concepts) was provided by global, and mainly European developments.

(da) The end of the cold war has substantially changed the balance-of-power pattern as established after World War Two. Dramatic changes in Europe started to dominate international politics, with obvious economic, social and psychological

implications. Latin America felt particularly hit by this trend, as a new competitor, namely Central and Eastern Europe emerged on the scene. More importantly, the timing of this emergence was considered extremely negative. On the one hand, additional demand for international resources, mainly financial, became manifest in a period in which the world is likely to face a serious shortage of capital. On the other hand, and more importantly, Latin America left behind the 'lost decade' and reappeared in the international economy just at the moment when, for other reasons, also Central and Eastern Europe did their appearance. There is a rather widespread Latin American fear (which is, interestingly, also a Central European fear) that marginalization will be reproduced, although the national economies are adequately prepared for changes, but fundamental world trends may prevent them from occupying their certainly well-deserved place in a newly emerging pattern of world balance.

(db) Increasing national and region-level trade protectionism is certainly adding to these fears. In this context, the still uncertain future of the Uruguay Round negotiations deserves special attention. But even if the GATT talks could be finished successfully and within a short time, the already suffered delay and the substantial 'sterilization' of the initial program of liberalization will leave its rubber-stamp on the future of international trade.

(dc) Last but not least, the unpredictable course of the European Communities has been increasingly worrying Latin American and US policy-makers. Despite repeated and concentrated efforts made by Brussels, the creation of the Single European Market could hardly decrease, let alone abolish, American fears of a 'fortress (Western) Europe', even if quantitative surveys did not point out any direct and substantial danger that would deteriorate the market position of Latin American exporters to the EC (Deutsches Institut für Wirtschaftsforschung, 1993). Also the Association Agreements with Central and Eastern European countries, much more an emergency step driven by day-by-day politics than the result of a well-prepared European strategy, have increased fears of political and economic marginalization. The recently adopted Community-level regulation of banana imports, with obvious negative consequences for competitive Latin American producers, is just another evidence of protectionism, managed trade and discrimination against Latin America. Obviously, the Latin American attitude vis-à-vis the Community (and Europe) is also shaped by the less developed export pattern that, for consisting of highly sensitive items, is largely exposed to Community protectionism. In sum, European developments seem to have a substantial role in strengthening the factors and actors arguing for a new regionalism in the New World.

This new regionalism, however, largely differs from previous patterns of regional integration that have failed one after the other. In a summary form, its main features are as follows:

- it is not the result of failed national economic policies and collapsing societies, but of more vigorous, self-confident, reshaped or restructuring political and economic systems;

- countries opting for the new regionalism have gained similar experience in the decade-long national adjustment process and had been using similar economic policy instruments to attain similar objectives;
- the new regionalism is a complementary element of open external economic policies and not a substitute for world market orientation;
- the economic and socio-political supporters of the new regionalism do not represent the old lobbies interested in regional protection, but are the pioneers of the economic and political restructuring that had been taking place in the last decade;
- in contrast to the old regionalism established by national governments and institutionalized on - and mostly only on - the highest level, the new regionalism is supported by a large variety of micro-level contacts, sometimes without clearcut institutionalization;
- the new regionalism abandoned rigid and mostly highly inefficient forms of economic cooperation, and opted for a flexible network of bi- and multilateral links;
- instead of being concerned about growing regional (and national) imbalance, that was one of the major cause for the collapse of traditional regional integration schemes, the new regionalism emphasized dynamism, competitiveness and efficiency in order to combat underdevelopment and poverty;
- finally, and probably most importantly, the new regionalism is going to increasingly take into account strategic cooperation with developed countries. Moreover, not a few Latin American economies started to consider the United States as the natural anchor of hemispheric regionalism, around which the desired dynamism of economic growth, international competitiveness, technological progress and political stability of the Latin American countries can be guaranteed.

5. Future Scenarios of American Regionalism

The increased attention paid by the United States to the future of hemispheric cooperation may substantially modify the pattern of regionalism. While the survival or revival of various Latin American cooperation schemes is unlikely to exert fundamental influence on global economic processes, the inclusion of the United States into regionalism is expected to have lasting impacts on the world and the region alike. This paper deals with the latter aspect only.

The first scenario is based on the United States playing the anchor economy throughout the Hemisphere. As a result, a radial pattern of relations will emerge, in

which all countries will crucially depend on the core economy. The core economy will represent the main market for products of these countries. Also it will supply them with commodities, capital and technology, and is expected to protect the region's interests vis-à-vis extra-regional actors.

On the Latin American side, three different approaches to the core economy can be outlined. First, every country may start negotiations with the United States, and conclude bilateral agreements. This possibility can be backed by the substantial differences in the economic development level, situation and prospects of the national economies. In addition, some countries may feel that the Latin American subregional integration process is not progressing sufficiently fast or is not able to take into consideration specific national interests. Therefore special relations with the core economy should be given preference. Also Mexico's individual approach to join NAFTA can become an argument for individual approach. Second, Latin America can negotiate with the United States on the level of various regional integrations. Some of the regional groups have already conducted talks on key economic cooperation issues with non-regional countries and groups of countries, including the United States. Higher leverage, and similar treatment of the region, with some additional integrative impact would be the benefits. In addition, the diversion of intra-regional trade flows can be avoided, if extra-regional market access conditions are not more favourable than intra-regional conditions. In case of individual agreements with the core economy, additional intra-group documents should be signed in order to keep pace with changing extra-regional conditions. For different reasons, but also the United States may be inclined to negotiate with groups of countries rather than with individual countries. Not only administrative considerations to cut bureaucratic costs and save time argue for such a US position. If the United States wants to stabilize its backyard, it can hardly do it by providing different conditions to the individual, mainly neighbouring countries, or even divide them by signing agreement with some of them and forget about other potential partners. In addition, the inclusion of the whole Hemisphere into one large regional bloc can hardly take place as a result of country-by-country agreements. Third, and most likely, a mixed approach will be applied. While some large countries, mainly Brazil, may opt for country-to-country talks, the smaller and more integrated countries are likely to authorize the respective regional integration to carry on negotiations with the United States.²²

The second scenario rests on various regional anchors around which regionalism will develop. Two potential subregional cores can be predicted: MERCOSUR in South America, centred around the most important regional power, Brazil, and a Caribbean region led by Colombia and Venezuela (and, partially, by an influential Mexico as NAFTA member). The first would bring together those Latin American economies that are relatively less dependent on the United States, and practice traditional contacts with Western Europe. The second may offer a (temporary) alternative to Central America and the Caribbean after Mexico becomes member of NAFTA.

²² Exceptions from the rule can, however, be expected. For instance, Costa Rica prefers to sign a bilateral trade agreement with the United States than to participate in trade negotiations as a member of the CACM.

This 'multiple-core regionalism' would offer a suitable framework for most countries, even if their economic relations are principally with the United States. However, it may produce some internal changes on the integration map of Latin America, mainly in the Andean region. First, Bolivia may consider joining MERCOSUR, which would imply its leaving of the Andean Group. Second, and more importantly, Colombia's and Venezuela's gravitation towards each other, Central America and the Caribbean may leave the Andean Group meaningless. As a result, two Andean countries, Peru and Ecuador would remain without regional integration, and join the up-to-now exclusive Chilean status, but with a substantial difference. Chile is not member of any regional integration because it is more advanced in the economic reconstruction than its neighbours in the continent are. Despite this fact, Chile has developed close economic relations with major Latin American countries, and has started to implement regional infrastructural projects that will link it to MERCOSUR. Peru's and Ecuador's development level, the state of their economic transformation and the large distance from the subregional growth centres are obvious handicaps. As a consequence of this scenario, Peru and Ecuador would probably be marginalized both from the point of view of Hemispheric and of Latin American regionalism.

The third scenario predicts a mixed pattern, or the simultaneous approach to the United States as the main core, and to a subregional (sub)core. Also on the Latin American scale, the issue has to be raised whether Latin American countries would negotiate on a country-by-country basis or on a regional level. Again, small countries may negotiate as a bloc, while larger countries would prefer individual ways. It has to be taken into account, that, in regional comparison, large and small size and economic potential are very different from those as compared with the United States. Medium-sized countries are likely to create a network of bilateral free trade agreements (Chile, Venezuela and Colombia with Mexico, or even with the United States). Free trade agreements between Latin American countries may precede but also follow similar agreements with the United States. However, no major time lag between the two agreements can be tolerated, in order to avoid trade diversion and to make use of the strictly controlled rules of origin. It is likely that free trade agreements between unequal partners should contain some elements of 'relative reciprocity', with temporary advantages to be granted to the less developed countries. However, currently the avoiding of a status of mutual dispreference in case of free trade agreement with the United States and no free trade agreement between and among Latin American countries seems to be more important than the drafting of subregional schemes with preferential treatment to less developed economies.

Future scenarios of regionalism will be influenced by non-hemispheric actors as well. The interests of the EC, Japan, but also of the rapidly developing Asian (Far Eastern) economies have to be reckoned with. This is, however, the task of a different study.

6. Questions, Prospects and Issues for Further Research

Regionalism in Latin America is not a new phenomenon. However, regionalism, as it has been developing in the last years and seems to prevail in the nineties, has several new features. They have to be analyzed in five main areas: (a) in comparison with the traditional wisdom of and experience with regional integrations; (b) the pattern of economic development; (c) the nature of socio-political challenges; (d) emerging differences in economic policies and strategies to be pursued by Latin America on the one hand, and the United States (and North America), on the other hand; (e) differences in ideological values.

(a) The comparison of the arguments for new regionalism with the practical experience gained from regional integrations is perhaps the relatively easiest and best documented area of research. The new regionalism defies classic integration theories and policies in four important issues: development level, sequencing of regional and global developments, payments union and institutional framework.

(aa) Regional integration in general, and Latin American experience in particular, have clearly demonstrated the vital importance of similar levels of development within a given region. In contrast, the new, inter-American regionalism builds on the integration of largely different economies. Differences of 1 to 2 to 1 to 5 in per capita income in some Latin American integrations have substantially contributed to the real or apparent collapse of integration schemes.²³ In turn, per capita GDP difference amounts to 1 to 10 between Mexico and the United States. More importantly, differences in economic output, and even more, in the historically accumulated richness of the two countries are striking. The US economy outweighs the Mexican 32 times, while the national wealth of the United States is 200 to 300 times higher than the accumulated wealth in Mexico.²⁴ Considering this situation, it is astonishing that NAFTA does not envisage special policy instruments to narrow the development gap during the first years of integration. Certainly, one can suppose that Mexico (or other Latin American countries) may gain more than the United States from the dynamic development of inter-American relations. It remains, however, questionable whether this gain would be able to offset the economic weakness due to the historically established 'development gap'. Paradoxically, there is a further problem of inter-American regionalism, addressed now to the United States. According to widespread experience, countries concentrating on trade relations with less developed states are likely to lose international competitiveness. Obviously, the United States has a geographically well diversified trade pattern at the moment. However, inter-American cooperation may divert trade from extra-regional to intra-American markets. Although the Latin American markets possess quite promising growth prospects for the next decade (at

²³ By the end of the eighties, the difference in per capita GDP was 1 to 4.4 in the Andean Group (Bolivia and Venezuela), and less than 1 to 2 in MERCOSUR (Paraguay and Argentina). Also, the same indicators for Chile and Mexico did not differ from the more developed countries of the region, and reached the Argentinean level, while they were 10 to 20 per cent lower than the Venezuelan figure (Gana 1992).

²⁴ For a detailed analysis see Saxe-Fernández (1992).

least, if potential socio-political conflicts are discounted), but they can hardly question the leading role of Asia.

(ab) Experience with the sequencing of regional and global trade orientation indicates that regional markets generally failed to generate global economic competitiveness. On the contrary, they have even reduced the international competitiveness of products reoriented to the regional market. Latin American, Eastern European but even some EC stories call attention to this fact. At the same time, the Far Eastern economies started to export to extra-regional markets and became internationally strong competitors. In fact, they have been devoting more attention to the regional market in the last years. But this - very cautious and partial - reorientation was not the result of lack of competitiveness, but the achievement of outstanding regional growth (due to the success of export-orientation) and the restructuring of production (more opportunities for efficient, competitive intra-industry cooperation among regional producers). Certainly, the size of the regional market tends to influence international competitiveness considerably (see the example of the EC). If there is a sufficiently large and open regional market, the way may be not closed from regionalism towards global competitiveness. Taking into account the potential of the US market, hemispheric regionalism is likely to hurt international competitiveness less than it would happen in closed and small regional markets, including the apparently sufficiently large MERCOSUR. In any case, due attention has to be paid to the simultaneous development of intra- and extra-regional trade relations, and an adequate economic policy underlying this balanced trade orientation.

Another important sequencing issue is the interdependence of integration and liberalization. In the past, regional integration was considered as an instrument of trade liberalization, at least within the group. Most recently, Latin American countries implemented unilateral liberalization steps, so that intra- and inter-regional integration can start from a low priority of trade issues in general, and tariff issues in particular. While this situation has undoubtedly removed some of the main barriers to regional trade integration, it has reduced the trade creation capacity of new integration schemes. It is not surprising that regional efforts used to focus on non-trade or only indirectly trade-related priorities. Nevertheless the question remains, whether integration has to be adjusted to liberalization or liberalization should be accommodated to the requirements of economic integration (Gitli and Ryd 1992). An additional question is, to what extent regional integration can play the engine of growth, an impact widely expected from the different integration schemes all over Latin America.

(ac) Regional payments unions, an important mechanism of regional integration seem to have a reduced role, if any, in the future. First, the larger the group, the most probable is that bilateral surpluses and deficits will balance out each other. Second, as a result of fundamental economic reforms, most Latin American countries have made decisive steps to reach convertibility of the national currency. Realistic exchange rates, trade liberalization and renewed confidence of the international capital have raised some national currencies on the threshold to declared convertibility, or have even paved the way for declared current account convertibility. Third, increasing trade, financial and institutional links with the anchor economy of the Hemisphere enhance the anchor role

of the national currency, or the US dollar. In these conditions, artificial, costly and distorting mechanisms are superfluous or even undesirable.

(ad) The genuine management of and coordination among the rapidly growing number of bi- and multilateral cooperation networks will be a key challenge to the region in the nineties. Some experts hold the view, that these networks will generate an autonomous dynamism of hemispheric cooperation, and no government-level control or supervision is necessary. Some others, however, believe that the 'free competition' of different bi- and multilateral initiatives will produce not only beneficiaries but also victims. They should not necessarily aggravate differences among nations alone, but, and probably more, between different(ly affected) sectors within the same national economies.

(b) The future of the predominant form and the scope of new regionalism will significantly be influenced by the economic development of the Latin and North American actors in the next years.

(ba) For Latin America, four basic sets of dilemmas have to be mentioned. First, and most importantly, the sustainability of open regionalism requires economically stabilized, healthy countries. Without disregarding or underestimating the substantial progress made in the last years, most Latin American economies still have to prove the sustainability of the undeniable achievements. Second, just in the most successful countries, some confusing developments started most recently. The long-awaited massive inflow of foreign capital (or, to a larger extent, of national flight capital) has confronted the beneficiary economies with the problem of overvalued exchange rates and, in consequence, decreasing export growth. The surprisingly deep contraction of the OECD markets and the growing barriers to achieve rapid restructuring of the commodity pattern of exports may add to the difficulties.²⁵ Also, the financial stability may be questioned, for a large part of the capital did not go to productive investments, but has been deposited in banks as financial, and maybe speculative, assets. Adverse international or national developments can easily demonstrate the fragility of stabilization. Third, support to the neo-liberal approach, on which most of the stabilization results were based, seems to be decreasing. Its sustainability has been questioned both by international developments (see the ongoing shifts in the economic philosophy of the new US leadership) and by domestic developments (increasing structural problems and social conflicts). Fourth, despite the similar stabilization policies and instruments applied by the Latin American countries, differences in their economic policies still remain large. They are particularly important in such key areas of regional economic cooperation as exchange rate policies or export promotion instruments. If, in addition, the permanently large gap in the development level and

²⁵ International literature usually considers the increasing share of "non-traditional" exports in total exports as a sign of structural improvement. Certainly, new export products are likely to reduce the traditionally high dependence on one or a few items. However, they do not necessarily involve more value added, and even less, higher technology- and skill-content. The best example is Chile, that could substantially increase its exports of "non-traditional" goods (pulp, wood, vegetables and fruits), but practically no change had been taking place in the country's machinery exports during the last years that produced the "Chilean wonder".

economic potential of the individual countries is taken into account, serious doubts may emerge regarding the sustainability of the intra- and inter-regional cooperation for **all** countries involved.

(bb) Moreover, the prospects for the US economy are either free from uncertainties. Lack of or sluggish economic growth may adversely affect already announced plans of hemispheric or North American cooperation. Also the economic strategy, still to be defined, of the Clinton administration will essentially influence prospects for new, hemispheric regionalism. In addition, internal economic and social troubles could weaken the United States' interest in and readiness for regional partnership.

(c) Political and social consequences of the economic transformation in Latin America are still far from over. They may be complemented by special frictions imposed by the progress of regional cooperation.

(ca) The economic stabilization and adjustment was carried out in a strictly nation-state framework. As noted earlier, the previously achieved importance of intra-regional cooperation declined, because permanent bi- and multinational adjustments would have seriously slowed down or stopped the transformation process. It is an unknown factor, to what extent the fundament of the Latin American nation-state became strengthened by this adjustment process. Obviously, developments could create a nation-state largely inclined to regional cooperation and to the giving up of part of its autonomy. However, also the opposite may turn out to be the reality. In this area, further detailed research is needed.

(cb) In fact, economic liberalization and shifts in the power and interest structure of a country are not independent from each other, but neither are they narrowly correlated. It is much easier to dismantle tariffs than to remove influential representatives of the 'old guard' from power. Research should demonstrate to what extent the 'point of no return' has been achieved in national power relations.

(cc) As a 'delayed impact' of economic stabilization, social issues tend to aggravate not in accordance with economic decline and hardship but in accordance with economic progress. The unavoidable victims of economic adjustment may become aware of their 'loser position' with a certain time lag, eventually just at the point where the economy shows signs of recovery. Therefore, the sustainability of economic achievements requires not only adequately designed social policies, but probably much more authentic representatives of the 'losers' in the emerging political power structure. Without effectively coping with their problems and at least neutralizing them politically, the sustainability of the already established new pattern may be seriously questioned. Another open issue is, to what extent can 'inward-looking social integration' and 'outward-looking market integration' be harmonized?

(cd) No pattern of new regionalism that includes the United States can rule out the (re)emergence of Latin American fears of hegemony. It is still too early to determine

whether the unfolding new regionalism will take the way of 'uncoerced regionalism' or will shift to 'hegemonic regionalism' (Hurrell 1992).

(d) At first glance, the traditionally large gap between the fundamental interests of the United States and of the Latin American countries has considerably narrowed in the last years. It would, however, be a big failure to believe that improved prospects for cooperation do not contain basic and long-term divergences between the US and the Latin American positions (and, certainly, among Latin American countries as well).

(da) There are different perceptions of regional security. Latin American countries are extremely sensitive to the slightest sign of US intervention. In turn, the controlling of key security threats to the United States, as drug or illegal migration can hardly be secured without strong cooperation with this country. In addition, most security threats to Latin American countries either originate from within the own socio-political structure and their economic problems, or are a result of border conflicts with neighbouring Latin American states. Neither of these factors is a security priority for the United States. It is evident that the US would do everything to abstain from getting directly involved in this kind of conflicts.

(db) Enhanced economic security and the sustainability of the currently favourable economic trends require the medium-term inflow of substantial external resources to Latin America. In turn, the economic security of the United States does not depend on this factor.

(dc) It cannot be ruled out that the United States would be involved in trade disputes or even trade wars with the EC, Japan or other non-hemispheric countries or groups of countries. Latin America's interests hardly coincide with those of the United States. Thus Latin American countries would do everything to remain neutral and to maintain normal trade relations with the adversaries of the United States. However, there is no satisfactory answer to the question, whether this abstention would be a viable option, given a high level of hemispheric cooperation.

(dd) Conflicting interests can also be identified in the protection of environment. For understandable reasons, this issue enjoys a much higher priority in the developed United States than in the developing Latin American economies. The emerging new economic philosophy of the Clinton-Gore duet may further widen this difference. Clearly, and contrary to 'imposed cooperation' in environmental issues, Latin America's natural allies are other developing countries in this area.

(de) Future developments are expected to reveal how the fruits of the new regionalism will be generated and distributed between the Latin American economies and the largely US-based multinational companies that are one of the most powerful interest groups in favour of hemispheric and Latin American regionalism.

(df) Additional frictions and accusations may arise from the uneven chances and consequences of increasing economic cooperation with the United States. Obviously, no country can afford to grant the same preferences to all countries of a given region.

Neither can it sign identical agreements with several dozens of other countries at the same time. Even if this were technically possible, the individual partner economies would be able to make use of the new opportunities to a widely different extent. Also obligations originating from the contract would be fulfilled differently. Therefore, a regional fragmentation may easily occur as a consequence of increased regionalization. Those countries that would remain outside the regional framework dominated by the United States could easily blame this country for undermining (never-existing) Latin American unity.

(e) Finally, and perhaps in the longer term, increasing regionalism in the Western Hemisphere could bring to the surface ideological and cultural differences deeply rooted in the historical development of the United States and of Latin America. In contrast with the Far East or Europe, where regionalism is based on shared cultural and ideological values, regionalism in the Western Hemisphere is characterized by the meeting of two different value systems. This encounter can produce different scenarios. On the one hand, approximation to the United States in economic relations can be accompanied by the preservation, or even the strengthening of the (Latin) European ideological and cultural patterns. On the other hand, some Latin American countries, that have always revealed more pronounced economic dependence on the United States and were less influenced by Europe, may become part of the new, US-led regionalism not only in economic, but also in ideological and cultural terms. In turn, other countries with traditional European links may be inclined to evaluate the potential gains and losses of participating in this framework of regionalism with more concern and doubt. The former group could include Mexico, Central America and the Caribbean, while Argentina, Brazil, Chile, Paraguay and Uruguay may belong to the second group.

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TABLE 1

TOTAL, LATIN AMERICAN AND INTRA-GROUP EXPORTS OF MAJOR ECONOMIC GROUPINGS IN LATIN AMERICA

(in millions of US\$)

		1980	1985	1988	1989	1990	1991
LAIA	A	80313	85433	92612	101915	113871	116470
	B	12350	9360	11529	13462	15243	17823
	C	10927	7125	9764	10865	12319	14954
Mercosur	A	29525	35157	44845	46579	46431	45910
	B	6066	4337	6404	7413	7950	9705
	C	3423	1949	3003	3710	4129	5103
Andean Group	A	30602	24300	20259	24379	31876	34451
	B	4253	3298	2703	3642	4620	5117
	C	1137	769	992	1013	1289	1779
CACM	A	4812	3568	3945	3818	4226	4173
	B	1330	651	854	776	900	971
	C	1174	488	631	571	640	687
Caribbean *	A	10423	5704	5043	5914	6501	6769
	B	1195	541	418	565	577	672
	C	630	404	256	374	362	349

Source: UN Economic Commission for Latin America. Statistical Yearbook for Latin America and the Caribbean. 1992 edition. New York, 1993.

Notes: A - World exports.

B - Exports to Latin American and Caribbean countries.

C - Intra-group exports.

* - According to the UN Economic Commission for Latin America, the Caribbean region includes Barbados, Guyana, Jamaica, Trinidad y Tobago, Bahamas, Haiti, Panamá, the Dominican Republic and Surinam.

TABLE 2

INTRA-REGIONAL EXPORTS OF MAJOR LATIN AMERICAN GROUPS
(In per cent of world and Latin American trade of selected groups)

		1980	1985	1986	1987	1988	1989	1990	1991
LAIA	A	13.6	8.3	11.0	10.7	10.5	10.7	10.8	12.8
	B	88.5	76.1	82.9	79.6	84.7	80.7	80.8	83.9
Mercosur	A	11.6	5.5	8.6	7.4	6.7	8.0	8.9	11.1
	B	56.4	44.9	48.6	47.2	46.9	50.0	51.9	52.6
Andean Group	A	3.7	3.2	3.4	5.1	4.9	4.2	4.0	5.2
	B	26.7	23.3	27.5	34.7	36.7	27.8	27.9	34.8
CACM	A	24.4	13.7	10.6	14.3	16.0	15.0	15.1	16.5
	B	88.3	75.0	72.1	74.9	73.9	73.6	71.1	70.8
Caribbean *	A	6.0	7.1	4.5	4.8	5.1	6.3	5.6	5.2
	B	52.7	74.7	60.8	56.9	61.2	66.2	62.7	51.9

Source: Own calculations based on UN Economic Commission for Latin America. Statistical Yearbook for Latin America and the Caribbean. 1992 edition. New York, 1993

Notes: A - Share of intra-regional exports in total exports of the group.

B - Share of intra-regional exports in total exports to Latin America and the Caribbean.

* - See Table 1.

TABLE 3

GROWTH RATES OF WORLD, LATIN AMERICAN AND INTRA-GROUP EXPORTS
BY SELECTED REGIONAL GROUPINGS

		1985-88 (1985=100)	1988-91 (1988=100)	1985-91 (1985=100)
LAIA	A	108.4	125.8	136.3
	B	123.2	154.6	190.4
	C	137.0	153.2	209.9
Mercosur	A	127.6	102.4	130.6
	B	147.7	151.5	223.8
	C	154.1	169.9	261.8
Andean Group	A	83.4	170.1	141.8
	B	82.0	189.3	155.2
	C	129.0	179.3	231.3
CACM	A	110.5	105.8	117.0
	B	131.2	113.7	149.2
	C	129.3	108.9	140.8
Caribbean *	A	88.4	134.2	118.7
	B	77.3	160.8	124.2
	C	63.4	136.3	86.4

Source: Own calculations based on UN Economic Commission for Latin America. Statistical Yearbook for Latin America and the Caribbean. 1992 edition. New York, 1993.

Notes: A - Growth of world exports.

B - Growth of exports to Latin American and Caribbean countries.

C - Growth of intra-group exports.

* - See Table 1.

TABLE 4

INTRA-REGIONAL EXPORTS AND IMPORTS OF SELECTED LATIN AMERICAN COUNTRIES

(percentage shares in total exports and imports)

		1980	1985	1988	1989	1990	1991
Argentina	X	23.6	18.6	20.3	25.8	26.0	29.2
	M	19.3	31.7	32.4	32.4	26.1	33.3
Bolivia	X	36.7	60.1	47.2	43.1	44.8	50.7
	M	50.3	49.5	53.2	52.7	48.8	62.6
Brazil	X	18.1	9.6	11.9	11.2	11.3	16.5
	M	11.4	11.5	11.0	15.1	16.5	15.2
Colombia	X	16.6	11.9	15.1	15.4	16.1	21.5
	M	19.6	20.6	18.7	17.7	18.5	17.8
Chile	X	23.5	14.4	13.5	11.2	12.6	14.7
	M	27.1	28.2	27.5	26.0	23.2	25.5
Ecuador	X	20.2	9.3	14.8	18.2	17.7	17.1
	M	14.5	20.4	20.2	22.9	24.5	23.0
Mexico	X	5.8	5.3	7.2	6.6	5.9	6.2
	M	3.8	3.2	2.1	2.6	3.2	3.1
Paraguay	X	45.3	27.4	29.3	50.1	52.4	46.8
	M	59.7	58.2	43.0	43.7	41.6	49.0
Peru	X	21.2	14.1	14.5	15.0	14.6	16.7a
	M	14.8	24.5	31.2	32.2	33.6	40.0a
Uruguay	X	37.3	28.0	27.3	37.1	39.5	40.7
	M	37.6	40.4	52.6	49.9	47.5	46.9
Venezuela	X	9.8	12.5	9.7	12.3	11.9	10.7
	M	9.6	9.9	11.2	12.4	12.6	14.8
LAIA	X	15.4	11.0	12.4	13.2	13.4	15.3a
	M	13.3	13.4	13.2	13.4	13.4	14.2a
Costa Rica	X	34.3	22.8	16.9	16.6	16.4	17.2
	M	33.6	27.6	28.5	24.8	28.8	21.0
El Salvador	X	28.5	17.1	26.1	35.6	34.0	38.3
	M	46.5	36.1	39.8	28.9	35.5	38.0
Guatemala	X	32.6	25.4	32.6	34.4	34.4	38.4
	M	34.8	29.7	26.3	32.4	29.5	23.7
Honduras	X	13.5	6.9	6.9	4.0	3.9	7.2
	M	30.1	29.6	20.0	21.1	21.7	20.5
Nicaragua	X	19.7	9.2	10.6	23.5	19.7a	12.7
	M	56.4	26.0	18.5	24.6	30.6a	39.1a
CACM	X	27.6	18.3	21.6	20.3	21.3a	23.3
	M	38.8	30.3	27.7	27.1	27.1a	26.4a

Table 4 (con't)

		1980	1985	1988	1989	1990	1991
Barbados	X	17.3	18.1	14.7	16.5	16.9	16.5a
	M	21.0	26.3	18.0	22.1	25.4	23.7a
Trinidad-Tob.	X	15.0	11.7	14.2	15.9	14.3	18.9
	M	5.6	10.8	16.0	17.3	22.7	32.1
Panamá	X	19.2	14.0	16.8	19.6	18.2	21.2
	M	8.2	8.4	6.7	9.9	10.3	8.6
Dominican Rep.	X	10.4	2.7	2.0	3.2	3.2	2.7a
	M	5.9	31.1	13.4	16.8	18.1	16.8a

Source: UN Economic Commission for Latin America. Statistical Yearbook for Latin America and the Caribbean. 1992 edition. New York, 1993.

Notes: a - Estimates.

TABLE 5

INTRA-LATIN AMERICAN EXPORTS BY COUNTRIES ACCORDING TO THE MAIN
REGIONAL GROUPINGS IN 1991

(in millions of US\$)

Exporting countries	Mercosur I	Andean Group II	Chile + Mexico III	LAIA I+II+III	CACM IV	Carib. V	Total Region I-V
Total Latin-America	7373	4643	3360	15367	1861	2242	19465
LAIA	7255	4491	3212	14954	1119	1752	17823
Mercosur	5103	1909	2256	9268	160	278	9705
- Argentina	1978	669	722	3369	42	92	3503
- Brazil	2309	1195	1434	4938	116	165	5218
- Paraguay	259	19	49	327	1	17	344
- Uruguay	557	26	51	634	1	4	640
Andean Group	929	1779	786	3492	516	1109	5117
- Bolivia	237	67	27	331	-	-	331
- Colombia	95	779	236	1109	109	349	1566
- Ecuador	23	204	123	350	26	112	489
- Peru	157	266	189	542	20	11	573
- Venezuela	417	463	281	1160	361	637	2158
CACM	4	33	107	143	687	141	971
- Costa Rica	2	9	17	29	180	71	280
- El Salvador	1	1	5	7	122	10	139
- Guatemala	1	18	63	82	324	55	461
- Honduras	-	5	4	9	32	4	45
- Nicaragua	-	-	16	17	29	1	46
Caribbean *	114	119	41	270	55	349	672

Source: UN Economic Commission for Latin America. Statistical Yearbook for Latin America and the Caribbean. 1992 edition. New York, 1993.

Note: Eventual deviations due to roundings.

* - See Table 1.

TABLE 6

GEOGRAPHIC DIRECTION OF THE TRADE FLOWS OF SELECTED LATIN AMERICAN COUNTRIES

(total exports and total imports = 100)

Exporting countries	Year	OECD	USA	EC	Japan	Latin America *
Argentina	1985	43.0	12.2	24.5	4.3	18.7
	1990	49.6	13.8	30.5	3.2	26.3
Bolivia	1985	37.0	14.1	20.9	0.4	60.2
	1990	55.9	17.4	35.1	0.9	35.5
Brazil	1985	64.5	27.1	26.9	5.5	9.7
	1990	67.8	23.4	30.9	8.3	11.6
Colombia	1985	79.1	32.8	34.8	4.2	14.0
	1990	80.8	45.8	26.2	3.9	14.0
Chile	1985	69.3	22.5	33.5	9.9	14.5
	1990	69.2	16.9	34.7	14.6	13.3
Ecuador	1985	64.0	57.1	4.4	2.0	10.4
	1990	60.4	45.2	9.5	2.5	25.9
Mexico	1985	88.5	60.4	18.2	7.7	5.4
	1990	91.7	73.1	10.2	5.4	5.4
Panama	1985	82.6	64.1	16.2	0.1	15.5
	1990	78.0	45.2	29.2	0.6	20.1
Paraguay	1985	59.0	1.3	50.1	1.0	37.1
	1990	37.7	4.1	28.1	0.3	39.6
Peru	1985	70.9	33.9	22.5	10.1	14.1
	1990	68.5	22.2	28.5	12.9	14.4
Uruguay	1985	42.5	15.1	22.6	2.2	27.8
	1990	36.8	9.8	24.1	1.2	39.4
Venezuela	1985	76.8	46.0	20.2	2.9	18.3
	1990	74.9	54.7	12.3	3.4	19.7

(Table continues...)

Table 6 (con't)

Importing countries	Year	OECD	USA	EC	Japan	Latin America *
Argentina	1985	60.5	18.2	28.0	7.0	34.6
	1990	58.9	21.5	27.4	3.3	34.8
Bolivia	1985	51.3	20.6	18.7	9.7	46.5
	1990	54.7	20.3	22.0	9.3	38.8
Brazil	1985	45.3	19.7	14.6	4.3	12.5
	1990	54.8	21.1	20.6	6.0	17.9
Colombia	1985	72.8	35.3	19.6	10.4	24.3
	1990	82.8	36.0	22.2	10.2	22.8
Chile	1985	51.3	21.3	19.6	6.1	26.5
	1990	51.9	19.2	19.8	7.0	26.4
Ecuador	1985	72.8	30.5	21.9	13.2	21.3
	1990	70.0	31.9	22.3	6.3	18.0
Mexico	1985	90.1	66.6	13.0	5.4	4.7
	1990	91.3	70.4	18.7	3.7	4.9
Panama	1985	53.6	31.5	8.3	8.9	41.7
	1990	48.7	34.4	7.3	4.9	35.7
Paraguay	1985	31.0	7.9	16.1	4.6	56.6
	1990	44.0	12.3	15.1	15.7	30.8
Peru	1985	69.8	28.2	23.4	10.0	25.6
	1990	64.4	30.4	19.9	4.2	30.4
Uruguay	1985	30.6	7.6	16.7	2.2	36.1
	1990	34.9	10.5	18.2	3.3	50.1
Venezuela	1985	83.3	47.5	23.1	5.7	12.8
	990	85.8	44.5	29.7	4.7	9.9

Source: Own calculations based on IMF. Direction of Trade Statistics. Yearbook 1991.

Note: * - All developing countries of the Western Hemisphere.

TABLE 7

THE SHARE OF DEVELOPING AMERICA IN TOTAL TRADE OF SELECTED OECD COUNTRIES

(percentage share in total exports and imports of OECD countries)

		1986	1990	1991	1992
In exports by	OECD	4.28	3.91	4.40	4.94
	United States	14.61	14.04	15.41	16.93
	Japan	4.16	3.39	3.90	4.43
	EC	2.25	1.89	2.07	2.27
	- Germany	2.10	1.90	2.02	2.13
	- France	3.36	2.97	3.40	3.49
	- Italy	2.32	2.09	2.42	2.81
	- United Kingdom	2.09	1.51	1.52	1.63
	- Spain	5.61	3.93	3.85	4.78
In imports by	OECD	5.04	4.69	4.57	4.46
	United States	11.37	12.94	12.85	12.93
	Japan	5.09	4.12	4.04	3.58
	EC	2.82	2.46	2.36	2.25
	- Germany	3.33	2.72	2.43	2.31
	- France	2.45	2.22	2.18	2.08
	- Italy	3.06	2.56	2.56	2.40
	- United Kingdom	1.98	1.76	1.75	1.90
	- Spain	7.09	4.66	4.56	4.37

Source: OECD Series C. Trade by commodities, various issues (for the years 1986-1991) and Series A. Monthly Statistics of Foreign Trade, July 1993 (for the year 1992).

TABLE 8

COMMODITY PATTERN OF LATIN AMERICAN EXPORTS TO THE KEY OECD AREAS

(total exports of selected commodity groups to the OECD = 100)

SITC groups	Export markets	1986	1990	1991
Total (SITC 0-9)	United States	56.0	55.3	55.1
	EC	28.3	28.6	28.9
	Japan	7.9	7.9	8.0
Agricultural products (SITC 0)	United States	41.1	37.6	35.1
	EC	40.8	45.6	47.6
	Japan	7.4	6.6	7.9
Raw materials (SITC 2)	United States	22.0	19.6	20.0
	EC	48.7	50.1	50.0
	Japan	20.2	21.0	22.1
Fuels, energy (SITC 3)	United States	70.6	75.7	73.7
	EC	18.0	15.9	17.7
	Japan	7.2	5.2	5.1
Chemicals (SITC 5)	United States	52.7	53.1	53.4
	EC	26.9	32.6	30.7
	Japan	13.2	7.4	8.2
Manufactured goods (SITC 6)	United States	52.3	36.8	37.6
	EC	29.0	34.8	33.8
	Japan	10.6	17.2	17.4
Machinery and equipment (SITC 7)	United States	81.0	76.7	77.2
	EC	8.8	11.7	10.8
	Japan	1.5	1.1	1.0
Industrial consumer goods (SITC 8)	United States	87.9	84.9	84.5
	EC	7.9	10.3	10.9
	Japan	0.3	0.6	0.6

Source: Own calculations based on OECD. Series C. Trade by Commodities, various issues.

TABLE 9

COMPETITION BETWEEN LATIN AMERICA AND THE FAR EAST
IN THE IMPORT MARKET OF THE UNITED STATES

SITC groups	Latin America*			Far East**		
	1985 US\$ mn	1991 US\$ mn	growth (1985=100)	1985 US\$ mn	1991 US\$ mn	growth (1985=100)
Total	43342	65200	150	68612	108421	158
- SITC 0	9869	9500	96	865	3993	139
- SITC 2	1703	2504	147	1060	1466	138
- SITC 3	12024	16635	138	711	1718	46
- SITC 5	1152	1961	170	861	1936	225
- SITC 6	4667	5675	122	8985	11717	130
- SITC 7	8456	17143	203	20033	38551	192
- SITC 8	4051	9091	224	29873	47158	158

	Market shares for Latin America		Market shares for Far East	
	1985	1991	1985	1991
Total	11.4	12.9	18.0	21.4
- SITC 0	44.1	39.7	12.8	16.7
- SITC 2	15.0	17.5	9.3	10.2
- SITC 3	30.2	28.4	9.3	2.6
- SITC 5	7.4	7.8	5.5	7.7
- SITC 6	9.0	9.4	17.3	19.4
- SITC 7	5.1	7.9	12.0	17.9
- SITC 8	6.7	10.4	49.7	54.0

Source: Own calculations based on OECD. Series C. Trade by Commodities, various issues.

Notes: * - Developing Western Hemisphere, according to OECD classification.

** - Starting from Pakistan to the Pacific, according to OECD classification.

TABLE 10

COMPETITION BETWEEN LATIN AMERICA AND THE FAR EAST
IN THE IMPORT MARKET OF THE EUROPEAN COMMUNITIES

SITC groups	Latin America*			Far East**		
	1985 US\$ mn	1991 US\$ mn	growth (1985=100)	1985 US\$ mn	1991 US\$ mn	growth (1985=100)
Total	21910	34131	156	32538	87178	268
- SITC 0	9798	12876	131	3621	5374	148
- SITC 2	3771	6279	167	2782	3324	119
- SITC 3	3073	4004	130	245	405	165
- SITC 5	587	1129	192	749	2223	297
- SITC 6	2584	5101	197	5380	12626	235
- SITC 7	921	2402	261	7167	25854	361
- SITC 8	365	1177	322	11414	35825	314

	Market shares for Latin America		Market shares for Far East	
	1985	1991	1985	1991
Total	2.8	2.4	4.2	6.0
- SITC 0	11.8	9.7	4.4	4.0
- SITC 2	7.7	9.3	5.7	4.9
- SITC 3	3.3	3.2	0.3	0.3
- SITC 5	0.8	0.8	1.0	1.5
- SITC 6	1.9	2.1	4.0	5.1
- SITC 7	0.4	0.5	3.2	5.3
- SITC 8	0.4	0.6	12.4	18.3

Source: Own calculations based on OECD. Series C. Trade by Commodities, various issues.

Notes: * - Developing Western Hemisphere, according to OECD classification.

** - Starting from Pakistan to the Pacific, according to OECD classification.

UNU World Institute for
Development Economics Research
(UNU/WIDER)
Katajanokanlaituri 6 B
00160 Helsinki, Finland

Telephone (358) 0-693841
Telex 123455 UNUEI FI
Facsimile (358) 0-6938548