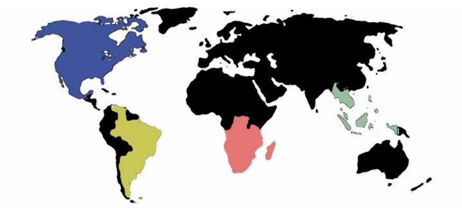

Asymmetries and Regional Integration:

The Problems of Institution-Building and Implementation in ASEAN, MERCOSUR and SADC

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Abstract:

This paper uses insights of international political economy and cooperation theory in order to develop a theoretical approach to regional institution building among developing countries and emerging markets. It argues that regional integration in the Global South is not based so much on intraregional interdependence like the regional integration among industrialized countries. In contrast, regional integration in the Global South is more outward oriented and aims to improve the region's standing vis-à-vis predominant extraregional actors. Besides this interregional asymmetry, regional integration in the South is usually distinguished by high economic asymmetries between emerging powers and peripheral countries. These two asymmetries may easily lead to increasing competition about extraregional market access or foreign direct investments between the member states. As soon as a member state loses more by that competition than it wins by regional integration, it will become a Rambo, which systematically impedes further integration or which turns back integration due to non-implementation of regional commitments. The problem is that this process may become self-reinforcing: Due to implementation problems, the respective region looses economic attractiveness which in turn increases competition within the region. One reaction of a regional integration organization may be institutional reforms in order to regain attractiveness, but it is unlikely that this reduces the implementation problem. Thus, the gap between formal institutions and factual implementation grows. The empirical part of the paper illustrates this logic with the example of the Association of Southeast-Asian Nations (ASEAN), the Common Market of South America (MERCOSUR) and the Southern African Development Community (SADC). It demonstrates that the theoretical model is able to explain the current success of market integration in ASEAN, as well as current conflicts in the other two regions – the dispute between Argentina and Uruguay in MERCOSUR, and the problems during the negotiation of Economic Partnership Agreements (EPAs) between SADC member states and the European Union (EU).

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1. Introduction

The ‘New Regionalism’ (Mansfield and Milner 1999, Breslin et al. 2002, Preuße 2004, Schirm 2002) of the early 1990s raised a lot of hope in respect to the development of regions on the Southern hemisphere. Regional integration, it was hoped and expected, would help developing countries to integrate more easily in the global economic system. After the ‘lost decade’ of the 1980s, regional integration was aimed to help developing countries to open their economies to international trade and investment while simultaneously cushioning them against the hardships of global competition (Schirm 2002). Consequently, regional integration efforts were either reinforced, or new regional integration projects were started around the world. For example, the Common Market of South America (MERCOSUR) was founded in 1991, the member states of the Association of South-East Asian Nations (ASEAN) decided to start economic integration in 1992 and the Southern African Development Community (SADC) was re-established in 1992 as well. Today, nearly 20 years after this wave of ‘New Regionalism’, the developments of the different regional integration projects are somewhat ambivalent. On the one hand, the three regional integration projects mentioned above still exists, and they had at least some success during the last two decades. ASEAN has successfully established a free trade area and negotiated bilateral swap and trade agreements with China, Japan and Korea (Dent 2007), MERCOSUR experienced its ‘Golden Age’ in the 1990s with increasing flows of foreign direct investments and intarregional trade (Preuße 2004). SADC recently managed to reform its institutional framework and to set up a free trade area (Vogt 2007). On the other hand, the regional integration projects of the Southern hemisphere seem to have suffered from a series of structural shortcomings. Generally, the commitment of the member states to regional integration seems to be rather weak, which manifests itself in a high vulnerability to political and economic crises, chronic implementation deficits and ineffective regional institutions.

Existing integration theories are still not able to grasp this ambivalent character of regional integration in the global South because they suffer from a deep-rooted Eurocentrism. The prominent integration theories, neofunctionalism (Haas 1958) and institutionalism (Pierson 1996, Stone Sweet and Sandholtz 1997) on the one hand and intergovernmentalism (Moravcsik 1998) on the other hand, were developed in the context of the successful and prominent example of European integration. Thus, their application to other world regions is very much limited by the specific economic, political and cultural circumstances of European integration, which are not mirrored in any other world region. Most notably, no other region in the world – maybe with the exception of the North American Free Trade Agreement (NAFTA; Fink and Krapohl 2010, Mattli 1999) – is distinguished by such high economic interdependence between sovereign states as the European Union (EU) is. As a result of Eurocentrism in integration theory, much of research on regional integration falls into one of two extremes: On the one hand, it states that integration theories cannot fruitfully be applied to non-European regions with their own cultural, political and economic background, and that regional integration elsewhere has to be analyzed on its own. This view is rather unsatisfactory from a comparative point of view because it does not allow for a comparison of regional integration on different continents. On the other hand, comparative research often comes to the conclusion that regional integration in the Southern hemisphere is doomed to failure because the respective member states lack the necessary economic preconditions to gain from market integration (Mattli 1999). However, this cannot explain why regional integration is rather popular among developing countries and emerging markets, and why at least some integration projects of the Southern hemisphere are successful from time to time.

What is needed for a fruitful comparison of regional integration on the Southern hemisphere is a theoretical concept which is able to grasp the particularities of regional integration among developing countries (and emerging markets), and which is simultaneously broad enough to allow a fruitful comparison of different regional integration schemes. In the following, this paper proposes such a theoretical concept which is based on insights from international political economy, cooperation theory and institutionalism. Accordingly, the most important and comparable difference of Southern regions in comparison to their counterparts in the North is their economic underdevelopment. Consequently, the member states of a regional integration scheme in the South cannot profit as much from intraregional trade and investment because they share similar factor endowments and export relatively comparable primary products. In contrast, regions of the South are highly dependent on foreign direct investments from, and market access to, the highly developed regions of the Northern hemisphere (Fink and Krapohl 2010). Here, on the one hand, regions of the South may profit from regional integration because integrated regional markets may be more attractive to foreign direct investments (FDI) (Bende-Nabende 2002, Büthe and Milner 2008, Jaumotte 2004), and integrated regions may be more powerful in international trade negotiations when they speak with one voice (Hänggi 2003, Mansfield and Reinhardt 2003). However, on the other hand, the asymmetric economic relationships to the North are also the Achilles heel of regional integration in the South because the member states of a Southern region are competitors in respect to FDI and export shares. As soon as regional integration endangers the competitive advantage of one member state, vis-à-vis its neighbours, it is likely that the respective state becomes a Rambo. It either prevents new integration steps or it does not implement existing norms anymore. As a result of such cooperation problems, one can expect an increasing gap between lip services and formal regional institutions on the one hand, and implementation deficits and enforcement problems on the other hand. The extent of such a gap between regional intents and actions is then a result of how far external feedback from the North on regional integration in the South leads to distributive conflicts and increasing competition within the respective regions.

The explanatory value of this theoretical concept on regional integration in the Southern hemisphere is illustrated by current developments in ASEAN, MERCOSUR and SADC. Firstly, ASEAN is a case where interregional relations with the most important economic partners are positive and lead to increasing integration within the regional integration project. Since the Asian crisis in the late 1990s, the ASEAN managed to establish bilateral swap and trade agreements with their most important trading partners; China, Japan and Korea. The ASEAN member states profit enormously from these agreements, whereas most of them, especially the small ones, would probably not have been able to negotiate similar treaties on their own. Secondly, MERCOSUR is not able to successfully negotiate with external partners about bilateral or interregional agreements. In contrast, the Argentinean crisis, at the beginning of the new Millennium, proved to be a high burden for regional integration. Due to the crisis, Argentina lost competitiveness within the region and became a Rambo. Currently, Argentina is not implementing important MERCOSUR norms, and the resulting tensions between Argentina and Uruguay are a huge obstacle for regional integration. Finally, in SADC, interregional and bilateral trade negotiations directly hamper regional integration. Here, South Africa alone negotiated the Trade and Development Cooperation Agreement (TDCA) with the EU in the late 1990s, and today, different groups of SADC member states negotiate about Economic Partnership Agreements (EPAs) with the EU. These different trade agreements are a problem for further integration because they prevent the establishment of a common customs regime vis-à-vis the region's most important trade partner. Therefore, the empirical illustrations demonstrate that current success or failures of regional integration in the South can, to a large degree, be explained by the regions' interregional relationships and the resulting conflicts within the regions.

2. The Consequences of Economic Asymmetries

Prominent theories of regional integration are all built upon economic interdependence within a regional integration scheme: The functionalist spill-over (Haas 1958, Lindberg 1963) is unthinkable without economic interdependence because it is exactly this interdependence of economic activities within a region which leads to the fact that integration in one policy sector leads to functional pressure for further integration. For institutionalists (Fligstein and Stone Sweet 2002, Stone Sweet and Caporaso 1998), increasing intraregional trade and regional integration went hand in hand and finally led to the constitutionalisation of the polity of the EU. Also for liberal intergovernmentalism (Moravcsik 1991), asymmetric economic interdependence between the EU member states is the driving force of intergovernmental treaty negotiations. However, the problem with the application of these theories to regional integration schemes in the Southern hemisphere is that the respective member states are, by far, not as economically interdependent of one another as it is the case in the EU (and, to a lesser extent, in NAFTA). The trade patterns of regions in the South and regions in the North differ fundamentally, and the shares of intraregional trade are systematically lower in the former than in the latter

(Fink and Krapohl 2010, Krapohl and Fink 2009). This fact has fundamental consequences for regional cooperation and integration in the Southern hemisphere.

2.1 Economic Asymmetries in an Anarchic Environment

It is a well-known wisdom of International Relations and International Political Economy that the international system – including the international economic system – is anarchic and consists of structurally equal sovereign states. However, obviously, this structural equivalence does not include that all states are equally powerful or have the same economic resources. The anarchy of the international system does not prevent that stated can be ordered hierarchically according to their power and resources. Here, hierarchy does not mean a centralized structure of law and order, but a structure of resources and capabilities to influence the behaviour of others. For neo-realists (Waltz 1979), this hierarchy is usually a structure of military power which, for example, is operationalised by the amount of military spending by the respective countries. However, states cannot only be ordered along their military resources, but also along their economic powers which can, for example, be measured by their gross domestic product (GDP). The larger an economy is, the more interesting is it as a market for exports, the more FDI it exports itself, and the more financial resources the respective state has. The relative economic power of two states can then generally be measured by the asymmetry of their economic size and by the respective economic flows between them. The more powerful a state is with respect to another state, or the more attractive it is as a recipient of exports without needing the other state as a market, the more asymmetric FDI flows between the respective states, and the more resources it has to influence the other state's behaviour by paying financial transfers.

The largest asymmetry in the international economic system exists between developing countries, which are mainly located in the Southern hemisphere, and industrialized countries, which are mainly located in the Northern hemisphere. Despite the fact that yesterday's colonies and today's developing countries have developed very differently in the past decades (Rosling 2009), the general North-

South divide goes back to the time of colonialism from the beginning of the 16th to the middle of the 20th century (Wallerstein 1974, 1980, 1989). Since then, the Northern part of the world has been distinguished by enormous economic growth, whereas the Southern part has generally lagged behind (Sachs 2005). One reason for that is the global division of labour which was established during the time of colonialism, and which, to a large extent, persists up tp today. Accordingly, yesterday's colonists and today's industrialized countries have the factor endowment to produce high technological and capital intensive products, whereas yesterday's colonies and today's developing countries have a more unfavourable factor endowment and concentrate on the production of primary products, like the extraction of natural resources, or the farming of agricultural goods. The result is that there is a high potential for trade between the industrialized economies of the North, and between industrialized economies of the North and developing economies of the South. In the former case, the big industrialized economies trade their capital intensive products with each other, and profit mainly from economies of scale. In the latter case, the developing countries concentrate on the production of goods where they have comparative cost advantages and export primary products to the North. In return, the economies of the North supply industrialized products to the South. However, the potential for trade between developing countries is much lower because the respective economies export similar kinds of products and cannot exploit comparative cost advantages or economies of scale to the same extend. The developing states in the South usually do not constitute attractive markets for each other and, consequently, are highly dependent on market access to the North in order to export their goods.

It is obvious that this black-and-white picture of the North-South divide does not grasp reality in detail, but rather that the South is an especially more complex and differentiated group of countries than the single phrase 'developing economies' suggests. One particular group of countries, which stand out from the group of developing countries, are the so-called emerging or regional powers (Nolte 2010). These states differ from other developing countries in two respects. First, they have rather large economies which make them important economic players, at least within their regions. Second, these economies are usually more developed than those of their smaller neighbours which is at least partly a result of the size of these economies. As a result, there exists not only an asymmetry between regions of the North and the South, but also within regions of the South. Due to their economic size, the regional powers are usually important addressees of their neighbours' exports (Fink and Krapohl 2010) and they invest significantly in their neighbours' markets (e.g. Goldstein 2004). However, at the same time, when regional powers are important economic partners for their neighbours, the reverse is not necessarily true. The trade and investment flow between regional powers and their smaller neighbours is significant for the small economies, but not for the regional powers who are more oriented toward the industrialized regions of the North. Thus, despite trade and investment flow between regional powers and their neighbours, the regions in total are more dependent on interregional than on intraregional economic relations. The asymmetries within the regions of the South are embedded within the asymmetries between regions of the South and of the North.

The result of the two-folded asymmetry within and between regions is a hierarchy in the global economic system which was prominent in dependence and world system theories in of the 1906s and 1970s (Bornschier and Chase-Dunn 1985, Cardoso and Faletto 1979, Hout and Meijerink 1996, van Rossem 1996, Wallerstein 2000). At the top of this hierarchy are the industrialized countries of the Northern regions (called 'center' by dependence and world system theory). Their economies are well developed, they concentrate on capital intensive production and they export high technological goods and FDI to all parts of the world. At the contrary end of the hierarchy are the small developing countries of the Southern regions (called 'periphery' by dependence and world system theory). Their economies are small and less developed, and consequently, they rely heavily on the export of primary products. In between the two extremes are the larger and more developed emerging powers of the Southern regions (called 'semi-periphery' by dependence and world system theory). Their economies are relatively large, but still not as developed as that of the industrialized countries. Thus, whereas the regional powers are important economic partners for their smaller neighbours, they themselves still rely heavily on trade with, and FDI from, the industrialized regions of the North. According to dependence and world system theory, the power asymmetries between developing regions in the South and industrialized regions in the North was seen as the reason for the ongoing stagnation of economic development in the South. The respective scholars accused international trade and investment of producing these asymmetries and to be responsible for non-development in the South (Bornschier and Chase-Dunn 1985, Hout and Meijerink 1996). For this reason, dependence and world system theories suggested import substitution in combination with regional integration as strategies for economic development (Baer 1972). However, such import substitution detaches the respective regions from the efficiency pressure of global competition, the efficiency gains of international trade and the necessary flows of FDI. When import substitution became popular in Africa and South America in the 1960s and 1970s, the results were economically devastating, and import substitution had to be given up due to the debt crises of the 1980s (Burton 1998).

An alternative to import substitution is an export based development strategy (Bhagwati 1988) which was rather successful in Asia and which became the dominant paradigm of the 'new regionalism'. Accordingly, developing countries should not try to hide their economies behind high tariff-walls, but they should open them to the international global economy. Thereby, the respective developing countries should aim to attract FDI in order to import the necessary capital and technological know-how from other parts of the world (Kosack and Tobin 2006). Correspondingly, the developing countries should try to export the goods which they are able to produce, due to increasing FDI, to other parts of the world. The result of the combination of increasing FDI and increasing exports would obviously be an increase in economic activity within the respective country and a step towards economic development. However, the problem of such a development strategy is that its success depends on the interaction with other countries or world regions. First of all, economic actors need to invest within the respective developing countries. Thus, a developing country has to generate the necessary preconditions for such FDI. Second, political actors of other countries have to open their markets for imports from the respective developing countries so that an export based development strategy is possible. Consequently, a developing country should try to negotiate preferential trade agreement with other countries. It is important to note that due to the twofold asymmetries in the global economic system, the most important economic and political partners of a developing country are not on the same level of development, but are more developed and are larger players than the respective country itself. Small developing countries may profit from FDI of, and market access to, their respective regional powers and to the industrialized countries of the North, whereas their small neighbours are neither exporters of FDI, nor attractive as export markets. Although the regional powers may be important for their smaller neighbours, they themselves mainly need FDI from, and market access to, the industrialized world. Finally, the developed economies of the North profit most from liberalized investment and trade with each other.

2.2 Regional Integration in the Shadow of Asymmetries

The 'new regionalism' may support an export-based development strategy in two respects: Firstly, regional integration in the South may obviously help small developing countries to stabilize their economic relations with the respective regional powers. Regional integration may help them to get access to their larger neighbour's market, and in return, their attractiveness for FDI from the regional power increases as well. However, the internal gains from regional integration for the regional powers are limited. Although the regional powers may want to stabilize the regional market for their exports, the economic attractiveness of their small neighbours is relatively low. Secondly, besides this internal logic of regional integration, the 'new regionalism' also has an external logic because it may help developing regions to increase their economic attractiveness and power vis-à-vis their most important economic partners in the industrialized North. This increased attractiveness and power relies on both a stability effect and a size effect, and it may affect both the inflow of FDI and the outflow of exports. In respect to FDI, a well integrated region should ceteris paribus be politically and economically more stable than a not integrated region. This stability makes a region more attractive for FDI because economic activities become better calculable and need not include high risk premiums. Besides this, a large and integrated regional market should also be more attractive for FDI because the potential to exploit economies of scale within the region is improving in comparison to a range of non-integrated national markets (Bende-Nabende 2002, Büthe and Milner 2008, Jaumotte 2004, Schirm 2002). In respect to exports, a well integrated region should ceteris paribus have more bargaining power in bilateral, interregional and multilateral trade negotiations (Aggarwal and Fogarty 2004, Mansfield and Reinhardt 2003, Ramesh and van Langenhove 2006). This is due to the fact that the increased stability and size of the regional market makes it more attractive as an addressee of exports which may, in turn, lead to more concessions from the negotiation partners of the respective region. Thus, the member states of an integrated region may receive better market access to other regions which supports interregional trade between the respective developing regions in the South and the industrialized regions of the North.

Here, regional integration can include several policy projects which all improve the stability of the respective region, or the size of the accessible regional market: Firstly, regional integration in form of a regional security community (Adler 2000) improves the political stability of the region. As a result, investment in the region becomes less risky and the attractiveness of the region as a trade partner increases. Secondly, regional integration may include common efforts to improve the regional infrastructure like roads, railways and harbours. Such a regional infrastructure can significantly reduce non-tariff barriers to trade, and may, therefore, improve access to a larger regional market (Ndulu 2006). Thirdly and most well-known, classic market integration implies the stepwise abolishment of tariffs and non-tariff barriers of trade from a free trade area over a customs union towards a regional single market (Balassa 1961). This is the most prominent example for the improvement of market access, and the increasing intraregional trade should also lead to more political stability inside the region. Finally, monetary integration leads to a stabilization of regional exchange rates, or even to a monetary union. This improves the macro-economic stability of the region because currency crises become less likely and it reduces non-tariff barriers to trade because changing exchange rates can no longer affect intraregional trade flows (Fritz and Mühlich 2006).

A major effect of the twofold asymmetry in the global economic system is that regional integration in the South aims to produce a different good than regional integration in the North. Regional integration among developed countries provides a classic club good, i.e. market liberalization among the participating countries

(Buchanan 1965, Cornes and Sandler 1996). Here, free riders can be excluded from consumption and the consumption of the good is not exclusive. Thus, the member states find themselves in a prisoners' dilemma in which they all want to profit from the club good (i.e. by exporting to their neighbours) without paying the price (i.e. allowing imports and increasing competition for their domestic industry). Although such a prisoners' dilemma is a problematic situation, it is nevertheless solvable by iteration and the establishment of appropriate regional institutions (Krapohl 2008). In contrast, the attraction of FDI to, and the increase of exports from, less developed regions in the South are private goods (Buchanan 1968) about which the developing countries of a respective region compete. For example, the consumption of the goods 'FDI inflows' and 'export outflows' by one member state lead to decreasing utility for all other member states. A specific investment can only be made once and it benefits only the receiving country. Also, the advantage of preferential market access to regions of the North is reduced if it is shared by all potential competitors in the region. At the same time, the member states of a regional integration project in the South cannot easily punish free-riders because they cannot control the flows of FDI and exports. In contrast, the flows of FDI and exports are dependent on the behaviour of economic and political actors in other world regions, most notably in the industrialized countries of the North, and they may increase despite the fact that the recipient of this flow does not cooperate with its neighbours.

One consequence of the private good character of regional integration in the South is that it resembles a prisoner's dilemma (Scharpf 1997) only in favourable circumstances. As long as regional integration in the South is honoured by extraregional actors, i.e. as long as it leads to increasing FDI inflows and export outflows in all member states of the respective regional integration project, the respective member states find themselves within a prisoner's dilemma. Thus, they all profit from higher FDI and export flows, but they all still prefer to pay the lowest possible price in the form of higher competition from their domestic industry. Despite the fact that the goals of regional integration are still private goods, member states can collectively improve the supply of this good as long as they cooperate. As long as FDI and export flows react negatively to defection and intraregional trade barriers, the member states can play tit-for-tat (Axelrod 1984) with each other because defection of one member state can be punished by defection from all other member states which leads to decreasing FDI and export flows in the protected market. The member states can, instead, learn to cooperate in an iterated game situation. Under such favourable circumstances, regional integration can be reinforced by regional institutions which monitor implementation or provide dispute settlement in cases of conflict. With some adaptations, the theories of European integration and institution building should generally be applicable.

In contrast, if the circumstances of regional integration in the South are not that favourable, the member states may find themselves in a Rambo situation which is much more difficult (or even impossible) to solve than a prisoners' dilemma (Zürn 1992). Such unfavourable circumstances are present if regional integration conflicts significantly with the competitive advantage of a specific member state vis-à-vis its neighbours. For example, it can be possible that one member state has the possibility to sign a bilateral trade agreement with an important extraregional trade partner in the industrialized North. This agreement gives the respective state a competitive advantage vis-à-vis its neighbours who do not enjoy the same privileges. The competitive advantage is likely to pay off in higher inflows of FDI and in higher outflows of exports for the state which enjoys privileged access to an attractive export market. Further integration may reduce this competitive advantage because integration trends to dissolve differences between the member states, including the differences in their trade regime towards extraregional partners. Now, the crucial question is whether the state's share, from the efficiency gains of regional integration, outweighs its distributive losses vis-à-vis its neighbours. If the former is the case for all member states, the circumstances for regional integration are favourable. However, if for one or more member states the distributive losses of regional integration are higher than its share of the efficiency gains, the circumstances become unfavourable because the respective member state becomes a Rambo and its dominant strategy is defection. It can no longer afford to cooperate with its neighbours because these would become stronger competitors, and this competition weighs more heavily for the Rambo than its share of the benefits from regional integration. It is important to note that such a Rambo situation is much more problematic for regional integration than a prisoners' dilemma. In the latter case, a repetition of games and adequate regional institutions may be sufficient to generate mutual cooperation. However, in the former case, a repetition of Rambo situations does not help, and regional institutions are ineffective. The only way to ensure cooperation of a Rambo is to combine several cooperation problems into huge package deals, or to grant side-payments, but these options are either extremely difficult or expensive to realize.

The likelihood of being a Rambo is higher for regional powers than for the smaller developing countries within a region of the South. The regional powers have larger and more developed economies which makes them more attractive as economic partners for industrialized countries in the North than their smaller, less developed neighbours. One, they are likely to receive more FDI from the industrialized regions of the North because their larger markets provide better opportunities to exploit economies of scale than the smaller markets of their neighbours. Two, because the regional powers are larger and more powerful than their neighbours, they also have an advantage in bilateral trade negotiations with industrialized countries or regions in the North. Thus, the regional powers are likely to be not only privileged by their size and by the relatively advanced development of their economies, but also by their special relationships to the most important economic partners of the North. If regional integration endangers this competitive advantage of the regional powers, they are likely to become Rambos in their respective regions. Due to the special importance of regional powers within their region, this is an extremely unfavourable situation for regional integration.

2.3 Consequences for Regional Institution-Building and Implementation

The special character of regional integration in the shadow of economic asymmetries leads to the fact that regional integration in the South is much more dependent on the reaction of extraregional actors than regional integration in the North. In the latter case, intraregional dynamics are sufficient to explain the integration process, and the relations of a region to its outside world can be neglected, a fact which is reflected in all traditional theories of European integration.

In contrast, regional integration in the South cannot be understood without looking at the interaction of a respective region with the outside world. The study of interregionalism needs to be part of an analysis of regional integration in the South (Hänggi 2003, Ramesh and van Langenhove 2006, Roloff 2006). As long as extraregional actors, most notably economic and political actors of the industrialized North, honour the integration of a particular region in the South by increasing FDI flows and preferential market access for the respective member states, regional integration may proceed relatively well. The member states of the respective region in the South find themselves in an iterated prisoners' dilemma which gives them the possibility to play tit-for-tat and to stabilize their mutual cooperation with regional institutions. However, as soon as the external feedback to regional integration does not favour all member states of the respective region, the circumstances change from favourable to unfavourable. Generally, regional integration trends to smooth the differences between the participating economies, and this may reduce or even abolish the competitive advantage of a particular member state – especially the advantage of a regional power – vis-à-vis its neighbours. If such distributive losses exceed the benefits of regional integration for the respective member state, it becomes a Rambo and has the dominant strategy to defect.

Rambo situations may occur before or after the adoption of a relevant regional agreement. In the former case, the whole agreement is endangered because the Rambo will try to impede its adoption. If the Rambo cannot do this, e.g. because it is a small and less important member state, it may try to water down the agreement or to sell its signature to the highest possible price. Thus, one should observe either a halt in regional institution-building or some side payments to states which lose their competitive advantage vis-à-vis their neighbours. In the latter case, when a Rambo situation occurs after the adoption of a relevant regional agreement, the Rambo cannot block institution-building anymore, but it can still defect through the non-implementation of regional norms. Regional norms would still exist, but they would not have a real effect in member states which may lose a competitive advantage through the implementation of these norms. Thus, one should observe a gap between formal regional norms and the factual effects of these norms.

In regional integration projects of the North, the problem of non-implementation of regional norms would be solved with the help of regional institutions, most notably dispute settlement mechanisms or regional courts, but such judicialisation is unlikely to have the same positive effect in regional integration projects of the South. In the international system, two mechanisms for the enforcement of international judgements can be distinguished. Firstly, reputational effects may enforce international judgements if non-compliance reduces the credibility of the adjudged member states in future cooperation problems (Chayes & Chayes 1993, Keohane 1984, Zangl 2008). Once a member state has the reputation as a cheater, it becomes less attractive for other states to cooperate with it in the future. This may lead to significant losses for the cheater if future cooperation is important to it. Thus, non-compliance is not punished by direct sanctions today, but by negative effects of a bad reputation tomorrow. Here, interdependence increases the chances that the adjudged state will be dependent on cooperation with other states in the future. Without interdependence, the reputation mechanism is unlikely to work because reputation is not necessary for the adjudged state. Secondly, regional judgements can also be enforced in a decentralised way by sanctions of the member states themselves. Here, the respective dispute settlement mechanism, or regional court, authorises the other member states to apply sanctions against the adjudged member state if the latter does not obey the judgement (Underdal 1998, Zangl 2006). Usually, these sanctions are trade restrictions, like punitive tariffs or trade embargos. Here, interdependence is, again, a necessary precondition for the functioning of sanctions. Without interdependence, there are no areas in which the other member states could punish the adjudged state. E.g. trade sanctions do not harm if the addressed state does not trade with its neighbours. Thus, sanctions are only effective if the member states of an international organisation or a regional integration organisation are mutually dependent on each other so that their actions may hurt their partners and neighbours.

Whereas iterated prisoners' dilemmas are based on interdependence between the players, this is not the case for Rambo situations. In iterated prisoners' dilemmas, as they are played between the industrialised member states of regional integration organisations in the North, the pay-off for one actor directly depends on the behaviour of the other one. The players need a good reputation in order to achieve mutually beneficial cooperation and they can punish themselves mutually by defection. However, this is not the case in Rambo situations, as they may be played in reaction to increasing competition between developing member states of a regional integration organisation in the South. Here, one player is dependent on the action of the other one, but not vice versa. The Rambo is not dependent on a good reputation because its pay-off is only determined by its own action, and it cannot be punished by the other player because it is not dependent on the latter's action. The result is that dispute settlement is unlikely to work effectively in such situations. In the absence of centralised enforcement powers, there is simply no need for the Rambo to cooperate and to obey to the judgments of dispute settlement bodies. Again, it becomes obvious that regional powers are more likely to become such Rambos than smaller developing countries. The regional powers are generally less dependent on a good reputation within their region and they cannot really be hurt by sanctions from their smaller neighbours. Thus, they may defect from regional commitments without being affected by regional dispute settlement.

The gap between formal regional institutions and factual implementation is likely to increase over the course of time because it includes a self-reinforcing mechanism. A chronic implementation deficit will influence the reputation of the whole region negatively. Consequently, extraregional actors will hesitate to invest in this region, and the region's bargaining power in trade negotiations will decrease which, in turn, leads to worse access to other regions' markets and to declining outflows of exports. However, if the inflows of FDI and the outflows of export decrease, competition inside the region grows, and it becomes more likely that one or more of the member states will not profit anymore from regional integration. Thus, they become Rambos, whose dominant strategy is to defect and not to implement regional norms. The gap between formal rules and factual implementation grows, and the reputation of the whole region declines – the vicious circle is about to start again. One reaction of the member states may be to reform and strengthen the regional institutions in order to increase the commitment to regional institutions. E.g. they could reform a relatively weak dispute settlement mechanism into a strong regional court. However, instead of closing the gap between formal institutions and factual implementation, such institutional reforms are likely to widen it. As long as one or more member states of a regional integration project are Rambos, they need not care about reputation costs or sanctions by their neighbours. Thus, the Rambos' behaviour cannot be influenced by regional institutions, even if these institutions are significantly strengthened. The hope in institutional reforms is misleading because regional institutions may indicate a credible commitment (Krapohl 2008, Moravcsik 1998), but they cannot generate it. As long as the underlying preference constellation of a Rambo game does not change, the implementation record will not improve.

To sum up, the economic asymmetries in and between regions have various consequences for regional integration in the South which leads to the fact that the character of such integration projects differs fundamentally from regional integration in the North. The success and stability of regional integration in the South is much more dependent on the reaction of extraregional actors, Rambo situations occur more easily due to intraregional competition, implementation problems are consequently more severe and regional institutions are less likely to solve these problems. As the following illustrations demonstrate, this theoretical model is able to explain recent developments within ASEAN, MERCOSUR and SADC.

3. Empirical Illustrations[1]

All three regions, which are analyzed in the following sections, are distinguished by huge economic asymmetries within and between regions (Fink and Krapohl 2010, Krapohl and Fink 2009). The member states of the three regional integration projects, ASEAN, MERCOSUR and SADC, trade more with industrialized regions, most notably in the North, than with their own neighbours. As a result, intraregional trade within the respective regions is generally low. During the decade from 1999 to 2008, the share of intraregional trade in percentages of total international trade ranged only between 21% and 25% in ASEAN, between 11% and 21% in MERCOSUR and between 7% and 17% in SADC. In comparison, intraregional trade in the EU and NAFTA ranged between 61% and 67%, respectively between 41% and 46% at the

[1] The following analysis of trade flows is based on Fink and Krapohl (2010).

same time.[2] Although trade is only one possible indicator for economic interdependence, these numbers suggest that regional integration in the three Southern regions is not based on the same level of intraregional economic interdependence than regional integration in the two Northern regions.

A more differentiated picture of the asymmetries in and between regions becomes visible if one has a look at the regional trade networks of ASEAN, MERCOSUR and SADC (see Annex). Here, the high reliance of the regions' member states on interregional trade becomes obvious again. For all three regions, ASEAN, MERCOSUR and SADC, the interregional trade flows are more important than the intraregional ones. Besides that, intraregional asymmetries also become visible because intraregional trade concentrates mainly on the trade between small developing countries on the one hand and the regional powers on the other hand. For Southern Africa and South America, the regional powers are obviously South Africa and Brazil, respectively, and the most important trade partners are the EU and the USA. For Southeast Asia, the situation is somewhat different in two respects. First, the ASEAN does not really include a regional power. Although Singapore is an extremely important trader within the region, it is nevertheless a small city state which is unlikely to become a hegemon in the region. Second, the most important trade partners for the ASEAN are not the 'classic' industrialized regions, Europe and North America, but China, Japan and Korea in East Asia. Nevertheless, the ASEAN shares the most important characteristics of regional integration projects in the South, which are the low share of intraregional trade and the importance of extraregional trade partners. In sum, the trade networks show very similar asymmetries in and between regions. As a whole, the regions of the South are dependent on trade with extraregional trade partners in the North (or East), and within the respective regions, the smaller and less developed member states are dependent on trade with the more developed and important traders, South Africa, Brazil and Singapore.

[2] The numbers were created through the Regional Integration Knowledge System (RIKS; http://www.cris.unu.edu/riks/web/) and are based on UN COMTRADE data (http://comtrade.un.org/).

3.1 ASEAN[3]

Like in other regional integration projects of the South, the potential for economic gains by regional integration are low within ASEAN itself. This became clearly visible during the Asian crisis of the late 1990s. Although the ASEAN member states had already signed a regional swap agreement in 1977, the amount of foreign currency reserves (US$ 100 million) was by far too small to be of any help during the Asian crisis. For instance, Indonesia alone needed a loan of US$ 43 billion between 1997 and 1998 – 430 times the whole ASEAN liquidity fund –, and other ASEAN member states needed similar amounts of money (Obermeier 2009). Thus, regional cooperation among the relatively less developed ASEAN member states (with the exception of Singapore, which is often regarded as an industrialized country) was not sufficient to help during the crisis because the affected states were not able to mobilize the necessary resources. The limits on economic cooperation are not only visible in the area of monetary policy, but also in that of trade policy. Despite the fact that the ASEAN member states agreed on an ASEAN free trade area in 1992 and implemented it up to 2002, the share of intraregional trade increased only modestly from 18% to 23% during this time period.[4] Thus, it was not intraregional trade, but increasing exports to extraregional partners which led to a quick recovery of the region after the Asian crisis.

In contrast, the ASEAN member states profit very much from cooperation with their most important extraregional economic partners which are China, Japan and Korea (Fink and Krapohl 2010). Together, the ASEAN and these countries are often called ASEAN+3 (Nabers 2005), but in contrast to ASEAN itself, the ASEAN+3 is not a regional organization based on a multilateral treaty, but is based on a set of treaties between the ASEAN+3 countries. This deepened cooperation started in the year 2000, shortly after the Asian crisis when the ASEAN+3 countries started the so-called Chiang Mai Initiative of several bilateral swap agreements between East and

[3] The following section is based on Obermeier (2009).
[4] The numbers were created through the Regional Integration Knowledge System (RIKS; http://www.cris.unu.edu/riks/web/) and are based on UN COMTRADE data (http://comtrade.un.org/).

Southeast Asian states (Rüland 2000). Later, in 2009, this initiative became multilateralized by a single contract between all ASEAN+3 countries. Accordingly, the currency reserve of the respective fund is now US$ 120 billion (1,200 times the amount of the old ASEAN swap agreement) from which the +3-countries provide 80%. Thus, the ASEAN+3 fund is a significant instrument in cases of monetary crises – an instrument which the ASEAN member states could not finance on their own. Parallel to monetary cooperation, the ASEAN also managed to negotiate three bilateral trade agreements with China, Japan and Korea. The ASEAN-China free trade area was agreed upon in 2002 and implemented in 2010. The ASEAN-Japan free trade area was agreed upon in 2007 and implemented in 2008. The ASEAN-Korea free trade area was agreed upon and implemented in 2006.[5] Whereas intraregional trade in the ASEAN is still rather low, trade between the ASEAN+3 countries is remarkable and encompasses approximately 50% of their total international trade (Obermeier 2009). Consequently, the ASEAN member states managed to get access to some of their most important export markets with these bilateral trade agreements – a result which would have been unlikely if they had not spoken with one voice (the ASEAN voice) during the negotiations.

The stability and success of ASEAN within the last decade is not so much a result of its internal dynamic, but of successful cooperation with its most important extraregional partners. ASEAN has managed not only to be the most important regional organisation in Southeast Asia, but also to establish itself as a focal point for integration in East Asia as a whole. Without regional integration in the ASEAN, regional cooperation in the ASEAN+3 would probably not exist, and it would be highly unlikely that the ASEAN member states could achieve the same favourable results in negotiations with China, Japan and Korea. Thus, for the ASEAN member states, regional integration is not an end in itself, but a means to achieve cooperation with their most important economic partners in the North. Whereas the ASEAN free trade area does not generate huge economic gains, it is the necessary basis for the ASEAN-China, ASEAN-Japan and ASEAN-Korea free trade agreements. Also, whereas monetary cooperation could not be shouldered by the developing countries

[5] Information about bilateral, regional and interregional trade and investment agreement can be found at http://www.bilaterals.org.

of Southeast Asia alone, ASEAN was nevertheless a powerful instrument to negotiate with China, Japan and Korea about an ASEAN+3 swap agreement.

3.2 MERCOSUR[6]

At the turn of the new millennium, MERCOSUR was regarded to be the most successful regional integration scheme in the Southern hemisphere (Vaillant 2005). This was, first of all, due to the relatively strong regional institutions of MERCOSUR and the quick success in establishing a customs union. At least formally, MERCOSUR's institutional framework is similar to that of the EU, although the different institutions are all strictly intergovernmental in character and have no supranational competencies. A customs union was already implemented three years after the establishment of MERCOSUR in 1991, although it remains incomplete today. Following the initial successes of regional institution building, MERCOSUR had its 'Golden Age' of economic integration and development in the decade directly following its foundation. During the 1990s, MERCOSUR managed to increase dramatically the inflow of FDI from, and the outflow of exports to, other world regions, most notably the EU and the USA (Preuße 2004). It was also able to generate significant intraregional interdependence with intraregional trade rising from 13% in 1991 to 23% in 1998.[7]

MERCOSUR's 'Golden Age' came to an end with the Brazilian and Argentinean crisis at the turn of the new millennium (Krapohl and Dinkel 2010). This crisis came along because of an overvaluation of the Argentinean Peso and the Brazilian Peso during the 1990s. In 1999, Brazil was finally forced to devaluate the Peso which led to a decrease in prices on Brazilian exports in the regional and global markets. Whereas this devaluation proved good for Brazil and led to a quick recovery, it was a disaster for Argentina and the beginning of the Argentinean crisis. The devaluation of the Brazilian Peso led to a relative increase in Argentinean export prices which led to a decline in Argentinean exports and in intraregional trade within MERCOSUR. This

[6] The following section is based on Krapohl and Dinkel (2010).
[7] The numbers were created through the Regional Integration Knowledge System (RIKS; http://www.cris.unu.edu/riks/web/) and are based on UN COMTRADE data (http://comtrade.un.org/).

development pushed the highly indebted Argentina into recession, and finally, it had to declare its insolvency in 2001. The Argentinean economy recovered after the floating of the Argentinean Peso in 2002, but the confidence in the Argentinean economy was nevertheless fundamentally damaged. Especially the Argentinean strategy not to pay back its debt after the crisis had an extremely negative effect on its reputation as an economic partner. As a result, the inflows of FDI were sharply declining from US$ 24 billion in 1999 to only US$ 1.7 billion in 2003.[8] Although these numbers have recovered somewhat in the meantime, the FDI inflows to Argentina have, so far, not reached before crisis levels. At the same time, when FDI inflows into Argentina collapsed, its small neighbour, Uruguay, managed to establish itself as a secure addressee of investment. FDI inflows to Uruguay increased from US$ 164 million in 1998 to US$ 2.2 billion in 2008 – an increase by a factor of 13.4.[9] This success of Uruguay is at least partly based on the fact that its economic and political system proved to be more stable than the Argentinean one, and that it became possible to address the relatively large MERCOSUR market through investment in the small country of Uruguay. Due to this development, Uruguay became a competitor for Argentina, and some FDIs may have been redirected from Argentina to Uruguay. Before the Argentinean crisis, MERCOSUR was mainly an integration project between Argentina and Brazil, whereas the small member states of Paraguay and Uruguay were politically and economically marginalized. However, due to the crisis, Argentina lost part of its privileged position and became a Rambo, who generally lost interest in economic integration in MERCOSUR – at least as far as it would strengthen the position of its competitor Uruguay.

The Rambo behaviour of Argentina became clearly visible in a curious dispute about a pulp mill on the Uruguayan side of the river, Uruguay, the natural boarder between Argentina and Uruguay. In 2005, a Finish company started to construct a huge pulp mill near the Uruguayan city, Fray Bentos, and just across the river from the Argentinean holiday resort, Gualeguaychú. The FDI in this pulp mill has, so far, been the largest FDI ever in Uruguayan history and can be seen as a huge success in Uruguay's strategy to establish itself as a safe location for FDI (Alvrado 2007).

[8] The numbers are based on data from the United Nations Conference on Trade and Development (http://stats.unctad.org).
[9] The numbers are based on data from the United Nations Conference on Trade and Development (http://stats.unctad.org).

Despite the fact that the mill fulfils all international standards and is more modern than several pulp mills in Argentina, it raised environmentalist concerns at the Argentinean side, and, in 2005/06, Argentinean protesters started to block the bridge between Fray Bentos and Gualeguaychú. This blockade was a clear breach of MERCOSUR law, but it was nevertheless backed by the Argentinean government (Palermo 2007). The dispute is important for regional integration in MERCOSUR in two respects. First of all, the regional dispute settlement mechanism has not been able to solve this conflict. Although it decided that the blockade by Argentinean environmentalist was a clear breach of MERCOSUR law, Argentina still did not end the blockade (Aboud and Museri 2007). Second, the dispute between the countries was a huge burden for the whole MERCOSUR, and regional integration more or less came to a halt. Thus, a conflict about a single pulp mill had enormous negative consequences for the whole regional integration project. Argentina's seemingly disproportionate behaviour can only be explained if one keeps in mind that Uruguay has become a severe competitor in regard to FDI inflows. Consequently, Argentina had no interest in cooperating with Uruguay, and it may secretly have tried to undermine the Uruguayan competitiveness. Uruguay could not really defend itself in this position because it had no sanctions available which could have harmed Argentina. Uruguay can also be seen as a kind of Rambo because the enormous importance of the respective FDI prevented Uruguay from making any concessions to Argentina in this conflict.

3.3 SADC[10]

Of all the regions analyzed here, SADC is the least developed one with the least potential to produce economic gains on its own via regional integration. The SADC member states are generally the least developed ones of all three regions. The only exceptions from this picture are the regional economic giant South Africa and the small island state of Mauritius. Because the latter is too small to be a significant addressee of exports, intraregional trade tends to cluster exclusively around the former (Fink and Krapohl 2010, Krapohl and Muntschick 2009). Although the potential for intraregional trade is estimated to be higher than current numbers

[10] The following section is based on Krapohl and Muntschick (2010).

suggest (Draper et al. 2006), it still lags behind intraregional trade in ASEAN or MERCOSUR. Thus, the region in general, and South Africa in particular, sends most of their exports to the EU and not to their neighbours in Southern Africa. Thus, the SADC member states are highly dependent on market access to the EU and have to adjust their trade policies according to this goal. Nevertheless, SADC has a rather ambitious agenda for market integration (Oosthuizen 2006). It established a free trade area in 2008, with aims to achieve a customs union in 2010. It also plans to develop a single market by 2015, an economic union by 2016 and to introduce a common currency in 2018. However, progress in market integration is repeatedly impeded by SADC's problematic extraregional trade relations.

One problem for further market integration is the bilateral Trade and Development Cooperation Agreement (TDCA) between South Africa and the EU (Frennhoff Larsén 2007). After the end of Apartheid in South Africa, the country tried to become a member of the Lomé Convention which granted the so called ACP-countries (a group of previous European colonies in Africa, the Caribbean and the Pacific) preferential access to the EU market. However, due to the fact that South Africa was more developed than the average ACP-country, the EU denied access to the group and proposed the negotiation of a preferential trade agreement instead. The TDCA came in force in 2000 and included reciprocal trade liberalization between the EU and South Africa. The agreement became a problem for regional in Southern Africa in two respects. Firstly, South Africa is part of the Southern African Customs Union (SACU) which is a smaller part of SADC and includes Botswana, Lesotho, Namibia and Swaziland. Although these countries were not consulted during the negotiation of the TDCA, they, de facto, had to accept the conditions negotiated by South Africa. As part of a customs union, they were not able to uphold a different external trade regime than South Africa. Secondly, when the TDCA came into force, the SADC member states had already negotiated the Regional Indicative Strategic Development Plan which included a plan to form a customs union in 2010. However, the TDCA is a major obstacle against such a customs union because it already determines South Africa's external trade regime vis-à-vis the region's most important extraregional trade partner. Thus, South Africa behaved like a Rambo within SADC. It clearly prioritized its extraregional trade relations to the EU over regional integration with its neighbours. Given the importance of the EU as a trade partner, this strategy is rational, but it is an obstacle for further regional integration.

The current negotiations about Economic Partnership Agreements between the SADC member states, on the one hand, and the EU, on the other hand, are an even more fundamental problem for further integration than the TDCA. The EPAs became necessary because the World Trade Organisation (WTO) regarded the Lomé convention as incompatible with the most favoured nation principle (Shilimela 2008). Thus, the successor of Lomé, the Cotonou agreement, proposed the negotiation of WTO-conform EPAs between groups of ACP countries and the EU. The EU explicitly aimed to support regional integration with these EPAs because it did not start negotiations with single countries, but with groups of countries which would then be integrated further. However, SADC was not able to constitute itself as one single EPA-group, but instead, the SADC member states take part in four different negotiation groups. Due to the fact that the EPAs leave only limited rules for the protection of certain sectors, the SADC countries joined different negotiation groups in order to achieve the best possible result vis-à-vis the EU (Jakobeit et al. 2005, Stevens and Kennan 2006). This development was reinforced by the overlapping of several integration organizations in Southern Africa and by the fact that South Africa and the least developed countries already had privileged market access to the EU under the TDCA and the Everything-but-Arms-Initiative of the EU (which granted non-reciprocal access to the EU market for the eight least developed of the 15 SADC member states). The EPA negotiations have not yet succeeded, and only interim agreements have been reached so far. If the EPA negotiation finally led to different external trade regimes vis-à-vis the EU, they would fundamentally hinder further regional integration because a SADC customs union would have to be based on a single external tariff regime. Consequently, in 2008, the member states of SADC, COMESA (Common Market for Eastern and Southern Africa) and EAC (East African Community) decided to put the plans of respective custom unions on ice and establish a free trade area including all the three regional organizations instead. The falling apart of the SADC member states in different negotiation groups can be interpreted as a range of Rambo situations in which most, if not all, member states defected from regional integration. Instead of integrating themselves to a common negotiation group and later to a customs union, the SADC member states opted for a much looser free trade area with other African states and for a set of different EPAs with the EU. Instead of supporting regional integration in Southern Africa, the EU has, in fact, established a huge obstacle against further integration in SADC.

4. Conclusion

The empirical examples basically support the hypotheses which were derived from the theoretical model. Firstly, the interaction between the regional integration project and extraregional actors had a huge influence on the success of regional integration in all three regions. In the last decade, ASEAN has been the only one of the three regions which has been able to establish stable and favourable economic relations with its most important partners, China, Japan and Korea. ASEAN was also the most stable and successful of the three analyzed regional integration projects. In contrast, MERCOSUR and SADC did not manage to establish such stable interregional relations. In the case of MERCOSUR, it was the decline in FDI inflows to Argentina which led to a Rambo behaviour of this country. In the case of SADC, it was different trade negotiations with the EU which led to Rambo behaviour of basically all member states in respect to regional integration. Secondly, as the cases of MERCOSUR and SADC demonstrated, Rambo situations can occur before or after a relevant step in regional integration. In SADC, the different trade negotiations with the EU occurred before the establishment of a customs union, and thus, the process of integration stopped. But in the case of MERCOSUR, the Argentinean crisis came after successful regional integration. Argentina could not turn back the wheel of regional integration, and thus, its only possibility for defection was the non-implementation of MERCOSUR law. As the empirical example also demonstrates, regional dispute settlement was not sufficient to enforce implementation. As a Rambo within the region – or at least in respect to Uruguay – Argentina was not dependent on a good reputation and did not fear sanctions from the smaller member state. Thus, regional institutions reached nothing, and it is unlikely that a stronger dispute settlement mechanism or a regional court could have prevented a defection of Argentina.

What has not been possible to analyze in this paper is whether the hypothesis holds true that the gap between formal institutions and factual implementation is a self-reinforcing process. In order to prove that, it would be necessary to analyze a sequence of cooperation problems within a regional integration project and between the project and its extraregional partners. The crucial question would then be; in how far do negative episodes increase the chances for further integration problems, or whether single integration phases and cooperation problems are not correlated with each other. If the former would be the case, one would expect an increasing gap between formal institutions and factual implementation, and a stepwise decline of regional integration. If the latter would be the case, one would just expect a random distribution of successes and failures from the respective integration project. Here, an interesting question to be asked is whether a positive self-reinforcement of regional integration can also occur. This would be the case if positive reactions from extraregional actors (increasing FDI inflows and preferential market access) were answered by even more regional integration within the respective region, and if that led, again, to even more positive feedback from the outside. In fact, this would be something like a neofunctionalist spill-over dynamic – with the huge difference that positive feedback on regional integration is not generated within, but outside the region.

The proposed theoretical concept closes a gap between existing integration theories because it is able to explain the specific circumstances of success or failure in regional integration in the South. Whereas International Political Economy often assumes that regional integration in the South is, per se, doomed to fail, European integration theories have problems explaining why regional integration elsewhere does not follow the successful European example. However, the suggested concept is able to grasp the ambivalent character of regional integration in the South. On the one hand, regional integration is a popular instrument in the developing world, despite the fact that the respective regions are not really able to generate significant economic gains by integration. However, they may still generate gains via regional integration in respect to their interaction with extraregional actors within the global economic system. On the other hand, regional integration in the South often fails to produce these gains because the respective member states compete with each other in that global economic system without being economically interdependent. They all want to increase their inflows of FDI and their outflows of exports. Regional integration will only be stable as long as the distribution of these private goods within the region do not lead to losses, when compared to non-integration, for one or more of the respective member states.

5. Annex

The following figures show networks of the three most important export flows of the respective region's member states and of their three most important extraregional trade partners. The grey arrows indicate trade between different world regions, whereas black arrows stand for intraregional trade flows. The width of the arrows indicates the amount of trade. The member states of a regional integration project are depicted in dark blue, and the extraregional trade partners in light blue. The relative importance of the different states as traders within the regional network can be elucidated from the shape of the respective network nodes. The width of the nodes reflects the amount of exports, whereas the height of the nodes reflects the amount of imports. The network figures are based on UN COMTRADE data (http://comtrade.un.org/) and were produced with Visone (www.visone.info).

Figure 1: ASEAN Trade Pattern in 2008

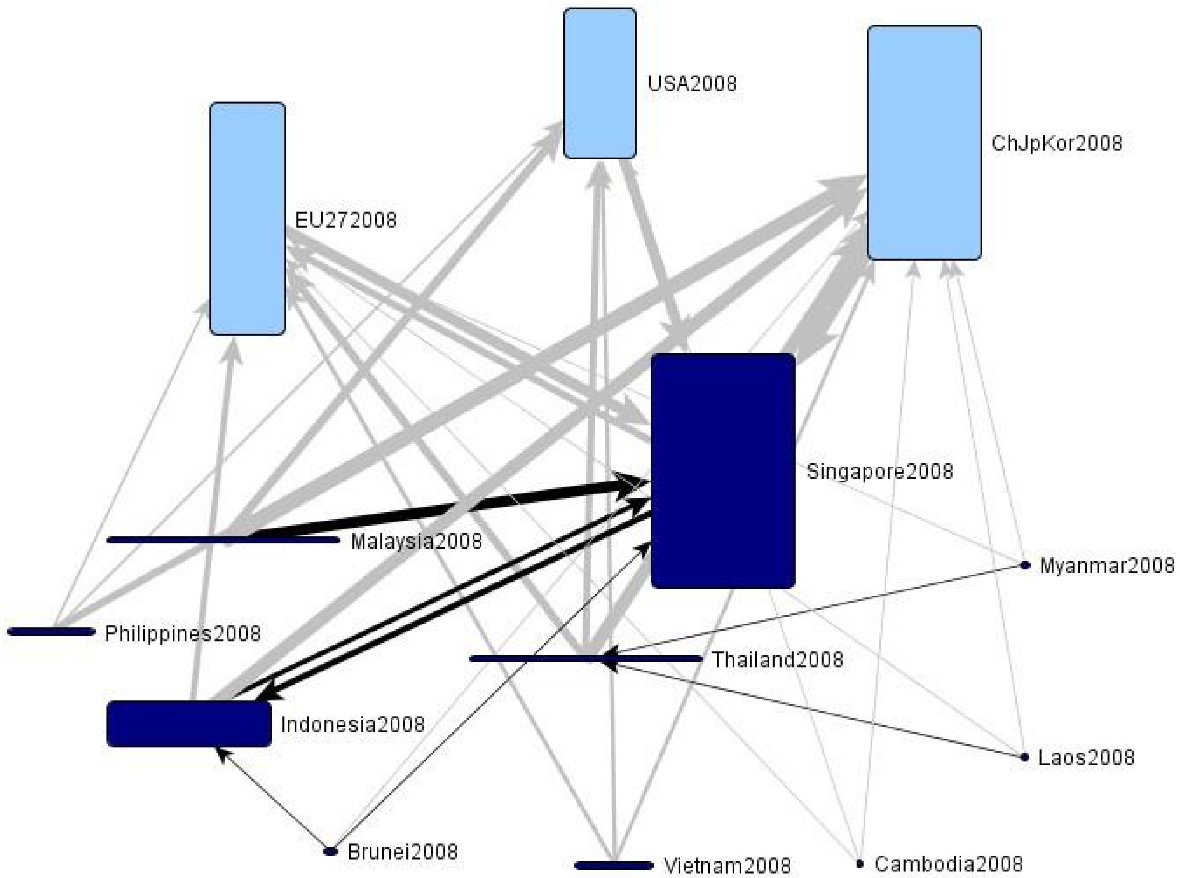


Figure 2: MERCOSUR Trade Pattern in 2008

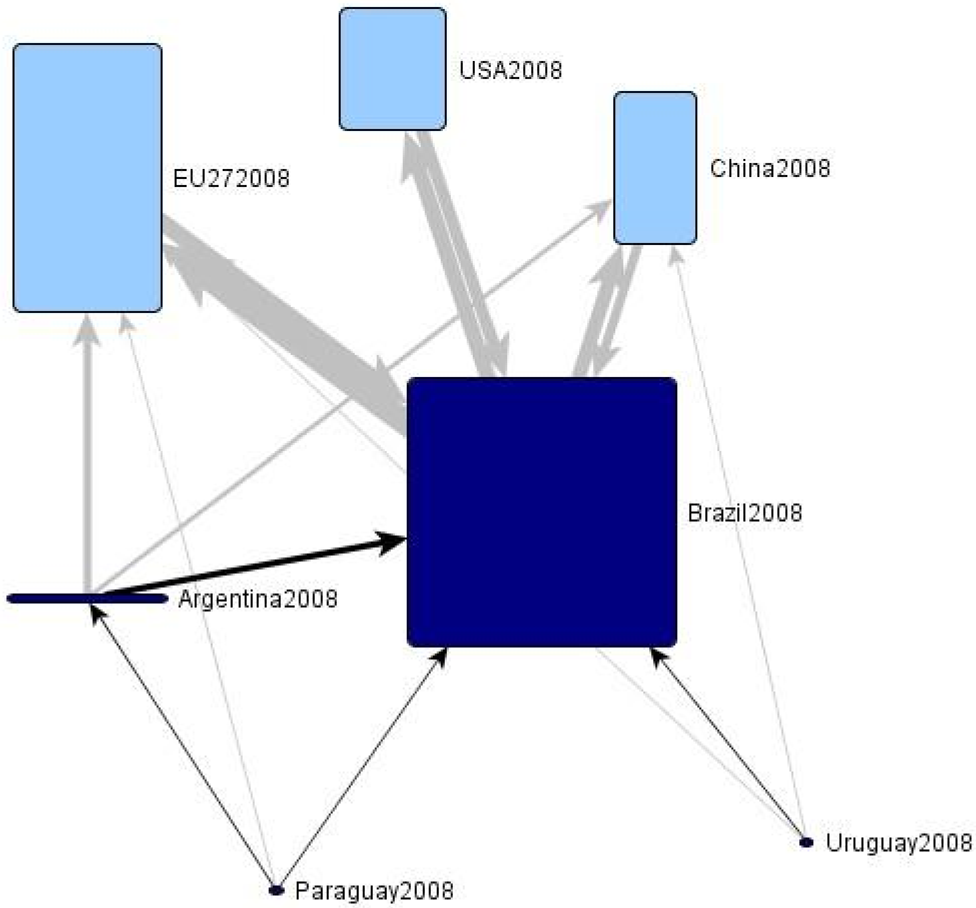
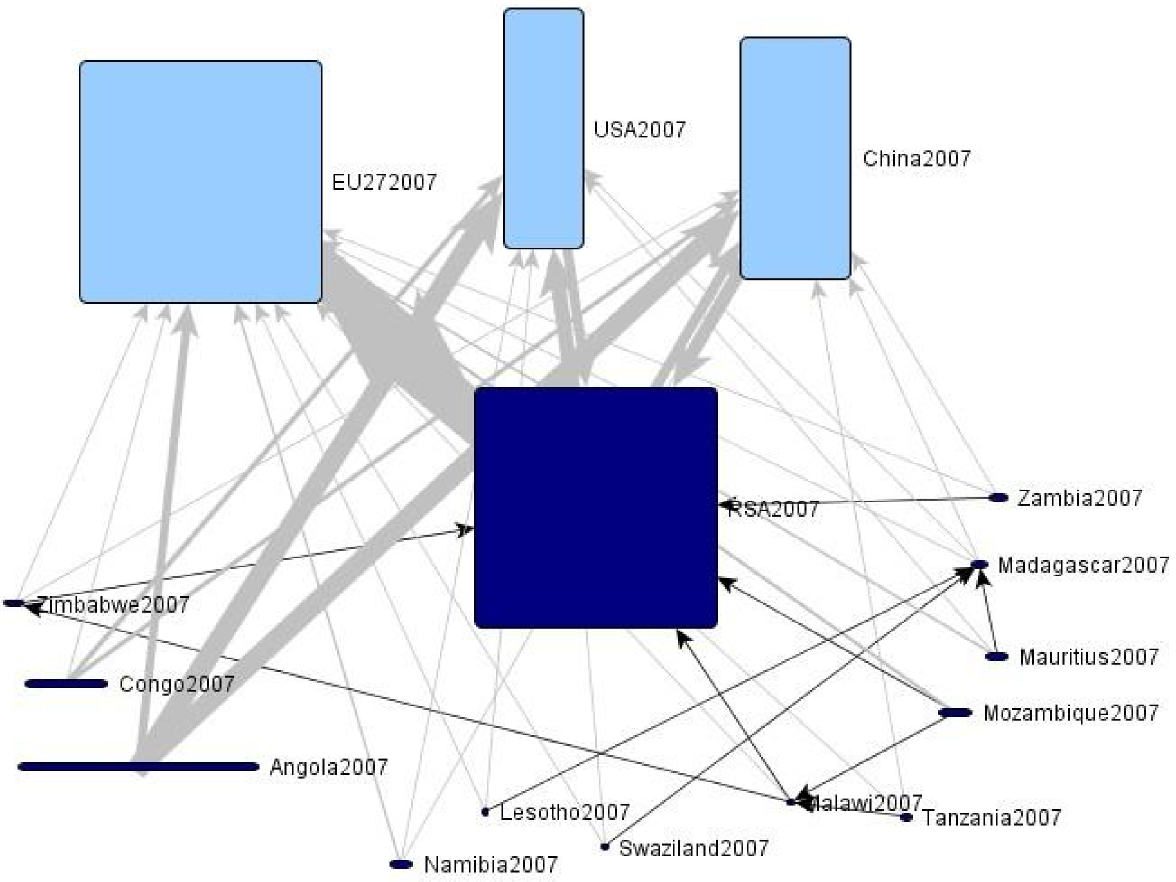


Figure 3: SADC Trade Pattern in 2007



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