

Choices, Challenges and the Power of Integration: Regionalism and Confederation in the East African Community – A Hypothesis Generating Study

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COMPULSORY DECLARATION

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Abstract

The focus of this hypothesis generating study is to open new areas of research within the study of regions and regionalization in the East African Community and beyond. By using a null hypothesis that encapsulates the reigning attitudes within models of economic integration, this paper exposes many of the issues that are left unaddressed in models of regionalization driven by economics. In order to accurately assess the relevant issues, the paper is divided into three statements that underpin the null hypothesis; each statement focuses on an aspect of economic integration and explores the effect that it has on member states in the regionalization process. Through this evaluation the three statements and their respective effects are linked to each other and to the null hypothesis to form a web that supports the alternative hypothesis. As a result, it offers paths for future research to improve on regional theory.

The aim of this paper is to uncover the failings of an “economics-first” approach. As a result it includes many of the prevalent debates within regional theory, including the issues of Eurocentrism and the false dichotomy between politics and economics within integration. In addition, it includes ideas around nationalism, identity and the role of the state and citizenry within regions. It also introduces the idea of a confederation as a possible alternative to a federation with a monetary union. Through assessing the work of David Mitrany and Ernst B. Haas, this paper tracks the failings within the foundations of regional integration theory through to New Regionalism and the work of Bela Balassa. This forms the basis for attacking the null hypothesis. The issues raised are pulled through the paper, attaching the theoretical flaws to their practical consequences. By applying these findings to the case study of the East African Community, this paper paints a compelling argument as to why regions in Africa should reassess their methods and goals within the regionalization process. Developing states in particular must be cognizant of the effect of neglecting their domestic responsibilities. In addition, due to the nature of this study the findings can be transposed to the European context. This is particularly pertinent given the political, economic and social issues the EU currently faces in the wake of the 2008 recession.

The results suggest that regional integration programmes need to incorporate a political approach within integration models. Economic integration can only be sustainable and beneficial where agreements are underpinned by political will and where the state is an active

and empowered participant in the integration process. By alienating the state the regionalization process sabotages itself. The solution must therefore include a reassessment of the intentions of regional theory with the aim of re-linking the goals of member states to the methods and outcomes they choose. This empowers the participants in a regionalization programme and enhances the long-term commitment of states to a regional cause.

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Abbreviations

CAP	Common Agricultural Policy
EAC	East African Community
EACSO	East African Common Services Organisation
EAEC	East African Economic Community
EAHC	East African High Commission
EC	European Community
ECB	European Central Bank
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Area
EU	European Union
EURATOM	European Atomic Energy Community
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
OECD	Organisation for Economic Co-operation and Development
OSCE	Organisation for the Security and Cooperation in Europe
REC	Regional Economic Community
SEA	Single European Act
UN	United Nations
UNECA	United Nations Economic Commission for Africa
USA	United States of America

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Introduction

Regions and regionalism are powerful concepts within the study of international relations and political economy today because of the powers they may or may not grant to states within the international system. Many claims have been made about their value, however fundamental questions about their place in the international system persist. So much remains undecided – what is a region? How should a region evolve? What should the end-point look like? The assumption of linearity and an idealisation of the European model have proven to be problematic not just for Europe herself, but much more so for other regions seeking guidance.

These questions highlight the reality of regional studies today; it is a discipline with little certainty and no defined end-point that can guarantee welfare. Many regional bodies reach towards what has become the accepted goal of regionalism – political federation with a monetary union – however, the assumption that integration should lead to a complete amalgamation of member-states is problematic. The choice to federate should not be automatic, but ought to rather focus on the questions of whether a super-state can provide anything that a state cannot and more importantly, what is sacrificed in the process of integration? Is there an alternative to federation? In addition, what is the effect of regional theory on these goals, and should the theory be challenged?

Europe and the Nationalism-Globalisation Challenge

In order to explore this challenge we need to look at the theory as well as the literature on regional bodies. Europe, above all others, has been placed on an academic pedestal for the world to admire its levels of integration, growth and stability. Until recently that is. The economic crisis that hit the United States of America (USA) had the crushing effect of bringing many European banks down with it, creating turmoil amidst the perceived stability. Unparalleled in post-war history, its knock-on effect has caused Europeans to reassess many of the assumptions around the benefits of regionalization. In particular, the powers that remain clearly in state hands versus those that have been transferred to the European Community (EC) have become contentious. Although the Community called for collective

action and harmonisation of policy,¹ many questions and emotions have been stirred up within states themselves. Could countries have fared better had the issues been dealt with at state level?

The crisis has uncovered weaknesses in economies that were hidden by the collective force of the European market. These weaknesses pose a risk to more than just the nations they exist within.² The effect has been a reawakening of nationalist identities and sentiment, and a knee-jerk reaction against further integration.³ The EU still wishes to pursue a federal end-point, but as a consequence of the recession there has been a pull towards statehood and a surge in the movement to maintain the integrity of the independent states. This begs the question – should they continue along this path or is there a feasible alternative?

Although the crisis itself is not the focus of this paper, the effect it has produced forms the most appropriate starting point for the argument. The recession has created a space in which to reassess how we see regions and how we can better understand the idealised model of the European Union (EU) in light of the current disenchantment of its members. The argument this paper makes is that the challenge that federating and creating a monetary union presents to member states within a region is too great a burden for many states to endure. To forsake certain state attributes is to forsake the pillars of statehood themselves, which has a direct effect on the citizenry. The state, by virtue of its structure, must first and foremost be accountable to its citizenry. Therefore, central in this debate is the role of the “post-Westphalian state” and the push and pull of domestic and global forces within regional systems. This paper argues that the long-cherished ideas of Ernst Haas⁴ and David Mitrany⁵ need to be challenged – that the belief in ever-greater integration must be questioned, reworked and reassessed.

¹ European Commission Economic and Financial Affairs Directorate General “Economic Crisis in Europe: Causes, Consequences and Responses” European Economy 7 (2009) at http://ec.europa.eu/economy_finance/publications/publication15887_en.pdf.

² “The time-bomb at the heart of Europe: Why France could become the biggest danger to Europe’s single currency”, *The Economist*, 17th November 2012 at <http://www.economist.com/news/leaders/21566640-why-france-could-become-biggest-danger-europes-single-currency-time-bomb-heart>.

³ “About Face: Chancellor Merkel Cools on European Integration” *Spiegel Online International*, 25th June 2013 at <http://www.spiegel.de/international/europe/german-chancellor-merkel-cools-on-european-integration-a-907339.html#ref=nl-international>.

⁴ Haas, E.B. *The Obsolescence of Regional Integration Theory* (USA: Institute of International Studies, University of California, Berkeley, 1976). For more discussion by Haas on the obsolescence of regional integration theory, see Haas, E.B. “Turbulent Fields and the Theory of Regional Integration” *International Organization* Vol. 30, No.2 (Spring 1976): pp. 173-212.

⁵ Mitrany, D. *A Working Peace System*, 4th Edition (UK: Broadwater Press, 1945).

The Case: The East African Community

Although neither the biggest nor the most powerful regional body in Africa, the East African Community (EAC) has had two incarnations – the first in 1967, which lasted only until 1977,⁶ and its second incarnation which was revived formally in 1996 and continues to operate.⁷ The EAC has proved to be one of the fastest growing regions in Sub-Saharan Africa and one of the fastest growing regions in the world between 2005 and 2009.⁸ Its aim is to deepen political, economic and social cooperation, with the final goal of creating an East African Federation of States.⁹ By 2020, the region hopes to have reached the status of a middle-income GDP country. This requires the region as a whole to not only maintain its current growth rate, but increase it, maintaining a growth rate of 8.5 percent per annum.¹⁰ The EAC has embarked on an ambitious development strategy and has established successive five year development plans, each superseding the previous in deepening integration.¹¹ The EAC may be small, but it represents a powerful regional model on the African continent.

The idea of federalism has been one that has pulsed through the veins of the EAC since its first incarnation. At that time it was fuelled by Pan-African sentiment and filled with the hope of collective action, increased wealth and bargaining power in the international sphere.¹² Although those sentiments may persist, presently we see a far more structured approach to integration. In the Treaty Establishing the East African Community, Article 5 paragraph 2 states that the Community seeks to establish a customs union, a common market, a monetary union and finally a federation.¹³ This is the method that Bela Balassa advocated for;¹⁴ it is the

⁶ Umbricht, V.H. *Multilateral Mediation: Practical Experiences and Lessons* (Netherlands: Martinus Nijhoff Publishers, 1989). Mitrany's ideas have functioned as the starting point for many regional thinkers, and as such, his ideas have become quite stretched in places. A concise reassessment of his ideas in perspective can also be seen in Green, A.W. "Review Article: Mitrany Reread with the Help of Haas and Sewell" *Journal of Common Market Studies* Vol. 8, No. 1 (September 1969):pp. 50-69.

⁷ Nkonki, S.R. *The EAC in Retrospect* (Norway: Unknown Binding, Chr. Michelsen Institute, 1983) at p. 21.

⁸ "World Economic and Financial Surveys Regional Economic Outlook - Sub-Saharan Africa: Recovery and New Risks" *International Monetary Fund* (2011) at <http://www.imf.org/external/pubs/ft/reo/2011/afr/eng/sreo0411.pdf> at pp. 50-51.

⁹ Nkonki (1983) at p. 53.

¹⁰ Nkonki (1983) at p. 54.

¹¹ Apoo Oitamong, M. *The Revived East African Community: Fast-tracking the Political Federation* (USA: Lambert Academic Publishing, 2010) at p. 24.

¹² Umbricht (1989) at p. 8.

¹³ East African Community "Treaty Establishing the East African Community" (30th November 1999) Art. 5 Para. 2 at <http://www.eac.int/treaty/>.

¹⁴ Stephan, H., Power, M. (eds.) *The Scramble for Africa in the 21st Century- From the Old World to the New* (Cape Town, South Africa: Renaissance Publishers, 2012).

model embodied by the EU¹⁵ and it describes the process that must be followed in order to reap the benefits of regional economic integration. A monetary union is the last and most risky stage, since it means giving up a national currency. This aspect in particular will be discussed since it touches directly on the issue of sovereignty and the powers a state must relinquish within the process of integrating markets. The EAC has not yet established a monetary union, but aims to do so as fast as possible, making this question particularly pertinent.

The effect that fast tracking the regionalization process may have is that the EAC may soon face a similar crisis to the EU. The issue is not whether there would be a benefit to further integration or a monetary union – the question is, rather, whether the member states are willing to sacrifice their independence in order to maintain benefits that may not endure. This brings us back to the issues of citizenry, nationalism and sovereignty.

The Hypothesis Generating Approach in Context

The method this paper has chosen to use is that of a hypothesis generating approach. Single case studies may be used to confirm or challenge a theory or alternatively to represent an extreme case.¹⁶ In contrast, Lijphart describes the process of hypothesis-generating as a method wherein one starts with a vague notion of possible hypotheses with the aim of establishing theoretical generalizations where no theory exists yet.¹⁷ Levy states that hypothesis-generating case studies aim to generalize beyond the data. They examine one or more cases for the purpose of developing more general theoretical propositions which can then be further tested through other methods. Hypothesis-generating case studies contribute to the process of theory construction rather than to theory itself. Lijphart, while emphasizing that “the primary function of the comparative method is to test empirical hypotheses,” argues that “a comparative perspective – not to be confused with the comparative method – can be a helpful element in discovery.”¹⁸ Similarly, Stretton argues that “the function of comparison is

¹⁵ Lee, M. “Regionalisms in Africa: A Part of Problem or a Part of Solution” (Polis/R.C.S.P./C.P.S.R Vol. 9, Numero Special (2002) at <http://www.polis.sciencespobordeaux.fr/vol10ns/lee.pdf> at p.1.

¹⁶ Tellis, W. *Application of a Case Study Methodology* The Qualitative Report Vol. 3, Nr. 3 (September 1997) at <http://www.nova.edu/ssss/QR/QR3-3/tellis2.html>.

¹⁷ Lijphart, A. *Comparative Politics and the Comparative Method* The American Political Science Review, Vol. 65, No. 3 (September 1971): pp. 682-693 at p. 692.

¹⁸ Lijphart, A. “The Comparable- Cases Strategy in Comparative Research,” *Comparative Political Studies* Vol. 8 (July 1975): pp. 158–177 at p. 159.

less to simulate experiment than to stimulate imagination... comparison is strongest as a choosing and provoking, not a proving, device: a system for questioning, not for answering.”¹⁹

Given the complexity of the EAC and the EU as regional bodies, as well as within their complex, multi-layered relationship, the hypothesis generating approach will allow for sufficient space to explore the relevant topics whilst still maintaining the goal of narrowing the paper’s view point to eventually finding hypotheses to test further. This paper’s intention is to assess the literature that is currently taken as standard in its application to regional bodies, especially in developing nations, and to challenge it with the aim of generating hypotheses that could not only give regional economic communities (RECs) the option of choice in their method of regionalisation, but more importantly, choice in the outcome of that process. Locked up in integration is the challenge of sovereignty, nationalism and identity. Federalism is not, and should not be, the only option for regions. This paper aims to sift out the relevant issues in order to create future paths of interest that could challenge this federalist norm.

Layout of the Study

The central argument that runs through the paper and the overarching hypothesis being challenged is:

Null Hypothesis: *If a region wishes to be successful in this economically globalized world, then it should follow the path of economic integration. Political integration will follow as a result, eventually leading to a more competitive federal state. Sovereignty is no longer a useful concept.*

Alternate Hypothesis: *If a region wishes to be successful in this economically globalized world, then it should follow a path of regionalization that is politically reinforced. Economic agreements can only be successful and sustainable where they are backed by political will. Confederation can be a better option and sovereignty is as powerful today as it was in the past.*

¹⁹ Stretton, H. *The Political Sciences: General Principles of Selection in Social Science and History* (London, UK: Routledge & K. Paul, 1969) at pp. 246-247.

Regionalism driven by economics alone is insufficient. If a region is to be successful, political will and drive must be present and acknowledged throughout the process. One key aspect of failure for Haas as well as for Balassa is that both assume that political support will manifest naturally within the process, however, in reality, the political element cannot be circumvented. The political element is vital to developing and sustaining the long term success of a region, a factor that will be highlighted throughout the assessment of the statements below. These assessments will then be related to the case study as well as to the overarching hypothesis in order to contextualise the findings and link them meaningfully.

This paper has five chapters; the first will assess what a region is, and how we are to understand regions. This chapter will introduce the reader to the complexity inherent in regional studies and will supply a context in which to understand the current system as well as the ideas within New Regionalism. The second, third and fourth chapters will address the three statements that this paper wishes to challenge. The statements were selected based on their prevalence in debates within regional theory, and through challenging them this paper intends to open new ways of understanding the relevant dynamics and assumptions inherent in their application. The fifth chapter will link the findings in the previous chapters to the case study and will look at the challenges as well as the possible appeal of an alternative outcome in context.

The statements will structure the paper in the following order:

Statement 1: *Regional theory is well established; if regions follow the prescribed economic theory, they will be successful.*

The second chapter is a literature review that will focus on Mitrany and Haas, two of the primary contributors to early regional integration theory. The chapter includes a discussion of the respective theories and their criticisms; it uses Statement 1 to challenge the null hypothesis on the basis that the criticisms of Neofunctionalism in particular mean that the theory cannot be said to guarantee success or welfare. The contrast between the approach taken by Mitrany versus that taken by Haas accentuates the shortfalls of Neofunctional thinking. The chapter also links the predispositions within Neofunctionalism to those within the theory of Bela Balassa, thereby exposing the fact that the faults that began with

Neofunctionalism have managed to filter down through the waves of regional theory, into the models we see today. These faults need to be identified and considered, with special reference to the intentions behind the theory as well as its prescribed models.

The third and fourth chapters will focus on Balassa's stages of integration, and will challenge them through looking at two hypotheses with linked outcomes:

Statement 2: *A successful region will lead to a federation and a monetary union.*

This is the assumption inherent in the theory of economic integration. It espouses that the model of a federation and a monetary union ought to be the final step in merging national markets. The effect should be increased wealth and growth within the economy while simultaneously eliminating the issue of sovereignty that acts as a block to successful integration. Hypothetically it seems ideal, however in practice few regional blocs have managed to overcome issues of sovereignty in order to reach these goals efficiently and without serious political consequences both domestically and regionally. This paper will challenge this idea by assessing the concepts of political identity, nationalism and the relationship between the state and citizenry. This chapter shows that the Statement is not only false, but actually damages regional initiatives today by undermining the state system.

Statement 3: *Leadership within a successful region will require a post-Westphalian solution in order to move beyond bounded state politics.*

The fourth chapter will address the issues in the statement above and, in light of the earlier chapters, will make the argument for an alternative to federalism – confederation. Confederation as a concept has been shunted to the side in favour of federalism, however, considering the findings of this paper as well as recent events in both Europe and the EAC, it could prove to be a compelling alternative. Confederation could have the potential to circumvent many of the issues we see arising within partnerships moving towards federalism. Combined with the findings in chapter three, it becomes clear that if regionalism is to be sustainable, a system such as confederation will go much further in supporting the necessary political requirements to ensure that partnerships endure and that growth and development is meaningful. In this way, nationalist backlashes are undermined before they obstruct the regionalization process.

The fifth and final chapter will relate the findings to the case, the EAC. In order to do so effectively, it starts with an overview of regionalism in Africa. By unpacking this initial contextual layer, we have a greater understanding of the effect of the theory in understanding the case itself. Following this, the chapter will be structured in line with the statements above, each section assessing the case in relation to the literature in order to establish whether, in practice, the suggestions made in the previous chapters hold. In so doing, this paper makes a compelling argument as to why the EAC ought to abandon their current regionalization track and ought to realign their strategy with the goal of confederation. Linking the theory to the case allows a practical understanding of the possible effects of continuing towards a federation and a monetary union.

The conclusion will then take these ideas a step further. The aim of this paper is to challenge the theory in the hope of generating new possible paths of study and understanding. Having considered an overview of regionalism and the specific challenges by statement, as well as having pulled the theory down into a specific case, the conclusion will once again expand the findings of this paper through linking the EAC to the EU. As a result it will assess whether, as advocated by Lijphart, a comparison can stimulate ideas around how the EU could improve its own regional structures in line with the findings of this paper.

Chapter 1

Regions in a Globalized World – Uncertain Relationships and an Undefined Future

The following chapter aims to provide a framework for the rest of the paper by laying down a foundational understanding of the reality of regions today. In order to understand the power of what regions represent, we need to understand what they consist of and how states may use them in the global system today. This chapter will look at what constitutes a region, how Europe has influenced our idea of a region, the challenge of separating politics and economics in a functional context and the relationship between states, regions and the process of globalization. The importance of understanding the connections cannot be underemphasized; unlike in the past, where the state was considered to be the center of international political economy, recently, that status has been challenged. As a result, regions have become contentious spaces in which the state must balance its domestic responsibilities with its international goals.

What Is A Region Really?

Many speak of regions as defined spaces; in fact, regions are deceptively multi-faceted and multi-natured. A fitting metaphor for the region is a purpose-built home – each region is constructed to meet a need – and this affects our ability to create a narrow definition of what a region is and how its “regionness” should be measured. Hurrell²⁰ notes that while the attempt to define what a region is has been difficult, elements still help us to define regional spaces. Regionalism has often been assessed in terms of social, political, economic and organizational cohesiveness or regional interdependence, but none of these can be said to completely measure the concept.²¹ Importantly, what does make a difference is how actors perceive and interpret the idea of a region.²² Hurrell notes that instead of looking at elements

²⁰ Hurrell, A. “Explaining the Resurgence of Regionalism in World Politics,” *Review of International Studies* Vol. 21, No. 4 (October 1995): pp. 331–358 at p. 333. See also Telò, M. (ed) *European Union and New Regionalism: Regional Actors and Global Governance in a post-Hegemonic Era* 2nd Edition, The International Political Economy of New Regionalisms Series (USA, UK: Ashgate, 2007).

²¹ Hurrell (1995) at p. 333. For a concise discussion of this issue and some of its dynamics, see also Keating, M. “The Political Economy of Regionalism”, Chapter 1 in Keating, M. And Loughlin, J. (eds) *The Political Economy of Regionalism* (UK: Routledge, 2004).

²² Hurrell (1995) at p. 334.

of regions in order to classify what a region is, we should instead look at them as a means of analyzing regions and the depth of integration.²³

Grant and Söderbaum make the important distinction between regionalism and regionalization;²⁴ “regionalism” is a generic term and in a very broad sense refers to the concept of a region – it embodies a set of ideas, goals or values and is not an operational tool. Alternatively, “regionalization” is an operational concept and refers to the process of creating or maintaining a region. Regionalization may be caused by regionalism, but may also arise without a concrete goal in mind, as a product of interactions rather than intentions.

The history of the region as we know it today is a turbulent one; regions were not a directly desired effect and were produced by a security-focused world system. Other than the wave we are currently experiencing, the study of regions has had two major waves to date. The first wave started post World War II in the 1960s with the proverbial fathers of regionalism – David Mitrany and Ernst Haas.²⁵ Although Mitrany himself was not considered a true regional theorist, his work influenced that of Haas and other theorists of the time, and made a significant contribution through doing so.²⁶ These theorists used the European experience as the basis for their studies, with the aim of establishing generalizations that could be transferred elsewhere. By the mid-1970s, the first wave of regional studies had died down. Haas himself dampened the movement through his own work, which claimed that integration theory as they knew it had become obsolete. In addition, regional projects elsewhere had failed, taking with them the hope of transporting the success of the European model.²⁷ There was a growing distaste for grand predictive theories and a refocus of the regional debate towards interdependence.

The next wave was inspired by the single-market programme embarked on by Europe in the mid-1980s.²⁸ With this wave came greater understanding that the European model itself was not easily directly transferred, but the model of free trade areas did start appearing elsewhere

²³ Hurrell (1995) at pp. 335-337.

²⁴ Grant, J.A and Soderbaum, F. (eds.) *The New Regionalism in Africa*, The International Political Economy of New Regionalisms Series (USA, UK: Ashgate, 2003) at p. 7.

²⁵ Breslin, S., Hughes, C.W., Phillips, N. and Rosamond, B. (eds.), *New Regionalisms in the Global Political Economy - Theories and Cases*, Warwick Studies in Globalisation (UK: Routledge, 2002) at p. 2.

²⁶ Breslin et al. (2002) at p. 2.

²⁷ Breslin et al. (2002) at p. 3.

²⁸ Breslin et al. (2002) at p. 3.

– in North and South America, as well as in Asia and Africa.²⁹ This is arguably where links started between regions as the assumption was that various forms of regionalism had common driving forces. These include the end of the Cold War and as a reaction to globalization.³⁰

Regions became feasible options for state interaction due to the ideas formed around Western imperialism.³¹ For the first time the whole world was integrated into a single economy, with ideas and ideologies following in an attempt to explain it. The idea of a region was a middle-ground, with neither the appeal of international cosmopolitanism, nor the comfort of a defined state.³² Regions were in part formed as a product of the United Nations and were based on ideals of cooperation.³³ The formation of the United Nations in 1945 was based on a desire to form a world order designed to provide security through cooperation, however, given the destruction of World War II, merely returning to the *status quo* was considered to be insufficient – a new world required a new structure.³⁴ The Charter of the United Nations (UN)³⁵ established the primacy of the sovereign state. Regionalism was not a central feature of its ideas around statehood, but, given that Article 51 expressly allowed for military alliances and Article 24 of the General Agreement on Tariffs and Trade (GATT)³⁶ excluded customs unions and free-trade areas from the principles of non-discrimination and most favoured nation,³⁷ a space was created in which regions could not only grow, but could safely be acknowledged in the political landscape without the fears of alliances evoking fear as they had during the war. Along with these changes, came the influx of new states in post-colonial Africa in the 1960s. The UN became the stage upon which the anti-colonial struggle was enacted, with many states obtaining independence under the UN General Assembly Resolution 1514, which condemned any delay in the granting of independence.³⁸ With the

²⁹ Breslin et al. (2002) at p. 4.

³⁰ Breslin et al. (2002) at p. 4.

³¹ Mayall, J. “National Identity and the Revival of Regionalism” Chapter 6 in Fawcett, L. and Hurrell, A. (eds.), *Regionalism in World Politics - Regional Organization and International Order* (USA: Oxford University Press, 1996) at p. 167.

³² Mayall (1996) at p. 170.

³³ Mayall (1996) at p. 170.

³⁴ Mayall (1996) at p. 172. The UN has promoted not only the sovereignty of states, but has been directly involved in state-building. See Chesterman, S. *You, The People: The United Nations, Transitional Administration and State Building* (USA: Oxford University Press, 2004).

³⁵ United Nations “Charter of the United Nations” (October 24th, 1945) at <http://www.un.org/en/documents/charter/>.

³⁶ GATT “General Agreement on Tariffs and Trade TIAS 1700; 55 UNTS 194 (Havana Charter)” (GATT 1948) at https://www.wto.org/english/docs_e/legal_e/havana_e.pdf.

³⁷ Mayall (1996) at p. 174.

³⁸ Mayall (1996) at p. 175.

advent of the Non-Alligned Movement, regions became a bulwark against imperialism and domination, cementing the idea of regionalism in the third world.³⁹

How did regionalism become what Acharya calls the “intrusive regionalism” that we see presently?⁴⁰ Whereas regionalism started as a means to promote and protect sovereignty and was established based on sovereign rights, regions have subsequently become an anomaly that erodes sovereignty. Regions had been based on security frameworks, but the brand of regionalism pursued in Europe in the late 1950s promised a step beyond. This model was not simply there to remove the security threat, but was also there to create a sense of community. It promised to go beyond the state in order to ensure a lasting agreement.⁴¹ Even though after Haas himself stated the theory was obsolete and the ideas waned in popularity, they regained momentum after the Cold War for three reasons: Firstly, the experience of the Organization for Security and Cooperation in Europe (OSCE) in the 1980s was a powerful intervening factor in the usual sovereignty trap that encouraged non-cooperation. The OSCE implemented an extensive range of measures that would promote transparency and provide for constraints to regulate the behavior of states within Europe. This was the first of its kind, and was more intrusive in its application to states than measures previously put in place. It provided an understanding that relinquishing aspects of sovereignty could have positive outcomes.⁴² The second influence was the move towards a single market in Europe. This was a major change within the regional landscape and although the political changes associated with Europe could clearly not be transferred to other regions directly, the market-driven approach remained appealing, specifically due to the realities of regional-based methods of production. This “soft regionalism”, spurred on by the globalization of finance, was far more marketable, albeit still a challenge to sovereignty.⁴³

The third change that influenced regionalism was the advent in the 1990s of the theory of “New Regionalism”. This idea of a new regionalism came about as regionalism had to expand and develop with the changing international system; regionalism was now focused on existing in a multi-polar context. Regionalism was no longer simply a narrow, security-

³⁹ Mayall (1996) at p. 176.

⁴⁰ Acharya, A. *Regionalism and the Emerging World Order – Sovereignty, Autonomy, Identity* Chapter 2 in Breslin, S., Hughes, C.W., Phillips, N. and Rosamond, B. (eds.) *New Regionalisms in the Global Political Economy - Theories and Cases* Warwick Studies in Globalisation (UK: Routledge, 2002) at p. 20.

⁴¹ Acharya (2002) at p. 22.

⁴² Acharya (2002) at p. 24.

⁴³ Acharya (2002) at p. 26.

defined relationship in a largely bi-polar world, but one that incorporated human rights, economics and finance, with a host of new actors, including non-state actors, to take into account.⁴⁴ This was the most fundamental change experienced by the regional concept, since it affected why a region existed, who could join and how regional identities were formed. These changes were felt most intensely, and almost exclusively, in Europe.⁴⁵

This brings us back to the challenge of sovereignty; the old regionalism was sovereignty-freeing, but not sovereignty-defying.⁴⁶ This older model asked states to voluntarily relinquish aspects of sovereignty for the good of collective goals while acknowledging that sovereignty was still the paramount ideal. In contrast, the model we see today is sovereignty-challenging; it's intrusive and almost coercive in its structure, despite still being consent based.⁴⁷

Sovereignty has become more of a stumbling block than the enabling force it started as. The issue is that this regionalism can be a double-edged sword; intrusive regionalism has the ability to foster greater integration with better guarantees of security and prosperity, however, it also has the ability to cause greater tensions, not least of all due to its challenge of sovereignty.

As a result, it becomes evident that the concept of a region, regionalism, and the process of regionalization has changed substantially from its early beginnings. As a political animal its behavior has changed, and so what we expect from it and how we are able to use and assess it must also change. In order to understand more about regional theory, this paper will assess the issues of Eurocentrism and the false dichotomy created in the theory by the notion that we have the ability to separate economic and political initiatives. These issues will set the stage for the challenges in the chapters that follow.

The Problem of Eurocentrism – Putting The Issue to Bed

Europe has served as the point of departure in some respect in almost every regional study. It has been relevant as a testing ground for theory, as a model to reflect on in making future prognoses for regional bodies and as a model to emulate – all three very powerful spheres of influence. Regions the world over have sought to mimic Europe and have failed in their

⁴⁴ Acharya (2002) at p. 26.

⁴⁵ Acharya (2002) at p. 27.

⁴⁶ Acharya (2002) at p. 28.

⁴⁷ Acharya (2002) at p. 28.

attempts. In addition, this model seems to have hit its own challenges and has hit similar challenges before. It has created confusion within the discipline, and in order to understand its real relevance we need to put the issue of Europe in regional studies to bed. This section will provide a brief overview of the process of European integration.⁴⁸ In highlighting selected points, it will allow a clearer view of the effect of the evolution of European integration on regional integration theory.

The aim of the Bretton Woods system was not only to create an international system based on neoliberal principles, but also to open an economic environment that had been stunted by World War II. Many states had turned to protectionist policies and closed economics meant that politics had been directly influenced as a result. A closed and potentially hostile political environment was ripe for war and conflict. The situation required a sustainable change.⁴⁹ Neoliberal practice could therefore be the means by which states opened up again. Neoliberal principles required that governments allow major currencies to be convertible and that states should refrain from discriminatory trading practices.⁵⁰ These principles did not specifically call for regional action, though it was permitted, but the emphasis was on universalism rather than regionalism. Regions were tolerated as long as they were trade-creating and not trade-diverting.⁵¹ These policies were always more Western than universal. For Europe, there was also concern around the relationship between France and Germany. A solution needed to be found to stop another altercation as there had been three since 1870.

Although the economic approach took time, it shows considerable success within the slow build up of integrated economies. The European Coal and Steel Community (ECSC) was established in 1952 and was the precursor to the European Economic Community (EEC) established by the Treaties of Rome in 1957.⁵² The ECSC was actually a test in the value of espousing economic integration as a guarantor of peace; Jean Monnet a French political

⁴⁸ For a concise overview of regional integration, see Mattli, W. *The Logic of Regional Integration: Europe and Beyond* (UK: Cambridge University Press, 1999). For a more in-depth study of the EU and the debates around integration, see Caporaso, J.A. *The European Union: Dilemmas of Regional Integration* (USA: Westview Press, 2000).

⁴⁹ Mayall (1996) at p. 178. For a more detailed discussion of the Bretton Woods system see Kenen, P.B. (ed) *Managing the World Economy: Fifty Years After Bretton Woods* (USA: Institute for International Economics, 1994).

⁵⁰ Mayall (1996) at p. 178.

⁵¹ Mayall (1996) at p. 178.

⁵² Balaam, D.N. and Veseth, M. *Introduction to International Political Economy*, 4th Edition - Pearson International Edition (USA: Pearson Prentice Hall, 2008) at p. 217. For an inclusive overview of the evolution of the EU, see Gilpin, R. *Global Political Economy: Understanding the International Economic Order* (USA: Princeton University Press, 2001).

economist suggested that a free trade area between the borders of France and Germany be put in place to unite the productive forces of their heavy industry. The project was a success, and it led to the belief that a greater number of committed participants could further integrate, reinforcing the ECSC while expanding it.⁵³ The objectives of the ECSC were not openly politically or peace-orientated; instead, it aimed to increase employment, raise standards of living and expand markets.⁵⁴ An attempt to politically federate into the United States of Western Europe failed in 1954 due to France.⁵⁵ The obvious solution seemed to be a different way around the politics of the situation – by working through economics.⁵⁶ In light of the failures of political integration, the ECSC and later the ECC became a means to unite states that were politically unwilling to compromise on their sovereignty.

The Treaties of Rome established a customs union that brought together the markets of Italy, France, Belgium, Luxembourg, the Netherlands and West Germany, as well as the European Atomic Energy Community (EURATOM). These states were already natural trading partners so the opening of their markets eased trade further, allowing them to benefit in the post-war boom.⁵⁷ The common market was based on the “four freedoms”. These include the free movement of persons, services, goods and capital and the programme was designed to evolve over a twelve year period consisting of three periods of four years each. Each period had requirements that needed to be fulfilled in order to deepen integration. In addition, it established institutions that would facilitate greater political integration, namely a Council, a Commission and a Parliament.⁵⁸ Britain was not willing to cede any sovereign rights, but equally did not want to miss the benefits of economic integration. It therefore established a weaker free trade area between partners not wishing to join the customs union, however the European Free Trade Area (EFTA), due to its loose geographic and trading relationships, could not offer the same benefits. It was this that led members of EFTA to seek to join the EEC later. The EEC also faced significant challenges; there was a need to institute subsidization for farmers under the Common Agricultural Policy (CAP) in order to pacify politically powerful farming communities and in addition, non-tariff barriers permeated the

⁵³ Balaam and Veseth (2008) at p. 225.

⁵⁴ Europa: Summaries of EU Legislation “Treaty establishing the European Coal and Steel Community” (18th April 1951) at http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_ecsc_en.htm.

⁵⁵ Pinder, J. “European Community and the Nation State: A Case for Neo-Federalism?” *International Affairs (Royal Institute of International Affairs)* Vol. 62, No. 1 (Winter 1985- 1986): pp. 41–54 at p. 43.

⁵⁶ Mayall (1996) at p. 179.

⁵⁷ Balaam and Veseth (2008) at p. 225.

⁵⁸ Europa: Summaries of EU Legislation “Treaty Establishing the European Economic Community” (25th March 1957) at http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_eec_en.htm.

system causing considerable set-backs to integrative endeavours.⁵⁹ The principles of the Treaties of Rome were based on a separation of formal economic integration from the high politics of foreign policy and security and America dominated the negotiation process.⁶⁰ The process was backed by the USA as part of the Atlantic partnership that would eventually result in the Organisation for Economic Co-operation and Development (OECD). For the USA, the idea of Western Europe had to be viewed within the wider framework of “the West”. The European Economic Community implemented a customs union ahead of schedule and the process seemed to be on its way. The image amongst academics and politicians at the time was one of Europe having “nations going beyond the nation state”.⁶¹ It was a Europe constructed through intergovernmental bargaining, compromise, summits and incrementalism. The process remained state-centred, but with increasing integration came increasing in-roads into state sovereignty.

In 1967, the EEC and ECSC merged with EURATOM and formed the European Community (EC) which in 1993 became the European Union (EU).⁶² The change in the name of the EC indicated a change in intention; the EC aimed to expand its ambit to political issues, though economics still dominated its agenda.⁶³ In accordance with what has become known as the “bicycle theory” of integration, as espoused by Walter Hallstein the first president of the European Commission, there was a need for European integration to move constantly towards “ever closer union”.⁶⁴ However, the expanding Community also faced significant challenges; the admission of poorer countries such as Greece and Portugal created worry but also increased the burden of the costs for Community projects on wealthier nations.⁶⁵ In 1969, after the departure of de Gaulle who had blocked previous initiatives, Western European integration was once again relaunched as a civilian politico-economic structure.⁶⁶ The process seemed to be progressing well until 1971, when currencies world-wide felt shocks due to the delinking of the Dollar to the gold standard. This would set Europe back

⁵⁹ Balaam and Veseth (2008) at p. 226.

⁶⁰ Wallace, W. *Regionalism in Europe: Model or Exception?* Chapter 7 in Fawcett, L. and Hurrell, A. (eds.) *Regionalism in World Politics - Regional Organization and International Order* (USA: Oxford University Press, 1996).

⁶¹ Wallace (1996) at p. 212.

⁶² Balaam and Veseth (2008) at p. 217.

⁶³ Balaam and Veseth (2008) at p. 228.

⁶⁴ Balaam and Veseth (2008) at p. 228. Hallstein was very influential and under his leadership the ideas around regionalism in Europe changed substantially. For greater detail on his views and work, see Hallstein, W. *United Europe: Challenge and Opportunity* (Cambridge, USA: Harvard University Press, 1962).

⁶⁵ Balaam and Veseth (2008) at p. 228.

⁶⁶ Wallace (1996) at p. 211.

once again, creating instability in the region.⁶⁷ As Europe recovered more states were added to the region's participating members. Growing pains were felt by all parties, especially between France and the USA in 1973-4. America, having dominated the negotiation processes in the EEC and having included Western Europe in foreign policy strategies, was compelled to allow for a more significant contribution by the growing region to foreign policy. The process was turbulent, dominated by an external party and had a distinct agenda – Western unity.

By the mid-1980s the Community was taking significant strain. Jacques Delors, then the president of the European Commission, issued a white paper in 1985 suggesting the answer was to deepen economic integration. He suggested the creation of a single integrated market by 1992. This produced the Single European Act (SEA) which allowed integration to continue – effectively for the bicycle to continue moving forward.⁶⁸ One of the main contributions of SEA was to counterbalance the disproportionate contributions between stronger and weaker members, but more importantly, it included social provisions. Included in the provisions was the need to improve working conditions for labour across Europe and the need to increase dialogue between management and labour.⁶⁹ This shows a significant increase in the level of permeation of Community initiatives; although the provision could benefit any state, the fact that it was introduced as a Community effort displays the degree of encroachment into state sovereignty. SEA more importantly set the stage for the Treaties of Maastricht; it removed the requirement of a unanimous vote in Community matters, changing it instead to a qualified majority. SEA also allocated a lot more power and importance to European institutions which meant that with the qualified majority, these institutions could make decisions against the respective wills of the member states.⁷⁰ Nevertheless they persevered, and after the SEA was negotiated and ratified, it seemed the darkest times were over.⁷¹ The late 1970s saw another commitment to widening the community, an agreement to direct elections for the European Parliament and most important of all, a distancing from its initial supporter the USA.⁷² By the 1990s it became clear that the idea of Europe once again needed to change; it needed to adjust and include the Eastern European countries, now free

⁶⁷ Wallace (1996) at p. 213.

⁶⁸ Balaam and Veseth (2008) at p. 228.

⁶⁹ Europa: Summaries of EU Legislation “The Single European Act” (17th February 1986) at http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_singleact_en.htm.

⁷⁰ Balaam and Veseth (2008) at p. 229.

⁷¹ Wallace (1996) at p. 213.

⁷² Wallace (1996) at p. 214.

from Soviet rule, that were vying to join a Western system.⁷³ The bridges had been subtly built through communication, broadcasting services, through minimal tourism and through the need for advanced technology and the time had approached for a new take on the European Community.⁷⁴

The Treaties of Maastricht, signed in 1992, took integration even further with the decision to form a single currency area by latest 1999. National currencies were to be converted to a single currency – the Euro.⁷⁵ In addition, two decisions were made to support this initiative; the European Central Bank (ECB) was to become independent of national monetary institutions and was tasked with maintaining price stability. In addition, those countries wishing to join the Euro-zone had to meet the convergence criteria of low interest and inflation rates and low state debt. This was accompanied by an acceptance that there had to be a limitation on state debt and spending, summarised by the Stability and Growth Pact of 1997.⁷⁶ The Maastricht Treaty also aimed to increase the scope of political integration by expanding the political agenda to cooperation in the fields of foreign and security policy as well as “Home Affairs and Justice”.⁷⁷ In addition, there was a heavy focus on improving the legitimacy and efficiency of Community institutions, particularly since they were making decisions for the benefit of the Community without total support.⁷⁸ In increasing the legitimacy of institutions, the need to remain accountable to the European public became a priority. As responsibilities moved away from states and towards intergovernmental institutions there was a need to ensure that citizens remained part of the process. Increasing the perception of the legitimacy of these institutions was and is therefore paramount. After this significant deepening, the community started to once again expand, with new admissions to the Union in both 2004 and 2007, bringing the EU structurally and geographically to what it is today.⁷⁹

⁷³ Wallace (1996) at p. 205.

⁷⁴ Wallace (1996) at p. 218.

⁷⁵ Balaam and Veseth (2008) at p. 230. See also Neyer, U. *The Design of the Eurosystem's Monetary Policy Instruments* (Germany: Physica-Verlag (Springer), 2007).

⁷⁶ Balaam and Veseth (2008) at p. 230.

⁷⁷ Balaam and Veseth (2008) at p. 231.

⁷⁸ Europa: Summaries of EU Legislation “The Treaty on European Union” or “The Maastricht Treaty” (7th February 1992) at

http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_maastricht_en.htm.

⁷⁹ Balaam and Veseth (2008) at p. 231.

Despite this success, Europe was left with questions; should the European Community be based on security or economics? How far should the Community geographically extend? How should foreign policy be designed?⁸⁰ These questions, which had previously been neglected, started to come to the surface. The Maastricht Treaty added rather than subtracted from the confusion of integration. Its challenge of the familiar concepts of the nation, statehood and national identity caused backlash even in the most enthusiastic states.⁸¹ Regions are built by states with their own internal interests and responsibilities, and although integration may be beneficial, states remain answerable to their citizens. Even though the region may now be a powerful way to relate globally, problems and solutions still come back to its basic building blocks – states.

Given its history and its current crisis, how can any regional body use Europe as a textbook model for success? It has withstood many knocks, but it has done so less through the theory than through political negotiation and compromise. So many compromises were made that it can hardly be seen as a clear cut model.⁸² What regions, particularly those which include developing nations, are not giving any credence to is the reality that Europe took decades to come together and when it did it was no easy task. Therefore, despite the fact that Europe is perceived to be successful, there is a lot more to consider than economic integration alone. Having discussed the influence of Europe within regional theory today, we now look at the models that have become the dominant options within regional integration theory in the New Regionalism movement – open regionalism and developmental regionalism.

Politics and Economics – Separating the Inseparable?

Although many argue that economics may be separated from politics, in reality, the relationship is far more complicated. The investigation into what this paper considers to be a false dichotomy will link the issues around regionalism to the debate around globalization. By looking at the dominant structures that drive the regionalization process, we can start to see the tensions inherent in the balancing act that every region must maintain if it intends to

⁸⁰ Wallace (1996) at p. 222.

⁸¹ Wallace (1996) at p. 224.

⁸² Wallace (1996) at p. 211. For a more in-depth look at the evolution of the EU region through treaties see Moravksic, A. *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (UK: Routledge, 1999).

be successful – the need to balance state and domestic needs with international demands and competition.

Baylis et al. make a distinction by separating the concepts of “cooperation” and “integration”.⁸³ Regional *cooperation* may appear in numerous forms. Economically, this occurs where partners foresee a degree of commercial preferentialism, however, this may occur without any harmonization of domestic rules and no expectation of common action in international affairs. Political cooperation occurs when partners engage in mutual support and commitment with regards to the implementation of certain values and practices within their respective states. However, under cooperation alone, no obligations beyond those attributed to states under international law are created.⁸⁴ In contrast, formal regional integration goes beyond agreements and the removal of obstacles of interaction and it includes a regional space that is subject to common rules.⁸⁵ There are degrees of interaction, and in order to achieve higher forms of integration, the partner nations are expected to not only harmonise their rules but also to act internationally with a unified voice.⁸⁶ In discussing regional theory, a few initial distinctions need to be made along two broad lines – old versus new regionalism and Market-based, Open regionalism versus the Critical or Developmental approach.

The differences between old and new regionalism are significant; old regionalism was shaped by a bi-polar system and was created by the superpowers of the time. It tended to be inward-looking, protectionist and had specified objectives, namely security and economics. Its main actors were states. In contrast, new regionalism has taken form in a multi-polar world and is a more spontaneous process, driven from within and incorporating non-state actors in both driving and influencing the process. It tends towards more open economies that are integrated into the global economic system and has multi-faceted objectives, which may be political, economic or social.⁸⁷ The old is out and the new is in, but the issues that we see today are not necessarily issues that the newer version can answer without the aid of the theory that helped the old version evolve. Europe has evolved through both, and remains a patchwork quilt of influences. It is important to note the changes and how these have affected the member states in regional groupings. The process today is more complex; it paints a picture of regions as

⁸³ Baylis et al. (2008) at p. 436.

⁸⁴ Baylis et al. (2008) at p. 436.

⁸⁵ Baylis et al. (2008) at p. 436.

⁸⁶ Baylis et al. (2008) at p. 437.

⁸⁷ Hettne, B. “Globalization and the New Regionalism: The Second Great Transformation” in Hettne, B.; Inotai, A.; Sunkel, O. (eds), *Globalism and the New Regionalism* (New York, USA: St. Martin’s Press, 1999) at p. 7.

very open within their options and influences, but in reality, they are not. Having touched briefly on the differences, we leave the old versus new comparison and look at two models that dominate the New Regionalist landscape.

The Critical approach, or Developmental approach, emphasizes the idea of state intervention in the market in order to promote national development agendas. It flows from the idea of the developmental state and the fact that while openness helps an economy to grow, it has the potential to create issues such as uneven development.⁸⁸ It fits well into the new regionalist framework due to the fact that it remains committed to open markets and increased trade and financial flows, however, it goes beyond that ambit in that it advocates for a much bigger role for the state. It acknowledges that social and political forces remain relevant, but the state itself is what is pivotal in driving and directing the regionalization process.⁸⁹

The model has a few core characteristics; firstly, unlike other models that maximize efficiency, it focuses on economic and social development. This means that the focus is not just on increasing productivity, it is also on making sure that development is even and meaningful for both the state as a whole and for those within the forces of production. It is an attempt to move away from disjointed development hubs and a move towards more sustainable and overall change. This is especially relevant for developing nations that are geared towards production for external markets, where, in order to take advantage of those markets, infrastructure, policy coordination and loans and subsidies must be made available before the state can truly see the benefits of that trade. Since unevenness is not only created within a state, but between states, this form of regionalization also includes compensatory and corrective measures between states.⁹⁰ The most difficult aspect is found in its interaction with nationalism; allowing industry to move is to lose that industry in your own territory, which is a sensitive topic in any state.⁹¹

It therefore becomes clear that unlike Market-based systems, in which the political aspect of integration occurs after the economic aspect, here the state functions as the backbone of the system. It may seem from the description that this echoes early forms of inward-looking

⁸⁸ Clapham, C. "Governmentality and Economic Policy in Sub-Saharan Africa" *Third World Quarterly* Vol. 17, No. 4 (1996): pp. 809-824.

⁸⁹ Lee, M.C., *The Political Economy of Regionalism in Southern Africa* (Cape Town, South Africa: University of Cape Town Press/ Lynne Rienner Publishers, 2003) at pp. 23-24.

⁹⁰ Lee (2003) at pp. 23-24.

⁹¹ Axline, W.A. *The Political Economy of Regional Integration* (London: Frances Pinter, 1994) at pp. 86-89.

regionalism and the Developmental approach does have some connection to those ideas, however, due to its emphasis on trade and open markets, it significantly departs from that tradition. The Developmental model's relationship to globalization is an interesting one; it does not act as a form of total resistance, but does allow for regions to protect themselves to a degree from globalization by allowing the state to intervene and work around the problems brought in by a totally open regional system, such as purely extractive industries.⁹²

What makes the Developmental model most interesting is that it is driven by politics. It does not allow for a snowball effect in economic relations to dictate which political structures are needed. The model starts with setting goals and intentions that are shared and communally pursued. This could be both good and bad; good in the sense that the model allows states to understand from the start the kinds of sacrifices that will need to be made politically in order to achieve goals, but also bad, in that it means that cracks in the system should show faster, since a much higher level of commitment is required much sooner. This may create early instability and collapse. Also, a state driven approach may emphasize what have been two of the greatest challengers of the regionalization process – nationalism and sovereignty. If the state drives the process, it is able to pursue its interests more emphatically, but is equally prone to guarding and protecting them more virulently.

The Market-based approach is the antithesis of the state-centered approach.⁹³ Since the 1980s it has been the dominant form of regional integration. It consists of forming regional trading blocs in which barriers to trade, production and financial flows are removed internally, while the combined bloc's trade is outwardly orientated. It is underpinned by neoliberal trading policies and is considered to be "open regionalism".⁹⁴ This structure has many costs and benefits, but the major issue is redistribution. A side effect is that there is a tendency towards "poles of development" and "poles of stagnation". There is therefore a need to combat this negative view through a redistributive mechanism that will allay fears within the partner

⁹² Nesadurai, H. *Globalization, Domestic Politics and Regionalism: The ASEAN Free Trade Area* (London: Routledge, 2003) at p. 214.

⁹³ For a survey of literature on economic integration see Hosny, A.S. "Theories of Economic Integration: A Survey of the Economic and Political Literature" *International Journal of Economy, Management and Social Sciences* Vol. 2, No. 5 (May 2013):133-155.

⁹⁴ Wyatt-Walter, A., 'Regionalism, Globalization and World Economic Order', in L. Fawcett and A. Hurrell (eds) *Regionalism in World Politics: Regional Organization and International Order* (New York: Oxford University Press, 1995) at p. 78. See also Mansfield, E.D. and Milner, H.V. "The New Wave of Regionalism" *International Organization* Vol. 53, No. 3 (Summer 1999): 589-627 for further discussions about the effect of economic integration in the new wave of regionalism in a global context.

states.⁹⁵ The other necessity is to ensure the convergence of national economic objectives. This is activated where partners in a trading bloc need to pursue industries that are useful within the given trading scheme; where a state does not produce goods that their partners wish to trade, the benefits of the trading bloc are significantly lowered. This is an issue prevalent in Africa, which is mainly a producer of raw materials and has low levels of industrialization. This stunts the ability to both produce and process what is traded. Non-tariff barriers also remain a significant stumbling-block.⁹⁶ Open regionalism is orientated towards trade within the global market, with export-led trade and development being its core objective. Economic efficiency and growth are priorities. The end goal is to derive the benefits that accrue from a larger, more competitive market. It is driven not by the state, but by the private sector and market forces.⁹⁷

A key contributor to the theory is Bela Balassa, who wrote about regionalization around the same time as Haas, and borrowed from his concept of “spillover”. He suggested that regional integration occurs in a sequence, with each stage requiring completion before a new phase may be embarked upon. Each stage has economic costs that would be misallocated where a new phase is started without the last being completed.⁹⁸ His theory has five stages: firstly, a free trade area must be established where members slowly eliminate barriers to internal trade while they are free to maintain barriers with non-partner states. This is followed by a customs union,⁹⁹ which moves beyond the free trade area by establishing a common external tariff for trading with non-member states. It also frequently includes a redistributive mechanism to allocate the tariff revenue. This then develops into the establishment of the common market, which establishes a free flow of factors of production in addition to the free flow of products. Lastly, there is the establishment of an economic and monetary union. This allows for the implementation of a common currency and common external trade policies. It includes the

⁹⁵ Lee (2003) at p. 21.

⁹⁶ Lipson, C. *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries* (USA: Berkeley, University of California Press, 1985) at pp. 162-182.

⁹⁷ Ideheru, O. “New Regionalism, States and Non-State Actors in West Africa” in Grant, J.A and Soderbaum, F. (eds), *The New Regionalism in Africa* (Burlington, Ashgate, 2003).

⁹⁸ Balassa, B. *The Theory of Economic Integration* (London: Allen and Unwin, 1961) at pp. 112-147. For more discussion about the concept of economic integration and ideas around what economic integration is, see Machlup, F. *A History of Thought on Economic Integration* (New York: Columbia University Press, 1977) and Staley, C.E. “Review of A history of thought on economic integration, by Fritz Machlup” *Annals of the American Academy of Political and Social Science* No. 434 (1977): 242-243.

⁹⁹ For a general theory of customs unions, please see Lipsey, R.G. “The Theory of Customs Unions: A General Survey” *The Economic Journal* Vol. 70, No. 279 (1960):496-513.

final stage of total economic integration – the establishment of a supra-national authority that governs a federation and allows the full benefits of a monetary union to take effect.¹⁰⁰

In Balassa's model, it is the political that follows the economic programme. It essentially allows the state a period of adjustment, wherein it can start to integrate and assess the benefits without embarking on giving up state sovereignty until the benefits have been proven. However, there is a danger in this approach; requesting that a state relinquish its sovereignty over a period of time may seem wiser, but it does allow for the possibility that a state may follow the process only to fail to completely integrate due to an unwillingness to federate. This is the issue we see today in Europe; when the political option was unsuccessful, an economic alternative was found, but politics cannot be pushed aside. As a result we continue to see political tensions despite the level of economic integration.

Considering the sensitive nature of trade and monetary policy, an additional issue to consider is the effect and the political implications of a monetary union. It is easy to understand why a monetary union was listed towards the end of Balassa's process of integration. Ultimately, the decision to create a monetary union is a political one, but it requires a very high level of political commitment and trade integration. Monetary unions establish a complete union of fiscal and monetary policies so that in effect, the states become regions of one nation.¹⁰¹ The political implications are obvious; a state must relinquish the entirety of its ability to regulate its own monetary policy and must as a result, give up its sovereign rights in totality.¹⁰²

Although in most places it is seen as a predominantly political decision, there must also be an economic cost-benefit analysis. This is analysed in line with Optimum Currency Area Theory, as espoused by Mundell. His theory focussed on defining the optimal geographic area in which a single currency would create the most benefit.¹⁰³ His theory was very structural and included both micro and macro-economic considerations, but in recent times the debate has shifted to looking more towards whether there is a political commitment from

¹⁰⁰ De Melo, J. and Panagariya, A. (eds) *New Dimensions in Regional Integration* (Cambridge, UK: Cambridge University Press, 1993) at p. 188.

¹⁰¹ Gavin, B. and De Lombaerde, P., "Economic Theories of Regional Integration" Chapter 5 in Farrell, M.; Hettne, B.; Van Langenhove, L. (eds), *Global Politics of Regionalism: Theory and Practice* (UK: Pluto Press, 2005) at p. 69.

¹⁰² Gavin and De Lombaerde (2005) at p. 75.

¹⁰³ Gavin and De Lombaerde (2005) at p. 76. For more discussion by Mundell on currency areas see Mundell, R.A. "Currency Areas, Volatility and Intervention" Working Paper, Department of Economics, Columbia University (2002) available online at <http://academiccommons.columbia.edu/catalog/ac%3A114118> .

the necessary partners and whether there are converging policies, along with flexible labour markets and prices.¹⁰⁴ There is also debate as to whether monetary policy should coincide with fiscal policy. Cohen's challenge to Mundell's theory is that historically, institutional linkages are insufficient. In addition a region requires a hegemon that is committed to the union as well as a series of linkages and commitments that make the cost of a dependent monetary policy acceptable to other partners.¹⁰⁵

One of the main issues to tackle is the sequencing of political and monetary integration. There are various views within the debate; some argue that a workable monetary union is only feasible where a considerable degree of political integration has occurred. Political integration allows for a convergence of policy preferences and political will.¹⁰⁶ Many current views see political integration, whether previous or simultaneous to a monetary union, as a possible strategy to reduce national idiosyncrasies which may be disruptive.¹⁰⁷ Some argue that where a monetary union does not coincide with an optimum currency area, the imbalances caused may accelerate political integration. Having said that, without political integration the monetary union would struggle to succeed without it being situated within an optimum currency, which as a standalone would be hard to achieve.¹⁰⁸ A strong criticism of the Maastricht Treaty is that monetary integration precedes political integration – Pivetti argues that as long as a state remains responsible for certain political and social objectives, it cannot relinquish its control over capital flows. Therefore, in order for the process to work, he argues that monetary and political integration should occur simultaneously so that a state may still concern itself with positive and negative elements that may be produced.¹⁰⁹

Conclusion

We can therefore understand that any state wishing to pursue integration to this level faces a massive challenge within its regional commitments; sovereignty is a state-attribute that is

¹⁰⁴ Gavin and De Lombaerde (2005) at p. 77.

¹⁰⁵ Cuyvers, L., De Lombaerde, P., De Souza, E. and Fielding, D. "Regional Monetary Cooperation and Integration" Chapter 8 in Farrell, M.; Hettne, B.; Van Langenhove, L. (eds), *Global Politics of Regionalism: Theory and Practice* (UK: Pluto Press, 2005) at p. 129. For an overview of Cohen's views, see Cohen, B.J. "The Political Economy of Currency Regions" Chapter 3 in Mansfield, E.D. and Milner H.V. (eds) *The Political Economy of Regionalism* (USA: Columbia University Press, 1997).

¹⁰⁶ Gavin and De Lombaerde (2005) at p. 81.

¹⁰⁷ Gavin and De Lombaerde (2005) at p. 81.

¹⁰⁸ Gavin and De Lombaerde (2005) at p. 81.

¹⁰⁹ Gavin and De Lombaerde (2005) at p. 81.

held tightly for it is what defines a state's being. It is, in the Kantian sense, an "I have sovereignty therefore I am" situation. This is the heart of the instability inherent in regionalism and within the Market-based model in particular. There has been a false dichotomy constructed between politics and economics. The idea that one can perform without the support of the other is void since they are inherently intertwined in their actions.

Regionalism is a middle-ground; in order to understand the pressures states face, it is essential to understand the relationship between state, region and globalization. The appeal of regional bodies for states is that they provide for bigger markets, growth and development. Joining a region should also give them greater political and economic bargaining power internationally. Globalization does not simply mean greater interconnectedness – it means that borders and boundaries become less meaningful.¹¹⁰ It is a multi-dimensional process, but can also be an asymmetrical one; some areas are more integrated into the process of globalization than others.¹¹¹ Foqué and Steenbergen hold that societies risk disintegration when they are faced with forms of destructive behaviour that they feel are beyond their control and that states feel threatened by the process of globalization because it causes them to lose control over their domestic markets and identity.¹¹² This can cause isolationism, protectionism and militant nationalism and reinforces the value of regionalism. Schulz, Söderbaum and Öjendal¹¹³ discuss the fact that New Regionalism encourages the drive to proceed faster with regionalism than what appears to be possible within the normal multilateral framework. The New Regionalism approach does this by using the same forces that are used to sustain globalization and multilateralism – Neoliberal policies.¹¹⁴ This creates significant overlap in influence of state, regional and global forces.¹¹⁵ States access the global framework directly, but have much more power to do so through regions which supply a framework through which they can balance internal needs with external demands. The cost,

¹¹⁰ McGrew, A. "Globalization and Global Politics" Chapter 1 in Baylis, J., Smith, S., Owens, P., *The Globalization of World Politics - An Introduction to International Relations 4e*, 4th Edition (New York: Oxford University Press, 2008) at p.18..

¹¹¹ McGrew (2008) at p. 22.

¹¹² Foqué, R. and Steenbergen, J. "Regionalism: A Constitutional Framework for Global Challenges?" Chapter 4 in Farrell, M., Hettne, B., Van Langenhove, L. (eds), *Global Politics of Regionalism: Theory and Practice* (UK: Pluto Press, 2005) at p. 54.

¹¹³ Schulz, M., Söderbaum, F. and Öjendal, J. "Key Issues in the New Regionalism: Comparisons from Asia, Africa and the Middle East" Chapter 7 in Hettne, B., Inotai, A. and Sunkel, O. (eds), *Compring Regionalisms - Implications For Global Development*, United Nations University/ World Institute for Development Economics Research (UNU/WIDER) (UK: Palgrave, 2001) at p. 234.

¹¹⁴ Schulz, Söderbaum and Öjendal (2001) at p. 246.

¹¹⁵ Schulz, Söderbaum and Öjendal (2001) at p. 247.

however, is that all three levels need to buy into one system – the dominant Neo-liberal ideology – which allows all three to remain integrated.

Regional ideas have evolved historically; theory is not simply a product of modelling, or projecting what could be effective, but has been modified as the predominant case – Europe – has modified itself. What started out as a political initiative, based on sovereignty, has become an economic initiative that undermines it. This first chapter has laid out the fundamental issues going into the debate about regional theory; due to the perceived success of Europe most regions favour the “economics before politics” approach. There is a rush towards a federation and a monetary union, as espoused by Balassa and reinforced by the forces of globalization that use Neo-liberal theory, and regions feel that their end-point is defined. However, as impossible as it is to divorce the state from the international economy, it is equally impossible to divorce politics from economics. The result is that regions face a struggle within their existence; they are challenged from above and from below, and this struggle is compounded by the idealisation of the European model and the attempt to universalize the economic model as a response to the effects of globalization. Having explored the context around regions today, this paper will look towards the null hypothesis and the respective statements in order to interrogate the validity of what have become accepted notions in current regional theory.

Chapter 2

Statement 1: *Regional theory is well established; if regions follow the prescribed economic theory, they will be successful.*

If we are to understand fully how the ideas behind the null hypothesis were formed, we must return to the source – the beginnings of modern regional theory. The above statement is a simple one; if a group of states signs on to an agreement to become a region, there are theories and models available that will enable them to reach their goal. The basis of any theoretical model is to supply a solution to a problem. However, the assumption inherent in this statement is that the theory itself is dependable and tested.

New Regionalism has very defined qualities. The economic model of integration is favoured due to its positive knock on effects for regions wishing to compete in the global market. However this new regional theory is not divorced from its past; the theories of Ernst Haas are still used within regionalist circles and have had an under-acknowledged impact on new theory, particularly through the work of Bela Balassa. If the null hypothesis is correct, economic integration will lead to political integration and a federation. However, if the theory itself is flawed and these flaws have been passed down through the theory, then the very basis of the popular model of New Regionalism that focuses on economics at the expense of politics is also flawed, which undermines the validity of the null hypothesis. In the following chapter this paper will describe the work of David Mitrany and Ernst Haas, who dominated early regional theory. Through looking at the criticisms and juxtaposing the theories, this chapter will challenge Statement 1 and the null hypothesis.

Regionalism's Theoretical Beginnings:

Functionalism

Wiener and Diez discuss that the change in the relationship between member-states should be seen as the *process of integration*.¹¹⁶ This places emphasis on both the process, as well as the outcome. The tendency within theory today is for it to be parsimonious and prescriptive,

¹¹⁶ Wiener, A. and Diez T. (eds) *European Integration Theory* 2nd Edition (United Kingdom: Oxford University Press, 2009) at pp.2-3. See also Neyer, J. And Wiener, A. *Political Theory of the European Union* (UK: Oxford University Press, 2011).

however this cuts down significantly on the value that theory may provide. In using theory, particularly within regionalism, the goal is to look for a single answer, but, as shown in the following analysis, this tendency to narrow theoretical findings can impact how we are able to see that which it describes. Regionalism is dynamic and cannot fit into a neat box. The early theoretical ideas around regionalism illustrate this issue quite clearly.

A Working Peace System was first published in 1943; it was a direct response to the failing of the League of Nations and WW II.¹¹⁷ Mitrany's goal within the theory was to maintain peace more than promoting a set programme for integration.¹¹⁸ His idea was that the League of Nations failed as a coordinating body because the organisation could not structurally cope with continual adjustment.¹¹⁹ Agreements were based on relationships formed around pacts at state level, not on behaviours, and as such emphasised set relationships based on rules.¹²⁰ He holds that international federalism must be considered in a different light to national federalism due to the notion of sovereignty. It was impossible to remove states from their people, but to assume that states could make decisions and hold them over the people that they governed was equally illogical.¹²¹ This meant that states could not act without the support of their populations and as a result, the process had to be inclusive and beneficial for the respective state populations. Also, states would still behave as separate entities due to their fear of domination and a focus on security issues.¹²² What Functionalism provided was an alternative that circumvented the problem of sovereignty and aimed itself at popular interaction, moving interests from parochial politics to common rights and interests. This formed the basis of Mitrany's notion of technical and functional coordination.¹²³ Mitrany essentially designed a kind of step system; he held that modern states were organised more around rules and norms than constitutional values and the requirement to meet needs.¹²⁴ As such, any system that was to be successful needed to respond to both the state structure as well as to the needs of the people in order to make it sustainable.

¹¹⁷ Mitrany, D. *A Working Peace System – An Argument for the Functional Development of International Organisation* 4th Edition (United Kingdom: National Peace Council London, 1943).

¹¹⁸ Mitrany (1943) at p. 13.

¹¹⁹ Mitrany (1943) at p. 13.

¹²⁰ Mitrany (1943) at p. 16.

¹²¹ Mitrany (1943) at p. 19.

¹²² Mitrany (1943) at p. 20. For some additional insights into Functionalism and Neofunctionalism see Caporaso, J.A. and Keeler, J.T.S. "The European Community and Regional Integration Theory" Paper prepared for the Third Biennial International Conference of the European Community Studies Association, Washington D.C. (1993) published online at http://aei.pitt.edu/7252/1/002711_1.PDF .

¹²³ Mitrany (1943) at p. 43.

¹²⁴ Mitrany (1943) at p. 28.

Mitrany argued that in many national situations, there is resistance to change. The problem he found with regional agreements was that not only did they keep nations separate, they reinforced geographical boundaries within the process of compliance; the functional approach would get around this problem by entirely removing the notion of boundaries. They would run across territories and would progressively deemphasize national differences.¹²⁵ He focussed on the issue of how power and sovereignty were exercised in communal spaces.¹²⁶ The issue is that countries tend to want to dominate each other as a natural reaction to issues of security. The answer to this, in Mitrany's mind, was that practical grounds should provide the basis upon which certain nations should become more involved in issues or not. For instance, if one country has more experience in a field, they should command greater respect in that arena, regardless of their placement in general in international matters.¹²⁷ This was a softer approach to the redistribution of power and would allow those nations with common interests to act together.¹²⁸

Mitrany argued that where interactions are based on common interests a network of overlapping fixed interests is created. This also allows for more change because interaction is localised around focal points.¹²⁹ Therefore, the Functional approach was very much about uniting people through their interests and using these relationships to create networks that would ensure a peaceful coexistence. Simultaneously, the system would undermine what had been the biggest stumbling blocks to peace – sovereignty, power, security and resistance to change. Functionalism was essentially a kind of undercover unity that would outlast leadership and generate greater benefits because it would be driven by people and not governments.

These observations describe the functional aspect of his theory, but it also had a technical component. Greater integration would require technical support. This would necessitate greater communication, particularly in sectors such as transport and mail etc. This could easily be facilitated within one interest, but may, in a step higher in integration, require coordination amongst groups of interests and may even lead to international planning

¹²⁵ Mitrany (1943) at p. 34.

¹²⁶ Mitrany (1943) at p. 35.

¹²⁷ Mitrany (1943) at p. 37.

¹²⁸ Mitrany (1943) at p. 38.

¹²⁹ Mitrany (1943) at p. 41.

agencies.¹³⁰ In terms of his argument, an organising body could be formed, however it had to follow as a result of action rather than precede it and had to operate within strict boundaries.¹³¹

The only warning he highlights is that such agencies may overstep their power bounds, but Mitrany maintained that any laws must remain in the ambit of national governments to both make and enforce – no nation ought to be subject to another unwillingly.¹³² The confusing reality for Mitrany was that as much as he wanted to work around statehood, he knew it would persist, therefore he also had to accommodate state concerns. As a result, Mitrany did not want to reinvent the system; instead the aim within his thinking was to find the easiest and fastest route to peace without rocking the foundations the system stood on, possibly promoting another war. Instead, his is a “back-door” theory – one that works from the bottom up, promoting people-centred change rather than forcing political weight downwards.

In *The Prospect of Integration: Federal or Functional?*¹³³ Mitrany puts more emphasis on developing countries and the challenges they face as new nations.¹³⁴ His option of integration is the easiest to apply to newly independent or developing nations as it does not challenge sovereignty. He also emphasized the effect that Functionalism could have on democracy. It works around the need to maintain the democratic system, especially where certain functions have escaped the control of parliaments.¹³⁵ Therefore, although the Functionalist programme seems to undermine sovereignty, it actually reinforces sovereign rights.¹³⁶ He believed that federalism focused more on tightening ties between states than encouraging cooperation.¹³⁷ Lastly, he introduces a response to the question of a functional end-point; function determines structure and structure determines practice, therefore the political nature of any end-point would need to be dependent on how it evolved. He avoids prescribing a defined end-point.¹³⁸

¹³⁰ Mitrany (1943) at p. 43.

¹³¹ Mitrany (1943) at p. 28.

¹³² Mitrany (1943) at p. 45.

¹³³ Mitrany, D. “The Prospect of Integration: Federal or Functional?” *Journal of Common Market Studies* Vol. 4, Issue 2 (June 1965): pp. 119–149. See also Caporaso, J.A. *Functionalism and Regional Integration: A Logical and Empirical Assessment* (USA: Sage Publications, 1972).

¹³⁴ Mitrany (1965) at p. 121.

¹³⁵ Mitrany (1965) at p. 139.

¹³⁶ Mitrany (1965) at p. 139.

¹³⁷ Mitrany (1965) at p. 142.

¹³⁸ Mitrany (1965) at p. 144.

In his work *The Functional Approach in Historical Perspective*¹³⁹ Mitrany highlights two important factors; firstly, the idea of federalism in the current system could actually be said to work against the democratic initiative, a concept that we know today as the democratic deficit. Technical agreements are made more frequently by experts than by the people themselves and for Mitrany, this is devastating to the cause of cooperation and fair representation.¹⁴⁰ Secondly, he responds to critics by stating that no process can be scientific where integration is concerned. Science operates within restraints, but these restraints are the limits that Functionalism tries to circumvent.¹⁴¹ Mitrany makes strong arguments against federalism, and whilst he does not specifically apply his theory to a monetary union, it is easy to see that he would be against it too. In order to create a sustainable system Mitrany understood that upholding sovereignty, the basis of the state, was paramount. In order to do so, any theory had to support rather than disempower the driving force of the state – its population. For Mitrany, Federalism offered no benefits; it challenged the state, it activated nationalist concerns and in addition, worked against the democratic initiative, systematically minimizing the ability of populations to hold their governments accountable. Functionalism was therefore a fundamental departure in intention and outcome; Mitrany's theory was a direct response to these criticisms.

In the article *A Working Functionalism?*¹⁴² Sewell notes that it does appear that Functionalism would create more enduring relationships, but that to the date of the article, the theory itself has been quite overrated, with little practical success.¹⁴³ He also responds to Mitrany's view of developing countries and argues that before they can commit to a functional endeavour, they must also create space to develop economically. In order to get to a viable stage of integration, development is required, but development also requires a level of nationalism, which is the antithesis of the functional perspective.¹⁴⁴ Mitrany does not, however, state that nationalism is always bad – he simply states that it is not always useful to

¹³⁹ Mitrany, D. "The Functional Approach in Historical Perspective" *International Affairs (Royal Institute of International Affairs 1944-)* Vol. 47, No. 3 (July 1971): pp. 532-543.

¹⁴⁰ Mitrany (1971) at p. 540.

¹⁴¹ Mitrany (1971) at p. 542.

¹⁴² Sewell, J.P. "A Working Functionalism? A Working Peace System by David Mitrany; Functionalism and World Politics" *The Journal of Conflict Resolution* Vol. 13, No. 3 (September 1969) at pp. 398-401. For a further review, see Tanter, R. "A Working Functionalism: a Review" Review of Mitrany, D. *A Working Peace System* and Sewell, J.P. *Functionalism and World Politics in Conflict Resolution* Vol.8, No. 3 (1969):338-401.

¹⁴³ Sewell (1969) at p. 400.

¹⁴⁴ Sewell (1969) at p. 401.

achieve goals because it can become a hindrance. Mitrany holds that nationalism needs to be tempered and Functionalism is the least offensive means to achieve this.

McLaren, however, is very critical of Functionalism; in *Mitranian Functionalism: Possible or Impossible?*¹⁴⁵ he notes six main aspects that he finds problematic. Firstly, he notes that the theory is oversimplified.¹⁴⁶ One clear example of this can be seen in the notion that “function” is never clearly defined.¹⁴⁷ Secondly, he attacks the idea that these functions may operate across borders.¹⁴⁸ This notion offers very little to the understanding that partners not only have to agree on the best way to solve a problem, they also need to be at equal levels of economic development in order to apply and benefit from a strategy. In addition, Mitrany failed to properly account for the fact that many welfare options are already state-centred.¹⁴⁹ This is relevant, but it also takes away from the simplicity that Mitrany was aiming for in his organic approach. His whole emphasis was on not overprescribing in order to maintain the scope of possible application of the theory. This both weakens, as well as strengthens his theoretical approach.

Thirdly, McLaren takes issue with the operationalisation of the theory. He argues that the assumptions made by Mitrany around his concept of “technical self-determination”, including that the world’s experts will unite and agree on a single solution based on rational, objective understandings, are not substantiated.¹⁵⁰ Fourthly, Mitrany held that regarding the structure of interactions, form would follow function. The problem arises in that there is no “one best way” to do anything and the assumption of automaticity is unjustifiable. Within this challenge, he also raises the issue that any international body becomes politicised and that technical experts are also often related to governments. There is therefore no way of clearly escaping governmental influence.

McLaren’s fifth major criticism lies in that no mention is made anywhere about the costs of integration. In working from the bottom up, Mitrany removes the option of government funding, but also removes the decision process around the desirability of agreements, as this

¹⁴⁵ McLaren, R.I. “Mitranian Functionalism: Possible or Impossible?” *Review of International Studies* Vol. 11, No. 2 (April 1985) at pp. 139-152.

¹⁴⁶ McLaren (1985) at p. 401.

¹⁴⁷ McLaren (1985) at pp. 142-143.

¹⁴⁸ McLaren (1985) at p. 143.

¹⁴⁹ McLaren (1985) at p. 143.

¹⁵⁰ McLaren (1985) at p. 144.

would normally fall within the government's purview.¹⁵¹ The response Mitrany may have given here is that decisions still need to go through governments, so it would not be removing them – it would simply be reassigning where the motivation for decisions would come from. In addition, McLaren problematizes the behavioural nature of Functionalism. As a theory, it assumes that the reaction to an issue should be proportional to the concern around it. However, this notion implies that a group should not be concerned with a problem that does not directly affect them.¹⁵² It also not only assumes away any benefits of centralization, it also does not address any justifications for why it is reasonable to assume that the primary aim in any interaction would be welfare.¹⁵³ A final issue is found in the notion of self-driving change, or what became known as “spillover”. Mitrany assumed that if change proved to be successful, it may promote further change. However, activities need funding and that must come from sources benefitting from economic growth. If the growth stumbles, so will the drive to cooperate.¹⁵⁴ This casts serious doubt over the durability of the notion of spillover, as well as how sustainable the theory was in practice. These last few criticisms are the most valid. We can only gather Mitrany would have expected the answers to work themselves out within the process, but this does not allow for any guarantees of success.

These holes in the theory really beg the question of whether the theory was intended, in its parsimonious approach, to deliberately ignore these aspects in order to work around the system in place or whether these were technical aspects not considered vital at the time. The difficulty is that Mitrany addressed new additions to the global stage, such as developing nations in the 1960s and 1970s, but failed to provide greater light on these criticisms. Through Mitrany's on-going writing, it becomes clear that his theory could be meant more as a guideline to processes than as a process itself.

The fact that Mitrany's theory emphasizes working within the bounds of sovereignty and within the modern state structure translates to a far more stable approach to the process of regionalization. In relation to Statement 1, we are able to see that even Mitrany saw the possible threat of Federalism as a significant challenge to overcome. Theory today advocates for a Federal end-point, however, that is exactly what Mitrany was working against. The belief is that, in following the theory provided, regions would successfully integrate. It is the

¹⁵¹ McLaren (1985) at p. 146.

¹⁵² McLaren (1985) at p. 147.

¹⁵³ McLaren (1985) at p. 148.

¹⁵⁴ McLaren (1985) at p. 150.

basis upon which the null hypothesis operates. The success of economic integration, as well as the expectation that political integration will follow, is grounded in the validity of the benefits of expanded markets, the ultimate expression of which is a federation. If there is doubt cast on the benefits of that theory in the earliest writings around regional integration, then there ought to be doubts about the value of the theory now, especially since the fundamental state structure has not significantly changed since Mitrany's writing. Having noted these initial doubts, this paper turns to Neofunctionalism in order to address the evolution of the theory.

Neofunctionalism

Neofunctionalism can be said to find its theoretical bases within Functionalism, Federalism as well as communications theories.¹⁵⁵ Essentially, the major writers - most notably Haas – combined federalist goals with functionalist mechanisms.¹⁵⁶ The outcome was that according to Neofunctionalism, ever greater interdependence would eventually lead to the relocation of governance from states to a new supranational authority, superseding pre-existing national ties.¹⁵⁷ This appears to be the initial point at which the idea of the federal end-point for integration really took hold within integration studies.

Like Functionalism, Neofunctionalism highlighted technocratic decision-making, incremental change and learning processes. However, whereas the Functional understanding of an organisation stated that its form, scope and purpose was determined by the task it was intended to fulfil, the Neofunctionalists attributed more influence to the autonomous nature of supranational organisations and the strength of organized interests. In addition, whereas Functionalists focussed on issues with popular support, Neofunctionalists believed that changes occur due to attitude changes within the elite, sharply diverting from the Functionalist idea of change from the bottom-up.¹⁵⁸

¹⁵⁵ Wiener and Diez (2009) at p. 45. For further discussion of Neofunctionalism in context see Rosamond, B. "The Uniting of Europe and the Foundation of EU Studies: Revisiting the Neofunctionalism of Ernst B. Haas" *Journal of European Public Policy* Vol. 12, No. 2 (2005):237-254. In addition, see Schmitter, P.C. "Ernst B. Haas and the Legacy of Neofunctionalism" *Journal of European Public Policy* Vol. 12, No. 2 (2005):255-272.

¹⁵⁶ Wiener and Diez (2009) at p. 45.

¹⁵⁷ Dosenrode, S. "Federalism Theory and Neofunctionalism: Elements for an Analytical Framework," *Perspectives on Federalism, Centro Studi Federalismo* Vol. 2, No. 3 (2010) at p. 23.

¹⁵⁸ Wiener and Diez (2009) at p. 46.

The Neofunctionalists had a few primary aims; firstly, they aimed to create a general theory that could be applied anywhere. Secondly, integration was understood as a process, and thirdly, that as part of the process, relationships would develop over time, evolve and assume their own dynamic.¹⁵⁹ Fourthly, Neofunctionalism is pluralist in nature; it departs from the Realist understanding that states are the main and only relevant actors and accepts instead that regionalism is driven by multiple actors, including governmental and non-governmental elites.¹⁶⁰ Lastly, an element that was regularly implied in Haas' writing was that as countries enjoyed economic growth, they would naturally look more towards growth than they would towards nationalism.¹⁶¹ His theory was focussed on economics rather than politics. In his view, economics would form the basis of the theory of integration and politics would follow.¹⁶²

As a theory, Neofunctionalism focussed on European integration. As a result, several assumptions were made; it was accepted that the relevant actors were rational and self-interested, had preferences and could therefore change them and learn from the process.¹⁶³ Neofunctionalists also believed that once organisations developed sufficiently, they would slowly escape the influence of their creators. It was also accepted that not every game played between actors was zero-sum; exchanges were more likely seen to be positive-sum, in that the nature of the exchanges were geared towards compromise and continued relations.¹⁶⁴

One of the main concepts within neofunctionalism is *spillover*. The term was originally used in two ways – firstly to connote the occurrence of further integration, and secondly to describe the driving force behind further integration due to increased economic or functional interdependence. Haas described the process as one in which successful integration in one area puts pressure on states to cooperate in other technical areas.¹⁶⁵ In the literature, the term functional spillover was developed to describe this technical aspect. It is structural in nature and the pressure to change is not homogenous – it is driven by agents. The difficulty was that

¹⁵⁹ Wiener and Diez (2009) at p. 47.

¹⁶⁰ Wiener and Diez (2009) at p. 48.

¹⁶¹ Wiener and Diez (2009) at p. 48.

¹⁶² Breslin, S. and Higgott, R., "New Regionalism(s) in the Global Political Economy. Conceptual Understanding in Historical Perspective," *Asia Europe Journal* Vol. 1, No. 2 (2003): pp. 167–182 at p. 168.

¹⁶³ Wiener and Diez (2009) at p. 48.

¹⁶⁴ Wiener and Diez (2009) at p. 49.

¹⁶⁵ Wiener and Diez (2009) at p. 49. The concept of spillover can be beneficial within a region but can also be used as an efficient concept for understanding the spread of trade liberalization between regions, as seen in the article by Moylan, T. "Is Regionalism a Threat to Trade Liberalization?" (10th April 2013) published online at <http://www.e-ir.info/2013/04/10/is-regionalism-a-threat-to-trade-liberalization/>.

the conditions in which spillover could occur were numerous and no single description could cover the issue effectively.¹⁶⁶ Political spillover becomes appealing when it becomes apparent that problems cannot be solved at a domestic level.¹⁶⁷ Neofunctionalists also emphasized governmental elites and the process of socialization and learning. Processes need time to develop and depend very heavily on trust between members, tying into the fact that the issues become increasingly problematic where they become politicized. Most importantly, those that are participating must feel as though they are doing so willingly.¹⁶⁸

Haas believed that elites were valuable in that once they perceived that problems could not be solved locally due to the widening spillover, they would turn their expectations, political actions and even possibly their loyalties to a new European centre, thereby adding political stimulus to the process.¹⁶⁹ Another focal point is the role played by supranational institutions; organisations are vital in creating outcomes that facilitate greater cooperation because they act almost as mediators, ensuring that the parties feel that agreements are voluntary and cooperative. This has a further spillover effect Haas termed “cultivated spillover”.¹⁷⁰ Conventional wisdom at the time stated that agreements were usually the outcomes of domestic bargaining, but Neofunctionalism changed the orientation of the integration process by relocating state concerns to an inter-state level.¹⁷¹ Where this change in orientation occurred, we find one of the sharpest departures from Mitrany’s theory; citizens are no longer at the centre of integration and Neofunctionalism is firmly placed as top-down approach, with changes being enforced by elites from above.

Some main terms are clarified in Haas’ *The Uniting of Europe*;¹⁷² functions are a product of a system, and are based on the idea that a correct response to a need will eventually grow and become independent of the system that produced it.¹⁷³ Haas is very critical of Functionalism. He heavily questions how it could be reasonable to expect states to support cross border transactions unless political and military security is in place,¹⁷⁴ which is ironic, since his

¹⁶⁶ Wiener and Diez (2009) at p. 57

¹⁶⁷ Wiener and Diez (2009) at p. 59.

¹⁶⁸ Wiener and Diez (2009) at p. 60.

¹⁶⁹ Wiener and Diez (2009) at p. 49.

¹⁷⁰ Wiener and Diez (2009) at p. 50.

¹⁷¹ Wiener and Diez (2009) at p. 50.

¹⁷² Haas, E.B. *The Uniting of Europe* (USA: University of Notre Dame Press, 1958).

¹⁷³ Haas, E.B. *Beyond the Nation State: Functionalism and International Organisation* (USA, Stanford: Stanford University Press, 1964) at p. 6.

¹⁷⁴ Haas (1964) at p. 31.

theory works against the state, not, as Mitrany's does, around it. In *The Challenge of Regionalism*,¹⁷⁵ we do not see the same treatment of sovereignty that we see within Functionalism, and Haas seems to lack the concerns that Mitrany had around processes being blocked.

In *Transformations in World Politics: The Intellectual Contributions of Ernst B. Haas*¹⁷⁶ Ruggie et al. examine how Haas viewed Neofunctionalism. Haas at no point called his theoretical investigations a theory as such – like Weber, he believed that entire systems cannot be prescribed.¹⁷⁷ Haas also used an approach that was value based and included both material and ideational elements. These values shaped interests, and as values changed or interests could not be filled, change within behaviour was facilitated.¹⁷⁸ A by-product of Haas' non-theory predisposition is that no time specification was actually made, which drew significant criticism.¹⁷⁹ However, for all of his protests that integration theory was obsolete, he was actually “wrong about being wrong”; when integration once again fell to the fore in the 1980s, Haas' work formed much of the backbone of the thinking at the time. However, Haas was sceptical of the application of his thinking to other regions, especially with regards to Neofunctionalism as a prescriptive methodology.¹⁸⁰

For the purposes of this literature review, the most interesting of all of his works must be *The Obsolescence of Regional Integration Theory*.¹⁸¹ This work shows changes in Haas' thinking from his original works. In contrast to the claims of other theorists, the book is not an admission of obsolescence, but rather an opportunity for challenging the theory and developing it. As Haas states, the theory may need revising, but the patient is still living – the spread of regionalism and integration has not shown any signs of deterioration.¹⁸²

Interestingly, in terms of transferring the theory, he does refer to externalization for developing nations. The initiative starts by an effort of collective action, either economic or administrative, and is followed by a crisis of equity and distribution. This is followed by

¹⁷⁵ Haas, E.B. “The Challenge of Regionalism” *International Organization* Vol. 12, No. 4 (Autumn, 1958): pp. 440-458.

¹⁷⁶ Ruggie, J.G., Katzenstein, P.J., Keohane, R.O. and Schmitter, P.C. “Transformations in World Politics: The Intellectual Contributions of Ernst B. Haas” *Annual Review of Political Science* Volume 8 (2005): pp. 271-296.

¹⁷⁷ Ruggie et al. (2005) at p. 275.

¹⁷⁸ Ruggie et al. (2005) at p. 276.

¹⁷⁹ Ruggie et al. (2005) at p. 279.

¹⁸⁰ Ruggie et al. (2005) at p. 280.

¹⁸¹ Haas, E.B. *The Obsolescence of Regional Integration Theory* (USA: Institute of International Studies, University of California, 1975).

¹⁸² Haas (1975) at p. 4.

locating the problem in an external source, allowing for growth and the development of a common front towards external parties. This allows for a reduction in integration costs to the members while increasing integration itself.¹⁸³ This is one version of how integration can occur, and was certainly seen in many early attempts to regionalize in the developing world, including the EAC.

Speaking about European institutions, Haas notes that in established integration norms, the authority and legitimacy of an institution should evolve simultaneously.¹⁸⁴ He makes an important distinction between a central authority and a managed partnership;¹⁸⁵ a central authority can choose to prioritise interests, while in a managed partnership it means that if interests are to be noticed it is dependent on forming the right alliances. In the second instance, aspects of sovereignty are not removed.¹⁸⁶ In actually allowing for them, Haas creates a space for the state, however, he equally opens the door to criticism as he cannot account for whether the interests pursued will be welfare centred. The problem within Europe was that the sovereign state was both “obstinate and obsolete” and the system mirrored that reality.¹⁸⁷ Within the study of institutions in Europe at the time, three likely outcomes of the regional process were considered – a slow but continual growth leading to an equilibrium, a dramatic growth in authority, leading to a federal outcome, or a collapse and a return to national governments. However, Haas disagreed with this approach; he held that these options were insufficient as institutions were constantly subject to change. Neofunctionalism provided an imperfect system of growth¹⁸⁸ and even Haas was eventually unsure of the outcome. Perhaps the answer Haas was looking for was that the fallacy was not in the theory, but in looking for neatness within it – the curse of parsimony.

Neofunctionalism is one of the most criticised schools of integration theory.¹⁸⁹ The theory does not accurately account for unintended consequences or for the fact that any actor has multiple interests and loyalties. In addition, it was criticised for its predictive nature.¹⁹⁰

¹⁸³ Haas (1975) at p. 10.

¹⁸⁴ Haas (1975) at p. 64.

¹⁸⁵ Haas (1975) at p. 66.

¹⁸⁶ Haas (1975) at p. 67.

¹⁸⁷ Haas (1975) at p. 71.

¹⁸⁸ Haas (1975) at p. 84.

¹⁸⁹ Wiener and Diez (2009) at p. 51. Moravcsik supplies a concise discussion of the limitations and the legacy of Neofunctionalism in Moravcsik, A. “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach” *Journal of Common Market Studies* Vol. 31, No. 4 (1993):473-524.

¹⁹⁰ Wiener and Diez (2009) at p. 51.

However, these criticisms are based on perceptions of the theory. The theory never really claimed to be predictive – it claimed that the process should continue, but does not espouse a timeline or a process.¹⁹¹ It also does not deal with the effect that such changes have on popular representation as it focuses on elites and their influence. This seems to be a criticism that follows Neofunctionalism from its Functionalist roots; are these purposefully omitted in order to allow for the space for the relevant processes? It could be, as noted above, that since Haas never actually called Neofunctionalism a theory, these were ideas that were meant to guide practice but not become exclusionary. Therefore the theory only provides an explanation for the process that is integration, not a general theory, which is a huge issue for the way these ideas are applied today.

However, some criticisms are more valid; firstly, Neofunctionalism bases itself on assumptions, minimizing its ability to travel; it assumes that countries are relatively developed and diversified within their productive capacities and have democratic policies, as in the European case.¹⁹² The assertion that spillover is inevitable and the theory's heavy dependence on economic determinism have been questioned.¹⁹³ There were later reformulations that applied some qualifications to its occurrence and moved away from the notion that it was an automatic process, but even so, these were insufficiently elaborated.¹⁹⁴ The lack of attention paid to the pervasive and enduring nature of nationalism and sovereignty has been heavily criticised.¹⁹⁵ The assumption that economic growth and prosperity will continue and be equally shared has been questioned as well. Neofunctionalism appears to be a fair-weather process that does not account for deviations. In addition, some have claimed that Neofunctionalists assumed too much of the domestic leadership and expected more homogeneity in interests and interest groups than was likely.¹⁹⁶

Haas' Neofunctionalism is therefore radically flawed as a basis from which to build regions. His theory has remained pertinent, however its criticisms are substantial. Yet, theorists remain enamoured with his ideas. Neofunctionalism's weaknesses hit at the heart of the hypothesis at hand. How has Haas' theory filtered through to modern regional theory? His ideas have driven theorists to believe that federalism is the full stop that regional initiatives

¹⁹¹ Weiner and Diez (2009) at p. 51.

¹⁹² Wiener and Diez (2009) at p. 51.

¹⁹³ Weiner and Diez (2009) at p. 51.

¹⁹⁴ Weiner and Diez (2009) at p. 52.

¹⁹⁵ Weiner and Diez (2009) at p. 52.

¹⁹⁶ Weiner and Diez (2009) at p. 52.

crave, despite the fact that it significantly challenges the foundation of the region politically – the Westphalian state. His model, which he wanted to apply universally, is tailored around European assumptions and influences, and cannot effectively be applied to the developing world. In truth, as seen in Europe as well as the EAC, without political will, regions face collapse.

Conclusion

Neofunctionalism remains one of the fundamental reasons why states today move towards a monetary union and a federation. The theory remains influential directly, but also indirectly through the work of Bela Balassa. Balassa's model incorporates many of the same understandings as Neofunctionalism;¹⁹⁷ it includes an economics before politics approach that assumes that politics will follow economics and advocates for a federal end-point. The state is seen as a stumbling block to integration and both theories espouse the ideals of extending markets and developing methods of trade expansion. Both theories are also driven from the top-down and use the idea of spillover to explain the evolution of economic integration. Both also assume prerequisites in order for the theory to be effective and both theories aimed to create a unified theory of integration that could travel. Had Haas not published a book about the obsolescence of his own theory, and had his version of economic integration had the structural appeal of Balassa's five stages, we may see his influence more clearly today. The effect of the similarity between the two theories, written around the same time, is that we can expect to see similarities within the criticisms and effects of both. It is on this basis that this paper is able to link the old to the new theory; the ideas within the theory have, in essence, not changed substantially despite the changes in politics, economics, trade and development.

If we link these ideas to the previous chapter, it seems that in order to access global markets, states must sacrifice elements of their sovereignty, and where they will not, the functional aspect of integration within these theories will do so for them. It seems to be an ideal counter-balance to the issue of stubborn states, disabling their ability to return to protectionist tactics, however, in practice, it is not entirely effective. As a result, it is clear that at its very foundations, regional theory, old and new, has fundamental issues. The intention is not to

¹⁹⁷ Rosamond, B. "The Uniting of Europe and the Foundation of EU Studies: Revisiting the Neofunctionalism of Ernst B. Haas" University of Warwick Institutional Repository (2005) published online at http://wrap.warwick.ac.uk/1076/1/WRAP_Rosamond_9570885-150709-rosamond_jep_05.pdf at p. 11.

disregard all regional theories, or to cut regional theory down in totality, however, it is to expose the fact that many of the assumptions made around how, where and why theory is used should be considered far more. This opens the first door towards unlocking the validity of the null hypothesis; on a theoretical level, the basis of the statement is flawed. Economic integration is neither universal, nor a guarantee for regional success, nor even necessarily the most effective model.

Where Haas was criticised and the same underlying logic exists in theory today, there should be greater concern around the theory behind integration models. In linking the criticisms of Neofunctionalism with Functionalist theory, clearly where Mitrany tried to work around inherent issues in the state structure Haas tended to essentially ignore them, counting on the fact that they would be naturally overcome within the integration process. Holding Mitrany's theory up against Haas' and as a result, indirectly against Balassa's, we are able to uncover the weaknesses in the current theory; it works against the state structure, undermining state sovereignty. The process is dislocated from popular interests, with elites promoting change. The theory assumes that elements are present in a given case, thereby undermining the integration process before it has begun. This lack of structural support is an added danger as the theory itself is centred on the idealised European model, which, as an idealisation, does not portray a realistic path for states to follow. Above all, the ability for regional economic integration to undercut democratic processes can have multiple negative effects, including the inability to reign in state power. Therefore, whereas Mitrany lacked the structures to make his theory more practical and appealing, he considered the issues that were likely to stunt the success of regions much more so than Haas, thereby revealing many of the weaknesses in Haas' theory.

Statement 1 holds that following the theory will lead to successful integration, however on interrogating the literature, this proves to be incorrect. Since many of the essential traits within Neofunctionalism can be seen in New Regionalism in Balassa's economic programme of integration and New Regionalism unquestionably forms the basis of most regional initiatives today, there should be significant concern around the use of this theory as a means to achieving successful integration. The success of the null hypothesis is dependent on sound theory and where this is lacking, it is substantially devalued.

In terms of the criticisms above, this chapter has shown that the theory itself needs reconsidering if it is to remain beneficial to states and regions. On analysis, the economic approach to integration could be said to actually activate those aspects that could most threaten the integration process by isolating the state and citizenry within the integration process, essentially removing the most powerful drivers of change. The overpowering assumption within regional integration is that integration itself will continue to progress, however without these drivers it is difficult to understand how integration can be supported. Having established that there are significant concerns around the theoretical bases for the null hypothesis, the following chapter will interrogate how this theoretical predisposition that works against both state and citizenry has had an impact on regional initiatives. When regions fail, it is not often the theory itself that is blamed, but the application. In assessing the effect that this model has on state-society relations, the following chapter will address why an alternative to federalism and a monetary union is required in order to move towards more successful and sustainable regions.

Chapter 3

Statement 2: *A successful region will lead to a federation and a monetary union.*

The previous chapter made a significant dent in the fundamental aspects of the application of regional theory, but despite this, it is also clear that regions can and do work up to a point within the economic programme. However, regions are built by sovereign states and sovereignty is an essential state characteristic. Many regions stumble or falter along their path to regionalization because they are unwilling to sacrifice their own existence in order to amalgamate into a federation.

In order to unpack Statement 2, we need to look at two of the constituent parts of a state – sovereignty and nationalism – that underpin much of state behavior. In addition, the key to understanding how we should view member states in regions is by exploring how a region affects a state and its relationship with its citizens, thereby adding to our understanding of why states may be more or less committed to regions. If economic integration is effective, then political commitment to a permanent regional alliance should follow. So far, this paper has focused on the state's outward objectives in relation to other states, however a state also has domestic obligations. In looking downwards into the domestic realm of the state, this paper will extend the ideas established in the findings of the last chapter; it will highlight the importance of prioritizing politics within the integration process and as a result, will expose the opposing forces a state must contend with in order to act within a region.

Westphalia – The Beginning of the Modern State and the Challenge of Identity

The notion that states have boundaries and by virtue of such boundaries have certain rights is a relatively new idea, historically speaking. Despite its status as a recent construct, it has established itself solidly as the central idea and starting point for most concepts within international relations and international law.¹⁹⁸

¹⁹⁸ Baylis, J., Smith, S. and Owens, P. *The Globalization of World Politics - An Introduction to International Relations 4e*, 4th Edition (New York: Oxford University Press, 2008). Additional resources that discuss the state of the state in the European context include Caporaso, J.A. "The European Union and Forms of State: Westphalian, Regulatory or Post-Modern?" *Journal of Common Market Studies* Vol. 34, No. 1 (March 1996): 29-52 and Caporaso, J.A. "Changes in the Westphalian Order: Territory, Public Authority and Sovereignty" *International Studies Review* Vol. 2, No. 2 (Summer 2000): 1-28.

The state as we understand it today was established via the Treaties of Westphalia and Osnabruck in 1648.¹⁹⁹ Over the four centuries that followed, the system developed into the normative structure that today constitutes the modern world order. At the heart of the agreement was the mutual recognition between European leaders of the rights of others to rule their own territories free from outside interference.²⁰⁰ However it was only truly in the twentieth century with the collapse of empires that sovereign statehood and national self-determination really became solidified as universal values.²⁰¹ Three key principles dominate the idea of the modern nation-state: territoriality, sovereignty and autonomy.²⁰² Territoriality is defined as an exclusive territorial political community with fixed boundaries, while sovereignty guarantees that within those boundaries the state is entitled to unqualified and exclusive political and legal authority.²⁰³ Autonomy allows for a separation between the global and the domestic; it grants the state the rights of self-determination and self-governance in political, economic and social activity within those borders.²⁰⁴ The idea of a state and the rights around it were formally integrated into customary international law in the Montevideo Convention of 1933, in which it states that:

*“a state as a person of international law should possess the following qualifications: a) a permanent population, b) a defined territory, c) government and d) the capacity to enter into legal agreements with other states.”*²⁰⁵

This has become such an influential idea that in order for any new state to succeed in its claim for statehood, it should meet the standards of the international community on these grounds. These have importantly been included in the idea of regions through the requirements that states must fulfil in order to join a region, or be recognised in an attempt to join one, as seen in the Guidelines on the Recognition of New States in Eastern Europe and in

¹⁹⁹ Encyclopedia Britannica *Peace of Westphalia* at <http://www.britannica.com/EBchecked/topic/641170/Peace-of-Westphalia>. For a further discussion on statehood and the role of Westphalia, see Hassan, D. “The Rise of the Territorial State and The Treaty Of Westphalia” University of Technology Sydney, Australia (2006) published online at <http://epress.lib.uts.edu.au/research/bitstream/handle/10453/3289/2006006060.pdf?sequence=1>.

²⁰⁰ Anderson, B. *Imagined Communities* 2nd Edition (UK: Verso, 2006) at p. 87.

²⁰¹ Anderson (2006) at p. 7.

²⁰² Krasner, S.D. “Compromising Westphalia,” *International Security* Vol. 20, No. 3 (1995): pp. 115–151 at pp. 115-116.

²⁰³ Biersteker, T.J. and Weber, C. (Eds.) *State Sovereignty as a Social Construct* Cambridge Studies in International Relations (UK: Cambridge University Press, 1996) at p. 2.

²⁰⁴ Baylis et al. (2008) at p. 23.

²⁰⁵ Dugard, J. *International Law: A South African Perspective* 3rd Edition (South Africa: Juta and Company Ltd., 2005).

the Soviet Union issued by the European Community in 1991.²⁰⁶ Statehood may be recognized collectively or unilaterally, but without recognition,²⁰⁷ a state cannot function.²⁰⁸ Statehood and the rights surrounding it have therefore come to define inter-state relationships. Regions themselves are dependent on the ability of the state parties to commit to the necessary agreements in order to establish regional arrangements.

It is consequently clear that both federalism as well as a monetary union significantly influence the rights of the member states.²⁰⁹ What is most challenged is an underlying attribute of statehood that is deceptively persuasive – the identity of the state itself. Processes of regional integration are driven by people that are existing citizens of a state with a national identity. One of the most interesting and, for this paper, influential questions in regionalism today is how a regional identity can be formed, particularly regarding moving the national gaze to the regional level. This is important because if economic integration theory is correct, and political integration follows economic integration, we should see the effects of that change within regional identity, as espoused by Haas and Balassa. The real issue around identity is that it is so integrated in all of us as citizens that it is difficult to demarcate where it begins, ends and changes. In order to understand the role of state identity, we need to first understand the structure that gives it life – nationalism.

Nations and Nationalism

Nations can be defined at a minimum as large scale political communities, frequently with a political background and a unique form of social consciousness that is historically anchored. The idea of the nation is inseparably integrated with our habits of language, and therefore appears as natural in our everyday interactions.²¹⁰

Nationalism also has multiple elements within its definition; it can be described as an intense expression of feeling from people attached to a national collective that is paired with a sense

²⁰⁶ Dugard (2005) at p. 83.

²⁰⁷ Biersteker and Weber (1996) at p. 1.

²⁰⁸ Dugard (2005) at p. 90.

²⁰⁹ Riker, W.H. “European Federalism: Lessons From Past Experience” Chapter 2 in Hesse, J.J. and Wright, V. (eds.) *Federalizing Europe? The Costs, Benefits, and Preconditions of Federal Political Systems*, 2nd Edition, Nuffield European Studies (UK: Oxford University Press, 2000) at p. 9.

²¹⁰ Karolewski, I.P. and Suszcki, A.M. *The Nation and Nationalism in Europe - An Introduction* (UK: Edinburgh University Press, 2011) at p. 5.

of dedication to the group and its wellbeing.²¹¹ It includes a nationalist ideology, which constitutes the core narrative, political priorities and goals for the nation. These goals are meant to depict the will of the nation and are therefore closely tied into its ideology. Lastly, nationalism includes nation-building and incorporates national symbols and nationalist discourse, which reinforce and perpetuate the idea of the nation and its goals.²¹² A nation, in turn, is an imagined political community that is limited by virtue of its boundaries but sovereign within those boundaries.²¹³ Gellner argues that there is an essential difference between the nation and the state; although many assume they are the same thing, they are quite separate. The state can exercise power independently of the nation, as well as the opposite. Where that connection is reinforcing rather than destructive, it is to the benefit of both.²¹⁴ This is vital to consider when considering identity, accountability and legitimacy within governance.

There are three perspectives on nationalism which are useful in understanding the role it plays; the functional perspective stresses that nations did not develop by accident. They fulfil their functions better than their alternatives, which makes them functionally indispensable in the context of the modern state system. The nation is associated with a homogenous language that facilitates communication and allows for national sentiments to be constructed and preserved. This also filters through to education and other means of standardization that reinforce homogeneity. The nation therefore imbues the individuals with a sense of connectedness and group commitment.²¹⁵ Apart from the obligations derived from being part of a nation, nations are expected to produce social trust, which is formed primarily from the cultural layer within a nation. This is essential within a democracy as citizens need to be able to trust the redistributive mechanisms within an economy.²¹⁶

The constructivist perspective looks at a nation as an imagined community, built on social interaction and historical experience. The nation is developed through suppressing various dialects whilst favouring one dialect that will become the vernacular, producing a

²¹¹ Cerutti, F. "A Political Identity of the Europeans?," *Thesis Eleven* Vol. 72, No. 1 (February 2003): pp. 26–45 at p. 28.

²¹² Karolewski and Suszcki (2011) at p. 8.

²¹³ Anderson (2006) at p. 6. See also Gellner, E., *Nations and Nationalism*, 2nd Edition, New Perspectives on the Past (USA: Cornell University Press, 2009) at p. 4.

²¹⁴ Gellner (2009) at p. 6.

²¹⁵ Karolewski and Suszcki (2011) at p. 17.

²¹⁶ Karolewski and Suszcki (2011) at p. 18.

homogenising effect. It is seen as imagined as most members of a sovereign state will never meet the majority of their co-members, yet imagine the collective as a bonded community.²¹⁷ The imaginary community becomes real through belief, interaction and media. Alternatively, discursive constructivists highlight two claims; firstly, there is a construction of national difference and uniqueness that is produced which emphasizes domination and has the by-product of isolating those that are different. The second aspect is that national identity in this view is not stable – it is constantly produced and reproduced.²¹⁸

The rationalist approach understands the nation as a group of people motivated by self-interest. People behave in a cost-sensitive way that is intentional and have a consistent set of preferences. Cooperation is based on self-interest and is based on the advantages and disadvantages of collective action, as well as the information that is accessible and the likelihood of success within the action taken. Therefore cooperation will occur where individuals see that based on the information at hand, the interaction will most likely be successful and bring benefits to the individual.²¹⁹

Given the perspectives above, we can use a derivative, more complete definition of a nation; it is a political community endowed with a collective identity. The nation relates to the collective identity within a political space, which includes a political decision making system. This creates a direct link between the nation and the political collective identity. There is a dynamic relationship between the individual citizens and the nation, therefore the national element produces a sense of belonging despite the fact that citizens may hold more than one identity.²²⁰

In terms of the goals related to statehood, Brubaker identifies types of nationalism within two categories – state seeking and non-state seeking nationalism. State-seeking nationalism occurs when political representation wishes to establish the state itself. It eventually becomes obsolete, however, non-state seeking nationalism endures and is likely to change and evolve. Brubaker identifies four different types within this category, but the most significant is defensive populist nationalism. This is the type of nationalism that attempts to protect the

²¹⁷ Karolewski and Suszcki (2011) at p. 18.

²¹⁸ Karolewski and Suszcki (2011) at p. 19.

²¹⁹ Karolewski and Suszcki (2011) at p. 22.

²²⁰ Karolewski and Suszcki (2011) at p. 37.

nation against external threats.²²¹ This may take many forms, but it activates the “us versus them” complex and can be applied both internally and externally. It is this response which we see in the retraction into statehood, away from regions. Writing in 1963, Bolles²²² described nationalism as either outwardly orientated, politically dominant and economically preferential, or inwardly orientated, isolationist and protectionist.²²³ He noted that where a threat exists, the first response is national self-sufficiency, at that time seen with de Gaulle in France. As part of a union or not, states by their nature tend towards maintaining their own welfare and independence. He was cautious about times of success versus times of strain – he noted that it would be times of economic recession or political instability that would be telling regarding the efficacy of a region.²²⁴

As a result, where the nation is threatened, national identity becomes activated. In both a political and economic sense the implications for the state are significant. We can understand this further by looking at what political identity is, how it is constructed and used and how it is activated. In relation to economic integration, we already have a plausible stumbling block; where integration is perceived to be a threat to national interests, it will elicit a reaction, however, if economic integration acts as it claims, it should be able to circumvent the tendency towards protectionism, emphasizing a policy of open regionalism. Whether it is able to do this depends heavily on the effectiveness of the theory, how identity and nationalism are constructed and how state action or external action within a region is perceived.

Political Identity

Political identity is a tricky issue to pin down because of its complexity, layers and its subjective nature. There are various understandings around what the concept of identity can mean.²²⁵ One interpretation is that it is what characterises a single individual and separates

²²¹ Karolewski and Suszcki (2011) at p. 101.

²²² Bolles, B. “Residual Nationalism: A Rising Threat to Projected European Union,” *Annals of the American Academy of Political Science* Vol. 348, *The New Europe: Implications for the United States* (July 1963): pp. 102–109.

²²³ Bolles (1963) at p. 103.

²²⁴ Bolles (1963) at pp. 105-106.

²²⁵ Slocum, N. and Van Langenhove, L. “Identity and Regional Integration” Chapter 9 in Farrell, M., Hettne, B. and Van Langenhove, L. (eds) *Global Politics of Regionalism: Theory and Practice* (UK: Pluto Press, 2005). Berezin discusses political identity and its relationship to the state in Berezin, M. “Emotions and Political

them as distinct from another. A second meaning is that identity can be seen as what may be common amongst a group of people. With equal ease, identity may be attributed to a geographically defined space, such as Europe, or Africa. A person may be Kenyan, but in a larger sense he is also African.²²⁶

With the birth of the idea of sovereign states, came the ideological belief that people living within those boundaries share an identity that transcends differences and emphasizes a collective interest. Within the nation-building exercises of the twentieth century, most states promoted a sense of homogeneity and unity. This became the basis of nationalism and national identities.²²⁷ Within this view, identity is based upon a narrative that dictates who is a group member or not based on a particular view of history.²²⁸ Borders are established by states and identities follow, regardless of where there may be overlaps. For example, in Belgium, French, Dutch and German are spoken, however, they still identify themselves as separate to those nations due to their territoriality.

Von Busekist takes an interesting approach to identity,²²⁹ although she holds that identity as a concept is relatively useless in the social sciences, her arguments as to why are quite useful for understanding the complexity of the idea. She holds that identity is dynamic and constructed, and therefore dependent on the context in which it is used. It rests on tradition or a collective understanding which may evolve and reproduce itself but maintains a close relationship to the political system that produces it.²³⁰

In order to understand how identity plays a part in the relationship between citizen and state, we look to Hegel. Despite the fact that he lived and wrote in the century between 1750-1850, his understandings are valuable because he was present at a time when political thinkers were observing the evolution of national identity.²³¹ He wrote on what modern political identity

Identity: Mobilizing Affection for the Polity” Chapter 5 in Goodwin, J., Jasper, J.M. and Polletta, F. (eds) *Passionate Politics: Emotions and Social Movements* (USA: University of Chicago Press, 2009).

²²⁶ Slocum and Van Langenhove (2005) at p. 137.

²²⁷ Hobsbawm, E.J. *Nations and Nationalism Since 1780* 2nd Edition (UK: Cambridge University Press, 2012) at p. 170.

²²⁸ Slocum and Van Langenhove (2005) at p. 138.

²²⁹ Von Busekist, A. “Uses and Misuses of the Concept of Identity,” *Security Dialogue SAGE Publications* 35, No. 1 (2004): pp. 81–98, DOI: 10.1177/0967010604042537.

²³⁰ Von Busekist (2004) at pp. 81-98.

²³¹ Moland, L.L. *Hegel on Political Identity: Patriotism, Nationality, Cosmopolitanism* Topics in Historical Philosophy (Illinois, USA: Northwestern University Press, 2011). For a broader view of Hegel and his work, see Germino, D. “Hegel as a Political Theorist” *The Journal of Politics* Vol. 31. No. 4 (November 1969): 885-912.

should look like in order to allow both state and citizen to thrive. Within an individual's identity, he separates out two aspects; firstly, he states that every individual has a *practical* identity within a state. This identity is constituted by the practical obligations of a citizen, for example, voting. These characteristics are uniform, and endow an individual's life with a positive purpose. This is distinguished from *political* identity and may be termed as action-motivating identification. A person will therefore vote because they identify themselves as part of a group that holds this collective responsibility.²³² Identifying oneself as having a political identity has certain repercussions. It involves an association with a particular history, but also, with a particular prospective narrative – identifying oneself as British, for example, means that your state represents you in international affairs.²³³

Regarding political identity, Hegel states that an individual must have agency – he must lead a “healthy” political life in order to flourish as a human in a structured environment. Hegel sees the relationship with the state as dynamic and dependent on its citizenry and holds that a mutually beneficial relationship is vital.²³⁴ When a citizen sees the laws of the state as being part of who he is and how he wishes to live, rather than being imposed from above, it makes for greater fulfilment. In line with this, citizens must adjust some of their desires in order to fit in with the interests of the whole.²³⁵ This description of identity ties in neatly with the understandings of Mitrany, in that his theory espouses changes from below, however, it contradicts the theories of Haas and Balassa, since their theories have a top-down approach.

We can also assess the nature of national identity by looking at three aspects that constitute its effect – internal cohesion, exclusion, and the balance between the individual and the collective.²³⁶ The construction of the nation as an abstract community occurs by activating a specific set of institutionalised values and national symbols that can convey the ideas of the nation to its members. This, as well as developing a sense of obligation to their fellow members affects cohesion within the nation.²³⁷ Exclusion can be measured by looking at the exclusion of non-citizens, the access granted to the political community and the assimilation

²³² Moland (2011) at p. 9.

²³³ Moland (2011) at p. 10. For further reading on the subject of participatory politics within democracies see Barber, B.R. *Strong Democracy: Participatory Politics for a New Age* (USA: University of California Press, 2003).

²³⁴ Moland (2011) at p. 19.

²³⁵ Moland (2011) at p. 47.

²³⁶ Karolewski and Suszcki (2011) at p. 38.

²³⁷ Karolewski and Suszcki (2011) at p. 39.

of new citizens. In this sense, nations are double-coded as they function by bonding internally, but drawing boundaries externally. The nation defines itself in contrast to “others”, but others are not constant – they are subject to redefinition. The third aspect refers to the “We-I” balance. Every individual finds his identity balance between him/herself as an individual, and in relation to the group he belongs to. Any overemphasis on either pole will result in a backlash in the opposite direction, creating a need for balance in order to maintain stability.²³⁸ Therefore, if nations are a fluid concept, this means that identity itself is fluid – it is reconstructed and reanimated depending on the changes experienced by the nation itself.²³⁹

Alternatively, Giddens argues that, in line with his theory of structuration, it is neither the experience of the individual nor the existence of society in its totality that dominates how social sciences should be studied; instead, it is social practices ordered across time.²⁴⁰ Working on the basis that human social interaction is recursive, it is the activities of actors that are re-enacted and reproduced on a daily basis that form the basic structures of behaviour and agency. Therefore they are not brought into being, but are continually replicated through their expression. This process of expression creates phenomena like “acceptable behaviour”. It is through expression that conditions are created that allow for behaviour to continue or cease.²⁴¹

Human character, in Giddens’ theory, is therefore defined by knowledgeability which he defines as reflexive. This is a product of the flow of social life that is distinctively the same across time and space.²⁴² To be a human being is to be a purposive agent, but the purpose is not divorced from the given context. People therefore monitor this reflexive action as an ongoing process, and this process is rooted in what can be considered, in simple terms, to be history. History, within Giddens’ definition, is a series of human “happenings” that link in time to create the greater human narrative.²⁴³ All actions depend on the practice of rationalization, which is integrated into the process of this continual flow of experience.²⁴⁴

²³⁸ Karolewski and Suszcki (2011) at p. 40.

²³⁹ Karolewski and Suszcki (2011) at p. 42.

²⁴⁰ Giddens, A. *The Constitution of Society* (USA: University of California Press, 1984) at p. 2.

²⁴¹ Giddens (1984) at p. 2.

²⁴² Giddens (1984) at p. 3.

²⁴³ Giddens, A. *The Consequences of Modernity* (USA: Stanford University Press, 1990) at p. 5.

²⁴⁴ Giddens (1984) at p. 3.

Actors are judged as more or less competent based on their ability to rationalize within a situation, and these judgements are vital in forming relationships and expectations.²⁴⁵

Giddens argues that human experience is contextual; if behaviour is acceptable, it has been made acceptable through repeated interactions that make sense at that time. He sees agency as a result of what individuals perceive as acceptable and effective in a given context. As a result, political behaviour, for instance, the support of democracy, is not a permanent structure. It is made acceptable through repetition and is reinforced through an ongoing process of rationalization and reflexivity. He pulls agency back from the context in which it is activated and places it squarely in the hands of the individual. Agency cannot, in Giddens' view, be seen as controlled or defined from above through systemic norms. He also warns that one cannot give too much sway to institutions, as it does not give sufficient weight to autonomous social forces, and equally, one cannot "blame" actions on dark external forces as it attributes far too little control to agents.²⁴⁶ Unintended consequences are what generally change behaviours, however some unintended consequences are positive and some negative. Negative consequences will be questioned and should change behaviours.²⁴⁷

Giddens clearly sees all processes as reproduced actions²⁴⁸ and structure, political or otherwise, is dependent on the reproduction of behaviour.²⁴⁹ He acknowledges that the reproduced structure can be socially hard, meaning that where structures grow in strength due to a high level of repetition, they can over time formalise into a forceful approach that affects behaviour itself.²⁵⁰ Giddens' view differs from Hegel's, but is not more or less relevant. Hegel includes aspects of reflexivity, behaviour as well as relationships between people, however, his theory looks more at the relationship between individuals and structures. He does not, as Giddens does, look at how those structures are created and maintained or why they persist. In his view, identity will persist under certain conditions within the structure, provided that the structure does not fundamentally change its boundaries.

²⁴⁵ Giddens (1984) at p. 4.

²⁴⁶ Giddens (1984) at p. 5.

²⁴⁷ Giddens (1984) at p. 8.

²⁴⁸ Giddens, A. and Pierson, C. *Conversations With Anthony Giddens - Making Sense of Modernity* (USA: Stanford University Press, 1998) at p. 76.

²⁴⁹ Giddens, A. "The Prospects for Social Theory Today," *Berkeley Journal of Sociology* Vol. 23 (1979 1978): pp. 201–223 at p. 218.

²⁵⁰ Giddens and Pierson (1998) at p. 77.

Given the discussion above, it is arguable that these perspectives reinforce the arguments around identity and the state. Giddens' perception of agency can be rationalised to fit into the functionalist, constructivist and rationalist models of nationalism and statehood. What Giddens supplies is a means to better understand changes in political identity and people's reaction to the state. If reproduction through social interaction allows a structure to form, and that structure exerts a force on a population of agents, it is likely to cause a disturbance at some point as behaviour and attitudes change. If the process of reproduction has unintended consequences, behaviour may change faster than the structure is able to cope, or social interaction may not be able to cope with the rate of change within a structure due to elite influences. If we tie Hegel to Giddens, and in turn tie this to the notion that nationalism is a multi-layered animal, it is understandable that clashes may exist at any given time between structure and individual, as well as between individuals within the layers.

Giddens and Hegel come from different times and from different contexts, however, their ideas around agency are not necessarily at odds with each other. Both theories contribute to how we should see identity within the process of integration. Firstly, state structure is a product, in Giddens' view, of repeated human behaviour that has created expectations and a security complex for the individual living in a state. If we combine this with Hegel, we see that the relationship between the individual and the state is far deeper than simply being representative. The nation state is intimately linked with the reality of the citizen and dictates how citizens exist within a state. At this level economic integration faces a significant challenge in changing the focus of the most basic level of the state – its population. It is feasible that this relationship could be shifted, but this is far more complex than what is accounted for in the assumptions of economic integration. In fact, the burden is arguably against change. It is very unlikely that a process that does not account for nationalism, sovereignty or identity to the right degree would be able to account for a means to lessen the pressure applied in terms of national identity, at both the state level and on an individual basis.

Comprehending the concept in this way naturally leads to questions around how and why identity is activated, maintained or changed. Considering that identity, nationalism and nations themselves are all constructed and related, how they relate specifically requires clarification.

Identity and Nationalism

Due to the fact that both concepts are so complex, it is useful to understand the ways in which identity and nationalism interact. As mentioned above nationalism is layered; four levels of nationalism can be identified – the individual, societal, national and international. Although they interact daily, findings from one cannot necessarily be transferred to others. Having said this, they are quite open within their interaction and influence each other.²⁵¹ Regarding the issues dealt with here, our interest is directed to the societal, the national and international levels.

The meso-level, or societal level, describes the interactions between people and the state. Identity here is usually constructed through what is called “mega-narratives” that vary from state to state and can be changed through discourse. These narratives include state history, ideals and goals. Actors on this level include the state, societal groups and representatives, and it is this level that is most often used in order to gain central political power in a state. This level has two primary aspects – the pragmatic and the ideological. The pragmatic aspect is one that is dominated by material wealth, while the ideological aspect constructs and reinforces or loosens the boundaries between the in and out-group members.²⁵² It is often fragmented due to a high level of competition.²⁵³ This level therefore directly influences national identity by linking causes and ideas to individuals and groups. It is the connection between the state and its citizenry.

The macro level, or state level, is characterised by two goals – the survival of the state and the maintenance of the legitimacy²⁵⁴ of the government,²⁵⁵ particularly within democracies, governments must continue to supply the economic goods that the state is responsible for.²⁵⁶ A key ingredient to the success of any national body is the perception of legitimacy. National identity is vital in that it plays a part in legitimising the decisions made in the national context.²⁵⁷ Legitimacy is affected in two ways by political identity; firstly, the decisions that

²⁵¹ Karolewski and Suszcki (2011) at p. 104.

²⁵² Drakulic, S. “Whence Nationalism?” *Nations and Nationalism* Vol. 14, No. 2 (2008): pp. 221–239 at p. 224.

²⁵³ Karolewski and Suszcki (2011) at p. 108.

²⁵⁴ Ruchet, O. “Cultural Diversity, European Identity and Legitimacy of the EU: A Review of the Debate,” in Fuchs, D. and Klingemann, H.D. (eds.) *Cultural Diversity, European Identity and the Legitimacy of the EU* (UK: Edward Elgar Publishing Limited, 2011) at p. 4.

²⁵⁵ Karolewski and Suszcki (2011) at p. 109.

²⁵⁶ Karolewski and Suszcki (2011) at p. 110.

²⁵⁷ Karolewski and Suszcki (2011) at p. 47.

are made must have positive results. The measure of positivity is mediated by the expectations of the community which is in turn directly influenced by the construction of identity. Secondly, there must be the perception of public participation in the process of decision-making, which is also dependent on identity.²⁵⁸ The intervening issue is that the outcome should reflect the will of the nation, and not simply the majority.²⁵⁹ This aspect therefore links the national with the societal level, and reinforces national identity from both above and below.

Within the macro-level, there are two kinds of collective political identity. The first is strategic essentialism, a bottom-up approach, where a group uses the established identities of the state to promote its own cause or to protect its group culture from assimilation. This approach tends to preserve already existing power ties.²⁶⁰ The second occurs where political elites need to strengthen weak ties or create a new political identity in order to legitimise policy. This is a top-down approach and often manipulates national symbols in order to activate emotions around issues. Both of these legitimising processes mean that identity is subverted in the interests of politics. The end result is that governments have a kind of monopoly on identity in order to promote their causes, while they maintain a control over their critics by continuing to define what the “correct” national identity is.²⁶¹ The outcome of this use of national identity is that an interaction with another group may turn into a zero-sum game,²⁶² activating the “us versus them” form of nationalism. These two processes demonstrate the fact that the process of identity formation can be influenced by both state and citizenry, but more importantly, that it characterises the relationship between the state and its citizens. Identity is more than an affiliation; it is a dynamic tool that is used to realise goals and legitimize behaviour.

The last level is the supranational or international level; nationalism influences the international system through state actions. For example, states may find themselves more militarily powerful due to an increased defence budget. In order to legitimize this spending, government may choose to argue a case that activates an element of national identity, such as

²⁵⁸ Karolewski and Suszcki (2011) at p. 47.

²⁵⁹ Karolewski and Suszcki (2011) at p. 48.

²⁶⁰ Karolewski and Suszcki (2011) at p. 48.

²⁶¹ Karolewski and Suszcki (2011) at p. 48.

²⁶² Slocum and Van Langenhove (2005) at p. 138.

a perceived threat.²⁶³ In addition, pressure from citizens may cause a state to intervene in a crisis in another state, influencing inter-state relations. It is at this level especially that identity may influence regionalism due to its effect on the actions of states at an international level.²⁶⁴ Popular will can make or break agreements once a region has been established.

As a result, we find that national identity is a tight web of interlinking influences and connections, starting from the individual and leading all the way up to international state reactions. It is a broad and permeating concept, but its stability is also deceptively fragile. In considering the above description, although we are tied to the idea of a national identity, what that national identity is and how it can be used is a more sensitive issue. This becomes particularly important in establishing and maintaining regional agreements as well as cultivating a regional identity that may be able to support integration.

Regionalism and Identity

Regions as political bodies are much larger than states and have boundaries that are far less defined. As noted in Chapter 1, the definition of what may delineate where a region begins and ends is difficult to pin down, impacting significantly on the construction of regional identity. The best approach to regions is to treat them as if they materially exist. In truth, they exist as nations do, as constructs that are granted agency within the international system.²⁶⁵ The problem is that these features are drawn from the nation-state and mimic the vocabulary used to define states. The tendency to treat regions as nations in territorial, political and economic terms is problematic.²⁶⁶ This has obvious knock-on effects, namely, that within addressing regions as we would the state, we bring expectations along with the vocabulary. To see identity and regionalism from two perspectives becomes valuable; firstly, from the regional perspective as an identity-generating body, and secondly, from the perspective of identity formation, which must cope with and react to the process of regionalization. The most effective way to understand how regional identity relates to national identity is by assessing the difference in the effect of national and regional identities in relation to an individual citizen. This is because an individual is aware of their membership in the greater

²⁶³ Karolewski and Suszcki (2011) at p. 111.

²⁶⁴ Karolewski and Suszcki (2011) at p. 112.

²⁶⁵ Karolewski and Suszcki (2011) at p. 168. For further reading on the nature of identity in a context greater than the state, see Wendt, A. "Collective Identity Formation and the International State" *The American Political Science Review* Vol. 88, No. 2 (June 1994): 384-396.

²⁶⁶ Karolewski and Suszcki (2011) at p. 168.

group (the vertical aspect – regional or national) but the way he views his identity is in relation to the individual's feeling between group members (horizontal aspect – in group, national or community).²⁶⁷ Therefore even though identity is based on micro-level interactions, the phenomenon itself may be extended to a societal, national or international level because the point of comparison remains the individual.

An individual in a nation views identity as a product of shared history, culture and values, whereas in a region, identity becomes about the amalgamation of various cultures and histories.²⁶⁸ Due to the size of regions, regional identity tends to be more abstract.²⁶⁹ It can be activated to support a regional cause, however this depends on a number of factors.

Regionalism usually lacks a uniform education system in which to promote its values, as well as a single language or legal system. Therefore regional identity depends on two factors – the type of community and the type of moral resources expected from the community.²⁷⁰ By their nature, regions consequently encourage solidarity over loyalty, especially since they do not have the resources to guarantee what a nation state can.²⁷¹ Perhaps citizens of nation-states can rearrange their interests along more regional lines, but they are unlikely to abandon their loyalty to the state.²⁷² As noted, the issue of legitimacy is a key component within national identity and the loyalty of citizens to a nation-state.²⁷³ In terms of delivering what a nation expects, it is the state which is best structured to enable participation in decision-making, avoiding a democratic deficit. Citizens continue to perceive national elections to be more important than regional ones.²⁷⁴

The issue at hand, however, is also how identity copes with regionalism – how would Hegel have dealt with this in terms of his understanding of political identity? Moland uses Hegel's theory in order to fashion the response he may have given. According to Hegel, one can differentiate between patriotism and political identity. If patriotism is the need to act for the

²⁶⁷ Karolewski and Suszcki (2011) at p. 170. An interesting insight that links identity back to Neofunctionalism can be found in Risse, T. "Neofunctionalism, European Identity and the Puzzles of European Integration" *Journal of European Public Policy* Vol. 12, No. 2 (2005): 291-309.

²⁶⁸ Lobeira, P.C.J. "EU Citizenship and Political Identity: The Demos and Telos Problem," *European Law Journal - Review of European Law in Context* Vol. 18, No. 4 (July, 2012): pp. 504–517 at p. 505.

²⁶⁹ Fuchs, D. "Cultural Diversity, European Identity and Legitimacy of the EU: A Theoretical Framework," in Fuchs, D. and Klingermann, H.D. (eds.) *Cultural Diversity, European Identity and the Legitimacy of the EU* (UK: Edward Elgar Publishing Limited, 2011) at p. 28.

²⁷⁰ Karolewski and Suszcki (2011) at p. 172.

²⁷¹ Lobeira (2012) at p. 507.

²⁷² Karolewski and Suszcki (2011) at p. 173.

²⁷³ Cerutti (2003) at p. 36.

²⁷⁴ Karolewski and Suszcki (2011) at p. 176.

greater good within the state and political identity is the means by which people identify themselves within a state, it should be possible to separate action from identity and therefore allow for multiple identities. According to Hegel, as long as one does not forsake one's state responsibilities, additional identities should simply add to the richness of the individual's existence.²⁷⁵

Having said this, Hegel saw the nation state as the ultimate political body. He did not advocate for political cosmopolitanism and certainly doubted the effectiveness of any political body beyond the state. Hegel believed that to change the relationship between state and citizen would leave citizens without stability and a meaningful connection to political representation, rendering states ineffective. Without this connection people risk getting lost and degenerating into selfish motives, opening society up to disorder and chaos. The state acts as a cradle of safety for individuals in a political sense.²⁷⁶ He held that within any body bigger than a state, where no coercive power was present, there would be no need for individuals to adhere to its laws. If it did have coercive power, the body would more than likely destroy the balance of freedom and identity the state had cultivated.²⁷⁷ This is seen clearly in situations where states perceive their well-being to be better safe-guarded through independent action than by remaining within the collective. Hegel also held that no individual would buy into a system of laws that he did not see as his own. For Hegel, in order for a regional body to effectively govern within a geographical space, the laws that it applies should not be imposed from above, but should be generated from the collective will of the parties and should not be driven by self-interest.

Conclusion

Many have argued that establishing a regional identity can reinforce state commitment to the regional cause through the commitment of its citizenry. Within the development of a regional identity, it is vital to consider how regions develop; does integration follow the development of identity, or does identity only develop through the process of integration? If one of the main functions of identity is to reinforce commitment, why is there still a state reaction of turning towards independence in the face of crisis? We also need to consider the reality of

²⁷⁵ Moland (2011) at p. 155.

²⁷⁶ Moland (2011) at p. 157.

²⁷⁷ Moland (2011) at p. 158.

identity construction; if it is a construct that is developed and reproduced through discourse, there is no need for a national and regional identity to exist in competition – if they are reproduced to mimic a zero-sum game, then there is a reason for it being so.

The argument that this paper makes, considering the assessment above, is that regional identity would have to go a long way to trump overall state identity. In looking towards regional identity as a solution to the problem of integration, what we actually ought to reconsider is how we view the use of regional identity in relation to a national commitment to regional causes. Where regional bodies try to mimic national symbolism and try to inspire individual commitment, regional identity is essentially used as an ideological band-aid. In attempting to circumvent national ties, regional bodies are attempting to divert attention away from statist thinking and are trying to re-route connections to the regional level in the same way as economic integration works around politics. It appears that regional political identity has been manipulated; it is not a natural progression from national identity, but is instead a construction that by its very intention challenges the state. Therefore regional identity is less stable because it uses the symbolism of the state without the foundational trust that exists between state and citizen.

Regional identity is a weak solution to a problem that runs much deeper. Where the citizenry perceives a threat to its interests and the interests of the state, it will react. Where regionalism blocks the ability of a state to act independently and in so doing blocks the ability of the state to respond to the needs of the people they are directly responsible to, it erodes the interest of the respective communities in the greater regional cause. Federating and relinquishing a national currency are arguably the two most extreme elements within the regionalization process that block these abilities. With respect to the above discussion, economic integration without political will does not seem to have much hope at creating a sustainable system that would allow citizens to comfortably relocate their trust. This may be a contributing factor as to why states retract support for regional initiatives in times of crisis or instability.

Giddens may argue that, in line with his theories of agency, the reproduced ideas around states are such that the force that they exert through cumulative activity is greater than the relative force a regional influence could exert, thereby diminishing the validity of the attempts to construct an alternative identity. We live in a society of individuals that have, for an extended period, exalted the state system through our actions. Regions as we know them

today are relatively new concepts; they challenge the perceived safety of the state which has been reinforced throughout history.

The challenge of manipulating political identity is in one stroke made easier and far more difficult; it becomes easier in the sense that if we see Giddens' argument as essentially grounding identity in activity, those pushing for a regional alliance can manipulate behaviours and change them, constructing a new orientation over time. However, in Giddens view, the seat of agency is the individual which makes the process of change far more complex. Identity is dependent on internal processes of motivation, rationalization and consequences, wrapped in layers of reproduction and reinforcement. Changing identity is not simply about extrapolating what makes a state a state and applying it to a region – it is about fundamentally altering individual's perceptions and behaviours. His emphasis on the individual and on agency within a process removes the option of aggregate opinion being able to change rapidly.

Therefore there are strong arguments as to why, on a foundational level, regional identity is simply not as strong as national identity. As Hegel notes, national identity is a dynamic concept that defines the individual within the state, but also acts as a tool for both state and citizen within the national context. It is underpinned by practical goals that are motivated by perceptions around what ought to be prioritized in the national context. The nature of what national identity supplies to both the individual as well as the collective is bound up in the state structure and therefore cannot be easily replicated at a regional level, despite the attempts to transfer some of the state structures that nurture unity and identity to the regional level. Regions simply cannot provide the same supportive structures that states have evolved to naturally include. Therefore in practical terms, regions, and especially regions driven by economic integration, cannot sustain state commitment without promoting political integration that supports the structures that individuals depend upon, such as accountable, representative and legitimate governments. The simplicity and lack of discrimination that economic integration offers is appealing on many grounds, but it is insufficient.

This chapter therefore leaves us with the conclusion that the exclusion of politics from the regionalization process cannot be maintained if we intend to create sustainable regions. It cannot be assumed that politics will follow economics and moreover, it cannot be assumed that citizens will relocate their identity within the regionalization process. As such, a post-

Westphalian solution will remain unacceptable; the state is a vital participant in the process of regionalization, but also within the ongoing life of a region, as it does not lose its responsibilities to its citizens. In looking to remove the state, the theory looks for a solution to remove a problem that it creates itself, thereby detracting from its value. The following section will assess the final statement, and in so doing, will address the question of whether Federalism is the best or only option for states in a region. Given that this section has argued that the state cannot be removed from the process of regionalization, the outcome of integration must take this reality into consideration. The following chapter will link the ideas above through looking at a feasible alternative – confederation.

Chapter 4

Statement 3: *Leadership within a successful region will require a post-Westphalian solution in order to move beyond bounded state politics.*

The previous chapter emphasized the role of the state, nationalism and sovereignty as remaining relevant within the international system. The following chapter will extend those ideas through assessing an alternative option to the federation – the confederation. Having challenged regionalism and economic integration, one must concomitantly acknowledge that economic integration does have benefits; were the benefits not visible, the concept of integration in this way would have lost support. Therefore, we are left with the need to achieve a balance – is there a system which could facilitate the benefits without challenging the state to the extent that Federalism does? Is the concept of the state dated or are the notions within economic integration romanticized? Either way, the space that states find themselves in regarding further integration is a paradox; they are simultaneously reaching for a goal that would increase their wealth and power, but that would equally extinguish their being.

Federations and Confederations – Differences and Difficulties

Both federations and confederations fall under the process of regionalization; both initiatives seek to unify states in binding agreements that require certain sacrifices around sovereignty and independence, however, the pivotal difference is in the degree of sacrifice asked within the arrangement.²⁷⁸

A federation can most simply be described as a movement by states to unify into a single body with centralized leadership. The delegation of power consists of a central government that controls certain aspects of federal power and individual states that comprise the federal unit. The states maintain a degree of independence and have limited powers within their respective jurisdictions, subject to the general federal laws. The majority of the issues within the purview of the independent units concern domestic issues, while the central government

²⁷⁸ For further reading on federations and confederations in relation to the modern state system see Elazar, D.J. “From Statism to Federalism: A Paradigm Shift” *Publius* Vol. 25, No. 2 (Spring, 1995): 5-18 and Watts, R.L. “Daniel J. Elazar: Comparative Federalism and Post-Statism” *Publius* Essays in Memory of Daniel J. Elazar Vol. 30, No. 4 (Autumn, 2000):155-168.

concerns itself with issues in relation to other states, such as security and the economy.²⁷⁹ The devolution of power is set in a constitution, binding the parties into agreement and clearly delineating the boundaries of power.²⁸⁰ Federations may be relatively homogenous, but there may also be the division of territory ethnically or along other lines.²⁸¹ The location of sovereignty within a federation is based on the people within the federation, not on the states themselves, therefore the federation is made up of states, but a singular population.²⁸² There are internal mechanisms in order to resolve power disputes, and the federation tends towards a singular identity that represents the population. A federation is structured like a government, and includes a judiciary, a legislature and an executive. Externally, the federation has an independent legal personality and is treated as a single body. Its international strength depends on the resources and bargaining power it amasses from the collective.²⁸³

A confederation, in contrast, can be defined as a group of states united in an alliance or league. The alliance is taken to be permanent, depending on the nature of the parties. The difference here is that states remain independent entities. Their alliance is bound by treaty and the confederation may be dissolved or a party may leave under certain conditions, though, leaving is harder in reality than in theory depending on the agreements within the treaty. There is a delegation of power to a centralized authority, however, it is by agreement only and the means of delegation and decision-making must be agreed upon by the state parties.²⁸⁴ The powers granted to the individual members are far greater than in a federation.²⁸⁵ This can be understood by explaining the difference through the process of where the majority of the power lies. In a federation, the central government tends to delegate powers, however, in a confederation, it is more appropriate to say that the independent states cede a portion of their power to a body that they establish for a purpose. The reason that Coakley argues that confederations are not more present is that they are seen as a stepping

²⁷⁹ Oxford English Dictionary definition of Federation at <http://oxforddictionaries.com/definition/english/federation>.

²⁸⁰ Coakley, J. *Nationalism, Ethnicity and the State - Making and Breaking Nations* (London, UK: Sage Publishers, 2012) at p. 236.

²⁸¹ Coakley (2012) at p. 237.

²⁸² Kiljunen, K. *The European Constitution in the Making* (Brussels: Centre for European Policy Studies, 2004) at p.5.

²⁸³ Kiljunen (2004) at p. 6.

²⁸⁴ Oxford English Dictionary definition of Confederation at <http://oxforddictionaries.com/definition/english/confederation?q=confederation>.

²⁸⁵ Coakley (2012) at p. 237.

stone, either towards a federation, or away from unification and towards independence.²⁸⁶ In common perceptions, it is not the “sexy” political option. A confederation never becomes a state in itself – the parties always remain independent states.²⁸⁷ As a result, the treaty that establishes a confederation cannot supersede the existing constitutions of the relative parties.²⁸⁸ In building a confederation, certain institutions may be established in order to facilitate cooperation, but the confederation itself does not wield any independent international personality. The institutions are simply there to coordinate policy between member states, but ultimately, all actions must be agreed upon and instituted by the members individually.²⁸⁹

The pivotal distinction lies within the implications of the decision-making process for the citizenry of the respective states. In a federation agreements are made by majority and citizens are citizens of the federation as a whole. In a confederation, decisions can only be made where the decision is unanimous and citizens remain identified with their individual states.²⁹⁰ The implications of these distinctions are clear; a federation is a much tighter arrangement where the goal is essentially to form a new collective that will remain as a permanent body and citizens will relocate their loyalty to the collective. There is no opt-out option and although representation does have a local component, the power centre remains national. A confederation is much looser, with cooperation relying on the continuation of the political will to do so. The seat of power does not change for a member or for the citizenry. The differences seem stark, but in reality, these examples are a polarization of the available options in order to afford clarity. By this definition, the EU would be neither a federation nor a confederation, but rather a mix.²⁹¹ Consequently, we are able to understand that these rules are not solid, but that political realities dictate the pace of change and adjustment that a collective is willing to tolerate. Regarding nationalism, and therefore identity, the choice to opt for confederation is a far safer one. By maintaining the integrity of the state, and therefore the political security of the citizenry, it should reduce the integration costs for nationalist causes significantly.

²⁸⁶ Coakley (2012) at p. 238.

²⁸⁷ Kiljunen (2004) at p. 5.

²⁸⁸ Kiljunen (2004) at p. 5.

²⁸⁹ Kiljunen (2004) at p. 6.

²⁹⁰ Kiljunen (2004) at p. 6.

²⁹¹ Blankart, C.B. “The European Union: Confederation, Federation or Association of Compound States? A Hayekian Approach to the Theory of Constitutions” *Constitutional Political Economy* Vol. 18, No. 2 (2007): pp. 99–106 at p. 100.

The issue therefore lies in whether a confederation is actually feasible in terms of supplying the benefits that federalism offers. As noted, the final steps in Balassa's and Haas' programmes are a federation with a monetary union. If a confederation is to be a feasible challenge to the statement above it must demonstrate the ability to supply similar benefits to a federation without compromising the state structure. In order to demonstrate the potential benefits, this paper will discuss the German Zollverein as an economic example of confederation and the early United States in relation to the present day EU as a political example of confederation.

The German Zollverein and the Movement Towards Economic Confederation

Economic integration is a relatively new driver within confederate agreements. In the past, confederations were based on security and the primary motivation to unite was as a defensive tactic. Forsyth argues that because states actively pursue both peace and welfare, the development from security to security and economic welfare or economic welfare alone evolved naturally.²⁹² It also became a more realistic tactic for prosperity when states found that their independence and statehood were more threatened by their economic placement in an increasingly competitive global economy than they were threatened militarily.²⁹³ This understanding applies directly to the EAC, in that although there is increased political stability in the region as a result of the security of the EAC structure, the economic concern looms large over all of the participating states and is one of the strongest drivers in the integration process.

The German Bund was formed in 1815 after the Napoleonic wars and was formed due to defense concerns. Its founding treaty, the Federal Act, only mentions one short and very general provision (Article 19) which relates to trade matters. However, between 1815 and 1820, German politicians and businessmen embraced the Article as a means to cope with economic distress in the German states.²⁹⁴ Prussia was initially the strongest contender of

²⁹² Forsyth, M. *Unions of States: The Theory and Practice of Confederation* (New York: Leicester University Press, Holmes and Meier Publishers INC., 1981) at p. 160.

²⁹³ Forsyth (1981) at p. 161. For additional information on the Zollverein in context, see Henderson, W.O. *The Zollverein* 2nd Edition (Chicago, USA: Cass, 1959) and Henderson, W.O. *The Rise of German Industrial Power 1834-1914* (USA: University of California Press, 1975).

²⁹⁴ List, F. *The National System of Political Economy* Translated by Lloyd, S.S. (London, UK: Longmans, Green and Co., 1909) at p.72. A further discussion of the impact of List's work on the Zollverein can be found in

establishing a form of customs union, though, due to its strength, the benefits were not equally weighted within the agreement.²⁹⁵ By 1828, the Southern German states had also formed a customs union to counter the Prussian-Northern union, which was followed by the Middle German Commercial Union.²⁹⁶ After much deliberation, it became clear that the states should instead unite under a single union, and after much hard bargaining, the Zollverein was established by treaty in 1834. In the eight years that followed, it expanded even more.²⁹⁷

Despite the fact that the Zollverein developed over time, it developed within and in conjunction with an already existing security-based framework in the region. Economics was a new driver of integration, but integration certainly was not a new idea politically. The Zollverein was also not established by a single treaty, but by a collection of agreements in treaty form that had to be ratified by participating states, reinforcing its confederate nature.²⁹⁸ The agreements did not exist in perpetuity, but had a designated expiration date. A state could choose to opt out at the time of expiration, provided due notice was given, otherwise it was taken that the agreement would automatically renew and the party would remain bound by it. Although there were threats of withdrawal, no state actually withdrew.²⁹⁹ Designed this way, the confederation maintained state sovereignty and the power remained with the participating states, rather than with a centralized government.

In terms of its organization, the Zollverein had many strong aspects; the treaties established that in the territory, the economic market would become a single tariff and trading area, using uniform laws for import, export and transit duties. Any changes were addressed in the General Congress in a session that occurred once a year, and then the decision had to be ratified and implemented in the respective parties' territories. With a few exceptions for smaller territories, each member had one vote and decisions had to be made unanimously. Each member was afforded the final right to make independent pacts with external states,

Roussakis, E.N. *Friedrich List, The Zollverein and The Uniting of Europe* (Belgium: College of Europe Press, 1968).

²⁹⁵ Hudson, R. "The Formation of the North German Confederation," *Political Science Quarterly* Vol. 6, No.3 (September 1891): pp. 424–438 at pp. 424-427 .

²⁹⁶ Pierenkemper, T. and Tilly, R. *The German Economy During the Nineteenth Century*, Library of Congress Cataloguing-in-Publication Data (USA: Berghahn Books, 2004) at p. 33.

²⁹⁷ Forsyth (1981) at p. 166.

²⁹⁸ Forsyth (1981) at p. 167.

²⁹⁹ Forsyth (1981) at p. 168.

however this was heavily restricted and no state made use of it.³⁰⁰ The revenue from the common tariff was pooled and distributed to the states according to population. There were also internal mechanisms in which a member state would be responsible to another state in a system of reciprocal surveillance, ensuring compliance.

The really powerful idea within the Zollverein was in its monetary policy.³⁰¹ There had been much debate around how to resolve the issue of varying currency values and states were obviously unwilling to sacrifice the control of their currencies due to the implications for their sovereignty, especially since independence was so guarded in the Treaties. Some Southern states had chosen to change their currencies, however, there was still a split between the currencies of the North and South. As a result, there was a new currency developed that would have universal application in the member states. The parallel currency had an exchange value in relation to existing currencies and was accepted by all states as a valid currency, equal to their own. The answer was therefore to circumvent the issue by creating a parallel currency that would fulfill the function of monetary unification without challenging state currencies. It simplified trade by circumventing exchange rate issues as a single currency would.³⁰²

There are various considerations when looking towards introducing a single currency; as mentioned earlier in the paper, Mundell's ideas around an optimal currency area are dependent on the mobility of factors within a geographic region. Mundell's idea of an optimum currency area is that, in a given space, it will benefit participating states to adopt a single currency because it will help to facilitate an expansion of markets and the movement of goods and people. This implies that markets need to be complementary, and that movement is both possible and desirable.³⁰³ However, the suggestion of a single currency does not necessarily imply that the currency itself will behave as a state currency would. Two options exist for single currencies between states; a parallel currency, as in the Zollverein, is a currency that runs alongside the national currency. It can be used in all of the ways a national currency can be used. The aim of the parallel currency is to maintain harmony, but, with increasing integration, it can also crowd out national currencies progressively to match

³⁰⁰ Forsyth (1981) at p. 168.

³⁰¹ Pierenkemper and Tilly (2004) at p. 34.

³⁰² Forsyth (1981) at p. 169.

³⁰³ Mundell, R.A. "A Theory of Optimum Currency Areas," *American Economic Review* Vol. 51, No. 4 (1961): pp. 657-665 at pp. 657-659.

the pace of integration.³⁰⁴ Therefore the movement towards a single currency would be organic, with no major shifts by government needed. A substitute currency is not as clear a concept; essentially, it is a currency that can replace another either temporarily or, in the case of the EU, permanently. It can include a domestic or an international substitute. The Euro is a substitute currency since each country has its own interest rates, precluding the idea of a single, unified currency within a unified territory, such as the USA. The issue is that an incomplete progression towards unified monetary policy disables states. Within the process, states lose all of the benefits of a single currency such as the ability to affect inflation or correct unemployment.³⁰⁵

A parallel currency is a powerful and efficient concept that challenges the normal notion of a monetary union under a single currency. It also shows that the customs union, although based on a unification of interests, was still based on independent sovereign relations. Whether to unite under a single currency or not has huge implications. Once states forsake their own currencies they also become subject to collective crises, in that they lose their own ability to regulate their economies independently. This can be seen in the current Euro-crisis where many states are struggling to overcome their issues due to an inability to act independently. Currency is controlled by the European Central Bank while interest rates are determined nationally, undermining the ability to affect national currency flows.³⁰⁶ The bigger question, however, is the degree to which states must be politically aligned in order to support an economic agreement of this nature. The confederacy approach means that there can be some political divergences, much more so than where states aim to federate. A confederation allows states, whether used as a stepping stone towards federation or as an end goal in itself, to understand the implications of collective action in a more sovereignty-protecting environment. In order to understand the benefits of confederation as it was understood in the Zollverein, we must look towards the theory that underpinned it.

This idea of unity was driven by a theory produced by Friedrich List. List's understanding of market economics was vital because he did not base it on the traditional structure of households, firms and pricing but focused specifically on the nation state.³⁰⁷ The theory was

³⁰⁴ Das, D.K. (ed) *International Finance - Contemporary Issues* 2nd Edition (UK: Routledge, 1995) at p 135.

³⁰⁵ Mundell (1961) at p. 657.

³⁰⁶ European Central Bank - Long Term Interest Rate Statistics for EU Member States: Eurosystem at <http://www.ecb.europa.eu/stats/money/long/html/index.en.html> .

³⁰⁷ List (1909) at p. 100.

characterized by a few pivotal understandings; firstly, List's focus was on the domestic market. It was not that external trade was unimportant, but for List, the internal market was the key to state survival.³⁰⁸ It was the only market a state could completely depend on in times of war. Internal markets were primary, whereas external markets were instrumental because they were meant to support a state economy's growth and stability.³⁰⁹ From his writings, and specifically his arguments against popular economists of the time, he was clearly openly nationalist. He does not circumvent the reality that states and nations are established units of how we should understand economy and politics – instead, his theory works within these bounds, taking into account first and foremost national interests.³¹⁰

As such, internal markets had to be nurtured and developed. A state should ensure that all internal barriers to exchange between the productive powers within state boundaries were eliminated, subjecting the whole state to uniform laws. The state should promote exchange internally, especially by facilitating transport networks and a national banking system. List was passionate about completely free trade within the state as it allowed the collective to function more effectively and productively. He did maintain that free trade within a state was fundamentally different to free trade between states, which he believed could be more or less expedient depending on the economic nature of the other states.³¹¹

List also held that a state had the obligation to protect and encourage trade. They also had to ensure that there was the correct balance of activity within the productive network. Various elements of production had to be in place; there had to be agriculture, manufacture as well as the supply of immaterial services, such as education, defense and law. Above all, List emphasized manufacture as a key activity.³¹² It was therefore permissible, in his view, to allow for protective tariffs to encourage infant manufacturing industries to grow.³¹³ He justified this by stating that a state, even though it may have the outward structure of an independent body, can lose some of its independence where a foreign state could completely capture the market of an essential product, significantly weakening its internal economy. Therefore power was as much political as it was economic.³¹⁴

³⁰⁸ List (1909) at p. 101.

³⁰⁹ Forsyth (1981) at p. 170.

³¹⁰ List (1909) at p. 121.

³¹¹ Forsyth (1981) at p. 171.

³¹² List (1909) at pp. 114-118.

³¹³ Forsyth (1981) at p. 172.

³¹⁴ Forsyth (1981) at p. 172.

Lastly, List held that the market had to be of sufficient size; modern machine-based production could produce far more than traditional methods. Therefore industries required a market that could demand the level of production required in order to prosper. Small states in particular could never fully realize this potential. List therefore motivated for “a union of interests of different states by free treaty” – an economic confederation.³¹⁵ What was different in List’s time was that although the international economy was competitive, it had nowhere near the pressure that states today experience.

Levi-Faur sees nationalism as the primary source for guidance and legitimacy within the management of the national economy.³¹⁶ In his view, the role nationalism plays is largely misunderstood; to deny nationalism and the role it plays in a state is tantamount to denying self-determination.³¹⁷ Levi-Faur uses List’s theory to highlight the power of nationalism in the pursuit of building and sustaining a successful economy. List held that productive powers and the causes of wealth must be distinguished from wealth itself. He felt that more emphasis should be placed on how wealth is generated. Capital is not simply labour, but material as well as mental capital.³¹⁸ As such, people remained at the centre of List’s concept of productive powers.³¹⁹ Levi-Faur, applying a Listian approach to globalization, states that we need to see the processes as more than economic connections facilitating political changes. List would have viewed the process as state centered; the theory implies that how we should be viewing globalization is as a process facilitating changes in learning and knowledge. The state should be the guiding force in how these changes are used and how these forces should be directed in order for the state to benefit best from them. In this way, productive forces, and not simply growth in the economy remains at the core of the changes taking place.³²⁰ The state in turn should develop institutions that can facilitate, monitor and adjust to the changes and broader range of interests in order to avoid conflict. In addition, time needs to be taken into consideration – the state view should always be aimed at the long term.³²¹ This has

³¹⁵ Forsyth (1981) at p. 173.

³¹⁶ Levi-Faur, D. “Friedrich List and the Political Economy of the Nation State,” *Review of International Political Economy* Vol. 4 No. 1 (Spring 1997): pp. 154–178 at p. 154.

³¹⁷ Levi-Faur (1997) at p. 156.

³¹⁸ Levi-Faur (1997) at p. 157.

³¹⁹ Levi-Faur (1997) at p. 159.

³²⁰ Levi-Faur (1997) at p. 160.

³²¹ Levi-Faur (1997) at p. 164.

become particularly problematic as states want to reach confederal or federal goals as fast as they can, especially where the idealized Eurocentric model is held as the benchmark.

Productivity for List and Levi-Faur is culturally grounded; in List's view, the national economy is the product of national ideas, ethos and the national workforce. It is intricately woven into the fabric of society and people's need to belong to a society.³²² Due to the complexity of nurturing and directing an economy, List argues that only the state is equipped to cope with the diverging interests and cultural changes over the long term.³²³ List's idea becomes clearer when we look at how he views relationships in a confederation; where a state opens its markets up, but remains the driver of its own economy, it essentially has access to a larger market but maintains the ability to take advantage of that larger market. To lose control would mean to lose the benefits that should accompany it. Globalization as we know it today advocates opening markets and self-regulation within the market, however for developing nations in particular, the outcome could be damaging. Instead of claiming that the state is obsolete, it is arguable that the theory should be redirected to allow for a changing role of government. Our fear of introducing politics into economics is representative of the false dichotomy theory has constructed in recent literature. List also specified that the state should act as a *guide* – too much state power is as problematic as none at all.

In Levi-Faur's view, the state must decrease uncertainty, encourage growth and investment and use the ideas around the shared identity and aspirations that exist as part of a nation state.³²⁴ One argument that Levi-Faur makes based on List's view is that if an internal economy is not properly functioning in isolation, how can we expect it to suddenly do so when we open it to international forces?³²⁵ The view espoused by both List and Levi-Faur describe the fact that regional associations are both necessary and required in order to ensure expanding wealth for states over the long term. However, as with any initiative, once the doors are opened, the leadership is not absolved from their responsibility to their population. People remain at the centre of the political model. List's view may be termed outdated, his focus on the state dangerous and his advocacy for state direction of the economy irresponsible, however, his view is one of not reinventing the wheel. This paper has included many claims of how we need to move beyond the state, and yet, states persist. We should

³²² Levi-Faur (1997) at p. 165.

³²³ Levi-Faur (1997) at pp. 161-166.

³²⁴ Levi-Faur (1997) at p. 170.

³²⁵ Levi-Faur (1997) at p. 172.

arguably cease to move past that which we do not fully utilize at the moment. Working around the state is essentially throwing the baby out with the bathwater and the long term sustainability of this approach is questionable.

We can therefore see the logic of confederations for List; they were not a means of liberalizing inter-state trade in order to harmonize the global system, but were instead a way of essentially externalizing internal trade in order to facilitate the highest benefit to the internal market. The trade between nations was still subject to a defined territory in which uniform laws applied.³²⁶ He also made it very clear that the act of confederation was not sovereignty- decaying, but rather sovereignty enhancing, as the act was performed in order to buffer state sovereignty and independence from external challenges. He also saw a strong connection between defensive and economic confederations. One is a complement to the other,³²⁷ in that economic independence encouraged greater security and protection from external threat.³²⁸ His emphasis on economic competitiveness in the international market feeds directly into his motivation for economic confederations. In this sense, politics and economics were directly connected, domestically and globally.

The Zollverein was the precursor to the modern European Economic Community as we know it today. Although the structure today cannot be said to be purely confederate, and the initial plans put into motion post-World War II could not be said to be confederate, there are nonetheless similarities.³²⁹ The Zollverein left us with understandings that can still apply to economic confederations today; many have argued that the Zollverein was first and foremost a political initiative by Prussia to overcome political challenges within the German states. It did service this cause, but more importantly, the German states benefitted substantially in financial terms. The expansion of territory in which free trade took place allowed for an expanded market that benefitted all of the participants.³³⁰ The leaders had access to additional funds in order to extend their revenue source, thereby allowing them to quell revolutionary tendencies in the state and reinforce their sovereignty.³³¹ Ploeckl criticises this benefit in the

³²⁶ Forsyth (1981) at p. 173.

³²⁷ List (1909) at p. 103.

³²⁸ Forsyth (1981) at p. 174.

³²⁹ Forsyth (1981) at p. 180.

³³⁰ Ploeckl, F. "The Zollverein, or How to Sequence a Customs Union" *Economics Series Working Papers* Number 84, University of Oxford, Department of Economics (2009) at <http://www.nuff.ox.ac.uk/economics/history/Paper84/ploeckl84.pdf>.

³³¹ Ploeckl (2009) at p. 6.

literature because it cannot explain smaller trade agreement groupings that are not beneficial to the same degree since earlier studies do not take externalities sufficiently into account. This criticism, although well-founded, is situation-specific and cannot cover every regional agreement.

Ploeckl applies game theory to the sequencing of agreements within the formation of a customs union, using the Zollverein as a case study. He noted that Evenett,³³² after assessing trade literature, identifies three types of accession to trade agreements. These include Technocratic Entrepreneurship, where the regional process is lead by technocratic experts, Geopolitics and Mercantilism, which reflects the strategic trade theory motive and includes geopolitical pressure and concerns over international competitiveness, and lastly, Domino Regionalism. This last aspect is the one most identified with the EU's establishment after World War II. Domino Regionalism arises where a change occurs in a country, which then prompts it to join a trade agreement. The resulting effect in trade diversion and creation affects third parties, causing them to also join the agreement.³³³

The model Ploeckl uses shows that, using cooperative game theory, there are significant changes in payoffs when a state joins a trade agreement. The outcome is that a core is formed which acts as a solution concept within the game theoretic. The effect is that when a player joins, the payoff for a single member becomes attached to the payoff of the whole unit included in the trade agreement, with the effect that the payoff for staying is higher than the payoff for leaving and starting a new unit, or remaining alone. A customs union fits this perfectly since the gains are distributed internally in accordance with an established rule, determined by the member states.³³⁴ Customs unions are more effective in this respect than simple trade agreements since trade agreements lose profits within the administration of cross-border trade that custom unions should avoid.³³⁵ This is the reason for states in the Zollverein not opting out of agreements and failing to complete agreements with third parties. The payoff they receive as part of the union should act as a fail-safe against "greener pastures". Therefore, where a confederation is properly functioning and efficient, it should

³³² Evenett, S.J. "The Sequencing of Regional Integration," University of Oxford, The Brookings Institution and CEPR 22nd October 2004 at http://scholar.google.co.za/scholar?q=evenett+2004+regional&hl=en&as_sdt=0&as_vis=1&oi=scholart&sa=X&ei=cnIaUshLdOthQeTioCwDA&ved=0CCcQgQMwAA.

³³³ Ploeckl (2009) at p. 8.

³³⁴ Ploeckl (2009) at p. 32.

³³⁵ Ploeckl (2009) at p. 35.

create its own systems of protection. Ploeckl's argument shows that there is substantial benefit from choosing a confederation, both economically and politically, today as much as in the past.

Therefore, there is arguably a feasible and beneficial alternative to federalism. A state should not find that the only means to achieving collective benefit is through the sacrifice of its independence. In fact, a confederation could be seen as a safer alternative for states from an economic perspective, particularly taking into account the high degree of international integration of markets today. Another strong example set by the Zollverein is the challenge that an economic union can only be truly beneficial under a single currency. Although alternatives do require higher administrative energy and costs, there are choices to be made in light of the degree to which states are happy to cede aspects of their sovereignty. The Zollverein shows us that alternatives can not only work, they can increase prosperity as well as lay the groundwork for future cooperative efforts.

By assessing the economic impact and benefits of confederation, we are left with questions as to how the system would work on a political level. One of the biggest criticisms in this paper is the false dichotomy between politics and economics. It divides our view of how states function, however no region, confederation or federation, can exist without a degree of integration in both politics and economics by necessity. The very idea of creating an economic union is political. The following section will assess the ideas around early American confederation in order to supplement the ideas above and relate them to the EU today.

Political Confederacy – America, Europe and the Modern State

In confederations, as in federations and most regional arrangements, states are members by virtue of their statehood. Forsyth argues that states are essentially social in their nature because they define themselves in relation to other states.³³⁶ The nature of sovereignty is that on the one hand, it gives a state ultimate command within its own boundary, but on the other,

³³⁶ Forsyth (1981) at p. 10. For additional information on the political confederation in the USA see Chapter 7 in Berkin, C., Miller, C., Cherny, R. and Gormly, J. *Making America: A History of the United States, Volume 1 – to 1877* 6th Edition (USA: Wadsworth Cengage Learning, 2012) and Jensen, M. *The Articles of Confederation: An Interpretation of the Social-Constitutional History of the American Revolution 1774-1781* (USA: University of Wisconsin Press, 1940).

independence to act as the state sees fit internationally. The second aspect is vital; the implications are that a state must willingly enter into interstate agreements and the only binding force is the treaty itself. Treaties and interstate relations are in fact mutual recognitions of independence and the acknowledgement that the content of the treaty respects the will of both parties.³³⁷ There is also a balance struck within interstate treaties – the agreement is in one sense a confirmation of the independence and free will of the state, but on the other is an agreement made to protect and enhance the internal welfare of the state.³³⁸

In assessing the relationship between pre-civil war America and present-day Europe, we are able to once again link the past to the present, and the present to the case of the EAC. Backer writes about the opinions of John C. Calhoun, who discussed the tension between confederation and federation in the early years of the USA, before it became a defined polity. The value of these discussions now is that they seem to be reappearing in the present European context. Europe is faced with strong nationalist tendencies, but high levels of integration, and many wonder where that integration will lead to. The debate in the United States of America essentially ended after the Civil War, however, Calhoun's understandings of federalism in relation to supra-nationalism can give us an idea of alternative options. In so doing, his ideas allow us to challenge what have become the accepted ideas around federalism today.³³⁹ Backer notes that although the USA acts as a benchmark against which many federal systems are compared, particularly due to its Constitution, it has taken 200 years to evolve into its present form. The value of its contribution to the European debate comes from a time in which the ideas around federalism were still messy and developing, before the law was so cleanly cut between domestic and international issues.³⁴⁰

In the past, federations could only exist as a complete state unit made up of smaller federal states and only nation-states could have internal constitutions, essentially applying the same rules to federations as to normal states. However, today, federal systems have emerged that are not nations, but are integrated states, and have constitutions, or aim to have them soon, such as the EU. These constitutions draw force from international law, but service the signatory states as a domestic constitution would. Therefore, as these states continue to

³³⁷ Forsyth (1981) at p. 11.

³³⁸ Forsyth (1981) at p. 12.

³³⁹ Backer, L.C. "The Extra-National State: American Confederate Federalism and the European Union," *Columbia Journal of European Law* Vol. 7, No. 2 (2001): pp.173–240 at p. 174.

³⁴⁰ Backer (2001) at p. 176.

integrate, the lines between domestic and international law are increasingly blurred.³⁴¹ Europe has found itself with two camps – one for integration, and one that supports the continued independence of states within an inter-governmental structure.³⁴² Both campaign for their cause, however, discounting the views of their opposition could eventually have disastrous results for the Community as a whole.³⁴³ The following section will discuss the cases of the USA and the EU respectively.

In the period after the Civil War, a settlement was reached in the US about how federalism would function and how power would be divided.³⁴⁴ The central power and the relative states would merge into a single polity. The process effectively narrowed the range of characteristics that could be claimed if a system was to be called “federal”. The system was based on several basic parameters, which have clearly filtered down to characterize federalism today. Power would be split between national government and local units, which would in themselves function to a degree like independent governments, however, all action would be subject to the central authority.³⁴⁵ The central government, through one or more of its branches, could decide what powers were ceded to local government. Where power was maintained at the centre, a direct link between the national government and the people was created that could not be interfered with at individual state level. States are not free to secede from the union, but if the nation decided to dissolve the federal agreement as a collective, the centre would have to then return power to the individual states.³⁴⁶ States have become appendages for the national government, rather than the fairly autonomous bodies they were originally intended to be.³⁴⁷ Most notable is the inability to secede; the state components of the federation have lost their independence to such a degree that should they wish to leave the union, they cannot do so amicably. This does ensure stability, but it also leaves states with little power to actually change their circumstances. Were a state to join a federation as we commonly understand them today, this is the likely outcome. This is not the only construction of a federation, but it has become the norm.

³⁴¹ Backer (2001) at p. 178.

³⁴² Forsyth, M. “The Political Theory of Federalism – The Relevance of Classical Approaches” Chapter 3 in Hesse, J.J. and Wright, V. (eds.) *Federalizing Europe? The Costs, Benefits, and Preconditions of Federal Political Systems* 2nd Edition, Nuffield European Studies (UK: Oxford University Press, 2000) at p. 28.

³⁴³ Backer (2001) at p. 179.

³⁴⁴ Swindler, W.F. “Our First Constitution: The Articles of Confederation,” *American Bar Association Journal* Vol. 67, No. 2 (February 1, 1981): pp. 166–169 at pp. 167-169.

³⁴⁵ Backer (2001) at p. 180.

³⁴⁶ Backer (2001) at p. 181.

³⁴⁷ Backer (2001) at p. 181.

Calhoun, however, believed in a different policy. He believed that government was a means to create social order within a community. Social order meant a balance between liberty and security. In order to maintain a balance for the state as a whole, the government should guard the community from injustice and anarchy domestically and attack from foreign powers internationally. A constitution is meant to limit the possible abuse of power by the government itself.³⁴⁸ Universal suffrage also acts as a safeguard, and in addition, government action should be based on consensus in order to protect minorities from the majority.³⁴⁹ He envisioned a government for the people, simultaneously limited by law with checks and balances. He was firmly committed to confederation as a healthier, more balanced version of federal organization.³⁵⁰

For Calhoun, the power within the federal system was that, through its constitution, it asserted that the central government was not actually a party to the agreement that established it. The relationship was similar to that of a principal and agents, in which the states ceded power but not sovereignty to the central government. As an agent, the central government had to seek an amendment where it sought to assert power that was not granted to it directly under the constitution.³⁵¹ Therefore, where a law contravened state law and overstepped the powers delegated to the centre, that law remained void until a constitutional amendment was made.³⁵² Calhoun argued that where there are huge steps over the prescribed powers, or over the amendments made, the state should have the right to secede from the union.³⁵³ Although Calhoun speaks about federal arrangements, what he actually advocates for within his proposals is a confederation.

This was a radical view at the time and Calhoun's views were largely discredited and dismissed as unworkable.³⁵⁴ His views of the federal system guarded against the abuse of power; he vested sovereignty in the parts rather than the centre and sought to maintain a high level of independence among the states and a high level of accountability for the centre. He disliked the idea of what the USA has become – a centre-heavy system in which states have

³⁴⁸ Backer (2001) at p. 185.

³⁴⁹ Backer (2001) at p. 187

³⁵⁰ Hudson (1891) at pp. 427-428.

³⁵¹ Backer (2001) at p. 189.

³⁵² Backer (2001) at p. 190.

³⁵³ Backer (2001) at p. 191.

³⁵⁴ Backer (2001) at p. 192.

delegated powers and essentially do not maintain sovereignty in any sense other than a symbolic one. His views seem idealized and to that extent they do appear unworkable, however they do also provide the basis for what could be a fairly harmonious system, were the parties to come to the table in a cooperative way. If we are to assess most of his claims, many of his checks and balances seem sympathetic to the democratic cause.³⁵⁵ The system he proposes, in this light, seems far more achievable and far more familiar than many are willing to concede.

These same debates around federalism are arising in Europe today.³⁵⁶ Since the 1960s, debates have focussed on how the Community should function. At the forefront of this debate have been states like Germany, Spain and the United Kingdom, as well as the European Court of Justice (ECJ). The institutions of the EU have given legitimacy to the regional body through promoting three central principles of law. These include the autonomy of the European Community and the supremacy of the authority of the Community within the ambit of its authority, a direct relationship between the Community and the citizens of the member states, and finally, the fact that the sole competence to determine the nature and scope of the powers ceded to the Community by the constituent states should fall to the ECJ.³⁵⁷ Therefore it seems to be more than just a regional organizing body; the rights accorded to the ECJ as well as to the Community as a structure exceed those ever usually allowed to oversight mechanisms. The Community is attributed with power over states, significantly affecting their sovereignty.

The autonomy granted to the Community institutions sets it apart from the constituent states. It constitutes a form of independent government with concurrent competence with states in certain areas. Community autonomy is protected from the encroachment of state powers by the ECJ.³⁵⁸ This occurs in two ways; firstly, the agreement between the state and community is based on the ceding of sovereignty upwards and at the core is the notion of harmonization as a means to level national differences. Harmonization essentially ropes the states into a system in which there are limitations on the laws that states may make, creating similarity in

³⁵⁵ Przeworski, A., Stokes, S.C. and Manin, B. (eds) *Democracy, Accountability and Representation*, Cambridge Studies in the Theory of Democracy (UK: Cambridge University Press, 1999) at p. 46.

³⁵⁶ Cuyvers, A. "The Confederal Comeback: Rediscovering the Confederal Form for a Transnational World" *European Law Journal - Review of European Law in Context* (Oxford, UK: John Wiley and Sons Ltd., Wiley Online Library, 2013) <http://onlinelibrary.wiley.com.ezproxy.uct.ac.za/doi/10.1111/eulj.12062/pdf> at p. 2.

³⁵⁷ Backer (2001) at p. 194.

³⁵⁸ Backer (2001) at p. 195.

laws and thereby facilitating greater interaction with greater ease,³⁵⁹ the purpose of which is to encourage greater integration. Secondly, the ECJ has the sole right to interpret the treaties to the extent that, where the validity of an Act is challenged, it is up to the ECJ to determine whether the challenge is valid.³⁶⁰ This creates a system in which the Community may wield a significant amount of power within the scope of their authority in relation to the member states.

While there may be consensus among the states around the autonomy of the Community, the supremacy of the Community is not as widely accepted and many states challenge the relationship between states and the Community in this respect. Germany, as an example, has challenged this supremacy in its Constitutional Court as it maintains the view that power resides with the state units and should remain there. The question of federalism is as much political as it is juridical in the European context. Germany has a history of federalism in the form of the union of the Hohenzollern Reich in 1871, and so reacts in light of that history – their differentiation of nations is based less on geography and more on culture, language and even race.³⁶¹ There is a belief in integration, but it is limited to a more administrative nature. The German Constitutional Court has, for instance, taken the position that it, and not the ECJ, should determine the validity of actions taken by the Community within its sovereign territory. Where such actions are not approved, these laws cannot be enforced in Germany.³⁶² This paints a very Calhounian picture of where power should lie and where it should stay in the eyes of states – it emphasizes the Community as a group of independent units that remain independent, rather than lifting the authority of the Community above sovereignty. Despite a feeling of unity within Europe, the attitude in Germany is one in which the Community law cannot compromise the German laws that grant basic rights and guarantees.³⁶³ Therefore the tension between agent and principal has created competition rather than harmony. This tension highlights the debate around where the EU should end its integration efforts, and what the final outcome should be.

Nationalism and sovereignty are as strong in Europe as they are in any other group of nations and despite wanting to enjoy the benefits of integration, states are aware that integration

³⁵⁹ Backer (2001) at p. 196.

³⁶⁰ Backer (2001) at p. 197.

³⁶¹ Backer (2001) at p. 199.

³⁶² Backer (2001) at p. 201.

³⁶³ Backer (2001) at p. 204.

without the maintenance of independence can be crippling. If we link these ideas around “basic rights”, as in Germany, to the arguments made earlier in this paper around the accountability of a state to its citizens, popular identity and the accountability of government, we understand that unless there is an overwhelming will to forsake independence, federalism as described above is a pipe dream, even in the EU. What does become clear in the above discussion is that Europeans, wary of the federal drift and development that has occurred in the USA, have once again ignited the early American debates around ceding power and law-making in order to protect their sovereign rights.³⁶⁴ Despite the desire to integrate, the focus is on doing so in a way that does not fundamentally alter the rights of independent nations.

The European debate has shown that federalism need not be the unitary animal we have come to accept – there are variations within the idea of unity that can be embraced without a structure falling into a fitted category of recognized regional organizations. What federal organisations should be looking towards is efficiency over recognized structure, the effect of which is new forms of relationships and unique forms of governance.³⁶⁵ There is substantial power in balancing issues and agreements that can be solved communally and individually, in the right proportion. Therefore, there is no solid rule that the law of the Community should override local law. There could be an agreement where Community law must meet the basic requirements of rights and guarantees inherent in the laws of the respective member states. There is no reason to believe that a law made by the Community in abstract should be better than a law that is already present in the member states, particularly given the arguments made regarding the nature of the relationship between state and society.³⁶⁶

The EU has allowed a strong possibility of renegotiating power relations in different functional areas due to its commitment to the amendment process as well as to communal debate within the EU Parliament.³⁶⁷ Alternatively, federal systems may be based more on moral than legal ties,³⁶⁸ or more on political understandings than juridical ones.³⁶⁹ Although in comparison to the USA the EU may seem like a mutated version of federalism, so too must developing regions look to the EU as a theoretical guide in practice and not simply as a

³⁶⁴ Backer (2001) at p. 208.

³⁶⁵ Backer (2001) at p. 208.

³⁶⁶ Backer (2001) at p. 211.

³⁶⁷ Backer (2001) at p. 214.

³⁶⁸ Backer (2001) at p. 212.

³⁶⁹ Lindberg, L. N. *The Political Dynamics of European Economic Integration* (London, UK: Oxford University Press, 1963) at pp. 4-8.

model.³⁷⁰ As the EU is striving to create a model that works for the system at hand, so too should developing regions take the principles that the EU member states work within and use them in their own context. Developing regions should be as aware and as hesitant to adopt the system put in place in the USA as a model, as it raises the same issues of transposing a model rather than a theory.

The problem therefore comes back to sovereignty, which, as Germany and many other nations show, is still of primary concern. Even Calhoun could not imagine a system in which sovereignty was diffused.³⁷¹ His understanding was based on the fact that, since sovereignty itself was vested in the people of a state, the people must ultimately govern the union as a collective, since the seat of ultimate sovereignty does not change.³⁷² Backer argues that since so many institutions are gaining abilities normally included in the idea of sovereignty that directly affect the population, sovereignty as a concept is becoming increasingly irrelevant.³⁷³ However, these regional bodies cannot fulfil the basic requirement of sovereignty – they do not have populations to underpin their authority. Therefore, sovereignty in the true sense remains with states, reinforcing the argument that the state is central to regional endeavours.

Conclusion

There is a move in international political economy to mould the state into an economically friendly mechanism, but the responsibility of the state is more than simply economic. Gras, as early as 1929, argued that the state was acting at the expense of human welfare; he argued that within modern state structural policies, people's needs have been sacrificed for profits and economic growth.³⁷⁴ He argued that regionalism, if left unchecked, was a threat to nationalism and that nations should rise up through nationalist causes in order to once again humanize the state.³⁷⁵ The effect of rising nationalism in the long term would be to weaken overbearing government while simultaneously strengthening the economy and the social structures within the state.³⁷⁶

³⁷⁰ Forsyth (2000) at p. 26.

³⁷¹ Backer (2001) at p. 222.

³⁷² Backer (2001) at p. 223.

³⁷³ Backer (2001) at p. 225.

³⁷⁴ Gras, N.S.B. "Regionalism and Nationalism," *Foreign Affairs* Vol. 7, No.3 (Spring 1929): pp. 454–467 at p. 454.

³⁷⁵ Gras (1929) at p. 457.

³⁷⁶ Gras (1929) at p. 466.

This is what we see happening in the EU right now; with the austerity measures put in place in order to try to regain some semblance of a healthy economy, there is a distinct rise in nationalist parties across the continent. As this paper is being written, there are online news reports of a meeting between six nationalist parties from various European states in Austria in order to hammer out a plan to form a new European nationalist party ahead of the elections for the EU Parliament in May 2014. The aim is to challenge Brussels in order to redirect the EU. These nationalist groups claim to not be against Europe, but claim that a centralist-super state is not the answer. European nations need to reconnect with their citizens.³⁷⁷ This is literally the product of the federal initiative divorcing the state from its citizens and this argument reinforces the reasoning in the chapters above. The state and identity remain relevant, and as a result, federalism as it appears in the USA cannot be a goal in the near future for it cannot produce an answer that is sustainable and legitimate. Although political parties that advocate for a politically far right response cannot be allowed free reign due to the potential for state isolationism and domestic violence, the truth is that they represent a wide spectrum of concerns that many citizens who do not identify themselves as politically right also hold. The answer is for the EU to listen and to channel the nationalist uprising in order to make it beneficial for all parties concerned. In line with the reasoning in the previous chapters, this is something that was due to happen as integration made it increasingly difficult for states to remain responsive to the needs of their citizens.

Regions will remain necessary as long as states perceive the need to act collectively in a globalized environment. However, how those regions are formed, run and how they culminate will dictate how useful those regions will be to the state both internally as well as externally. Calhoun's views were based on the argument that healthy regions should feed and support states internally rather than the state feeding the region. At the most fundamental level, the process must remain people-centered. The search for answers to the problem of the persisting state structure is a distraction from the solutions that lie right in front of us all – that there is a need to preserve the state structure, to reconnect the state with its citizens and that doing so will allow the region to once again return to its economic and political

³⁷⁷ Prodhon, G. *Far-right parties seek common strategy for EU election*, Reuters (15th November 2013) at <http://www.reuters.com/article/2013/11/15/us-europe-farright-strategy-idUSBRE9AE0MO20131115> See also Global Post – America's World News Site *Six European far-right groups join forces: Austrian party* (18th November 2013) at <http://www.globalpost.com/dispatch/news/afp/131118/six-european-far-right-groups-join-forces-austrian-party>.

objectives of peace and welfare. A healthy region requires healthy states and as a result, the state should remain the focus within any regional process.

In line with the arguments made in this chapter, a commitment to a confederation, rather than a federation, has the potential to facilitate healthy states and economies with greater ease. In the same way that Mitrany acknowledged the state when Haas and Balassa did not, and in the same way that the state must win over a post-Westphalian concept, confederation wins out over federation when it comes down to the interests of the driving force behind states – citizens. This is the crux of this paper’s argument; in order to make any model sustainable, it must be people-centered. In order to pursue this predisposition, ideas around subsidiarity and the power of the relationship between the state and its citizens must be included in any regionalization model. Therefore, a post-Westphalian solution is not required; instead, a solution that supports the state, and therefore the citizenry, would be most effective.

Having delved into these criticisms against the commonly accepted notions around economic integration, the final task of this paper is to apply these discussions to the case study – the East African Community.

Chapter 5

The East African Community – Where to from Here?

Within the study of Europe, there is an enduring issue – there is still insufficient attention paid to the vast amount of literature with the result that we do not see the study of regions within the full ambit of the theory.³⁷⁸ Rosamond argues that political scientists should return to the older literature and reassess the region in light of the theoretical underpinnings that form the basis of New Regionalism, with particular attention to Neofunctionalism, in order to look at the intention of the theory. This will also enable those who study regions to develop a more comparative understanding of regionalism by using the theory to assess the case itself, rather than by using an idealized standard in the form of the European model or the concepts derived from it.³⁷⁹

The following chapter aims to assess the above challenges in light of the case in order to understand the potential outcomes for developing regions. The chapter will start by discussing a general overview of how regionalism in Africa is perceived in relation to the statements used to structure the paper, and will then look at the case study specifically, using the same structure to link the case and the theory. The East African community supplies an interesting study for regional literature in that it also has an internal comparison – the old versus the new version. The following section will start by looking at the key ideas behind regional theory in relation to the case, and will follow this by looking at the case with respect to each of the statements above.

Regionalism in Africa and the East African Community

The statements used in this paper have established that there is significant room for challenging the understanding of regional theory as well as its application. If the challenges for the generalised theory exist, they ought to either be compounded or ameliorated by further issues inherent in a specific context. The null hypothesis states that if a region wishes to be successful then it should follow the path of economic integration. Political integration should

³⁷⁸ Laursen, F. (ed) *Comparative Regional Integration: Europe and Beyond* (Surrey, UK: Ashgate Publishing Limited, 2010) at p. 27.

³⁷⁹ Laursen (2010) at p. 30.

follow, eventually leading to a federal state. Sovereignty is seen as no longer useful in a globalized context. Although there is a theoretical challenge, the ideas in this paper can only be used once tested against reality. Where this paper can show that there are significant reasons to question the theory in practice, it will open doors to future paths of study by linking the actual challenges faced by states with paths of theory to follow.

Africa presents itself as an interesting study of regionalism; it does not have the development of the EU, the diversification of the EU markets, the strength of manufacture, or many of the other assumptions inherent in regional theory that are prerequisites for the theory to be applied effectively. What Africa does have, however, is a strong Pan-Africanist bond that underpins many of the early integration efforts as well as a market that produces raw materials that are in demand due to booming economies like China. Current trends are not only motivated by current issues; the history of the perceived need for collective action persists due to Africa's less powerful trading status. Therefore African states and regions start with a disadvantage. Two authors, Qobo and Moore, both look at how regionalism has developed on the continent. Their arguments typify literature on regions in Africa; there is a move to separate politics and economics and an application of the concepts within regionalism rather than the theory itself. In assessing their views, this paper is able to expose the initial biases in regional theory in Africa.

Africa has been in transition since the mid-2000s due to a resource boom in China and India. Internally, while there is intergovernmental trading, there is also a strong informal economy of goods and people crossing state boundaries.³⁸⁰ This gives African states an opportunity to start to rise politically and economically. However the reviews of integration are mixed; Qobo argues that despite the enthusiasm for African integration, too little has changed since the 1980s to warrant the optimism we currently see.³⁸¹ He argues that leaders need to move away from grand gestures and move towards a more pragmatic approach to national development, using more focussed and gradual steps to achieve necessary goals. He argues that regionally, the focus should be on developmental coordination and the gradual harmonisation of policies and regulations.³⁸² Integration in Africa is arguably a desirable strategy for overcoming deep-seated developmental challenges, however, Qobo argues that

³⁸⁰ Laursen (2010) at p. 196.

³⁸¹ Qobo, M. "The Challenges for Regional Integration in Africa - In the Context of Globalization and the Prospect for a United States of Africa" *Institute for Security Studies Paper 145* (June 2007) at p. 1.

³⁸² Qobo (2007) at p. 1.

against a back-drop of Pan-Africanism, which focuses on politics rather than economics, it will be hard to achieve. In terms of the null hypothesis, Qobo is a staunch advocate of following the theory.

Pan-Africanism was the backdrop to early African integration initiatives, and promoted a sense of unity on the continent, however, it also laid blame on the former colonial powers and called for little responsibility from the post-colonial African elite. In the 1960s, Africa saw a surge of regional initiatives, the EAC included, and the regionalist approach was perceived to be a significant player in Africa's development strategy. However, it was many of the policies adopted by the post-colonial African elites that would prove to be the biggest stumbling blocks for development. The key considerations were that Africa's issues had to be solved domestically before regions could really prosper. These issues included poverty, small economies, the production of similar materials in neighbouring countries, the low cost of raw materials and the trade deficit with developed countries.³⁸³ Qobo argues that in the past, African initiatives failed due to the fact that leaders used regional initiatives to escape domestic challenges. In the Pan-African context, regional agreements at this stage functioned as a reinforcer of state sovereignty more than an effective developmental programme. He argues the same perspective as Nye Jr.; both state that the regional projects established in the past were based on weak national foundations. Nationalism was largely a project of African elites, and not a popular force, halting the trickle-down effect essential to regional theory. As a result, integration was ineffective as it was based on "incomplete states". Coupled with a distinct unwillingness to cede any form of sovereignty in the regionalising process as states had just achieved independence, this meant that any form of regionalism would have been largely ineffective.³⁸⁴ However, viewed differently, this reality, in combination with weak macro-economic policy, corruption, instability and civil strife, meant that failure was more circumstantial than theoretically based.

Regarding the newer regional initiatives, Qobo argues that African internal trade still constitutes a small percentage of overall African trade, and this forms a weak base for regional endeavours. One change is that regions do seem to have more direction; aims tend to be narrow and specified. The Pan-African agenda has started to move towards a more pragmatic approach to integration and development, opening the possibilities for more

³⁸³ Qobo (2007) at p. 2.

³⁸⁴ Qobo (2007) at p. 3.

success.³⁸⁵ This, combined with an increased focus on democratisation and a focus on human rights, allows for more positive expressions of sovereignty, thereby promoting meaningful development.³⁸⁶ Qobo's view is highly motivated by the typical assumptions made in regional theory. He uses the developed concepts around regionalism to identify where African states are lacking and what to focus on in order to improve the likelihood of success. Clearly the ideas underpinning regionalism remain the same. Although attention is paid to sovereignty and nationalism, the focus is on a state's ability to fulfil the assumptions of the theory and to apply it, rather than the considerations around identity and nationalism discussed above. The preference is for economics to drive the process, with political integration following. Development, in this sense, is little more than the development that could facilitate further economic integration.

Alternatively, looking at more recent initiatives, Moore identifies other issues within regionalism in Africa; there are serious problems regarding representation in government domestically as well as within a region, which implies that the democratic deficit is an issue at both levels. Uneven development between countries also threatens regional initiatives.³⁸⁷ Political instability is an ongoing issue, however, an even greater challenge has been that political leaders, though they may start an initiative on an economic basis, quickly have difficulty in separating political goals from economic goals.³⁸⁸ Lastly, she notes that one of the biggest issues facing Africa is that underdevelopment and poverty persist despite Africa's attempt to model its regional structures on foreign projects.³⁸⁹ In her statements, she appears to be on exactly the same path as Qobo – that economics and politics should not only remain separate, but that, due to the inability to keep them separate, past initiatives have failed.

Moore's conclusion is interesting; she states that despite factors that act as blocks to successful regions on the continent, and possibly because of them, regionalism in Africa today is different to regionalism anywhere else. It does not fit neatly into either open regionalism or developmental regionalism, which are the two most acknowledged models in use today. Her article focuses on the New African Initiatives, which are the agreements debated and signed by African leaders in the 1980s and 1990s. These initiatives turned their

³⁸⁵ Qobo (2007) at p. 4.

³⁸⁶ Qobo (2007) at p. 8.

³⁸⁷ Moore, C. "Regional Integration and Regional Governance Under the New African Initiatives: A Critical Appraisal" *Centre for Policy Studies* Vol.17, No. 3 (2004) at p. 10.

³⁸⁸ Moore (2007) at p. 11.

³⁸⁹ Moore (2004) at p. 11.

focus from political to economic needs and focussed on regionalism as a key factor in future African growth.³⁹⁰ She describes regionalism on the continent as an amalgamation of the two schools; it incorporates a degree of the de-linking and self-reliance found within developmental regionalism, as regions aim to become economically powerful in their own right, but simultaneously seek to integrate more in to the international economy.³⁹¹

Within Moore's observations, there is little attention paid to deviating from the theory other than the mention of a degree of mixing within the systems. Politics is only introduced to the extent that the Developmental model connects with the Pan-Africanist agenda to de-link from former colonies. Although her understanding of regionalism on the continent shows that there is a need for a mixing of the systems, the outcome is shallow; she uses the accepted concepts in order to describe a system, but she does not challenge those systems or their effectiveness in the African context. Despite the numerous shortfalls ascribed to both Old and New Regional theory, the theory is simply applied and the failures noted. Although both Qobo and Moore mention the political issues that plague the continent, they do not address how the theory ought to change in order to facilitate a different kind of development. Even with all of the issues listed, they do not advocate for a different political approach. When Moore states that differences in regionalism on the continent are caused by the differences on the continent itself, she still does not concede that politics is a vital and relevant aspect of regionalism that ought to be prioritised within the process of regionalization.

Having theoretically challenged the ideas of economics before politics and the success of theory-driven integration, clearly economic integration both in theory and in practice is insufficient for the continent. The separation between politics and economics is typical of the application of the null hypothesis, as is the use of concepts to measure success rather than direct theory. It is apparent from Qobo and Moore's arguments that there are significant issues to be solved domestically, but still, politics is painted as the problem. Qobo argues that regionalism in Africa in the past has sought to escape domestic issues, however, in light of the previous arguments, it is arguable that the structures of economic integration do the same thing – they remove the state, thereby undermining its ability to deal with domestic issues effectively. In de-linking the state from its citizenry, the economic programme is undermining sovereignty and national potential, both politically and economically. If strong

³⁹⁰ NEPAD, *History of NEPAD* at <http://www.nepad.org/history> .

³⁹¹ Moore (2004) at p. 13.

states make strong regions, then theorists and regional initiatives should start to look more towards using the strong political ties that exist in the African context, rather than trying to negate them. In order to design integration programmes that meet the needs of growing economies and reducing poverty, regional planners should remain conscious of their goals. The following sections will look at the case of the EAC in relation to the statements that have been challenged. In assessing the case in relation to the statements, this paper will link the case to the previous chapters.

Regionalism, Methods and Intentions: The Case in Relation to Statement 1

Regional theory is well established; if regions follow the prescribed economic theory, they will be successful.

As shown in Chapter 2, many of the key ideas in New Regionalism stem from ideas held in older theory. Mitrany and Haas have remained relevant directly, but also indirectly through their enduring contributions. Since old regional theory forms the basis of many of the newer schools, this paper will assess both versions of the EAC in light of what the theory aimed for and the intention behind the theory. If a region is to flourish, states must be able to have a clear intention within the regionalization process, and must be supported by the methods they choose to pursue those goals. In assessing both versions of the EAC, the arguments made above become apparent in a practical sense, adding to the weight of the evidence against the null hypothesis.

The intention behind Mitrany's theory of functionalism was to circumvent the government as a means of averting future warfare. Mitrany assumed that either the political will was not present, or that it would not remain permanent. The aim was to create a system that would unite people and would outlive changes in government. His theory intentionally circumvented issues around sovereignty and was meant to function from the bottom up. If we consider Haas' theories, we have a far more prescriptive model; the first point of departure is that federation is assumed to be the ultimate outcome. Haas emphasised elite attitudes and changes based on regional, mostly economic, interests. His sharp departure from Functionalism can be seen in the change from a purely bottom-up, to top-down drivers of change. However, Haas' ideas of sustainability included the fact that people needed to change in order to allow the system to endure – his intention was to relocate identity to a new regional organisation.

The EAC produces an interesting study in intentions and methods; before the old EAC was even established, there was a call by British colonial forces to unify the protectorates in East Africa.³⁹² The British established the East African High Commission in 1948, which had multiple common services.³⁹³ It also had a singular currency, the East African Shilling, and a common Court of Appeal.³⁹⁴ A Customs and Excise Department was established between Kenya and Uganda in 1917, which Tanganyika later joined in 1927. An East African Development Plan was also formed. There was free movement of people, as well as free trading of locally manufactured goods.³⁹⁵ The High Commission also had a central Legislative Assembly, though this was severely limited.³⁹⁶ British dominance could not be sustained for too long; Uganda gained independence in 1962, Kenya in 1963 and Tanzania in 1964.³⁹⁷ This integration was warped; it was extractive, but cooperative – the intention was incorrect, but the methodology was correct in that it allowed the sewing of seeds for future cooperation on a formal level.

After independence the common services were administered by the East African Common Services Organisation (EACSO) from 1961-1967. The EACSO consisted of elected ministers from all three countries and was directed by the state presidents. The members agreed that the services provided were beneficial, but should be transferred to East African hands.³⁹⁸ The intention to unify was therefore not a foreign concept to the new states – they started out with a degree of integration already established.

In between the flurry of independence movements of the 1950s and 1960s, African nations experienced a honeymoon phase of idealism and Pan-Africanism.³⁹⁹ It was on this wave of idealism that Kenya, Tanzania and Uganda agreed to create a Federation of East African States by the end of 1963 in the Nairobi Declaration.⁴⁰⁰ A working group was established to

³⁹² Sircar, P.K. *Development Through Integration: Lessons from East Africa* (Delhi, India: Kalinga Publications, 1990) at p. 17.

³⁹³ Nkonki, S.R. *The EAC in Retrospect* (Norway: Unknown Binding, Chr. Michelsen Institute, 1983) at p. 4.

³⁹⁴ Nkonki (1983) at p. 5.

³⁹⁵ Nkonki (1983) at p. 6.

³⁹⁶ Potholm, C.P. *Integration and Disintegration in East Africa* (USA: University Press of America, 1980) at p. 13.

³⁹⁷ Central Intelligence Agency *CIA World Factbook* at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

³⁹⁸ Nkonki (1983) at p. 7.

³⁹⁹ Nkonki (1983) at p. 8.

⁴⁰⁰ Nkonki (1983) at p. 9.

hammer out the basics of the Federation, but by the third meeting, cracks started to show. Uganda in particular expressed concern on grounds that were mostly legislative and dealt with the allocation of powers. The Federation collapsed before it started, with the member states returning to the Common Services Organisation, which had been maintained throughout.⁴⁰¹ This clearly taps in to the worries expressed by Mitrany, as well as certain issues avoided by Haas – sovereign and nationalist concerns dominated the process, thwarting political integration and further economic integration. It also reflects that although integration itself was not an issue, the political organisation of the young states was not able to cope with the big step of formalising the agreements in a political sense, as argued by Qobo and Nye Jr.

As a result of inheriting the patterns established by the East African High Commission (EAHC), the EACSO maintained the established patterns of development, including the dominance of Kenya over Uganda and Tanzania.⁴⁰² However, the EACSO had come into being in response to local demands and aimed to meet local needs and changing realities.⁴⁰³ In order to address the imbalance that was present, the Raisman Commission was elected to formulate a strategy.⁴⁰⁴ The resulting plan called for an internal redistribution mechanism that was known as the common revenue pool; each country would be taxed a relative percentage of its revenue, with fifty percent of the product being directed towards the common services that did not finance themselves, and the other fifty percent to be divided equally among the three countries. Although this worked to solve some claims of unequal benefits, in the long term the redistribution still failed, as it did not correct the underlying issue – the fact that Kenya remained more competitive and experienced faster growth.⁴⁰⁵

By 1964 an additional agreement was needed to correct the trade deficit which not only persisted, but grew. The Kampala Agreement provided a practical answer to the distribution of industry. The three countries sought to persuade certain inter-territorial firms to increase production in Uganda and Tanzania through the relocation of certain industries and inducement schemes to encourage more equitable development.⁴⁰⁶ However the agreement came to nothing and was followed in 1965 by the announcement that each country would

⁴⁰¹ Nkonki (1983) at p. 12.

⁴⁰² Nkonki (1983) at p. 13.

⁴⁰³ Sircar (1990) at p. 65.

⁴⁰⁴ Nkonki (1983) at p. 13.

⁴⁰⁵ Nkonki (1983) at p. 14.

⁴⁰⁶ Nkonki (1983) at p. 16.

establish its own central bank and currency.⁴⁰⁷ This uncovers a fundamental truth; a state cannot give away what it has not fully developed. The political solution was a weak one because the states themselves were weak.

Another commission was appointed to review the issue, showing a continued desire to formalise the integration agreements. The Phillips Commission (1965) was tasked with a wide range of responsibilities, including the task of assessing how the cooperative relationship could be maintained and strengthened.⁴⁰⁸ In 1966, the Phillips Commission finally presented its findings, included in which was the formation of the East African Community, with the East African Common Market as a central pillar of cooperation. This community would also accept and adopt the current cooperative arrangements of the EACSO. The governments of Kenya, Tanzania and Uganda accepted the major recommendations of the Phillips Commission, and went ahead with planning their integration through the new format – the East African Community.⁴⁰⁹ The first EAC came into effect on 1st December 1967 with the signing of The Treaty for East African Cooperation. According to Haas, this is the rational response to a failure of political integration; it is the methodology that states today typically turn to in the hope that political integration will follow economic integration, which links even this early incarnation to the overarching premise being challenged here.

It was a success story, until in 1977, the EAC dissolved due to political tension. The Community suffered a serious setback with the overthrow of Obote by Amin in Uganda in 1971. Obote fled to Tanzania, and Nyerere felt that the Amin regime was illegal. Nyerere started to block Amin's appointments to positions within the Community, starting the feud that would create serious rifts between the parties. Mediators were required to negotiate even the simplest approvals. This made running the Authority and the Community increasingly difficult. From 1975, a split was clearly imminent; the language used by the leadership of all three partners became more about decentralisation, separation and self-sufficiency than about cooperation.⁴¹⁰ Once again, politics sabotaged economics, sovereignty trumped cooperation and unity was undermined by nationalist politics. Despite the economic track that should have acted as a guarantor for integration, political failure undermined even the long-

⁴⁰⁷ Nkonki (1983) at p. 18.

⁴⁰⁸ Nkonki (1983) at p. 19.

⁴⁰⁹ Nkonki (1983) at p. 20.

⁴¹⁰ Potholm (1980) at p. 29.

established agreements that were in place, significantly calling into question the idea that economics alone is sufficient.

Contrast this with the new EAC; born out of the Mediation Agreement for the Division of Assets and Liabilities (1984),⁴¹¹ it was the direct result of the collapse of the former Community. Fuelled by fresh motivation, the partner states once again embarked on a cooperative endeavour, this time more aware of the shortfalls of regionalism.⁴¹² From the time of signing the mediation agreement, there was consensus that certain projects would continue on a cooperative basis, including the East African Development Bank, with bilateral agreements governing interactions.⁴¹³ During the 1980s this basic level of cooperation was maintained. Concrete moves to re-establish the community were not made until 1991, where numerous meetings between the heads of state led to a final meeting in Nairobi where a formal communiqué was issued, confirming a commitment by all three to re-establishing the East African Community.⁴¹⁴ It appears that what was required was time for the states themselves to settle.

In 1993, the heads of state agreed on a Permanent Tripartite Commission for the Cooperation of Kenya, Uganda and Tanzania. The aim of this Commission was to move towards closer relations between the three states in various spheres, including politically, economically, militarily, socially and culturally. After an assessment and approval of the East African Development Strategy for 1997 – 2000, the first of a number of five year development plans, the heads of state agreed to upgrade the Agreement into a treaty to re-establish the formal community. The Treaty to establish the East African Community was signed in 1999. It set out their strategy for integration; the aim was to move through a customs union, and to progress through to a common market and finally a common currency, the aim of which is to eventually give the states the opportunity to federate.⁴¹⁵

If we look at the stated intentions of the current EAC, they include the EAC as a prosperous, competitive, secure, stable and politically united East Africa. The EAC's mission statement is to "*widen and deepen Economic, Political, Social and Culture integration in order to*

⁴¹¹ East African Community *History of the EAC*, EAC website at <http://www.eac.int/index.php> .

⁴¹² Umbricht (1989) at p. 194.

⁴¹³ Umbricht (1989) at pp. 196-198.

⁴¹⁴ Apoo Oitamong, M. *The Revived East African Community: Fast-tracking the Political Federation* (USA: Lambert Academic Publishing, 2010) at p. 24.

⁴¹⁵ Apoo Oitamong (2010) at p. 24.

improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments".⁴¹⁶ This is an economically-driven goal, in direct contrast to the Pan-Africanist undertones that supported previous integration. One commonality shared by both Mitrany and Haas is an emphasis on the process and the understanding that integration ought not to be applied in a set programme. Both schools emphasize time as a vital component to sustainable connections. Despite this, both versions of the EAC have not only aimed for a federation, but have aimed to do so in a short amount of time, despite the fact that regions need time to judge and adjust the rate of unfolding integration schemes.

The current EAC is benefitting from its efforts, but instead of maximising the benefits gained from the *process* of integration, and allowing the time for the states to reinvest the progress made, they are pushing ahead towards a goal that may once again prove destructive. For all of the optimism around the EAC, it still faces relatively large challenges; the member states in the region show varying degrees of success relative to the African national average. Data from 2012 shows that all of the member states had a measurement of GDP per capita that fell significantly below the African average. The EAC average per capita GDP measured US\$ 1338.4 in comparison to the African average of US\$3204.00, despite the average growth of GDP from 2004-2012 in the EAC region outperforming the African average.⁴¹⁷ These statistics show that despite the recent rise of the EAC and the recent increase in growth in the region, the member states still have a long way to go before they can meaningfully compete with other African states.⁴¹⁸

One of the goals in opening markets and embarking on an economic integration scheme is the desire to attract Foreign Direct Investment (FDI) into the member states. Levels of FDI have either remained fairly stable or have steadily increased in the respective partner states from 2006 – 2011. Tanzania has the highest levels of FDI, with a total of US\$ 1095 million invested in the country in 2011. Uganda has the second highest FDI at US\$ 792 million,

⁴¹⁶ East African Community *About the East African Community*, EAC website at http://www.eac.int/index.php?option=com_content&view=article&id=1&Itemid=53 .

⁴¹⁷ African Economic Outlook "Table 1 – Basic Indicators 2012" (Last updated 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/basic-indicators-2012/>.

⁴¹⁸ World Bank "Africa's Pulse: An Analysis of Issues Shaping Africa's Economic Future" Vol. 8 (October 2013) accessed online on 30th January 2014, published online at http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse-brochure_Vol8.pdf .

followed by Kenya with US\$335 million.⁴¹⁹ FDI flows are affected by “push factors”, which are factors which cause or allow money to flow to overseas markets, such as international interest rates and business cycles in industrial countries, however, equally as important are the “pull factors” which make a market more or less desirable to invest in.⁴²⁰ Pull factors include increases in domestic productivity, sound monetary and fiscal policy, a safe investment environment and infrastructure. In addition, political stability is vital in decreasing the perception of risk in investments.⁴²¹ The problem is that although the EAC member states are currently enjoying a high level of FDI, there are reasons to question whether, if they do not opt for greater stability within their integration programmes in the long term, this rate of investment can be sustained.

Udoh and Egwaikhide found that high inflation rates, low levels of infrastructure and the instability of exchange rates negatively affect FDI.⁴²² The statistics for these elements within the EAC do expose some cracks in the current confidence in the region; the African national average inflation rate for 2011 was 8.5 percent, whereas the average for the EAC was 12.12 percent, with Kenya, Tanzania and Uganda all exceeding 12 percent inflation independently.⁴²³

⁴¹⁹ African Economic Outlook “Table 10 – Foreign Direct Investment 2006-2011 (US Dollars)” (Last updated 6th September 2013, accessed on 29th January 2014) published online at (Last updated 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/table-10-foreign-direct-investment-2005-2010-usd-million/> .

⁴²⁰ Udoh, E. and Egwaikhide, F. O. “Exchange Rate Volatility, Inflation Uncertainty and Foreign Direct Investment in Nigeria” *Botswana Journal of Economics* Vol. 5, No. 7 (October 2008): 14-31 at p. 18.

⁴²¹ Udoh and Egwaikhide (2008) at p. 18.

⁴²² Udoh and Egwaikhide (2008) at p. 14.

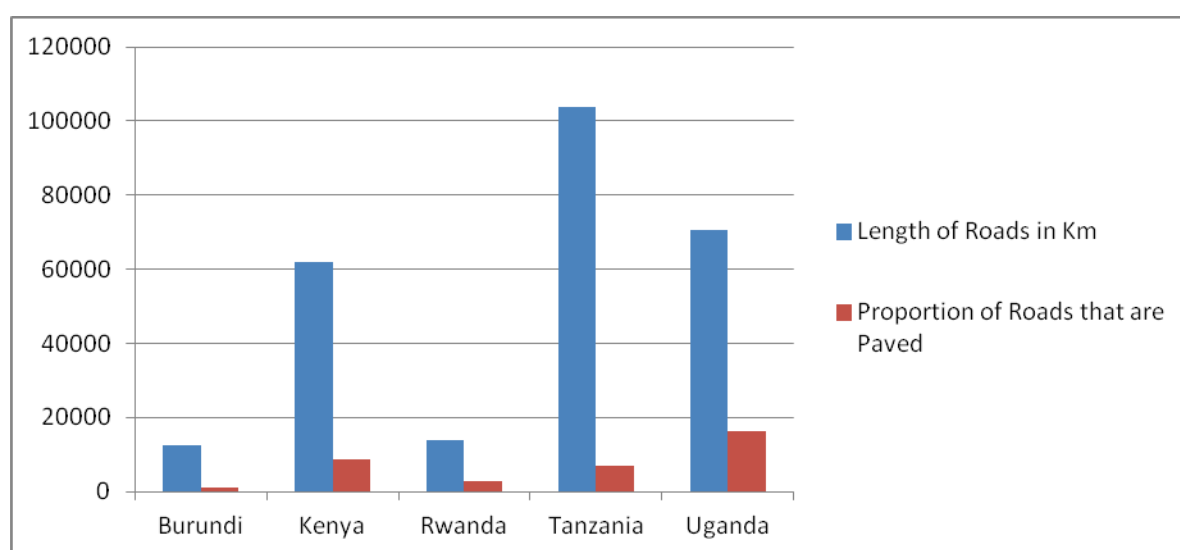
⁴²³ African Economic Outlook *Inflation Pressure Eases as Food and Fuel Prices Stabilise* (Last updated on 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/outlook/inflation-pressure-eases-as-food-and-fuel-prices-stabilise/> .

Table 1: Road Infrastructure in EAC Member States 2000-2009

	Length of Road Network in Km	Road to Land Ratio: Km of Road per 100 square Km of Land	Proportion of Roads that are Paved (%)
Burundi	12322	44	10.4
Kenya	61945	11	14.3
Rwanda	14008	53	19
Tanzania	103706	9	6.7
Uganda	70746	29	23

Data sourced from The World Bank *Africa Development Indicators 2012/13*. Findings are based on available data between 2000-2009.⁴²⁴

Graph 1: Length of Roads and Proportion of Paved Roads



Data sourced from The World Bank *Africa Development Indicators 2012/13*. Findings are based on available data between 2000-2009.⁴²⁵

⁴²⁴ The World Bank “Drivers of Growth : Table 6.2 - Transportation” *Africa Development Indicators 2012/13* (Washington, USA: 2013) published online at <https://openknowledge.worldbank.org/bitstream/handle/10986/13504/9780821396162.pdf?sequence=1> at pp. 77-78.

⁴²⁵ The World Bank “Drivers of Growth : Table 6.2 - Transportation” *Africa Development Indicators 2012/13* (Washington, USA: 2013) published online at <https://openknowledge.worldbank.org/bitstream/handle/10986/13504/9780821396162.pdf?sequence=1> at pp. 77-78.

State infrastructure is weak; the graphs above show that Rwanda and Burundi have a higher road to land ratio, but this figure is skewed as the states are substantially smaller than their partners. However, in assessing the figures around Kenya, Tanzania and Uganda, it is troubling to see the low density of roads as well as the low proportion of those roads that are paved. Considering the majority of these roads would naturally occur around cities, this leaves a large part of these countries with infrastructure that cannot support the spread of development due to limited access and transport. This encourages poles of development and reduces the support networks required to encourage a growth in industry across the respective countries' territories. From 2007 – 2011, there was no significant increase in the proportion of GDP provided by manufactured goods in any member state.⁴²⁶ Without investing in roads as well as other infrastructural sectors, sustained growth over the long term, practically speaking, cannot materialize.

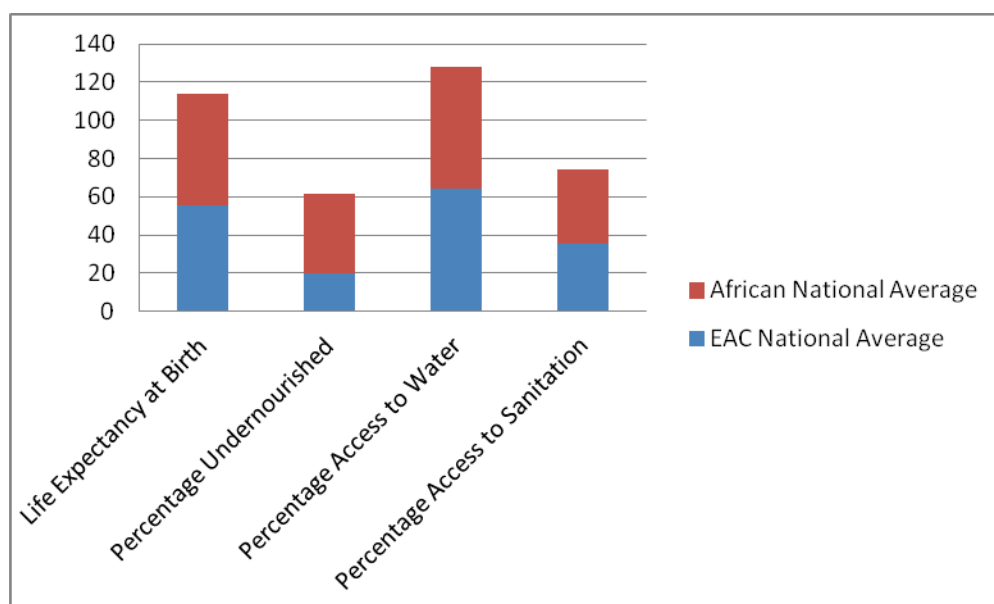
In relation to the US Dollar, national currencies have progressively devalued, with a steady decline from 2000 – 2012. Kenya has a far more competitive exchange rate at KES 88.8 to one US Dollar, while Tanzania and Uganda are both significantly lower, at TZS 1579 and UGX 2522 to one US Dollar respectively.⁴²⁷ This progressive devaluing of national currencies does encourage investment, as US Dollars are worth more in the financial climate, however, the progressive devaluation along with weak infrastructure and high inflation translate to an investment environment that does require strong political stability in order to decrease the potential long term risk. Having stated this, political stability can be affected by domestic demographics which undermine stability in the region. In line with the arguments made earlier in this chapter, strong regions require strong states and state strength is reinforced where the interests of the state coincide with the interests of the citizenry. Given this argument, and given the indicators explored above, the most effective means to encourage political stability is to encourage meaningful development that will, in a Listian sense, benefit the nation and therefore the state. However, the data for the member states shows that underdevelopment remains a significant issue.

⁴²⁶ East African Community Statistics Portal “Table 3.4b - Employment in Manufacturing and Contribution of Manufacturing to GDP ” Indicators: Productive Sectors (Last updated on 17th May 2013 and accessed on 29th January 2014) published online at

http://www.eac.int/statistics/index.php?option=com_content&view=article&id=142&Itemid=117 .

⁴²⁷ East African Community Statistics Portal “Table 2.3d – State Currency to US Dollar Exchange Rate” Indicators: Economy and Finance (Last updated on 17th May 2013 and accessed on 29th January 2014) published online at http://www.eac.int/statistics/index.php?option=com_content&view=article&id=141&Itemid=111.

Graph 2: Comparison of Average Basic Health Indicators



Data sourced from *African Economic Outlook*.⁴²⁸

All but one member state fell below the African national average for life expectancy of 58.1 years, with Tanzania only beating the average by 0.8 years. This is compounded by the 2011 data on the percentage of the population that is undernourished, with the EAC regional average at 41.2 percent of the population, while the African national average was 20 percent.⁴²⁹ In terms of the coverage of basic services, the EAC member states met the African national average of 64 percent service coverage nationally for access to water, but fell short in the data regarding access to sanitation, falling below the African national average of 39 percent with an average of 35.4 percent.⁴³⁰ Other than in Rwanda where the data is deficient, this data is compounded by the fact that, whilst the public perception of corruption has on average decreased from 2006 – 2012,⁴³¹ measures show an increase in public protest in

⁴²⁸ See footnotes 428-429. This is a graphic representation of the statistics cited below.

⁴²⁹ African Economic Outlook “Table 16 – Basic Health Indicators” (Last updated on 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/table-16-basic-health-indicators/>.

⁴³⁰ African Economic Outlook “Table 15 – Access to Services” (Last updated 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/table-15-access-to-services/>.

⁴³¹ African Economic Outlook “Table 21-Corruption Perception Index (CPI)” (Last updated 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/table-21-corruption-perception-index-cpi/>.

Kenya, Tanzania and Uganda.⁴³² One cause for protest could arguably be reflected by the changes in the respective states' GINI indexes. Only Burundi and Uganda have managed decrease their inequality nationally from 2000 – 2010, with the decrease in Uganda being marginal. Rwanda, Kenya and Tanzania have seen increases in their GINI indexes, indicating an increase in levels of income inequality.⁴³³

These statistics paint a far less optimistic picture of the EAC than financial indicators do. While the states may be showing significant growth, financial inflows and may appear to be bounding through Balassa's levels of integration, reality for many of the citizens in the member states is far less positive. With these statistics, there is no wondering why public protest has increased. This data has been selected for the given period for a purpose – it tracks the same time period that the new EAC has been in existence. In terms of the age of the region, it is impossible to establish what ought to have been achieved 13 years into the regionalization process, but these statistics do not show radical improvements in practical terms. There is the possibility that these are early days and that the benefits of the region will filter down more at a later stage, but the crux of the issue is whether it is reasonable to expect citizens to live in these conditions until that time, whenever that may be. As argued, where the citizenry finds that their interests have diverged from those of the state and their needs are not met as a result, the reaction in a region is a nationalist backlash to reorientate the focus of the state. In terms of FDI, political stability is a vital aspect in building confidence in the region. If state interests continue to diverge from popular interests, this stability could be jeopardized, significantly affecting the long term trajectory of both the member states individually as well as the region as a collective.

This section started by discussing the intention behind the theory, as well as the resulting methodology. It seems that, along with the theoretical critiques mentioned above, a failing must be acknowledged; the intention of the theory itself is being lost in the methodology. The intention must be separated from what have become prescribed and accepted outcomes. If the EAC is to be guided by the intention of the theory, it arguably ought to abandon its mad rush towards federalism, particularly considering its development needs.

⁴³² African Economic Outlook “Table 22 – Public Protest” (Last updated 6th September 2013, accessed on 28th January 2014) published online at <http://www.africaneconomicoutlook.org/en/data-statistics/table-22-public-protest/> .

⁴³³ Central Intelligence Agency World Factbook “Field Listing: Distribution of Family Income – GINI Index” (Accessed on 29th January 2014) published online at <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html> .

The choices made by the EAC within their model of regionalization expose why they are currently facing issues. The style of integration they have chosen falls directly into the purview of Neofunctionalism and as a result, the issues they are currently experiencing link to the issues that arise as a result of the theory. The integration process is experiencing dislocations as a result of it being driven by the elite and the state, rather than being a popular movement based on welfare, as Mitrany advocated. Success is pinned on the progressive solving of issues at the regional level, which is supposed to relocate identity and progressively reduce nationalist interests. In addition, Haas assumed that the cumulative effect of accommodation as well as spillover would continue, but his theory was very much a fair-weather process. He also assumed that institutions with legitimacy and authority could bolster the integration process, progressively removing power from state hands.

Unfortunately, the effect for the EAC has been that the interests pursued have not been people-oriented. Instead of Mitrany's idea of common interests driving the process, elite and regional interests dominate integration. The facilitation of trade and growth and the drive towards further integration may have popular benefits in the long term, but this is a by-product. The strategy of economic integration is to put trade and production at the centre of the process, not popular needs. Institutions within the EAC are young, and lack the legitimacy assumed by Haas. They remain state-driven and state-centric, negating the hope that they will relocate identity to a regional body soon. States, despite their recent growth, are still developing and therefore many of Haas' assumptions are not present. Nationalism and independence remain valuable for the developing states and citizens. The institutions that have been established mimic those established for the EU, but lack the power those institutions wield. They have not been the product of integration, as espoused by Mitrany, but rather, have been established to pre-empt the future structure of the EAC.

This has effectively put the cart before the horse, leaving institutions to function within the limited purview allowed by states. This is not the intention in Haas' theory; where institutions cannot encourage the relocation of identity through their increasing legitimacy, the whole process loses its lynchpin. Mitrany's approach of relocating power to those states with the most experience in a given field may contribute to a more trusting relationship between partner states, however, Haas does not address this, as his theory focuses too heavily on institutions. As a result, states will remain competitive and challenged by their relative power

positions until such time as these institutions start to function as they were meant to, effectively leaving regional initiatives as reinforcers of sovereignty, as Qobo discussed. The cumulative effect of these theoretical inadequacies is that the EAC's attempts to head in the same direction as the EU are fairly hollow; there is a significant gap between the theory and the practical reality of the region.

The fact that regions in Africa have not been successful and continue to struggle suggests that the theory applied needs revision. Studies on regionalism in Africa tend to use the typical format of applying the theory to a case study, picking out its flaws and concluding with failure. What studies should do is assess why the theory does not work; they should be interrogating the concepts within the theory, questioning their application and amending the areas in which theory cannot or should not apply in order to reach the goals set out by regional groupings. The emphasis should shift from regional failure to theoretical failure. If we look at the application of the theory in the African context, there are too few questions asked about how, where and why the theory is applied. The literature suffers from laziness through the use of concepts - there is too little interrogation and too many assumptions. As we see in the case, time and time again, where politics has failed, economics has taken over, with the assumption that following the theory will guide a partnership to a successful federation.

The outcome is that the theory compounds issues in Africa rather than ameliorating them. Where states cannot fulfil the requirements of a theory from the start, more attention should be paid to how it is used. Regional theory, in this sense, has ceased to be a tool for understanding and has lost much of its value for two reasons; firstly, the concepts have become crystallized. When theory itself is insufficiently interrogated, it loses its efficacy. Secondly, despite the criticisms levelled at Haas, there is still the belief that one system can be universally applied. If Africa intends to succeed in its regional endeavours, this assumption must be abandoned. Future studies would find greater power in examining these questions and re-examining the theory. The most effective path to escaping the flaws that travel down through the theory and in to the case is to return to the use of regional theory as an active and engaging tool, rather than as an established framework. In listing the shortfalls of Neofunctionalism, Chapter 2 found that the theory itself was never intended to be a framework and that the criticisms of Haas' approach were substantial. The effect of the omissions and the economics-before-politics approach within the theory can be drawn down

through Balassa's theory, through regional studies in Africa as well as directly through to the case. As a result, the findings in relation to the case match those of Chapter 2; regional theory is not established correctly and following it without amendment or challenge may disable more than it enables within the integration process.

Identity, Sovereignty and Nationalism: The Case in Relation to Statement 2

A successful region will lead to a federation and a monetary union.

In Chapter 3 this argument was challenged by asserting that sovereignty is still an important concept, not just because the state system on the whole is still the basis for international affairs, but because of the nature of sovereignty itself. Political identity, agency and nationalism are all vital in supporting the state and are influenced by the population, which is the seat of sovereignty within the state. If, as Calhoun holds, the government's role is to safeguard liberty and security and to ensure balance, there would need to be a compelling argument as to why the state should cease to exist in the African regional context. One argument could be that, given the strong history of political turmoil, it would suit the process to remove political aspects that could lead to future conflicts. This would suit the null hypothesis well, however, given the arguments made by Hegel and Giddens, it is equally arguable that the state is essential given Africa's history of colonialism and relatively recent independence. Before states can be asked to function effectively, they need to develop the fundamental aspects that will enable them to do so with legitimacy and stability. For Africa, a far more compelling argument is that stable regions should be preceded by stable states.

Buthelezi argues that a focus on economics has significantly weakened the state and welfare programmes designed to protect Africa's citizens. It is essential that the state is able to fulfil its function as the overall organizer of citizens' lives, and therefore change is expected to be driven by the state.⁴³⁴ The problem occurs where the convergence of the theory and practice seek to minimize the role of the state to the "most fundamental" functions. Considering the development status of many African states, it is not feasible for the state to disengage from economic activity,⁴³⁵ as shown in the statistics above.

⁴³⁴ Buthelezi, S. *Regional Integration in Africa: Prospects and Challenges for the 21st Century*, Vol. 1 (South Africa: Ikhwezi Africa Publishing, 2006) at p. 77.

⁴³⁵ Buthelezi (2006) at p. 79.

Having noted this, an interesting take on an alternative option is that of Dunn and Hentz,⁴³⁶ who argue that Africa should not only be seen as regionally distinct from other continents due to its history, but that internally, regions also ought to be treated differently.⁴³⁷ There is a need to readdress the state in the African context; while the New Regionalism approach allows for a process to move beyond state-centrism, it can also allow for the opportunity to re-envision the nature of the role of the state, state-making and state structures. The issue is that in the African context, the state is still a powerful driver in both development and security and it cannot simply be removed from an equation in which it still plays such a vital role.⁴³⁸ In order to understand the role of the state within the process of regionalization, decision-making and development, we need to understand the forces that contribute to the construction and maintenance of the state itself.⁴³⁹ The state must cease to be seen in the conventional sense, as a static, two-dimensional structure, and must instead be reconceptualised as a dynamic entity that changes as citizens' identities and citizens' relationships to leadership change over time.

The redefining power of the state may have a substantial impact; in places where there is a local identity, usually of ethnic or tribal origin, it can be attached to land tenure and is consequently tied to security issues. A strong state and state identity may be able to overcome these differences, creating stability internally while maintaining interstate connections across boundaries that remain peaceful. Dunn and Hentz refer specifically to the Great Lakes region, however, the argument can apply across the continent. Interstate relations are powerful forces for peace and stability when used appropriately.⁴⁴⁰ This links in to the arguments made above; the state is still a vital player for citizens and regions alike and to minimize its role is to equally minimize its potential.

Once again, the issue of Eurocentrism is raised; when a region does not behave as it should in comparison to the "standard case" of Europe, it is seen as a failure. Shaw et al. argue that the collapse of the former EAC may have been due to too much dependence on formal state-structures. As a result, the regional structures could not withstand the quarrels between the political leaders at the time. These structures were inherently weak, but, since they were

⁴³⁶ Dunn, K.C. and Hentz, J.J. "Regionalization, the State and Human Security/ Development in Africa: Thoughts for Advancing the Debate" in Grant, J.A. and Söderbaum, F. (eds) *The New Regionalism in Africa* The International Political Economy of New Regionalisms Series (USA, UK: Ashgate, 2003).

⁴³⁷ Dunn and Hentz (2003) at p. 180.

⁴³⁸ Dunn and Hentz (2003) at p. 182.

⁴³⁹ Dunn and Hentz (2003) at p. 183.

⁴⁴⁰ Dunn and Hentz (2003) at p. 187.

effective in the European model, they seemed to be the correct route to follow. Shaw et al. argue that a continued dependence on state-based institutions will lead to similar conflicts, but that although there have been some changes in regionalism on the continent, few regions have learned from this lesson.⁴⁴¹ The EAC does not seem to have deviated from this methodology, even in its new version. If anything, the EAC has reinvigorated this old structure with new enthusiasm. Shaw et al. also argue that state formation is a recent phenomenon on the continent, having only flourished in the last hundred years. Consequently, states in Africa are arguably not set structures yet, but are states-in-the-making.⁴⁴²

If we are to accept the arguments above – that states in Africa are still in the process of defining themselves and therefore their relationships with their citizens – we equally have to accept that, in line with the views of Hegel and Giddens, a federation and a monetary union are not acceptable goals for African states right now. Populations are forming their identities through state structures that are themselves developing. In countries where there is widespread poverty and illiteracy, voting is a powerful concept. Local issues are not yet solved and the state still has a strong role to play in the African context, both practically as well as ideationally. To introduce the thought of removing the state as a stabilizing factor is to court with conflict. In the context of Hegel's arguments of inclusion and exclusion, to destabilize the state is to destabilize the individual, the community and therefore the political balance within a state.

Therefore, the argument is that the state will remain central to African development, peace and security for the foreseeable future. Regionalism, for all of the potential it offers the continent, must accommodate this reality, and not the opposite. The only stumbling block is that the theory has not been asked to do this. The continent has been asked to adjust to the theory, which has proven to be ineffective. In much of the literature, Africa is shown as wishing to de-link from its colonisers, yet, despite this desire, it chooses to follow the same paths of integration. The most powerful means of asserting identity is through asserting independence and states in Africa ought to reassess their attitudes to the most powerful force of domination – knowledge. The biggest challenge for the regionalization process on the

⁴⁴¹ Shaw et al. (2003) at p. 194.

⁴⁴² Shaw et al. (2003) at p. 196.

continent is the ability to formulate African solutions to African problems through using theory in an active and conscious way.

The Westphalian state system dictates that states are individual actors in the international system. They are granted personality by virtue of their statehood. The state is not simply a body that must control and dominate the domestic realm, but must equally be responsible for providing public goods and welfare.⁴⁴³ Jeng argues that part of the issue is that the parties that held leadership positions pre-colonialism were also used during colonialism in order to reinforce relationships of domination.⁴⁴⁴ As a result, that same elite inherited the newly independent states and were not only left with economies that needed restructuring, but were also left with populations that demanded the rights accorded to them under the accepted social agreements between state and citizenry which, as leaders, the elite had not previously had to accommodate. Jackson notes that states, as they were constituted under colonialism, were not “real states”, but were rather territories arbitrarily delineated and run as territories of European empire.⁴⁴⁵ Independence was not granted because territories met the criteria for statehood in a meaningful way; it was a consequence of the changes in the norms around colonialism in the international arena and was, as a result, quite arbitrary.⁴⁴⁶ What it essentially produced were quasi-states, underdeveloped in their ability to function as states and underprepared to face the needs of their citizens.⁴⁴⁷ Jackson notes that as a result, many African citizens were members of “two publics” – one civic, constructed and young, and one that was primordial, moral and ingrained.⁴⁴⁸ In that sense, both people and state have had to come to understand and progressively utilize concepts like sovereignty, self-determination, territoriality and legitimacy.⁴⁴⁹ This introduces the issue of time into regional considerations as states need time to develop.

⁴⁴³ Jeng, N.H. “Why Has the Westphalian State Failed to Function Effectively in Africa?” Azerbaijan Diplomatic Academy, Institute for Cultural Diplomacy, Presented at Cultural Diplomacy in Africa - A forum for Young Leaders in Berlin (2012), at <http://www.culturaldiplomacy.org/academy/content/pdf/participant-papers/2012-07-iscda/Why-Has-the-Westphalia-State-Failed-to-Function-Effectively-in-Africa--Ndey-Haddy-Jeng.pdf> at p. 2.

⁴⁴⁴ Jeng (2012) at p. 3.

⁴⁴⁵ Jackson, R.H. “Quasi-states, Dual Regimes and Neoclassical Theory: International Jurisprudence and the Third World,” *International Organization* Vol. 41, No.4 (1987): pp. 519–549 at p. 525.

⁴⁴⁶ Jackson (1987) at p. 526.

⁴⁴⁷ Jackson (1987) at p. 526.

⁴⁴⁸ Jackson (1987) at p. 527.

⁴⁴⁹ Jeng (2012) at p. 8.

Nationalism is therefore especially important to developing nations; if we consider the Functional, Constructivist and Rationalist descriptions of states, all three reinforce that states in Africa have not achieved their “full state status” yet. Brubaker’s non state-seeking nationalism has endured, and will continue to grow as a force until a developmental equilibrium is reached. As long as defensive-populist nationalism endures, it will need management, retaining the importance of the state.

Mentan⁴⁵⁰ discusses how the state has evolved and has developed the responsibilities and obligations now commonly expected from it. Within the evolution of the state, the political mechanisms involved in the maintenance of the state have become further linked to the people that hold those expectations. The nation and the state are distinct, but simultaneously dependant on each other.⁴⁵¹ The state, as seen in Jackson’s perspective, ceased to be legitimate from its very inception and has even in recent literature been portrayed as weak, inefficient, a stumbling block to development and disinterested in the needs of African people.⁴⁵² Mentan argues that one perspective as to why this occurs is that within the age of globalization, the needs of states and the needs of nations, which are meant to remain connected, are diverging, with the interests of citizens being sacrificed for the interests of the state.⁴⁵³ In contradiction to this, the state, even in its apparent “African form” has managed to maintain itself, and has in many ways become more important to the nation, particularly because of globalization, reinforcing identity and an “us-versus-them” perception of politics.⁴⁵⁴ Issues of identity are still understood in the context of the state, and as such, the state and its citizenry are still tightly woven.⁴⁵⁵

From the viewpoints represented in the literature above, the relevance of the state can be seen from two perspectives; firstly, it could be that the state is not yet fully evolved, and therefore should not federate based on the fact that structurally, the state does not possess the relevant political maturity to do so, or alternatively, that it cannot give away aspects of statehood that have not yet been fully realised. Secondly, even where the state may have reached these

⁴⁵⁰ Mentan, T. *The State in Africa - An Analysis of the Impacts of Historical Trajectories of Global Capitalist Expansion and Domination in the Continent* (Cameroon: Langaa RPCIG, 2010) at p. 8.

⁴⁵¹ Mentan (2010) at pp. 7-8.

⁴⁵² Mentan (2010) at p. 19.

⁴⁵³ Mentan (2010) at p. 20.

⁴⁵⁴ Wilson, T.M. and Donnan, H. (eds) *Border Identities: Nation and State at International Frontiers* (UK: Cambridge University Press, 1998) at p. 2.

⁴⁵⁵ Wilson and Donnan (1998) at p. 3.

levels of development within its structure, national interests, or the expectations of the citizenry, still need to be prioritised with many yet to be met. This leaves the state with a complex matrix of obligations to fulfil before it should consider federalizing if it intends to maintain popular support throughout the process of integration. African states face the challenge of simultaneously balancing international competition and internal development. In the long term, international competition cannot be maintained meaningfully with due consideration to national interests, unless the state has invested, in the Listian sense, in its own economy. Therefore, the model of economic integration has produced a strategy by which African states may see success over the medium term, but it is doubtful whether it can continue to produce positive developments over the long term without substantial political support, political drivers, meaningful development and national reinvestment.

Welz speaks about the fact that although the EAC is primarily an economic grouping at the moment, the hope is that it will form a political federation. Having said this, the economy is not free from political drivers. The market only acts within the political boundaries that are set by the national governments, who are the main drivers of the process of regionalization in the EAC.⁴⁵⁶ This ties in to the argument that politics and economics are almost impossible to separate; in order for the economic integration model to work, governments still need to implement the prescribed changes. As such, the changes made must have state support. Where national or governmental support is absent, the regional agreement cannot have the required effect. This is the basis for the argument against the economic integration model in Africa, and specifically in the EAC; where states are not committed, the process is stalled and the integration is not meaningful.

Politically, there is already a lot of cooperation between the member states, included in which are joint army exercises and a common East African passport that allows for free movement of citizens between the countries.⁴⁵⁷ Officials from Uganda appear to support the view that if Yoweri Museveni, the Ugandan president, were to head the proposed federation, the state may be willing to cede their sovereign rights, but this has been met with resistance from both Kenya and Tanzania.⁴⁵⁸ Although there have been declarations supporting the moves towards federalism and all of the presidents appear to be behind the cause, there are

⁴⁵⁶ Welz, M. *Integrating Africa - Decolonization's Legacies, Sovereignty and the African Union* (UK and USA: Routledge, 2013) at p. 146.

⁴⁵⁷ Welz (2013) at p. 146.

⁴⁵⁸ Welz (2013) at p. 146.

other moments that echo different sentiments. This clarifies where the tension between the partner-states lies; in the area of low politics, where the threat to sovereignty is low, states are happy to join forces. However, when it comes to issues around sovereignty, the same support is lacking.

In October 2012, a panel of experts met to consider the Zero Draft Model of the Structure and Plan of Action of the Political Federation in line with the wishes expressed in April 2012 at the 10th Extraordinary Summit of the EAC Heads of State.⁴⁵⁹ However, despite the emphasis on the move towards a federation, at the 11th Extraordinary Summit, just a year later, in his speech Museveni congratulated Kenya on successful elections, stating “*I also salute the people of Kenya for the successful and peaceful elections. I further salute them for affirming the sovereignty of Kenya*”.⁴⁶⁰ As an addition, Kenya intends to borrow \$1 billion from international markets in order to finance infrastructure projects in its own territory.⁴⁶¹ Although Kenya has always been the strongest player in the region, these actions smack of independence and issue a challenge to federalist sentiments. A news article published on 27th July 2013 entitled “*Hands Off: Tanzania’s Sovereignty is Sacrosanct*”⁴⁶² quotes President Kikwete as saying “*We shall not let anyone play around with our sovereignty, just as we did not allow Idi Amin to mess around with our country*”. This is quite a strong message, considering the apparent Tanzanian commitment to federalism.

The Community does seem to be pushing ahead within their endeavours to change the attitudes of the citizens of the region, especially through activating dialogue and encouraging linking activities across borders in the private sector and civil society.⁴⁶³ The emphasis placed on public participation within the move towards greater integration is heavy – the leadership attending the EAC forum titled “The EAC We Want” acknowledged that the process has to

⁴⁵⁹ East African Community *EAC Political Federation: Experts in Preliminary Discussions About Model Structure*, Press Release on the EAC website at http://federation.eac.int/index.php?option=com_content&view=article&id=212:eac-political-federation-experts-in-preliminary-discussions-on-model-structure&catid=40:news&Itemid=147.

⁴⁶⁰ Museveni, Y. Speech delivered by the President at the 11th Extraordinary Summit, Sunday 28th April 2013 as published on the EAC website at http://www.eac.int/index.php?option=com_content&view=article&id=1264&Itemid=1.

⁴⁶¹ Kiragu, P. *Sovereign bond to be issued after October, says Treasury* July 16th 2013 at <http://www.the-star.co.ke/news/article-128341/sovereign-bond-be-issued-after-october-says-treasury>.

⁴⁶² Mdimi, M. *Hands Off: Tanzania’s Sovereignty is Sacrosanct* published on Daily News: Tanzania’s Leading Online News Edition 27th July 2013 at <http://dailynews.co.tz/index.php/features/popular-features/20387-hands-off-tanzania-s-sovereignty-is-sacrosanct>.

⁴⁶³ Tenywa, G. *Private Sector and CSOs to Promote EAC Integration* 9th October 2013 in New Vision – Uganda’s Leading Daily, Published on Tuesday 15th October online at <http://www.newvision.co.ug/news/648152-private-sector-and-csos-to-promote-eac-integration.html>.

be owned equally by government and the people. Efforts in the region by the private sector, civil society and other interest groups in collaboration with the EAC Secretariat include national and regional Secretary General's Forums, Civil Society Consultative Forums, youth meetings, children's rights conferences, conferences on good governance and the first EAC Cultural Festival (JAMAFEST) amongst others. It even includes political dialogues on the role of women within political integration.⁴⁶⁴ What this effectively shows is that the EAC is aware of the need to pull the process down in to domestic politics, thereby also acknowledging the link to nationalism and identity within the process of integration. It shows that as a region the EAC is striving towards a union, displaying an awareness of the need to reorient attitudes and perspectives towards the regional level.

Can an EAC regional identity replace a national one? According to Hegel and Giddens, political identity has a functional as well as ideational basis. Identity, and therefore nationalism, cannot be divorced from the state structures that encourage and nurture them, included in which is the use of symbols, such as flags and anthems. However elements like these are insufficient if there is no functional basis to link the citizenry to the region, such as voting. In relation to the EAC, can citizens in the member states lobby a regional body? Do they have the power to make changes to the region in a way that could circumvent national governments? The answer is no – they do not. The EAC remains, despite its efforts, a region driven by states and inter-governmental efforts.⁴⁶⁵ Therefore what is the point in trying to create a regional identity where there are no reinforcing factors of substance other than state action (which defeats the purpose) to support it? Add to this the recent addition of the notion of two track integration within the region, where some partners will push ahead while others may choose to join initiatives later.⁴⁶⁶ How can this facilitate a singular identity? In September 2013, reports surfaced that Tanzania had “expelled” thousands of Rwandans, calling them “illegal immigrants” and citing that there was a fear that Rwanda wished to destabilize Tanzania as a retaliatory action for sending troops into the Democratic Republic of Congo.⁴⁶⁷ With this clear “us-versus-them” sentiment, it becomes hard to ignore that

⁴⁶⁴ Tenywa (2013).

⁴⁶⁵ Mwapachu, J. *EAC integration- Are citizens players or spectators?* The Citizen, 5th November 2013 at <http://www.thecitizen.co.tz/oped/EAC-integration--Are-citizens-players-or-spectators-/-/1840568/2048802/-/item/0/-/kmsqsf/-/index.html> .

⁴⁶⁶ Kalinaki, D.K. *EAC states pull in different directions as Dar is isolated* Africa Review, 21st September 2013 at <http://www.africareview.com/Special-Reports/EAC-states-pull-in-different-directions-as-Dar-is-isolated/-/979182/1975670/-/ffna6/-/index.html> .

⁴⁶⁷ BBC News Africa *Why has Tanzania deported thousands to Rwanda?* 2nd September 2013 at <http://www.bbc.co.uk/news/world-africa-23930776>.

regional identity is a sentiment; external threats pull the state and citizenry together, reinforcing the established national bond.

In order to link the state to the people effectively, the issue must be seen in a theoretical context. By virtue of the construction of political identity in a nation-state there is the need to encourage homogeneity and collective interests, which can promote isolation. Von Busekist notes that identity is based on history and tradition, and in the context of the EAC, this includes the history of regional relationships, included in which is the competitive nature between the members with Kenya overshadowing its partners. It is therefore natural to see the kind of state behaviour noted above, since it has arguably become part of the identities of the member states that have evolved after the dissolution of the first EAC, and even before that – in the region's original colonial structure. Hegel's ideas of political and practical identity call for individuals to feel empowered and included within the state context; they require a connection between state and citizenry that must be nurtured for the benefit of both. If we link Hegel's ideas of agency to Giddens' ideas around the reproduction of identity, the image of what faces the respective member states becomes even more challenging. Giddens' ideas of structures exerting a force on citizens requires that those structures develop sufficiently in order to harden and exert a force; if behaviour is acceptable, it is because it has positive outcomes and as a result, has been reinforced. The behaviour of states and people need to be seen in this context; where EAC members have behaved in a protectionist manner, it has been understood as a state defending its citizens, encouraging support from a grassroots level for these behaviours and opening the door to future actions that are similar.

If we view the behaviour of the member states as well as the individual citizens in this light, we are able to more fully understand why conflicts between regions and states exist; Giddens notes that where unintended consequences occur they will provoke a reaction which ought to change the behaviours that are inconsistent with the accepted norms. Within the domination of regional concerns over national concerns in the EAC and within the EU, the by-product has been the sacrifice of welfare and meaningful development. The result has been that the state orientation has changed, but popular expectations and behaviours that are still forming have not. These expectations have not adjusted because of how political identity is formed and maintained. As a result, a nationalist backlash ought to be expected, since the change in structure has not been met with a change in expectation or experience. In turn, identity formation cannot change as rapidly as the state's orientation because, as Hegel notes, it is so

tightly woven into the individual's sense of being a citizen and is reinforced daily. The result is that, in terms of their identity, citizens clash with each other as well as with the state, pulling the state away from its regional partners.

Despite the ineffective nature of the theory, member states are still using the model of economic integration and hoping that political integration efforts will follow. The problem is that changing attitudes is becoming a state issue, where motivation to relocate identity is as much an issue as economic integration itself. This ought to be a natural process and it ought to be progressive. This facilitation is the reflection of a disjointed process. The role of people in the process of regionalization has effectively become a political band-aid to support and invigorate the integration process. State behaviour within the EAC is a product of turbulent internal challenges that place both the state and citizens in compromising positions. The state, seeking legitimacy externally, seeks to reinforce regionalism as a means to increase its relative power and recognition. Internally, legitimacy is tied to popular support for state action and it is therefore compromised by the state's regional endeavours. This becomes an issue particularly where these actions are not sanctioned because of the sacrifices around the needs of the citizenry that they require. As a result, nationalism is activated to reinforce internal obligations. Therefore, they pull each other along, extending the discomfort of the loss of synchronicity in the belief that one partner will correct themselves. In this case, it is arguably not the citizenry that will do so, since their demands are welfare-based; it must be the state. The relationship should be symbiotic, balancing interests, mutually protecting each other and working for a beneficial and peaceful environment. State interests should not have to diverge from popular interests, unless they are deliberately separated. Economic integration separates the state from society by encouraging the state to follow a construct that dislocates it from its citizenry. Economic integration essentially has an internal self-destruct mechanism that renders its success uncertain.

The biggest challenge within regional theory is to accept the notion that the state will remain relevant. If this is accepted, the theory will naturally have to adjust, treating the state as the dynamic entity that it is. In line with these comments, future paths of study should focus on working through these issues; one path is to assess how development projects may be linked to the regionalization process, as well as how the state may be re-envisioned in a more supportive role. Another aspect of further study is to examine regionalization models and to open them up to alternative contexts, providing possibilities rather than closing them off. One

way to do this is by comparing regions within the African context in order to see how they deal with these issues comparatively and where solutions may lie. This would facilitate the de-linking of ideas from models, effectively opening the theory to new applications. Lastly, future studies need to re-link the state to its citizenry; it is clear that there is value in retaining the state structure. The state itself can be used to empower the theory, rather than to remain at odds with it.

Federation or Confederation: The Case in Relation to Statement 3

Leadership within a successful region will require a post-Westphalian solution in order to move beyond bounded state politics.

The assumption within the movement towards a federation and a monetary union is that it is the best outcome for a region. The reality is that, as seen in Europe, integration does require some defined outcome otherwise it is left as an invasive force, bringing states progressively closer together with no defined end point. The “bicycle theory” holds that, as with a bicycle, integration must remain moving forward in order to maintain its stability.⁴⁶⁸ As this paper has shown, this progression can be destabilizing because of the threat it creates for state sovereignty. The end-point of a regional integration scheme should seek to reinforce state commitment to integration by ensuring that the elements integral to statehood are protected in the long term. This paper has argued for confederation as a means to safeguard sovereignty. In order to understand whether confederation is a feasible option for Africa, the challenges of integration must be examined in light of the options offered by confederation in order to assess its acceptability.

Acharya argues that under the New Regionalism initiatives, intrusive regionalism is actually providing a new basis for identity.⁴⁶⁹ Initially states in the third world turned to regionalism as a means of protecting their sovereignty while gaining influence through collective action.⁴⁷⁰ Although regionalism was not a first option for the UN post-World War II, and despite the fear that regions may come to compete with a pacific dispute resolution body like the UN,

⁴⁶⁸ Balaam and Veseth (2008) at p. 228.

⁴⁶⁹ Acharya, A., “Regionalism and the Emerging World Order” Chapter 2 in Breslin, S., Hughes, C.W., Phillips, N. and Rosamond, B. (eds) *New Regionalisms in the Global Political Economy - Theories and Cases*, Warwick Studies in Globalisation (UK: Routledge, 2002) at p. 20.

⁴⁷⁰ Acharya (2002) at p. 21.

regions were conceded to under the Charter⁴⁷¹ due to the fact that regions were still comprised of states that would remain under the purview of the UN. The UN, after all, aimed to protecting sovereignty.⁴⁷² New Regionalism is, however, intrusive, and actively works against the concept of sovereignty. The early models of integrative regionalism focussed on the fact that states would consent to giving up aspects of their sovereign rights for the collective interest, but in contrast, New Regionalism does not require consent – it simply permeates the system.⁴⁷³ In terms of identity, New Regionalism could give rise to more robust forms of collective identity due to the fact that it works with multi-level players within the state and could also be responsible for tighter security communities. Conversely, this form of integration may also fuel conflicts for the same reason.⁴⁷⁴ Acharya notes that despite the change in ideas, sovereignty in the Third world is still too new and valuable to let go of, highlighting the fact that what remains is a tension between New Regionalism and states.

There is no clear way to apply the New Regionalist theories without them having potentially adverse effects. To expect every regional collective to tailor-make a regional structure to their needs is far too complex, however, to expect them to fit into boxes defined by theory is equally ineffective. If we are to accept that African states are still to a degree in the process of developing, then the effect is that it is problematic to remove the state from a regional partnership. As a result, we cannot see a federal outcome in the foreseeable future for the EAC. Despite this, the EAC is actively working towards a federal union with a single currency, within an economic integration framework.

If African states, and especially the EAC, wish to continue to pursue a form of regional economic integration the solution to the regional outcome must lie in how the region will combat the issues of political and economic integration. Two of the issues that require specific attention are political power sharing and the monetary issues that arise in the regionalization process, namely, a monetary union and unequal development within the region.

Calhoun's arguments around political confederation and power-sharing agreement seem to make sense in the African political landscape. A confederation ensures that decisions must be

⁴⁷¹ United Nations "Charter of the United Nations" at <http://www.un.org/en/documents/charter/chapter4.shtml> .

⁴⁷² Acharya (2002) at p. 22.

⁴⁷³ Acharya (2002) at p. 28.

⁴⁷⁴ Acharya (2002) at p. 30.

unanimous, with only agreed powers being ceded to a central authority. The seat of power remains with the states, and the states, due to the pay-off described by Ploeckl, benefit a sufficient amount to justify their combined efforts. Where states have the ability to maintain their independence, there is strength and sustainability within agreements. The states themselves are not threatened, therefore their concern is free to remain with their constituent populations. Their aims are not redirected from domestic concerns, allowing them to apply the politics this paper has argued for without the concern of building up their local economic and political structures just to lose those structures to a region.

A confederation leaves room for the domestic issues that need solving to be solved within a supportive environment. The amorphous structure of confederations also leaves the door open for states to define how much power they would like to cede and how the structures of a confederation should function. There is a need, as in economic integration, to harmonize state policy in order to allow for the freedoms that are essential for healthy integration – the free movement of goods, people, capital and services.⁴⁷⁵ States would find it far less threatening to facilitate these freedoms in good faith rather than as an imposed condition of federalization. This returns to the argument that instead of expecting reality to bend to theory, states should accommodate their realities by adjusting the theory to suit where they are politically. There is no need for states to cede their sovereignty in order to form lasting regional structures, despite how the theory has been constructed. This would give African regions the political stability that is so badly needed.

Despite the optimism politically, how would states fare economically? For integration to be successful, it must be perceived to be relatively low-cost and high-benefit. The problem is that within the integration process, there is a tendency for resistance to occur where one partner receives an overwhelming benefit that is perceived to be unfairly distributed among the partner states. This also leads to poles of development and poles of stagnation, which requires the intervention of a redistributive mechanism.⁴⁷⁶ This must be partnered with the harmonisation of state policies to facilitate a convergence of economic policy that will allow intra-regional trade to flourish within the newly expanded markets.⁴⁷⁷ A final issue to note is

⁴⁷⁵ Balaam and Veseth (2008) at p. 219.

⁴⁷⁶ Lee, M.C. *The Political Economy of Regionalism in Southern Africa* (Cape Town, South Africa: University of Cape Town Press/ Lynne Rienner Publishers, 2003) at p. 21.

⁴⁷⁷ De Melo and Panagariya (1993) at p. 188.

that since Africa has low levels of industrialization, there are few opportunities to integrate factors of production into common productive processes.⁴⁷⁸

The free movement of goods requires a high level of political harmonization and facilitation. The process is more than just the removal of tariff and non-tariff barriers and requires the harmonization of policies in various sectors in order to facilitate the easy travel of goods and people across boundaries.⁴⁷⁹ Economic integration should promote both static and dynamic economic efficiency; it should allow domestic markets to become more efficient due to expanded markets and should provide the ability to embrace the industries in which they have a comparative advantage. However, in the long term, it should also promote dynamic economic growth in the region.⁴⁸⁰ A single currency within a monetary union is even more challenging. In addition to the negative effect of the single currency on sovereignty, the creation of the currency itself may be contentious. If we look at the Euro, its name and symbol are potentially politically explosive, as no nation may be favoured in its structure. In choosing to join the Eurozone, many states had to meet certain minimum economic requirements, creating domestic pressures. Although European nations look to their states in times of crisis, states have had to give up certain rights in joining the Eurozone. Individual states cannot set interest rates, as they are set by the European Central Bank. States have lost the ability to use common economic tools to combat the effects of the recession, such as increasing government spending or printing more money, leaving their hands tied in trying to combat the effect of the crisis. Although the currency is the glue that binds the region, compelling states that could otherwise opt out of agreements to work out their differences, it also magnifies the tensions between states because of the loss of domestic power.⁴⁸¹

Looking at the crisis Europe is currently facing, it becomes clear that if developed nations are struggling with the effect of abandoning national currencies and national control of economies, then it would be a poor choice for regions in Africa, given the weaknesses already noted. With economies that are not diversified, not industrialised and that are trying to build themselves up in relation to the global economy, not only are African markets arguably not developed sufficiently to begin with, they are too unstable. It is at this juncture

⁴⁷⁸ Clapham, C. "Regional Integration in Africa: Lessons and Experiences," in Hadley, A. and Mills, G. (eds) *South Africa and Southern Africa: Regional Integration and Emerging Markets* (South Africa: South African Institute for International Affairs (SAIIA), 1998) at pp. 17-29.

⁴⁷⁹ Balaam and Veseth (2008) at p. 219.

⁴⁸⁰ Balaam and Veseth (2008) at p. 220.

⁴⁸¹ Balaam and Veseth (2008) at pp. 236-237.

that we return to List's theory that productivity is culturally grounded. If, as in List's view, the national economy is the product of national ideas, ethos and the national workforce and these are intricately woven into the fabric of society and people's need to belong to a society, then African states must look inwards in order to grow their economies to the point at which regional relationships may be more successful. The Zollverein, as a confederation, maintained independent banks and currencies, but created a parallel currency in order to facilitate cross-border exchanges. This appears to be a far more feasible alternative in the given context.

There is no question that there would need to be a meaningful and acceptable redistributive mechanism that would enable states to feel as though the regional network was supportive rather than exploitative. If List's beliefs constituted the basis for regional integration and they were coupled with the idea of long-term success of each of the partner states within the region, redistribution could be more easily framed as a supportive exercise for each state's national economy. Redistribution would be seen to be supporting the trading networks that would indirectly facilitate national growth. If states were equally allowed to prioritize growing their own economies within the structure, poles of development and stagnation could be countered from the start, as the state could drive the pace and placement of development.

Although this smacks of overwhelming state intervention in markets, the state cannot be a passive participant in developing nations – not in List's view and certainly not in practice if populations wish to see meaningful benefits. Although this is a thorny issue, it can be overcome by maintaining political independence and, as Haas advocates, the right political alliances. It is arguable that political insecurity inspires distrust in a region; when states are unsure of where their partner state's allegiance lies, the insecurity is overwhelming. How is a state that is asked to relinquish sovereignty supposed to trust that a partner state will necessarily do the same? Treaties and bilateral agreements should act as guarantees of the process, however, particularly in the EAC, treaties have a history of being dissolved. In Realist terms, it would be far more beneficial for developing nations to act with transparency, reinforcing each other's sovereignty and maintaining a level and secure playing field by acting as the sovereign states that they are.

One possible option for remedying the issue of the monetary union is to look towards a parallel and exchangeable currency. Considering that exchange rates are already applied to

currencies, one could feasibly argue that a new currency could fit into the framework that is already in existence. Most currencies are either floating, pegged to another currency or are a hybrid system of floating-pegs. The most feasible answer would be to devise an exchange rate system that would facilitate exchanges with an additional currency that could succeed within the floating-peg system.⁴⁸²

If we look at the conversion of the multiple currencies of Europe to the Euro, there was a conversion period that may offer some suggestion as to how to achieve this. When the independent currencies were in the process of changing to the Euro, many of the prices of goods were listed in both Euro and in national currencies due to the fixed conversion rates that had been established through using the European Exchange Rate Mechanism. This Mechanism ensured fixed margins of currency exchange for the European currencies within the changeover period.⁴⁸³ Although this was temporary, it shows that a third currency can exist and function in addition to two or more trading currencies. Having said this, it would require administration, as with all currencies, in that states would need to still have integrated banking systems in order to facilitate the process and to protect their national currencies in relation to potential fluctuations. There is no defined rule to say that states should have to forfeit their financial independence for integration. It has just become an accepted notion along with federal aspirations. There is already the need to convert Kenyan, Tanzanian and Ugandan Shillings as well as Rwandan and Burundian Francs in order to trade between partners. Instead of eliminating all five currencies, a common currency with set exchange rates could facilitate much easier trade without intervening in state sovereignty.

In relation to the argument that the Euro is the glue that holds the EU together, Ploeckl shows that where a regional integration movement is successful, the success of one partner is tied to success of the whole unit. The pay-off for remaining within the region becomes the motivating factor for sustaining agreements. Therefore, where agreements are correctly applied and are successful, there should be no need to monetarily tie states into a collective. The pay-off should be sufficient to ensure future compliance.

⁴⁸² Grabianowski, E. *How Exchange Rates Work* HowStuffWorks, (February 6th 2004) HowStuffWorks.com at <http://money.howstuffworks.com/exchange-rate.htm>.

⁴⁸³ Obringer, L. *How The Euro Works* HowStuffWorks (January 1st 2002) HowStuffWorks.com <http://money.howstuffworks.com/euro.htm>.

Therefore there is a strong argument that a confederation could supply what regions in Africa need; an easier, less threatening but just as enduring system of integration that will not compromise on African goals, but will equally not hinder African state's integration efforts. In linking politics with economics, we are able to expose more creative solutions that may lead to the potential for greater prosperity without the threats associated with revolutionising the system currently in place. New theory has a tendency to reach ahead, grasping at new ideas, when the old ideas have not yet been fully used. This paper argues that the march towards a post-Westphalian ideal epitomises this pre-emptory reach.

It is this paper's view that a confederation could prove to be a more feasible alternative. In truth, a confederation is a safe choice. It gives partner states the choice to push on towards federalism or to maintain whichever level of integration they choose. Either way, one unmentioned challenge is that federalism and economic integration have been marketed in literary circles as a panacea for states wishing to remain competitive. One of the biggest challenges in working with theory is to break that view, for options only become feasible alternatives when they are acknowledged as such.

The EAC, after decades of integration efforts and surviving a regional collapse, should seriously reconsider its aspirations for the future. Integration has the potential to benefit states in many ways, however, that does imply that the integration programme must be sustainable. What the literature above shows clearly is that this potential exists, where we are willing to change the way in which we view theory and its effect. This chapter started by looking at methods and intentions, and it will conclude by looking at the same issue. If our intentions are to create a regional economic body in which politics is subverted and ineffectively used, then the crystallized notion of economic integration will suffice. However, if our intentions are to create not a model but a guide as to how regions could work within the principles already tested then confederation must be a better alternative. In the case of the EAC, we see that although there is optimism around integration and a need to push forward constantly at a pace, the states themselves show that integration is not evenly spread and not close to where it ought to be to discuss federating.

The Economic and Social Research Foundation published a document based on a dialogue workshop entitled *'The Implementation of the East African Community: Regional Integration Processes in Tanzania'* which took place in October 2012. The dialogue was intended to

assess the progress of integration and the issues facing Tanzania in further integration. A few issues that were highlighted include some aspects that ought to be expected in any integration process, namely, issues around persisting non-tariff barriers and the fact that trade and movement of people are controlled by widely differing agencies. However it also includes others that show that the EAC is not yet prepared to reach for federalism, for example, the fact that Tanzania has not yet started to create a welcoming environment for the East African Monetary Union (EAMU). In addition, there are major concerns around the fact that there is a rush towards federation despite the fact that member states still suffer from internal political issues and conflicts.⁴⁸⁴ Although the paper is aimed at reflecting the Tanzanian perspective of integration, the issues remain pertinent for the Community as a whole.

Despite the customs union being in place for eight years, the partner states have not yet managed to create an integrated customs union. Although the partners support the common market initiative, huge delays have been caused due to the slow amendment of national laws. As a result, the EAC negotiations for a monetary union are not only premature, they present a significant issue.⁴⁸⁵ This should be a concern to partner states and to theorists studying the region; it is not only over-reaching, it reflects a worrying “box-check” attitude. It seems as if the region is going through the motions with the hope that the outcome will be guaranteed. Additionally, despite the initiatives mentioned, people on the ground still do not fully understand the integration process and therefore cannot fully benefit from it. Many are Swahili speaking, however English, which is the language that links the partner states, is not as widely used. People are undereducated about the process, and as a result, cannot be active participants.⁴⁸⁶

Although on paper the EAC seems to be a success story, it is missing integral aspects within the integration process; the process is disjointed, not fully formed at the earlier stages, and strong states and state attitudes persist. The pace at which the process has moved has been remarkable, especially considering the history of the EAC. The success of many of the Community’s initiatives shows a dedication to the Community cause, however, where there are aspects lacking, the gaps are significant. It seems that one product of globalization, instant

⁴⁸⁴ Lunogelo, H.B., Mashindano, O., Kaino, D., Kida, T. and Hassan, A.K. (eds) “East African Regional Integration Process in Tanzania,” *Quarterly Economic Review Tanzania* Special Issue (May 2013) at <http://www.trademarka.com/download/Special%20ESRF%20QER%20Edition%20on%20RI%20%20-%20October%202013.pdf> at p. 1.

⁴⁸⁵ Lunogelo et al. (2013) at p. 3.

⁴⁸⁶ Lunogelo et al. (2013) at p. 3.

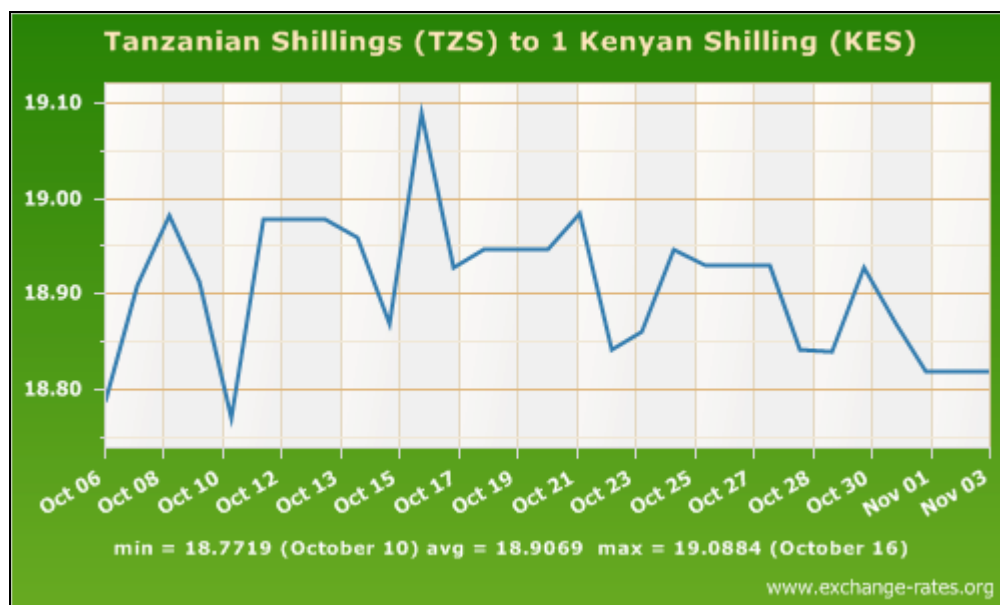
gratification, has filtered down to political integration, using economic integration as a fast-track to a goal that neither the state nor the people are in truth fully able to accept just yet. Whether or not they should federalise in the long term is a question of desire; in the interim, confederation will allow them many of the benefits of federalising without the accompanying challenges.

If the EAC aim for a monetary union, as seen in the example of the Zollverein, the option of creating a system which works alongside national currencies is appealing. A single currency has been effective in the original partner states of Kenya, Tanzania and Uganda previously. The East African Currency Board supplied and supervised the use of the currency in East Africa from 1919 to 1966. The Board was authorized to issue its own currency notes and mint coins according to the designs approved by the Secretary of State and the rate of exchange between the Board's currency and the pound sterling was fixed. The Board's main function was to maintain the local shilling on par with the shilling in the United Kingdom; this was possible because sterling securities were used to back up local currency at all times. The Board itself stopped functioning in 1966, when Central Banks came into existence in Tanzania, Kenya, and Uganda.⁴⁸⁷ Therefore although it is not a foreign concept, the struggle will lie in the fact that as British protectorates, leadership within the territories was not focussed on the priorities that motivate independent, nationalistic states. A single currency now must make room for those obligations and protections.

In order to follow the case from the old version to the new, this paper will assess the case by concentrating on the three original members – Kenya, Tanzania and Uganda.

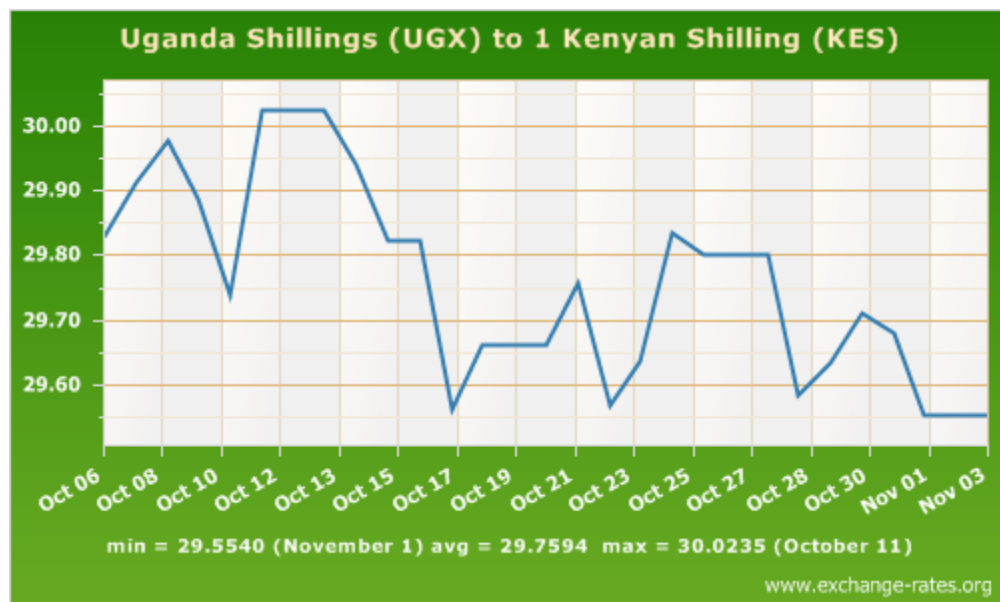
⁴⁸⁷ Bank of Tanzania, Currency Department Operations *Evolution of Currency in Tanzania* at <http://www.bot-tz.org/BankingOperations/Currency/CurrencyEvolution.asp> .

Graph 3: Kenyan and Tanzanian Exchange Rates



Exchange rates between the Tanzanian Shilling (TZS) and the Kenyan Shilling (KES) between 10/6/2013 and 11/3/2013⁴⁸⁸

Graph 4: Ugandan and Kenyan Exchange Rates



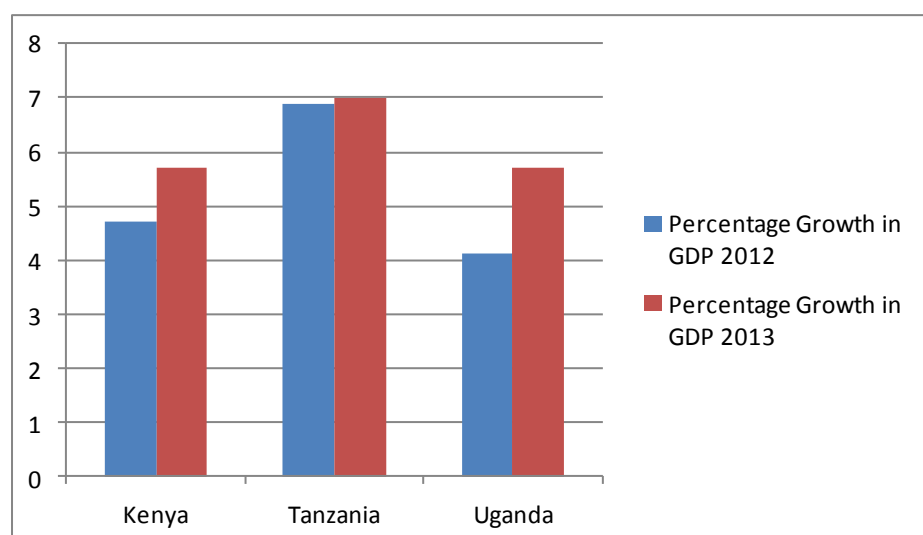
Exchange rates between the Uganda Shilling (UGX) and the Kenyan Shilling (KES) between 10/6/2013 and 11/3/2013.⁴⁸⁹

⁴⁸⁸ExchangeRates.Org Rate of Exchange between the Kenyan Shilling and the Tanzanian Shilling at <http://www.exchange-rates.org/history/TZS/KES/G/30>.

⁴⁸⁹ExchangeRates.Org Rate of Exchange between the Kenyan Shilling and the Ugandan Shilling at <http://www.exchange-rates.org/history/UGX/KES/G/30>.

The option of a common currency in addition to national currencies seems, in light of the discussions above, the safest option for developing states. As shown in the graphs, there is already the need to combat fluctuating exchange rates, with the Kenyan Shilling (KES) being consistently far stronger than both the Ugandan Shilling (UGX) and the Tanzanian Shilling (TZS). This discrepancy affects the comparative ability of these countries within their terms of trade. The difference has proven to be a long-standing and contentious issue within integration. Due to the phenomenon of poles of development and stagnation, Kenya has always been the most desirable market due to its placement as a trading hub within Africa.⁴⁹⁰ However the region as a whole is changing, and in turn, it is changing the dynamics of the regional structure and the potential for the region itself.

Graph 5: Average GDP Growth in EAC



Data is a graphic representation of GDP statistics below.⁴⁹¹

In the last few years, growth levels between the partner states have changed with Tanzania and Uganda overtaking Kenya. This is partly due to the fact that the Kenyan economy is overly-dependent on agriculture and tourism, which makes it more susceptible to international shocks. It has also experienced internal political conflict, with the election

⁴⁹⁰ Stein, P. "The Economies of Burundi, Kenya, Rwanda, Tanzania and Uganda: Report Prepared for Swedfund International AB" (2010) at <http://www.swedfund.se/wp-content/uploads/2010/07/updatedreportoneastafrica2010.pdf> at p. 17.

⁴⁹¹ Graphic is of data as cited in text. Please see text citation for referencing.

violence in 2008 compounding the effect of the economic downturn in the same year.⁴⁹² In comparison, Tanzania and Uganda are resource rich, but have poor infrastructure.⁴⁹³ In 2012, Kenya grew by 4.7 percent, with predictions of 5.7 percent in 2013.⁴⁹⁴ Between 2000 and 2008, Tanzania had one of the strongest growth rates of the non-oil-producing countries in Sub-Saharan Africa. Annual real GDP growth has exceeded 6 percent for ten consecutive years, standing at 6.9 percent for 2012 – 2013, with 7 percent and 7.2 percent projected for 2013 and 2014 respectively.⁴⁹⁵ Uganda's annual growth rate averaged 5.76 percent from 2008 until 2013, reaching an all time high of 12.2 percent in June of 2009. Growth in 2013 has averaged 5.7 percent.⁴⁹⁶ There may still be a substantial discrepancy between the states due to Kenya's dominance, but comparative growth of this nature shows that there is hope for an evening out of the poles of development and stagnation issue. The reduction of the development gap will also reduce the tensions within redistributive mechanisms, as the overall growth ought to diminish the feeling that Kenya is "dragging" its partner states forward. In the near future, if growth rates continue as they have been, particularly with the discovery of oil in Uganda,⁴⁹⁷ Kenya may need to look to its neighbours for assistance.

⁴⁹² Stein (2010) at p. 18.

⁴⁹³ Stein (2010) at p. 32 and p. 37.

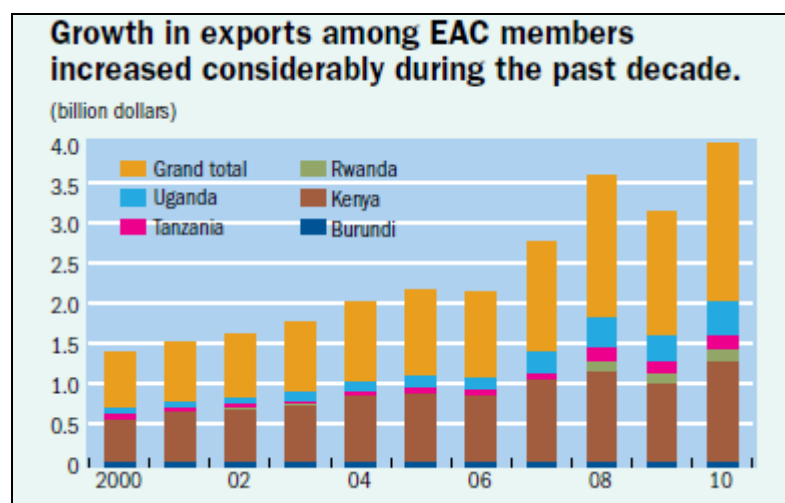
⁴⁹⁴ World Bank *Time for Kenya to Shift Gears to Accelerate Growth and Reduce Poverty* (17th June 2013) at <http://www.worldbank.org/en/news/press-release/2013/06/17/time-for-kenya-to-shift-gears-to-accelerate-growth-and-reduce-poverty>.

⁴⁹⁵ OECD *Investment Policy Reviews – Tanzania* (6th August 2013) at <http://www.oecd.org/investment/investment-policy/DraftTanzaniaIPR.pdf>.

⁴⁹⁶ Trading Economics *Uganda Annual Growth Rate* at <http://www.tradingeconomics.com/uganda/gdp-growth-annual>.

⁴⁹⁷ Ojambo, F. and Bakhsh, N. *Uganda Seeks Investor to Build \$2.5 Billion Oil Refinery* Bloomberg (8th October 2013) at <http://www.bloomberg.com/news/2013-10-08/uganda-seeks-investor-to-build-2-5-billion-oil-refinery.html>.

Graph 6: Growth in Exports



Contribution of each member state to intra-regional trade between 2000-2010.⁴⁹⁸

As shown in the graph above, intra-regional trade has increased substantially, adding significantly to the growth of the region and adding to the supportive networks that will encourage all of the member states to invest further in infrastructure and development. The economic outlook for the region is therefore strong, with solid figures to back up the idea that the current development trend will continue. The issue arises, however, when we look at the political realities of moving towards a federation in relation to the growth that has taken place. Feasibly, from the figures above, it is arguable that continuing with economic integration alone will grow the economies sufficiently to fulfil the economic integration programme. However, as noted earlier, despite this substantial growth, issues persist amongst the states within the implementation of the elements of the programme, which may in time stall this growth. At this juncture, we must return to politics.

This paper has argued that in order for the partner states to enjoy the full benefits of integration and to make it sustainable, political realities cannot be ignored. If we look at the election violence in Kenya, as well as the persisting issues of poverty, illiteracy and underdevelopment in the region, clearly politics cannot be excluded. In addition, there have been reports about political side-lining in development and infrastructure projects, with

⁴⁹⁸ Winston, S. and Castellanos, C. "Trade in East Africa" *Finance & Development* Vol. 48 No. 4 (December 2011) at <http://www.imf.org/external/pubs/ft/fandd/2011/12/pdf/data.pdf> at p. 56.

Tanzania being left out of meetings involving Kenya, Rwanda and Uganda.⁴⁹⁹ A two-track integration programme has also been suggested. These are aspects which may not be addressed by a purely economic programme. The growth that has taken place has benefitted from the regional programme, however, it has been driven by the individual states. Given the reality of this structure and given the arguments made around why a confederation is more beneficial than a federation, the argument seems convincing. If the states were to continue along this road, heading for a confederation rather than a federation, this growth could feasibly continue unhindered by the threat of losing sovereign rights, freeing the partner states to pursue their development challenges. If, however, the states continue to pursue federalism directly, these political issues have the potential to break down the entire process.

Calhoun and Levi-Faur advocate for a people-centred process; for Calhoun, the role of the state is to balance security and liberty within the checks and balances that are put in place to limit state power and prevent it from becoming too intrusive. In Calhoun's view the state is meant to act as a mediator of interests and powers; the aim is to link political identity, citizens and the state by virtue of List's understanding that productivity is culturally grounded. If a state is to be successful, it must have a rounded view of capital, including mental and material capital. As List notes, a state should develop its economy internally before it expands beyond state bounds, which requires that a state have a stable and thriving internal trading system. The state should also concentrate on maintaining the right balance within economic development; development must include agriculture, manufacture, as well as immaterial factors, such as education. List's view becomes all the more important in the context of developing states such as in the EAC because his economic theories tap into the idea of identity, nationalism and the need to build a healthy domestic economy. Where we acknowledge that a weakened domestic economy leaves a state dependent on its partners, it becomes easy to understand why that dependence represents a significant domestic political threat to stability. In relation to the case, this approach would see Kenya diversifying its economy and expanding its manufacturing ability, while Tanzania and Uganda would have to invest more in their infrastructure in order to open their internal markets. If the states facilitated these changes, they could fulfil their role as envisioned by Levi-Faur – as guides and directors of the forces of regionalization and globalization, rather than as defenders against them.

⁴⁹⁹ Athumani, R. *East Africa: Kenya, Rwanda, Uganda Sideline Tanzania* – Sitta Tanzania Daily News (19th September 2013) at <http://allafrica.com/stories/201309190251.html> .

Conclusion

Ultimately, any decision around a regional outcome will need to be based on the internal development of the EAC states, which still have a long way to go before a definitive and sustainable outcome can be designed. It would be ill-advised for the EAC to continue to pursue federalism and a monetary union at its present rate. The partner states understand the value of political drivers in support of the economic programme, however, a more valuable understanding of political drivers would be to relocate them to the domestic realm, directing attention within political alliances to reinvesting in their own economies and populations, putting politics before economics. To return to the beginning of this chapter, states should own their intentions, and instead of chasing an ideal, should match their means and their methods to their goals.

As shown in Chapter 2, where theory is flawed, these flaws travel down into regional structures, directly affecting the member states. In the EAC, the data does appear to show that cracks in the process are forming that, without serious consideration, could significantly destabilize the region in the future. There is a compounded reason why regions in Africa should not follow the overarching hypothesis; not only is it flawed in terms of regional theory in general, but this is doubled in the African context since developing states start off with significant issues to address. To apply the theory given the evidence above is irresponsible, and it clarifies why so many African regions are thought to fail; failure is not the product of misapplication, but the product of circumstance. The state cannot de-link from its people or national expectations. The state's legitimacy depends on this connection and successful regions depend on efficient and functioning states. In the context of the EAC, the evidence above shows that in order to strengthen themselves, member states still need to heavily invest in their own countries, both in development that facilitates trade and in the development of welfare, before they can start to see the true benefits of a strong region.

In de-linking the theory from the European case, the theory itself has the ability to open up and once again become a tool, rather than a programme. To remain competitive has become a solely economic endeavour, when it ought to be more inclusive and far deeper within its supportive structures. The statistics above show that despite integration, significant welfare benefits have not been seen in the last decade. This begs the question, what should the benefits of integration be? Economic integration theory states that a region supplies bigger

markets, easier, simpler trade and an increase in power through collective bargaining, however, for the average citizen, the effect must trickle down. This translates to the main participants in the integration process being the last to experience tangible benefits as a result of it. Within the EAC the members support integration, are striving to achieve it as fast as possible through talks and commitments, but are simultaneously neglecting their own domestic issues, as argued by Qobo. However, in contradiction to his argument that states are avoiding domestic issues, I would argue that today, the perception is that the theory will benefit the state, thereby legitimizing the “short term” neglect by focussing on the long term benefits. The difficulty is that the model is flawed, as is the theory, therefore in actuality, what is laid before us is a clear example of the state’s interests diverging from the citizenry’s.

In line with List’s arguments, what the EAC members need is a state-driven domestic development plan that can be enacted with the same level of enthusiasm as their regional programme. The evidence shows that from the perspective of political identity, the state is still central and vital and despite the attempts to create a regional identity, it persists. Member states have the ability to capitalize on this within the integration process, but only if they choose to do so by electing to aim for a regional programme that supports the state rather than one that undermines it. Regional integration needs to re-link the components of the integration process, acknowledging state, nation and economy. For developing nations, a confederation with a parallel currency could prove to be valuable alternatives to the current path of economic integration.

The value in assessing the case in light of the challenges above is that it allows a practical insight into the potential for future studies. It is not only regional theory itself that needs reassessment, but the value of its alternatives as well. Future studies will need to assess confederation as a feasible political option, and will need to investigate the possible benefits of a parallel currency, both in theory as well as in context, as once again, it cannot be expected that one model will be universally applicable.

Conclusion

This paper has challenged the null hypothesis in order to seek out a means to improve the theory around regions and the process of regionalization. The primary concern has been the case of the EAC, as well as regions in Africa, however, the results found here are equally able to be generalized to regional theory globally. The value in a study like this is that to challenge the theory in one context opens the doors for changes in theory across the board, since the same theory is applied universally.

Regionalism, as a political animal, has changed over time; it has changed in motive, in application, in desired outcome. Regionalization has morphed from a promoter of peace and order to an economic weapon of defence, a means to link and delink from global pressures. In the process, regionalism has lost some of its intentions and as a result, has lost some of its benefits. If we look back to the ideas discussed in this paper, clearly both political and economic integration are vital to sustainable regions. One cannot be separated from the other. However, there must be a change in the application of the theory. To see Africa as a continent that cannot cope is counter-productive. Instead, it is the choices made within the application of the theory that make the biggest impact.

This paper will conclude by summarising the approach it proposes be taken in the future. In addition, it will then link the EAC to the EU in order to attempt to generalize the findings.

Regional Theory – Where To From Here?

Within the study of regionalism and states, theorists have ceased to use regionalization as a tool for effective long term growth. Regionalization has to a large extent become a buzz-word to gain recognition and a more competitive front. However, without fully using the concepts in the theory, the results will continue to be less than effective. In challenging the literature, this paper seeks to return regionalism to its rightful place as a reinforcer of sovereignty, and in turn, to realign it with the needs of states and peoples. If supporting the citizenry leads to stronger states politically and economically, and stronger states can take better advantage of the process of regionalization, then the process of economic integration cannot supply what is required to sustainably build a region. When put in place without political support, economic integration undercuts the structures that are most valuable to the process. One important

distinction to make is that not only must politics once again be introduced, the right kind of politics must be activated; politics, as with economic programmes, must remain connected to the seat of sovereignty – the citizenry.

In order to acknowledge the value of the state, its role in the process must be re-envisioned. The theory works hard to work around the state when what it ought to be doing is engaging with it. There must be a distinction made between theory and models; economic integration has become a widely applied model, however, the theory behind it has become crystallized and ineffectively used as a tool for understanding regions and the process of regionalization. Theory is meant to be dynamic; models tend to be static. However, theory informs models and the goals they are meant to achieve, therefore where theory ceases to engage in a process because of the structure of a model, dislocations must be expected. How states react to those dislocations contributes to the success or failure of the regional programme.

Where theories appear to be inefficient, new ideas around outcomes emerge. The problem is that new ideas are responses to false crises, since the crises themselves are the product of not sufficiently engaging with the concepts within the theory itself in the first instance. Few states are willing to concede that their existence is a hindrance because they are still required to meet the needs of their citizens. If these needs are ignored, it will activate a nationalist backlash, undermining the integration process. If economic integration is as successful as it claims to be, there should not be so many issues within economically-driven regions. At some point, it becomes more valuable to stop directing criticism at states and to start directing it towards the theory.

As a result, a new approach must be taken; this paper started by assessing the criticisms of Functionalism and Neofunctionalism, but the changes must be broader than simply acknowledging the criticisms that have been transferred between the waves of regionalism and the effect that has had on regional projects. The approach taken by this paper has been to advocate for a kind of “Developmental Functionalism”.⁵⁰⁰ Essentially, this translates to an

⁵⁰⁰ Stephan et al. (2006) Chapter 7. Developmental Functionalism (DF) is an interesting amalgamation of Critical or Developmental Regionalism and Functionalism. DF requires more than the inclusion of the state in the regionalization process; it calls for the state to be an active participant both domestically and regionally. It includes the organic, bottom-up predisposition of Functionalism, and marries these ideas with state-driven development initiatives of the Critical approach, bringing the parties within the regionalization process much closer in terms of their interests and responsibilities. See Chapter 7 in Stephan et al.’s *The Scramble for Africa in the 21st Century* for an introduction to Developmental Functionalism.

increased internal focus for states within the regionalization process, but goes beyond Developmental Regionalism as it was described at the beginning of this chapter. It is insufficient to simply include the state or make the regionalization programme state-centred; this approach feeds into Functional ideas because the idea of state participation is much deeper. It includes incorporating the notions of identity, nationalism, welfare and meaningful and managed development. Developmental Functionalism also includes re-linking the state with the individual citizen, thereby going beyond what is advocated for in the Developmental regionalism model. The approach is Functionalist to the extent that it must focus on moving from the bottom-up, despite the process being state-driven. The process of reconnecting the interests of the state and the citizenry calls for a more pervasive approach to how states should work with domestic interests in order to facilitate their regional endeavours.

The assumption is that through economic integration and an outward trade orientation development will occur as a by-product of increased efficiency, with political integration following the economic changes. In addition, by allowing national flows to move outward, the benefits will circle around and flow back in to the states. In line with the arguments of this paper, the more correct approach is to use the regional network to build states internally and over time, to allow the networks that will expand the benefits received to move outwards and spill over. In this way, the tension between a purely economic or political approach may be dissolved, allowing for a mutually beneficial and parallel integration process. Without the inclusion of politics within the integration process, the changes produced by economic integration lack a substantive base upon which to resolve disputes, weather crises and negotiate future changes; without political agreements, economic agreements are unsustainable.

Although this paper advocates for a change in the use of regional theory, this paper by no means negates regional theory in its entirety. Due to the reality of international pressures, regionalism will persist as a means to combat issues that can benefit from international cooperation. The choice to be made within that reality is how to maximise the effectiveness of the regionalization process for states. A politics-first approach should encourage greater transparency, support and sustainability in agreements between states, while its effect on domestic issues should encourage meaningful state development. This could decrease interstate conflict by undermining many of the issues that currently sabotage the integration process, included in which are issues of sovereignty, underdevelopment, the democratic

deficit and persisting issues related to nationalism. Instead of looking to new models in order to once again dissect aspects of the process and work around them, a more holistic view of the problem presents a simple solution – regionalism needs to be more, not less, inclusive.

The Nationalist Challenge: Reviving the Role of the State

One interesting question to ask is whether we should consider states at differing levels of development so differently? Of course, the answer must be affirmative in many instances, however, in others, the answer is a definite no. The needs of citizens do not change. The relationship between state and citizen does not change. An interesting perspective to acknowledge is that while the model of regionalization is not universal, the relationship between state and citizen is. This highlights the fact that, while different regions may need different regionalization models because of the different contexts in which regions exist, the basic understanding within those models should be the same. In terms of reinvigorating the theory around regions, the aspect of universality must move from the models back to the subjects of the process – the state structure. In linking the EAC to the EU, we can better understand where both models may benefit from the changes prescribed here.

The European Union at present seems to be heading towards a point of conflict; with the United Kingdom's decision to potentially allow a referendum on its membership to the EU, nationalist politics have once again become a force in integration.⁵⁰¹ The interesting reality within the EU is that it is a model burdened by itself; it has presented the world with the foremost model for economic integration and has provided widespread inspiration for the effectiveness of its own structures. Now, in crisis, we see nationalist politics being activated throughout Europe with the effects of the economic crisis leaving many jobless and dependent on welfare states that are struggling to support them.⁵⁰² Domestic politics have for too long been sacrificed at the altar of integration, with the hope that sustained wealth and growth would act as a significant enough relocater of identity to avoid this reaction. Despite

⁵⁰¹ Walters, S. *Most Voters Want 2014 poll on Quitting EU: Survey Reveals Backing for Tory Rebel's Controversial Referendum Call* Daily Mail (12th October 2013) at <http://www.dailymail.co.uk/news/article-2456832/Most-voters-want-2014-poll-quitting-EU-Survey-reveals-backing-Tory-rebels-controversial-referendum-call.html> .

⁵⁰² Dugan, E. *Poor hit hardest by financial crisis and welfare cuts will make it worse* The Independent (11th November 2013) at <http://www.independent.co.uk/news/uk/politics/poor-hit-hardest-by-financial-crisis-and-welfare-cuts-will-make-it-worse-8616344.html> .

the duration of the Union, this has not happened. The EAC will likely find itself at a similar crossroads; the difference is that, due to the compound needs of welfare and development in the EAC, it may hit them faster.

Although the EU and the EAC have very different regional experiences, the commonality must start by acknowledging the role of Eurocentrism in the model and methods used by the EAC. In terms of the comparability of the EU to the EAC, the development track followed in both regions includes almost identical initiatives regarding the progressive de-emphasis of the state; both models started politically and moved to economic integration programmes. Both started through common services, namely the European Coal and Steel Community and the East African Common Services Organisation. Both have followed Balassa's stages of economic integration, and both have followed structured year-based plans for integration. The EU has become dependent on regional institutions, while the EAC is attempting to do the same in order to relocate the political centre. Both regions have sought to relocate identity formation by allocating national symbols and structures to regional bodies. Subsequently, both regions, albeit at different stages of development, are experiencing distancing behaviour and nationalist backlashes. These backlashes are arguably the result of removing power, or the threat of removing power, from the member states. This commonality of crises points to the fact that both regions require a reassessment of their regionalization approach.

Changing the goals of a region fundamentally changes the direction of movement within the process. In both cases, the strengthening of ties between state and society will mean halting the integration process, pulling the process inward and restructuring how states function in relation to the community. This does not have to evoke the traditional fears of economic nationalism, war and protectionism; if the process of regionalization is based on trust between member states surely that trust, if the integration process up until this point has been effective, would remain despite a change in prerogative? The primary assumption is that a return to politics must be equated with a return to isolationism – however where the correct politics are put in place, this fear can be unnecessary. The approach should not be that states should cease to pursue regionalization, but that their methods for facilitating integration must change.

In both regions, strengthening states and the state's ability to be accountable to its citizens should reduce these conflicts. If we look at the structures that exist between state and society

around political identity, nationalism and popular needs, there is a strong argument that those connections can produce a system in which both states and populations feel more secure in regional arrangements. List's ideas bolster this notion by associating productivity and economic success with investing in non-labour capital and understanding that productivity is culturally grounded. More secure citizens translate to a more secure and supported workforce that is better able to contribute to a growing economy. Through investing in the economy in the right way, List incorporates nationalist needs with state goals, uniting the interests of the people and the state. Where these interests can be united, these goals are then able to be pursued at a regional level because they create effective links between citizens, the state and the region, supporting all three spheres.

Within the EAC, these connections are valuable because states themselves are still developing. In supporting the domestic processes that will build the state, the region will naturally become more appealing, as the benefits will not need to be prospective – they would be presently unfolding. In the same way that this paper discusses the fact that voting is essential in order to confirm Hegel's ideas of practical and political identity within agency, tangible benefits would go a long way in not only building sustainable regional networks, but starting to build a regional identity that citizens did not feel was imposed on them. In the case of the EU, many states now find themselves in compromised positions regarding their ability to meet the needs of their citizens. In relinquishing aspects of their sovereignty, they have failed to maintain the ability to act appropriately, severely affecting their legitimacy and accountability. The nationalist backlash we currently see ought to be met with decreasing the efforts to support the region and increasing the efforts to support the state. In so doing, the regional agenda in Europe should not have to be abandoned.

Confederation: The Better Alternative?

Both the EAC and the EU have embarked on integration programmes with federalist outcomes. The EAC, despite the arguments above, believes that a federation and a monetary union is the optimal outcome. They are making concrete moves, as the EU has, to establish the economic and political structures that will support the move towards a federation. However, despite the extended period that the EU has been in place, states are now no more willing to relinquish their independence than they were a decade ago. Economically, while the EAC is fighting to complete the establishment of a customs union and is feverishly

sprinting towards talks of a monetary union, the EU is reassessing theirs. Considering the similarities noted above, this should call for a reassessment in both regions of what the best outcome for a regional partnership ought to be. In a sense the process of regionalization has ceased to be voluntary to some degree; when one method of integration has been ineffective, another means has been sought to achieve the same goal. Few states have ever stopped to contemplate if, perhaps, the outcome of the process was not suited to them.

In Africa, confederation could allow for far more accommodation of the current political structures; as a concept it has the potential to be empowering for states and people because of its flexibility. If states are willing to concede that there is a middle ground to communal action, that there are more than the choices to be federal or isolationist, then they could start to conceptualise more tailored solutions to their regional needs. One aspect of further study is to assess how much the confederal process can be tailored to the needs of different regions, as well as how much can be changed within the “typical” confederal structure before the value of the system is compromised.

Although confederation appears to be a feasible outcome for African states, European states can still use the findings of this paper to reassess the nature of their integration. The move to return to national currencies would more than likely prove to be too big a step for Europeans, however, a reassessment of their integration policies and structures along the lines investigated above would still prove beneficial. One of the biggest issues presently in Europe is the issue of the so-called single currency. As the EU has managed to institute a single currency, the EAC has the benefit of learning from its shortfalls. As discussed, according to Balassa’s programme of integration, monetary integration and the move to a single currency is the final stage of economic integration and calls for the highest levels of commitment. The effect of a monetary union within the theory is that it acts as the glue that binds the states in a region in a far deeper way, however, the effect in practice is that it is a process through which states lose a vital aspect of their sovereignty, namely the ability to affect their currency and thereby support the welfare needs of their respective communities.

In Europe at the moment the Euro has been seen as a single currency, a unifying force across the region, however, its benefits in fostering a regional identity and easing regional trade have been far outweighed by the stark reality that countries are drowning in the wake of the 2008 recession. Although the Euro is seen as a single currency, it is actually a substitute currency;

if countries are able to set differing interest rates, the notion of the Euro as a centralized monetary system is incorrect. The Euro system is integrated enough to give the impression of integration, but not actually integrated enough to achieve the full potential benefits expected from the theory. One reason for this is no doubt the fact that states cannot bring themselves to abandon their sovereignty in totality. The EU should use this movement to change the priorities of the region. In light of this, one of the biggest issues for future studies to deal with is the reality that the European model does not travel; it has not yet achieved a federal outcome in Europe or in other regions. As such, Europeans should reassess their methods and intentions in light of their federalist goal to the same extent as regions using the same methodology elsewhere.

Despite the fact that the EAC has not actually achieved full integration in the early stages of Balassa's programme, talks are already underway to establish the foundations for a federation. As a result, the EAC may soon be faced with the repercussions of moving too far too fast and ought to reassess its goals. Europe, having simultaneously been both leader and test-subject within regional studies, has allowed a peek into one potential outcome of regional economic integration. The benefit of having an observable outcome for a region that has used a similar programme but that is far more established than the EAC itself is that it should allow the EAC to anticipate upcoming issues. This can, however, only be done if the EAC chooses to acknowledge that the EU's crisis should cause concern for their integration programme, not just from an economic or trading perspective, but from a theoretical perspective. In addition, the EAC will have to choose to reinvigorate their integration process and return to a "methods and intentions" approach, buying into all of the changes that accompany that change. This is a substantial shift which could appear to destabilize the process and given the history of the EAC, this could mean that members would be more hesitant, however, the payoff could be significant.

Looking to Future Studies

This paper has chosen to challenge the statements above for the sake of producing future possibilities for research into regions and regional programmes. The outcomes within the challenges above have exposed loci at which regional theory no longer serves regional endeavours and requires reconsideration. The outcomes themselves are compelling enough, however they require further exploration.

One aspect for future study is definitely to tease out the structures that would be most beneficial with regard to both regions' specific goals. Pulling the process of regionalization down will extend the timeframe for the process, however, it will also create buttresses that will pay off in the long term. Whether regionalization should have an imposed timeline at all is questionable since it is an ongoing and evolving process. Possible future hypotheses should focus more on the links between internal politics and regional initiatives. Although two-level games can be useful for this, the focus should not be on state relations at two levels; the links as they run up and down from domestic politics to regional initiatives should be the focus, changing the orientation of how we view the process. The connections should not be seen as two distinct levels, since this construct compartmentalizes responses and responsibilities; connections should instead be seen as a single chain within a given issue, since that is how the impact of decisions plays out. For example, studies for the EU may be more beneficial where they assess how the region has undercut state initiatives, or where the outcome of regional legislation unduly affects the state's ability to respond to the needs of citizens. This may start to unpack some of the dislocations between the levels.

It may be equally worthwhile to assess what aspects of sovereignty may need to be returned to states, and how the European Parliament could work more within existing government legislation, given that states can respond more readily to domestic needs. In line with the concept of subsidiarity, states are best equipped to assess the needs of their respective communities and ought to be empowered enough to use regional ideas to the best interests of the state, as seen in the German Constitutional Court. The effect of some disharmony within domestic policy would translate as greater freedom for states within the region and as a result, possibly greater trust between partners. One major drawback of the EU is that it creates a blanket of unity, however, that blanket simultaneously smothers the participating states. The EAC is already experiencing political contradictions and instead of seeking to squash those differences, they should embrace them. Rather than relying on an all-encompassing regional network, there is significant room in future studies for the development of smaller programmes for integration that will facilitate greater cooperation.

Regarding monetary unions, there is also the need for feasibility studies to assess whether there is a durable solution, for example the one advocated for here, for a common parallel currency in addition to national currencies. There are many areas in which the EU may need

to return some sovereign powers. These areas require individual research and study in order to formulate the best possible solutions to European issues that will maintain the sentiments that drive the Community. Some significant issues for future study include the maintenance and development of domestic as well as regional legislation, the facilitation of more meaningful democracies and the issue of the democratic deficit both nationally and regionally. If we change our perceptions around what ought to be prioritised within the process of regionalization, we must equally change how we understand citizens as active participants in the process.

The overall effect of this paper is to launch the study of a new understanding of regionalism and what it is meant to promote. There is a richness within regional studies that is lacking because of how it has evolved. In a sense, what is required is the launch of a new wave of regionalism. This wave ought to be characterised by a drive to develop a more inclusive, developmental, conscious effort to understand why regions can and ought to be more beneficial and sustainable than what they presently are. As in all political processes, unintended consequences that result from stagnation are the biggest catalysts for change. That space is arguably where we find ourselves at present. The current unhappiness with the effects of regionalism is the springboard that this paper hopes will be used to further a more meaningful understanding of the regionalization process.

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