# Vol. 2, issue 3, 2010
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## Editorial

## Essays

# Perspectives on federalism
# - Federalism and Regional Integration

by Søren Dosenrode[*]

**Abstract**

In the introduction the topic of the special issue is introduced, followed by an overview of the single contributions and some general remarks.

Three of the contributions specifically address aspects of federalism theory as theory of regional integration, and it is concluded, that federalism theory indeed is a fruitful approach when analyzing regional integration projects both within and outside Europe. It is encouraged to broaden the scoop of analysis and include federations when analyzing regional integration and in this way overcome the paralysis caused by the (false) equation 'n = 1' where n is the number of regional projects in the world and 1 being the European Union. It is then suggested to combine federalism theory and neo-functionalism and apply it outside Europe.

Other contributions analyze the relationship between micro- and macro regions; the roles of China and the US in Asian and the roles of the EU and the US in Egypt.

**Key-words:**

Federalism theory, regional integration theory, neo-functionalism, EU

## 1. Introduction

This special issue of 'Perspectives on Federalism' is devoted to articles which in one or the other way touches upon federalism theory, or regional integration or both. Several of these contributions show that federalism theory is indeed a very useful tool, in helping to understand regional integration (Castaldi, Dosenrode) or the lack of it (Møller) although one contribution has to dismiss federalism theory as of any use (Li Xing and Zhang Shengjun).

This issue falls in three groups. In the first, the question of analyzing regional integration is approached (Dosenrode, De Lombaerde). In the second group processes of regional integration are analyzed (Castaldi, Møller, Li Xing and Zhang Shengjun), and in the third group extra-European relations with the EU are looked into (Christensen, Zank).

In the first article (*Federalism Theory and Neo-Functionalism: Elements for an analytical framework*), Søren Dosenrode proposes a draft for an analytical frame for analyzing regional integration consisting of federalism theory and neo-functionalism. The article begins by discussing the concept of regional integration setting up a stagiest model for categorizing it. This is followed by an analysis of federalism theory and neo-functionalism. One argument of the article is to understand federalism theory as a regional integration theory. Another is to look at federalism theory as complementary to neo-functionalism when trying to explain regional integration. Dosenrode argues that federalism theory, in an extended Riker-McKayian way, is able to explain the cases of 'big bang' integration (USA, Australia, Canada), but not an 'organic' integration process like in the EU and perhaps in Asia. Neo-functionalism, on the other hand, is not able to explain this relatively fast form of integration, but it is – in its new version - able to analyze and explain the 'organic' or slow integration processes like those happening in Europe, and other places in the world. Thus the two should be seen as complementary and they are, jointly, a frame catching most processes of regional integration. Keywords of the contribution are: Regional integration, federalism, neo-functionalism.

Philippe De Lombaerde's research note (*How to 'connect' micro-regions with macro-regions?*) aims at connecting the two concepts of sub-national regions (micro-regions) and supra-national regions (macro-regions), which are disconnected concepts in the academic literature. They are studied by distinct academic communities between which there is very little communication. In his note De Lombaerde, suggests three ways to 'connect' the two phenomena and he argues that a dialogue between the two communities could open new avenues for research and lead to a better understanding of inter-polity and inter-economy relations, in a more general sense. In his exploratory Note, De Lombaerde suggests that micro- and macro-regions can be connected (i) at the conceptual level, (ii) through their similar roles as emerging international actors, and (iii) through the interplay between macro-regions and cross-border micro-regions. Keywords are: Regions, micro-regions, macro-regions, international actor,

Bjørn Møller's contribution (*Pan-Africanism and Federalism* ) analyzes federalism as applied in Africa in the dual sense of 1) a devolution of power from what would otherwise be unitary and centralised states to lower levels of governance and 2) a transferral of authorities upwards from the state level to that of the African Union. Whereas the former is deemed to be a feasible and sensible way of transforming certain states, the assessment of the latter is much more sceptical. Grand schemes such as a "United States of Africa" are held to be both unrealistic and unhelpful, whereas a more gradualistic approach is deemed to be more constructive and helpful. Keywords are: Federalism, federal experiments in Africa; African regional integration.

Roberto Castaldi's article (*The dynamic development of the European Communities (and then Union) and the relationship with EFTA and the Council of Europe*) take as starting point, that federalism, neo-functionalism and realism-intergovernmentalism offer different visions of European unity, evident in different European organizations such as the Council of Europe to the ECSC, EEC/EC/EU, and EFTA. Castaldi's article develops two heuristic schemes that help explain the success of the ECSC, EEC/EC/EU over other European organizations. The first concerns construction, integration and unification, the second includes crisis, initiative and leadership. The neo-functionalist initial success deeply

influenced and shaped following the developments, but one needs the federalist frame to understand the processes. Key words are: Federalism, neo-functionalism, realism, European Coal and Steel Community, European Free Trade Area, European Council.

The article of Li Xing and Zhang Shengjun (*One Mountain with Two Tigers- China and the United States in East Asian Regionalism*) argues that regionalism in East Asia since the end of the Cold War has been largely shaped by the interactions of China-US relations, influencing and determining the development and transformation of economic and political cooperation and integration in the region. The article offers a framework of understanding the importance of the inter-connections between China-US relations in East Asia during different periods as well as their dynamic nexus with the evolution of regional integration process. The theoretical reflection of the article concludes that neo-functional theory of regional integration, which is largely generated and shaped by the historical evolution of the EU political project, cannot be applied as an overall conceptual framework in understanding regionalism in East Asia. Conventional theories of international relations driven by power rivalry, geopolitics, political economy, balance of power, etc, are still more fertile when analyzing the dynamics of East Asia. Keywords are: Regional integration, neo-functionalism, federalism, realism, Asia, China, US.

In Wolfgang Zank's article we turn to the roles of the US and the EU in the Mediterranean (*Cooperation or Silent Rivalry? The EU and the USA in the Mediterrranean – The Case of Egypt*). The US has for years been the single most important external power in the Middle East and Egypt has played its role. But this has changed over the last years, as the EU has entered the scene. Due to enlargements the EU came geographically much closer, and the Internal Market has generated a gravitational pull which goes beyond economic problems. Furthermore, the EU has gradually built up a coherent policy on many fields. The EU has become the "reform anchor" and most important cooperation partner for Egypt. The progress towards increasing Egypt's "Stake in the Internal Market" places cooperation on an increasingly institutionalized basis.

In terms of military cooperation the US is still *the* partner for Egypt. But outside the military sphere institutionalized cooperation is comparatively week. In particular the failure

of the US to conclude a free-trade agreement has been crucial. But it would be wrong to see the US and EU as rivals. Their roles are rather complementary.

The article explores developments in a long-term perspective. Internal and structural developments have had a heavy impact, but at important junctions idears and strategies for gaining political legitimacy were powerful factors, too. The keywords are: Middle-East, Egypt, EU, Soviet Union, US, foreign policy.

## 2. Perspectives on federalism as regional integration theory

Notwithstanding their high individual qualities, the contributions are too different to allow for a conclusion as to the question 'is federalism theory useful as regional integration theory', but the contributions of Castaldi, Dosenrode and Møller, which explicitly approached federalism theory all came out with a positive answer to the 'usability' of federalism theory as a theory of regional integration. Castaldi in analyzing different European integration projects, Dosenrode in setting up an frame for analyzing regional integration, in which he argues for supplementing federalism theory with neo-functionalism, and Møller in demonstrating the federal vision of African unity as well as in explaining why it has a hard time to come about. The three contributions each show federal theory's potential, and thus encourages scholars to use it and develop it further within the field of regional integration. The use of federal theory outside Europe should be encouraged. There has been reluctance within the European branch of international relations theory to look at federations as what most of them are, namely successful regional integration projects[I]. Including the federations as field of analysis would help overcoming the paralysis due to the wrong notion of 'n = 1', where it for years have been stated that regional integration proper only has taken place in Europe and thus the size of the sample equals one. Including *e.g.* Australia, Canada, Germany, India and the USA would open the scoop and contribute to establishing one part of a regional integration which should ultimately be our goal. The other part of a regional integration theory could then take its starting point in neo-functionalism. Using a combination of neo-functionalist and

federalism theory potentially gives us a tool when analyzing the potential for regional integration not only a tool to explain what already happened. As an example, applying neo-functionalist tools on East Asia, would give interesting clues as to the drivers and blockers of further ASEAN-integration. ASEAN started out as an intergovernmental organization, primarily focused on economic cooperation, free-trade. But in spite of this, new dimensions of the cooperation has been adds *e.g.* the wish to create a community by 2015 consisting of three pillars: an ASEAN political-Security Community, an ASEAN Economic Community and an ASEAN Socio-Cultural Community.

Neo-functionalism would warn of too large enthusiasm though; what looks like a case of a clear cut regional integration process with a spill-over etc. does not have the potential to end with state-hood, as *inter alia* the units are too different ranging from established democracies to brutal dictatorships. Mapping the worlds regions and sub-regions, according to 'integrative potential' would help us understanding the dynamics at work be they of cooperative character or integrative character.

… There is a lot to be done, but there is no reason not to be ambitious, as we do not have to start from scratch.

I would like to use the opportunity to thank prof. Umberto Morelli and Dr. Roberto Castaldi both of the Centre for the Studies on Federalism, Turin, Italy, for the possibility of publishing this collection of articles as well as for their kind and professional support.

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I I refer to Dosenrode in this issue for further details.

# Federalism Theory and Neo-Functionalism:

# Elements for an analytical framework[I]

by

Søren Dosenrode

**Abstract**

The purpose of this article is to propose a draft for an analytical frame for analyzing regional integration consisting of federalism theory and neo-functionalism. It starts out discussing the concept of regional integration setting up a stagiest model for categorizing it. Then follows an analysis of federalism theory and neo-functionalism. One argument of this article is to understand federalism theory as a regional integration theory. Another is to look at federalism theory as complementary to neo-functionalism when trying to explain regional integration. Federalism theory, in an extended Riker-McKayian way, is able to explain the cases of 'big bang' integration (USA, Australia, Canada), but not an 'organic' integration process. Neo-functionalism, on the other hand, is not able to explain this relatively fast form of integration, but it is – in its new version - able to analyze and explain the 'organic' or slow integration processes like those happening in Europe, and other places in the world. Thus the two should be seen as complementary and they are, jointly, a frame catching most processes of regional integration.

**Key-words:**

Regional integration, federalism, neo-functionalism.

## 1.0 Introduction

This article's purpose is to suggest an analytical frame for analyzing regional integration consisting of federalism theory and neo-functionalism. It will investigate whether federalism theory and neo-functionalism could be fused into a useful analytical framework to be used when analyzing regional integration; why it happens or why it does not. The reason to do so is an apparent increase of economic and political activity taking place in the worlds regions, but which we are not able to classify or explain, nor to predict whether it has the potential to promote state-building.[II] One concrete example is the European Union, where the vast majority of scholarly activity today is focused on explaining decision-making processes, democratic deficit, policy analysis etc. but few dare to examine the nature of the European Union and to build a theory explaining it; seemingly the perceived defeat of neo-functionalism is still too discouraging[III]. Thus the study of European integration is best seen as a number of bits and pieces lacking a frame. And when looking at the African Union and its high aspirations of African unity there is no theoretical framework to guide the statesmen embarking on it. Or concerning Asia, is there a potential for a new gigantic super-power comprising China, Japan and other states? There is a need for a general theory of regional integration, applicable when analyzing cases of regional integration, or the lack of it, in all regions.

In this article federalism theory has a prominent place. Federalism theory is often seen as either an ideological theory of action, to promote European Integration (Spinelli, de Rougemont) or as a theory to explain the organization and functioning of federations (Friedrich, Riker, Wheare), and it is often overlooked as a general theory of regional integration, as a quick glance through the most commonly used textbooks on international relation theory demonstrates (e.g. Baylis & Smith, 1999, Dougherty & Pfalzgraff, 2001, Jackson & Sørensen 1999, Viotti & Kauppi, 2001) or only looked at when the authors were referring directly to Europe[IV]) - A point also made by Elasar (1987/13).

In spite of its clear advantages and potential, it is argued, that federalism theory is not 'enough' to catch all regional integration processes. To do so one has to add neo-functionalism, which is able to explain an 'organic' or slowly developing regional integration. But as federalism theory is often forgotten in textbook descriptions of regional integration theories, proportionally more space has been allocated to it here than to neo-functionalism.

The structure of this article is the following: It sets out trying to define what regional integration is, before it discusses federalism theory and neo-functionalism. It ends by proposing a model for analyzing regional integration combining the two theories which are considered complementary.

## 2.0 Regional Integration

The term "regional integration" is easy to understand at the abstract level, as "integration" simply means combining parts into a whole, according to the Oxford Advanced Learners Dictionary. As with many social science definitions, the term however is less clear cut when used more specifically; it is used both to describe a process and a state, and additionally there have been quite a number of attempts, more or less constructive, to define regional integration (e.g. Wallace 1999, Mattli 1999), so that no common understanding emerges. If we look at Ernst Haas, the founder of neo-functionalism (1958 / 16) he defined regional integration as:

"Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities to a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result is a new political community, superimposed over the pre-existing ones."

Accordingly, regional integration is a process transferring loyalty, expectations and political decision making power, or (with an outdated but still popular concept), 'sovereignty' to a new centre. Karl Deutsch, on the other hand defined regional integration as (1968/192): "[…] a relationship among units in which they are mutually interdependent

and jointly produce system properties which they would separately lack." (1968/159). To him, integration does not necessarily include a new state-like entity. But if the aim is to construct a supranational unit, the strategy must consists of four elements: "[…] 1) maintaining peace, 2) attaining greater multipurpose capabilities, 3) accomplishing some specific tasks, and 4) gaining a new self-image and role identity." This dualism was already captured by Bella Balassa, when he in 1961 defined economic regional integration as both (1961/1): "We propose to define economic integration as a process and as a state of affairs. Regarded as a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national states; viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies."[v]

We will continue along the lines of these three definitions, in an attempt to clarify the stage and the process. Various authors have looked at regional integration as either a political process, or an economic process or both , thereby creating confusion,.Thus it may be useful to introduce the concept 'full regional integration' as name of the end stage, in order to stress that regional integration can take place both within an economic and a political sphere but that the highest 'stage' of both economic and political integration includes the other one (see below). What distinguishes regional integration from cooperation is the presence of a supra-national decision-making body. The aim of the process does not have to be a state-like entity, but it *may* be one of either unitary (Italy in 1870s) or federal character (like the USA 1787).

To be able to get an indication of the level of interaction in a region, to be used in a comparison, the economic and political development respectively will be formulated in a stagiest manner. And here, too, it goes without saying that the dividing line between one stage and the next in real life is not as neat as in the model. It is also here possible to argue for more or fewer stages (again a parallel to the discussions of how many phases are included in the policy cycle, with suggestions ranging from 4 to 14). The stages, as presented here, form a hierarchy and suggest a linear progression … In the real world, the process may be less linear *e.g.* skipping a stage or two. So it is necessary to remark that a

division of the integration process into stages serves an analytical purpose and has a heuristic advantage.

## 2.1 Economic regional integration

Leaning on Bela Balassa's works on stages of economic integration Willem Molle (2006) and Michael Holden have(2006) sketched the stages of economic integration ,moving from economic cooperation to supranational integration, beginning with the lowering and removal of trade barriers and ending with an economic union. Holden operates with four stages (2003) and Molle with 3, but for the sake of completeness I will suggest six stages:

1) Ad hoc cooperation. One example is Denmark and Norway's economic assistance to Iceland in 2008, which was supposed to help in the acute crisis.

2) Free trade agreements. Their main task is to lower or eliminate import tariffs as well as import quotas among the member states. The aim is trade liberalization, and the agreement may include a formal institution to solve trade disputes. Only few limitations are placed on the member states. One of many examples is the ASEAN Free Trade Area (AFTA) which was founded in 1992 and includes a preferential tariff system. The agreement includes a protocol on 'Enhanced Dispute Settlement' of strict inter-governmental nature, where even the state accused of breaking the rules must vote for the settlement.

3) Customs union extends the free trade agreement with the requirement of harmonization of the external trade policies of the member states as well as imposes a common external tariff on imports from non member states. It does not operate with a free movement of labor and capital among its members. Quoting Balassa (1961/21): "One of the basic forms of economic integration is the customs union. According to the definition given in the General Agreement on Tariffs and Trade, a customs union must meet the following requirements: (*a*) the elimination of substantially all tariffs and other forms of trade restrictions among the participating countries and (*b*) the establishment of uniform tariffs and other regulations on foreign trade with nonparticipating economies." This stage does not necessarily include supranational features. One example is the Southern African

Customs Union (SACU) consisting of the five most southern countries in Africa. The SACU operates a common external tariff which is collected by South Africa and shared according to a revenue-sharing formula. The SACU includes the free interchange of goods between the members, and its daily functioning is operated by a secretariat. Additionally the organization consists of a council of ministers, a commission and a tribunal which works on the basis of consensus, thus intergovernmentally. .

4) Common market. "A common market represents a major step towards significant economic integration." (Holden 2003/2). Adding to the customs union, a common market includes the free movement of labor, capital and other resources. The increased interdependence expected leads to a pressure for policy harmonization. It imposes severe limitations on member states' ability to follow independent economic policies. One of the few examples is the European Economic Area between the European Union and the EFTA-States (minus Switzerland) which was concluded in 1992. The EFTA-states are allowed to participate in the Single European Market without being members, and they have to adopt the same legislation as the EU-member states, thus restricting their ability to conduct an independent economic policy drastically.[VI]

5) Partial integration or Economic Union: "An Economic Union adds to a common market the need to harmonize a number of key policy areas. Most notably, economic unions require formally coordinated monetary and fiscal policies as well as labor market, regional development, transportation and industrial policies. […]. Supranational institutions would be required to regulate commerce within the union to ensure uniform application of the rules. These laws would still be administrated at the national level, but countries would abdicate individual control in this area." (Holden: 2003/2). The European Union is an example of such a union where the ability to act in esp. monetary matters has been transferred to a supranational institution for the 16 members of the European Monetary Union, and where the internal market regulates inter alia regional development, transportation, industrial policies and parts of labor market.

6) Full integration, where the hitherto sovereign member-states formally hand over the major part of their decision making power ,their 'sovereignty,' to the new state,

and they stop being immediate subjects to public international law. One example is the United States of America which is organized as a federation (see below).

## 2.2 Political regional integration

The stages from political cooperation to political integration can be listed in a parallel fashion to the economic integration process, where one begins with a purely intergovernmental cooperation and ends with full integration. As it is possible with the model above, it is also here possible to argue for more or fewer stages.[VII]

1) Ad hoc intergovernmental political cooperation, which could include e.g. Switzerland offering to facilitate and to mediate between conflicting powers ('good offices').

2) Institutionalized intergovernmental cooperation. Above the definition of cooperation told us of a voluntary endeavor and Robert O. Keohane in 1989 defined institutions as "[…] persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity and shape expectations". Thus we have a voluntary arrangement of persistent character which shapes behavior, limits the freedom of action and creates expectations about how the participants behave – very much like Stephan Krasner's 'regimes'. An example could be the Organization for Security and Co-operation in Europe (OSCE), an intergovernmental organization with sets norms and rules within fields like security, human rights and democracy in Europe. The organization has a small secretariat and a staff. The World Postal Union is another example.

3) Institutionalized intergovernmental coordination. Coordination adds synchronization of activities among the states to cooperation. A confederation is the highest development of the inter-governmental stage. The North Atlantic Treaty Organization is an example. To a high degree it coordinates its member states defense policies and undertakes joint military missions like the efforts in Afghanistan.

4) Partial or supra-nationalized integration: The states have passed over a part of their sovereignty to a supranational authority which has autonomy and may follow policies independently of the member state governments. The member states remain formally sovereign. The European Union is an example, where a large number of competencies have been handed over to supra-national institutions, and not only economic policy areas but also environment, parts of justice & home affairs, development aid etc.

5) Full integration. The member states have handed over the major part of their decision making power, their 'sovereignty,' to the supra-national entity and have stopped being direct subjects of international public law. As already mentioned under the head-line 'economic integration,' the USA is good example.

The difference between supra-national and national should be seen as processual. The supra-national stages *may* end in a national one, when a majority of the policy areas of the member states are placed under supranational control, where the association has obtained the attributes – legally and *de facto* – of a state. Supra-nationalism as a description of a way of making decisions stops making sense, when the state stops being independent in a public international law context. On the other hand, there is nothing, theoretically, hindering a group of countries delegating for instance their monetary policy to a supranational authority while remaining totally sovereign on all other policy-fields. Thee dividing line between 'kinds of cooperation' and 'kinds of integration' lies between the stages three and four, because the decision-makers are in the latter case no longer able to pursue independent political economies but are bound to the common markets.

It should be noted that neither for economic nor for political integration is it the writer's wish to indicate that the process is automatic or irreversible; integration processes are made by man, and can be destroyed or stopped by man.

## 2.3 Summing up

Regional integration is on the one hand a process transferring political and or economic decision making power ('sovereignty'[x]) to a new supra-national entity. This

process may pass through all the stages mentioned above or begin at any one of them including the last. On the other hand, regional integration is a stage where former independent polities have handed parts or all of their sovereignty over to a supra-national body.

## 3. Federalism theory

### 3.1 Concepts

Before looking at federalism theory we should try to clarify the use of some key concepts[XI]. The name *federation* is derived from Latin *foedus* meaning pact, alliance, covenant an arrangement entered into voluntarily and implying a degree of mutual trust and duration. A federation is one form of state among others in international relations. Daniel Elazar' says (1987/5): "Federal principles are concerned with the combination of self-rule and shared rule". Thus, what differentiates it from unitary states is that it consists of two or more levels of government: a number of (member-) states each with their government and the totality of the member states with its federal government. At least one policy area is assigned by constitution to the member states and can not be overruled by the central legislative power. King (1982/20) defines a *federation* as:

"[…] an institutional arrangement, taking the form of a sovereign state, and distinguished from other such states solely by the fact that its central government incorporates regional units in its decision procedure on some constitutionally entrenched basis".

Burgess (2000/25) agrees to this when stating: "[…] federation is a specific organizational form which includes structures, institutions, procedures and techniques. It is a tangible institutional reality. And it can be distinguished from other forms of state relatively clearly."

Federations may be organized very differently. Taking a power perspective, they may be peripheral, where the states are strong with many competencies, or they may be centralized, where the federal government has the predominant say (cf. Riker 1964). Looking at their internal structure Burgess (2000) distinguishes between the Westminster model[XII] (e.g. Canada), the republican-presidential model[XIII] (e.g. USA) and hybrids of the

two (e.g. Germany). Dosenrode (2007) distinguishes the political tradition and policy-making process in a European (cooperative) tradition and an Anglo-Saxon (dual, confrontative) tradition.

*Federalism* is the process leading or attempting to lead to a state of federation and is in this sense a normative, ideological approach, and Elazar (1987/67f.) points to the confusing fact that federalism is both a process and a structure, as we saw it when defining regional integration. Burgess (2000/27) describes the process of federalism as:

"It is ideological in the sense that it can take the form of an overtly prescriptive guide to action, and it is philosophical to the extent that it is a normative judgment upon the ideal organization of human relations and conduct."

*Federalism theory*, on the contrary, attempts to explain, based on analysis, how federations emerge and how they are organized and are functioning and should not have a normative bend.[XIV]

## 3.2 Schools of Federalist Theory

On the front of the *Bundesbrief Museum* in Schwyz in Switzerland one sees a fresco describing the foundation of the Swiss (con-) federation in 1291: three men swearing an oath of loyalty, each representing the original three cantons of the Swiss confederation and surrounded by a group of men, also swearing. Three free and equal men representing a voluntary decision to join forces against the expansionist Habsburgs (a Swiss noble family) - The two traditional alternatives to voluntary state founding are conquest or organic development. Genuine federations are founded on the free will of men either from the start (Switzerland, USA) or when the state has gained its independence (India, Nigeria).

The aim of this section is to present the two main schools of federalist theory, and discuss how they explain the emergence of federations. Analogsously to international relation theorists, they will be divided into a liberal and a realist group, and they represent the mainstream and cover the heartlands of federalism theory[XV].

## The Liberal School

The Liberal school, which is the larger of the two, is associated with 20th century authors like M. Burgess, D. J. Elazar, A. Spinelli and K. C. Wheare. I have chosen K. C. Wheare's classical liberal approach as starting point for this section.

In his important work "Federal Government" (first published in 1946) Wheare approaches the question of how federations are created, by reminding the reader that there has to be a desire to "be under a single independent government for some purposes at any rate" (1963/35) and at the same time a wish to have regional governments, responsible for some matters. In other words (1963/36): "[…] they must desire to be united, but not to be unitary". But this is not enough, there must also be a capacity to operate a general government as well as independent, regional governments, not submitted to the general or federal government. The next question is to ask which factors lead people to wish to unite in a federal manner. Wheare answers this question as follows (1963/37):

"Communities have been led to desire union for a variety of reasons. But in the modern federation some factors seem always to have been present. A sense of military insecurity and the consequent need for common defence; a desire to be independent of foreign powers, and a realization that only through union could independence be secured; a hope of economic advantage from union; some political association of the community concerned prior to their federal union either in a loose confederation [ … ], or as parts of the same Empire, [ … ]; geographical neighbourhood; and similarity of political institutions – these half-dozen factors all operated in the United States, Switzerland, Canada and Australia, to produce a desire for union among the communities concerned. They operated in varying degree in each case, but they were all present."

For the sake of clarity, these prerequisites, or pressures for integration, can be grouped in four groups:

a) Security - A wish for independence combined with a perceived (military) threat

b) Prosperity - A hope for economic advantages

c) Commonness / familiarity – A beforehand knowledge of the other parties and the same understanding of political institutions

d) Geographic proximity

Wheare rightly mentions that certain 'expected' factors encouraging political union are seen to be lacking in federal systems: "It is clear that, strong as these forces of language, race, religion and nationality are in producing a desire for union [ … ] it has proven possible none the less to produce a desire for union among peoples who differ in all these important particulars" (1963/39). Wheare seems to forget, that in the cases he looks into, apart from India, all corresponds to what Samuel P. Huntington some decades later termed 'civilizations'.[XVI] So whether you are a catholic from Italy or Lutheran from Germany is of course important, but not as important as the question whether you are a Muslim from Morocco or a Hindu from India, when considering regional integration projects. Wheare's cases all share a common cultural background. But later Wheare seem to realise his mistake and corrects it writing that "It will be obvious also that community of race, language, religion and nationality would produce a capacity for union." (1963/44). In other words he acknowledges the importance of culture.

The factors leading to federation, mentioned above, do not create integration by themselves. What is needed is a decisive elite which demonstrates leadership, to push forward: "This factor of leadership, of skill in negotiation and propaganda, can make all the difference between stagnation and an active desire for union" (1963/40). This is an obvious parallel to neo-functional theory, but Wheare's federalism does not include the concept of 'spill-over,' thus making an organic development less 'automatic'.

Wheare goes on to discuss the importance of similarity of social and political institutions, a discussion which he ends concluding (1963/45):

"[…] the one which at the same time produces best the capacity for union is similarity of social, and particularly political institutions. It has been remarked already that the desire for union has practically never been aroused unless similarity of political institutions was

present either actually or potentially among those who envisaged the union. This factor is one of the strongest of the forces which help states to work together."

Here Wheare is on the same line as Claude de Saint-Simon, who in 1814 insisted that units wishing to integrate had to be alike and that they had to be democratic (1952 (1814)/50). States wanting to integrate should share the same basic values, be organised in the same way, and adhere to the same economic model, to a higher or lower degree, depending on the ambitions of the integration plan. This leads us on to Daniel Elezar (*inter alia* 1998) Michael Burgess (2003), who both stress the moral aspect of federalism. Elazar (1998/359):

"in order to build a world whose character is of a higher order, however, people must return to covenant in its original meaning; that is to say, as the voluntary commitment to a moral order freely chosen by those within it who accept the obligations of decency, individual and social justice, and piety embodied in the covenant idear and the tradition spawned from that idea."

Burgess approvingly refers to Elazar and Ostrom who both discuss the concept of convenental federalism, according to which the parties are bound together by a moral pact (Burgess 2003/5):

"The act of coming together remains a 'political bargain' but it is much more than just this; it is also based upon mutual recognition, tolerance, respect, obligation and responsibility. "

And Burgess refers also to the Swiss reformed theologian Bullinger, who regarded the convenant as a divine framework for man's life, politically and religiously, an idea which can then be traced onward till the foundation of the U.S.A. But the same influence is also visible with the 'personalists' in France in the 1930s (2003/ 6 - 11). Adding to this, Burgess (2003/11-12) reminds us of the strong Roman Catholic influence on European federalist thought, through its social doctrine as developed especially between the 1880s and 1930s. Catholci ideas which have been used by some of the founding fathers of the EU, such asRobert Schuman. Alcide de Gaspari and Konrad Adenauer.

Wheare has been criticized benevolently by Burgess for his approach's static nature (2000/24), and rather harshly by Riker for the same[XVII]. Riker additionally criticises the liberal branch of federalism theory for its moral bent, which he sees as unscientific, and he convincingly criticizes it for its belief in economic incentives as important for concluding the federal bargain, which he has found no trace of (1964/15).

Elazar's and Burgess' newer liberal version of federalism theory, in Wheare's tradition, emphasises the voluntary aspect of forming a federation as well as a federation's moral virtues. They are both very explicit on the latter aspect. Additionally they argue the usability of federalism theory in an international system under transformation. The liberal school has not been explicit on the use of federalism theory as a regional theory of integration, but its focus on the creation of new states and new international actors, as a consequence of a voluntary decision to merger one or more previously 'sovereign' states into one new one, does make it seem logical to treat it as such.

## The Realist School[XVIII]

The realist school of federalism includes *inter alios* William H. Riker and David McKay. I have chosen Riker's rational choice approach as developed in his seminal book 'Federalism – origin, operation, significance' from 1964. In his preface he clearly states that he intents to write a scientific book, not one on moral (1964/xii p.)[XIX]. His starting point is clearly that of realism, in the IR sense (1964/2):

"[…] federalism is one way to solve the problem of enlarging governments […]. Each advance in the technology of transportation makes it possible to rule a larger geographic area from one center, to fill a treasury more abundantly, to maintain a larger bureaucracy and police, and, most important of all, to assemble a larger army. […]. And, once one government enlarges itself, then its neighbours and competitors feel compelled to do likewise in order, supposedly, to forestall anticipated aggression."

Riker then discusses former day's successful creation of empires. Empire as a form of state is utterly outdated in the 20th century. So what does newly independent subunits of former empires do when liberated? Standing alone renders them vulnerable, but some kind of federal agreement allows these states both to keep some kind of political self control and to make use of the larger unit's resources to compete with neighbours (1964/4p.). Here Riker wrote on former colonies but he does not exclude federal solutions for other groups of states, too.

The central question relating to the topic of this article is what Riker calls 'the federal bargain' which constitutes the integration point. This concept of bargain implies an element of voluntary action, as noted above. Riker isolates two circumstances which make politicians willing to engage in  federal bargaining (1964/14):

1. "The politicians who offer the bargain desire to expand their territorial control by peaceful means, usually either to meet an external military or diplomatic threat or to prepare for military or diplomatic aggression and aggrandizement. [...] The predisposition for those who offer the bargain is, then, that federalism is the only feasible means to accomplish a desired expansion without the use of force.
2. The politicians who accept the bargain, giving up some independence for the sake of union, are willing to do so, because of some external military-diplomatic threat or opportunity.[...]. And furthermore the desire for either protection or participation outweighs any desire they may have for independence. [...]."

Riker writes on these conditions (1964/13):

"In order to prove this hypothesis, I have examined all the instances of the creation of a federation since 1786, giving most detailed attention to the invention of centralized federalism in the United States. […] For those federalisms which have survived, I am able to show that the two conditions existed at the origin; and, for those which failed, I am able to show that either the conditions never existed or they existed only momentarily. Though such evidence does not constitute absolute proof of the hypothesis, it comes as close to a proof as a non-experimental science can offer."[XX]

Later Riker did accept the comment of A. H. Birch, who insisted that the perceived threat also could be caused by factors inside the state (Riker 1975 / 114). In spite of Riker's insistence that the threat should be military or diplomatic, whether imposed by internal or external factors, one may add that there is nothing in Riker's model suggesting that one cannot expand the concept of threat to a broader field than the military and diplomatic fields. The main concern must be that the threat is serious. In such a case the threat could also be of economic, social or political nature (McKay 1999/29 & 32; McKay 2004/171, Dosenrode 2007/31). The important point in the political calculation is that the statesman *believes* that the threat he *perceives* can be countered by joining or founding a federation.

Riker is very explicit on the political conditions mentioned above; they clearly rule out what he calls Deutsch's 'social conditions'. According to Riker it is not possible to find empirical evidence for federal bargains being made due to a wish to further democracy, culture or economy (1964/15 p.).

To Riker federations fail when the two original conditions are not met, either at the foundation of the federation or during the formative years. He does not investigate explicitlythe factors keeping a federation alive. But he does mention the possibility of the desire for independence outweighing the advantages of protection or participation[XXI].

There are several advantages in Riker's model. For instance, unlike some liberal integration theories like the early neo-functionalists., he envisages no built-in automaticity in the founding of a federation. Another advantage in Riker's model is that it delivers an explanation as to how integration can happen under 'realistic' premises and not just under 'liberal' ones. The explanatory power Riker attaches to the statesmen's perception of a given situation is also important; but the analysis should be expanded to include the statesmen's frequent lack of ability to foresee the consequences of actions taken. The analysis should take more account of the subjectivity and limited rationality of decision-makers[XXII].

But Riker and McKay, too, have problems. McKay dismisses preconditions, like Wheare's mentioned above, but basically it is reasonable to try to identify the conditions for an integration process to succeed and to remain in place. Riker and McKey are more definite than the ambiguous Wheare in leaving out the cultural variable from their considerations, thus leaving the analysis incomplete. Had Riker analysed a specific federal project which failed, his picture would have been different (India's separation from Pakistan, to name one). As already mentioned, one cannot expect a number of polities to form an entity and to *stay together* if they do not share the same basic culture, a basic culture which is the foundation of future laws and rules which have to be accepted by the ruled. And not only that – a common culture is necessary to ensure a common understanding of key concepts like democracy, the rule of law, human rights. A common core culture is the glue which makes the federation stick together and make the process possible in the first place (See Deutsch (1968 / 192) and, as already mentioned, Wheare(1963 / 44).

Another problem in his analysis is that Riker *only* focuses on the states, on the decision-maker, the statesman. In this sense Riker's realist point of departure is obvious. Statesmen *are* important. The progress of the European Union in the 1980 and 1990s owed much to Francois Mitterand, Jacques Delors and Helmut Kohl, and the stagnation in the 1960s to de Gaulle. Equally the problems of ratifying the Constitutional Treaty owed a lot to the lack of committed European statesmen. But it is not enough to look at the statesmen. McKay also includes in his analysis the relationship elite-population, which is equally important, as the French 'Non' and the Dutch 'Nee' of 2005 clearly showed.

Riker's work also lacks discussion of the role of institutions in the integration process[XXIII]. The federal institutions, here understood in the classical, narrow sense of formalized organisation like the Court of Justice of the European Union, have two especially important tasks: A) They have to prevent the federation from dissolving - and here it is important to find the right balance of strength between the two (or more) levels of government in the federation. The federal institutions need to be strong enough to prevent the federation from dissolving, but also too weak to hollow out the power of the member-states - B) The institutions need to be guardians of the federal idea. This role is often ascribed to the US-Federal Court of Justice[XXIV], and it also applies to the federal

government and bureaucracy, and naturally to the head of state. It is often the small daily decisions which deepen the integration process, and pave the way to new decisions. But it is important to remember that although the federal institutions try to advance integration, they are not able to direct the development of a federation only by themselves. There are no automatic steps in the integration process, and it is dependent upon the member states supporting it. But federal institutions are important as the guardians of the integration project.

Additionally Riker - as well as the liberals – have a hard time explaining 'organic' or growing integration *i.e.* when there is not an 'all out' decision of states to form a federation by this or that date. A theory explaining e.g. the move from a free trade area to a customs union, in other words a incremental process, seems lacking, a point to which we will return in the next section. .

## 3.3 Federalism Theories as Regional Integration Theories

In the above, two major traditions of federalism theory have been presented. In this section it will be attempted to modify the Rekian-McKayian approach, to lay the basis for a comprehensive model for regional integration.

As a rule, federations rest on a voluntary decision to integrate. as in the case of USA and Australia (or the European federations like Austria, Germany and Switzerland), and thus to form a new state, a new international actor. As federations are the final result of regional integration processes, it is a mistake not to treat federalism theory as regional integration theory proper

It is hard not to agree with McKay in his positive evaluation of Riker's theory of federal bargaining in a modified version, extending the perceived threat from that on external and internal diplomatic or military threats to include economic and thus social threat too. But Riker's theory lacks an explanation as to the intervening variables or factors

which facilitate the integration process and help keeping the federation together, such as a) a common culture and b) an institution upholding the federal idea / the integration project.

With an eye to the basis for creating the new federation, it is suggested to add one intervening or facilitating variable namely a common cultural basis.

Sharing the same basic culture ensures, as argued previously, that there is a common understanding of the central concepts like 'democracy', 'human rights' and 'rule of law'. But what is culture? Hans Gullestrup defines culture as (2003/55, my translation):

"Culture is the worldview and the values, rules, moral norms and actual conduct – as well as the material and immaterial products and symbols related thereto - as human beings (in a given context and over a given time span) take over from the previous 'generation'; which they – eventually in a changed form) try to pass over to the next 'generation' and which in one or the other form differentiates them from human beings belonging to another culture."

Culture is not static; it develops over time, among other reasons, due to socialization. Common beliefs are build over the years as to how 'things are done'. This variable has been present in all federations entered into on a voluntary basis. The dissolution of India into India and Pakistan, and the breakdown of the Soviet Union into a very fragile Commonwealth of Independent States including a fragile Russia may – *inter alia* – be attributed to the lack of a common cultural basis.

Thus it seems reasonable to use a model with three elements, when looking at why federations arise. The two first elements are the most important, concerning the concrete large decisions, the third is important for the preparation of the grand decisions. The last is important for facilitating the decision or the federal bargaining itself.

1) The wish to counter a perceived threat (be that military, economic, societal etc) by expanding one's territory by peaceful means;

2) The wish to join a federation or territorial entity, to counter a perceived threat, and thus secure the survival of one's own state, and

3) A common cultural basis

.

What Riker's and Wheare's theories, and indeed most federal theories, are trying to explain is the 'all out' situation, where sovereign states within a shorter period strike a federal bargain and create or join a federation. It is harder for Riker and Wheare to explain an 'organic' or stepwise creation of a federation. But the point is that federal theory ignores, or is not interested in the organic development, where a slow or piecemeal transfer of autonomy, 'sovereignty', from the constituent entities to a political center is taking place. Thus the federal theories are able to explain one kind of regional integration process, but not another. We are talking of two processes possibly leading to the same goal, a new state. An obvious choice of complementary theory for explaining the organic integration process would be newest version of neo-functionalism, as proposed by Tranholm Mikkelsen (1991) and by Schmitter (2005). And federalism and neo-functionalism share several assumptions, such as *inter alia*:

- Integration is an attempt to create a stronger unit than the individual member states before the integration.
- Interests drive the process, not ideology.
- An external 'kick' (threat, crisis) may be necessary to ignite a higher stage of integration.
- The attitude of the elites is important.
- The participating states are democratic.

We will look at neo-functionalism in the next section

## 4.0 Neo-Functionalism

Ernst Haas, founder of neo-functionalism, took as his starting-point a criticism of David Mittrany's functionalism from the 1940s. Haas combined functionalism with

inspiration from Jean Monnet's pragmatic approach to European integration. Contrary to the functionalists, Haas and his followers looked at regional integration, not universal, and they understood the integration process as political, not merely functional or technocratic.

Haas' original background conditions for regional integration were that the entities should possess pluralistic social structures, be substantially economic and industrial developed, and there should be a common ideological pattern among participating units. In other words Haas' approach was limited to explaining integration in pluralistic democracies. Again we are reminded of Saint-Simon

In his cooperation with Philippe Schmitter, Haas tried to loosen the theory's close binding to the European integration-project and give neo-functionalism a general applicability (1964). The result was a model with background conditions (size of unit, rate of transactions, degree of pluralism, elite complementarity); conditions at the time of economic union (governmental purpose, powers and functions of the new institutions), and process conditions (style of decision making, growth rate of transactions, actors adaptability). Thus cultural considerations are part of the framework, especially in the concepts of 'pluralism' and 'style of decision making'. Culture also plays a part in Haas and Schmitter's analysis of possibilities of Latin American unity (1964 pages 726, 732, 733), but as a less important factor.

A central concept of the analysis was 'spill-over', the claim that agreement on integration in one economic area would or could over time cause other economic policy-areas to integrate too, in order to secure the full benefit of the integration in the first policy-area. Over time, the integration would become political. But, according to Tranholm-Mikkelsen (1991/5) Haas recognised that a political impetus in the right direction might be necessary, and that a high authority, looking after the integration project's common interest – not that of the individual member states – would be needed. The motives, the driving forces of integration would be the pursuit of the politicians' interests.

The transfer of loyalty towards the new 'unit' was another key-question for Haas, who . Haas defined integration, as already quoted above, as (1958 / 16):

"Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities to a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The result is a new political community, superimposed over the pre-existing ones."

Schmitter sums Haas' approach up in the following way (2005/257):

"He [Haas; SD] hypothesized that, with the help of an active and resourceful secretariat and support from the organized interests affected by such externalities, national governments might (fitfully) learn and (reluctantly) agree to change their original positions. According to this approach, integration is an intrinsically sporadic and conflictual process, but one in which, under conditions of democracy and pluralistic representation, national governments will find themselves increasingly entangled in regional pressure and end up resolving their conflicts by conceding a wider scope and developing more authority to the regional organizations they have created. Eventually, their citizens will begin shifting more and more of their expectations to the region and satisfying them will increase the likelihood that economic-social integration will 'spill-over' into political integration"

The spill-over could happen if certain changes occurred (again Schmitter: 2005/258):

- increased interdependence between member-states
- a crisis of a certain size
- development of a powerful regional bureaucracy
- development of independent, regional interest organizations capable of acting in the region

Haas and Schmitter did their main work on European integration and the EC / EU. Schmitter's interpretation of neo-functionalisms most distinctive maxims is paradigmatic,

and it is a central contribution from the 'new generation' of neo-functionalists (2005 / 258 – 260):

1. "*States* are not exclusive and may no longer be the predominant actors in the regional/international system"

2. "*Interests*, rather than common ideals or identity, are the driving force behind he integration process," [ but actors may learn and develop common ideals and identities].

3. "Decisions abut integration are normally taken with very imperfect knowledge of their consequences and frequently under the pressure of deadlines or impending crisis"

4. "*Functions or issue areas* provide the usual foci for the integration process (at least in Western Europe), beginning with those that are initially considered the least controversial and, hence, easiest to deal with."

5. "Since *actors* in the integration process cannot be confined to existing national states or their interest groups and social movements […], a theory of it should explicitly include a role for supranational persons, secretariats, and associations whose careers, resources and expectations become increasingly dependent upon the further expansion of integrative tasks".

6. "[Actors ] *Strategies* with regard to integration are convergent, not identical"

7. "*Outcomes* of international integration are neither fixed in advance by the founding treaty, nor are they likely to be expressed exclusively through subsequent formal agreements"

In other words, Schmitter recognizes the importance of the national politicians as well as the supranational environment..

One can not help getting the impression, that Schmitter is moving towards a more realist interpretation of integration.[XXV]

## 5.0 A Frame of Analysis for Regional Integration: Combining Federalism and Neo-Functionalism

This article is basically the beginning of a research design, which needs to be developed and falsified against 'the real world'. Still it contains a number of, hopefully, relevant suggestions.

An important point of this article is to understand federalism theory as a regional integration theory, as the building federations of out of democratic states and on a voluntary basis can hardly be denied this label. Thus it is important to bring back federalism theory to international relations theory and not leave it to comparative government only. Federalism theory constitutes an academically rich and fruitful discipline which can contribute to international relation theory. The understanding of federations as successful regional integration projects expands this field of study considerably.

The Riker – McKayan version of federalism theory was analyzed and developed, by adding two variables explaining how federations could be created and also be sustained (shared basic culture and the role of one or more federal institutions). It has been argued, that federalism theory is able to explain the cases of 'big bang' integration (USA, Australia, Canada), but not the slow, 'organic' integration process. Here neo-functionalism is an interesting supplement. Neo-functionalism is not able to explain the relatively fast form of integration, but it is – in its new version - able to analyze and explain the 'organic' or slow integration processes like those happening in Europe, and other places in the world. Thus the two should be seen as complementary and they are, jointly, a frame catching most processes of regional integration. The model also explains why some regional processes do lead to full regional integration and why some do not.

The suggestion is, that to explain and understand regional integration, one will have to determine first, which kind of situation one is in: threat scenario or enforced co-operation, and then, second, apply a federal theory or neo-functionalism to be able to analyze a given regional integration process. Applying one of the two theories might also give a hint at the

future scenarios related to regional integration, and it might give decision makers guidance as to the possibilities of regional integration that might exist should they want that – and which path to follow.

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[I] I would like to thank: Steen Fryba Christensen, Gorm Winther, Li Xing, Wolfgang Zank as well Jiuan Zhang and Elijah Munyi for their useful comments.

[II] Elazar in his 1995 article analyses what he sees as a transformation of the international system, away from state-centrism towards con-federal arrangements.

[III] But there are exceptions: David McKay's important contributions (1999, 2001, 2004), as well as a number of articles compiled in Journal of European Public Policy, vol. 12, no. 3, June 2005 and in the electronic anthology by C. Joerges, Y. Mény and J.H.H. Weiler (eds.): What Kind of Constitution for What Kind of Polity? -Responses to Joschka Fischer. Their common problem is that they are all focused on explaining European integration and not regional integration in general.

[IV] Michael Burgess (2003/65) stresses the same, albeit focusing on Europe: "When studying theories of European integration, it has been customary for both students and academics either to downgrade or completely overlook the significance of federalism."

[V] Ballassa's definition has been criticized i.a. by Jovanovic (1992/4) for "its restriction in concentrating only on the process or state of affairs among the countries that integrate. […] Ballasa's definition does not say if economic integration is the objective or a point on the way towards some target."

[VI] TASEAN has announced the intentions to create an ASEAN Economic Community (AEC) by 2015.

[VII] It is obvious that it would have looked 'nicer' had both models had the same number of stages but unfortunately this is not so.

[X] It is important, already now, to remember that 'sovereignty' apart from being an elusive concept is not a either or, but that sovereignty can be divided, as in federations, where the 'sovereignty' is the sum of the member-states' and the federal state's 'sovereignty'.

[XI] I refer to Burgess 2000, to King 1982 and to Elazar 1987 for good but very different discussions of 'federalism' and 'federation'. A short introduction to federalism is also to be found in Dosenrode (2007) chapter 2 and also in Møller's article in this issue.

XII A form of government, where one party has the majority, the members of parliament are chosen in constituencies by the 'winner takes it all' system and the prime minister is responsible to the majority in the parliament.

XIII A form of government, where the president is elected directly and is not responsible to a majority in the parliament.

XIV Forsyth (1996/33-35) distinguishes three traditions of federalist writing: one similar to federalism theory (a scholarly approach), one focusing on expansion of federations as means of peace and one more concerned with organizing the federation in a efficient and democratic way.

XV Naturally there are other approaches like a more post-modernist, social constructivist (Kawalski & Zolkos, 2008), utopian federalists (Denis de Rougemont), fiscal federalism (Dietmar Braun) and so forth.

XVI Huntington (1993/ 24): "A civilization is thus the highest cultural grouping of people and the broadest level of cultural identity people have short of that which distinguishes humans from other species. It is defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of people. People have levels of identity: a resident of Rome may define himself with varying degrees of intensity as a Roman, an Italian, a Catholic, a Christian, a European, a Westerner. The civilization to which he belongs is the broadest level of identification with which he intensely identifies. People can and do redefine their identities and, as a result, the composition and boundaries of civilizations change."

XVII Riker is rather critical of Wheare's contribution (1964/157): "The survey that has dominated the study of this subject for many years is K. C. Wheare, Federal Government [...]. It is highly legalistic in tone and displays very little understanding of political realities."

XVIII This section is a development of a part of chapter 2 in Dosenrode 2007.

XIX As McKay rightly states, Wheare is a rare exception, not being 'moral' in its approach (McKay 2004/183)

XX In spite of this rather pompous statement McKay (2004/169) tends to agree with Riker, and remind us that until now no one has come up with a theory of the same quality and ambition as Riker.

XXI McKay devotes a part of his 2004 article exactly to this question.

XXII Riker has been discussed and criticized. McKay has delivered a thorough discussion of Riker's critics, and has himself developed the theory further (2004). Another interesting contribution is Benjamin Kleinerman (2009) discussing Riker's use of rational choice theory,

XXIII One reason is probably that it is the coming into being of the federation which interests Riker; sustainability is not his focus. McKay, in his discussion of federation's sustainability, approaches this question, too, and discusses three questions: the role of the upper house, liberalism vs. populism, and the structure and functioning of the party system (2004/ 176-182 ).

XXIV Wheare 1963 / 62 ff: "The courts, and especially the supreme courts, have a function which extends beyond the mere question of determining disputes about the division of powers between general and regional governments. ..... Through their interpretation of the whole constitution of the federation and of the ordinary law, so far as they are permitted to do so, they may exercise an integrating influence which, because it is gradual and imperceptible, is of the greatest importance"

XXV Schmitter also analyses the strengths and weaknesses of neo-functionalism, and lists 6 points which may be seen as a corollary to the points listed above (2005/266-67).

# How to 'connect' micro-regions with macro-regions? A Note

by

Philippe De Lombaerde

**Abstract**

Sub-national regions (micro-regions) and supra-national regions (macro-regions) appear as disconnected concepts in the academic literature. They are studied by distinct academic communities between which there is very little communication. In this Note, three ways are suggested to 'connect' the two phenomena and it is argued that a dialogue between the two communities could open new avenues for research and lead to a better understanding of inter-polity and inter-economy relations, in a more general sense. In this exploratory Note it is suggested that micro- and macro-regions can be connected (i) at the conceptual level, (ii) through their similar roles as emerging international actors, and (iii) through the interplay between macro-regions and cross-border micro-regions

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**Key-words:**

Regions, micro-regions, macro-regions, international actor

# 1. Introduction

Regions come in different shapes and sizes. Compared to the population of cases (i.e. states) which is usually considered in comparative politics, the regional category is much more heterogeneous and open-ended (Genna and De Lombaerde, 2010). The fact that regions are often overlapping further complicates their analysis. This overlap is both horizontal (i.e. partial or complete overlap between regions on the same level) and vertical (i.e. overlap between hierarchically structured regions). But as regions –from a governance point of view- tend to specialize in particular functions, overlapping membership should be distinguished from overlapping competences.

Many typologies can and have been proposed to describe regions. Two distinct broad sub-categories are generally considered: supra-national regions, on the one hand, and sub-national or sub-state regions, on the other. These will be called 'macro-regions' and 'micro-regions', respectively.[I] This is a conceptual distinction, not necessarily referring to their actual relative size. Micro-regions such as Chinese provinces or Indian states, for example, are obviously often geographically, economically and/or demographically larger than macro-regions such as the East African Commmunity, CARICOM or BENELUX. It should further be recognized that hybrid regions also exist. 'Cross-border micro-regions' (such as the Euregions, the Southeast Asian growth triangles, or the Southern African Development Corridors) involve sub-national entities on either sides of national borders, and are therefore international at the same time.[II]

In spite of their common etymology, micro-regions and macro-regions are by-and-large disconnected concepts in the literature. Söderbaum (2005) is a notable exception. Micro- and macro-regions are treated by distinct academic and epistemic communities, thereby using different theoretical frameworks and disciplinary angles. Micro-regions are typically dealt with by academics working on, either regional development or social and economic geography (the region seen as a system and a clustering of activities around a centre or pole of development), or on (fiscal) federalism (focusing on the role played by regions vis-à-vis local and national authorities from an administrative, fiscal or political

point of view). Macro-regions, on the other hand, are typically studied by scholars with an (international) economics or political science/IR background focusing on processes of regional cooperation and integration, with inter-governmental and/or supra-national features.

In this note, I will present some ideas about how these two concepts (and discourses) could be (re-)connected. I distinguish three ways to connect micro-regions with macro-regions: (i) the merger of micro-regions and macro-regions into one conceptual category; (ii) the consideration of micro-regions and macro-regions as similar emerging international actors; and (iii) the consideration of (cross-border) micro-regions and macro-regions as related processes.

## 2. Micro-regions and macro-regions as elements of one conceptual category

At the centre of conceptual debates in regionalism or regional integration studies during the last decades is the transition from the old regionalist concept to the new regionalist concept(s). Nye's definition ("a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence") exemplifies well the 'old' understanding of regional integration (Nye, 1971:vii). Regions are thereby either assimilated with regional organizations or are considered as a mainly geographical concept. The regional organizations are supposed to be functionally specialized in either economic integration or security cooperation. By contrast, new regionalism tends to refer to a multi-dimensional and multi-actor phenomenon that should be seen in the context of globalization.[III] By emphasizing more the process characteristics of regionalization, less attention went initially to the underlying concept of 'region', although there was and is a growing understanding that there is a plurality of regions, including more informal versions.[IV] It has therefore been argued that the definitional question should be seen in combination with the research problem at stake rather than to be settled *ex ante* (De Lombaerde et al., 2010). In other words, definitions, it is argued, should be problem-based.

And it is thereby obvious that the conceptual problem is linked to the problem of comparability.

Following the discussion on the uniqueness of the EU (the so-called $N = 1$ problem), it has been suggested that regions, while maintaining their geographical and spatial expression, could be considered as governance levels or social systems with certain statehood properties. The region is thereby explicitly defined by contrasting it with the State, and seen as having some, but not all (!), statehood properties.[V] This kind of definition opens the door to more general understandings of the region and allows including supra-national regions and sub-national regions in one conceptual category. In turn, this opens enormous opportunities to connect two distinct academic communities and literatures. Finally, this broader regional concept is also able to deal with the previously mentioned hybrid forms such as the Asian growth triangles, Southern African Development Corridors and other cross-border micro-regions, and with 'double-hybrid' forms such as the new Benelux linking up with Nordrhein-Westfalen and Nord-Pas-de-Calais.

## 3. Micro-regions and macro-regions as similar international actors

It is self-evident to say that macro-regions are international actors. Independently of their architecture (i.e. relying predominantly on inter-governmental mechanisms or rather on supra-national mechanisms), macro-regions are by definition an instance of international action. What is of growing importance, however, is their extra-regional actorness through coordinated or joint action. This is not limited to inter-regional relations and negotiations but includes also region-to-state relations and interactions between macro-regions and global institutions (UN, G-20, etc). These interactions take different forms: financing projects and programs, partnering, voting coordination, seeking some form of formal representation, etc. Micro-regions, subject to national authority and constitution, are less likely candidates for international action. However, there is also a clear trend here towards increasing international actorness as shown in the literature on sub-national diplomacy.[VI]

According to Durán et al (2009), in this evolution towards more international actorness, three 'waves' can be distinguished. In a first wave, starting in the 1980s, certain micro-regions started to get involved in the promotion of foreign direct investment (FDI) and tourism, and the affirmation of their culture and identity.

A second wave started in the 1990s when certain micro-regions were provided with certain legally or constitutionally grounded diplomatic instruments. In some cases, micro-regions started to build a foreign-policy apparatus (i.e. an administration), mainly consisting of horizontal coordination between the different functional departments. The authors currently see a third wave, which is characterized by a verticalization of the organizational structure[VII], a strategic re-orientation of the geo-political and/or functional priorities (e.g. more emphasis on multilateralism and inter-regionalism), the integration of external instruments of sub-state foreign policy into a well-performing whole, and the enmeshment of diplomacy and para-diplomacy.

For the purpose of our short article, it is important to highlight the similarity and/or convergence between both phenomena. Not only can one find coinciding objectives (commercial interest, political objectives, affirmation of identity), but macro-regions and micro-regions are also faced with common issues and obstacles when pursuing these objectives. These issues include their unclear diplomatic status and the issue of representation in multilateral scenarios. Macro-regions and micro-regions can thus be seen as similar emerging international actors.

## 4. Cross-border micro-regions and macro-regions as related phenomena

Besides their possible definitional connection (see point two), and their coinciding extra-regional and international actorness (point three), I distinguish a third way to connect micro –and macro-regions. I focus thereby on a sub-set of micro-regions, namely the hybrid cross-border micro-regions. I am referring to cases such as the Euro-regions in the European Union (EU), the US-Mexican border, the growth triangles in Southeast Asia, the Development Corridors in Southern Africa, the *zonas fronterizas* in the Andean region, etc. It can be shown, both empirically and theoretically, that the development of both types of regions is not necessarily disconnected.

Three types of connections can thereby be distinguished. A first type is 'complementarity', where both developments go hand-in-hand (i.e. they have the same sign). There can be one-way or two-way causality. Macro-regions, can, for example, promote cross-border micro-regionalism in a 'top-down' fashion through particular policies and incentives that target the border areas, as in the cases of the EU and the Andean Community (CAN). Another example of top-down complementarity, of neo-institutionalist inspiration, is a case where macro-regionalism leads to more 'trust' among the parties on both sides of the borders so that cross-border cooperation to address common policy challenges or to manage shared resources becomes more likely (Schiff and Winters, 2002). Macro-regionalism can also lead to more cross-border micro-regionalism when border zones become 'more central' in the new regional context. This argument is supported by the new economic geography.[VIII] Bottom-up complementarity is also possible when, for example, intense *de facto* cross-border interaction calls for a regulatory framework and thus induces a demand for macro-regional institutions.

Under a second type of connection both regionalisms also move in the same direction but causalities are less clear; the relationship is of a systemic nature. In other words, they are determined by a common set of variables of historical, cultural, institutional, political or economic nature. An example could be the East Asian case where the 'Asian way' is reflected both at the macro-regional (ASEAN, ASEAN+3, etc) and the micro-regional level (growth triangles).[IX]

Finally, a third type of connection refers to situations in which macro-regional and cross-border micro-regionalism are competitors or substitutes of each other. One regionalism fills the governance gaps left by the (malfunctioning) other regionalism, or the two regionalisms follow incompatible and competing development models, driven by opposed political agendas and interests. The new regionalism approach, very much conscious of the variety of regionalisms and varying degrees of regionness, might be compatible with this type of connection. However, this approach also emphasizes that both regionalisms respond to similar logics and sets of variables related to globalization, so that the systemic connection might also apply.

## 5. Conclusions

Micro-regions (i.e. sub-national regions) and macro-regions (i.e. supra-national regions) are usually seen as very distinct phenomena that have only their etymological origin in common. They are studied by-and-large by distinct and unconnected academic communities. In this note I have suggested that there are at least three ways to 'connect' the two phenomena and that a dialogue between the two communities could open new avenues for research and lead to a better understanding of inter-polity and inter-economy relations, in a more general sense. The three ways that were suggested are: (i) their conceptual connection, (ii) their similar roles as emerging international actors, and (iii) (focusing on cross-border micro-regions) the objective connection between their respective developments.

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[I] For a typology of micro-regions see, for example, Jönsson et al. (2000).

[II] Keating (2011) uses the term 'transnational' region.

[III] See for example, Hettne, Inotai and Sunkel (2000, 2001); Söderbaum and Shaw (2003); Breslin et al. (2002); De Lombaerde (2003); and Telò (2007).

[IV] 'Regionness' was also proposed as a fluid or continuous concept, as opposed to the 'old' static definitions. See, Hettne and Söderbaum (2004). See also, Warleigh-Lack and Van Langenhove (2010: 547).

[V] Contrasting the region with the state should not be confused with associating the region with the state. In other words, in the new understanding the relation between the region and the state "is not given *a priori* and is often problematic" (Keating, 2011: 4). Regions are seen as relatively autonomous systems, not as merely aggregations or subdivisions of states.

[VI] Also called para-diplomacy or multi-layered diplomacy. See, for example, Soldatos (1990); Duchacek (1990); Hocking (1993); Aldecoa and Keating (1999); and Criekemans (2010).

[VII] Meaning that foreign policy becomes a separate policy domain and department.

[VIII] See for example, Krugman and Elizondo (1996) on the case of NAFTA; Schiff and Winters (2003: 137-145); and Blatter (2004: 532).

[IX] On the 'Asian way' in regional cooperation and integration, see for example, ADB (2008, 2010).

# Pan-Africanism and federalism

By
Bjørn Møller

**Abstract**

The article looks at federalism as applied in Africa in the dual sense of a devolution of power from what would otherwise be unitary and centralised states to lower levels of governance and a transferral of authorities upwards from the state level to that of the African Union. Whereas the former is deemed to be a feasible and sensible way of transforming certain states, the assessment of the latter is much more sceptical. Grand schemes such as a "United States of Africa" are held to be both unrealistic and unhelpful, whereas a more gradualistic approach is deemed to be more constructive and helpful

**Key-words**:

Federalism, federal experiments in Africa; African regional integration.

## 1. Preface

Federalism as a form of governance may be approached from two different angles[I]. Either it may be seen as a piecemeal way of building a larger political entity, i.e. in the final analysis a united world as remains the goal of the World Federalist Movement.[II] Or it may be intended as a form of decentralisation, i.e. of "bringing power to the people" through a devolution of authority from the national to a more local level. Even though the two approaches are thus each other's opposites, it does not follow that they are necessarily mutually exclusive. They might, at least in principle, be combined in an intricate system of "nested federalisms," where a federal state may form part of a regional federation which may in turn be one component of a larger, perhaps even global, federation.

In the following, we shall look more closely at the African continent, which has both seen attempts at the forging of a larger, ideally all-African, political entity and attempts at promoting national democracy through federalism. As a preliminary to this, however, a bit of conceptual clarification seems indispensable.

## 2. Conceptual and Theoretical Clarification

The term "federalism" is derived from the Latin term *foedus*, i.e. covenant, referring to the fact that such a covenant is usually the starting point for the merger of two or more political entities. Federalism is sometimes confused with the term confederalism and, as we shall see, the real world of politics (at least in Africa) features several hybrid forms of government, as well as confederations posing as federations and *vice versa*.

To the extent that a distinction between the two is possible, however, the difference is to be found in the locus of sovereignty. In a confederation the constituent parts retain their sovereign rights, including that of abrogating the founding document of the confederation, thus regaining their initial independence, but in a federation the formerly sovereign entities have irreversibly transferred their sovereignty to the new political entity. By implication, confederation thus entails a formal "exit option," whereas federation does not, in which respect a federation constitutes a state (Majone 2006). However, even

though a federation thus forms one sovereign political entity, it nevertheless retains some authority at lower levels, usually (but not necessarily) that of the formerly indendent units. Typically, foreign and defence policy are the prerogatives of the federal authorities, whereas the lower levels remain in charge of such policy fields as education and culture, but the exact division of responsibility is a matter of negotiations and is usually codified in a federal constitution. In the European Union (EU)—which may be viewed as something more than a mere confederation, but something less than a fully-fledged federation (Wallace 1982; Elazar 1998)—this division of powers and responsibilties is sometimes referred to as "multilevel governance," a term which is conveniently vague enough to capture a continuously changing and inherently fragile consensus on where power ought to reside (Marks 1993; Marks & al. 1996; Hooghe 1996).

In a federal system, the constitutent units typically maintain their separate legislatures and executives and often also judiciaries, entailing a two tier structure—and they usually also have a representation at the federal level. Hence, federations almost always have bicameral legislatures in which one chamber is supposed to consist of representatives of the constituent parts, usually with equal representation for all part-states, regardless of sizes, i.e. with a greater-than-proportional influence to the smaller constituent entities. There may or may not be a similar overrepresentation of the small constituent entities in the other chamber, the members of which are supposed to deal with the common matters of the federation even though they are elected locally. To the extent that constituent parts also maintain (at least semi-) independent judiciaries, the federation will almost inevitably be characterised by a degree of "legal pluralism," in the sense that different laws will apply in different parts of the same sovereign political entity (Griffiths 1986; Merry 1988).

"Subsidiarity" may be a useful term to describe the "vertical" division of responsibility between the various levels (Møller 2005) and is often referred to as one of the main norms in the EU—for instance in the (now defunct) Constitutional Treaty[III] (Barber 2005; Henkel 2002; Kersbergen & Verbeek 2004). The term is, however, much older, apparently first used by Pope Leo XIII in 1891 in the papal encyclicals *Rerum Novarum* as well as in the *Quadragesimo Anno* by his successor, Pius XI in 1931. According to the latter, the principle entails that

> The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly (…) Therefore,

those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of "subsidiary function," the stronger social authority and effectiveness will be the happier and more prosperous the condition of the State. (Pius XI 1931: 79-80)

The fact that the other main norm in the EU, as listed in the Constitutional Treaty, was that of "conferral," according to which the members voluntarily confer decision-making authority to the Union, does, on the other hand, indicate that the EU was envisioned as something less than a federation, where it would be the Union that voluntarily devolves such authority "downwards." (Swended 2004)

It has also been proposed to apply the term "federalism" to non-territorial arrangements. Carl J. Friedrich (1975) thus proposed the term "corporate federalism," the gist of which was included in the model advocated by Aaron Lijphart as "consociationalism" (1969; 1977; Lustick 1997). It does not so much refer to any specific constitutional arrangement as to the general principle of granting "significant minorities" veto rights with regard to special issues (e.g. religion) usually along with a share of government power, as in a "government of national unity."

As mentioned above, in some cases smaller federations are included in larger ones, for which phenomenon the term "nested (or embedded) federalism" seems appropriate. Some of the EU's member states (e.g. Germany and Austria) are thus federations in their own right, but we find the same phenomenon in the case of the rather baroque and almost Byzantine constitution of Bosnia-Herzegovina, resulting from the Dayton Accords. It formally comprises the Republica Srbska and what is called the Federation of Bosnia and Herzegovina (i.e. the Croat and Muslim parts of the country), the whole rather confusingly named the Republic of Herzegovina (Chandler 2000; ICG 2010a).[IV] As it is formally recognised by the EU as a "potential candidate" for membership, it is surely conceivable that it will eventually join the EU, which would make embedment/nesting even more convoluted and complex.

We may also want to distinguish between formal and informal federalism. Whereas the EU's status remains indeterminate, the real world contains a number of states which describe themselves as federations (even though the label may not really be appropriate) as well as a number of others which would seem to fit the description, at least in some

respects, even though they do not call themselves federations or "unions." The Forum of Federations (2010) thus lists 24 of the world's 193 countries as federations: Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Brazil, Canada, The Comoros, Ethiopia, Germany, India, Malaysia, Mexico, Micronesia, Nepal, Nigeria, Pakistan, Russia, St. Kitts and Nevis, South Africa, Spain, Switzerland, United Arab Emirates, the USA and Venezuela. However, it only arrives at this high number by including states which do not describe themselves in these terms, e.g. South Africa (*vide infra*). On the other hand the list excludes several countries which might well deserve the label such as China (because of the special status enjoyed by Hong Kong and Macau), Denmark (with sovereignty over Greenland and the Faroe Islands, both enjoying self-government), Tanzania (*vide infra*) and Iraq (including the autonomous status of Iraqi Kurdistan).

We might also want pin the label of "informal federalism" on the "mother state" in those cases where a constituent part has seceded and been recognised as independent state by some, but not all other states (e.g. Kosovo at the time of writing, see Weller 2008) or where the break-away entity has not been officially been recognised by any other states, but functions as a state (e.g. Somaliland (*vide infra*)) or where the self-governing polity has not even officially proclaimed its independence (e.g. Taiwan, see Davis 1999). Some of these cases might alternatively be labelled "asymmetrical federations" implying that the bulk of a country forms a unitary state, while one or several minor parts enjoy a special autonomous status, as is arguably the case in some of the aforementioned instances of informal federalism (Hueglin & Fenna 2006: 81-82).

As all forms of federalism (except consociationalism, if we choose to accept that as a member of the federal "family") constitute spatially defined self-government, they presuppose a subdivision of the territory which may thus have great significance without always being obvious and uncontroversial. Splitting up a provincial or regional entity, merging previously separate entities or changing of borders between them may, for instance, impact strongly on who will be in the majority and may thus, at least in democracies, be tantamount to gerrymandering. It may also affect the distribution of national resources, even in non-democracies with elements of "fiscal federalism" (Bauböck 2000).

## 3. African Federal States

Africa has a number of countries which exhibit various forms of federalism, most of them diverging from the standard forms in some respects. We may roughly subdivide them into constitutional and informal federalisms, the latter including what might in fact deserve the label "fake" or "bogus federalism." In the following we shall briefly summarize the most important cases, followed by an account of the miscellaneous abortive or failed federalist schemes which were promoted by the departing colonial powers—as a kind of bridge between federalism at the level of states and that which is implied by the various pan-African or regional schemes of integration and federalism.

## 4. Constitutional Federations

Considering the ethnic and religious diversity of Africa it is actually surprising that not more than a handful of the continent's states have opted for formal or constitutional federalism.

The continent's most populous state, **Nigeria**, has been a federation ever since independence (Suberu 2001; Alli 2003; Gana 2003; ICG 2006a), and federalism has apparently served a number of purposes. It may have helped limit ethnic and religious conflict by granting those minorities which form majorities in their respective states extensive autonomy—including the right of some states in the northern parts to base their legislation on Islamic law. It may have served as a guideline for a presumably more fair and equitable distribution of the country's resources, based on the size of population, than might otherwise have resulted. And it may, finally, have promoted democracy by bringing government closer to the people. A closer look, however, reveals that there is a downside to each of these advantages.

First of all, even though the adoption of *shari'a* law in a number of states (Iwobi 2004) was a reflection of an Islamic revivalism which was partly a response to the increasingly assertive Christian (predominantly Pentecostal) missionaries in the northern parts of the country (Gaiya 2004) it does entail human rights problems—and some of the Islamic groups operating in the north are in fact profoundly atavistic, religiously fanatical,

xenophobic, gender-oppressive and generally reactionary—a good example being the *Boko Haram* group (Mantzikos 2010). One may also question just how much such legal pluralism a country can upohold without eventually falling apart.

Secondly, just as the federal system did not suffice for preventing the attempted secession by Biafra (1967-70), which also produced a massive humanitarian disaster (St. Jorre 1972) it has not been able to prevent insurgencies in the southern parts of the country, especially in the Niger Delta region (ICG 2006b). Part of the explanation has to do with the distribution of costs and benefits of the oil industry, where the states and peoples in the Delta region demand a larger share of the revenues, partly as a consequence of its allegedly being "their" oil and partly as compensation for damages incurred by the drilling (Idemudia & Ite 2006; Onuoha 2005). Whether these would have been even worse in a unitary state is impossible to tell.

Thirdly, whereas one would think that trust would be commensurate with closeness, empirical studies do not confirm this hypothesis. Opinion polls in 2009 thus showed that whereas 45% expressed either "a lot of" or "a very great deal" of trust in the national President, only 28% trusted their elected local leaders—and whereas 36% suspected the President's office of involvement in corruption, the corresponding figure for local elected councils was 55% (Little & Logan 2009).

Multi-national **Ethiopia** has been less consistently federal than Nigeria. As we shall see below, it was first federated with Eritrea pursuant to a UN decision, but it then unilaterally ended the federalist stage by simply incorporating Eritrea. Following the overthrow of the *Dergue* regime in 1991, partly thanks to the armed strength of the Eritrean insurgents in the EPLF (Eritrean People's Liberation Front), a Transitional Charter was adopted in 1991, in which the right to secede was acknowleged (Micheau 1996). This right was subsequently codified when Ethiopia in 1994 adopted a new constitution based on what it called "ethnic federalism." Further to this, the country has been subdivided into regions named after their majority ethnic group and each of these regions has been granted partial autonomy, a certain amount of seats in the national parliament and the formal right to secede from the federation. The latter is a very major concession to ethnic and regional autonomy demands, even though one is allowed to question whether this right would be honoured in practice if any constituent part of the country should opt for it, which has not happened yet (Haile 1996; Turton 2006; Habtu 2005). After all, the 1936 constitution of

the Soviet Union formally granted the union republics the same right, but there were other and less formal parts of the political dispensation—especially the all-dominant role of the CPSU (Communist Party of the Soviet Union)—which prevented the question from ever being raised (Getty 1991). According to critics, there are similar (albeit far less sinister and totalitarian) informal power structures in the present Ethiopia such as the intricate power structure of the EPRDF (Ethiopian People's Revolutionary Democratic Front) and its nucleus, the TPLF (Tigray People's Liberation Front), which would, likewise, prevent any playing of the "secession card." (Aalen 2002; Pausewang & al. 2002; Young 1997).

There has been one actual referendum in Ethiopia, albeit not on secession, but about ethnic identity, when in 2001 the Siltie people voted for separation from the Gurage ethnic group in  which they had previously been counted (Smith 2007), but the impact of this on the rest of the country was minimal, so one cannot deduce from this that the federal government would allow a more important part of the country to secede. On the other hand, Ethiopia did in fact allow Eritrea to secede in 1994 (Ottaway 1995; Haile 1994), even though this left the large country land-locked (Muluneh 1998). While the level of hostility between the two neighbours has ever since been extremely strained, to the point of full-scale war from 1998 to 2000 (Negash & Tronvoll 2000; Iyob 2000) followed by various proxy wars, none of these wars have been motivated by a desire to reincorporate the lost Eritrea. As was the case of Nigeria, there is no way of ascertaining whether the federal political dispensation has really helped contain or mollify ethnic strife, which has certainly not disappeared—particularly as far as the ethnic Somalis and Oromos are concerned (Samatar 2004; Khalif & Doornbos 2002; Gudina 2007). Whether it would have been even worse in a more centralised and unitary state remains uncertain.

As indicated by its official name  "The United Republic of **Tanzania**" is also a federation, albeit of a very asymmetrical nature. Federalism only pertains to relations between the rest of the country and  Zanzibar, which was federated with the former German colony and subsequent British mandate/trust territory Tanganyika in 1964 (Tronvell 2006; Killian 2008). The federal arrangement ensures the small island with its almost exclusively Muslim population considerable autonomy, entailing a measure of legal pluralism, as well as some reserved seats in the national parliament (Bierwagen & Peter 1989). There have been some problems, including allegations about rigged elections and some riots, quelled with some brutality by the police, but by and large the federation seems

to have worked fairly well (Cameron 2002; Killan 2008; Liviga 2009). However, rather surprisingly, the government website almost seems to be concealing its federal nature with the rather opaque formulation, "The Government of the United Republic of Tanzania is a unitary republic consisting of the Union Government and the Zanzibar Revolutionary Government."

Finally, we have a "liliput federation," in **The Comoros** (officially "Union of Comoros") with a total of less than one million inhabitants (Hassan 2009; Anckar 2003; 2007). Surprisingly, smallness has not tempered secessionist urges, as all three constituent parts have at some stage or other seen demands for secession from the Union (Horn 2004).

## 5. Informal Federations

Besides the above formal federations, Africa has also been home to several de facto or informal federal political dispensations, each of them exhibiting special features without any clear pattern to them.

One might argue that **Guinea Bissau-Cape Verde** should count as the first example. Even though each of the constituent parts, following the protracted war of national liberation from the Portuguese, had been granted *de jure* independence in 1974, until 1980 the two were effectively united and ruled by a party covering both territories, i.e. the PAIGC (*Partido Africano da Independência da Guiné e Cabo Verde*), founded by the famous Amilcar Cabral (Chabal 1983; 2002: 3-28). In 1980, however, a coup on the mainland deposed the incumbent president, a Cape Verdean national, in favour of a Guinean. This provoked a nationalist faction of the party to break away, form a new party (*Partido Africano da Independência de Cabo Verde, PAICV*) and take power in Cape Verde, ensuring *de facto* independence (Andrade 2002: 265-270; Duarte & Curto 1984) .

If only because of its vast size and ethnic and religious diversity (Kalpakian 2006), federalism would seem to be the obvious choice for **Sudan**, and two different versions of federalism were in fact debated on the eve of the country's independence in 1956: a Union with Egypt which would most likely have been tantamount to a kind of federalism[V] and a federation for an independent Sudan (Holt & Daly 2000: 123-135). The latter would, at the very least, have offered the non-Muslim southern parts of the country a degree of self-government comparable to what they enjoyed during the colonial period, when the South

was treated (for good as well as bad) as a special area ("Closed District") by the condominium powers, Britain and Egypt (Deng 1995: 101-134; Lesch: 31-33; Sidahmed: 11-12; Johnson 2003: 9-19, 25).
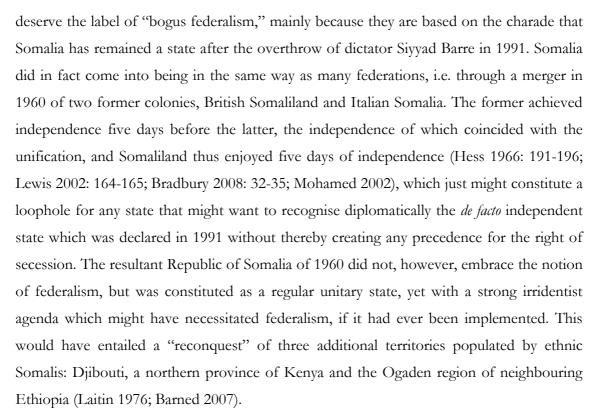
As it happened, however, the advocates of a unitary state prevailed, leading immediately to the first round of the civil war between the (Arab and Muslim) northern parts of the country and the (African and combined Christian-animist) South (Johnson 2003: 21-37). The demands for a federal political dispensation were not only disregarded by the commission drafting the new constitution, but the advocacy of federalism was banned, a ban which did not, however, prevent organisations such as the Sudan African Closed Districts National Union (later renamed SANU, i.e. Sudan African National Union) from federalist advocacy (Deng 1995: 137-149). What brought this war to an end was the signing in February 1972 by the government of Jafar Nimeiry and the rebel group, the *Anya-nya,* of the Addis Ababa agreement, which granted the South considerable autonomy (Beshir 1975: 99-121, 158-177; Kasfir 1977; Johnson 2003: 39-58; Pirouet 1976; Mitchell 1989). Afterwards this came a Southern Provinces Regional Self-Government Act of March 1972 which codified this autonomy, and the provisions of which were included in a new constitution adopted the following year (Deng 1995: 156-160; Collins 2008: 109-115, 133-145). A contentious issue was, however, where to draw the line between north and south, and in 1980 the Sudanese parliament revised the previous borders to ensure that most the newly discovered oil would end up in the north (Johnson 2003: 45). In 1983, however, the entire edifice of the Addis Ababa Accord was destroyed by President Nimeiry, which immediately reignited the civil war.

Following a few years of civilian rule after the overthrow of Nimeiry in 1985, a group of officers belonging to the National Islamic Front (NIF) took power in a coup in 1989 and proceeded to Islamise the country (Warburg 2003: 205-226). Rather surprisingly, however, the new NIF regime also instituted a kind of federal system, which however was so artificial and phony that it did not succeed in bringing an end to the civil war (Lesch 1998: 125-128). This only came to an end with the signing of the Machakos Protokol in 2002, which was followed by a series of negotiations between the government and the SPLM (Sudan People's Liberation Movement) on issues such as power and wealth sharing, the products of which were in January 2005 folded into what was called the Comprehensive Peace Agreement (CPA).[VI] Even though neither this nor the following

interim constitution contained any explicit references to federalism (except for a reference to a "Ministry of Federal Governance") what was outlined was clearly a *de facto* federal arrangement (Al-Karsani 2003; Dar & al. 2004; ICG 2005; Young 2005). Not only did the South obtain self-government, but representatives of the SPLM were also granted the post of first Vice-President and included in a Government of National Unity. Provisions for a sharing of the oil were also stipulated, as were arrangements for a tripartite division of the combined armed forces into national (but de facto northern-dominated) forces, southern forces (to serve as a kind of territorial army) and integrated joint forces. Most important was, however, the codification of an exit option in the form of a stipulation that after a six years transition period the south would be allowed democratically to decide whether to remain a part of Sudan or secede to form an inpendent state. When the "moment of truth" came in January 2011 the overwhelming majority of the electorate of the south votes in favour of secession—and there were indications that the North would respond to the secession of the South with an abolition  in the rest of the country of whatever remnants there might be from the federalist interlude.

A formal federal arrangement was also contemplated for **South Africa** in the 1990-94 run-up to the country's transition to democracy and would, indeed, seem to have made a lot of sense (Horowitz 1991: 214-226; De Villiers 1993; Steytler & Mettler 2001). However, the "bogus federalism" of the apartheid regime with its independent homelands ("bantustans") Transkei, Venda, Bophutatswana and Ciskei (Lipton 1972) militated strongly against such a solution (Irvine 1984; Nolutshungu 1992; Osaghae 2003). The federal idea was further compromised by the fact that it was being advocated by the extreme right of the Afrikaner movement, e.g. the *Afrikaner Weerstandsbeweging* (AWB) of the notorious Eugene Terreblanche (Du Toit 1991). Nevertheless, both the constitution of 1996 and the political practice since then have entailed a considerable devolution of authority from the national level to provincial and regional elected bodies (Lodge 2005; Simeon & Murray 2001), the administrative borders between which have now been drawn through a transparent and consultative process intended to rule out ethnic manipulation and gerrymandering (Muthien & Khosa 1995;  Christopher 1995; Naido 2009). What also resembles federalism is the roles granted in the new political dispensation to traditional chiefs and the customary law to be administered by them (Oomen 1999).

**Somalia** also exhibits several forms of federalism, even though some of them

deserve the label of "bogus federalism," mainly because they are based on the charade that Somalia has remained a state after the overthrow of dictator Siyyad Barre in 1991. Somalia did in fact come into being in the same way as many federations, i.e. through a merger in 1960 of two former colonies, British Somaliland and Italian Somalia. The former achieved independence five days before the latter, the independence of which coincided with the unification, and Somaliland thus enjoyed five days of independence (Hess 1966: 191-196; Lewis 2002: 164-165; Bradbury 2008: 32-35; Mohamed 2002), which just might constitute a loophole for any state that might want to recognise diplomatically the *de facto* independent state which was declared in 1991 without thereby creating any precedence for the right of secession. The resultant Republic of Somalia of 1960 did not, however, embrace the notion of federalism, but was constituted as a regular unitary state, yet with a strong irridentist agenda which might have necessitated federalism, if it had ever been implemented. This would have entailed a "reconquest" of three additional territories populated by ethnic Somalis: Djibouti, a northern province of Kenya and the Ogaden region of neighbouring Ethiopia (Laitin 1976; Barned 2007).

A civil war broke out in 1988, which in 1991 resulted in the defeat of the Siyyad Barre regime, yet without producing any clear winner who might take over the reins of government, leaving the country stateless (Adam 1995). It has remained in this condition, more than a dozen (mainly externally promoted) state-building attempts notwithstanding (Jan 2001; Lortan 2000; Kasaija 2010). Somaliland did, however, proclaim independence and has managed gradually to build a functioning state virtually without any foreign involvement or support, but, alas, also without gaining international recognition of its statehood. It is thus left in a kind of limbo as a "*de facto* state" (Bradbury 2008; Kibble 2001; Eggers 2007). The northeastern part of Somalia in 1998 proclaimed itself autonomous as "Puntland," yet without going all the way to secession. It has, likewise, proceeded to build structures of governance which may not quite match those of Somaliland, but which certainly compare very favourably to those of the rest of the country (Höhne 2006; 2009; Doornbos 2000; ICG 2009).

South-central Somalia has seen the emergence of societal institutions (e.g. the clan, shari'a courts and the *bazaar*) able to provide a modicum of "governance without government," and especially so in the periods such as 1995-2005 when the "international community" has not meddled in its affairs (Menkhaus 2006; 2007a; Hesse 2010). Each and

every one of the fourteen or so state-building attempts since 1991 has, however, failed miserably, at most producing "governments without government," i.e. what Robert Jackson (1990) called "quasi-states." However, if one insists, as does the international community—including the subregional organisation for north-eastern Africa, IGAD (Inter-Governmental Organisation for Development) and the African Union, AU—on turning a blind eye to the actual dismemberment of the former Somalia, then one certainly has to acknowledge this as a federal state or even a looser confederation, although the label "state system" may in fact be a more appropriate description (Haldén 2008).

What has since 2004 been posing as the government of all of Somalia is generally labelled the "Transitional Federal Government" (TFG). It was created under the auspices of IGAD as a successor to the almost stillborn Transitional National Government, lasting from 2001 to 2003 (Bryden 1999; Dornboos 2002). Its "constitutional" foundation was a "draft transitional federal charter," which underlined the unity of the Somali nation, but proceeded to describe a federalist political dispensation, although completely disregarding the question of secessionist Somaliland.[VII] When it came to actual governance, however, the TFG was just as impotent as its predecessor, serving mainly as a the provider of a fig-leaf of international legality to what was in fact an Ethiopian invasion in December 2006. Its main mission was to remove from power the Union of Islamic Courts (UIC) which had in the summer of 2006 taken control of the country (minus Somalialand and Puntland) following the defeat of a US-instigated "Alliance for the Restoration of Peace and Counter-Terrorism" (Menkhaus 2007b; Prendergast & Thomas-Jensen 2007; Prunier 2006).

The TFG has since 2006 extended its own mandate whilst expanding the number of "parliamentarians" by around fifty percent, the co-opted newcomers mainly drawn from the ranks of the moderate wing of what used to be the UIC, now renamed ARS-D (Alliance for the Re-Liberation of Somalia, Djibouti faction). However, neither do the new parliament and government have any democratic basis, having never been elected, nor do they possess any governance capacity whatsoever, leaving Somalia as a (federal) failed state (Dagne 2009; Bruton 2009; 2010).

## 6. Abortive or Failed Federations

On the eve of their departure from Africa, some of the colonial powers actually experimented with the idea of larger federations or confederations of their colonial territories, but most of these schemes failed or were not even attempted (Cooper 2008; Hughes 2004; Rothchild 1966; 1970; Lewis & Robinson 1994; Cell 1980; Flint 1983). While some of them produced federal states, most of them envisaged the integration of formerly separate colonial possessions, i.e. regional or subregional federations.
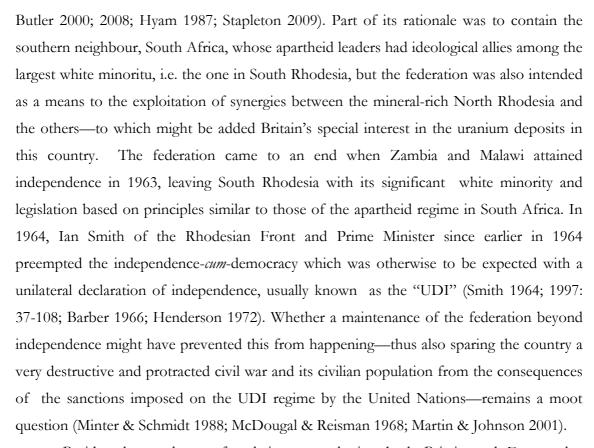
France in 1946 established what they called the *Union Française* as a replacement of their colonial empire, in continuity with various steps taken by the Vichy regime during the war (Ginio 2003; Hitchcock 2001; Aldrich 1996: 266-306). It granted the various French colonies some representation accompanied by a degree of autonomy, yet far from enough to satisfy the aspirations for independence of the colonial elites. Hence, the French colonies in Indochina and the Mahgreb left the Union in 1954 and 1956, respectively, whereas the French possessions in West and Central Africa, grouped into two separate federations (*Féderation d'Afrique Occidentale Française* and *Féderation d'Afrique Equatoriale Française*, respectively), remained in the Union along with Madagascar (Skurnik 1967; Mytelka 1974; Nugent 2004: 41-49). With the birth of De Gaulle's Fifth Republic and in the shadow of the Algerian War, lasting from 1954 to 1962 (Horne 1979), the Union was in 1958 replaced by the somewhat looser *Communauté Française*. Having allowed the various colonies the choice between independence and membership of their federations, nested within the Union, France was obliged to accept that one country opted for immediate independent statehood, namely Guinéa under the leadership of Sekou Tourée (Schmidt 2009). Soon after, both federations  effectively disintegrated as the other states followed Guinéa's example. The colonial schemes in the *Afrique Occidentale Française* were thus largely abortive or nearly still-born (Skurnik 1967; Mytelka 1974; Chafer 2003; Mortimer 1972; Thomas 2008), including the very short-lived Mali Federation (Kurtz 1970) and the union of Senegal and Gambia under the name Senegambia (Robson 1965). During and partly related to the Algerian War the French government and its main African alllies (e.g. Félix Houphouët-Boigny, then leader of the African Democratic Rally and later president of Côte d'Ivoire from 1960 to 1993)  had also from around 1957 to 1962 considered a project

for a fedation comprising the Sahara region, the OCRS, i.e. the *Organisation Commune des Régions Sahariennes,* including the southern parts of Algeria along with Niger, Mauritania, Mali and Chad (Sèbe 2010; Flory 1957; Du Jonchay 1957; Lacoste 1986). Whatever its merits might have been, its legitimacy was tarnished by the all-too obvious hidden agendas of weakening France's main adversaries in Algeria, the FLN (*Front de Libération Nationale*), and of ensuring French control of the oil in the region (Kraft 1960).

The UK also promoted various federalist schemes in the run-up to the independence of its colonies in Africa, especially an East African Federation and a Central African Federation (Nugent 2004: 23-41). An obstacle to the former was, however, the fact that Tanganyika was a former mandate (now trust) territory, entailing a requirement of UN authorisation. This obstacle was, of course, removed with the independence of the various colonies, but by now Britain's influence had been severely diminished (Westcott 1981; Cell 1980; Darwin 1984; Muzan 1994). The idea was, however, promoted by new leaders such as Julius Nyerere (1964) of Tananyika, and several conferences were held about the project, but ultimately it was abandoned (Banfield 1963; Rothchild 1964; Leys 1965), with the aforementioned merger of Tanganyika and Zanzibar into the present Tanzania as the only trace of the more ambitious scheme (Bakar 2000: 133-135).

In 2000 fedealist plans were reinvigorated with a very ambitious scheme involving Tanzania, Kenya and Uganda for nothing less than Federation of Eastern African States to be completed in 2013 following the envisaged creation of a customs union, a common market and a monetary union. Even though a committee for Fast Tracking East African Federation ("Wako Committee") was established,[VIII] it takes a lot more than such an institution to realise such ambitious intentions, so only time can tell whether it will actually come about or remain just one of many frustrated pipe-dreams. (Kasaija 2004). The fact that, according to a recent survey, most Kenyans know very little about it and that those who do know are not in favour, does not bode well for the initiative, especially as its entry into force is supposed to depend on a referendum (Afribarometer 2010).

The British plan for a Central African Federation comprising North and South Rhodesia (i.e. the present Zambia and Zimbabwe) as well as the present Malawi (previously known as Nyasaland) fared a little better, as this actually saw the light of day, but it nevertheless proved short-lived, lasting only from 1953 to 1963 (Sommerville 1963; Hance 1954; Baxter & Hodgens 1957; Rosberg 1956; Albinski 1957; Sills 1974; McKee 1952;

Butler 2000; 2008; Hyam 1987; Stapleton 2009). Part of its rationale was to contain the southern neighbour, South Africa, whose apartheid leaders had ideological allies among the largest white minoritu, i.e. the one in South Rhodesia, but the federation was also intended as a means to the exploitation of synergies between the mineral-rich North Rhodesia and the others—to which might be added Britain's special interest in the uranium deposits in this country. The federation came to an end when Zambia and Malawi attained independence in 1963, leaving South Rhodesia with its significant white minority and legislation based on principles similar to those of the apartheid regime in South Africa. In 1964, Ian Smith of the Rhodesian Front and Prime Minister since earlier in 1964 preempted the independence-*cum*-democracy which was otherwise to be expected with a unilateral declaration of independence, usually known as the "UDI" (Smith 1964; 1997: 37-108; Barber 1966; Henderson 1972). Whether a maintenance of the federation beyond independence might have prevented this from happening—thus also sparing the country a very destructive and protracted civil war and its civilian population from the consequences of the sanctions imposed on the UDI regime by the United Nations—remains a moot question (Minter & Schmidt 1988; McDougal & Reisman 1968; Martin & Johnson 2001).

Besides these schemes for their own colonies, both Britain and France also assumed responsibility for the colonies of other European powers, in which connection federalism also played a role. For instance, following the First World War, the colonies of defeated Germany had formally been taken over by the League of Nations as mandate territories, but the League had outsourced the administration of these territories to member states such as the UK, France and Belgium (Callahan 1999; Louis 1965; Pedersen 2006; Wilson 1994: 26-29; Walters 1960: 56-58, 171-173, 211-213; Anghie 2002). After (or, strictly speaking, during) the Second World War something similar happened to the Italian colonies, i.e. Libya, Eritrea and Somalia, as well as Ethiopia which the fascist regime of Mussolini had conquered and ruled as a colony for a short period. The Italians had established a loose federal structure in what they called *Africa Orientale Italiana* (Steiner 1936; Zoli 1937; Novati 1994; 2008) which was completed with the conquest of Hailie Selassie's Ethiopia (Mockler 2003; Marcus 1994: 139-146; Baer 1976). However, early in the war, the UK managed to dislodge Italy from its possessions. Having liberated Ethiopia, the UK in 1942 recognised its independence while maintaining the British hold on parts of Ethiopian territory and flirting with ideas of a "Greater Somalia" and/or an East African

federation until 1954 (Cumming 1953; Kelly 2000; Bowring 1992; Marcus 1983: 8-78; 2003; Wilson 1994: 117-125; Hrbek 1999: 150-155). What remained of the federal schemes was the UN-mandated federation of formerly Italian Eritrea and independent Ethiopia (Schiller 1953; Scholler 1994; Haile 1987), which only lasted until Addis Ababa decided to incorporate Erirea, thereby provoking what turned out to be a very protracted secessionist civil war waged by the ELF (Eritrean Liberation Front) and subsequently the aformentioned EPLF (Iyob 1995: 82-97; Pool 2001; Tseggai 1988).

The Anglophone Southern Cameroon and the Francophone Cameroon were in 1961 merged into one federal state as a consequence of a UN-organised plebescite, but the results were apparently not entirely satisfactory—and neither of the two former colonial (or, strictly speaking, mandate) powers were particularly happy with the solution. In 1972 the country changed its name to the United Republic of Cameroon and in 1984 the last trace of federalism was removed with the new name Republic of Cameroon (Gros 1995; Takouagang 2003; Stark 1976; Awasom 2000; 2002a; 2002b). However, the provinces (in 2008 renamed "regions") have continued to enjoy considerable autonomy. Even though the country has remained at peace (which is no small accomplishment) the Anglophone minority's dissatisfaction with (what it views as) marginalisation nevertheless seems to be growing (ICG 2010b: 21-23; Konings & Nyamnjoh 1997; 2003); Anyefru 2010). Nigeria is clearly part of the picture as "patron" of the Anglophones, leading to very strained relations and occasional (minor) armed clashes between the two countries, but there are also numerous day-to-day interactions across the common border (Konings 2005), perhaps implying the existence of a cross-border "micro-region."

## 7. African Integration and/or Federalism

The eve of independence for the major part of Africa, i.e. the late 1950s and early 1960s, saw a rather heated debate about the future of the former colonial territories, to some extent spurred by the various ideas and plans promoted by the colonial powers as listed above. Even though the end result was that each territory was tranformed into an independent state this was by no means a given at the time. In these debates the idea of federalism played quite a prominent role, albeit usually couched in terms of pan-Africanism, i.e. the idea that "Africa must unite," in the famous words of Kwame Nkrumah (1963; White 2003; Williams 1984; Biney 2008).

The ideology of pan-Africanism has established itself almost as a foucauldian "regime of truth" in Africa (Foucault 1980; Keeley 1990), much like pan-Arabism as described by Michael Barnett (1998). As a united Africa is something one cannot be against with impunity, African leaders find themselves trapped in a symbolic competition with each other over their pan-African credentials, forcing them to frame their political objectives, including such as evidently point in the opposite direction, as at least incremental steps towards the pan-African ideal of unity. The rest of the world was thus probably astounded when the African Union (AU) at its twelfth summit meeting in Addis Ababa in January 2009 decided to press ahead with plans for nothing less than a government for all of Africa,[ix] but the same objective was already graphically illustrated on the front page of the African Union's website, showingthe disparate pieces of an African puzzle coming together.

## 8. Pan-Africanism: From Ideology to Movement

The intellectual roots of Pan-Africanism can be traced back at least as far as the 19th Century (Achah 1999; Prah 2003; Clapham 1996: 106-133; Nadubere 2001; Duffield 1986). Among its main features have always been a number of central myths as well as stated ambitions, even though not all of them have always been present in the discourse, and not all elements really go well together.

One important component of the Pan-Africanist ideology is a particular reading of the past, blending a narrative of shared victimisation with a mythology of a glorious past, with both flourishing African states and African unity. The fact that these three elements seem to contradict each other is usually forgotten: How could there have been unity if the continent was divided into states or empires, however glorious; and why did such glorious states or a united Africa succumb so easily to such devious schemes by foreigners as the slave trade and the 19th Century "Scramble for Africa"? This incompatibility notwithstanding, pan-Africanism does entail a cherishing of history as evidenced by the notion of an "African Renaissancem" to which we shall turn shortly. This rationale was, for instance, spelled out in one of the first academic journals devoted to pan-Africanism, *The Journal of Negro History*, the first issue of which featured an article on "The Passing Tradition and the African Civilization" which concluded with the following admonition, that

"[N]egroes should not despise the rock from which they were hewn. (…) [T]hrough long periods of time there were powerful black nations which have left records of their achievements and of which we are just now beginning to learn a little" (Work 1916: 41).

The second main element in pan-Africanism is the belief that "Africans" form a meaningful community, i.e. that all of Africa (including the diaspora) somehow "belongs together," sometimes even in the sense of forming one nation (Muchie 2003). It is, of course, entirely conceivable that ethnic, national and supra-national identities in Africa may be harmoniously embedded within each other, but at least as frequently sub-state, national and supranational identities conflict with each other, in which case it is rarely the supranational pan-African identity which prevails in the battle for loyalty—especially not as far as incumbent rulers are concerned. While it is thus debatable, to say the least, just how deep or "thick" the pan-African identity really is, it is undeniable that it matters and that it may be activated and occasionally plays a significant role. Just as nations, according to constructivists such as Benedict Anderson (1991), constitute "imagined communities," it is entirely possible to "imagine" an all-African community, and the very imagining of it would, in a certain sense, constitute it as a reality of sorts.

One among several "frames" for this imagined community has been that of "*Négritude,*" usually associated with the name of the poet-statesman Léopole Senghor of Senegal (Senghor 1997; Irele 1965; 2002), but with W.E.B. du Bois as an intellectual precursor (Byerman 2004; Kendhammer 2007). For all their merits, however, such ideologies are almost inevitably exclusive in the sense of seeking a black/African identity-based "in-group" by creating an "out-group" of non-blacks/non-Africans (Cervello 2004). This can only succeed to the detriment of those inhabitants of Africa who fail to satisfy the criteria for inclusion such as Arabs, Asians or whites of European descent, but in some cases with a presence on the continent for centuries.

A much more benign manifestation of this "black ideology" has been the acknowledged obligation to show solidarity with other members of the "African community," initially including those colonies that had not yet achieved independence. With the successive achievement of independence/majority rule of these countries from 1975 to 1994, however, it became increasingly unclear with whom to show the kind of solidarity flowing from a common identity. Perversely, the pan-African ideology could now be abused to legitimate a *noli me tangere* or "hands off" attitude towards any non-African

attempts, however well-intended, to help African peoples against their incumbent leaders. The latter could claim to stand up against the (former) imperialists, thereby posing as beacons of anti-imperialism and pan-African values, one of the worst examples being President Mugabe of Zimbabwe who shamelessly portrayed his disastrous economic policies, including the farm invasions, as a new, third, round in the *Chimurenga* (Phimister & Raftopoulos 2004; Ranger 2004), even though the main victims have been his own electorate and migrant workers from neighbouring countries .

Much more appealing is the final element of pan-Africanism, i.e. the shared hope for an "African renaissance," which has been pronounced on several occasions, e.g. by former South African president, Nelson Mandela (Mills 2000: 139-140), but most eloquently by his deputy and successor Thabo Mbeki (1998; Makgoba 1999; Maloka & La Roux, eds. 2000; Okumu 2002; Vale & Maseko 1998; Bongmba 2004; Schraeder 2001). What has been labelled "Afrenaissance" by Ali Mazrui (2003) is a very broad and almost all-encompassing concept, involving many elements with which is is difficult to disagree such as democracy, human rights, development, independence, etc. The concept may be criticised for being analytically useless, as well as for constituting an ideology rather than a political strategy. For all its inherent flaws and inconsistencies, Pan-Africanism has nevertheless continued to inspire and motivate actual policies, first in the broad pan-African movement and then in the policies of independent African states leading, inter alia, to the formation of international organisations devoted to collaboration and perhaps even integration.

## 9. Casablancans, Monrovians and the OAU

The Pan-African movement sprang out of the African diaspora, mainly in the United States and the West Indies, with the aforementioned Du Bois as the unchallenged leader. Somewhat reluctantly the movement gradually co-opted a number of intellectuals and others from what were then still colonies, including people such as Kwame Nkrumah and Julius Nyerere (Mboukou 1983; Shepperson 1960; 1962; Andrain 1962). At the Fifth Pan-African Congress in Manchester in 1945 the pan-African ideal was most famously enunciated in a "Declaration to the Colonial Peoples," presumably drafted by Nkrumah (Schraeder 2000: 127), and this call was followed up by the leaders of the various liberation

movements which sprang up in the course of the 1950s, all of which were applauded by the pan-Africanists (Kodjo & Chanaiwa 1999; Tekle 1988).

However, upon the achievement of independence by the former colonies, i.e. from the late 1950s onwards, dilemmas and disagreements emerged. While the main tenets of the shared ideology continued to exert some influence on the former leaders of liberation movements—now incumbent leaders of independent states—they now faced the choice of pursuing the quest for African unity or seeking to consolidate their power in their respective states, which was effectively a choice between the near certainty of becoming a big fish in a small pond or the less certain hope of becoming a smaller fish in a big lake. Understandably, many of them found the former more appealing, even though they felt obliged to continue paying, at least rhetorical, tribute to the pan-African ideal and trying to "square the circle" by creating the illusion that independent statehood and African unity were somehow two sides of the same coin.

Even before this moment of truth actually arrived, i.e. in the period from the early 1950s when independence was obviously approaching, the "shadow of the future" influenced behaviour and alignments. By 1961 this had produced a *de facto* split in the pan-African movement between the so-called Monrovia and Casablanca groups (Padelfort 1964; McWilliams & Polier 1964; Adogambe 2008), the latter led by Nkrumah who at the inaugural meeting of the OAU advocated the formation of nothing less than the establishment of an "all-African government," albeit, according to his critics, as part of a power game intended to present himself as the leader of Africa, an approach which made Ali Mazrui label him "a Leninist czar" (1966).

Whereas the radicals of the Casablanca group wanted to proceed directly to a united Africa upon the achievement of independence by the various colonial territories, and saw the formation of individual states as a betrayal of this ideal, the conservatives or gradualists of the Monrovia group viewed (or at least justified) state formation as a necessary step towards the goal of unity. The rationale for this strategy was described by Julius Nyerere in the following words.

> [D]ifferent areas may advance on the road to unity at different speeds, and the method of advance will vary according to the conditions now existing (…). Thus it will happen that in some parts of Africa a loose association of states, with consultation on matters of mutual interest and the constant exchange of visits, is all that is possible in the first stage. In other areas, a common market and joint action on

certain economic questions may be attainable, while political association of any type is rejected by the people. In still other combinations of countries, a political association without any real economic integration may be welcomed, and in a few the formation of some sort of federation might be possible. Again, continent-wide discussions on certain matters, even without commitment to the decisions, would be fruitful. None of these things are the final goal, but all of them take us a step nearer (Nyerere 1963: 4).

Just as the departing colonial powers, as we saw above, had promoted various subregional integration schemes without any lasting results, the new national governments also, more or less wholeheartedly, devised several such schemes. Unfortunately, however, most of them were stillborn and even those that did survive birth soon receded into near oblivion (Kloman 1962; Asante & Chanaiwa 1999), leaving Africa just as fragmented or "balkanised" as other parts of the world.

When the OAU was established in 1963 it thus, unsurprisingly, reflected a rather fragile compromise between the Monrovia and Casablanca positions. On the one hand the preamble of the OAU Charter referred to "a common determination to promote (...) a larger unity transcending ethnic and national differences," but it then proceeded to state the basic principles of the OAU—all based on state rights such as "the sovereign equality of all member states," and "non-interference in the internal affairs of states." The OAU thus became a guardian of state rights, at the expense not only of the goal of African unity, but also of the rights of the African peoples who were often opressed by the incumbent regimes (Umozurike 1979).

## 10. From the OAU to the AU: Déjà Vu All Over Again?

The years from 1999 to 2002 saw a gradual metamorphosis of the OAU into what is now the African Union (AU), a process which might best be understood as a convergence or fusion of three projects (Tieku 2004; Kouassi 2007; Landsberg 2008a).

First and apparently driving the transformation was a grandiose (and utterly unrealistic) pan-African scheme of the Libyan dictator Gadaffi (Ronen 2002; Huliaras 2001; St. John 2008.). However, the flamboyant Libyan leader could not have made any of these plans fly without the support of some of the main players in Africa. Fortunately for Gadaffi, both Nigeria and South Africa had their own "pet projects" for which they

wanted an all-African stamp of approval, in return for which they lent their support to the plans for a new union, now incorporating their projects. The pet project of Nigeria (or, perhaps more accurately, of its incumbent president, Olesogun Obasanjo) was a Conference on Security, Stability, Development and Cooperation in Africa (CSSDCA), the plans for which had been developed by the so-called "Kampala Movement," (Deng & Zartman 2002) obviously inspired by the Conference on Security and Cooperation in Europe (CSCE) and its post-Cold War successor, the OSCE (Organisation for Security and Cooperation in Europe). South Africa's pet project, or at least that of Thabo Mbeki, was what has now become known as NEPAD (New Partnership for Africa's Development), based on the aforementioned vision of an African Renaissance and at first called the "New Africa Initiative" (Olivier 2003; De Waal 2002; Loxley 2003; Akokpari 2004; Bunwaree 2008; Landsberg 2008b).

A grand bargain was thus struck between the "neo-Casablancans," personified by Gadaffi and the pragmatic and less ostentatious "neo-Monrovians," personified by Obasanjo and Mbeki, clearing the road to the launch of a new organisation. Following a hectic drafting process the Constitutive Act of the African Union (CAAU) was signed by 53 African heads of state at a summit meeting in Lomé in July 2000 (reprinted in Makinda & Okumu 2008: 122-141); and the AU was then solemnly inaugurated at a summit in Durban in July 2002 (Maluwa 2003; Cilliers 2002). The preamble of the CAAU paid tribute to the ideology of pan-Africanism with the claim that it was

> INSPIRED by the noble ideals, which guided the founding fathers of our Continental Organization and generations of Pan-Africanists in their determination to promote unity, solidarity, cohesion and cooperation among the peoples of Africa and African States; and (...)
>
> GUIDED by our common vision of a united and strong Africa and by the need to build a partnership between governments and all segments of civil society, in particular women, youth and the private sector, in order to strengthen solidarity and cohesion among our peoples.

While there was nothing new in this, CAAU did feature one significant departure from the past. While upholding the principles of sovereignty and non-interference in domestic affairs, it stipulated the right of the Union to intervene in cases of "war crimes, genocide and crimes against humanity" (Cilliers & Sturman 2002; Murithi 2007; Mwanasali 2008; Williams 2007; Kioko 2003) to which was later added "serious threats to legitimate order" (Baimu & Sturman 2003; Maluwa 2004: 215-220). The AU thus positioned itself far

ahead of the rest of the international community, where there had for some years been a debate on the "responsibility to protect," (Bellamy 2009) according to which states would risk forfeiting their sovereign rights if they failed to protect their citizens or, indeed, if they were the ones against which people need protection. Moreover, with this formulation the AU went far beyond the role envisioned for regional organisations in Chapter VII of the UN which explicitly limits their role to "the pacific settlement of local disputes" whilst *expressis verbis* prohibiting enforcement action without the authorization of the Security Council. Notwithstanding the potential incompatibility with international law, the AU with this envisaged encroachment on state rights may have moved towards a federal structure. The same might be the case with its stated ambition in article 4d of CAAU to establish "a common defence policy for the African continent," which is exactly what one would expect from a federation. In 2004 it was followed up with a "Solemn Declaration on a Common African Defence and Security Policy" (CADSP) as well as an "African Union Non-Aggression and Common Defence Pact" (AUNACDP) adopted in 2005.

The CAAU also listed among the AU's objectives to "promote and defend African common positions on issues of interest to the continent and its peoples" (art. 3d), yet without really specifying how this should take place. A test-case became the run-up to the anniversary summit of the UN, which appeared to open some scope for a change of the composition of the Security Council (UNSC). The AU in 2005 reached agreement on the so-called "Ezulwini consensus," entailing a demand for no less than five ordinary seats as well as two permanent ones on the UNSC, all to be filled by the AU—a consensus which was, alas, broken by unilateral Nigerian negotiations with the so-called G4 countries (Ikome & Samasuwo 2005; Adebajo 2006; Jonah 2006).

## 11. Towards a United States of Africa?

The AU has thus in very vague and general terms confirmed its commitment to unity as well as officially endorsed—albeit not really implemented—more concrete provisions for this which might be interpreted as a federation *in statu nascendi*. It has also embarked upon an exploration of the modalities of unification.

In 2006 a study was prepared on nothing less than "An African Union Goverment towards the United States of Africa."[x] It explicitly referred to incrementalism as the

appropriate strategy and envisioned three consecutive stages. In the first (2006-2009) a "Union government" would be established; in the second (2009-12) it would be made operational and only in the third stage (2012-15) would the "United States of Africa" become a reality  At the summit meeting in 2007 is was decided to launch a "grand debate" on the topic. Countries such as Libya and Senegal advocated setting up a union government immediately, and received support from Guinea, Gabon, Mali, Chad, the Central African Republic, Liberia, Equatorial Guinea and Guinea-Bissau. Others such as South Africa and Nigeria proposed placing first priority on strengthening the subregional organisations, usually referred to as "regional economic communities" (RECs), as building blocks for a future, in which view they were supported by Uganda, Kenya, Gambia, Angola, Lesotho, Mozambique, Zambia, Zimbabwe and Mauritius. A few countries such as Algeria and Egypt maintained a swing position rather than joining either camp, and President Omar Bongo of Gabon sought to bridge the divide by arguing, defying all  logic, that the two positions were actually compatible,  claiming that

> The formation of an African government does not mean the end of national sovereignties. States, governments and their ministers will, at this stage, continue to have all their current national authorities. The Federal government, with a number of federal ministers will be based on the principle of subsidiarity. We should therefore decide which portions of sovereignty we are ready to give up (Lecoutre 2008: 52).
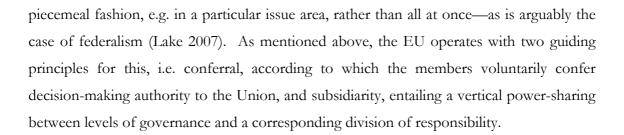
The controversy ended in a tie as seventeen heads of state and government were unambiguously against an African government whereas fifteen were clearly in favour of it and nine were in favour of it as a long-term prospect—allowing both the leader of the gradualist camp, Mbeki, and that of the maximalists, his colleague from Senegal, President Abdoulaye Wade, to claim victory (Lecoutre 2008: 55-56). The only concrete decision to date has been a change of name for the AU Commission to "African Union Authority," which does not seem to make any difference.

The plans of the maximalists are, of course,  utterly unrealistic, and the entire debate raises a range  of questions and dilemmas which have not been properly addressed, both with regard to the envisioned end-state and the process. As far as the latter is concerned, there seems to be (at least) two different understandings in play on what gradualism or incrementalism entails, both of which are logically valid, but which point in

opposite directions when formulated as strategies. According to one, gradualism may involve a "grand scheme" to which only some members subscribe, the strategy being for some countries to adopt it *in toto* and then persuade others to get on board one by one. The result of this will be that at any given time the degrees of integration will vary across the continent, reminiscent of what has been labelled "variable geometry" in the EU debate, also known as the "*a la carte*" or "multiple speed" model (Stubb 1996; Goldsmith 2003; Usher 1997). According to the other, incrementalism means taking small steps in unison, based on the formula of the "lowest common denominator," (Haas 1961; Moravcsik 1991) producing at any given time a uniform, but in all likelihood quite low, degree of integration within the AU.

Quite a few incrementalists also advocate (following Nyerere in the quote above) that strengthening the subregional organisations (usually referred to as "RECs", i.e. regional economic communities) will promote all-African unity, turning a blind eye to the possibility that it might point towards the exact opposite. Why would African states who had finally managed to create a strong REC want to transfer authority from it to an even larger, but weaker, multi- or supranational authority—or why would such a REC, hypothetically vested with supranational authority, want to relinquish this to the AU? An even more serious problem which is almost always left unmentioned is how one could possibly create a strong integrated (subregional or all-African) federal polity based on states which are sorely lacking in national integration, as is the case of a large number of the AU's member states, perhaps even the majority.

It is not really helpful to conceal (as the aforementioned study apparently sought to do) the implications of instituting an all-African government, however federal, for the governments already in existence. Either the AU government will not be a real government, enjoying sovereign powers, but simply a coordinating mechanism for the sovereign member states (as are virtually all international organisations) or it will, *mirabile dictu*, be a real goverment of a sovereign polity, in which case its constituent parts will have lost their sovereignty. Neither in ordinary life not in politics can one have one's cake and eat it at the same time.

This does not, of course, mean that there is no "middle ground," just as one can obviously limit oneself to eating half the cake and keeping the rest for later. Likewise, sovereignty may in fact be subdivided, so that an actor may relinquish sovereignty in a

piecemeal fashion, e.g. in a particular issue area, rather than all at once—as is arguably the case of federalism (Lake 2007). As mentioned above, the EU operates with two guiding principles for this, i.e. conferral, according to which the members voluntarily confer decision-making authority to the Union, and subsidiarity, entailing a vertical power-sharing between levels of governance and a corresponding division of responsibility.

## 12. Conclusion

We have thus seen that federalist ideas have played quite a prominent role in African politics from the eve of decolonisation until today, yet without achieving many lasting results. This does not necessarily mean that the federal idea is irrelevant for the troubled continent, and it is certainly conceivable that a more realistic and constructive approach to federalism may produce more federations—both in the sense of federalising now unitary states and of creating viable supranational federal polities—and that this may help overcome at least some of Africa's problems such as ethnic strife and poor governance.

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[I] See also Dosenrode in this issue.

[II] See, for instance, the Montreux Declaration adopted 23 August 1947 by the World Federalist Movement (WFM) on its website at www.wfm-igp.org/site/files/Montreux%20Declaration.pdf. For a critique of world federalism see Glossop 1993.

[III] "Treaty Establishing a Constitution for Europe," *Official Journal of the European Union*, vol. 47, no. C-310 (16 December 2004).

[IV] See "The Constitution of Bosnia and Herzegovina," Annex 4 of The General Framework Agreement (i.e. the Dayton Peace Agreement), at www.ohr.int/dpa/default.asp?content_id=372.

[V] Until the Juba conference in 1954 this was actually the favoured option of most politicians from the south, albeit probably mainly as a lesser evil than an independent, but centralised Sudan (Johnson 2003, p. 27; Collins 2008, pp. 62-64; Abushouk 2010).

[VI] The CPA is available at www.aec-sudan.org/docs/cpa/cpa-en.pdf..

[VII] Available at www.iss.co.za/AF/profiles/Somalia/charterfeb04.pdf.

[VIII] East African Community Secretariat: *Report of the Committee on Fast Tracking East African Federation* (2007) at www.eac.int/politicalfederation/.

[IX] See the conference website at www.africa-union.org/root/au/Conferences/2009/january/summit/12thsummit.html.

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# The dynamic development of the European Communities (and then Union) and the relationship with EFTA and the Council of Europe

by
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**Abstract**

Federalism, neo-functionalism and realism-intergovernmentalism offer different visions of European unity, evident in different European organizations such as the Council of Europe to the ECSC, EEC/EC/EU, and EFTA. The paper develops two heuristic schemes that help explain the success of the ECSC, EEC/EC/EU over other European organizations. The neo-functionalist initial success deeply influenced and shaped following developments.

**Key-words:**

Federalism, neo-functionalism, realism, European Coal and Steel Community, European Free Trade Area, European Council

## Introduction

The issue of European unity was much discussed after WWI (Agnelli and Cabiati 1918; Einaudi 1918a and 1918b; Coudenhove-Kalergi 1923; the Briand's Memorandum of 1930; Lothian 1935; Robbins 1937 and 1941; Spinelli and Rossi 1941; see also Pistone 1975; Mayne and Pinder 1990; Malandrino 1993; Burgess 1995; Malandrino and Pistone 1999). However, it actually entered the political agenda after WWII (in Italy for example see the papers by the first President of the Republic Luigi Einaudi 1943, 1944, 1945, 1947a, 1947b, 1948a, 1948b, 1956), also supported by several pro-European organization throughout Europe (Lipgens 1982 and 1985; Pistone 1992, 1996, 2008; Pinder 1989 and 1990; Landuyt and Preda 2000). There were competing normative visions about European unity, both with regards to the institutional framework envisaged, and about the strategy to create it. From these visions different theories have developed which combine normative and analytic elements.

The macro-theories that propose a comprehensive understanding of the process can be broadly grouped into three families: the realist or intergovernmental, the neo-functionalist, and the federalist traditions (for an overview of the main theories cfr. Rosamond 2000). They revolve around the issues of what are the European Communities and then Union, what can/should it become, how can that outcome be achieved, by what dynamics, and by what actors. With the historical unfolding of the process they all had to deal with the reality of the process which challenged some of their main tenets, bringing about successive phases of theoretical revision for all theories (Castaldi 2005). They differ with regards to the identification of the key players in the process; the motives (economic, political, ideological) of their choices; the relationship between economic integration and the creation of supranational institutions and decision-making procedures; the dynamics of the process and the decision-making mechanisms that determine it; and the possible/desirable ultimate goal of integration.

Initially, the first fundamental divide among the main normative visions regarded what is unity and what is division. Federalism and neo-functionalism consider unity the ability to decide and act together. Therefore they put emphasis on the powers endowed to

supranational institutions and on their decision-making procedures. This suggests the possible complementarity of federalism and neo-functionalism as they shared the same goal, but proposed different strategies to reach it (see Dosenrode 2010 in this issue). Eventually, Mario Albertini explicitly tried to bridge the two, by proposing constitutional gradualism, founded on federal constitutionalism and neo-functionalist gradualist approach, which is not possible to analyse here in details (Albertini 1971-1999b, 1976-1999b, 1984). Realism-Intergovernmentalism considers national sovereignty as an attribute which the nation-state will never renounce, and therefore the possible unity is provided by the greatest possible number of states deciding to cooperate together. Essentially, the challenge was between traditional international cooperation and a new form of integration aiming explicitly, if only within a long-term perspective, to a political unification.

All visions were to a certain extent put in practice at the beginning of the European unification process, and this produced various international organizations with different institutional settings. The Council of Europe on the one hand, and the European Free Trade Area on the other, can be considered as the embodiment of realism-intergovernmentalism. The Council of Europe was always characterised by a vast membership, an essentially intergovernmental structure, relatively limited competences, and little supranational powers. The European Free Trade Area combined a more limited membership with an essentially intergovernmental structure, important economic competences, and no supranational powers. The European Coal and Steel Community (ECSC) and its successors up to the EU can be considered the embodiment of neo-functionalism, and also federalism to a certain extent (Dosenrode 2007). It started with only six members, relatively strong supranational powers and a pre-federal institutional structure. Some of these features and powers have been lost along the process, but some other have been acquired, as I will argue later on.

This paper will look at the interaction among the various organizations – ECSC, then EEC/EC/EU, Council of Europe and EFTA - mainly trying to explain the dramatic prevalence of the unification process which started with the Schuman Declaration of the 9th of May 1950 and proceeded up to the current European Union, over the other initiatives that brought about the Council of Europe and the European Free Trade Area. To this end I will briefly consider the start of the process towards some form of European unity, and sketch two explanatory schemes with regards to the main components and

dynamics of the process. These will be used to analyse the uneven development of the various European organizations and their interaction.

## 1. The start of the process towards European unity

The first practical steps towards European unity were taken thanks to an external push, coming from the conditions attached by the US to the generous proposal of the Marshall Plan, signed in 1947 and implemented in April 1948 (Geremek 2008). American financial help to the reconstruction of Europe would not be provided to individual states, but only to a new European organization which would manage them to the benefit of the whole of Europe. This resulted in the creation of the Organization for European Economic Cooperation (OEEC). However, the European states turned it into the instrument to divide among themselves the American financial help. However, it had an important role as a compensation chamber for intra-European trade, at a time in which the availability of hard currency, namely dollars, was very limited – the so-called Dollar shortage (Kindleberger 1950). This organization essentially lost any purpose with the end of the Marshall Plan and was eventually superseded in 1961 by the Organisation for Economic Cooperation and Development (OECD), including the US.

The Hague Congress in May 1948 was organised to discuss among prominent politicians and public figures the issue of European unity. The federalist and intergovernmental visions were the main alternatives discussed, and the second prevailed. The result was the creation of the Council of Europe in 1949, which represented the realist form of unity (Council of Europe 1999). It had a wide membership (initially 10 states, and now it has 47), a political nature, but very limited competences and power. It was basically an institution to favour cooperation among member states about human rights and political issues. The Parliamentary Assembly was considered the only institutional element which could be used to trigger a new dynamics to the organization, given the substantially intergovernmental character of the rest of the institutional set-up. Paul Henry Spaak, first president of the Parliamentary Assembly led the attempts in this direction, which eventually failed. Over time the Council of Europe managed to establish a useful and effective

European regional system of human rights protection, but it is definitely not at the core of the European unification process.

The impasse created by the failure of the Council of Europe and the absence of other initiatives, brought Jean Monnet to propose the creation of a supra-national community to manage the coal basins for which France and Germany had been fighting three wars in less than a century. He obtained the assent by the French foreign minister, Robert Schuman, and the German Chancellor, Konrad Adenauer. Finally Schuman publically proposed the creation of the European Coal and Steel Community to Germany and all other interested European countries (Fontaine 2000), in the the Schuman Declaration of the 9th of May 1950. The proposal was explicitly presented as "the first step towards a European federation" (full text of the Declaration at http://europa.eu/abc/symbols/9-may/decl_en.htm) , and rested on the precondition of a willingness to devolve parts of sovereignty to the new supranational institution. Britain rejected this precondition, and after an initial status as observer, left the intergovernmental conference that led by Monnet drafted the Treaty establishing the ECSC between France, Germany, Italy, the Netherlands, Belgium and Luxemburg (the Six). Compared to the membership of the Council of Europe, this was a smaller group of countries.

The ECSC was a fundamentally neo-functionalist form of European unity. It created an effective capacity to decide and act together, but very limited in scope, as it regarded a specific issue-area. However, its institutional structure was clearly pre-federal, coherently with the federal aim indicated by the Schuman Declaration. The decisions of the High Authority were cogent. It was to be controlled by the Council of Ministers representing the members states, and by a Parliamentary Assembly composed of delegates of the national parliaments – but it was foreseen the possibility for it to be eventually directly elected by the citizens. The ECSC had legal personality and substantial financial autonomy, as it could levy taxes on coal and steel production and trade and obtain credit on the international market – all these were not recognised to the EEC in 1957 and the EU has not yet been able to recover these fiscal powers, while it was recognised legal personality only with the Treaty of Lisbon.

Following the start of the Korean war in 1950 and the American demand for West German rearmament, Monnet re-proposed the same ECSC scheme with regards to the defence policy-area. The Pleven Plan proposed the creation of a European Defence

Community (EDC). Spinelli convinced De Gasperi that a European army without a European government would be a danger for democracy and just a mercenary army for the US, and through art. 38, the project of a European Political Community (EPC) was linked to the EDC. The mandate to the Parliamentary Assembly of the ECSC - enlarged as to meet the requirement for the EDC one, and assuming the name of Ad Hoc Assembly to avoid the term "constituent assembly" - to draft a new Treaty-Constitution to establish the EPC was essentially an attempt to build a federal form of European unity. The end of the Korean war in 1953, Stalin's death, and a series of changes in the French government – until Schuman's party went into opposition and the Gaullist into government – contributed to the indefinite postponement of the EDC Treaty ratification at the French national assembly in 1954. The ambitious project of a political and military union felt on a procedural issue by a few votes in August 1954, due to the unusual alliance between Gaullists and communists on that issue (on the EDC see Lerner and Aron 1957; but the most detailed accounts are in Italian: Preda 1990, 1994, 1996).

The success of the neo-functional initiative, the ECSC, and the failure of the federalist EDC-EPC and of the intergovernmental Council of Europe, significantly determined the following path of the European unification process, and also the fate of the alternative integrative schemes. But to address these issues specifically it is first needed to sketch two heuristic schemes to analyse the European unification process. These conceptual schemes exploit the strengths of the main theories, although they were first sketched within the federalist tradition. The first concerns the distinction between construction, integration and unification, to conceptualize a dynamic relationship between the transfer of competences at European level and the creation of supranational institutional mechanisms. The second scheme "Crisis-Initiative-Leadership" helps to re-define the actors and their logic in a more open but specific fashion, and to explain the timing of the successes and failures of the European unification process. Together they will help analyse the development of the different integrative schemes and their relationships[I].

## 2. The components of the process: construction, integration, unification

Mario Albertini[II] distinguishes between construction, integration and unification to focus on and conceptualise the main aspects of the process (see especially Albertini 1963, 1986a and 1986b).

The concept of "unification" refers specifically to the political process related to the progressive overcoming of absolute national and exclusive sovereignty through its transfer or pooling with regard to a defined and limited number of issues at the European level. This is the general concept to capture the historical significance (from a long term perspective) of what is usually called European integration process. The unification, therefore, includes both the gradualist phase and the possible and eventual decision to set up a European federal state. The historical significance of the process was the unification of several States and is based on two aspects: the integration of competences and the construction of supranational institutions. Unification is conceived as a function of the transfer of competences from the national to the European level (integration) and the building of institutions and decision-making mechanisms to manage these responsibilities (construction).

The term "integration", whose semantic connotation refers to something technocratic should be used instead to focus on the competences attributed at the European level, which historically have been accumulated mainly through a process of economic integration along an essentially neo-functionalist path. The decision to create the common market, the common agricultural policy, the single market, the single currency, the area of internal freedom, the foreign and security policy, and then the foreign, security and defence policy, are all examples of integration.

The term "construction" indicates the process of institution building in Europe, which can be analyzed by using constitutional or federal criteria. Its semantic connotation refers to the element of planning and political will necessary to "build" Europe, i.e. its institutions and decision-making mechanisms, or its powers. The direct election and then the extension of the powers of the European Parliament, the introduction and then the extension of qualified majority voting in the Council, the creation of the European Central

Bank, and other aspects related to decision-making and to the institutional structure of the Union are examples of institutional construction.

Moravcsik proposed a similar view, using different terms. He distinguishes between the "substantive agreement" - reached in one of the "grand bargains" characterizing the stages of the process - on economic issues (policies, funding, etc.) and the "institutional choice" that is always subordinate and functional to the first and essential agreement (see especially his systematic book Moravcsik 1998). He gives priority to the integration, the establishment of policies and the transfer of expertise and possibly resources, compared to selected institutional choices, although acknowledging that the element of novelty characterizing the Community and then the Union was its own framework institutional.

On the contrary, Albertini argues that the level of construction is the key variable to assess the unification process, because the achievement of certain objectives, including the economic ones, is not possible without an adequate institutional framework, sufficiently democratic and efficient. According to Albertini, the degree of institutional construction determined the degree of possible integration, as shown by the failure of the positive integration in an inadequate institutional framework, and later the need for the introduction of qualified majority voting, that is the overcoming of the unanimity and national vetoes, in order to create the single market – this last point being widely shared in the literature by intergovernmental and neo-functionalist scholars as well.

I contend that there is a continuous and complex interaction between integration and construction, and that none of them can be considered as a dependent variable of the other (see also Castaldi 2005 and 2009a, and Montani 2008). The fact that appropriate decision-making institutions sufficiently strong and legitimate from a democratic point of view are necessary in order to achieve shared substantive goals has been historically proven: for example the introduction of majority voting in the Council, provided by the Single European Act of 1986 only with regard to the creation of the single market, was clearly linked to the objective of establishing the Single market by 1992. This required the adoption of over three hundred directives, and their approval was unthinkable to be reached through unanimity. Nonetheless, most deliberations have then been taken unanimously, because when QMV applies, all states have an incentive to cooperate in drafting the bill, and not to be outvoted. Conversely, when there is unanimity, there is less

willingness to compromise because each government can block any decision that does not satisfy its demands.

At the same time, the history of the process also shows the opposite case of aspects of the institutional construction that have triggered other changes both at the level of construction and integration. Two examples are particularly relevant. The creation of the Court of Justice with a binding jurisdictional power has led to an expansion of Community competences and powers through the jurisprudential affirmation of the principles of implied powers and of the primacy and direct applicability of EU law. Similarly, the direct election of the European Parliament has triggered a process of continuous and progressive increase of the Parliament' powers during all subsequent Treaties amendments. Moreover, the initiative of the Parliament with the approval in 1984 of the draft Treaty of European Union, also known as Spinelli Project (Lodge 1984), was essential to trigger a process of reform of the 1957 Treaties which has never been stopped since then, and produced the re-launch of the integration process through the Single European Act, while many of the provisions of the Parliament project have been introduced by subsequent treaties amendments (Burgess 1989 and 2000; Bonvicini 2010).

Obviously, the interaction between construction and integration takes time. They are like two columns on which unification is based. If they are not developed symmetrically a dynamic tension arises. But improvements can be made on each of them first. This distinction also helps to focus on the long-term generally progressive, but not linear, trend of the unification process. Generally, when a new competence is attributed to the European level – i.e. a new step of integration is made – it is handled through essentially intergovernmental procedures. Only when some positive result is achieved on the one hand, but not all potential advantages are ripped due to the constraints of unanimity, a communitarization of the relevant decision-making procedure takes place.

The 1957 Rome Treaty provided for a transitory period in which unanimity applied, before establishing QMV. The Empty chair crisis and the Luxembourg compromise prevented this, and the establishment of a complete European market had to wait until 1992, after QMV was introduced in 1986. The 1992 Maastricht Treaty provided for the creation of the monetary union, and for the first time attributed to the EU new competences in the fields of foreign policy justice and home affairs – the so-called second and third pillars – on strictly intergovernmental terms. Many scholars, especially

intergovernmental and neo-functionalists, suggested that the Treaty checked the progress of supranationality reinforcing the intergovernmental character of the EU. This was a short-term, and short-sighted view, disconfirmed by the fact that all subsequent treaties up to Lisbon have progressively extended the use of QMV, the co-decision procedure of the Parliament, the role of the Commission and the justiciability by the Court of Justice also in these fields, up to the abolishment of the three pillars structure.

All this shows the usefulness of the distinction between integration and construction within the unification process. A significant increase in competences or power alone is likely to trigger a dynamics in favour of an increase in the other element too. Historical evidence suggests that none of them can be considered as a dependent variable of the other, but that adequate attention must be devoted to their interaction.

From this perspective it is easier to discern the long-term trends of the process. Compared to the 1950 ECSC, the 1957 EEC had wider competences and more limited powers, as it lacked legal personality and the financial powers attributed to the ECSC, and the Commission was weaker than the High Authority. This can to some extent be attributed to the disarray of the federalist position after the collapse of the EDC in 1954. In the early 1960s the Court of Justice strengthened the institutional framework by establishing the direct effect (Van Gend en Loos, 1963) and primacy (Costa/ENEL, 1964) of the EEC law. The "empty chair" crisis produced the 1966 Luxembourg Compromise which prevented the foreseen introduction of QMV in the Council at the end of the transitory period of the Common Market, as provided by the 1957 Treaties. The 1970s are often considered a period of euro-sclerosis, but there were at least four major developments, such as the creation of the European Council in 1973, the decision to hold direct election of the European Parliament in 1974, the Court of Justice establishing the implied powers principle (ERTA, 1976) and the creation of the European monetary system in 1979. The EP approval of the Spinelli initiative in 1984 was crucial in triggering an IGC which brought about the 1986 Single European Act, which expanded both competences and powers of the EC. The 1992 Maastricht Treaty greatly increased the competences, and the powers with regards to the goal of monetary union. All following Treaties slightly increased the competences and progressively communitarised those acquired at Maastricht, thus strengthening, in different degrees in various fields, the EU powers. Overall, the trend

towards an increase of competences and powers is quite evident. It remains to be analysed how such a dynamic was triggered.

## 3. The timing and the actors of the process: crisis-initiative -leadership

The distinction between unification, integration and construction helps to clarify the fundamental aspects of the process and their interaction, and starts shedding some light on the dynamics of the process. However, it tells us nothing about the timing and actors of the process. The main theories have all major difficulties in explaining the timing of European unification, and each privileges different actors, such as national governments, European institutions – especially the Commission – and federalist personalities and organizations.

The tripartite scheme focused on the concepts of crisis, initiative and leadership - which I will briefly analyze in each of its aspects and in their interactions – helps to explain the timing of the process and the different roles played by the actors on which the various theories focus. For a decision advancing the unification process to be taken these three conditions must be present at the same time. This heuristic tool was first sketched by Albertini, reflecting about the role of the federalist organization, (see Albertini 1965, 1966, 1968, 1973, and 1979 - each article usually focusing on one aspect in particular), in light of Monnet and Spinelli political struggles (Monnet 1976; Spinelli 1989b, 1989c, 2006; see also Castaldi 2009b).

I consider a crisis a socially perceived supranational problem which cannot be solved by any European nation-state acting alone. The crisis constitutes a catalyst for a decision, and it essentially determines the area or sector in which an integrative proposal can be proposed with a chance of success. The initiative is the proposal of a solution to the crisis via an advancement of the unification process – which implies a transfer of competences and/or of powers to the European level. Leadership is the power to put the proposal on the official agenda and build the consensus among the governments to approve and apply it. Each element can be considered as a necessary but not sufficient condition for a decision about European integration to be taken. Not all crises will be

followed by adequate initiatives, nor all such initiatives will be matched by successful European leaderships.

## 3.1. Crisis

The idea that crises are windows of opportunity to push European integration forward is prominent in the writings of some of the most prominent European personalities (Monnet 1976; Spinelli 1979, 1984, 1987, 1989a, 1992a, 1992b). Actually, according to the federalists, the basic push of the European unification process was linked to the historical long-term crisis of the nation state - already discussed by Rossi and Spinelli in the Ventotene Manifesto in 1941 - that is the impossibility for the European nation-states to ensure their economic development and security by themselves (Spinelli discusses it in several papers now collected in Spinelli 1991). These goals required states characterized by a vast extension as shown by the success of the U.S. and the USSR, the two super powers that divided the world and Europe into spheres of influence, up to determining the domestic regime of the states under their hegemony (Castaldi 2002).

This structural situation manifested itself through the existence of supranational problems. Occasionally they turned into socially perceived serious crises on specific issues, which Albertini called "crisis of national powers" (on the two concepts of crisis of the nation state and of national powers see Castaldi 2001; and Sam-Sang Jo 2007). A similar view is proposed by realist authors who consider the European integration as a mere instrument of nation-states to solve some common problems in the economic and political fields that cannot be faced by a single state (see Milward 1984, 1992, and Milward et al. 1994). The difference is that the federalists consider the crises of national power as symptoms of the historical crisis of the nation state, and therefore identify in the European federation a structural solution.

When dealing with a supranational problem states normally seek the way of mere cooperation, as the intergovernmental tradition argues. For this reason a socially perceived crisis on a supranational problem is necessary for states to decide and carry out a transfer or pooling of sovereignty – provided the European and federalist personalities and organizations had the ability and strength to pursue that proposal (Albertini 1965 and 1966). The crisis may involve a nation state or the Community and the European Union as

a whole. When the EU plays a decisive role in dealing with certain problems a crisis of the EU itself can trigger a set of opportunities to re-launch the integrative or disintegrative dynamic.

The importance of the social perception of the crisis, or a single problem and its supranational character has to be underlined. The American request for West German rearmament during the Korean War can be regarded as a minor crisis, because after the fall of the EDC the creation of a German army was carried out without major tensions with France, also thanks to the collocation of both within the Atlantic framework. But the idea of a German army was socially perceived as a serious danger and this allowed to propose and bring to the verge of ratification the creation of a European army. On the contrary, the crisis of Bretton Woods was very serious and provoked tremendous damages to the European economy, but the project of monetary union failed in the seventies[III], and it was carried out only after the fall of the Berlin Wall in order to anchor the reunited Germany to Europe, by the Europeanization of it main element and symbol of power, the Deutsche Mark.

The concept of crisis has a fundamental theoretical value. The crisis of national powers is called upon to explain the windows of opportunity and therefore the timing of the debates, choices, and the stages of the process of unification. The crisis functions as a catalyst for decisions, and thus marks the time of the unification process. Moreover, it is the nature of the crisis which determines the type of possible decisions, and eventually progress or regress of the unification process.

The crisis related to the American request of German rearmament explains both the time and the military character of the proposal of a new Community - and the fact that a personality like Monnet, often (wrongly) considered a neo-functionalist, has proposed the creation of a European army or a transfer of sovereignty on the point of greatest potential national resistance. Confronted with a crisis on the military field he could not respond with an economical solution, just as the collapse of Bretton Woods was followed by the project of monetary union, rather than a revival of the idea of military integration, which again re-emerged during the Convention at the time of the second Iraqi war, bringing about the provisions about structural cooperation on defence in the Constitutional Treaty and then in the Lisbon Treaty.

Finally, the notion of crisis can clarify the role of various actors, which can vary during the process. The role of European and federalist figures and organizations depends on their ability, at a given time, to identify the supranational problem on which a socially perceived crisis could break out, and thus to mobilize consensus around proposals aimed at advancing the unification process to solve at least partially these crises. If they manage, these actors have a role and their proposals enter the public debate. If they don't, they disappear from the political scene. Similarly, in the absence of a crisis their propaganda activities are unlikely to lead to decisions involving a real advancement of the unification process, with regard to the transfer of competences - integration – and to the institution-building and the strengthening of supranational decision-making mechanisms - construction.

All this means that no one - including the federalists personalities and organizations, notwithstanding what Milward and Moravcsik attribute them - believes that nation-states can decide about the transfer of sovereignty for ideological reasons, i.e. for the sake of European unity as an ideal. On the contrary, a favourable ideological vision is only a necessary but not sufficient condition for a national leader to take decisions regarding a transfer of competences or powers, when this choice is the best solution to respond to a crisis. An ideological nationalist vision, instead, does not allow to take such a decision, notwithstanding the costs of the missed solution of crisis. The differential of economic growth, unemployment levels and inflation rate between the European states and the United States after the collapse of the Bretton Woods system showed the cost of the failure to reach monetary unification in the seventies, especially when compared to the positive effects on the European economy of the creation of the euro.

The crises are therefore a necessary condition - for reasons explained by intergovernmental analysis about the normal inclination of national governments not to transfer competences and/or powers to Europe - but an insufficient one, to advance the process. The crises - which are not determined by the actors voluntarily, although their social perception is also linked to their behaviours - offer windows of opportunities that require the active intervention of actors to be exploited. Their role is examined through the concepts of initiative and European (occasional) leadership.

## 3.2 Initiative

The second element of the conceptual scheme developed to understand the dynamics of the process is thus the initiative. Facing a crisis it is possible to provide different answers, more or less effective and with a different relationship between costs and benefits for different groups involved. Obviously, not all answers will involve any progress in the European unification process. To this end it is essential that someone takes the initiative to develop and propose solutions to the crisis involving such an advancement. Since governments typically seek the way of mere cooperation, this role is more easily embraced by federalist personalities and movements, or by European institutions, that would benefit from a solutions strengthening them. The role of Monnet, Spinelli, and the organizations that supported them, has often been to identify clearly and precisely the supranational character of the crisis, and then propose solutions that involved a strengthening of the unification process (see Albertini 19667 and 1968). Quite the same applies to the role of the Commission as highlighted by the neo-functionalist literature (Haas 1958-1968, and 1963; Lindberg 1963, 1967, 1970, and 1971; Schmitter 1969 and 1971; Sandholtz and Zysman 1989; Tranholm-Mikkelsen 1991), or of the Parliament (Lodge, 1984; Albertini 1984 and 1986a; Spinelli 1985).

The concept of "initiative" identifies the role of ideas in the process, similarly to what was recently emphasized by social constructivism. Monnet's idea of pooling sovereignty on coal and steel - a specific and limited sector, but essential to international relations, since it was the base of the military heavy industry of the time – was different from simple cooperation and less demanding than a complete political union. This idea determined the start and also some of the ensuing characteristics of the entire unification process. However, every step of the process was conceived and proposed in relation to the crises of the period. The idea of European political unity seemed so distant and difficult, that European governments were initially ready to create a European army, without a European democratic government, until Spinelli pointed out the inconsistency and the danger of a similar project (Albertini 1977b). For each step of the process it is possible to identify the personalities and/or institutions that first devised a proposal and began to gather consensus around it.

## 3.3. Leadership

Ideas and proposals - even if consistent and well grounded - need to be transformed into concrete decisions. Therefore, the issue of power emerges significantly once again. Only if a national government or a European institution develops, or endorses a proposal initiated by other personalities, and inserts it the political agenda, this has a chance of being adopted. The political leader who puts a proposal into the agenda and builds the necessary intergovernmental agreement for the final decision de facto exercises a European leadership - even if it is a national leader or government. Still, it is an occasional leadership, linked to the desire to solve the crisis through the integrative proposal. Otherwise, if it was due to the simple desire of unifying Europe, it would manifest itself in a continuative manner.
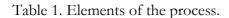
On this basis it is possible to develop the concept of "European occasional leadership" (Albertini 1973 and 1979). The idea of the occasional nature of the leadership connects it to the crisis from a theoretical point of view, explaining why it is not possible for any national leader to devote priority to European integration, as personalities such as Monnet and Spinelli did – but their role was that of the initiative rather than of leadership. Intergovernmentalist literature has often stressed that the national leaders involved in important integrative decisions were moved by the desire to solve problems and thus strengthen the power of the nation-state rather than by the will to unite Europe. Intergovernmentalists also harshly criticize the hagiographic literature concerning those who Milward calls the "European Saints" (Milward 1992, especially pp. 318-344; and Moravcsik 1998). The concept of the European occasional leadership actually incorporates the correct aspect of this criticism, while acknowledging the role and the European function in certain phases played by national leaders. Of course, an ideological inclination favorable to European unity is still necessary in order assume such a role favoring solutions to crises that advance the unification process.

A fourth aspect should be added to this scheme - crisis, initiative and occasional European leadership - namely the permanence of those conditions for all the duration of the decision-making and ratification procedure of a given proposal. If the socially perceived crisis is solved or the social perception of the problem lacks or diminishes, or whether the

occasional European leadership is missing, the initiative that linked these two elements will hardly have a positive outcome. For example, in the fall of ECD both of these situations took place: when the French National Assembly voted, the war in Korea was over and Stalin's death had eased the climate of confrontation with the USSR, and several governments of different partisan composition took turns causing the exclusion of both Pleven and Schuman – who initially provided the European occasional leadership - from the government.

This fourth aspect is obviously very relevant for the effective results of decision-making, but not for the conceptualization of the conditions with regard to the evolution of the process. The scheme crisis-initiative-leadership aims at identifying the conditions under which national governments may accept a transfer of competence and/or powers to Europe. This scheme develops the paradox proposed by Spinelli of the nation-states as *obstacle* and *instrument* of the unification process (see Castaldi 2010). Under normal circumstances, the Member States represent the obstacles of the unification process, because they attempt to maintain its sovereignty. However, faced with a socially perceived crisis on a supranational problem, and an effective initiative to solve it by advancing European unification, a European occasional leadership may emergence in at least one Member State or in the European Union institutions, triggering a decision-making process which, although dominated by the states, can lead to an advancement of the process of European unification.

It may be useful at this point to summarise the two heuristic schemes proposed so far to identify the main components and potential actors of the process.

Table 1. Elements of the process.

| Integration | Construction | Unification |
|---|---|---|
| Transfer of competences to the European level. | Transfer of powers to the European level, through the creation of institutions, decision-making procedures and implementation mechanisms. | It express the long-term political significance of the process, and derives from the interaction of integration and construction, none of which can be considered as a dependent variable of the other. |

Table 2: Roles, potential actors, and conditions for a new decision within the unificiation process to be taken.

| Crisis | Initiative | Leadership | Permanence |
|---|---|---|---|
| A socially perceived problem, which cannot be solved at national level. This opens a window of opportunity for a European decision. It can emerge within the domestic or international environment, on economic or political issues. It determines the | Political entrepreneurs - especially European personalities and movements – can propose a European solution to a crisis, through a transfer of competences and/or powers to the European level. Personalities such as Monnet and Spinelli and institutions such | Foreign Ministers, Head of State and governments who push forward the initiative into the official political agenda and gather the intergovernmental consensus necessary for a decision to be taken. | The permanence of the previous three elements for the time necessary to reach a decision is crucial. If the crisis is solved differently, or if the leadership is undermined by a change in government, a decision is unlikely to be reached. |

| | | | |
|---|---|---|---|
| political space and sector of new integrative initiative. | as the Commission and the Parliament played this role. | | |

## 4. The success of Monnet and Schuman's initiative and its influence

Depending on the intensity, social perception and area of the crisis, different opportunity were available for the strategies proposed by the different theories at the beginning of the process. For several specific reasons, the neo-functionalist initiative proposed by Monnet and officially put forward by the Schuman Declaration was the only successful one (see Albertini 1977). It spelt the beginning of the unification process and deeply influenced its later development through path-dependence. On the one hand it provided the basic institutional design for the following communities. On the other it shaped the way European unity is conceived by the political class, the intellectual elites, mass media and public opinion. All this helped similar gradualist ideas to be taken up when a new crisis arose, notwithstanding the availability of other integrative ideas, even in areas where gradualism implied higher costs than a one-stroke decision – such as monetary union.

The ECSC success was due to several reasons. First, it was a significant proposal in the face of the failure to exploit the Council of Europe Parliamentary Assembly to push forward the unification process. Second, it sidelined the national diplomats, jealous guards of national sovereignty: Monnet convinced Schuman that the Quai d'Orsai would have watered down the project, and only the French Foreign and Prime Ministers knew the exact content of the proposal which was preliminary presented to Adenauer, before being brought to the whole French Cabinet, and straight away presented to the world by Schuman in the famous press conference on the 9th of May 1950. Furthermore, the very Intergovernmental Conference which followed was organised and managed in a very unusual manner by Monnet himself (Monnet 1976). Third, it made a specific proposal, but also indicated the long term aim of the process, explicitly presenting it as "a first step towards a European federation". Coherently, it put the willingness to devolve part of their

sovereignty to a European authority as a pre-condition to start the negotiations. This was an extremely significant testimony of the resolve to go ahead decisively without being prevented by the less willing states. This eventually brought to the impossibility for Britain to join this initiative. Finally, the institutional design of the ECSC had a clear pre-federal structure (Pistone 2010), as highlighted by Monnet in his first speech as President of the ECSC High Authority - initially drafted by Spinelli (Spinelli 1989a) - which provides a clear expression of how the European elites understood the new Community at its inception:

> For the first time, the traditional relations between States are now transformed. Under the methods of the past, even when European States are convinced of the need for common action, even when they set up an international organization, they retain their complete sovereignty. Thus the international organization can neither make decisions nor carry them out, but can only make recommendations to the States. These methods cannot eliminate our national antagonisms; as long as national sovereignty is not surmounted, such antagonisms can only be aggravated.
>
> But today, six Parliaments have decided after careful deliberation, by substantial majorities, to create the first European Community which merges a portion of their respective national sovereignties and submits it to the common interest.
>
> Within the limits of the powers conferred upon it by the Treaty, the High Authority has received from the six States a mandate to take decisions with complete independence, decisions which immediately become effective throughout their territory. The Authority obtains its financial resources, not from contributions by the States, but from direct levies on the industries under its control.
>
> It is responsible, not to the States, but to a European Assembly. The Assembly was elected by the national Parliaments, but it has already been provided that it may be elected directly by the people. From the beginning, the members of the Assembly are not bound by any national mandate; they vote freely and individually, not by national blocs. Each of them represents not his own country but the whole Community. The Assembly controls our activities. It has the power to refuse us its confidence. It is the first European Assembly endowed with sovereign powers.
>
> The acts of the High Authority are subject to review. But such review will be not by national courts, but by a European court, the Court of Justice.
>
> Any of these institutions may be changed and improved in the light of experience. What cannot be challenged is the principle that they are supra-national – in other words

federal – institutions. They are institutions which are sovereign within the limits of their competence – that is to say, which are endowed with the right to make decisions and carry them out. (Speech available at http://www.ena.lu/)

The High Authority was essentially a government, responsible to the Parliamentary Assembly - which could eventually become directly elected - and the Council of Ministers could vote by majority on certain limited issues. The ECSC had the power to levy taxes and to contract debts – a power that was not recognised to the following Communities, and which the EU is still lacking – and its decisions were immediately valid on the citizens. A principle extended to all Community law, thanks to the principle of primacy affirmed by the European Court of Justice.

However, coal and steel represent only a part of economic life. For this reason there must be continual liaison between the High Authority and the Governments which are still responsible for the overall economic policy of their States. The Council of Ministers was set up, not to exercise control and guardianship, but to provide this liaison and to assure the coordination of the policies of the High Authority and those of the member States.

The declared federal aim, and the quasi-federal institutional structure were prominent aspects in the success of the neo-functionalist initiative, just as of the British refusal to join it. This quasi-federal character of the ECSC institutional framework had a fundamental impact on its ability to cope with following crises, including in pushing supporters of European unity to respond to crisis with proposal aimed at strengthening this specific regional integration scheme. An analysis of the various crises which brought about new integrative decisions and the consequent enlargement of the competences, the powers, and the members of the European Communities and then Union is out of the scope of this paper, but it would help to identify a wide range of important actors at political and economic level, and also the importance of path-dependence in the development of the unification process (Castaldi 2005; see also Sidjanski 2000).

## 5. The Council of Europe and the EFTA developments and their relationships with the EEC/EC/EU

The Council of Europe was set up in 1949 among ten states - including Britain, but without West Germany which joined in 1950 - after the The Hague Congress of 1948. It was the result of the victory of the confederal vision of Britain over the federal one. The attempt to use the Parliamentary Assembly of the Council of Europe to foster new integrative step towards European unity essentially failed, and the need to take an altogether different path soon emerged. The Council of Europe with time managed to establish an effective and praised regional system of protection of human rights. Beside this achievement, it remains essentially a forum for dialogue among states about culture, democracy, and cooperation in general, with little specific competence and no powers. Precisely these characteristics have made membership little demanding, and the Council of Europe has now 47 member states.

Somehow the Council of Europe can be considered as a European UN, but with less important competences – the UN Security Council being attributed significant ones in the field of security – and very little power. The Schuman Declaration can be interpreted also as a declaration of the failure of the Council of Europe to become a vehicle of European unity, because of its structure and its membership. This forced those willing to pursue that goal to create anew another organization, with limited but specific competences and power, and endowed with an institutional structure capable of development, the ECSC.

The British refusal of the Schuman Declaration proposal, accompanied by the following success of the ECSC and the launch of European Economic Community was at the basis of the birth of the European Free Trade Area (EFTA). With a retrospective view it is possible to consider EFTA as a significant failure. EFTA was established in 1960 among seven countries, explicitly as a response to the EEC creation by the Six in 1957 (see EFTA                                                                         website http://www.efta.int/~/media/Files/Publications/Fact%20sheets/General%20EFTA%20fact%20sheets/efta-50-years.ashx). So much so, that membership in one excluded membership in the other. Unlike in the EEC, where no single state alone was able to

exercise a clear leadership, the UK role in the establishment of EFTA was certainly crucial. EFTA had a clear economic purpose, and was explicitly developed simply as a form of cooperation among the seven member states, without any pooling or sharing of sovereignty, and with a minimal institutionalization.

EFTA institutional weakness - compared to the EEC – clearly contributed to its poor economic performance. The growth rate of the EFTA countries, and Britain, remained significantly lower than EEC countries (Milward 1992: 396), providing a strong incentive to join the EEC. Eventually the UK, Denmark and Ireland managed to join the EEC in 1973 - after De Gaulle lost power in France, and thus stopped preventing British entry – and left EFTA, which began making a series of agreements with the EEC. Eventually most EFTA members joined the EEC/EC/EU and left EFTA. With the creation of the European Economic Area in 1994 - which essentially extended the Single Market to most EFTA Countries, which would have to observe the EU relevant legal norms, even if they do not take part in the relative decisions (Switzerland is still not part of the EEA, but signed bilateral agreements with the EU in 1994 and 2004) - EFTA survives as a sort of waiting room for countries with a significant domestic opposition to joining the EU, but economically unable to do without the single market.

At its birth in 1960 EFTA had seven member states, compared with the EEC six. Today EFTA is left with only four rather small member states - Liechtenstein, Iceland, Norway, and Switzerland – while the EU has reached 27 members. As an alternative integrative scheme, and thus implicitly opposed to the EEC, EFTA failed. The European Communities were born earlier, and their policy towards both the Council of Europe and EFTA was essentially of benign neglect. The economic performance of the EEC was enough to make it a catalyst and a core of European unification, de facto emptying EFTA of much of its significance, a process substantially completed with the creation of the European Economic Area.

The weakness of EFTA institutional framework, and the explicit absence – if not refusal – of the goal of European unity, in favour of mere cooperation, made it an unlikely candidate as an instrument to respond to crises. When a supranational crisis arose, nobody tried to answer it by proposing a strengthening of the EFTA. Even the personalities and groups in favour of European unity within EFTA countries, worked to push their countries into the EEC rather than to reform the EFTA, as the British case suggests

(Pinder 1996). While its establishment was a response to the creation of the EEC, it did not manage to become a serious competitor.

Their survival shows the resilience of institutions, even after they have fulfilled – or failed to fulfil – the aims for which they were created in the first place. But their weakness suggests that when an integration scheme is established in an area, the mere cooperation schemes in the same area have a difficult life ahead. The Council of Europe reached significant result with the creation of a European human rights protection system. However, most European citizens know about the EU, but not about the Council of Europe, which is the first European organization born as the symbol and instrument of European unity.

## 6. Conclusions

The experience of the different integration and cooperation schemes in Europe provide several insights about potential dynamics among a plurality of regional organizations under a given figurational structure (Elias 1978). I assume that all such schemes were different symptoms of the crisis of the European nation-states and of the need for European unity, defined and pursued in different ways. This helps drawing some tentative lessons from their development and relationships.

First, the federalist and neo-functionalist definition of unity definitely won the intellectual struggle with the realist-intergovernmentalist one. The supranational character of the ECSC, and then EEC/EC/EU was the main reason for their establishment as the main instrument of European unity, and for the marginalization of all other cooperation schemes. The pre-federal character of the ECSC institutional framework had a fundamental impact on its ability to ensure higher economic performances than alternative cooperative schemes. This eventually made possible for pro-European personalities and organization to try to exploit the recurrent crises to foster an enlargement of the competences, the powers, and the members of the European Communities and then Union.

Second, to be the first established organization, and to have the wider membership is not a necessary ingredient for prevalence, otherwise the Council of Europe should be the

main locus of regional integration, which clearly is not. Unity is not the willingness to cooperate by the wider number of states keeping their absolute sovereignty intact. The hopes appointed upon the Council of Europe and its Parliamentary Assembly at its inception were quickly disappointed. The resilience of this organization and its ability to develop a useful regional system of human rights protection cannot overshadow its limited political role.

Third, an International Organization competences alone do not define the prospects for its development. The EEC and EFTA had similar competences and aims, but had very different developments, which can only be accounted for by considering their institutional structure and their long-term purpose. A focus on competences, or integration, only is not enough. This highlights the importance of the element of institutional construction, which brings us back to my previous considerations about the dynamic interaction between integration and construction, none of which can be simply considered as the dependent variable of the other. Unification stems from the interaction between the transfer of competences and powers. The lack of adequate institutional construction is a crucial explanatory factor of the relatively little success of EFTA.

Fourth, the continued existence of the Council of Europe and EFTA alongside the EU can be taken as a proof the resilience of institutions. Even weak organizations, which substantially failed to reach their initial aim, managed to stay alive. This lesson can be applied also with regards to all innovative institutional decisions taken within the EU. Once a new organ or decision-making mechanism is established, it becomes almost impossible to get rid of it. This is interesting because there are several instruments foreseen by the Treaties which have not yet been used. The Lisbon Treaties provide several ones: from structural cooperation on defence, to the new power recognised to the Parliament and/or the Commission to propose amendment to the Treaties on which a new Convention can be convened by simple majority. Others have been established long ago, and still wait to be exploited if need there be, such as the so-called "Benelux clause", which allows for deeper forms of integration among some member states – without setting any requirement about how many – which was initially introduced to provide for the integration process among the Benelux countries. The idea of a political avant-garde within the EU finds here a potentially suitable juridical mechanism.

Fifth, the emergence of one integration scheme, the EU, as the main and dominant one, has made possible a transformation of the others, and also the development of new specific ones, with a subsidiary role. On the one hand, EU prevalence has deeply transformed EFTA from an aspirant competitor into a partner and a potential waiting room. On the other, the resilience of unanimity for Treaty amendment and the unwillingness of some member states to any further pooling or sharing of sovereignty on certain issues, brought to the establishment of ad hoc agreements among certain EU members states, such as the Schengen Agreement in 1985, which was then absorbed within the EU through the Amsterdam Treaty in 1997.

Sixth, this pattern of circumventing the unanimity rule by inventing new legal instruments is actually quite recurrent. This was the case for the direct election of the European Parliament, which were opposed by, and thus not initially foreseen for, the UK and Denmark. Most important of all it applied to the decision about the creation of the single currency at Maastricht: faced with British opposition to the project, the other countries responded with the invention of the "opting-out" clause, in order to proceed. This clause was then used again on several occasion, with regards for instance to the Social Charter and later to the Charter of Fundamental Rights, although its effectiveness in front of the judgments of the European Court of Justice seems rather weak. This suggests that when there is a socially perceived crisis and a strong initiative and leadership on the ground legal constraints can be overcome by political will. It is ultimately very difficult on crucial issue for any country to prevent other to go along a path on which they agree to be committed. This is telling at a time in which the Eurozone is clearly in a crisis, and substantial reforms would require an anonymous modification of the Treaties also by EU member states outside the Eurozone.

Seventh, the role of several kinds of agents, from national to European institutions, personalities and organizations in different significant moments of the European unification process suggest that any theory indicating only one set of actors as the main or crucial one in any occasion cannot grasp the complexity of the process. In this context the heuristic scheme crisis-initiative-leadership helps conceptualise the different roles played by different actors – each of them usually emphasised by one of the main integration theories – along the process. This also suggests the importance of social expectation with regards to the evolution of each integration or cooperation scheme. The fact that the ECSC was

originally presented as "the first step towards European federation", while the Council of Europe and EFTA were built on the principle of national sovereignty and of traditional international cooperation thus played an important role. Pro-European personalities and movements focused their efforts on the strengthening of the ECSC, and then EEC/EC/EU, rather than on the other cooperation schemes. And even the pro-European within countries outside the dominant scheme campaigned to bring their country in rather than to strengthen the alternative schemes.

I believe that the two explanatory schemes employed in this paper can help shed light on several aspects of the European unification process. They can be tested with regards to the main integrative and disintegrative decisions. And their potential heuristic value with regards to other regional integration schemes remains to be tested too. Therefore, they open up a wide research agenda for the future, which can help bridge the useful insights of the main European integration grand theories, within a complex, but not contradictory theoretical framework (Castaldi 2005).

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[1] I have developed more extensively these aspects, together with other elements that characterize the federalist tradition in *A Federalist Framework Theory of European Integration*, research paper of the Centre for studies on federalism, available at http://www.csfederalismo.it/attachments/1360_PP_Castaldi_05.pdf, and

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[II] Mario Albertini (1919-1997) was professor of Political Philosophy at the University of Pavia and a leader of the European federalist organizations. He wrote many articles about European integration, mainly in Italian. Thus he is little-known in the international academic debate. Still he was a main figure in the Italian debate and after his death two selections of his most important articles were published in 1999, and all his works have just been published by Il Mulino. He never wrote a systematic book about European integration, and his theory must be reconstructed from a number of articles published since the late 1950s. I am working at an anthology in English of some of his most important writings.

[III] The idea and different technical aspects of the project of monetary union had been developed eralier within the pro-European organisations: <u>Le Federaliste</u> publishes in 1968 the first elaborate proposals about monetary integration, and in 1970 an important public seminar is held in Turin and some of the interventions are also published in <u>Le Federaliste</u>. From 1968 to 1974 the review focused mainly about the possible schemes for monetary integration formulated by many federalist economists and taking into account different aspects of the project (see Iozzo-Mosconi 1968; Albertini 1968; Iozzo and Mosconi 1969; Triffin 1971; Ossola 1971; Albertini 1971). After the Oil crisis, the project of monetary union seemed stalled, and the federalists tried to revive the Werner Plan and offered a new series of reflections and initiatives with important public seminar held in Pavia, Turin, Paris and Rome in 1976 and 1977 (see Albertini 1973-1999b; Majocchi A. 1974; Montani 1974; Moro 1974; Velo 1974a, 1974b, 1976 and 1977; Montani and Velo 1977; the proceedings of the main seminars were published in <u>Thema</u> n.1, 1977; Movimento Europeo and Movimento Federalista Europeo (eds.) 1978). They obtained the support of important figures of the economic and political elites, such as Triffin, Werner, Romiti, Maginifico, Colombo, Stammati and other, and finally the proposal of monetary union was then re-launched by Jenkins in a discourse in Florence in 1977 - based on a previous discussion with some federalist economists (later published in Jenkins, Werner, Triffin, Biehl, Montani 1978; on the federalist struggle for monetary union in this period, in the context of the theory of constitutional gradualism proposed by Albertini, see the excellent Majocchi L.V. 2000).

# One Mountain with Two Tigers - China and the United States in East Asian Regionalism

by

Li Xing and Zhang Shengjun

**Abstract**

The article argues that regionalism in East Asia since the end of the Cold War has been largely shaped by the interactions of China-US relations, influencing and determining the development and transformation of economic and political cooperation and integration in the region. The paper intends to offer a framework for understanding the historical inter-connections between China-US relations in East Asia during different periods and their dynamic nexus with the evolution of the regional integration process. The theoretical reflection of the paper posits that the neo-functionalism theory, which is largely generated and shaped by the historical evolution of the EU political project, cannot be applied as an overall conceptual framework in understanding regionalism in East Asia. Conventional theories of international relations driven by power rivalry, realism, geopolitics, political economy, balance of power, etc, still have a determining effect East Asia in defining "functions", influencing the process and determining the outcome.

**Key-words:**

China, United States, Cooperation, Competition, Security

## 1. Introduction

The theoretical reflection of the paper argues that the tenets of functionalism and neo-functionalism and federalism theories, which are largely generated and matched by the historical and empirical evolution of the EU integration project, cannot be applied as an overall conceptual framework in understanding regionalism in East Asia. Conventional international relations theories embedded in the assumptions of power rivalry, realism, geopolitics, political economy, balance of power, etc, still have a determining effect in East Asia in generating "functions", influencing the process and defining the outcome. Regionalism in East Asia, in the view of the authors, cannot be fully understood and explained from the above three theoretical perspectives, i.e. of functionalism and neo-functionalism and federalism theories, even though some of their theoretical assumptions, such as the positive spill-over effect, prove to be applicable in comprehending the dynamic regional economic interactions as well as in understanding the logical and causal rationality behind the evolution of some sub-regional institutions, such as ASEAN. After all, East Asia is a historically more complicated, culturally more diversified, and economically and politically more differentiated region than the EU.

When discussing regional integration in East Asia beyond the current scope of the ASEAN structure, it is a consensus that the key players in either driving the integration process or restraining it are located in Northeast Asia, namely the three largest economies in the region – China, Japan and South Korea. What is even more interesting is the fact that the political economy of the region's international relations is, in many ways, highly influenced and even to some extent shaped by the hegemonic power and the pivotal role of the United States. The USA, despite its long distance from the region, has historically directed and even shaped the evolution of the region since the end of the Second World War. The economic and political rise of China in the past three decades has begun, in parallel with the US, to influence the on-going transformation of international political economy in the region and shape the direction of regional integration. Like it or not, the evolution of China-US relations will, to some extent, determine the success or failure of regional integration in East Asia. Therefore, in order to understand the historical evolution of regional integration in East Asia, and its on-going process and even its future prospects,

it is important to understand the relationships between China and the US and their role in determining the direction and the form of regional integration in East Asia.

In retrospect China-US relations in East Asia have evolved through several stages. After the end of Cold War and with the collapse of the USSR, the American-European-Asian military alliance lost its compelling rationale and legitimacy (Pfaff 2001). These transformations raised some fundamental questions for the US as how to maintain the US-centered core structure in the post-Cold War world system? (Schwenninger 1999) What was the supporting pillar for a continuing US-led security network in the Triad (North America – Europe – Japan) when the former enemies had disappeared? Which could be the post-USSR political force that can be identified as the threat to the US "New World Order" (Kagan and Kristol 2000)?

The post-Cold War transformation of international political economy opened the first stage of the new cooperative and competitive relations between China and the US in East Asia. Despite the fact that Washington and Beijing enhanced their mutual political and strategic trust in some areas of cooperation, a new US Administration and the shift of its foreign policy priority in line with the dramatic rise of China necessitated the need to define a new paradigm to conceptualize the complex competitive and cooperative relationship between the two powers.

Methodologically this paper takes a critical and dialectical approach in providing a problem-oriented analysis of contradictory elements and tendencies in the China-US relationship with a special focus on its role and impact on regional integration process in East Asia. In other words, its intends to use an interdisciplinary framework of combining historical, geopolitical and political economy perspectives to analyze the dual interactions of conflict and cooperation between China and the US to understand their transformations in the new era and to see how China-US relations in different periods had an impact on East Asian regionalism.

## 2. The United States, China and East Asia in Historical Retrospect

From the age of great confrontation to the age of shared interest (1949-1976)

The communist victory in China in 1949 shocked the post-war capitalist world order under American leadership. The US government immediately responded to the "loss of China"[I] by imposing military containment and isolation of Maoist China, on the assumption that the containment of China could prevent the spread of revolution in the region. It is argued by many scholars that the loss of China also contributed to the political economy of the ascendant Japanese and East Asian newly industrializing states, which thrived under American parenting (Hersh 1993). Politically, in providing security, economic support and military aid to Japan and other East Asian states, the US aimed to control and define their roles within the American-led alliance and prevent them from embarking upon an independent political and military course. (Schwarz 1996). The security burden of the allied countries' military expenses was also greatly reduced by the American economic aid and its military presence. American military bases in the region have been documented to have not only provided security for these countries but also to have provided them with economic benefits such as employment.

Economically, the main objective of US post-war policy toward East Asia was to cement strategic relations through military aid and economic interdependence, to strengthen the position of pro-US political elites, and more importantly, to restore and nurture a Japan-centred East Asian economic growth in the hope that this would help immunize the region against Chinese communist expansion. This also laid a favorable developmental foundation for Japan's second gaggle of "flying geese"[II], its attempt at regional integration through establishing a production network in East Asia. During the flight of the "second gaggle" of geese, Japan and the second flying layer of geese (South Korea, Taiwan, Singapore and Hong Kong) became a part of the US-led capitalist world system, i.e. a strategic course to create a capitalist world economic system - "a global liberal economic regime" – which implicitly strove to achieve a US-cloned "Greater East Asian Co-prosperity Sphere" (Schwarz 1996).

Considering the extent of the US historical, political and economic influence in the region, to discuss East Asian regionalism without taking consideration the role of the US would be meaningless. The US regarded itself not only as a global power in general but also an Asian-pacific power in particular, as illustrated by the simple fact that US trans-Pacific trade has always been bigger than its trans-Atlantic trade. The US can become both a facilitator and a resister to East Asian regional integration depending on a number of

crucial factors connecting with American interest. The US long-term strategic interest in East Asia can be understood as having a dual objective: "watching" the role of Japan and "managing" the risk posed by the rise of China as a global and regional power. The US role and presence in this region as a balance-of-power guarantor are generally welcome by the smaller nations of Asia. It is to be expected that in the foreseeable future the US will remain a key role player in this region's integration process whether one likes it or not.

Regional integration during the period under consideration was characterized by a Japan-led multi-tier and hierarchical "flying geese" model in which regional economic integration was promoted and spread from Japan to the less developed countries through a set of inter-related and overlapped types of economic relation: 1) The dynamics of "take-over", "ladder" and "chain" pattern of intraregional economic relations; 2) The dynamics of intra-regional market and trade; 3) intra-regional investment (Li 2007).

The Japan-based flying-geese regionalism was still a West-oriented development strategy, i.e. fully dependent on the US and European market. As the leader of the first wave of regional industrialization, Japan sought to rely on its recovered economic strength and the US Cold War security umbrella, and employed its aid as a means to boost its industrial power and consolidate its production relations in East Asia. Politically, Japan had to keep a low profile in international political affairs and was reluctant to come up with bold political initiatives. During the three decades after the Second World War, the 50s, 60s, and 70s, Japan took the opportunities of the global economic restructuring, and gradually transformed itself from a defeated nation into the second largest economy in the world after the United States.

Following the development pattern of Japan, the East Asian Newly Industrializing Economies (South Korea, Taiwan, Hong Kong and Singapore) played the key role in generating the second industrialization wave, in which they inherited Japanese capital, technologies and mode of production, and within several decades they succeeded in achieving industrialization. Since the 80s, three ASEAN countries – Malaysia, Indonesia and Thailand - have led the third industrialization wave by taking the opportunities in the adjustments of production structure in Japan and the Asian NIEs and by absorbing their investments and technologies.

Of far-reaching importance for the whole region at this time was China's economic take-off, accelerated by its reform program since the late 1970s, and which is regarded as

the fourth industrialization wave in East Asia. The rapprochement between China and the United States since the early 1970s, driven by their common strategic objectives, improved the regional political environment and specifically smoothed China's international relations, thus providing a favorable external environment for its modernization project. However, China was not in any sense seen as regional development promoter or as an engine of economic growth. Rather, China was a student of industrialization, an absorber of technologies, and a production base of light industries. The march of China's 1.2 billion population towards the market economy was frequently seen in the United States as the greatest "savior" of capitalism.

## The Transformative Evolution of China-US Relations in East Asia (1989-2001)

China-US relations at the end of 1980s and beginning of the 1990s experienced five significant events in a brief space of time: the Tiananmen Event (1989)[III], the Fall of the Berlin Wall (1989), the Gulf War (1990), the collapse of the Soviet Union and the socialist bloc (1991) and the expansion of China's market reform driven by Deng Xiaoping's inspection tour in South China (1992)[IV]. These events were perceived as the "end of history" (Fukuyama 1992), leaving the United States as the only active superpower while placing China in a situation of passive adjustment.

The Tiananmen Event in 1989 exposed the fundamental differences in the major areas of Chinese and American national interest, that is, Comprehensive National Power, National Political institutions and National Values. Despite the obvious differences, both sides retained a decent level of competition and cooperation because the "China card"[V] in the 1970s was still useful to strategically balance the Soviet Union. The first Gulf War and the Kosovo War[VI] had limited impact on China-US power interaction in East Asia, and both sides were in a process of probing and defining bilateral relations in relation to their respective strategic objective. After Deng Xiaoping's inspection tour in South China in 1992, China's open-door policy and reform programs were further extended and strengthened. At this point, although being surrounded by a critical international environment, Chinese economic setbacks were gradually overcome, and China recognized the need to ease the competition and strengthen cooperation with United States.

Politically, China's proactive multilateral diplomacy since the late 1990s has been putting pressure on the United States to reassess its multilateral policy in East Asia, and

this competitive dynamic may lead to the creation of multilateral arrangements that include the United States as well as China. In fact, a Six-Party security cooperation arrangement[VII] in Northeast Asia may become the precursor to this new trend in Asia. Those who support the U.S.-in-Asia approach believe that a combination of hedging alliances and inclusive multilateral arrangements will be a stabilizing force in the region.

At the regional level, in parallel to China's global emergence since the 1990s, East Asia witnessed a gradual shift away from the vertical "flying-geese" model to a new horizontal modeling of regional economic integration. China's internal diversified regional differences and unbalanced development levels between the regions showed that the country was developing in different economic layers simultaneously and had economic relations with many countries at different levels of production and labor relations. This situation is obviously not to China's disadvantage because it enables China to cooperate with other countries in almost all industrial sectors. On the one hand, China is capable of cooperating with the mature economies, such as Japan and the NIEs in developing high-tech industries while taking over their labor-intensive industries. On the other hand, it can also export capital, intermediate products and some of its labor-intensive industries to less developed countries in the region. Based on these closely linked economic relations, Chinese economy is increasingly integrated with the regional economy.

## China-US relations in East Asia since the new century

In the beginning of the 21st century, China experienced a favorable external environment for development. The post-9/11 shift in American strategic focus from containing the rise of China to countering global terrorism together with engaging in two wars both in Iraq and Afghanistan disrupted the Bush Administration's originally planned geopolitical strategy toward East Asia. The "menace" from the emerging countries, such as China, Russia and India, was moved away from the top priority of American national interest. To fight against global terrorist threats, the US needed to obtain security cooperation from China. The opportunity provided by the North Korean nuclear crisis positioned China as an ad-hoc American ally. In the following years after the 9.11, the *National Security Strategy Report* of the United States redefined the priority of its security concerns identifying fighting terrorism, proliferation, regional stability as the first three national priorities. In order to win the anti-terrorism war, the United States strengthened

cooperation with China regarding the issues such as border control between China and Afghanistan, financial quantitative control and a FBI office in Beijing (Shen 2006).

Given the reality of the early 21st century, the transnational phenomena of globalization, information, terrorism, proliferation of weapons of mass destruction, failed states, economic recession, and HIV/AIDS, have been challenging the unilateral power of the United States, leading to a readjustment its relations with regional powers. The situation in post-war Iraq indicates that the U.S. cannot even manage a small country without substantial help from the international community. The understanding was shared by Colin Powell, Condoleezza Rice, and even President Bush himself, that cooperation with global major powers should be America's top diplomatic goal, and China, undoubtedly a big power, is an indispensable partner. This spirit was clearly embodied in the Bush Administration's *National Security Strategy Report 2002*.

For China, the fulfillment of its grand strategy of "the establishment of a well-off society in an all-round way" through economic modernization and integration with the capitalist world system would be impossible without engaging in positive relations with the United States, making America the "priority" of Chinese diplomacy adopted by the post-Mao leaderships. The current leadership under Hu Jintao and Wen Jiabao is pursuing a more moderate and realistic accommodation with the United States. The policy of prioritizing the United States can be seen in China's positive involvement in the six-party talks on the North Korean nuclear issue, support for the American counter-terrorism strategy, acceptance of the reality of an American military presence in East and Central Asia and a change in rhetoric from "anti-hegemony" to "anti-unilateralism," including the consultation of the bilateral trade imbalance and the revaluation of the Chinese currency (RMB).

With the Obama Administration coming into power and its foreign policy adjustment ranging from the Iran nuclear issue to Palestinian-Israeli relations, from global warming to the WTO negotiations, the United States seemingly showed a positive attitude and a new face: Obama was willing to meet with the leaders of all nations, friend and foe. He believes if America is willing to come to the table, the world will be more willing to rally behind American leadership to deal with challenges like terrorism, and Iran and North Korea's nuclear programs. This is the vision of the so-called the Obama-Biden Plan[VIII]

What is the most challenging fact is that China has transformed from a supportive role to a leading role in regional economic integration in East Asia. Since 2000, China's contribution to global GDP growth was almost double the contribution from the other three newly industrializing economies (India, Brazil and Russia). According to the World Bank calculation, China's contribution to world economic growth between 1980-2000 period was 14 %, although it was lower than the US contribution of 20.7%, but it was 7% higher than that of Japan (Japan's economic growth in the 1950s had a great impact on the world economy). China's contribution to world economic growth further jumped to 17.5 percent in 2002, leading to acknowledgement by the UN "World Economic Situation and Prospects for 2003" that China had become the "locomotive" for Asian economic growth.

China's contribution to global trade growth shows another indispensable aspect of its global and regional dynamism. Ravenous China's oil imports rose by 30% in 2003, to make it the largest oil importer after the US. In addition China accounted for half of the world's consumption of cement, 30% of its coal, and 36% of its steel. Today China is the third largest contributor to world trade growth after the US and the EU. China trade has a decisive effort on the economic and trade growth of developing countries. For example, China's overall trade with Africa rose from $10.6 billion in 2000 to $40 billion in 2005, and in 2006 the trade between China and Sub-Saharan Africa amounted to US$25 billion, which accounted for about 85 percent of all African exports to China (Wang, 2007:5). However, China's global trade has also a side-effort, namely a tendency towards overdependence on foreign market for oil, raw and energy resources, which bears far-reaching implications for its national security and sustainable economic growth. China has to look for other alternatives in terms of renewable energy, innovation and sustainable development.

There is indeed a consensus in East Asia that China's economic power, especially in its growing domestic market, has become an important force promoting regional economic cooperation and trade growth and spurring East Asian economic recovery. Japan has acknowledged that its recent economic recovery had been due in a large part to its massive exports to the Chinese market shifting its traditional trade deficit to surplus. Japan has remained China's largest trading partner and import source as well as third largest export market for 10 consecutive years. For the first time in history China (excluding Hong Kong and Macao) surpassed the US and became Japan's largest trading partner in 2007. For

South Korea, China (excluding Hong Kong and Macao) already became its top export market in 2003.

The Asian financial crisis in 1997 and the current global financial crisis since 2008 had substantially worsened the regional economy. In both cases the region recognized the fact that it is China, not the United States or Japan, that has been playing the most important role in the region's economic recovery. During the crises China refused to devalue its currency, instead, it drew on its extensive foreign exchange reserves to assist distressed nations. In addition, China refused to withhold its committed aid to Asian nations that tried to put their vulnerable economies in shape. Nowadays, the Chinese government is making gigantic moves to increase domestic market consumption through massive investment on infrastructure in order to sustain China's economic growth and stabilize regional trade in East Asia.

Facing the new situation in the region, Japan's new minister Yukio Hatoyama and his "East Asia Community" (EAC) proposal[IX] received significant international attention. Such an idea will be difficult to realize due to the leadership rivalry between Japan and China. While the EAC idea might represent Japan's middle power diplomacy, aiming to prioritize a multilateral cooperative initiative, Japan is not likely to allow the EAC idea to be used by China to impose a China-led regional order. China-Japanese rivalry centres on membership of a prospective community; China favors ASEAN+3, while Japan has in the past preferred the ASEAN+6 grouping: the members of the East Asia Summit, including India, Australia and New Zealand. Although some scholars believe the movement toward realizing such a community is primarily a game played between the two regional powers, China and Japan, not China and United States, this paper argues that the EAC idea will not be realized without the involvement of the United States and the "US-in-Asia" historicity.

However, according to the "US-in-Asia" perspective, the exclusively US-centric approach runs the risk of creating a self-fulfilling prophesy by exacerbating the competitive tensions between the United States and China; whereas, the Asia-centric approach is rather unrealistic because it basically assumes that Japan will work with China to create a regional community that excludes the United States. In their view, while a bilateral alliance can provide a useful hedge against a third power, those who support the US-in-Asia approach regard regional multilateralism as a means of constraining great powers and preventing continental-maritime confrontation in Asia.

## 3. One mountain with two tigers X in a world of federalism, functionalism and neo-functionalism?

It is needless to point out the fact that there is indeed an economic integration process in East Asia. Defining "regional integration" to be a process in which states enter into a regional agreement in order to enhance regional cooperation through regional institutions, the notion of "integration" (different from "cooperation") implies the increase of the interactions between nation-states within a geographic area under new forms of organization in which the governing principles go beyond the conventional understanding of sovereignty. The successful integration project of the EU, understood as a successful case of a regional integration project, is often explained or even confirmed by three theoretical perspectives: functionalism, neo-functionalism and federalism.

### Functionalism and neo-functionalism

One of the key theoretical pillars in understanding and analyzing regional integration processes in different parts of the world is derived from the conceptual tenets of the theoretical school called Functionalism. The aim of this school is to transcend the constraints of most international relation theories which are guided by the underlying principles shaped by methodological territorialism (Scholte 1993). The teachings of Functionalism propose to build a form of regional or international authority due to based on logical and causal necessities of functions and needs derived from regional and international cooperation. The ideas of Functionalism intend to create an international authority defined by mutual needs, scientific knowledge, know-how and technology, leading to intensive economic integration driven by the progress of the forces of production, and the internationalization of socio-economic problem complexes.

Functionalism as a theory of international relations has received an upsurge in the current age of globalization and transnational capitalism. Its basic point of departure is to challenge the State as the central form of social organization and a core motivating unit which is driven by the logic and rationalism of self-interest. Functionalists intend to focus on common interests and needs shared by states including non-state actors, generated by the process of global economic integration in which the principle of state sovereignty

becomes outdated, and the increasing weight of knowledge of scientists and experts, rather than politicians, is recognized in the process of policy-making (Rosamond 2000).

Neo-functionalism, on the other hand, is a theory of regional integration with a specific approach to European integration. The historical evolution of the EU project has been largely theorized according to the neo-functionalist line of assumptions. Neo-functionalism in essence takes the functionalist perspective on integration even further aiming to promote the development of official supranational organizations such as the European Union. Comparing Functionalism with Neo-functionalism shows that the political theory known as functionalism denotes a policy of shifting responsibility to international bodies for coping with problems beyond the scope of nation-states due to the fact that the role of nation-state governments is to be progressively reduced and regional integration is to be dynamically encouraged by a variety of functionally based cross-national interactions. Driven by casual effects, such as positive spillover effect, increased number of transactions, transfer in domestic allegiances, regulatory complexity, supranationality then becomes a possibility just as Rosamond described it (Rosamond 2000): political integration will then become an "inevitable" side effect of integration in economic sectors.

Neo-functionalism is a theory with a primary nexus with regional integration strategy. Largely based on the integration process and experiences of the European Union, neofunctionalism aims at explaining how the "invisible hand" in the process of integration among states is gradually expanding such integration from limited economic domains to include much more deep-seated areas, such as territorial sovereignty and legal jurisdiction. This expansive integration phenomenon is termed as "spill-over" effect by neo-functionalists, implying that the integration process becomes irresistible due to the fact that states are functionally bound together. The clear differences between functionalism/neofunctionalism as a "new" school of international relations and realism as an "old" or "conventional" international relations framework of understanding can be summarized as follows:

Figure 1: Functionalism vis-à-vis realism[XI]

| | Realism | Functionalism | Comments |
|---|---|---|---|
| Dominant goals of actors | Military security | Peace and prosperity | security through: Power vs collaboration |
| Instruments of state policy | Military force and economic instruments | Economic instruments and political acts of will | State policy of assertion vs negotiation |
| Forces behind agenda formation | Potential shifts in the balance of power and security threats | Initial emphasis on low politics, such as economic and social issues | Agenda sought: maintenance of position vs reaching consensus |
| Role of international organizations | Minor; limited by state power and the importance of military force | Substantial; new, functional international organizations will formulate policy and become increasingly responsible for implementation | International involvement: minimal vs substantial |

## Federalism

Federalism is closely connected with federation. The political goal of federalism or federation can only be realized when a high level of neo-functionalist integration has been reached. Federalism describes an ideology, such as centralist federalism, de-centralist federalism and balanced federalism; whereas federation refers to a system of the government, i.e. organizational principle (Rosamond 2000, 24), in which sovereignty is constitutionally divided between a central governing authority and constituent political units (sub-states, provinces or autonomous regions). Federalism is a system in which the division of power to govern is shared between national and provincial/state governments, such as the governing principles of the United States. The governing principles of federalism are expressed in the various forms of federation --- "a type of sovereign state characterized by a union of partially self-governing states or regions united by a central (federal) government".[XII]

However, if the above theoretical assumptions and discourses of federalism, functionalism and neo-functionalism are applied in the East Asia case, it is clear that the fundamental preconditions of functionalism, neo-functionalism and federalism are still lacking. The region is clearly divided by many fundamental differences, facing deep-seated difficulties and obstacles, such as vast diversities of ethnic integration, religion, economic development level, political system, cultural value, security concern, etc. More importantly, China-US relations are still playing a decisive role in shaping the region's development and integration both in the past, in the current era and most probably in the future. This paper

argues that conventional international relation theories in line with power rivalry, realism, geopolitics, political economy, balance of power, etc, still have a deterministic effect in shaping and determining the process, the form and the outcome of regional development and integration, which cannot be fully explained by the functionalist/neo-functionalist postulations, not even by the basic ideas of federalism.

## The unavoidable shadow of the United States in East Asia

For the US, the restoration and prosperity of the key economic powers of East Asia (Japan, South Korea, Taiwan) in the post-war period were realized as a result of the impact of returning global stability alleviated by the reconstruction funds provided by the United States whose post-war foreign and economic policies aimed at fostering developmentalist, authoritarian and anti-Communist states in different parts of the world, especially in the regions of the frontlines of the Cold War. The role of the United States during this period was to assume the responsibility of hegemonic stabilizer of the international system and to create the full development of a liberal world market through "providing global public goods in the form of security, opposition to communism, aid for economic development, and the strengthening of international institutions" (Huntington 2001). This unilateral globalism was later theorized as hegemonic stability theory set out by Charles Kindleberger (Kindleberger 1973) and further developed by Robert Gilpin (Gilpin 1987).

Therefore, it is legitimate to ask the question whether East Asian regionalism can be realized without the United States. Even today, the US is still the largest export market for the key countries in the region. In addition, the US has much closer political and military alliances with South Korea and Japan. Apart from the economic rationalities, the United States will have to both involve itself in and regulate East Asian affairs in order to make sure, for the sake of its own global interest, that China is becoming a responsible regional player in East Asia and a rational stakeholder in the international system.

## China-US contradictions in East Asia

Unlike the European integration process in which the security issue in the region was more or less resolved under a common security umbrella, East Asia has been historically burdened with security dilemmas. Two major regional wars, the Korea War and the Vietnam War, took place in East Asia leaving many security issues unresolved until today.

Many of the regional security issues are directly related to China and the United States, or are shaped by China-US relations. Among them, the Korean Peninsula's stability and denuclearization represents one of the principal contradictions between China and USA.

First of all, Northeast Asia is one of the most dangerous places in the world. Historically it was the front line of the Korea War and the Cold War. After a half century there is still no peace treaty on the Korean Peninsula, where more than a million troops remain deployed within miles of each other. Today the world's three principal nuclear powers (the United States, Russia, and China) and the three largest economic powers (the United States, China and Japan) are politically and geographically entwined. To this day, Northeast Asia is not equipped with a regional security institutional framework analogous to NATO or the Organization for Security and Cooperation in Europe (OSCE). Although China and the United States have the same position in favour of a non-nuclear Korean Peninsula, each has a different interpretation of the nature of the problem and a different approach in resolving the problem.

The second contradiction between China and USA is the US-Japan Alliance. In the eyes of China, the US-Japan alliance, as a mutually beneficial insurance, is clearly targeted at "the potential threat" by China. With the balance of power shifting in East Asia due to the rise of China, a multilateral arrangement can offer a more fundamental solution in addressing the security dilemma in the region. Japan has an overlapping strategic interest in East Asia in which its central objective is to reduce the emergence of any direct military threat and create an international environment favourable for its regional strategy. In particular, Japan worries China's rise may prove to be a challenge to its own development ambitions. Japan believes that China's rise, the Korean nuclear issue and the Taiwan Straits situation are its main security threats.

The third contradiction between China and U.S. is the Taiwan Issue[XIII]. The Taiwan problem was originally the outcome of the Chinese Civil War, and has become one of the most complex issues in international relations today. The Taiwan Issue has historically become a key indicator for China-US relations. Thus, dealing with this potentially explosive issue on a bilateral basis becomes the most pressing concern between China and the United States. However, the outcome will depend on the evolution of multiple developments, such as Taiwan's domestic political transformation, Taiwan-China economic integration, China's

adherence and determination of sovereignty and "core national interest"[XIV], China-US relations, etc.

The importance of East Asia for China's national security and the development of its "comprehensive national power" (CNP)[XV] lies in three levels: 1) It is China's sovereignty safety buffer zone; 2) It is the frontier zone of China's struggle against hegemony; 3) It is the support zone of China's economic development. Inevitably East Asia is one of the key regions where China will have to face the competition and cooperation with United States. In Northeast Asia, the United States has established bilateral alliances and even multilateral alliances as the pillar of its policy in which China is excluded from many strategic and political arrangements. Although these arrangements are in compliance with the United States' interests in order to keep the balance of power in Northeast Asia, they may not meet the interests of China.

Seen from a longer perspective, the United States will not abandon its competitive power in East Asia. Another factor must also be taken into account: The United States has been concerned and worried in recent years by the shifting is balance of powering the region, especially Chinese power accumulation and the Republic of Korea and Russia's close relation with China. On the other hand, China is becoming more and more confident and imposing even greater pressure to the United States and its allies. . The two sides have however tacitly acknowledged new geopolitical realities on the key security issues of the U.S. military presence in East and Central Asia. The deep-seated suspicion over the motives and actions of the other side and efforts to contain or undermine the other's power or influence has declined. Cooperation to promote a nuclear-free Korean peninsula has given an opportunity the United States an opportunity to open up increasing cooperation with China, although prospects are not entirely encouraging.

Looking at this from a positive perspective, the U.S. does not wish for the difficult issues of the bilateral relationship to affect the healthy development of its relations with China; it hopes that the two countries can restrain their behavior through dialogues and "strategic reassurance"[XVI], reaching a necessary level of "strategic mutual trust." This is undoubtedly advantageous for American interests. The "strategic reassurance" proposed by the U.S. shows that they recognize that China has risen into a position of importance; the exchange of "reassurance" with China will not challenge the hegemonic position of the U.S. This will maintain the existing international system and order, rather than break it.

In other words, the demand that China provide the U.S. with "strategic reassurance" betrays the uneasiness that the U.S. currently feels towards China. From its individualistic standpoint, the U.S. views China's unique socialist path as "different," and is constantly criticizing China's political model and democratic process.

Furthermore, when the U.S. demands that China provide "strategic reassurance," what kind of "reassurance" can the U.S. provide for China? If the U.S. holds a reasonable hope of being able to build a strategic foundation for the long-term and stable development of China-U.S. relations, then it must not only provide "strategic reassurance" on the question of China's core concerns, but it must feasibly act on this provision. Only then will there be prosperity for both countries and their people (Zhang 2009).

## 4. Conclusion

In East Asia, the relationship between the United States and China is playing a determinant role in leading and shaping the opportunities and constraints of the regional economic integration process. The two countries are destined to engage in comprehensive competitive and comprehensive cooperation for a long time in the future. Competition results in cooperation and cooperation lead to competition. Whether this cycle is malignant or benign or neutral still need further observations and analysis. What we can say is that this kind of China-US relations would be the most complex and sensitive bilateral relations in the world, and Northeast Asia is the main platform to test this relationship. The positive trend is that Northeast Asia (China, Japan and Korea) together with Southeast Asia (ASEAN) are coming to a common view on free trade cooperation, and have begun talking about regional integration. By this path, the Taiwan Issue and the North Korean nuclear crisis may possibly be resolved through the regional integration process. However, over the next few years, the China-US bilateral relationship will face difficult times. China's social, political and economic weakness may gradually harm both its domestic stability and ability to deal with external relations,

Because the interactions between China and the United States are closely connected with the evolutions and transformations of global development as well as with their respective internal political struggles, China-US relations are and will continue to be based

on a dialectical process of waxing and waning, declining and rising, as understood in the ancient Chinese concept of *yin* and *yang*. Seen from this perspective, this relationship will continue to be in a state of flux and reflux, rather than in a purposeful forward or backward movement

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[I] "Loss of China" refers to the deep disappointment of the US over the victory of the Chinese Communist in Mainland China. This term was closely connected with "McCarthyism", which is a term that describes the search for American communists or communist sympathizers in the United States. Senator Joseph Raymond McCarthy was known for making claims that there were large numbers of Communists and Soviet spies and sympathizers inside the federal government and elsewhere, leading to the sufferings of many who were falsely accused.

[II] Japan violently pushed forward the first gaggle of "flying geese" in the periods of 1930s and 1940s under the name of creating the "Greater East Asia Co-Prosperity Sphere". During the periods Japan militarily invaded and brutally ruled most of the countries in the region.

[III] It refers to a series of demonstrations in Beijing in and near Tiananmen Square led by student and worker activists between the period of April 15 and June 4, 1989. The demonstrations were finally resolved by the military force. This event caused a short-term pause of China's reform program and deteriorated China-West relations.

[IV] It referred to the period from January 18 to February 21, 1992, when China's then reform architect Deng Xiaoping inspected a number of coastal cities, mainly Shenzhen, Zhuhai and Shanghai, and delivered

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important speeches at every stop of his inspection tour in order to speed up China's reform process.

V "China Card" refers to the "tacit" Sino-American alliance during the Nixon Administration in the early 1970s in which the United States intended to play the "China Card" in order to collectively contain the Soviet Union's global expansionism.

VI During the Kosovo War, the NATO allied force mistakenly dropped five US JDAM bombs and hit the People's Republic of China Embassy in the Belgrade on May 7, 1999, killing three PRC citizens and outraging the Chinese public.

VII The six-party structure, which was formed to deal with the North Korea's nuclear issue, consists of six countries: North Korea, South Korea, China, Russia, the United States and Japan.

VIII "The Obama-Biden Plan" can be read from "Barack Obama and Joe Biden's Plan to Secure America and Restore our Standing",
http://www.barackobama.com/issues/foreign_policy/index_campaign.php

IX The vision of Hatoyama's "East Asia Community" (EAC) was originally spelt out in his 2005 book, where he outlined his desire to promote a project for an EU-style of East Asia Community and to make Japan play the key role in leading such a project. The objective of establishing of a regional economic community is to reach regional economic integration as an end point.

X The original Chinese proverb is "one mountain cannot be shared by two tigers", implying that two equal powers cannot live together peacefully and they will have to fight until one of them prevails.

XI Source: http://en.wikipedia.org/wiki/Functionalism_in_international_relations

XII On " Federalism" http://en.wikipedia.org/wiki/Federation

XIII It refers to the outcome of China's civil war in 1946-1949, which ended with the founding of The People's Republic of China on 1 October 1949 and with the retreat of the remaining political officials and armies of the Kuomintang to the island of Taiwan, thus creating the political division between the two sides of the Taiwan Straits.

XIV China defines its core national interests as a) One-China position, Taiwan is part of China; b) China's sovereignty over Tibet; c) anti-separatism in Xinjiang Autonomous Region.

XV It is a Chinese way of measuring general power of a nation-state. Unlike most Western concepts of political power, the Chinese measurement includes both military factors (known as hard power) and economic and cultural factors (known as soft power).

XVI "Strategic reassurance", coined by James Steinberg, Deputy Secretary of State in a conference sponsored by the Center for a New American Security, states that "China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others." Its implication can be seen as Obama Administration's China-policy successor to the Bush Administration's "responsible stakeholder" policy framework coined by former Robert Zoellick. Mr. Zoellick.

# Cooperation or Silent Rivalry? The EU and the USA in the Mediterranean – The Case of Egypt

by

Wolfgang Zank

**Abstract**

For decades the US has had a hegemonic position in the Middle East. A key country in this respect has been Egypt. However, in recent decades the EU has made itself increasingly felt in the region. Due to enlargements the EU came geographically much closer, and the Internal Market has generated a gravitational pull which goes beyond economic problems. Furthermore, the EU has gradually built up a coherent policy on many fields. The EU has become the "reform anchor" and most important cooperation partner for Egypt. The progress towards increasing Egypt's "Stake in the Internal Market" places cooperation on an increasingly institutionalized basis.

In terms of military cooperation the US is still the partner for Egypt. But outside the military sphere institutionalized cooperation is comparatively week. In particular the failure of the US to conclude a free-trade agreement has been crucial. But it would be wrong to see the US and EU as rivals. Their roles are rather complementary.

The article explores developments in a long-term perspective. Internal and structural developments have had a heavy impact, but at important junctions ideas and strategies for gaining political legitimacy were powerful factors too.

**Key-words:**

Middle-East, Egypt, EU, Soviet Union, US, foreign policy.

## 1. Introduction

In this article I explore US and EU policy in the Mediterranean in a long-term perspective, focusing particularly on Egypt. This country is the most populous one in the Arab world, and since the 1970s she has been an important partner for the US. But by now (2011) it appears that the EU is shaping Egyptian society much more than the US. We might speak of a "return" of Europe. But the European presence of today is very different from the times of colonialism. As we shall see, internal developments and external orientations were closely intertwined. The first parts of the article contain mainly historical narratives. Some explicit theoretical conclusions will end this paper.

## 2. European Colonialism and the Emergence of Independent Arab States

Before 1914 the whole of North Africa became subjugated to European rule; either as colonies (Algeria, Libya), or under the somewhat milder form of a protectorate (Morocco, Tunisia, Egypt). The end of World War I brought the collapse of the Ottoman Empire and delivered its Arab territories to the mercy of the victors. In spite of British war-time promises of Arab independence the Paris Peace Conferences and the conference of San Remo (1920) made Iraq, Palestine and Transjordan British protectorates; Syria and Lebanon were assigned to France. Widespread resistance against European rule was mercilessly suppressed.

It is perhaps important to recall the dark sides of European dominance because it created long-lasting resentments. But British and then French politicians gradually realized that colonial rule could not be sustained for long. Egypt gained nominal independence in 1922 and in 1936 internationally recognised sovereignty. The British retained, however, control over the Suez Canal Zone and, in case of conflict, over vital lines of communication. A similar arrangement was signed with Iraq in 1932. By 1945, the Arab League was founded by the by then seven independent states (Egypt, Iraq, Jordan, Lebanon, Saudi Arabia, Syria, Yemen). Libya gained independence in 1951, Morocco and

Tunisia followed in 1956. But Algeria had to go through the horrors of a long and gruesome war (1954-1962). Finally in 1971 nine British protectorates at the Persian Gulf became fully independent, as the Union of Arab Emirates (later: United Arab Emirates), Bahrain and Qatar.

In some cases (Jordan, Morocco, Tunisia) relationships with the former colonial powers remained uncomplicated; also Saudi Arabia maintained good relationships with the West. In all these cases traditional elites stayed in power, gradually to be complemented by modern business elites. And once independence was gained, they saw no reason for conflicts with the former colonial powers; on the contrary, cooperation with them could support internal and external security. But in other cases, Egypt among them, matters turned out differently.

## 3. Egypt's march towards "Arab Socialism" and "anti-imperialism"

The institutions of most Arab countries were rather weak, and this made the region prone to military coups, Syria starting this chain of events in 1948. Of far-reaching consequences was the coup of the "Free Officers" in Egypt on 23 July 1952. Their ideas were rather vague. But they soon reached agreement to abolish all political parties and to cancel parliamentary elections. This placed the question on the agenda how the officers could legitimate their power. One move in this context was a first (still rather modest) land reform. The practical effects of this reform remained limited. But it "engineered enormous goodwill among the citizens of Egypt" (Rogan 286). At the same time it weakened the traditional elites. But it was not yet an all-out onslaught on private property (Roussillon 338).

By March 1954 Colonel Gamal Abd-el Nasser had emerged victorious from the power struggles among the officers. A very gifted orator, he indulged first in Egyptian nationalist and then increasingly in Pan-Arab rhetoric. He soon gained wide-spread admiration,even among the Arab populations at large – the radio transmitting his voice all over. In Weberian terms we might see it as charismatic legitimacy. But we can also classify it as output legitimacy because he successfully seemed to advance the Arab cause. "Charisma" has always been closely linked to "output".

The first priority of the "Free Officers" was the termination of the British presence, the traditional goal of Egyptian nationalism. After protracted negotiations Britain agreed to withdraw all military personnel from the Suez Canal Zone. But the government in Tel Aviv saw the British military presence as a buffer and viewed the Free Officers with utmost suspicion. After two infiltrations of Palestinian *fida'iyin*, Israeli forces dealt a devastating blow to Egyptian installations in the Gaza Strip, killing 37 soldiers and wounding 31. For Nasser acquiring modern weaponry became an urgent priority; the Western powers, however, refused to sell it. But in September 1955 a triumphant Nasser announced that Egypt would obtain 275 Soviet T-34 tanks and 200 war plans from Czechoslovakia (Rogan 287-290 and 297).

This move strained relations with the US, whose support was needed for the financing of the Aswan dam. This project should enable Egypt to irrigate land and to power new industries. But on July 18, 1956 US Secretary of State John Foster Dulles said no, arguably "the worst diplomatic blunder Dulles ever committed" (Goldschmidt 107). Nasser responded by announcing the nationalization of the Suez Canal on 26 July. Thereafter, the French government, hostile to Nasser because of his support for the Algerian FLN, designed a scheme according to which Israeli forces should invade Egypt, whereafter English and British troops should occupy the Suez Canal Zone, "in order to restore peace". Accordingly, Israeli forces crossed the Egyptian border on 29 October, and on 31 October British and French planes bombed Egyptian air bases. Paratroopers landed in the Canal Zone.

Nasser was saved by Soviet and (no less important) massive American pressure. His mere survival was seen as a major victory. The political losses for France and Great Britain were enormous. As Muhammed Heikal, editor of *Al-Ahram* and Nasser's advisor, put it: "No Arab leader could be Britain's friend and Nasser's enemy after Suez. Suez cost Britain Arabia" (Rogan 304). This was exaggerated, but not by much.

The Suez aggression triggered a first wave of large-scale nationalisation, in the beginning directed against British and French interests, then also against Jewish, Armenian and Syrian-Lebanese property; the capital of all banks and insurance companies had to be "Egyptianized". Together with the Suez Canal these expropriations created an important state sector in the economy (Roussillon 339). However, large-scale expropriations can create a *systematic* dynamic to proceed to a full socialist system. We can depict these

mechanisms as follows: Once large-scale expropriations have taken place, the state had to replace private profit-driven accumulation by state investments. For this purpose the state needed ever more money. And in order to protect state-owned enterprises from competition, the state had to establish ever-closer control over the other economic spheres. Control of cross-border transactions became particularly important, in order to prevent the flight of capital (Zank 2009 b, 117-122). In this light it was only logical that in July 1961 the Egyptian state took over not only banking, insurance, transport and practically all of industry, but also cinemas, theatres, newspapers and publishing houses (Roussillon 345).

Such a development presupposed a necessary (though in itself not sufficient) condition in the political sphere, namely a dictatorial regime with no constitutional constraints.

The political system became transformed into one-party rule. But the military supervised the Arab Socialist Union (ASU) from the background. Egypt came to resemble the Soviet model, or rather the Polish model of the time, agriculture remaining formally mainly private. With good reason the Soviet party leader Nikita S. Khrushtshov, visiting Aswan in May 1964, could state that Egypt was indeed "building socialism" (Roussillon 352).

From a Western European view this development was something of a disaster. European property was expropriated and economic and social transactions substantially reduced. In external relations Egypt showed strong leanings towards Europe's Cold-War enemy.

## 4. The Large-Scale Collapse of European Positions

In the 1960s Nasser's regime got company. After gaining independence in 1962 Algeria experienced a civil war between factions of the FNL. The Border Army under Colonel Houari Boumédienne, during the independence war stationed in Morocco and Tunisia, decided the outcome and made Ahmed Ben Bella chief of government. The new regime tried to base its legitimacy on the successful fight for independence. We might see this again as a combination of output and charismatic legitimacy. The FNL wasformally in charge, but once again the single-party system had as its main function to legitimize the omnipresence of the army (Stora 129). In 1965 Boumédienne took power directly.

With military dictatorship established, the necessary condition for "building socialism" was in place from the outset. The first step was the confiscation of French farms or enterprises. Thereafter the state sector comprised practically the whole modern sector of Algeria's agriculture (Stora 134).

From 1966 onwards Boumedienne resorted to successive waves of expropriation. In the biggest move on 24 February 1971 he nationalized all oil and gas reserves and pipelines. Finally on November 8, 1971, Boumédienne declared an "agricultural revolution" and forced some 90,000 peasants into cooperatives. As in Egypt, the state resources were augmented by credits and used to finance gigantic industry projects which, however, mainly turned into loss makers.

Another priority of the regime was "Arabizing" the educational system. As the minister of Information and Culture, Ahmed Taleb, put it in 1973: "France killed Algerian culture by cutting it off from all lifeblood, and by keeping it outside the moment of history. That is real murder" (Stora 169). Small surprise that Algeria refused to participate in the Francophone movement.

Relations with France and Western Europe were not cut off completely. There were, for instance still numerous French experts in the country. But on balance, transactions with Western Europe shrank enormously. The new regime looked instead fto the Soviet Union or China. Also the Algerian variant of "Arab Socialism" implied an automatic reduction of cooperation because private business contacts across the borders became severely restricted.

In the case of Libya, relations with Western Europe remained cooperative for many years after independence in 1951. The British gave the throne to Sayyid Muhammed Idris al-Sanussi, leader of the Sanussi religious brotherhood. As other traditional rulers, Idris saw no reason to turn hostile towards Western powers. And western payments for the use of military bases were an important source of income (Rogan 358-60). In 1959 oil was discovered in commercially relevant quantities. By 1969 Libya produced as much as Saudi Arabia.

On 1 September 1969 young officers under the leadership of Captain Muammar al-Qadhafi engineered a successful coup. Qadhafi was an admirer of Nasser and indulged in Pan-Arabism and anti-imperialism. The remaining Italian settlers were expelled. British and American bases were closed. Qadhafi also imposed Islamic norms such as a ban on alcohol

and closed churches. Foreign property was "Libyanized". In September 1970 in a trend-setting move he could press Occidental Petroleum to accept a price hike. Other countries soon followed these examples (Rogan 361).

Thus European interests in the Mediterranean suffered another severe setback. Qadhafi turned out to be the most bizarre of the revolutionary dictators, going so far as to finance terrorist activities on a wide range.

Syria also gradually developed into a system of revolutionary anti-Western military dictatorship. In 1963 the Ba'ath party inspired a coup, and by then Ba'ath and army leadership had taken on ideas on social transformation which were similar to Nasser's. In 1965 the Syrian economy became closed (if measured by criteria elaborated by Jeffrey Sachs and Andrew Warner)[I] when the state trading company SIMES received an import monopoly (Sachs and Warner 92). In foreign relations also this regime began leaning towards the Soviet Union and China. "Anti-imperialism" became a long-standing feature of the regime discourse. Writing in 2005 Rosemary Hollis observed: "The Ba'ath party in Syria still lambasts the French at independence day celebrations to stir national sentiment and unity" (Hollis 314).

Among the circle of the eight Mediterranean Arab countries (Jordan included), by the mid-1970s four had become revolutionary dictatorships which had no interest in closer cooperation with the EU[II] countries and leaned instead towards the Soviet bloc or China. Deliberately they cut many ties with Western Europe. Furthermore, their socio-economic system of "Arab socialism" implied by itself the drastic reduction of cross-border transactions. This was economically detrimental, but it also meant that there were fewer contacts, little coming-to know each other, little mutual understanding and few common work projects.

The case of Morocco and Tunisia was different. In both cases the traditional elites survived, and their foreign-political positions remained basically pro-West. However, in these cases as well the development strategy chosen in the 1960s implied a reduction in cross-border transactions. Tunisia experimented from 1961 with a (comparatively mild) form of Arab Socialism But this course met considerable resistance which the regime – authoritarian, but also corporatist-inclusive – could not simply override.. Finally in 1969 after a revolt of the peasants of Ouardine cooperatives became dismantled, some state-owned land was sold and the private sector explicitly acknowledged. However, the weight

of the state economy and bureaucratic regulations remained heavy for many years to come (Zank 2009 b 113f).

In Morocco the monarchy based its stability on a careful balance between traditional rural notables and modern bourgeois forces. Under these conditions large-scale confiscations or collectivization were excluded. However, Morocco opted for "Import-Substitution Industrialization" where new industries and agriculture were meant to thrive behind high protectionist tariff walls; also here the state tried to steer many economic processes through tight regulations (Zank 2009 b 115). At independence in 1956 the Moroccan economy was open, but became closed in 1964 (Sachs and Warner 86). Moreover, Morocco endeavoured to strengthen the role of Arabic in the education system. The French position was felt to be too dominant, but Morocco turned to the US for balancing, not towards the Soviet Union. Though not hostile to Europe or France, Morocco also witnessed a process of diminishing cooperation with the West.

Lebanon and Jordan followed basically a pro-Western course, which, however, meant a relative decline of European influence and a growing position for the United States. In the 1950s and 1960s both governments had to tread very carefully because Nasserist propaganda was very influential.

All in all, the years from the Second World War up into the 1970s saw a dramatic decline of European influence in the Arab world. As the main factors behind this development we have identified the emergence of revolutionary dictatorships which tried to build legitimacy on an "anti-imperialist" stance, and which erected socio-economic systems which were inimical to cross-border cooperation. In Morocco or Tunisia the case was much milder, but also there the development strategy implied reductions of cooperation.

In the 1970s "Europe" hardly existed. There was the European Economic Community. But this community had no common foreign policy. Trade matters were already regulated on a supranational basis. And in 1969 trade agreements with some preferential access were signed with Morocco and Tunisia. But the common trade policy did not generate much common political influence because the member states had divergent views on many matters. And in addition, the "common market" was not yet very common. Internal tariffs were abolished in the 1960s, but numerous non-tariff barriers hindered transactions. The crisis of the 1970s saw many neo-protectionist measures in European countries. The

smaller and highly fragmented European market was therefore much less of an attraction at that time than the enlarged and highly unified Internal Market which emerged from 1985 onwards.
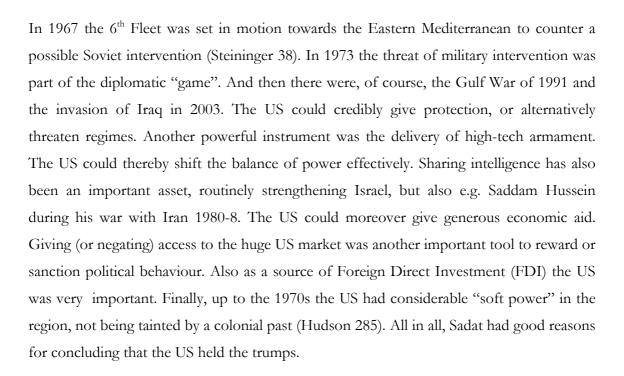
## 5. The rise of US hegemony

After the Second World War three main issues made the region important for the US: communism, oil and Israel.

In 1948 Kermit Roosevelt, an American intelligence expert, wrote: "Almost all Americans with diplomatic, educational, missionary, or business experience in the Middle East protest fervently that support of political Zionism is directly contrary to our national interests, as well as to common justice" (Hudson 289). Nevertheless President Harry Truman decided that the US would support the establishment of a Jewish state. Truman was under the influence of Zionist friends and wanted to gain Jewish support in the presidential campaign of 1948.

When the United Nations in 1947 proposed a division of Palestine, the Israeli side accepted, whereas the Arab governments tried to prevent the foundation of Israel by force. The following *Al-Nakba*, "the disaster" of Palestine, had a tremendous impact on Arab politics, weakening the position of many Arab governments (Rogan 276). This was one factor behind the coup of the Free Officers in Egypt 1952. And as we saw, the Israeli attack on the Gaza Strip in 1955 made Nasser look for Soviet help. In this way the Palestine conflict and US support for Israel helped bringing the Soviet Union into the region.

During the 1950s and 1960s Soviet influence grew, mainly due to the establishment of revolutionary dictatorships. However, "Arab Socialism" was a model of limited duration, despite substantial aid from both the US and the Soviet Union to Egypt (Roussillon 353-5). Economic growth in Egypt remained slow, with the country becoming heavily dependent on external financing. The war of 1967 was not only a political, but also a financial disaster. Nasser's successor Anwar al-Sadat came to the conclusion that Egypt's policies needed a profound correction. In his view the US held "100 percent of the cards" (Roussillon 360).

The US had many instruments at her disposal. There was, on the one hand, the strong military presence and the ability quickly to project military force to any spot in the region.

In 1967 the 6<sup>th</sup> Fleet was set in motion towards the Eastern Mediterranean to counter a possible Soviet intervention (Steininger 38). In 1973 the threat of military intervention was part of the diplomatic "game". And then there were, of course, the Gulf War of 1991 and the invasion of Iraq in 2003. The US could credibly give protection, or alternatively threaten regimes. Another powerful instrument was the delivery of high-tech armament. The US could thereby shift the balance of power effectively. Sharing intelligence has also been an important asset, routinely strengthening Israel, but also e.g. Saddam Hussein during his war with Iran 1980-8. The US could moreover give generous economic aid. Giving (or negating) access to the huge US market was another important tool to reward or sanction political behaviour. Also as a source of Foreign Direct Investment (FDI) the US was very important. Finally, up to the 1970s the US had considerable "soft power" in the region, not being tainted by a colonial past (Hudson 285). All in all, Sadat had good reasons for concluding that the US held the trumps.

## 6. Egypt Becomes an Ally of the United States.

Still in May 1971 Sadat signed a "friendship and cooperation treaty" with the Soviet Union which enabled a reconstruction of the Egyptian forces. But in July 1972 the Soviet military experts were expelled. And on October 6, 1973 Egypt and Syria jointly attacked Israel. Successful at the beginning, the war turned into a near-disaster for the Egyptian army. But meanwhile Arab oil producers, including Saudi Arabia, became enraged by massive US military aid to Israel and imposed a boycott on the US and Western Europe: The Arabs had discovered the "oil weapon". Finally, after intensive diplomatic activity an armistice was reached on October 22 (Rogan 370-2).

The US was under the pressure of the oil-boycott and had a strong interest in negotiated solutions. After US mediation, the Israeli agreed in January 1974 to give the Canal Zone back to Egypt. The oil producers ended their boycott in March 1974. After othergraduated Israeli retreat Egypt regained the oil fields on the Sinai. In this way the near-disaster of the October War turned into a remarkable political success for Sadat.

Regaining income from the canal and the oil fields was not sufficient to cure Egypt's desperate economic situation. Sadat hoped that by opening the Egyptian economy he could attract foreign investment, not least from the oil-rich countries. His "October Document",

presented in March 1974, marked the shift away from "Arab Socialism" and spoke of creating an association of Arab capital, western technology and Egyptian know-how in a pacified Near East (Roussillon 361). Experience had brought pragmatism to economic thinking.

In June the parliament passed Law 43 on foreign investment, the core document of the policy of *infitah*, the opening. It contained many privileges to foreign investors such as tax or tariff exemptions and allowed foreign banks to operate in Egypt again (Roussillon 361). The *infitah* could indeed attract some investment, but all in all this investment remained below expectations (Goldschmidt 148). As experiences from other countries have shown: Partial reforms in a socialist system are not sufficient to create new dynamism because market economies demand *a whole set* of interrelated reforms. However, to implement them has nowhere been easy: Followers of the previous ideology have mobilized resistance, and in addition there are many vested interests associated with the old system. These interests were perhaps  managers and workers in sectors so far sheltered against competition, or politicians who depended financially on these sectors. Furthermore, the benefits of reform have been rather diffuse for the population at large, whereas the risks are much clearer, at least to some groups. These factors can explain why transition to an open market economy has often been slow. In Egypt it took more than 30 years. Many observers say it is still unfinished (see below).

Violent riots broke out when on 17 January 1977 the Egyptian authorities announced the removal of subsidies on commodities such as butane, flour, oil, rice or sugar. Three days later the regime withdrew the measures.

In his financial desperation on 16 July 1977 Sadat launched an armed attack on Libya, in order to occupy some oil fields. The Egyptian army and public were unenthusiastic, and Washington made its strong opposition clear. Sadat had to back down after nine days. To quote again Heikal: "Thus it was that the food riots in January and a botched foreign adventure … led Sadat to the conclusion by mid-1977 that Egypt would have to negotiate a new relationship with Israel" (Rogan 388). This way Egypt could hope to attract substantial US aid and foreign investment. Also institutions such as the International Monetary Fund (IMF) where the US had a strong influence could be expected to become much more helpful. Thus also in this case hard economic realities brought about new political thinking

The first serious peace process between Israel and one of her neighbours began, with active US mediation. Finally President Jimmy Carter convened Sadat and Israel's Menachim Begin to a meeting in Camp David, Maryland, in September 1978. An agreement was reached which formed the basis for a formal peace treaty, on March 26, 1979. Begin conceded retreating from the whole of Sinai. But crucially, the agreement did not specify the future status of the Palestinian territories; the Palestine conflict remained unsolved.

Egypt was boycotted by the other Arab states. But she also gained a lot, besides peace: From the US Egypt received more than 2 billion dollars every year for most of the 1980s and 1990s (Sharp 78-80). Most of the aid was military aid, usually about 1.3 billion dollars as grants – every year (Sharp 80). Only Israel has received more. Egypt could replace the Soviet hard ware with US high-quality equipment.

The US and Egypt also regularly conducted joint military exercises. These made the Egyptian forces capable of going into action jointly with the US. They did so in 1991 in Kuwait. How close US-Egyptian military cooperation became is testified by a declassified report from the State Department, of August 1994 (Momami 2003 2):

*The thrust of our security assistance program is to build a modern force with interoperable equipment capable of maintaining Egypt's defense and of working effectively with U.S. forces in coalition warfare. Egypt's strong military is a stabilizing force in the region. Its strength is at an apex when combined with U.S. forces in regional coalition operations, as was demonstrated during the Gulf War. We rely on Egyptian cooperation in providing quick transit of Egyptian airspace and through the Suez Canal. The U.S. military routinely conducts 6-8 transits of the Suez Canal and some 500 military overflights of Egypt each month. Egypt has developed extensive experience in peacekeeping and its military forces are working to enhance these abilities. At our request, Egypt contributed significantly to UN peacekeeping operations in Somalia. Egypt also participated in peacekeeping operations in Bosnia and provided troops or observers in Georgia, Liberia, Mozambique, Western Sahara and Namibia.*

But the close military cooperation did not turn Egypt into a blind ally. In March 2003 she advised against the invasion of Iraq and did not participate in it. However, Egypt continued to allow for transits and was in 2005 the first Arab country, together with Jordan, to send an ambassador to Baghdad (Sharp 61). The US military aid has remained on a level of 1.3 billion dollar a year in the new millennium.

There has also been close cooperation in the field of intelligence, not least after 9/11. The long experience of the Mubarak regime in combating domestic fundamentalist

violence makes Egypt a valuable partner for the Central Intelligence Agency (CIA). There have been reports that the CIA has deported Al Qaeda suspects to Egypt for interrogation. It should be noticed that the US State Department has often criticized Egypt's widespread use of torture (Sharp 62 and 72f).

After 9/11 the Bush administration placed democracy promotion higher on the agenda. Among the instruments used were public speeches by top-ranking officials, aid to pro-democracy organizations, or negatively, withholding economic aid (see below). However, some have doubted the earnestness behind this commitment, at least after the Hamas election victory in the Palestine territories in January 2006 (Sharp 65f).

In the long run deep economic cooperation is perhaps the most important factor when it comes to placing relations on a stable basis. And they usually also create new dynamics in other fields. Economic ties have a socializing effect: People cooperate and interact, come to know each other and build trust, in particular among business elites and parts of the political and administrative elites. Deepening economic relations require also stable and expanding legal and institutional arrangements, with common decision-making and dispute settlement mechanism, thereby paving the way to at least *some* political integration. However, in the case of Egypt and the US, economic cooperation did not properly get off the ground. It is true that US economic aid was generous for many years after the Camp David Accord, about 800 million dollars a year (Momami 1). One of the purposes was to promote economic reform. But Egypt remained for a long time an ineffective statist system, and, seen from Washington, much of the aid was wasted. US policy had usually no levers to press for reforms. According to a report from the U.S. Government Accounting Office (GAO) officials in the State Department "believe that pushing too hard for these changes may raise political tensions … and could adversely affect other important aspects of our bilateral relationship." USAID reported that "… the Egyptian government would greatly resent any effort on the part of the United States to conditions or even create the appearance of conditionality being attached to assistance." Seen from Cairo the US aid was an entitlement for the Camp David Accord (Momami 3f).

However, Egypt's external debt was rapidly growing, 10 billion dollars in 1976, 40 billion in 1987 and 53 billion at the end of the decade (Roussillon 374). Egypt had to ask the IMF for assistance. In 1987 the IMF granted 325 million dollars, conditional of economic reform: Reduction of subsidies and "price reality" e.g. as regards electricity and

petroleum derivates, liberalization of agricultural prices and of foreign trade, higher interest rates, privatization of the state-owned industries, unification of the exchange rate and devaluation. Cairo accepted but then did not comply. The Egyptian government was afraid of social unrest and asked for more time, but did not deny the necessity of reform (Olsen 61). In 1989 Egypt could not pay 600 million dollar on its military aid; and according to the Brooke Amendment in such cases economic aid has to be suspended (Roussillon 375). In 1991 a new agreement was signed with the IMF and a third one in September 1993 which released new funding. Egypt's creditors agreed on a reduction of its debt, from above 50 billion dollars to 20 billion. In connection with the 1991-agreement a "Social Fund" was also created. It should directly support Egypt's poor and create 150,000 jobs (Olsen 64).

Egypt did indeed undertake several reform steps from 1991 to 1997. The fiscal deficit fell to 0.9 percent of GDP by 1997, the exchange rate was united and devalued and then used as nominal anchor for monetary policy. Inflation dropped to 6.2 percent, and the current account came into surplus. Quantitative restrictions on imports were abolished and tariffs lowered. Privatization began in earnest; in 1997 83 firms were sold for 2.4 billion dollars, about 2.5 percent of GDP (Galal and Lawrence 12). In 1995 Egypt became member of the World Trade Organization, an important step for anchoring reforms.

In the 1990s pressure was rising in the US Congress to reduce aid to Egypt. But in 1994 a report by the Congressional Budget Office (CBO) also stated: "Larger cuts could well be imprudent. Israel and Egypt remain very important US allies in a region still fundamentally unstable and dangerous. Moreover, Egypt's political stability – a linchpin of the prospects for lasting Middle East peace – is hardly assured at this time, and its prognosis might worsen if economic conditions deteriorated further" (Momani 5).

## 7. "Qualified Industrial Zones", but no Free Trade Agreement

The solution to this dilemma was seemingly found in the formula "trade and not aid". On the one hand, economic aid (not military) was reduced from 1998 onwards, from 815 million dollar down to 490 million in 2006 (Sharp 77). On the other hand initiatives were taken to strengthen US-Egyptian trade links and for promoting private-sector investment (Momani 6).

In 1994 Vice President Al Gore became responsible for the dialogue with President Mubarak within the so-called "US- Egypt Partnership for Economic Growth and Development." Various committees were formed in order to give advice. A bi-national Presidents Council was founded, which consisted of 15 American and 15 Egyptian corporate representatives. Among them was Gamal Mubarak, the president's son.

The Presidents' Council became a new channel for communicating US desires as regards economic reform. In March 1997 US President Bill Clinton declared that "the U.S. Egypt partnership for economic growth and development has made a real difference by promoting privatization and tariff reductions … The Presidents' Council … has achieved dramatic success, increasing trade and economic reforms, and deepening support for necessary economic reforms" (Momani 7).

In 1996 the Clinton administration opted for establishing so-called Qualifying Industrial Zones (QIZ) in Jordan and Egypt. These are industrial parks from which companies can export their products to the United States duty free, provided that part of the inputs comes from Israel and/or West Bank/Gaza Strip (Bolle et al. 111).     Jordan responded quickly and established 13 QIZs, and trade figures rose substantially. By 2005 US imports, most of them from the clothing sector,, had risen to 1.3 billion dollar, 80 times higher than in 1998. US exports were about 646 million dollar, 1.8 times their 1998 level. In 2001 Jordan was awarded a Free Trade Agreement with the US. Bilateral trade between Jordan and Israel rose, not the least due to the QIZ. In 2004 Israel exported roughly in the value of 133 million dollars to Jordan (21 million in 1997), and Jordanian exports rose from 12.5 million to about 51 million. By 2003 the QIZs had created some 40,000 jobs, most of them for women. However, traditional attitudes still forbid many women to work outside the house, and therefore about half of the new vacancies have been filled with expatriates from Asia. The economic gains have, however, come with a political price, because many Jordanians have opposed any normalization of relations with Israel (Bolle et al 112-6).

Not least with a view to the political costs, Egypt initially did not respond to the QIZ initiative. However, in 2004 she signed a corresponding agreement with Israel, whereafter in December 2004 Robert Zoellick, the US Trade Representative, designated three QIZs in Egypt and in November 2005 a fourth one. Egypt felt under pressure because on 1January 2005, following a WTO agreement, the quotas on textile and clothing were to be abolished. New exports from China or India could crowd out Egyptian producers (Bolle et al 113f).

The QIZs were not the only form of Israeli-Arab economic cooperation. In Jordan and Egypt Israeli investors have created numerous jobs, most prominently Dov Lautman, the biggest entrepreneur in the textile industry. By 1999 20 Israeli companies had invested some 3o million dollars in joint ventures. The biggest single project is a deal worth 2.5 billion dollar, signed in June 2005. Egypt will deliver gas to Israel for a period of 20 years. Jordan can use the Israeli harbour of Haifa; bilateral projects address the problem of water scarcity, and Jordanian workers were to be employed in Israel. Together with Jordanian partners Israeli companies gained access to Iraqi orders. Shimon Peres announced early in the 1990s the vision of stabilizing the region by extensive Israeli-Arab networking (Hofmann 31f). There has actually been progress in this direction.

On 1 July 1998 the US and Egypt signed a Trade and Investment Framework Agreement (TIFA). US Trade Representative Charlene Barshefsky declared it "marked the first step towards creating freer trade between our two countries, and established the basis for stronger economic ties to bolster our joint efforts at further peace in the region" (Momani 8). However, the TIFA contains mainly declarations of intention. Its main substance is the creation of a joint Council on Trade and Investment at ministerial level for consultation (US Trade Representative).

The American members of the Presidents' Council lobbied in Congress for a Free-Trade Agreement (FTA) with Egypt. A Congressional letter to President Clinton, of 1 November 2000, highlighted its political importance: "A U.S.-Egypt free trade agreement, when combined with free trade agreements with Israel, the Palestinians, and Jordan, would form the basis for a Middle East Free Trade Region with the essential peace partners. Regional economic integration will be a key to lasting peace and stability in the region" (Momani 8).

However, presidential elections were approaching, and the Democrats counted on the support of labour unions which were opposing more free trade. Officially the administration said that Egypt was not yet "ready". The US ambassador in Cairo, Daniel Kurtzer, presented a long list of things which Egypt had to do before negotiation could begin (Momani 8):

*1) Full implementation of the WTO TRIPS [Trade-Related Aspects of Intellectual Property Rights] agreement; 2) Implementation of the WTO Customs Valuation Agreement, 3) joining the WTO Information Technology and*

*Basic Telecommunications Agreement; 4) liberalization of additional services and additional tariff reductions; 5) additional IPR [Intellectual Property Rights] Protection; 6) improving Egypt's standard and inspection program; and 7) consider joining the WTO Government Procurement Agreement.*

George W. Bush presented himself as free trader during the election campaign, and after taking office he announced his *Competitive Liberalization Strategy*, by simultaneously negotiating market opening at the multilateral, regional and bilateral levels (Mildner 21). This seemed to bode well for Egypt. On 1 March 2001 President Mubarak announced that he the following month would initialize a FTA. However, the US government demanded an immediate implementation of the TRIPS agreement, in order to protect American pharmaceutical companies' patent rights. For fear of social unrest Cairo declined.

Two years later there seemed to be new reason for Egyptian hopes when Bush proposed the project of a Middle East Free Trade Agreement (MEFTA), on May 9, 2003. This was presented as a means to fight terrorism, by supporting the spreading of prosperity and democracy. Zoellick explained more details on June 23 at the World Economic Forum in Amman: All countries which belong to the "Middle East", as defined by the US Trade Representative, were invited to join. The MEFTA initiative proposed some short-term measures such as the extension of trade preferences within the Generalized System of Preferences (GSP. The long-term project aimed at FTAs. Interested countries should join the WTO, sign a Trade Investment Framework Agreement (TIFA) with the USA and conclude a bilateral investment Treaty (BIT). A FTA would be the culmination of this process. And once a FTA was signed, neighbouring countries could be "docked" (as US sources expess it) to it. When MEFTA was announced, Egypt had already concluded all four preparatory agreements (Bolle 149-153 and 162).

The MEFTA initiative seemed to address the region as a whole, which is a rarity in US diplomacy. However, the negotiations with the countries were carried out on a strictly bilateral basis, even if this meant a setback for existing schemes of regional integration. One example is the FTA with Bahrain, approved on 1 November 2006. Bahrain has been member of the Gulf Cooperation Council, and this was supposed to be a customs union. But this did not prevent Bahrain from negotiating bilaterally with the US.

At any rate, it does not appear that Bush and Zoellick invested too much time into preparing the MEFTA initiative. It is perhaps revealing that Cyprus, being part of the

"Middle East" in the office of the US Trade Representative, was mechanically included in it. And a report by the Congressional Research Service (GRS), dated January 2006, about the "progress towards MEFTA"[III], also listed Cyprus in its tables, without any comment. But when Bush announced MEFTA, membership negotiations between the EU and Cyprus were already finalized. The country became a member in 2004, thereby losing her competence to negotiate individual trade treaties.

When the MEFTA initiative started, FTAs were already in place with Israel and Jordan, and one with Morocco on track. Negotiations with Bahrain were completed in September 2004 (Bolle 158), and with Omam some time later. This is a very patchy outcome. Globally the Bush administration finalized FTA negotiations with sixteen countries (Blustein 291). It does not appear that the Middle East has had a privileged position, the high-flying rhetoric when launching the MEFTA initiative not withstanding.

The FTA with Egypt remained a non-starter. On January 17, 2006 the "New York Times" reported that the start of negotiations had been put on hold. Allegedly this was a protest against the five-year prison sentence of Ayman Nour, a leading figure of the secular opposition (Sharp 68).

By this time the US were again gripped by trade paralysis. In 2005 President Bush's Trade Promotion Authority (TPA) expired. Under this arrangement, granted to him in 2002, Congress would only vote "yes" or "no" on a treaty, but not amend or change details. Without a TPA, ratification in Congress becomes a very lengthy process with substantial changes. This reduces incentives for other countries to negotiate, because compromise packages can be unravelled. And in the American public the mood has shifted. According to a poll from March 2007 almost half of the US citizens believe that globalization is detrimental. This should be seen against the background of high deficits in US trade and the corresponding threats to jobs, particularly for non-skilled workers. Social security in the United States is moreover severely underdeveloped. Unemployment subsidies are paid for 26 weeks only, and 60 percent of those entitled to a health insurance have it only via their job (Mildner 24-6). In this respect the lack of social security can have a substantial impact on a country's "integratability" into the world economy, and thus on its foreign policy.

In November 2006 the Democrats gained the majority in both American legislative chambers. Thereafter human rights, environmental regulations or labour standards had to

be incorporated into trade agreements. Third-World representatives uniformly have vigorously objected to these inclusions because they can destroy their biggest advantage: Cheap labour. The FTAs with Panama, Peru and South Korea were altered and the one with Columbia postponed until further notice (Mildner 26f).

In our context , the important point is that the US has become unable to place economic relations with Egypt on a more institutionalised ground. This has also meant that the US lost much influence when it came to supporting the Egyptian reform agenda. As Ahmed Galal and Robert Z. Lawrence stated in a publication aimed at promoting a FTA (Galal and Lawrence 28):

> *The recent history of economic reforms in Egypt suggests that processes are more sustainable, and reform elements better integrated, when they are carried out in the context of external binding agreements. Conversely, unilateral reforms tend to be volatile and often not sufficiently integrated.*

The US could not fill this role. But another external actor appeared to fill the vacancy.

## 8. Europe becomes an "attractive" neighbour

In 1972 at their Paris summit the EU member governments asked the Commission to have a look at the rather patchy pattern of agreements with Mediterranean countries and to develop proposals to ensure "an overall and balanced handling" of the matter (Gomez 30). The Commission answered by proposing a Global Mediterranean Policy (GMP). The long-term object should be a Mediterranean free-trade area, the idea thus being aired some 30 years before President Bush did so. The main instruments of the GMP were to be new "Cooperation Agreements", covering not only trade, but also capital movements, technology transfer, migration and environmental and financial assistance. The non-member countries should gain free access to the EU market in manufactured goods (with the important exception of textiles and refined petroleum) and improved access in agricultural products, whereas the EU did not demand similar concessions. Cooperation Councils and committees were to be established for each agreement, comprising representatives for the Commission, the member states and individual non-members.

The GMP can be seen as the first example of a coherent EU foreign policy (Gomez 34). Under the GMP eight new agreements were signed (with Egypt in January 1977). With

another five countries quite comprehensive agreements were concluded already before the start of the GMP. The agreements thus covered all Mediterranean countries, safe Libya and Albania. The economically more advanced countries were indeed drawn closer to the Community. But the effects on the Arab Mediterranean countries were less marked. The remaining restrictions on agricultural products and textiles hit exactly branches were these countries had comparative advantages (Gomez 31-3).

Several points are worth noting. . Firstly, the European Union managed to develop a consistent long-term policy towards the region. Secondly, the policy was constructed with a view to the region a whole, not just an addition of country specific policies. Thirdly, economic policy and trade occupied a central place, but cooperation with binding rules was extended to fields such as migration, and political dialogue was sought to cover practically all fields. Fourthly, strengthening of economic ties was a long-term policy. It would be erroneous to see this only as economic opportunism. It shows a rather different philosophy to that on the US-side. The countries should not be "rewarded" with a free-trade agreement in case they "behaved well". Rather, more trade and economic cooperation were seen as vehicles which would make these countries "behave" better.

Four processes gradually led to a rather dramatic increase of the EU's weight in the Mediterranean. The first was the EU's geographic expansion. In 1981 Greece became member and 1986 Spain and Portugal. Turkey formed a customs union with the EU in 1995 and gradually adopted huge parts of EU's regulatory *acquis communautaire,* not least after the start of membership negotiations in 2004. And finally in 2004 Cyprus, Malta and Slovenia joined the EU. Thus the EU came geographically closer to the Middle East , and the EU trade conditions became extended to the new members.

Secondly, from 1985 onwards the EU endeavoured to create an Internal Market. Tariff barriers among the member states had been abolished in the 1960s, but non-tariff barriers such as diverging product standards or state monopolies had kept the EU market fragmented. However, with the Milan Summit in 1985 and the new treaty of the Single European Act in 1987 the non-tariff barriers in Europe were addressed. From then onwards in matters pertaining to the Internal Market the EU could pass legislation by Qualified Majority in the council of ministers, with a proper role for the EU parliament. Hundreds of supranational legal acts were generated which created regulations on an EU-wide scale. In other words, the EU passed to "deep integration", implying not only changes

at the borders (as in the case of "shallow integration"). Detailed "deep" integration requires common legislative bodies and monitoring and supranational adjudicative institutions such as the European Court of Justice. No other regional-integration scheme has gone so far in this direction as the EU.

The construction of the Internal Market has had various consequences in our context. Firstly, the EU-market started to exert a strong gravitational pull on its neighbours. Many exporters in neighbouring countries focused their attention on this big market. This often required adaptation to the EU rules. And once the rule-making institutions for deep integration were in place, the process could be extended beyond the EU borders. The others "just" have to adapt.

The third factor increasing the EU's weight was the re-modelling of the Common Agricultural Policy (CAP). With the McSharry Reform of 1992 the guaranteed internal agricultural prices were stepwise lowered and external protection and export subsidies correspondingly reduced. The farmers were compensated by direct payments. This made it much easier for the EU to become open to agricultural imports. Thereby it gained more room for manoeuvre in trade matters.

And fourthly, the EU gradually evolved into a much more coherent foreign-policy actor. With the Maastricht Treaty of 1992 the Common Foreign and Security Policy became part of the EU policies, albeit only on an intergovernmental basis. In 1999 a military component was added which enabled the EU to conduct peace- keeping missions. The EU has not become a completely unified foreign political actor (as evidenced in 2003 at the invasion of Iraq). But in ever more fields the EU can agree on common policies and common actions.

Finally: Colonial repression and Suez 1956 have become history. As to the Palestine conflict the EU is seen much more as a neutral arbiter than the US. Arab élites have come to wish for a stronger EU role in the region (Hollis 325). Consequently it appears that the EU has overtaken the US as regards to "soft power".

## 9. The EU progresses to "deep integration" with her neighbours

During the 1980s France, Italy, Spain and the Commission successfully pushed for giving the Mediterranean a higher priority. As one step, in 1990 these countries got quota-

free access in textiles. By 1994 the EU policies towards the Mediterranean came under one framework called "Euro-Mediterranean Partnership" (EMP) (Gomez 49f).

The EMP developed along two lines. The first one consisted of the conclusion of new Association Agreements with practically all Arab Mediterranean countries (safe Libya and Syria). The agreement with Egypt was signed in June 2001 and entered into force in June 2004. The agreements provided for a transition to *mutual* free trade in manufactured goods. Non-sensitive products were to be opened quickly sensitive areas from year 4 to 12 (Holden 50). Tunisia actually completed liberalization by January 2008, two years ahead of schedule. This process of opening towards the EU should be accompanied by liberalization *among* the Arab countries, with a view of creating a proper Mediterranean free-trade area. An important step in this respect was the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia, signed in 2004, where these countries agreed on free trade among themselves. These countries had already agreed upon substantially free trade in the framework of the Greater Arab Free Trade Area (GAFTA). However, the countries of the Agadir Agreement agreed on liberalization based on the terms as agreed with the EU, thereby complementing the treaties with the EU. Crucially, as to rules of origin the Agadir countries adhered to the "Pan-Euro-Mediterranean System of Cumulation", as finally adopted by the EU Council in October 2005. This allows for the accumulation of value-added through the whole area of European Economic Space and the Mediterranean partner countries. For instance, a Tunisian exporter might sell shirts in Egypt or Italy as "Tunisian", even when little work on the product had been done in Tunisia itself, but instead in Jordan and/or France. Or Israel. However, by the end of the decade none of the four Arab countries had yet properly implemented these rules of origin (Zank 2010).

The Association Agreements did not yet cover trade in agriculture or services, nor did they aim at a harmonization of regulation. These fields should be addressed later in the process. But the agreements were not just on trade. Promotion of rule by law, human rights and democratization were explicit elements of the agreements. The EU has also repeatedly pushed partner countries to adhere to international conventions, e.g. UN conventions on torture, WHO standards or OECD rules on government procurement. Numerous common institutions were established in the context of the Association Agreements, from a high-level Association Council to specialised Association Committees

and working groups. A new financial programme was also installed, MEDA (*mesures d'accompagnement*).

In 2003 the EU launched the European Neighbourhood Policy. The neighbours should get a "Stake in the Internal Market". This meant the offer to extend most of the Internal Market and other EU programmes to them. The financial means were again upgraded (MEDA II). A neighbouring country and the EU should together elaborate an Action Plan which listed the main fields of cooperation and EU assistance. With Jordan, Morocco and Tunisia such Action Plans were finalized in 2004. Egypt and Lebanon followed in 2005.

In this context the EU developed a new type of conditionality: Unlike e.g. US aid to Egypt, the EU did not allocate fixed MEDA sums to individual countries. Instead, it is based on a kind of competition among the receiving countries. The best proposals get the money (Holden 61). It is, of course, the EU to decide which projects are the best.

There has also been a *multilateral* process going on since 1995, inaugurated by the Barcelona Conference, with the EU members and twelve Mediterranean non-members participating, including Israel, Lebanon, the Palestinian Authority and Syria. A common declaration laid out guide lines for a working programme on all levels. In the course of the Barcelona Process several new agreements were negotiated, e.g. on combating pollution. New types of collaboration were established, for instance *FEMISE*, a network of economic institutes. In general, however, the results remained below expectations. This was perhaps already due to the broad multilateral setting. Furthermore, when *Intifada*, the revolt in the Palestine territories, broke out, Arab politicians withdrew from many sessions with Israeli representatives. But also between the EU and Arab countries misgivings emerged. For instance, words like "democracy" or "human rights" for Arab regimes often smacked of interference when used by the EU

In 2008 the Barcelona Process experienced a kind of revival with the "Union for the Mediterranean". This was initiated by French President Nicolas Sarkozy and his aim was presumably to avert Turkish EU membership, offering instead membership in another club. Other EU leaders "convinced" Sarkozy that such an initiative must be placed within the Barcelona Process. It suffered, however, similar problems, for instance in 2009 when Israel invaded the Gaza Strip. Egypt accepted the first co-presidency (together with France), thus signalling (again) her wish for more cooperation.

All in all, the EU has become an important actor in the Mediterranean. In a process stretching over decades, the Union has developed a dense network of binding contractual relations and institutionalized forms of cooperation and dialogue. In economic terms the EU has become the most important partner for the Arab Mediterranean countries (and Israel). Furthermore, economic integration has proceeded to some "deep integration" and many adaptations – of the neighbours to the EU.

We shall have a closer look what this has meant for of Egypt.

## 10. Beginning "Deep" Integration" with Egypt

The Association Agreement came into force in June 2004, and an ENP Action Plan was mutually approved in March 2007, for a period of three to five years. Implementation began in June 2007. By the end of 2009 meetings have taken place on all levels. The highest ranking body, the Association Council, held its sixth meeting in April 2010. In addition to the Association Committee, seven of the eight subcommittees and a working group on migration have met; likewise an Economic Dialogue was held. As the EU Commission reported, the overall progress in 2009 "can be summarised as encouraging, with a strong commitment to social, economic and sector reforms, and to a lesser extent to political reform" (European Commission 2010, 2). In 2008 Egypt expressed her wish for deepening relations; an *Ad hoc Group* was formed to explore possibilities for this.

According to the Commission's latest ENP *Progress Report*, Egypt is an "active partner" for the EU's Common Foreign and Security Policy (CFSP) (European Commission 2010, 7). Cairo has continued to explore a comprehensive solution to the Middle East Peace Process, in particular through mediation efforts between the Palestinian factions. Egypt is actively engaged in Africa (e.g. Darfur) and in the Africa-EU political dialogue. Cairo also pursues a policy of regional disarmament and non-proliferation of weapons of mass destructions.

In October 2009 an agreement was signed with the EU on the bilateral liberalization of trade in agriculture, processed agricultural products and fish and fishery products. Only a "very limited number" of sensitive products are left subject to some protection (European Commission 2010, 10). The agtreement entered into force on 1 June 2010. The dismantling of Egyptian industrial tariffs has proceeded in line with the Association Agreement. However, in 2009 the Egyptian authorities introduced some restrictive measures such as an

export ban on cement or new import duties on white sugar, without respecting the notification rules of the Association Agreement. As to the establishment of a dispute settlement mechanism no progress has been made.

On the other hand, Egypt speeded up the preparations for an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). In December 2009 an EU expert mission assessed the progress made. The Egyptian Accreditation Council became an associate member of the European Cooperation for Accreditation body. Egypt adopted EU standards for toys, vehicles and vehicle parts, low voltage equipment and milk and milk products. A Consumer Protection Agency began operations in 2009, and Egypt signed cooperation agreements with some European laboratories which can provide services to Egyptian companies. Egypt is in the process of establishing a single food safety authority and a unified food law. However, in August 2009 the EU banned the import of Egyptian potatoes because they were brown-rot infested. After new Egyptian guarantees trade could be resumed for the 2009/10 season. In April 2009 Commission experts undertook a control mission to Egypt as to fishery products. Thereafter the Egyptian authorities provided an action plan, in order to address the deficiencies found. In 2009 Egypt also linked up to EU's Rapid Alert System for Food and Feed (European Commission 2010, 11).

Negotiations between the EU and Egypt on liberalization of services and establishment of companies are ongoing. Potentially their impact is vast. By 2008 the Egyptian competition law had been amended and the competences of the Egyptian Competition Authority (ECA) strengthened. The Egyptian authorities will introduce legislation on state aid to companies based on the EU model. As to intellectual property rights only limited progress has been made made. At least, Egypt ratified the Madrid Protocol relating to the Madrid Agreement on International Registration of Marks. But in order to fulfil her obligations in the ENP Action Plans Egypt still has to accede to several conventions in this field.

Egypt has endeavoured to improve her statistical system, with assistance from EU's MEDSTAT program. A twinning contract, bringing Egyptian and European institutions in contact was signed in July 2008 (European Commission 2009, 15). In 2009 the statistical offices of Egypt, Israel, Jordan and the Palestinian Authority were working together in order to reduce "asymmetries". Together with the World Bank the EU Commission

undertook an assessment of internal audit and expenditure control of Egyptian public expenditure; there is still considerable need for reform. As to enterprise policy, Egypt actively implements the Euro-Mediterranean Charter for Enterprise, a program endorsed on 4 October 2004 at the Fifth Conference of the Euro-Mediterranean Ministers for Industry, aiming at improving the conditions for smaller companies. Egypt has eased access to financing for small and medium-sized enterprises and expanded the network of Technology and Innovation Centres.

In the field of transport the EU supports a reform of the regulatory framework under a program endowed with 80 million euro. In road transport Egypt has taken steps to introduce regulations for issuing operator licences in line with EU standards. There are ongoing negotiations with the EU on a horizontal agreement in civil aviation. A maritime framework law which will bring Egyptian legislation closer to international and EU standards was sent to the cabinet for approval. However, a new decree demands that all companies in maritime services must have an Egyptian "partner share" of at least 51 percent, and this has created a barrier to the liberalization of services (EU Commission 2010, 15).

In 2008 Egypt and the EU signed a Memorandum of Understanding on a strategic partnership on energy. Egypt intends to become an energy bridge connecting the Mashraq countries, Iraq, Africa and the EU. The Arab Gas Pipeline from Egypt currently reaches Syria and will connect with the EU via Turkey Egypt also supports Mediterranean electricity and gas connections, and the Mediterranean Solar Plan can one day form the basis for electricity exports to Europe. Egypt has started to export electricity to Lebanon, via Jordan and Syria. Egypt also plans to construct nuclear power stations. The EU and Egypt have started a project aiming at strengthening Egyptian nuclear institutions.

The regulatory framework on telecommunication is in the process of being aligned to the EU. An EU-Egypt Innovation Fund finances investments in new R&D-based products. Egyptian researchers also participate in the seventh European framework program for research (FP7). 464 Egyptian applications were sent, of which 59 were successful. Reform in Higher Education is implemented with reference to relevant aspects of the Bologna Process. EU's TEMPUS program has been one of the main catalysts for Egyptian reforms in the field of higher education. Students and scholars have benefited from Erasmus Mundus scholarships, including 139 mobility grants.

Cooperation does not seem to work smoothly on all fields. For instance, no progress was reported on border management. "Egypt has declined to enter into dialogue on this issue" (European Commission 2010, 13). Nor has Egypt signed the Ottawa Convention, thus hindering EU support for mines clearances in Sinai and El-Alamein (European Commission 2010, 7). In general, there has been s only limited progress on the fields of democracy and human rights. There have been, however, some encouraging signs. For instance, the number and readership of independent newspapers continued to grow in 2009; , non-Muslim citizens do not have to have their religion registered in identification documents anymore; the participation of women in public life has increased; there has been progress in combating Female Genital Mutilation which was prohibited by law in 2008.

All in all, the closer cooperation between the EU and Egypt is of a rather recent date. But the process of "deep integration" has apparently begun in earnest. Galal and Lawrence pointed out that a US-Egyptian Free-Trade Agreement could become a reform anchor in Egypt. It now looks as if Europe has taken on this role.

Measured in economic terms, the EU is Egypt's largest partner. In 2008/09 the EU received 33.9 percent of Egypt's exports. In spite of the steep economic contraction in Europe this was a slightly higher share than in the years before. The share of the US dropped to 25.5 percent, down from 31.6 the year before (American Chamber). The Egyptian economy, still in the 1990s caught in a low-growth trap, has become very dynamic, with growth rates around seven percent in the three years before the crisis and still 4.7 percent in 2009 (European Commission 2010, 2)

In 2002 Søren Dosenrode and Anders Stubkjær quoted Arab officials: "Ambitious as it may sound, the Arab world may be revitalized as a potential trading partner and political ally of Europe" (Dosenrode and Stubkjær 145f). It appears that Egypt has indeed moved in this direction. Others, notably Tunisia, have been even more successful (Zank 2010).

## 11. Comparison and Theoretical Conclusions

When comparing US and EU relations with Egypt, similarities and differences appear. The EU and the US share a similar ambition, namely to push Egypt (and other countries) on the way towards open market economy, rule by law and democracy.

However, there are differences in their capabilities. The US influence in the region is to a high extent based on military power. Only the US can protect a country or restore its independence, as evidenced e.g. in 1991 in the case of Kuwait. Egypt is also dependent on armament deliveries and military cooperation with the US. But the military cooperation and economic aid do not seem to give much leverage to the US to influence internal developments.

In other fields, notably economic cooperation, the US has been much less successful. The failure to conclude a free-trade agreement stands out. In this context, US-internal factors, i.e. anti-globalization moods have been crucial.       In economic and other types of practical cooperation the EU has overtaken the US. Egypt has enjoyed free access in manufactured products to the EU for decades, and with the Association Agreement of 2004 a process towards mutual free trade began, including agriculture and presumably services. Moreover, economic integration has entered the sphere of "deep integration". Egypt has begun to implement EU juridical acts and entered into technical cooperation in many fields. Suppose Egypt wants to continue on this road, and most probably she will do so, reforms on many fields will follow which hardly leave any section of Egyptian society untouched. Taking full advantage of EU's Internal Market requires, for instance, transparent and rule-based handling of state aid to companies. In general, making Egypt's market economy efficient and taking full advantage of the cooperation with the EU requires strengthening rule by law. Egypt has taken many steps in this direction already. Getting a "Stake in the EU's Internal Market" also requires a reform of the education system which brings curricula and demands on the labour market closer into correspondence. The EU is involved in this. And because Egypt is adapting  to the Internal Market, it follows also that EU decisions will have an ever growing impact on Egyptian society. Increasing Egyptian endeavours can be expected to influence EU decisions.

We can also link these developments with theories of international relations. In the 1970s the region was characterized by intensive inter-state rivalry, even war. The axioms of "Realism" seemed tobe setting the tone.. And in this "realist" world hard capacities such as military power, were of prime importance, which in turn can explain why Egypt turned to the United States. But the picture became very different in the new millennium. War between Israel and Egypt can presumably now be excluded. Military means, while not being unimportant, have lost much *relative* importance.  Furthermore, due to the processes

of economic opening, Egypt and other countries in the region have entered patterns of mutual dependence, not the least with Europe, but also to some extent with Israel. For this new world "Liberal Interdependence" seems to be a much better theoretical framework. And this implies also that factors of influence which are highlighted in this theoretical school, e.g. economic attractiveness or soft power, have become more important. In this field the EU is much stronger than the US.

Most likely, Egypt will continue on the road to further integration with the EU because it is the interest of the regime whose stability depends on economic growth. In case Egypt turns democratic, the interest in closer relations with the EU will rise even further because democrats in the EU's neighbourhood view the Union as an anchor for democracy. Matters would, of course, take a different turn in case of an Islamic revolution. But this looks extremely unlikely today.

The current situation is therefore completely different from the 1950s and 1960s when Europe's influence in the region collapsed. The Arab countries and notably Egypt were by then completely different *internally*. Due to fragile institutions the region was particularly vulnerable to military coups. And once a military dictatorship was established, the power of ideas could become crucial. In the 1950s and 1960s it was still perfectly possible to think that socialism was a promising development strategy. Political legitimacy moreover could in that era be built up in a way impossible today, namely by appeals to nationalist or pan-Arab sentiments, and by lambasting "imperialism" and "Zionism". This in turn increased the likelihood of conflicts.

However, if the power of ideas was very important when it came to explain why Egypt and other countries started a policy of confiscations, it comes nevertheless as a surprise that the Nile country came to build up a system which came to resemble the Soviet Union, or at least Poland. After all, Nasser and his comrades were not Marxist ideologues. Here the model of the "affinity among the elements of the socialist system" has high explicatory value (see e.g. Kornai, 365-8). As explained above (page 3), once confiscations have reached a certain level, strong structural pressures emerge which press the system towards a fully-fledged socialist system. We can see this also a case of "path dependency" in the light of Historical Institutionalism.

However, Arab socialism and Import-Substitution Industrialization turned out to be dead-end roads. Main-stream economic theory has highlighted for many years why this has

been the case, and systematically so: The destruction of the price mechanism as measure of scarcity and efficiency, distorted calculations for investment decisions, long and cumbersome bureaucratic decision-making procedures, and the like are economically devastating.. It was Kornai who placed particular emphasis on the "soft budget-constraint": State-owned companies could continue to be loss-makers without being punished by markets or competition. It was therefore no coincidence that "Arab Socialism" failed. This was part of a world-wide pattern. The power of the ideas of the 1950s necessarily came to an end.

Hard economic lessons forced these regimes to start reforms towards open market-economic systems. There was no credible alternative any more. Under the pressure of harsh economic problems and social and political instability (e.g. in the form of radical Islamism) postponing economic reform indefinitely was not an option.

Against market-oriented reforms there has been much resistance, and policies have often been inconsistent. Small wonder because every reform is risky, not least for certain groups which hitherto have been sheltered from competition. And these groups with concentrated interests could at times be particularly influential. In this context we can revert to the theories of collective action, as developed e.g. by Mancur Olsen. In addition we should also take into account ideological anti-globalisation resistance, based e.g. on Muslim values which were perceived to be threatened in such a process. Here Social Constructivism can contribute something.

However, in spite of much resistance and many inconsistencies, after many years most of these countries, Egypt included, ended up becoming rather open economies. By increasing economic integration and division of labour with the world outside they revitalised their economies, and regime stability depends on this. Closer cooperation with the outside world, and this means first and foremost the EU, has become therefore an interest of the regime. The march towards the market economy has been conditioned by structural forces. Efficient market economies demand a whole set of interlinked reforms such as economic opening, a rstable monetary system, secure property rights, and the like. That still leaves much room for differences among countries, but these basic functional prerequisites must be in place. We might see this again as a case of Path Dependency: Once the decision for an efficient market economy is taken, a whole set of necessary steps

follows, if the government does not want to see the country stuck in non-performing institutional hybrid settings.

That the EU countries have built up a huge Internal Market and also developed a common external policy can also be explained by structural factors: The logic that economic growth presupposes increased division of labour and interactions with other countries applies to the EU countries as well, even more so because high-developed countries have also a higher level of specialization. Furthermore, countries with a high dependency on their external surroundings have a common interest in making these surrounding stable and calculable. Common experiences in similar settings lead first to similar views and then to common activities towards stabilizing the surroundings of the EU.

Inviting the neighbouring countries to take a "Stake in the Internal Market" was the most effective policy at hand in Europe. And the political will was in place in the EU and in most of the neighbouring countries. However, that the neighbours de facto feel obliged to take over many EU norms can again be seen as a structural prerequisite. Otherwise the advantages of economic exchanges cannot be realized. The EU has pioneered the process of "deep integration", including reforms "behind the borders." This has given a first-mover advantage to the EU. Now it isa question of  expanding the existing EU norms to the neighbourhood. We can see this process as a geographic spill-over process of European integration, in the light of neo-functionalist theory.

By comparison with the US, the EU has followed a rather continuous and long-termed policy whereas US policy appears to be much less systematic. This is also grounded in differences in the political systems. EU policy is rather impersonal. When the EU acts externally, a consensus on the principal points has to be created first. And afterwards it is not easy to change it. Furthermore, policy options have often been shaped by the Commission, and this is a bureaucratic body with much expertise and a strong institutionalised memory. It is inconceivable that a comparatively small intellectual group such as the neo-conservatives could capture the EU agenda as it was possible in the US after 9/11. Special interest groups such as the textile lobbies have in Europe  much less influence than in the US; they could, for instance, not stop the quota-free access for the Mediterranean countries in 1990.

By contrast in the US, policies towards the Middle East are heavily shaped directly by the White House (Hudson 296). At times that can give to the personal idiosyncrasies of the incumbent a substantial impact. Furthermore, US politicians have to take account of the influence of the Israel lobby. The Senate has proven to be captured by special interests quite often.

Consequently, as Michael C. Hudson wrote, when it comes to Middle East policy an academic observer is "struck by the narrow, uninformed, and ad-hoc nature of some policy outcomes" (Hudson 298).

Is the growing role of the EU detrimental to US interests? Hardly. It is in the US interest if the EU can bring more stability and prosperity to the region. Since the EU's Internal Market with its "stake-holding" neighbours is not surrounded by protectionist walls, strengthening and enlarging it makes it actually easier for US companies to operate. On the other hand, the EU can not provide hard security. It is therefore in principle in Europe's interest that the US is present in the Middle East (which does not mean that all US decisions are equally productive). The EU and the US therefore seem to fulfil complementary roles.

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[1] Sachs and Warner labelled an economy as "closed" if at least one of the following criteria were fulfilled: 1) Non-tariff barriers covering 40 percent of trade or more 2) Average tariffs of 40 percent of more 3) A black market exchange rate that was depreciated by at least 20 percent in comparison to the official rate (indicating

restrictions at getting foreign currency) 4) A socialist economic system as defined by Kornai 5) At state monopoly on major exports (Sachs and Warner 22). It should be noted that these criteria allow for quite some protectionism and do not demand laissez-faire purism for being "open".

II For the sake of simplicity I write consistently EU, although the name shifted over time.

III The source quoted just above, Mary Jane Bolle, is an excerpt of this report.