Section 1. Social Sciences

S. T. Beimenbetov (MA)
European Studies Department
American University of Central Asia

Patterns of Regional Integration

Introduction

Since the end of the Second World War, regional integration has attained worldwide prominence. Initially confined only to the Western European hemisphere, integration has over the course of decades spread to other regions as well. According to some experts in the field, almost every world region has tried to develop integrative schemes at least once (9, p. 18). But not all efforts proceeded as successfully as did the European Union's. Some integration schemes did not go beyond mere trade cooperation, hesitating thereby from expanding and deepening the frames of that cooperation. Others broke down because of harsh disagreements among the participating member states on issues where more accommodation and bargaining were needed. In between are the integration schemes which ended with rather mixed results. The European Union currently represents the only successful example of a regional integration process. Started in the early 1950s as an intergovernmental cooperation between six European countries (Germany, France, Italy, the Netherlands, Belgium, and Luxembourg) in the area of coal and steel production, it has transformed over the last 50 years into a closer political and economic union, expanding and deepening the cooperation of its member states both geographically and politically. Currently including twenty-seven member states, it stands out as the unique example of political, economic and social unification among European nations.

This paper tries to examine the different patterns of regional integration schemes. As it is a part of ongoing research on patterns of regional integration, it does not claim to provide an in-depth analysis of the catalysts and dynamics of regional integration schemes around the world. Rather it aims to give a tentative overview of the major regional integration patterns and basic theoretical perspectives on this phenomenon. In addition, the attempt will be made to provide some analytical insights into the perspectives of regional an integration in Central Asia. The focus on Central Asia is not coincidental. The integration of Central Asian countries was launched in 1996, when the Shanghai Five, a group of five Central Asian countries, was established with the aim of combating the threat of terrorism in the region. Though the member-states proclaimed during the Shanghai meeting in 2001 the goal to enhance economic and political cooperation among them, the SCO has remained insignificant for the economic and political development of the region as a whole. Instead, the image still prevails that the SCO is playing the role of a mere "military joint venture." Inquiry into the patterns of regional integration will offer some insights into the factors which impede close cooperation in Central Asia.

I. The Global Proliferation of Regional Integration

Since the end of the WWII, regional integration has become a political catchword in discussions of world politics. This development is not surprising, taking in account the fact that almost every region in the world has tried to develop regional integration schemes at least once.[1] First started by the European nations, such efforts spread over the following decades – triggered and inspired in part by European integration – to other regions as well. This chapter offers an overview of major integration schemes evolved in Europe and elsewhere since the end of the WWII.

1. European integration

The most remarkable example – and so far the only successful example – has been set by the integration of European nations. Against the background of ruined economies and in the face of growing hostility between the United States and the Soviet Union, European integration was launched as an attempt by European nations to decrease the negative impacts of both developments through closer integration. The first step was made in 1951 when the Paris Treaty was signed, establishing the European Coal and Steel Community (ECSC) for fifty years. The ECSC fulfilled its goals. It gave France access to the rich coal deposits of the Ruhr basin, increased the general output of coal and steel by 151% and 21% respectively, and ended the dual pricing system by which German coal bought for steel mills cost less in France than in Germany (25, p. 3). More important to note is that the ECSC set an example or model of regional integration. The participating member-states agreed namely to hand the management of important sections of what had previously been seen as their national economy over to supranational institutions. Convinced that a purely intergovernmental organization will get hamstrung and bogged down in the ministerial meetings, the "spiritual fathers" and architects of European integration, notably the French foreign minister Robert Shuman and the French businessman Jean Monnet, were intent to make its working independent from the national governments. To this end, a supranational High Authority was set up, with the authority to govern the newly created ECSC. The High Authority consisted of nine members holding office for six years. Eight of them were designated by the governments of the six member-states. One extra member was chosen by the eight to guide the work of the Commission. The decisions taken by the High Authority of the ECSC were subject to inspection by a Parliamentary Assembly, consisting of members chosen from among the deputies elected to the national parliaments. The judiciary was guaranteed by an independent Court (25, p. 3).

The ECSC was the starting point of the European Economic Community (EEC), instituted in 1957 in Rome. The Rome Treaty, signed on March 25, represented a further attempt to deepen

[1] For a brief overview of the major regional integration schemes that have evolved since the end of WWII, see John McCormick (2002). *Understanding the European Union. A Concise Introduction.* (2nd Ed.). Hampshire: Palgrave, p. 19.

the scope of economic integration. According to the Rome Treaty, the short-term goal of the EEC was the building of a common market in twelve years (3, p. 11). To this end, the member states pledged to remove all restrictions on internal trade, set a common external tariff for all goods coming into the EEC, reduce barriers to the free movement of people, services and capital among the member states, and develop common agricultural and transportation policies. In addition, they built the European Atomic Energy Community (EURATOM), charged with the goal of administering the cooperation of the six member-states in the production of atomic energy. As in the case of the ECSC, the member-states were committed to handing over the management of important sections of their economies to the supranational institutions set up immediately (Council of Ministers, European Parliament, European Commission, Court of Justice). The legal decisions of these institutions were binding for member-states. As will be shown later, supranationality sets the European integration scheme apart from any other regional integration schemes known of at present.

The long-term goal of the Rome Treaty was, however, a political community. Not by mere coincidence, Walter Hallstein, the first president of the European Commission, when referring to the future contours of the EEC, would say: "We are not in business at all; we are in politics" (25, p. 11). The building of a political community, however, was confronted by many obstacles of an economic character. Though customs duties were removed ahead of schedule on July 1, 1968, and the free movement of industrial goods was also reached on time, many tariff and non-tariff barriers remained in place, impeding the effective integration of the member-states (25, p. 11). Thus, it was no surprise that the initiative to deepen the integration came from a group of influential European corporations and firms, including Siemens, Olivetti, Daimler Benz, Volvo, Fiat, Bosch, ASEA (15, p. 77). The result of their lobbying was the European Single Act (SEA), signed in 1986, which set a timeframe for the completion of European common market integration by 1992. In the meantime, the European Community – so was the official name of the European Economic Community since 1986 – enlarged, granting membership to the United Kingdom, Denmark and Ireland (1975), Greece (1981), Spain and Portugal (1986).

The Maastricht Treaty, signed in 1992, was a further boost to deepening European integration. In particular, the Treaty envisaged the building of "an ever closer union," involving close integration of the political, economic, social, and legal policies of the member-states. In addition, the Treaty set a timeframe for building a monetary union. By 1993, the member-states of the European Union – the name of the EC was changed again with the Maastricht Treaty – completed the building of a common market by banning the remaining tariff and non-tariff barriers. After a series of consecutive enlargement waves in 1995 (Austria, Finland, Sweden), 2004 (Malta, Cyprus, the Czech Republic, Slovakia, Slovenia, Poland, Hungary, Estonia, Latvia, Lithuania), and 2007 (Romania and Bulgaria), the EU comprises almost all European nations which are tied by close historical and cultural bonds (the remaining states are Switzerland, Norway, and several Balkan states). In 2004, European integration was crowned by the introduction of the EURO as a common currency in 13 of its 27 member-states.[2]

This brief overview should not provoke the feeling that European integration was a unilinear process. In fact, it has been fraught with many ups and downs. This is not a surprise,

[2] Some of the EU member-states are still reluctant to join the EURO-zone for a number of reasons, ranging from overt opposition to an inability to keep the fiscal discipline. For a very brief overview of sentiments towards the EURO as the common currency among the EU member-states, see Join or Not to Join. (2004, January). *Geographical Dossier*, pp. 32-34.

since any regional integration must be conceived as a dynamic process rather than a static development. The same applies to European integration. It was rather the result of trial and error rather than of providence and common will. Fortunately for Europeans, however, the internal crises that arose did not cause the crumbling of the integration process. Instead, crises served as engines for a subsequent upheaval (12, p. 5). This proved especially to be so in the 1980s, when the idea of a European common market was threatened by too much insistence on national interests. Likewise in the 1990s, when the Maastricht Treaty was rejected by Dutch voters. This pattern again held true in 2005, when a draft of the EU Constitution was rejected by the French and Dutch voters. Each crisis has subjected European decision makers to a series of subsequent round tables and negotiations with the aim to solve the crisis.[3]

European integration is not yet concluded. It is still far from its finality, provided there is any finality of the European integration process. In 2002, European decision makers set themselves an ambitious goal of building a federation of European nation-states with its own Constitution, government, and citizenship. Even though the French and Dutch voters tore down this hope by rejecting a draft of the "Treaty Establishing the Constitution for Europe" – the long title had admittedly alienated the French and Dutch peoples from the Constitution – this was not an end to constitution making at all, but rather a beginning (12, p. 10).

In retrospect, European integration gradually moved through five stages, which were outlined as early as 1952 by the Hungarian political economist Bela Balassa: from free trade area and the tariff union, through the common market and monetary union, to a political union (cit. in: 13, p. 38). No other regional integration schemes known of at present has made the same performance. Some regional integration schemes did not go beyond a mere free trade area. Others failed for the reason of strong disagreements among the member states. In between are the integration schemes which ended with rather mixed results. I will turn to them in the following chapter.

2. Regional integration elsewhere

The success of European integration has admittedly made integration seem very attractive for other world regions. After Europe successfully completed common market integration, political decision makers from around the world tried to emulate the European example. As this paper is a part of ongoing research, I will only briefly examine these cases.

(a) Latin America

The Latin American countries, primarily those included into the "Mercado Comun del Sur" (MERCOSUR), represents the fourth largest common economic area, after the EU, USA and Japan. Founded in 1991 by Argentina, Brazil, Paraguay and Uruguay under the "Treaty of Asuncion," they could largely proceed from sectoral agreements to wide-reaching liberalization of trade relations (11, p. 23; 21, p. 164). The short-term goal of the Treaty is to create a common market in goods, services and people built upon the European model. Consistent with the

[3] According to Dorette Corbey the "stop-and-go" rhythm of European integration is repeatedly caused by the incongruence of policy preferences among member-states. Accordingly, crises in the EU were caused by the wish of political decision makers to safeguard certain policy areas from EU impact. They were resolved as soon as this approach began to show its inadequacy and counterproductivity. See Dorette Corbey (1995), Dialectical Functionalism: Stagnation as a Booster of European Integration. *International Organization, Vol. 49, No. 2.* p. 65.

provisions of the Treaty, the member-states decreased the tariffs to a minimum, ensuring the rise of intraregional trade. The long-term goal, however, is to build a political union with a common parliament and Dispute Settlement Court. Despite these ambitious goals, the MERCOSUR is far from reaching the European example. Because of the lack of coordination of their economic policies, the member-states were forced to adapt less ambitious goals. Primarily, Brazil, the most prosperous country in Latin America, is reluctant to build an EU-like supranational Commission. These are symptoms for a lack of integration, rather than its advance. It is not surprising, therefore, that MERCOSUR is described as an "imperfect customs union" (15, p. 161).

(b) Caribbean

Caribbean integration in the 1970s did not go beyond the establishment of a free trade area among member-states. Presumably, they did so because a free trade area does not imply a strong commitment on the part of the member-states. Founded in 1973 by the "Treaty of Chaguaramas," it included Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada and Guyana, the capital of which, Georgetown, was chosen as the site of the Secretariat of the "Caribbean Community" (CARICOM). Caribbean integration failed for many reasons. First of all, Caribbean states lacked pluralism (18, p. 298). The strong leadership in the numerous Caribbean islands (Guyana is the only continental country, with the largest percentage of population and land mass) precluded the emergence of voluntary groups which would push their governments for deepening integration. The dominant role of the political leaders was not an obstacle *per se*, yet problems occurred as the dominant Caribbean leaders rejected further promotions of the integration. Another large obstacle to Caribbean political integration was the economic inequality among the member-states. This factor provoked many unnecessary disputes between the more developed members (Guyana, which is often portrayed as a "shark") and the less developed countries (like the majority of the Caribbean islands which felt cast in the role of "sardines") over the distribution of benefits from the common market (18, p. 300). Presumably, the leaders of the more developed countries saw their prestige threatened if they entered into deeper integration arrangements with the less developed countries. This was especially exacerbated when Trinidad discovered oil, which immediately raised sentiments of "welfare chauvinism" among both political leaders and countrymen (18, p. 302).

(c) Africa

African nations, primarily those south of the Sahara, sought regional integration as a capable means of improving their poor economic conditions. To this end, they concluded the "Abuja Treaty" in 1991, which had to lay the groundwork for the continent-wide African Union (AU) (11, p. 28; 10, p. 18). The long-term goal of African integration is to establish an African Economic Community by 2025. Trying to emulate the European example, the countries involved in the AU established political institutions which resemble the institutions of the European Union – in name only however, not in function: the Assembly, the Executive Council, the Permanent Representatives Committee, and the Commission of the Union (11, p. 28). The political institutions of the AU are intergovernmental, rather than supranational. Due to this shortcoming, many of the legal decisions concerning the deepening of regional integration have not been implemented. Moreover, the African Union comprises countries with different political systems, ranging from socialist Tanzania to pro-Western Kenya. This factor also represents an obstacle to the integration of African states (11, p. 34). African integration was also severely impeded by repeatedly occurring civil wars, primarily in Sierra Leone, Liberia, and Guinea-Bissau.

(d) Asia

The integration in South Asia dates back to 1967, when the "Association of South East Asian Nations" (ASEAN) was built between Indonesia, Malaysia, the Philippines, Singapore and Thailand (11, p. 37; 15, p. 169). Vietnam and Burma joined the ASEAN in 1995 and 1997 respectively. The main catalyst for regional integration in South Asia was communist expansion in Indochina. Regional integration in South Asia has achieved remarkable initial economic success, which quickly turning the backward South Asian countries into economically strong "Tiger nations." In spite of this achievement, the South Asian countries are far away from political union. There are, for instance, no supranational institutions in ASEAN which could punish member states for not implementing the provisions of trade treaties (15, p. 171). In addition, the member-states are less inclined to foster interregional trade, instead choosing to seek extra-regional markets.

II. EU as a Global Paradigm?

Even the brief discussion of a few case studies presented in the preceding chapter alerts us to the fact that European integration cannot serve as a model or a "global paradigm" (Cordula Janowski) for regional integration processes elsewhere. European integration succeeded thanks to the conjuncture of favorable conditions which are difficult to adapt or even to imitate in other regions. Even the intentional dispositions for European integration differ significantly from the regional integration schemes in other world regions. In Western Europe, the main driving cause for launching the integration in the 1950s was the concern for peace. Integration was seen as an instrument capable of decreasing the probability of military conflict between the member-states, primarily Germany and France, by upgrading their common interests. The significance of the concern for peace as the driving cause for regional integration in Europe is reflected at length in the preamble to the Treaty establishing the European Coal and Steel Community in 1951. It is worth quotation:

> "[The six governments] considering that *world peace* may be safeguarded only by creative efforts equal to the dangers which menace it; convinced that the contribution which an organized and vital Europe can bring to civilization is indispensable to the maintenance of *peaceful relations*; ... desirous of assisting through the expansion of their basic production in raising the standard of living and in furthering the works of *peace*; resolved to substantiate for historic rivalries a fusion of their essential interests [and] to establish, by creating an economic community, the foundation of a broad and independent community among *peoples long divided by bloody conflicts*... have decided to create a European Coal and Steel Community" (cit in: 15, p. 69 (italics in original).

By contrast, as the few case studies discussed above reveal, the many regional integration schemes in other parts of the world, notably in those regions dominated by strong authoritarian leaders, are born out of the egotism of political decision makers and their presumable search for international status without proper commitment to the ideals and goals of the integration. In the paragraphs below I will turn to the "background conditions" which structure successful regional integration.

1. Background conditions

The merit of the neo-functionalist school developed around Ernst Haas in the 1950s and 1960s is that, on the basis of comparative analyses of regional integration schemes around the world, it identified three "background' conditions for regional integration to be successful. These conditions are pluralistic social structure, substantial economic and industrial development, and a common ideological pattern (8, p. 374). The integration process in Western Europe has succeeded thanks to the fact that all these requirements were met. The social setting of the Western European states was dominated by the presence of various voluntary groups "led by bureaucratized but accessible elites" (8, p. 375) which could compete with each other for political power and social status. The political mobilization among the population remained high. Regarding economic and industrial development, Western European states were marked by relatively homogenous economies which, with little deviation, displayed high urbanization and a high degree of demand for governmental services. Finally, the requirement for ideological conformity was also met in Western Europe. Though the political landscape of post-war Western Europe was dominated by different political parties, their ideological commitments were "roughly analogous" (8, p. 375).

Pluralist social structure is important, as it helps to disseminate the economic effects of regional integration among the nations more effectively, and in this way to make integration more attractive to the populations concerned. Another reason is that divergent social groups alert the political leaders to the "niches" which, in their opinion, deserve more integrative efforts on the part of the elites. The later subsequently create incentives for functional spillover, i.e. for expanding and deepening the scope of the integration. According to Haas:

> "integration proceeds more rapidly and drastically when it responds to socio-economic demands emanating from an industrial-urban environment, when it is an adaptation to cries for increasing welfare and security born by the growth of a new type of society" (8, p. 375).

As was shown above, European integration has not proceeded smoothly. Rather it has looked like a "stop-and-go" process. In the pursuit of the integration process, European statesmen were confronted with the need to juxtapose supranational needs with national interests. What might have happened to European integration when it came to an impasse in the 1970s and 1980s, had there been no trade unions or business corporations? The many voluntaristic groups that evolved in Western Europe after the end of the WWII alerted their national governments to the "problem-loaded" areas which, in their opinion, deserved more – to speak in the language of neo-functionalists – "functional spill-over." In this sense, the voluntaristic groups served as agents who raised demands for integration. Consistent with this reasoning, the integration of non-plural societies is likely to fail, as there will be no agents to raise similar demands for integration. To site Ernst Haas, states dominated by "a non-pluralistic social structure are poor candidates for participation in the integration process" (8, p. 375).

In contrast to other regions, Western Europe has been in a very preferable position from the outset. Its socio-political setting (with the exception of Greece, Spain, and Portugal, which, until 1974 and 1986 respectively, were ruled by the authoritarian regimes of Francisco Franco and Antonio Salazar) was dominated by democratic pluralism, i.e. the existence of "articulate voluntary groups, led by bureaucratized but accessible elites" (8, p. 374). In addition to the pluralistic structure of the European states, it is worth emphasizing the contributing role of

European elites, who stood behind the idea of European integration. It was thanks to the personal commitment of Jean Monnet, Robert Schuman, and Alcide de Gasperi, Konrad Adenauer, the "spiritual" architects of the European integration in the early 1950s, that European integration owes its initial success.

The second factor, economic and industrial development, is important, as it determines the pace and the speed of the regional integration. Experience shows that integration proceeds more effectively and fruitfully for the participating member-states when their economic conditions are similar. On the other hand, integration is likely to fail if economic conditions differ. The Second World War had bequeathed the European countries with disrupted economies. In the wake of integration processes, some regions within the EU benefited while others lagged behind (5, p. 96). This variation notwithstanding, the European nations have always manifested a very high level of economic development, urbanization and social equality. By contrast, the integration of countries with different levels of economic development runs the danger of being bogged down by either economically more developed country being unwilling to share their benefits with less their developed partners, or the less developed country calling for more redistribution efforts from their economically stronger partners. The dynamic of the regional integration of countries involved into the CARICOM, consisting of economically strong Guyana on the one side and the remaining, less developed Caribbean countries on the other, is not comparable with the dynamic of regional integration within the EU. Even after the last waves of enlargement in 2004 and 2007, which brought a total of ten transitioning Eastern European economies into the EU, the nevertheless high level of economic development and urbanization of the older EU member states provides the internal dynamic of European integration. On the other hand, its various development funds (European Regional Development Fund, Structural Fund, and Social Fund) provides for the just equalization of social standards among the member-states of the EU.

The third "background condition" heavily relies upon the presence of commonly shared values among the member-states in the region. It is quintessential for the success of regional integration that the nations involved share basic values and objectives. European integration has proved successful not least of all because the member-states, their cultural diversity notwithstanding, share common values. They are roughly summarized in the Article 6 (1) of the EU Treaty agreed upon in Maastricht in 1992. The article stipulates that "the Union is founded on the principles of *liberty, democracy, respect for human rights* and *fundamental freedoms,* and *the rule of law*, principles which are *common* to the Member States" (26, p. 53 (italics added). Even though the EU does not yet have a Constitution, the fact that these values are commonly shared constitute the basis of European constitutionalism, i.e. "values, traditions, and norms that underlie and substantiate a written constitution" (26, p. 52).

Consistent with these "background conditions" for successful regional integration, the margin of regional integration schemes around the world which could be compared with European integration narrows substantially. As the few case studies above have shown, none of them could meet all these conditions altogether. The regional integration of the countries involved in the MERCOSUR has been repeatedly shaken by economic disparities among the countries involved. In addition it progressed relatively slowly due to the reluctance of Brazil to take over the role of regional leader, which would soften intraregional conflicts over the distribution of benefits (15, p. 160). Earlier attempts of the Latin American countries to integrate collapsed in the wake of sharp ideological confrontations, which in the 1980s escalated into a series of bloody full-fledged civil wars, primarily between El Salvador, Honduras and Guatemala, provoking the USA to intervene into the conflicts (11, p. 12).

III. Explaining Regional Integration

The successful European integration and the subsequent spread of regional integration schemes around the world has inspired many scholars in and outside of Europe to explore the catalysts and paradigms of regional integration schemes. There are three dominant schools that try to explain the "global proliferation" of regional integration schemes. One of them is the neo-functionalist school developed in the 1950s around Ernst Haas. Another one is the intergovernmentalist school, which evolved as a reaction to the alleged inadequacy of the former. The last, but not the least, is the globalization school. In this chapter, I will briefly summarize these perspectives, and try to examine their explanatory power relative to regional integration. This brief discussion will show that there is no precise theory of regional integration yet. Instead, there are several theoretical perspectives, each of which offer some basic insights into the phenomenon of regional integration.

1. Regional integration as the result of "spill-over effects": Neo-functionalism

The integral part of integration theory is neo-functionalist theory ("neo-functionalism"). The neo-functionalist school evolved in the early 1950s. Its main contribution to integration theory was that it saw the political integration as a long-term consequence of modest economic integration. Integration evolves as the consequence of functional spill-over effects. Allegedly, integration in one economic sector would create pressures for integration in adjacent, "functionally linked" economic sectors (22, p. 51). The founding fathers of the European Union, Jean Monnet and Robert Shuman, associated themselves fairly with neo-functionalists when they advocated integration first in the sectors of "low-politics" in the hope that this integration would finally lead to an "inevitable side-effect" for integration in other economic sectors (22, p. 51). Though neo-functionalism could shed light on many aspects of regional integration, it was criticized for being unable to explain the periods of stagnation in integration (4, p. 256). It also leaves unanswered questions as to why regional integration in other parts of the world was not successful, as well as what the role of external factors is in initiating regional integration (17, p. 17). In the 1960s neo-functional theory was modified insofar as it developed a set of "background conditions" for successful regional integration, upon which we have already touched above (chapter II.1).

2. Regional integration as the result of intergovernmental bargaining: Intergovernmental theory

Unlike neo-functional theory, where the focus is directed towards non-state actors as the main catalysts of the regional integration, while the member-states and governments are allocated a rather passive role, intergovernmental theory focuses directed on the national governments in promoting the regional integration (22, p. 75). It argues that regional integration can best be understood not as a result of functional spill-over effects but as a result of bargains and negotiations among the political leaders of countries in the region. These bargains were seen as the result of the shifting preferences of national leaders on the negotiation table. Accordingly, the intergovernmental theory is more capable of explaining the periods of stagnation in the course of the integration. Presumably, this is the natural predisposition of national governments towards sovereignty, which accounts for the "stop-and-go" rhythm of the integration process (22, p. 80).

3. Regional integration in the light of the globalization theory

Like the inter-governmentalists, the adherents of the globalization school focus more on the national governments as the main promoter of regional integration. As the name implies, they try to see regional integration as the result of the growing global market. Globalization is broadly defined as the process involving the increasing irrelevance of barriers such as borders, distances and states to global flows of both tangible and abstract commodities such as goods, services, people and ideas (14, p. 194). As it is international companies and corporations, not nation-states, which regulate and monitor this global flow of goods, services and capital, the role of states as the main regulators of economic competition on the global market become increasingly irrelevant. Worried about the loss of control, political decision makers seek regional integration in order to consolidate and enhance the economic competitiveness of their national economies in the face of the growing global market (9, p. 18). As Chris Rumford has argued, globalization exposes the nation-states to a variety of risks emanating from competition on the global market. In order to avoid the ensuing insecurity, nation-states seek shelter in regional integration (23, p. 184). Admittedly, regional integration can increase the bargaining position of statesmen, especially those of smaller countries, during trade negotiations.

4. Walter Mattli's Contribution

The work of Walter Mattli, already cited above, is a completely different perspective on the catalysts and patterns of regional integration. According to Walter Mattli, the success of any integration project will depend on the interplay between demand and supply. Accordingly, the success of any integration project will depend on how the actors involved in the integration (in this case, the state leaders) conceive of their potential economic gains from integration. Accordingly:

> "[i]f there is little potential for gain, perhaps because regional economies lack complementarity or because the small size of the regional market does not offer important economies of scale, the process of integration will quickly peter out. (...) [T]he potential for gain may grow with the diffusion of new technologies. Market players will then have an incentive to lobby for regional institutional arrangements that render the realization of these gains possible. The demand for regional rules, regulations, and policies by market players is a critical driving force of integration" (15, p. 42).

Thereby, demands for enhancing regional integration may come from different sides, notably business circles and political elites. Thus, for the success of any regional integration scheme, it is essentially that political decision makers respond according to these demands ("supply"-side). Their responses may basically take the form of willingness and ability to accommodate the growing demand for regional institutions at each step of the integration process. Thereby, the responses of the political leaders will remain contingent on anticipated economic gains ("payoffs") from the integration. As it reads, the political leaders will be more willing and able to deepen integration if this movement will increase the economic conditions of the country and, consequently, their chances for either re-election or retaining power (15, p. 51).

However, even if the leaders might be ready and able to respond to the demands for deeper integration, according to Mattli, they may tend to defect from the treaty. This dilemma is often referred to as the "coordination" or "prisoner's dilemma" (15, p. 11). Accordingly, the participating member states will be in a constant process of weighing the real gains from integration, and will therefore remain inclined to defect from the cooperation as soon as conditions change. Therefore, for the integration to be successful, it is essential to have "commitment institutions" which will supervise the compliance of the parties with the rules and treaties concluded between the member-states. Thus, Mattli continues, any integration that lacks either of the conditions will probably fail (15, p. 43). The failure of regional integration among certain Latin American countries involved in the Latin American Free Trade Area (LAFTA) in the 1960s and 1970s was commonly attributed to the perseverance of the member-states to seek trade relations with the extra-regional markets like the USA and Europe, rather than with intra-regional partners (15, p. 142-143).

Another important condition for any integration to be successful is the presence of an undisputed regional leader who would promote integration. The European integration process has gained a lot from the leading role played by Germany. This is not only because Germany is by far the largest net contributor to the EU budget, but also because it stood behind many important and far reaching initiatives. The European Monetary Union may serve here as an example. Its introduction in 2002 dates back to the German initiative during the EU Summit in Hanover in June 1988. The strategic position of Germany in the heart of Europe has cast it in the role of a bridge between the EU and the Balkan states and CIS countries.[4]

IV. Are the Central Asian Countries Ready to Copy the European Model?

Though Central Asian countries have trodden the integration path only recently, we can make some tentative conclusions about their future integration prospects. Regional integration in Central Asia (CA), excluding the Soviet-era interim, dates back to the time of the collapse of the Soviet state. For it was at that time when the former Soviet Central Asian republics emerged as one region. The regional integration schemes of the CA countries include such different regional integration arrangements as (a) the Commonwealth of Independent States (CIS), created in 1991 in the wake of the Soviet collapse, (b) CIS sub-organizations like the CIS Collective Security Treaty, GUUAM, an organization originally built by Georgia, Ukraine, Azerbaijan and Moldova, with Uzbekistan as the only Central Asian country, (c) the Conference on Interaction and Cooperation in Central Asia (CICA), established in 1992 with four CA countries participating (all except Turkmenistan), (d) the Central Asian Cooperation Organization (often named the Central Asian Union), created in 1996 with four CA countries excluding Turkmenistan, (e) the Eurasian Economic Community (EEC), created in 1996 with Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan as members, (f) the Single Economic Space (SES), created in 2003, comprising all former Soviet Union republics except for the Baltic states, (g) the Shanghai Cooperation Organization (SCO), created in 1996 as the Shanghai Five group and renamed SCO in 2001 with four CA countries except for Turkmenistan participating,

[4] The most recent example is the new strategy of the European Union towards Central Asia, adopted under the German presidency in June 2007. See European Commission (2007). *European Community Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013.* Retrieved December 15, 2007 from: http//www.ec.europa. eu/external_relations/ceeca/c_asia/07_13_en.pdf

which has observer status, (h) the Economic Cooperation Organization (ECO), created as early as 1985 by Iran, Pakistan, and Turkey, and joined in 1992 by all five CA countries, (i) the Turk Cooperation, created in 1992 by Turkey and comprising all five CA countries, (j) the Caspian Cooperation, built originally by Iran among the states bordering the Caspian Sea (7, p. 7-15).

Even this list, with overlapping memberships of the five CA countries, draws a picture of a region severely riven between the geostrategic and economic interests of adjacent countries, notably Russia, China, Iran and Turkey. Some of the organizations have tended to duplicate each other's functions, with the result that several of them have already ceased to exist (i.e. the CICA). Some were built to substitute for the inefficiency of their predecessor (i.e. the SES was originally built to supplement the inefficient EEC). Those organizations that include non-regional participants like Russia, Turkey, Iran, and China are usually built to counterbalance the influence of each other (i.e. the Caspian Cooperation was originally built to counterbalance Turkish influence in the region) (19, p. 23-31; 1, p. 11-18). All these factors taken together have undermined the effective regional cooperation of the CA countries within the framework of these organizations. Consequently, none of the organizations listed above can boast any success in any field so far (7, p. 12).

On the other hand, all these organizations are miles away from being a prototype of the European model. The Shanghai Cooperation Organization, which – thanks to strong pushes on the part of the Chinese – is currently seen as the best working regional integration scheme in Central Asia, remains an intergovernmental organization both in its structure, with the Secretary-General appointed by the joint Council of the State Heads of participating countries, and its goals (2, p. 13).[5] At present the SCO can be best understood as a mere military "joint venture" committed to combating the military threat allegedly stemming from terrorist groups in and around the region (24, p. 259). Thus far, it remains insignificant to the economic development of the region as a whole. For instance, the bulk of the trade agreements concluded between the member-states of the SCO in the period between 2001-2006 are bilateral rather than multilateral. Some scholars have even raised doubts about whether it makes any difference to have ordinary bilateral relations and within the framework of the SCO (16, p. 87).

Another obstacle to regional integration in CA is the development gap between Kazakhstan, with a GDP of 40.7 billion US$ in 2004, and Tajikistan and Kyrgyzstan with GDPs of 2.1 and 2.2 billion US$ respectively for the same time period (6, p. 6). This feature has had a negative impact on the regional cooperation in CA insofar as Kazakhstan, whose wealth is founded upon growing oil revenues, has preferred to seek trade partners outside of the region rather than within. According to the estimation of the European Commission, intra-regional trade within CA accounts only for 10% of the total trade volume of Central Asian countries, with Russia remaining the region's foremost commercial partner (6, p. 13).

Intra-regional trade continues to be hampered not only by the "defection" of Kazakhstan as the most prospective regional leader, but also by numerous barriers of a technical and administrative character, such as complex trade policies, high costs of transit conditions, delays

[5] According to the Treaty establishing the SCO, the organization sees its goal as "strengthening mutual trust, friendship and good-neighborly relations among the member countries; promoting their effective cooperation in politics, trade and economy, science and technology, culture, education, energy, transportation, ecology and other fields; making joint efforts to maintain and ensure peace, security and stability in the region, to establish a new, democratic, just and rational political and economic international order". See the website of the organization at the URL: *www.sectsco.org*

at border crossing, and numerous administrative and clearance requirements. According to the same estimation of the European Commission, to move a standard load of cargo from a factory gate in Kazakhstan to the nearest export port, 93 days are required to fulfill all the customs, administrative and export requirements necessary to send the cargo on to its destination, whilst in Uzbekistan 139 days are needed on average to import a standardized shipment of goods (6, p. 13).

Ideological heterogeneity must also be added to the list of obstacles to effective regional integration among the countries of CA. Relying upon the evaluations of the state of political and civil liberties produced by Freedom House for 2006,[6] political conditions in the region vary from politically moderate Kyrgyzstan to more repressive Uzbekistan. Political conditions have thus far had a negative impact on regional integration, as the countries in the region have repeatedly tried to cultivate a negative image of each other (20).

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Т. С. Бобушев,
профессор направления «Естественные науки и информационные технологии»,
Американский университет в Центральной Азии

Бизнес в Кыргызстане: зарубежный опыт и перспективы развития[1]

В экономике ведущих стран мира развитие бизнеса играет особую роль. Массовое и развитие сети частных предприятий – важный шаг на пути создания рынка в нашей стране. Очевидно, что развитие рыночной структуры в Кыргызстане невозможно без развития предпринимательства. Но как создать эти частные предприятия? По-видимому, прежде всего не надо им мешать. Для развития предпринимательства необходимо

[1] В данной статье автор продолжает развивать идеи, высказанные им в предыдущих публикациях (1, 2). Автор надеется, что эти идеи будут полезны не только ученым, но и практикам, занимающимся проблемами экономического преобразования и развития нашей страны.