

RETHINKING HEGEMONIC STABILITY THEORY: SOME REFLECTIONS  
FROM THE REGIONAL INTEGRATION EXPERIENCE IN THE DEVELOPING  
WORLD

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The paper examines the ability of the hegemonic stability theory to interpret the creation and development of regional integration schemes in the developing world. More specifically, this paper aims at testing the theory through a comparative analysis of three important and long-lasting regional integration schemes in the developing world: the Southern Africa Development Community in Sub-Saharan Africa, the ASEAN in South-eastern Asia and the Mercosur in South America. The analysis shows that the hegemonic stability theory can offer useful interpretations for specific decisions and developments, but it also presents some weaknesses in forming a complete and systematic explanation – or even a forecast - for the course and the development of the above regional organizations. Consequently, the structure and the content of regional organizations and their impact in shaping the local, regional and global environment remains to a large extent dependent from other variables that prevent - if they do not exclude - a common interpretation.

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## **Introduction**

In this paper it is going to be tested whether the theoretical framework of the Hegemonic Stability Theory can provide useful interpretations of regional cooperation schemes that take place in the developing world. In the first section of this paper the importance of regionalism in today's world politics is assessed, then the theoretical framework to be used is analyzed while some theoretical conditions to be met by the selected empirical cases are being set. Going further the selected representatives of regionalism in the developing world are being presented. After a brief historical analysis of all three regional cooperation schemes, the following sections analyze the empirical cases through the theoretical framework introduced in the previous sections and the conditions imposed by the theory. The paper closes with some conclusions and a summarizing table concerning the theoretical framework and the selected empirical cases.

## **The importance of regionalism**

The foundation of the European Economic Community in the 1950's created a new trend in international politics, the integration of mainly neighboring states into a regional organization (regionalism). All previous forms of interstate cooperation were based on the principal of maintaining national sovereignty within each state. They were mainly security pacts aiming at the creation of a level of balance of power in a certain area in order to promote regional peace.

The creation of the European Economic Community by France, West Germany, Holland, Italy, Belgium and Luxembourg in 1957 will alter the usual patterns of interstate cooperation as the cooperation between these European states will start from the economic and trade sector. Moreover, these six states will accept a gradual transfer of national sovereignty to the regional level. This European initiative will be copied all around the world.

This wave of regionalism, which for most researchers is the first one, was based into two fundamental foundations: the XXIV article of the General Agreement on Tariffs and Trade (GATT) and the dynamics of the European Economic Community in the first years of its creation.

The period after World War II was marked by the adoption, by at least the countries of the western world, of the principles of free trade, a trend that was institutionalized by the signing of the GATT. Aiming at the gradual liberalization of world trade, GATT and later on the WTO lead to the decrease of the average level of tariffs all around the world.

But despite the fact that the basic aim of GATT was the minimization of trade impediments between states, the creation of regional trade agreements was approved by the article XXIV. More specifically, the sense of article XXIV was that regional integration schemes can be created under the condition that their structure and aims will be for the gradual reduction of tariffs worldwide. It could, therefore, operate as a middle step towards a liberalized world trade environment.

Therefore, western states were free to introduce themselves to regional trade agreements (RTAs). This trend was assisted by the successful first steps of the then EEC which acted as an example. The regional effort of the six European states, magnified to some point by the Cold War environment, created an idea / image of how states can enhance economic growth and regional peace. To some extent, most regional efforts around the world started as imitations of the European one. This is not to minimize the significance of the regional and national conditions in each process of creating a regional trade agreement but undoubtedly the creation of the European Economic Community acted as a lighthouse for all other regional efforts<sup>1</sup>.

These new regional schemes cannot be treated as a single category. There can be identified several differences between regional organizations mainly concerning the level of regional integration. Usually, most regional schemes begin with low levels of integration which gradually increases through time. In general, four types or levels of regional schemes can be identified<sup>2</sup>:

1. The simplest form of regional cooperation is the Free Trade Area (FTA) where member states agree to the removal of tariffs in intraregional trade.
2. A second level of regional cooperation is the formation of a Customs Union, in which member states agree not only on the removal of tariffs between themselves but

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<sup>1</sup> L. Fawcett, "Regionalism in Historical Perspective" in L. Fawcett and A. Hurrell, (eds) *Regionalism in World Politics*, Oxford University Press, 1995, pp. 9-13.

<sup>2</sup> E. Pournarakis, "*International Economics – An introductory approach*" (in Greek), Athens, 2000, pp. 513 – 514.

also agree to the imposition of a Common External Regional Tariff (CERT) for all products coming from outside the region.

3. A more enhanced level of regional cooperation is the Common Market, where, in addition to the above, member states agree to the free movement of production factors.

4. Finally, the most advanced form of regional cooperation is the Economic Union, in which member states agree to their fiscal and monetary harmonization. This final step of regional economic cooperation leads to the adoption of a common currency.

With the end of the Cold War and the bipolarity that it had created, the world experienced a series of changes in world politics. The most significant one was that cooperation between states that previously belonged to different ideological and political groupings was now possible. Moreover, the problems facing the process of promoting world trade liberalization through the Uruguay round of trade negotiations led to the creation of an unfriendly (or at least a pessimistic) environment for the growth of world trade. The combination of the two above-mentioned factors pushed a lot of states to examining the possibilities of creating regional trade agreements with their neighbours, creating this way a second wave of regionalism.

This second wave of regionalism can be regarded to some extent as more compatible with the principles of world trade liberalization, as most of its representatives aimed at the gradual removal of tariffs not only between their member states but in a second phase to all other countries too (open regionalism). Moreover, while many previous attempts to create regional organizations were based on an import-substitution policy, representatives of the new wave of regionalism embraced a policy of enhancing exports and gradually opening up the regional economy. This new wave placed regionalism to the front scene of world politics. It will gradually become a worldwide phenomenon with a strong presence within the Triad (North America, Europe, East Asia) conditioning this way the world political scene during the end of the 1990s and the new millennium<sup>3</sup>.

A basic parameter of the new wave of regionalism is that the USA partly abandoned its global effort of promoting free trade and decided to form a regional organization with Canada and Mexico, commercially unifying this way North

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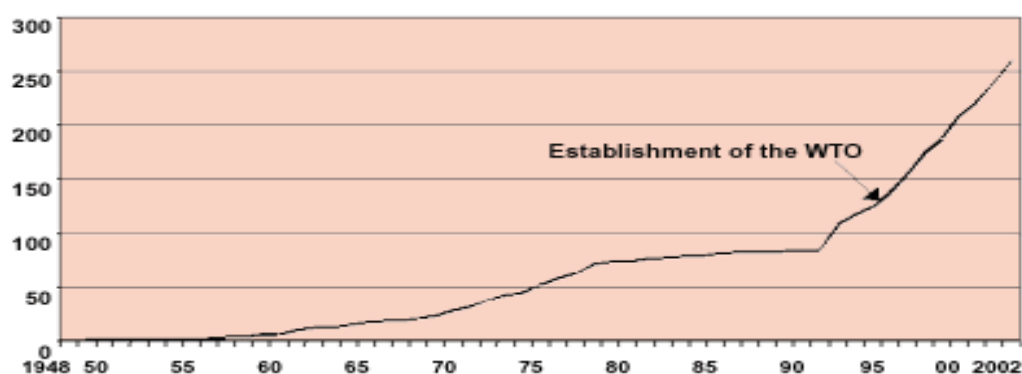
<sup>3</sup> S. Breslin and R. Higgott, "Studying Regionalism: Learning from the old, Constructing the new", *New Political Economy*, Vol. 5, No. 3, pp. 337-339

America. In 1994, the North American Free Trade Agreement (NAFTA) will be created having as members two of the wealthiest states worldwide.

Additionally, in different regions of the world where regional bodies existed, such as Latin America and Africa, a revival of the interest for the regional process (further integration and/or expansion) occurred. One example was the creation of a new regional scheme in South America, the Mercado Común del Sur (Mercosur) initially between Argentina, Brazil, Uruguay and Paraguay. In an area that until that point regional efforts were aiming at creating closed trade communities that enhanced protectionism, Mercosur will become the first representative of new regionalism including two of the most powerful developing countries, Argentina and Brazil.

The new wave of regionalism is still evolving with numerous RTAs being announced each year. Nowadays, there are more than 210 regional trade cooperation schemes worldwide (until September 2006 the WTO was notified for 211 projects), most of which are Free Trade Areas (FTAs) or are aiming at establishing one. The most advanced regional project in the world is considered to be the European Union which is the only monetary union worldwide. Unquestionably, the ascending numbers and the geographical distribution of existing regional efforts especially after 1990 have increased the importance of regionalism in the world economic and political scene<sup>4</sup>.

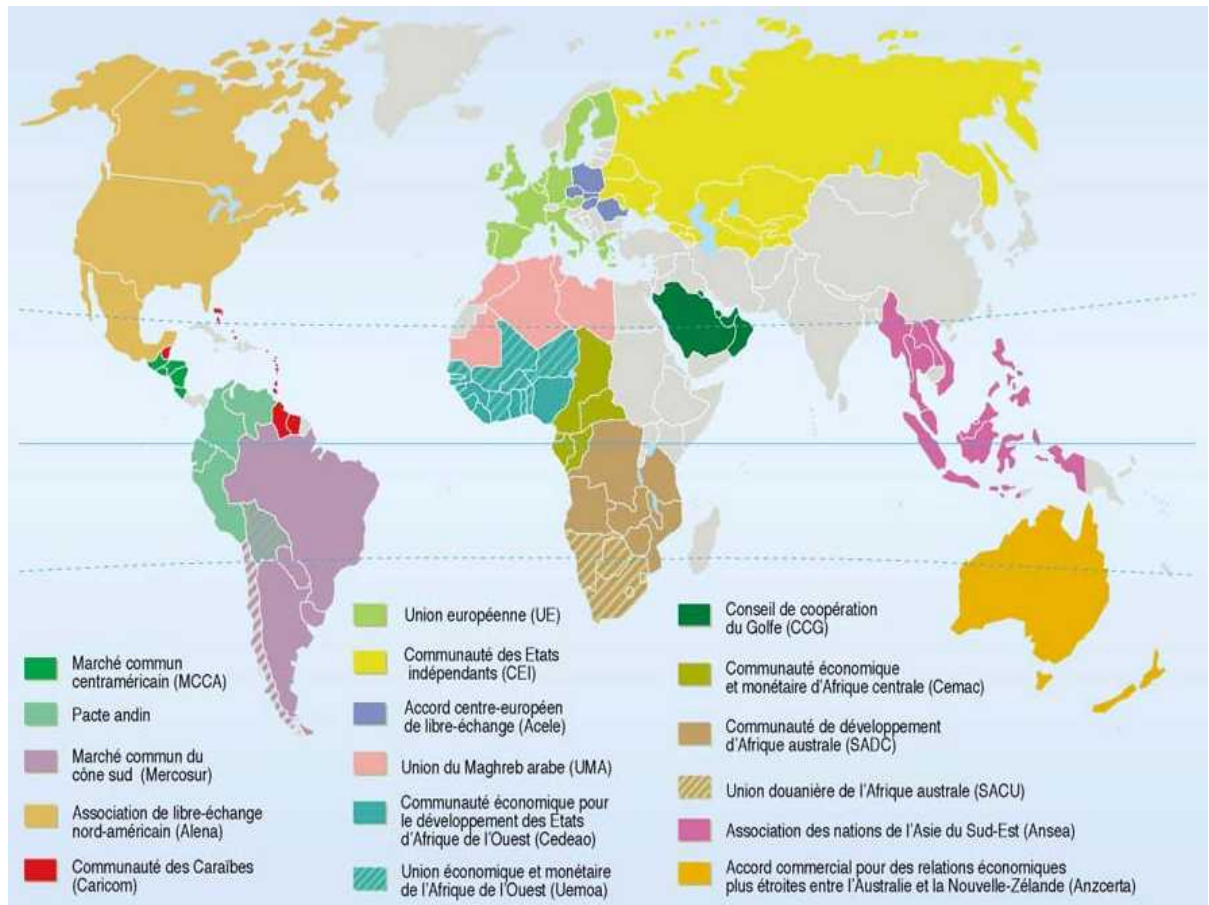
Figure 1: Recorded Regional Projects Worldwide



Source: WTO, 2006.

<sup>4</sup> Mansfield, E. and Milner, H. "The new wave of regionalism", *International Organization*, Vol. 53, No. 3, pp. 610 – 611.

Figure 2: Worldwide Regional Coverage of Regional Projects



Source: Le Monde Diplomatique, 2006.

It is rather evident from the above figures that regionalism has become a worldwide phenomenon. In addition, the fact that the most powerful states of the world belong to at least one regional cooperation scheme and that they try to push their agenda and interests also via the regional level, discloses the significance of regionalism in world politics. The European Union, NAFTA and Mercosur are just a few from the numerous regional groupings around the world, which importance in the world political scene has picked during the new millennium.

The great significance of regionalism becomes clear not only from its numerous representatives but also from the figures they comprise. Five of the most institutionalized regional cooperation schemes (NAFTA, Andean Pact, Mercosur, ASEAN και EU-25) are responsible for trade flows worth of 6,5 trillion USA dollars (2005 data). They also involve a combined economy of more than 31 trillion USA dollars and a population of nearly 2 billion people. Therefore, the economic and political gravity of these organizations is enormous.

The immense economic figures can and usually are translated to political power and pressure especially when a regional body's or even a member state's interests are being threatened. The most recent example is the still unsuccessful Doha round. One of the main reasons for not yet completing this round of trade negotiations is that a crucial issue of the negotiations is agricultural products and their subsidization. France, for example, with its substantive agricultural sector is resisting the abolishment of the European Common Agricultural Policy (CAP) that will have detrimental effects to its economy. The political power of France is multiplied through the European Union giving European farmers the power to block or to a point resist the abolishment of all their privileges. What ever the final outcome of the Doha round, it is clear cut that no single country, such as France for example, (except maybe the USA) could block global trade negotiations in order to protect its people's privileges if there was no regional group to enhance its negotiating power.

Unquestionably, since the early 1990's the world is experiencing the evolution of a new level in world politics, the regional one. With the augmentation of the number, geographical distribution and size of the regional cooperation schemes, the phenomenon called regionalism has clearly increased its importance.

### **The Hegemonic Stability Theory in the developing world**

Searching for the reasons that lead neighboring, mostly, states to agree on the creation of a regional trade agreement most theories of International Relations have tried to provide the theoretical framework under which these cooperation efforts are set in motion and evolve, not leaving unattended of course the potentiality, the end goal of such efforts.

To some degree several theories have provided frameworks that explain more or less the evolution and progress of many representatives of regionalism (concentrating mostly of course to the study of the European Economic Community) especially when analyzing a specific period of their existence. But most of these Eurocentric theories have failed to give convincing answers concerning the future of the European Economic Community. Moreover, even today regional cooperation schemes around the globe and most specifically in the developing world have been understudied from the part of an explanatory theoretical framework. The purpose of

this article is to take a theoretical framework set for the global level, the Hegemonic Stability Theory, and convey it to the regional one making of course the appropriate adjustments.

The Hegemonic Stability Theory, will be argued, can provide a successful explanatory theoretical framework of the creation and, to a degree, the evolution of regional cooperation schemes in the developing world. Yet, it must be pointed that undoubtedly the development and the end goal of a regional cooperation agreement cannot be fully accessed with the use of just one theory and that a combination of theories would act as a more appropriate explanatory theoretical framework as both the global, the regional and the national level exert their influence to the course of a regional body.

Neorealism and the Hegemonic Stability Theory introduced International Relations the term of hegemony and the need of a hegemonic state in order for the international environment to attain stability and peace.

A hegemonic state, is a state that in the period under study has the necessary power (economic, political, military) and the will to create a stable global environment (in the place of the pre-existing anarchy) through the establishment of a global system of principles and rules that secure world order. This global system is of course reflecting the principles and the interests of the hegemonic state<sup>5</sup>.

This theoretical framework was founded mainly as an explanation by neorealism to the historical periods (end of 19<sup>th</sup> century, end of World War II) when Great Britain (1<sup>st</sup> period) and USA (2<sup>nd</sup> period) succeeded in turning the anarchical global political environment to a stable and peaceful one while also enhancing global economic growth. The stable political and economic environment of these periods based on the “enforcement” from Great Britain, and later on USA, on the basic principles of free trade which were very beneficial for both countries, helped the construction of the hegemonic stability theory. Both hegemonic states used their economic and military power to enforce some general economic and political principles that they had earlier espoused<sup>6</sup>.

It must be stated at this point that both hegemonic states did not always enforce their ideas and principles through coercion. A lot of states willingly accepted

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<sup>5</sup> Mittelman, J. and Falk, R. “Global Hegemony and Regionalism” in Mittelman, J. (ed) *The Globalization Syndrome: Transformation and Resistance*, Princeton: Princeton University Press, 2000, pp. 138 – 139.

<sup>6</sup> [http://en.wikipedia.org/wiki/Hegemonic\\_stability\\_theory](http://en.wikipedia.org/wiki/Hegemonic_stability_theory).

the proposed principles as it served their interests too. Therefore, it is not always necessary for the hegemon to impose ideas and principles using its power as many times its interests coincide with the ones of other states.

The theory described above can be used to explain why a series of group of states in the developing world have agreed to the creation of a regional cooperation agreement.

Developing countries have no capabilities of starrng in the international environment by themselves. Both the structure of the political system and the existence of more powerful and advanced states deprive more advanced developing states to exert their influence to a wide geographical area. A developing state can have the power to influence its neighbors but not the international system; it can be stated that this developing country is a regional hegemon. Such a hegemon has three fundamental differences from a global hegemon:

- a. The aim of a regional hegemon is not to preserve its present state (being a regional hegemon) but the upgrading of its hegemonic position to the maximum possible level; increasing its influence in the international system or even becoming a global hegemon.
- b. The hegemonic position of the regional hegemon is directly related with the interests of the global hegemon or of more powerful advanced states in the region and from the level of internationalization of its neighboring states.
- c. The capability of enforcing its principles and policies in the regional level is relative to the previous two points.

Obviously, regional hegemonic states aim at constantly increasing their power and their negotiating capabilities vis-à-vis other states or group of states by putting in action policies for their national development and also by creating regional cooperation agreements with their neighboring states. Consequently, their participation to a regional organization is used as a way to tap more power from its neighboring states; a member-state of a regional group is more powerful than a nonmember-state.

The option of entering into a regional cooperation agreement has of course some disadvantages, the most important one being the partial loss of national sovereignty. Even though the transfer of a part of state sovereignty to a regional body is expected to be negative for national governments, yet it tends to be beneficial for all member-states: the regional hegemon in principle maintains the initiative inside the regional organization while the other states strengthen their relationship with the regional hegemonic state and hope that they also constrain it to policies that have not negative effects on them.

On the other hand, national sovereignty is a new benefit for most developing states. Consequently, the regional organizations that developing countries create are not institutionalized to a great degree. This way, national governments have more freedom to proceed to national policies and initiatives. Thus, the newly constructed regional bodies are mainly intergovernmental in nature in favour of the perseverance of state sovereignty.

Unquestionably, developing states are mostly states that have either been created (e.g. the disintegration of British Indies) or acquired their independence (e.g. end of colonialism in East Asia) relatively recently. Within this environment of newly created states, no national government would call for strong regional bodies and mechanisms that would minimize state sovereignty. This parameter is also beneficial for the regional hegemon, as it is disengaged from the possible willingness of neighbouring states for a more institutionalized form of regional cooperation agreement that would decrease its potential to take initiatives outside the regional organization. Thus, the regional hegemonic state can proceed to the creation of a loose regional organization that it can, to a degree, control and / or ignore in certain situations.

At this point, it should be pointed that the power of a state and therefore its hegemonic capabilities is related to what its neighbors think about it. The presence of an image of a powerful state formed by its neighbors removes the need for that state to be extremely powerful in relation to its neighbors; it only needs for the other countries in the region to think of the hegemonic state as a hegemon. A history of hostile policies from the side of the hegemonic state enhances its position vis-à-vis other states. In such situations, neighbouring states tend to enter more easily to a regional group which may include the regional hegemon (usually this organization is

an initiative of the hegemon) or may exclude it in a sense of pooling power for protecting themselves from its imperialistic behaviour.

To conclude, either with the support of the regional hegemon (more frequently) or fearing it (less frequently), a regional organization is being created because of the hegemonic state's existence and its willingness to empower its position in the global arena.

Within the above analysis and taking the basic elements of the Hegemonic Stability Theory, a new theoretical framework that can be used to explain the birth and evolution of regional cooperation schemes in the developing world can be formed. This theoretical framework, called Regional Hegemonic Stability Theory, can offer some useful interpretations of the progress of several regional integration schemes in the developing world. Taking into consideration all the above analysis, three basic conditions can be codified. Upon the Regional Hegemonic Stability Theory, these conditions must be met in order for a regional cooperation agreement to take place. These conditions are the following:

1. The presence of hegemonic state that has the appropriate power to influence its neighboring states. This influence can be intentional or not and can act cohesively as an initiative or as an external threat.
2. Neighboring states and the region in general must not be fully internationalized. Global interest on the area and its states should be relatively minimal.
3. The formation of the regional body must be based on a loose organizational structure of low institutionalization minimizing, therefore, the sense of transferring national sovereignty to the regional level.

In the next section of this paper, an attempt to analyze and interpret the formation of three regional trade agreements in different developing areas of the globe with the use of the Regional Hegemonic Stability Theory and the conditions described above will take place.

## **Regionalism in the developing world, the selected cases**

Within the developing world, there are numerous representatives of regionalism. Most of these regional integration schemes are FTAs with just a few of them having proceeded to a more enhanced level of integration.

For our comparative analysis, three specific geographical areas have been selected and from each of these areas one representative of regionalism has been chosen. More specifically, East Asia, Sub-Saharan Africa and South America have been selected as the regions from the developing world that enclose both a growing international interest and a dynamic regional environment.

All three regions have active regional cooperation agreements that have moved beyond being just FTAs. In Sub-Saharan Africa, the Southern African Development Community (SADC) was selected for the purpose of the comparative analysis. In East Asia, the Association of South East Asian Nations (ASEAN) was chosen. Finally, in South America, the Mercado Común del Sur (Mercosur) was selected.

### **SADC**

SADC, created in 1992, is actually the evolution of the Southern African Development and Coordination Conference (SADCC), a regional organization aiming at the minimization of economic dependency of its members on South Africa. After the abolition of the policy of apartheid in the political scene of South Africa and the conduct of free national elections in 1994, South Africa entered the once hostile regional group with the aim of driving Southern Africa to economic growth. This development reinforced the importance of SADC in the wider Sub-Saharan area. The reinforced organization encompasses more than 221 million people and a combined GDP of approximately 272 billion USA dollars. Near the end of the 1990s, its 13 member-states (Angola, Zambia, Zimbabwe, PRC, Lesotho, Malawi, Mauricio, Mozambique, Botswana, South Africa, Seychelles – left the organization in 2005, Swaziland and Tanzania) agreed on the further integration of SADC reorganizing its institutional structure and setting new goals. The basic aim of enhancing regional economic growth has been reaffirmed while new projects stretching to even the fiscal

harmonization and potentially the introduction of a common currency have been declared<sup>7</sup>.

#### Mercosur

Mercosur is the newest regional cooperation scheme under study, created in 1992. It was founded by four South American states, Argentina, Brazil, Paraguay and Uruguay in order to enhance democratic movements in the area and economic growth. Nowadays, Mercosur has 5 member-states (Venezuela has just recently joined the organization) and 5 associate members (Chile, Bolivia, Peru, Colombia and Ecuador) while Mexico has received the observer status. It includes 264 million people and a combined economy of more than 2,3 trillion USA dollars. After the Argentinean economic crisis in 2001, Mercosur has gradually introduced some institutional changes with the aim of harmonizing its monetary and fiscal policies. In the same time, its member-states agreed on the creation of a regional parliament aiming at the minimization of the “democratic deficit” of the organization. There is also in progress a process of adopting a common currency and signing a political pact in the future.

#### ASEAN

While ASEAN is the oldest regional organization under study, it has not achieved a more institutionalized or integrated regional structure from the other two regional schemes. With 10 current member-states (Myanmar, Singapore, Malaysia, Vietnam, Philippines, Brunei, Thailand, Laos, Cambodia, and Indonesia) the 1967 created regional organization includes 574 million people and a regional GDP of 910 billion USA dollars. After the Asian Economic Crisis of 1997, the member-states of ASEAN have gradually agreed on the implementation of a more integrated regional framework based on the macroeconomic and fiscal regional harmonization. In parallel, ASEAN has taken a key position in the evolution of a wider regional cooperation agreement in East Asia consisting besides its member-states also China, South Korea, Japan, India, New Zealand and Australia. Thus, ASEAN has tried to upgrade its importance within the East Asian region and consequently to world politics.

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<sup>7</sup> B. Tsie, “States and Markets in the Southern African Development Community (SADC): Beyond the Neo-Liberal Paradigm”, *Journal of Southern African Studies*, Vol. 22, No. 1, Special Issue: State and Development, March 1996, pp. 84 – 85.

## **Some reflections from ASEAN, Mercosur and SADC for the Regional Hegemonic Stability Theory**

Using the theoretical framework provided by the Regional Hegemonic Stability Theory in order to assess the creation and progress of the selected regional organizations, an in-depth analysis of the history of each regional group is required. The environment under which they have been created and under which they have proceeded to more integrating policies is fundamental for our comparative analysis. Due to length constraints a short but descriptive assessment of the main historical facts is provided.

### **SADC**

As mentioned before, SADC can be described as the product of SADCC. In 1980, most of the called Front Line States<sup>8</sup> created a regional cooperation agreement in order to minimize their economic and trade dependence to South Africa<sup>9</sup>. The basic means of the member-states were the use of external assistance coming mainly from western European states for the implementation of programs enhancing regional infrastructure<sup>10</sup>. This process offered SADCC some success without yet abolishing economic dependence to South Africa, a heritage of the colonial period. In 1992, the organization is going to be transformed to SADC. The new regional project will minimize its attention to the competition with South Africa increasing it to one of the fundamental problems of all Sub-Saharan states, the extreme poverty percentages and the minimal economic growth. With the prevalence of democracy to South Africa after 1994, SADC will welcome as a member state its once main enemy. With the initiative of South Africa, SADC will start a still ongoing process of restructuring near the end of the millennium<sup>11</sup>. Goals such as the establishment of a common currency and the transformation of Southern Africa to an attractive place for Foreign Direct Investment (FDI) will be set under the leadership of South Africa.

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<sup>8</sup> Sub-Saharan states that were committed to alter the apartheid regime in South Africa by all means.

<sup>9</sup> M. Holland, "South Africa, SADC, and the European Union: Matching Bilateral with Regional Policies", *The Journal of Modern African Studies*, Vol. 33, No. 2, June 1995, p. 268.

<sup>10</sup> SADCC Communiqué, Lusaka, 24<sup>th</sup> July 1987.

<sup>11</sup> Booth – P. Vale, "Security in Southern Africa: After Apartheid, beyond Realism", *International Affairs*, Vol. 71, No. 2, April 1995, p. 286.

## Mercosur

Mercosur is mainly the outcome of the reconciliation and cooperation of Argentina and Brazil. After decades of mutual fear and hostility, the two most powerful states in South America started a process of cooperation in order to both protect their newly created democratic institutions and enhance economic growth in a world economic system that was becoming more and more competitive in the face of economic globalization<sup>12</sup>. This process that started near the middle of the 1980s resulted in the creation of Mercosur with the accession of two more states, Uruguay and Paraguay. Basic aim of the organization was the creation of free trade area and latter on (in 1995) a customs union. All members would benefit from the economies of scale, especially Argentina, Uruguay and Paraguay that would gain free entry to the huge Brazilian market. On the other hand, Brazil would gain in political and bargaining power vis-à-vis other global players in the world trade system and more specifically against USA which threatened Brazil's hegemonic position in South America<sup>13</sup>. After a first fruitful period, Mercosur would be destabilized from successive financial and monetary crises, first in Brazil in 1999 and afterwards in Argentina in 2001. With their economies in a recovery phase, the member states of Mercosur proceeded to both an expansion of membership welcoming Venezuela and in the future Bolivia and to an empowered devotion to the further integration of their regional project.

## ASEAN

ASEAN is the only regional organization under study that was created not because of economic concerns but due to the dedication of its founding member-states to the preservation to regional peace<sup>14</sup>. ASEAN was created in 1967, a period that the Cold War climate in combination with the geographical proximity of Southeast Asia with main representatives of communism (e.g. Vietnam, China) did not leave much room for concern about the economic growth of its member-states when regional peace could be threatened. The foundation of ASEAN can also be treated to a degree as the outcome of the approach of Indonesia by Malaysia, Singapore and Thailand

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<sup>12</sup> J. Grugel. and M. Medeiros, "Brazil and Mercosur" in Grugel, J. and Hout, W. (eds) *The New Regionalism and the developing world*, London: Routledge, 1999, p. 237.

<sup>13</sup> M. E. Carranza, "Mercosur and the end game of the FTAA negotiations: challenges and prospects after the Argentine crisis", *Third World Quarterly*, Vol. 25, No. 2, 2004, pp. 321 – 323.

<sup>14</sup> R. Amer, "Conflict management and constructive engagement in ASEAN's expansion", *Third World Quarterly*, Vol. 20, No. 5, 1999, p. 1032.

after years of mutual suspiciousness<sup>15</sup>. ASEAN became widely known through its successful policy of pressuring Vietnam to withdraw from Cambodia after its invasion in 1978. In the early 1990's, the absence of a Cold War climate will allow ASEAN to introduce itself to a process of expansion in the rest of Indochina (Vietnam, Laos, Myanmar and Cambodia gradually will join the organization) and to a process of economic and trade cooperation. These events in addition to the significant economic success of all member-states placed ASEAN to a prestigious position throughout East Asia. With the turn of the millennium, ASEAN will push for further integrating policies while it will also take the initiative to start a process of unifying the whole East Asia under the umbrella of a single regional cooperation scheme<sup>16</sup>. Just recently, the idea of creating an East Asian Community was widely accepted by all potential members (ASEAN, China, Japan, South Korea, India, New Zealand and Australia).

The above short historical analysis of the three regional cooperation schemes under study served as an introduction to the unique environment under which they were created and latter on evolved. But besides the different environments under which they were created, all three regional cooperation schemes present some similarities:

1. In all three organizations the decision making process is more or less the same and is based on a clearly intergovernmental way of operating. The decisions are taken from member-states after consultation and unanimously.
2. There are no strict rules concerning non-compliance though both Mercosur and SADC have established a tribunal; most differences are solved through consultation.
3. In all three cases, the economic integration has been gradual until the end of the millennium and has been speeded up since then. Fiscal and macroeconomic harmonization with the potential of a future adoption of a common currency has been agreed by all member-states.

An analysis of the degree that each regional cooperation agreement conforms to the three conditions imposed by the theory follows:

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<sup>15</sup> J. Henderson, "ASEAN", Oxford: Oxford University Press Inc, 1999, p. 15.

<sup>16</sup> J. Wanandi, "Towards an Asian security-community", *Asia – Europe Journal*, No. 3, 2005, p. 330.

## **Regional Hegemon**

In all three cases a regional hegemonic state exists. There may be some variations concerning the ongoing ability of the regional hegemon to enforce its policies to the other member-states but undoubtedly each regional cooperation agreement under study has been influenced by the presence of very powerful state vis-à-vis its neighbors.

In SADC the role of the hegemon plays the state of South Africa. Including 20% of the total regional population and approximately 69% of the combined regional GDP, South Africa rightfully plays a crucial role not only for SADC but also for the Sub-Saharan Africa. Moreover, its military budget (2005 figures) was 175% bigger than the second one (that of Angola) while 30% of FDI to the region comes from South African companies. All the above combined with the stable internal political environment since 1994 in contrast with the internal instability of many member-states and the more internationalized position of South Africa, has given the country the power to control the process of regional integration and keep the initiative inside SADC.

Within Mercosur, Brazil has a very important and influential position. Brazil is responsible for the 67% of the total regional population and the 69% of the regional GDP. Its military spending has reached 10 billion USA dollars (2005 figures), which is 2,3 times more than the second biggest military budget (Argentina). Moreover, Brazil ranks first or second as the biggest export market for all other member-states of Mercosur. On the other hand, Brazilian products are exported mainly to nonmember states and the small size of the region market excluding Brazil cannot offer much to the Brazilian economy. Therefore, Brazil has established a hegemonic position within not only Mercosur but also South America. The progress of the regional project clearly rests in Brazil's national policies and expectations.

Finally, ASEAN has the least certain hegemon in its region. Indonesia has played this role at least until the Asian Economic Crisis in 1997. It includes 41% of the total population and 29% of the regional GDP – although before 1997 this percentage was much higher. The once hostile relationship with mainly Malaysia has offered Indonesia a more prestigious position than the one deserved because of the anxiety a non-member Indonesia provoked. Its crucial position within ASEAN will not of course reach the levels of Brazil or South Africa but Indonesian initiatives would be more or less accepted. After the 1997 crisis and several internal problems

during the end of the 1990's (independence of East Timor, insurgencies in Aceh), Indonesia lost its more or less hegemonic position within ASEAN which only partly regained after 2002-2003. The introduction by ASEAN of the idea of creating a region wide regional project, the East Asian Community, minimized the influence of Indonesia as new and more powerful states (China, India, Japan) interfered in the ASEAN region.

### **Internationalization of the Region**

The Regional Hegemonic Stability Theory argues that the ability of a regional hegemon to push for a regional cooperation agreement is directly related with the level of internationalization of the region itself. If low international interest exists in a region then states within the region have no alternative than the regional hegemonic state.

Both in SADC and Mercosur the levels of international interest for their respective regions were low at the point of their creation. International interest about the Sub-Saharan Africa was always minimal vis-à-vis other regions of the world. The absence of strong national interests of the advanced western states has left the region unattended by the global community. International interest only grew in selected cases and only for a short period of time, e.g. during the opposition of the Front Line States and latter of SADC to the apartheid regime of South Africa. This fact created an environment in which the states of Southern Africa had no alternatives. They will combine their powers in their effort to protect themselves from an imperialistic South Africa and latter on will be reorganized around their former enemy in their effort to escape extreme poverty.

Similarly, South America is a region of the world which does not receive a constant global interest; most international interest is derived from the national interests of USA<sup>17</sup> and more recently the European Union's and East Asia's. This fact, in combination with an everlasting anti-Americanism in the region and the existence of an economically very powerful Brazil has allowed the latter to exert strong influence on its neighboring states. Moreover, USA offered an alternative for many

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<sup>17</sup> South America has been characterized as USA's backyard.

South American states in order to counterbalance the power of Brazil in the region but failed to provide solutions and assistance when needed (e.g. Argentina and the 2001 economic crisis). In addition, the internationalization of the region has almost always occurred through Brazil as the cases of EU-Mercosur and East Asia-Mercosur relationships have proved. Therefore, it can be argued that Brazil and the Brazilian-controlled Mercosur offered the only steady alternative to a solitary national course.

ASEAN on the other hand presents some differences. As one of the regions where the two rivals of the Cold War had been overwhelmingly active, international interest fluctuated according to the relations between the communistic world and the so-called free world. Thus, international interest was much higher than in SADC or even Mercosur. Then how could Indonesia as the regional hegemon enforce its policies and interests in the other member-states? There are two basic reasons why although strong international interest for the region was present, Indonesia was offered some power over its neighboring states.

The first reason lies on the colonial past of the East Asian region. This period has rendered Southeast Asian states cautious concerning the interference of advanced states to their regional and national issues. This is why in the founding Bangkok Declaration in 1967, the member-states of ASEAN denounced the interference of non-members to the regional and national issues. Peace would be a product of an intraregional process without the intervention of either the western or the communistic side. Although the denouncement of external interfering was mostly directed to the communistic states of East Asia, western interference was also unwelcome. Yet, it must be pointed out that most ASEAN member-states signed defensive pacts with USA and in many of them American troops were stationed as not even Indonesia could offer safeguards in the view of a possible communistic attack to the region.

The second reason was that since so many different countries offered alternatives to the ASEAN member-states (e.g USA, China, latter on Japan and the EU), they could use this fact to counterbalance the external aid and the derived from this situation intervention. Moreover, Southeast Asian states could not actually accede to one group or another in the fear of possible negative effects. In this way, outside interference was to a degree neutralized; ASEAN states would declare their opposition to outside interfering and Indonesia would be offered some space for influencing its neighbors.

## **Regional Institutionalization**

As described in previous section, all three regional cooperation projects experience low levels of institutionalization. They all act as clear intergovernmental regional groups; they have no reliable enforcement mechanism of the regional decisions and national leaders' expectations play a fundamental role in the progress of the regional project. Yet, under the pressure of the successive regional financial crisis, all three cases have entered a process of fiscal and macroeconomic harmonization which will drive them eventually to a more integrated regional environment. But even this process is gradual enough not to immediately test the retention of a large part of state sovereignty within the national level.

## **Conclusion**

From the empirical analysis it is evident that all three cases cover to a degree the three conditions imposed by the theoretical framework used.

SADC has a regional hegemonic state, South Africa, presents low levels of institutionalization while international interest has been more or less absent from the region. The creation of SADC has been the outcome of the need of Southern African states to protect themselves from an imperialistic South Africa and to try to liberate its colored population from the apartheid regime. The evolution of SADC has been, on the other hand, an answer to the need of Southern African states to escape low levels of economic growth and after the accession of South Africa this task has been to a degree left to the initiatives of the South African leadership. Therefore, South Africa first acted as an external threat that led its neighboring states to unite against it and in a second phase acted as the unifying element for a regional effort to economic growth.

Mercosur also has a regional hegemon, Brazil, presents low levels of regional institutionalization and its average internationalized environment did not offer its member-states the alternatives to the regional hegemon. Mercosur has been created at first as a need of all member-states but its course clearly revealed that Argentina, Paraguay and Uruguay integrated in the economy of Brazil. The levels of interdependence vary among Mercosur members with Brazil having the luxury to ignore regional proceedings when its national interest required alternative ways of conduct. The low levels of institutionalization served basically the national interest of Brazil and the failure to more quickly proceed to a more enhanced regional organization is attributed mainly to the refusal of Brazil to carry the burdens of further integration.

ASEAN is the regional organization that least covers the conditions set by the theoretical framework. Both the geography of the Southeast Asian region and the period during which ASEAN was created are not supportive to the conditions of the Regional Hegemonic Stability Theory. Yet, ASEAN includes a state that has the potential of acting as the regional hegemon and has done so in certain periods (Indonesia), has been experiencing low levels of institutionalization after its basic principle of “non-interference” and although international interest was always present the numerous alternatives have to a degree counterbalanced themselves leaving some space to the regional hegemon. The approach of Indonesia was one of the reasons of

ASEAN's creation, while its characteristics (containing the largest population and the biggest economy) gave Indonesia many times the initiative within the organization.

From a theoretical perspective the Regional Hegemonic Stability Theory tends to provide useful interpretations for specific decisions and developments and especially the initial creation of the above regional organizations, but it also presents some weaknesses in forming a complete and systematic explanation – or even a forecast - for their course and development. The agreement for the harmonization of fiscal and macroeconomic policies for example cannot be widely explained by the theoretical framework used as it seems to be more a response to the pressure of the international environment. In the era of economic globalization, the interference of both the global, regional, national and even local environment leaves no much room for a single theoretical model to provide the explanatory instrument for developments in the political and / or the economic sphere.

<b>Theoretical Condition</b>	<b>ASEAN</b>	<b>MERCOSUR</b>	<b>SADC</b>
<b>Existence or Regional Hegemon / External Threat</b>	Indonesia / Indonesia and China	Brazil	South Africa / South Africa
<b>Level of regional internationalization</b>	Relatively Increased	Average	Low
<b>Level of Institutionalization</b>	Low	Relatively Low	Low
<b>Degree of covering theoretical conditions</b>	Average	Relatively Big	Relatively Big

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