The Logic of Regional Integration

*Europe and Beyond*

In the late 1980s regional integration emerged as one of the most important developments in world politics. It is not a new phenomenon, however, and this book presents the first analysis of integration across time, and across regions. Walter Mattli examines projects in nineteenth- and twentieth-century Europe, but also in Latin America, North America, and Asia since the 1950s. Using the tools of political economy, he considers why some integration schemes have succeeded while many others have failed; what forces drive the process of integration; and under what circumstances outside countries seek to join regional groups. Unlike traditional political-science approaches, the book stresses the importance of market forces in determining the outcome of integration; but unlike purely economic analyses, it also highlights the importance of institutional factors. The book will provide students of political science, economics, and European studies with a new framework for the study of regional integration.

WALTER MATTLI is Assistant Professor in the Department of Political Science and a member of the Institute on Western Europe and the Institute of War and Peace Studies at Columbia University.
The Logic of
Regional Integration

*Europe and Beyond*

Walter Mattli
To my parents
Contents

Acknowledgements  v

1 Introduction  1
   1 The phenomenon of regional integration  1
   2 Explaining regional integration  3
   3 Themes and organization of the book  11
   4 Caveats  16

2 A review of theoretical approaches to integration  19
   1 Introduction  19
   2 Political-science approaches to integration  21
   3 Economic approaches to integration  31

3 Explaining regional integration  41
   1 Introduction  41
   2 Externalities, transaction costs, and demand for institutional change  44
   3 Externalities, transaction costs, and demand for integration  46
   4 The supply of integration  50
   5 Integration and economic performance  57
   6 The external effects of integration  59
   7 Conclusion  64

4 Integration in Europe  68
   1 Introduction  68
   2 The European Union  68
   3 The Zollverein  108
   4 Failed European integration schemes  128

5 Integration outside Europe  139
   1 Introduction  139
   2 Integration in Latin America  140
   3 Integration in Asia  163
   4 Integration in North America  179

6 Conclusion  189

Index  197
Acknowledgements

I have incurred many debts in writing this book. The University of Chicago, the Mellon Foundation, the Swiss National Foundation for Research, the Janggen Pöhn Foundation, and the European University Institute have supported me financially at various stages of my research. Columbia University also provided me with leave time, research support, and an intellectually stimulating environment.

My deepest debt is to the University of Chicago where I had the great fortune to be a graduate student in the first half of the 1990s. Chicago’s truly interdisciplinary spirit and long tradition of critical thought provided me with the ideal environment in which to grow intellectually. One Chicago workshop, the Program on International Politics, Economics, and Security (PIPS), played a particularly important role as a testing ground of my ideas on regional integration, and more generally as a forum in which I learned to think analytically about international relations. In weekly PIPS sessions, faculty and graduate students would meet to analyze new work on the various facets of international relations and to debate vigorously the latest trends in world affairs. The two PIPS directors, Charles Lipson and Duncan Snidal, have served on my dissertation committee, along with Russell Hardin. The three have constantly supported me in my research and have generously given of their time to read and thoughtfully comment on my various chapter drafts. I owe them an immense debt of gratitude. Other PIPS fellows I would like to thank warmly for their constructive criticism of my work are Daniel Verdier, Hein Goemans, Jim Fearon, Atsushi Ishida, Barbara Koremenos, Andy Kyk, and Brian Portnoy. At Columbia University, where I started to teach in the Fall of 1995, I received helpful comments from my colleagues David Baldwin, Robert Jervis, Helen Milner, Edward Mansfield, Hendrik Spruyt, and from doctoral students Marc Austin, Tim Büthe, Shanker Satyanath, Leslie Vinjamuri Wright, and Katja Werlich. Scholars from other universities to whom I am grateful for insightful comments on drafts or for helpful discussion on integration issues are Christopher Ansell, Peter Barsoom, Pieter Bouwen, Steve
Acknowledgements

Brams, Dirk DeBrievre, Richard Doner, George Downs, Karl-Orfeo Fioretos, Geoff Garrett, Philipp Genschel, Kate McNamara, David Lake, David Lazer, Nathan Lucas, John Odell, Robert Pastor, Thomas Risse, Manfred Rist, Philippe Schmitter, Wayne Sandholtz, Alec Stone, as well as the participants of seminars at the University of Chicago, Columbia University, the University of California, Irvine, Emory University, the European University Institute, Princeton University, the University of Rochester, Stanford University, and Tulane University. Debbie Davenport deserves special thanks. She perused the entire manuscript and suggested countless improvements of the text. Gregory Weisler, Ashley Leeds, and Tim Büthe provided invaluable research assistance. At Cambridge University Press, I would like to express my gratitude to John Haslam, the commissioning editor for the social sciences, for his most expert handling of my manuscript at the various stages of production, to Jean Field, my copy-editor, for carefully reading and correcting the entire text, and to two anonymous reviewers for excellent comments.

Finally, I am very grateful to Yves Mény, the director of the Robert Schuman Center of the European University Institute in Florence, for having invited me to spend the 1997–1998 academic year as a Jean Monnet Fellow at his Center. It was there that I put the finishing touches to the manuscript. I will forever cherish the memory of the spectacular view from my office at the Center of the cypress-tree lined hill of Fiesole and the large olive-tree grove of the convento San Domenico.