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1 General introduction: the EU within the global context of regional integration

ALI EL-AGRAA

The European Union (EU) is the most prominent scheme of 'international economic integration' (hereafter, simply economic integration). The aim of this chapter is to provide a precise definition of the term economic integration, to describe the various schemes that have been adopted worldwide, hence to set the EU within their broader context, and to provide a general outline of this book.

1.1 What is economic integration?

Economic integration is one aspect of 'international economics' which has been growing in importance for over five decades. The term itself has quite a short history; indeed, Machlup (1977) was unable to find a single instance of its use prior to 1942. Since then the term has been used at various times to refer to practically any area of international economic relations. By 1950, however, the term had been given a specific definition by economists specializing in international trade to denote *a state of affairs or a process which involves the amalgamation of separate economies into larger free trading regions*. It is in this more limited sense that the term is used today. However, one should hasten to add that economists not familiar with this branch of international economics, not to mention the layperson, have for quite a while been using the term to mean simply increasing economic interdependence between nations, now glamorized as *globalization*.

More specifically, economic integration (also referred to as 'regional integration', 'regional trading agreements' (RTAs), 'preferential trading agreements' (PTAs) and trading blocs) is concerned with the discriminatory removal of all trade impediments between at least two participating nations and with the establishment of certain elements of cooperation and coordination between them. The latter depends entirely on the actual form that integration takes. Different forms of economic integration can be envisaged and many have actually been implemented (see table 1.1 for schematic presentation):

1. *Free trade areas* (FTAs or PTAs), where the member nations remove all trade impediments among themselves but retain their freedom to determine their own policies vis-à-vis the outside world (the non-participants). Recently, the trend has been to extend these treatments also to investment. Examples of FTAs are the European Free Trade Association (EFTA), the defunct Latin American Free Trade Area (LAFTA), and the North American Free Trade Agreement (NAFTA) which explicitly covers investment.
2. *Customs unions* (CUs), which are very similar to free trade areas except that member nations must conduct and pursue common external commercial relations – for instance, they must adopt common external tariffs (CETs) on imports from the non-participants as is the case in, inter alia, the EU (which is in this particular sense a CU, but, as we shall presently see, it is more than that), the Central American Common Market (CACM) and the Caribbean Community and Common Market (CARICOM).
3. *Common markets* (CMs), which are CUs that also allow for free factor mobility across national members' frontiers, i.e. capital, labour, technology and enterprises should move unhindered between the participating countries. An example of this is the EU, but again it is more complex.

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Table 1.1 Schematic presentation of economic integration schemes

Scheme	Free intra-scheme trade	Common commercial policy (CCP)	Free factor mobility	Common monetary and fiscal policy	One government
Free trade area (FTA)	Yes	No	No	No	No
Customs union (CU)	Yes	Yes	No	No	No
Common market (CM)	Yes	Yes	Yes	No	No
Economic union (EcU)	Yes	Yes	Yes	Yes	No
Political union (PU)	Yes	Yes	Yes	Yes	Yes

4. *Complete economic unions*, simply economic unions (EcUs), which are CMs that ask for complete unification of monetary and fiscal policies, i.e. the participants must introduce a central authority to exercise control over these matters so that member nations effectively become regions of the same nation. The thirteen EU nations which have adopted the single currency, the euro (called the eurozone), are close to becoming one.
5. *Complete political unions* (PUs), where the participating countries become literally one nation, i.e. the central authority needed in EcUs should be paralleled by a common parliament and other necessary institutions needed to guarantee the sovereignty of one state. An example of this is the unification of the two Germanys in 1990.

However, one should hasten to add that political integration need not be, and in the majority of cases will never be, part of this list. Nevertheless, it can of course be introduced as a form of unity and for no economic reason whatsoever, as was the case with the two Germanys and as is the case with the pursuit of the unification of the Korean Peninsula, although one should naturally be interested in its economic consequences (see below). More generally, one should indeed stress that each of these forms of economic integration can be introduced in its own right; hence they should not be confused with *stages* in a *process* which eventually leads to either complete economic or political union, although many schemes evolved in stages.

It should also be noted that there may be *sectoral* integration, as distinct from general across-the-board integration, in particular areas of the economy, as was the case with the European Coal and Steel Community (ECSC, see chapters 2 and 16), created in 1951 and valid for fifty years, but sectoral integration is a form of cooperation not only because it is inconsistent with the accepted definition of economic integration but also because it may contravene the rules of the General Agreement on Tariffs and Trade (GATT), which, on 1 January 1995, became the World Trade Organization (WTO) – see below. Sectoral integration may also occur within any of the mentioned schemes, as is the case with the EU's Common Agricultural Policy (CAP, see chapter 20), but then it is nothing more than a 'policy'.

One should further point out that it has been claimed that economic integration can be *negative* or *positive*. The term negative integration was coined by Tinbergen (1954) to refer to the simple act of the removal of impediments on trade between the participating nations or to the elimination of any restrictions on the process of trade liberalization. The term positive integration relates to the modification of existing instruments and institutions and, more importantly, to the creation of new ones so as to enable the market of the integrated area to function properly and effectively and also to promote other broader policy aims of the scheme. Hence, at the risk of oversimplification, according to this classification, it can be stated that sectoral integration and free trade areas are forms of economic integration which require only negative integration, while the

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remaining types require positive integration, since, as a minimum, they need the positive act of adopting common relations. However, in reality this distinction is oversimplistic not only because practically all existing types of economic integration have found it essential to introduce some elements of positive integration, but also because theoretical considerations clearly indicate that no scheme of economic integration is viable without certain elements of positive integration; for example, even the ECSC deemed it necessary to establish new institutions to tackle its specified tasks – see below and chapter 2.

1.2 Economic integration and WTO rules

Article XXIV of WTO (see appendix to this chapter), GATT's successor, allows the formation of economic integration schemes (WTO calls them RTAs) on the understanding that, although free trade areas, customs unions, etc. are discriminatory associations, they may not pursue policies which increase the level of their discrimination beyond that which existed prior to their formation, and that tariffs and other trade restrictions (with some exceptions) are removed on *substantially* (increasingly interpreted to mean at least 90 per cent of intra-members' trade) all the trade among the participants. Hence, once allowance was made for the proviso regarding the external trade relations of the economic integration scheme (the CET level, or the common level of discrimination against extra-area trade, in a customs union, and the average tariff or trade discrimination level in a free trade area), it seemed to the drafters of Article XXIV that economic integration did not contradict the basic principles of WTO – trade *liberalization* on a most-favoured-nation (MFN) basis (the lowest tariff applicable to one member must be extended to all members), *non-discrimination*, *transparency* of instruments used to restrict trade (now called *tariffication*) and the promotion of *growth and stability* of the world economy – or more generally the principles of *non-discrimination*, *transparency* and *reciprocity*.

There are more serious arguments suggesting that Article XXIV is in direct contradiction to the spirit of WTO – see chapter 6 and, inter alia, Dam (1970). However, Wolf (1983, p. 156) argues that if nations decide to treat one another as if they are part of a single economy, nothing can be done to prevent them, and that economic integration schemes, particularly the EU at the time of its formation in 1957, have a strong impulse towards liberalization; in the case of the EU at the time mentioned, the setting of the CETs happened to coincide with GATT's Kennedy Round of tariff reductions. However, recent experience, especially in the case of the EU, has proved otherwise since there has been a proliferation of non-tariff barriers, which is why the 'single market' programme (chapter 8) was introduced in 1992, but the point about WTO not being able to deter countries from pursuing economic integration has general validity: WTO has no means for enforcing its rules; it has no coercion powers.

Of course, these considerations are more complicated than is suggested here, particularly since there are those who would argue that nothing could be more discriminatory than for a group of nations to remove all tariffs and other trade impediments (import quotas and the so-called non-tariff trade barriers, NTBs) on their mutual trade while *at the same time* maintaining the initial levels against outsiders. Indeed, it would be difficult to find 'clubs' which extend equal privileges to non-subscribers, although the Asia Pacific Economic Cooperation (APEC) forum aspires to 'open regionalism', one interpretation of which is the extending of the removals of restrictions on trade and investment to all countries, not just the members. This point lies behind the concern with whether economic integration hinders or enhances the prospects for the free multilateral regime that the WTO is supposed to promote (see El-Agraa, 1999, for the arguments for and against). Moreover, as we shall see in chapter 6, economic integration schemes may lead to resource reallocation effects which are economically undesirable. However, to deny nations the right to form such associations, particularly when the main driving force may be political rather than economic, would have been a major setback for the world community. Hence, all that needs to be stated here is that as much as Article XXIV raises serious

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problems regarding how it fits in with the general spirit of WTO, and many proposals have been put forward for its reform, its adoption also reflects deep understanding of the future development of the world economy.

1.3 The global experience

Although this book is concerned with the EU, it is important to view the EU within the context of the global experience of economic integration. This section provides a brief summary of this experience – see El-Agraa (1997) for a full and detailed coverage and Crawford and Fiorentino (2006) for the latest update.

Since the end of the Second World War various forms of economic integration have been proposed and numerous schemes have actually been implemented. Even though some of those introduced were later discontinued or completely reformulated, the number adopted during the decade commencing 1957 was so great as to prompt Haberler in 1964 to describe that period as the 'age of integration'. Since 1964, however, there has been such a proliferation of integration schemes that Haberler's description may be more apt for the post-1964 era: by January 2005, 312 RTAs (84 per cent being FTAs) were notified to WTO, 196 of them since 1995.

The EU is the most significant and influential of these arrangements. There are three reasons for this significance:

1. The EU comprises (see table 1.2 for a tabulation of integration arrangements in Europe) Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK. Croatia entered into EU membership negotiations in 2004 and Turkey did likewise in October 2005. Also, Macedonia has applied for membership and Iceland is seriously considering doing so. Hence the EU is set to include practically the whole of Europe (see also EEA below) and may go beyond the geographical area if Turkey succeeds in becoming a member in 2015.
2. From a voluntary viewpoint, it is the oldest such scheme.
3. Most vitally, the EU is the only scheme seeking the most involved and demanding type of economic integration. This is because the EU is almost a complete economic union since twelve of the fifteen pre-2004 members have the same currency (the euro) and they will be joined by all the twelve new members when they have met the necessary criteria, and has a common central bank (the European Central Bank) in charge of the euro and inflation control. Also, it has a number of common policies, elements of common foreign, security and defence policies and may even have a Constitution in the not so distant future.

The influence is simply due to the relative global weight of the EU (see the tables in chapter 5, especially 5.1 and 5.2 for data). With a population of about 481 million, the EU is comparable to NAFTA (see below), comprising Canada, Mexico and the United States, with 425 million, and likewise with gross national product measured in terms of *purchasing power parity* (PPP).

The EU was founded by six (although Germany was then not yet united) of these nations (Belgium, France, West Germany, Italy, Luxembourg and the Netherlands, usually referred to as the *Original Six*, simply the Six hereafter) by two treaties, signed in Rome on the same day in 1957, creating the *European Economic Community* (EEC) and the *European Atomic Energy Community* (Euratom). However, the Six had then been members of the *European Coal and Steel Community* (ECSC) which was established by the Treaty of Paris in 1951 and which was valid for fifty years. Thus, in 1957 the Six belonged to three communities, but in 1965 it was deemed sensible to merge the three entities into one and to call it the *European Communities* (EC). Denmark, Ireland and the UK joined in 1973; Greece became a full member in January 1981; Portugal and Spain joined in 1986; East Germany united with West Germany in 1990; Austria, Finland and Sweden joined in 1995; and of the remaining twelve Central and Eastern European

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Table 1.2 Economic integration in Europe

Scheme	EU	When to	EFTA	EEA
Founded	1957	join EU?	1960	1992
Aim	CM/EcU	CM/EcU	FTA	FTA
Austria	✓			✓
Belgium	✓			✓
Bulgaria	✓			✓
Cyprus	✓			✓
Czech Rep.	✓			✓
Denmark	✓			✓
Estonia	✓			✓
Finland	✓			✓
France	✓			✓
Germany	✓			✓
Greece	✓			✓
Hungary	✓			✓
Ireland	✓			✓
Italy	✓			✓
Latvia	✓			✓
Lithuania	✓			✓
Luxembourg	✓			✓
Malta	✓			✓
Netherlands	✓			✓
Poland	✓			✓
Portugal	✓			✓
Romania	✓			✓
Slovak Rep.	✓			✓
Slovenia	✓			✓
Spain	✓			✓
Sweden	✓			✓
UK	✓			✓
Croatia		2007		
Turkey		2015?		
Iceland			✓	✓
Norway			✓	✓
Switzerland			✓	
(Liechtenstein)			✓	✓

Countries (CEECs), ten joined in 2004 and Bulgaria and Romania in 2007.

Note that a change in regime brought Croatia closer to joining. Moreover, after thirty-six years of temporizing, it was agreed at the 2002 Copenhagen EU summit that Turkey was a recognized candidate, but the EU wanted to see big improvements in Turkey's political and human rights behaviour, including the rights of Kurds and other minorities, and the constitutional role of the army in political life, which might require changes in its constitution. The EU also wanted the country to resolve territorial squabbles with Greece in the Aegean Sea and to help end the division of Cyprus, where a Turkish-backed regime has occupied the north of the island since 1974. However, one should add that these conditions are not new since they are consistent with those in *Agenda 2000*, the EU's official document on enlargement (CEC, 1997b). Turkey has since made great progress and was given the

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go-ahead to start membership negotiations on 3 October 2005, but France has decided that membership will be conditional on a successful French referendum.

Note also that most of the CEECs, had already signed *Agreements of Association* with the EU and the twelve also signed accession treaties on 16 April 2003. Furthermore, the EU, Iceland, Liechtenstein and Norway belong to the *European Economic Area* (EEA), a scheme introduced in 1992 which provides Iceland and Norway with virtual membership of the EU, but without having a say in EU decisions; indeed the EEA is seen as a stepping-stone to full EU membership. Thus, if all goes according to plan, the EU is set to comprise the whole of Europe, since Switzerland has not withdrawn the application it lodged several years ago.

Although the EEC Treaty relates simply to the formation of a customs union and provides the basis for a common market in terms of free factor mobility, many of the originators of the EEC saw it as a phase in a process culminating in complete economic and political union. Thus the *Treaty on European Union* (the Maastricht Treaty, later ratified and extended by the *Treaty of Amsterdam* – see chapter 2), which transformed the EC into the EU in 1994 and which provides the EU with, inter alia, a single central bank, a single currency (presently for only thirteen members), and common foreign and defence policies, would be regarded in some quarters as a positive step towards the attainment of the founding fathers' desired ideal.

EFTA is the other major scheme of economic integration in Europe. To understand its membership one has to know something about its history (detailed in chapter 2). In the mid-1950s, when an EEC of the Six plus the UK was being contemplated, the UK was unprepared to commit itself to some of the economic and political aims envisaged for that community. For example, the adoption of a common agricultural policy and the eventual political unity of Western Europe were seen as aims which were in direct conflict with the UK's powerful position in the world and its interests in the Commonwealth, particularly with regard to 'Commonwealth preference', preceded by 'Imperial preference', which granted special access to the markets of the Commonwealth. Hence the UK favoured the idea of a Western Europe which adopted free trade in industrial products only, thus securing for itself the advantages offered by the Commonwealth as well as opening up Western Europe as a free market for its industrial goods. In short, the UK sought to achieve the best of both worlds for itself, which is, of course, quite understandable. However, it is equally understandable that such an arrangement was not acceptable to those seriously contemplating the formation of the EEC, especially France which stood to lose in an arrangement excluding a common policy for agriculture (see chapter 20). As a result the UK approached those Western European nations which had similar interests with the purpose of forming an alternative scheme of economic integration to counteract any possible damage due to the formation of the EEC. The outcome was EFTA, which was established in 1960 by the Stockholm Convention, with the object of creating a free market for industrial products only; there were some agreements on non-manufactures but these were relatively unimportant.

The membership of EFTA consisted of Austria, Denmark, Norway, Portugal, Sweden, Switzerland (and Liechtenstein) and the UK. Finland became an associate member in 1961, and Iceland joined in 1970 as a full member. But, as already stated, Denmark and the UK (together with Ireland) joined the EC in 1973; Portugal (together with Spain) joined in 1986; and Austria, Finland and Sweden joined the EU in 1995. This left EFTA with a membership consisting mainly of a few relatively smaller Western European nations – see table 1.2.

Until recently, economic integration schemes in Europe were not confined to the EU and EFTA. Indeed, before the dramatic events of 1989–90, the socialist planned economies of Eastern Europe had their own arrangement which operated under the CMEA, or COMECON as it was generally known in the West. The CMEA was formed in 1949 by Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the USSR; they were later joined by three non-European countries: Mongolia (1962), Cuba (1972) and Vietnam (1978). In its earlier days, before the death of Stalin, the activities of the CMEA were confined to the collation of the plans of the member states, the

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development of a uniform system of reporting statistical data and the recording of foreign trade statistics. However, during the 1970s a series of measures was adopted by the CMEA to implement their 'Comprehensive Programme of Socialist Integration', hence indicating that the organization was moving towards a form of integration based principally on methods of plan coordination and joint planning activity, rather than on market levers (Smith, 1977). Finally, attention should be drawn to the fact that the CMEA comprised a group of relatively small countries and one 'superpower' and that the long-term aim of the association was to achieve a highly organized and integrated bloc, without any agreement ever having been made on how or when that was to be accomplished.

The dramatic changes that have taken place in Eastern Europe and the former USSR have inevitably led to the demise of the CMEA. This, together with the fact that the CMEA did not really achieve much in the nature of economic integration – indeed some analysts have argued that the entire organization was simply an instrument for the USSR to dictate its wishes to the rest – are the reasons why El-Agraa's (1997) book does not contain a chapter on the CMEA; the interested reader will find a chapter in El-Agraa (1988b). However, one should hasten to add that soon after the demise of the USSR, twelve of the fifteen former Soviet Republics formed the Commonwealth of Independent States (CIS) to bring them closer together in a relationship originally intended, but to no avail, to match that of the EU nations. The countries are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan, the missing three being Estonia, Latvia and Lithuania which, as already mentioned, joined the EU in 2004.

Before leaving Europe it should be mentioned that there are also the Central European Free Trade Agreement (CEFTA), in force since 1993, the Baltic Free Trade Area (BFTA), in force since 1994, and the Nordic Community. The CEFTA comprises Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic and Slovenia, so it was established between the then transition countries, now all members of the EU. The Nordic Community consists of the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. However, in spite of claims to the contrary (Sundelius and Wiklund, 1979), the Nordic scheme is one of cooperation rather than economic integration since its members belong to either the EU or EFTA, and, as we have seen, the EU and EFTA are closely linked through the EEA.

Africa has numerous schemes of economic integration, with practically all the African countries belonging to more than one scheme (table 1.3), and if one ignored the above stated emphasis on the voluntary nature of economic integration, then Africa could claim to have the oldest two schemes in the world: the *Southern African Customs Union* (SACU, 1910, in which South Africa ruled supreme and in which all members except for Botswana run a Rand-based common monetary area), and the *East African Community* (EAC, established by the British for their own colonial administrative ease in 1919).

In West Africa, the *Union Économique et Monétaire Ouest-Africaine* (UEMOA) and *Mano River Union* (MRU) co-exist with the *Economic Community of West African States* (ECOWAS), with all members belonging to ECOWAS. In Central Africa, the *Economic Community of Central African States* (ECCAS), the *Communauté Économique et Monétaire des États de l'Afrique Centrale* (CEMAC) and the *Economic Community of the Countries of the Great Lakes* (CEPGL) all co-exist. In Eastern Africa, there is the *Common Market for Eastern and Southern Africa* (COMESA), with the *Intergovernmental Authority on Development* (IGAD) and EAC as smaller inner groups. In Southern Africa, there are the *Southern African Development Community* (SADC) and SACU. Northern Africa used to be the only sub-region with a single scheme, the *Arab Maghreb Union* (UMA), but the recent creation of the *Community of Sahel-Saharan States* (CENSAD) has brought it in line with the rest of Africa.

UMA, created in 1989, aimed for a CU before the end of 1995 and a CM by 2000, but has yet to achieve a mere FTA. CENSAD, established in April 1999, has no clear objectives, not even with regard to a trade liberalization strategy, but since its members belong to other blocs, the aims of these are pertinent. ECOWAS was launched in 1975 with the aim of creating an economic and monetary

Table 1.3 Economic integration in Africa

Scheme[a]	A	B	C	D	E	F	G	H	I	J	K	L	M	N	AEC	AU
Algeria	✓														✓	✓
Angola									✓				✓		✓	✓
Benin			✓	✓											✓	✓
Botswana													✓	✓	✓	✓
Burkina Faso			✓	✓											✓	✓
Burundi						✓	✓		✓						✓	✓
Cameroon					✓	✓									✓	✓
Cape Verde			✓												✓	✓
Central African Rep.		✓			✓	✓									✓	✓
Chad		✓			✓	✓									✓	✓
Comoros									✓			✓			✓	✓
Congo					✓	✓									✓	✓
Congo Dem. Rep.							✓		✓				✓		✓	✓
Côte d'Ivoire			✓	✓											✓	✓
Djibouti		✓							✓		✓				✓	✓
Egypt		✓							✓						✓	✓
Equatorial Guinea					✓	✓									✓	✓
Eritrea									✓		✓				✓	✓
Ethiopia									✓		✓				✓	✓
Gabon					✓	✓									✓	✓
Gambia			✓												✓	✓
Ghana			✓							-					✓	✓
Guinea Bissau			✓	✓											✓	✓
Guinea Conakry			✓					✓							✓	✓
Kenya									✓	✓	✓				✓	✓
Lesotho, Kingdom of													✓	✓	✓	✓
Liberia			✓					✓							✓	✓
Libya	✓	✓													✓	✓
Madagascar									✓			✓			✓	✓
Malawi									✓				✓		✓	✓
Mali		✓	✓												✓	✓
Mauritania	✓														✓	✓
Mauritius									✓				✓		✓	✓
Morocco	✓	✓													✓	
Mozambique													✓		✓	✓
Namibia													✓	✓	✓	✓
Niger		✓	✓												✓	✓
Nigeria		✓	✓												✓	✓
Réunion												✓			✓	
Rwanda						✓	✓		✓						✓	✓
Saharawi Arab D. R.															✓	✓
São Tomé and Príncipe						✓									✓	✓
Senegal		✓	✓	✓											✓	✓
Seychelles									✓			✓	✓		✓	✓
Sierra Leone			✓					✓							✓	✓
Somalia		✓									✓				✓	✓
South Africa													✓	✓	✓	✓

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Table 1.3 (continued)

Scheme[a]	A	B	C	D	E	F	G	H	I	J	K	L	M	N	AEC	AU
Sudan									✓		✓				✓	✓
Swaziland									✓				✓	✓	✓	✓
Tanzania										✓			✓		✓	✓
Togo			✓	✓											✓	✓
Tunisia	✓	✓													✓	✓
Uganda									✓	✓					✓	✓
Zambia		✓							✓				✓		✓	✓
Zimbabwe									✓				✓		✓	✓

[a] A is UMA, B is CENSAD, C is ECOWAS, D is UEMOA, E is CEMAC, F is ECCAS, G is CEPGL, H is MRU, I is COMESA, J is EAC, K is IGAD, L is IOC, M is SADC and N is SACU.

union, but its revised treaty envisaged a mere CU by 2000, later delayed to 1 January 2003, and some members do not even apply a FTA. UEMOA, created in 1994 by the francophone members of ECOWAS, is now a CU, introducing its common external tariffs (CETs) in January 2000, but applying them to the rest of ECOWAS as well, and some member nations are still not even FTAs! MRU, established in 1973, is a CU with a certain degree of cooperation in the industrial sector. ECCAS has been dormant for almost a decade, but has recently been resuscitated. CEPGL was created in 1976, but is virtually inactive due to the conflicts within the bloc. Most activity in this part of Africa is confined to CEMAC, which has a common currency and has taken steps towards a CU. COMESA, established in 1993, launched a FTA in October 2000 comprising nine of its member states. Note that of the member nations of the EAC (first *truly* established in 1967), Kenya and Uganda are also members of COMESA, while Tanzania also belongs to SADC, having earlier withdrawn from COMESA. EAC and COMESA, in their May 1997 *Memorandum of Understanding*, agreed to become a CU. SADC aims to achieve a FTA within the next five years. Note that IGAD (formed in 1996 to replace the equivalent Association on Drought and Development of 1986) and the *Indian Ocean Commission* (IOC, set up in 1982 with vague aims and ambitions, except for concentration on some functional cooperation areas such as fisheries and tourism) have agreed to adopt the aims of COMESA.

Hence a unique characteristic of economic integration in Africa is the multiplicity and overlapping of its schemes, both made more complicated by the co-existence of inter-governmental cooperation organizations. For example, in the West alone, in 1984 there was a total of thirty-three schemes and inter-governmental cooperation organizations, and by the late 1980s, about 130 inter-governmental, multi-sectoral economic organizations existed simultaneously with all the above-mentioned economic integration schemes (Adedeji, 2002, p. 6). That is why the United Nations Economic Commission for Africa (UNECA) recommended in 1984 that there should be some rationalization in the economic cooperation attempts in West Africa. Therefore, some would claim that the creation, by all the African nations except Morocco, of the *African Economic Community* (AEC) in 1991, and the *African Union* (AU) in 2001 by the Constitutive Act, are the appropriate response; the AU replaced the *Organization for African Unity* (OAU). However, that response would be incorrect, since the AEC not only officially endorses all the existing African economic integration schemes, but also encourages the creation of new ones while remaining silent on how they can all co-exist (El-Agraa, 2003). When this uniqueness is combined with the proliferation of schemes, one cannot disagree with Robson (1997) when he declares that, regarding economic integration, '*Reculer pour mieux sauter* is not a dictum that seems to carry much weight . . . On the contrary, if a certain level of integration

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Table 1.4 Economic integration in the Americas

Scheme	NAFTA	CACM	LAIA	CARICOM	AP	MERCUSOR
Founded	1993	1961	1960/80	1973	1969	1991
Aim	FTA	FTA	FTA	CU/CM	FTA	FTA
Canada	✓					
Mexico	✓		✓			
USA	✓					
Belize		✓		✓		
Costa Rica		✓				
El Salvador		✓				
Guatemala		✓				
Honduras		✓				
Nicaragua		✓				
Panama		✓				
Antigua and Barbuda				✓		
Bahamas				✓		
Barbados				✓		
Dominica				✓		
Grenada				✓		
Jamaica				✓		
Montserrat				✓		
St Kitts and Nevis				✓		
St Lucia				✓		
St Vincent and Grenadines				✓		
Trinidad and Tobago				✓		
Argentina			✓			✓
Bolivia			✓		✓	
Brazil			✓			✓
Chile			✓		✓	
Colombia			✓		✓	
Ecuador			✓		✓	
Guyana				✓		
Paraguay			✓			✓
Peru			✓			
Uruguay			✓		✓	✓
Venezuela			✓		✓	✓

cannot be made to work, the reaction of policy makers has typically been to embark on something more elaborate, more advanced and more demanding in terms of administrative requirements and political commitment.'

Economic integration in Latin America has been too volatile to describe in simple terms, since the post-1985 experience has been very different from that in the 1960s and 1970s. At the risk of misleading, one can state that there are four schemes of economic integration in this region – see table 1.4. Under the 1960 Treaty of Montevideo, the *Latin American Free Trade Association* (LAFTA) was formed between Mexico

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