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

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1.1 Introduction

The European Union (EU) is the most prominent scheme of international economic integration (IEI). The first aim of this chapter is to provide a precise definition of IEI, since what it means to those specializing in trade theory is very different to what one would expect on purely linguistic grounds. IEI creates 'clubs' between some nations, which discriminate against non-members, in contrast to multilateralism, which extends agreed 'arrangements' to all nations. The World Trade Organization (WTO), which regulates trade, is based on the principle of non-discrimination, so the second aim of the chapter is to examine how IEI fits within the WTO framework. IEI can take several forms, and the third aim is to describe the various schemes that have actually been adopted worldwide and to set the EU within this broader context, substantiating the statement made in the opening sentence about the EU. The fourth aim is to show why most countries seek IEI – that is, to consider what economic or other benefits become possible as a consequence of IEI.

1.2 What is economic integration?

IEI is one aspect of 'international economics', which has been growing in importance since the middle of the twentieth century. 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 international trade specialists 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 recently the term has been used to mean simply increasing economic interdependence between nations, now glamorized as *globalization*.

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

1. In *free trade areas* (FTAs or PTAs), the member nations (MNs) remove tariffs 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 this treatment to investment.
2. *Customs unions* (CUs) are very similar to FTAs/PTAs, except that MNs must conduct and pursue common external commercial relations – for instance, they must adopt common external tariffs (CETs) on imports from the non-participants.
3. *Common markets* (CMs) are CUs that also allow for free factor mobility across MNs' frontiers – that is, capital, labour, technology and enterprises should move unhindered between MNs.
4. *Complete economic unions*, or economic unions (EcUs), are CMs plus the complete unification of monetary and fiscal policies – that is, MNs must introduce a central authority to exercise control over these matters, so that MNs effectively become regions of the same nation.

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

5. In *complete political unions* (PUs), MNs literally become one nation – that is, the central authority needed in EcUs should be paralleled by a common parliament and other institutions needed to guarantee the sovereignty of one state.

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 in 1990, and as is the case with the pursuit of the unification of the Korean Peninsula, although we should naturally be interested in its economic consequences (see Section 1.5, page 14). More generally, we should stress that each of these forms of IEI can be introduced in its own right; hence they should not be confused with *stages* in a *process* which eventually leads to complete economic or political union.

It should also be noted that there may be *sectoral* integration, as distinct from general, across-the-board IEI, in particular areas of the economy, as was the case with the European Coal and Steel Community (ECSC; see Chapters 2 and 17), created in 1951, but sectoral integration is considered to be only a form of cooperation because it is inconsistent with the accepted definition of IEI, and also because it may contravene the rules of the General Agreement on Tariffs and Trade (GATT), which began to be run by the WTO in 1995 (see next page). 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'.

It has been claimed that IEI can be *negative* or *positive*. The term 'negative IEI' was coined by Tinbergen (1954) to refer to the simple act of the removal of impediments on trade between MNs. 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 FTAs/PTAs are forms of IEI which require only negative integration, while the remaining types require positive integration, since as a minimum they need the positive act of adopting common external trade and investment relations. However, in reality this distinction is oversimplistic, not only because practically all existing types of IEI have found it essential to introduce some elements of positive integration, but also because theoretical considerations clearly indicate that no scheme of IEI 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 Chapter 2).

1.3 Economic integration and WTO rules

There are four basic WTO principles: (a) trade *liberalization* on a most favoured nation (MFN) basis (the lowest tariff applicable to one member must be extended to all members); (b) *non-discrimination*; (c) *transparency* of instruments used to restrict trade (now called *tariffication*); and (d) the promotion of *growth and stability* of the world economy. More generally, these principles are reduced to three: *non-discrimination*, *transparency* and *reciprocity*. GATT's Article XXIV (GATT 1986, p.

Box 1.1 GATT's Article XXIV.5

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; provided that:
   (a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;
   (b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of contracting parties not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and
   (c) any interim agreement referred to in sub-paragraphs (a) and (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

Source: GATT 1986

42; see also WTO, which subsumed GATT in 1994, and hence can be used interchangeably) allows the formation of IEI schemes on the understanding that (a) they may not pursue policies which increase the level of protection beyond that which existed prior to their formation; (b) tariffs and other trade restrictions (with some exceptions) are removed on *substantially* (increasingly interpreted to mean at least 90 per cent of intra-MN trade) all the trade among MNs; and (c) they become established within a reasonable period of time. Box 1.1 provides the full text of item 5 of Article XXIV. The drafters of Article XXIV.5 recognized the benefits of closer IEI, even though this contradicted one of the basic WTO principles, that of *non-discrimination*.

There are more serious arguments suggesting that Article XXIV is in direct contradiction of the spirit of WTO (see Chapter 6 and, inter alios, Dam 1970). However, Wolf (1983, p. 156) argues that if nations decide to treat one another as if they were part of a single economy, nothing can be done to prevent them from doing so, and that IEI schemes, particularly the EU at the time of its formation in 1957, can have a strong impulse towards liberalization; in the EU case, the setting of CETs by 1969 (see Chapter 24) happened to coincide with GATT's Kennedy Round of tariff reductions (by about 35 percent) in 1967. However, experience suggests that IEI can be associated with protectionism – for example, in the EU case, after the first oil crisis there was a proliferation of non-tariff barriers (NTBs), which is why the single European market (SEM) programme (Chapters 2 and 7) was introduced in 1992 – but the point about the WTO not being able to deter countries from pursuing IEI has general validity: the WTO is ultimately dependent on MSs respecting its rules.

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 NTBs) on their mutual trade while *at the same time* maintaining the initial levels against outsiders. Indeed, it is 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 extending the removal of restrictions on trade and investment to all countries, not just MNs. This point lies behind the concern about whether IEI hinders or enhances the prospects for the free multilateral reductions in trade barriers 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, IEI schemes may lead to resource reallocation effects that 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, much as Article XXIV raises serious problems in terms of how it fits in with the general spirit of the 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.

1.4 Economic integration worldwide

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

Since the end of the Second World War various forms of IEI have been proposed and numerous schemes have actually been implemented. Even though some of these were subsequently discontinued or completely reformulated, the number adopted during the decade following 1957 was so great as to prompt Haberler in 1964 to describe that period as the 'age of [IEI]'. Since 1964, however, there has been a further proliferation of IEI schemes, so Haberler's description may be more apt for the post-1964 era: by December 2008, 421 RTAs had been notified to the WTO,[1] and 230 of these are still in force.

1.4.1 Economic integration in Europe

The EU is the most significant and influential of IEI schemes. There are three reasons, which, when taken together, explain this significance:

1. Of the six EU founding states, Germany, France and Italy were top-ten world economies. Since then, two such economies have joined, the UK and Spain. So the EU today includes five of the world's top ten economies. Also, the EU has proved a magnet for new members, so in addition to the founding MNs, known as the Original Six (hereafter, the Six), there are now an extra 21 MSs (see Table 1.2 for a tabulation of European states and their IEI arrangements). The EU of 27 continues to receive applications for membership, hence it is set to include practically the whole of Europe and may go beyond the geographical area if Turkey succeeds in joining in 2015 (see Chapter 2). No other scheme matches this economic size and diversity.
2. In terms of the voluntary nature of membership, the EU is the oldest IEI scheme in operation. This longevity is part of its attraction.
3. Most vitally, the EU has the deepest scheme of IEI. It is almost a complete economic union (EcU; see pages 1 and 2): (a) it is practically a complete CM; (b) 17 of its 27 MSs have the same currency (euro), with the European Central Bank in charge of eurozone monetary policy; (c) it has a system for monitoring and influencing fiscal policy, the *Stability and Growth Pact* (see Chapters 11 and 12); (d) it has its own budget, financing a range of policies; and since the Treaty of Lisbon came into force on 1 December 2009 it has (e) a single president of the European Council; and (f) a foreign policy chief who controls a vast diplomatic corps, now being established.

The influence of the EU is simply due to its relative global weight. Using 2008 data (see Table 1.3), the population of EU27 exceeds that of NAFTA (Canada, Mexico and the USA) by about 43 million (9.7 per cent) and is the third largest in the world, after China (1,325 million) and India (1,140 million). The combined economic weight of EU27, in terms of GNI, converted using the World Bank's Atlas method for exchange rates, exceeds that of NAFTA by about $249 billion (1.46 per cent), and, using purchasing power parity (PPP), falls short of it by about $2,384 billion (13.59 per cent).

The European Free Trade Association (EFTA) is the other major scheme of IEI in Europe. To understand its membership one has to know something about its history (detailed in Chapter 2). In the mid-1950s, when the European Economic Community (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

Table 1.2 Economic integration in Europe

Country	Scheme (year founded) and aim			
	EU (1957) CM/EcU	When to join EU? CM/EcU	EFTA (1960) FTA	EEA (1992) 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	✓			✓
Albania		Applied in 2009		
Bosnia & Herzegovina		Hopes to apply soon		
Croatia		Negotiating since 2004		
Macedonia		Applied in 2004		
Montenegro		Applied in 2008		
Serbia		Applied in 2009		
Turkey		Negotiating since 2005 for 2015		
Iceland		Applied in 2009	✓	✓
Norway			✓	✓
Switzerland			✓	
(Liechtenstein)			✓	✓

Table 1.3 A Comparison of the EU and NAFTA, 2008

Scheme	Population (million)	GNI ($ billion)	GNI(PPP) ($ billion)
EU	496.7	17,338.3	15,155.3
NAFTA	443.8	17,089.1	17,539.6

– for example, the adoption of a Common Agricultural Policy and the eventual political unity of Western Europe were seen as aims that 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', 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, but 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 IEI 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 Denmark, Ireland and the UK joined the European Community (EC; what the EEC became) in 1973; Portugal and Spain did so in 1986; and Austria, Finland and Sweden joined in 1995. All the remaining EFTA countries except Switzerland – that is, Iceland, Liechtenstein and Norway – now belong to the *European Economic Area* (EEA), a scheme introduced in 1992 which provides economic but not political membership of the EU – being part of the SEM without having a say in EU decisions.

Before the dramatic events of 1989–90, IEI schemes in Europe were not confined to the EU and EFTA. The socialist planned economies of Eastern Europe had their own arrangement: the Council for Mutual Economic Assistance (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, CMEA activities were confined to the collation of MNs' plans, the development of a uniform system of reporting statistical data and the recording of foreign trade statistics. However, during the 1970s the CMEA adopted a series of measures to implement a 'Comprehensive Programme of Socialist Integration', hence indicating that the organization was moving towards a form of integration based principally on plan coordination and joint planning activity, rather than on market levers (Smith 1977). The CMEA comprised a group of relatively small countries and one 'superpower', and 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 CMEA's demise inevitably came about due to the dramatic changes that took place in Eastern Europe and the former USSR in the 1980s, together with the fact that the CMEA did not really achieve much in terms 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 of the group (El-Agraa 1988b). However, soon after the USSR's demise, twelve of the fifteen former Soviet Republics formed the Commonwealth of Independent States (CIS) to bring them closer together in a relationship originally intended to match the EU's, but the relationship remains very limited.

Before leaving Europe, mention should be made of the Central European Free Trade Agreement (CEFTA), the Council of the Baltic Sea States (CBSS) and the Nordic Community. CEFTA was originally formed by Czechoslovakia, Hungary and Poland in 1992, but with EU enlargement members have left when they joined the EU and new countries have joined, so it has moved southwards to include the republics of former Yugoslavia,[2] Albania and Moldova. The CBSS involves eleven states, nine EU states bordering the Baltic, Norway and Russia, and it involves cooperation but not economic integration. The Nordic Community involves five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden.[3] In spite of claims to the contrary (Sundelius and Wiklund 1979), the Nordic scheme is one of cooperation rather than IEI, since its members belong to either the EU or the EEA, through which economic integration is organized.

1.4.2 Economic integration in Africa

Africa has numerous schemes of IEI (see Table 1.4), with practically all the African countries belonging to more than one scheme. If we include involuntary colonial integration, Africa could claim to have the oldest two schemes in the world: the Southern African Customs Union (SACU, 1910, which is dominated by South Africa, with all members except for Botswana part of a Rand-based common monetary area), and the East African Community (EAC, established by the British in 1919 for their own colonial administrative ease).

In West Africa, the Union Économique et Monétaire de l'ouest-Africaine (UEMOA) and Mano River Union (MRU) coexist with the Economic Community of West African States (ECOWAS), with considerable membership overlap. A similar situation exists in Central Africa, with 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). In eastern Africa there is the Common Market for Eastern and Southern Africa (COMESA), with the Intergovernmental Authority on Development (IGAD) and the East African Community (EAC) as smaller inner groups. In southern Africa there are the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). Northern Africa used to be the only subregion 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 February 1998, has no clear objectives, not even with regard to a trade liberalization strategy, but since its MNs belong to other blocs, the aims of these are pertinent. ECOWAS was launched in 1975 with the aim of creating an economic and monetary union, but its revised treaty envisaged a mere CU by 2000, later delayed to 1 January 2003, and some MNs do not even apply an FTA. UEMOA, created in 1994 by the francophone MNs of ECOWAS, is now a CU, introducing its CETs in January 2000, but applying them to the rest of ECOWAS as well, and some MNs 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 an FTA in October 2000 comprising nine of its MNs. Note that of the MNs 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. The EAC and COMESA, in their May 1997 *Memorandum of Understanding*, agreed to become a CU. SADC aims to achieve an 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 COMESA's aims.

Hence the unique characteristic of IEI in Africa is the multiplicity of overlapping schemes, made more complicated by the coexistence of intergovernmental cooperation organizations. For example, in West Africa alone, in 1984 there was a total of thirty-three schemes and intergovernmental cooperation organizations, and by the late 1980s, about 130 intergovernmental, multi-sectoral economic organizations existed simultaneously with all the above-mentioned IEI schemes (Adedeji 2002, p. 6). That is why the United Nations

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Table 1.4 Economic integration in Africa

Country	UMA	CENSAD	ECOWAS	UEMOA	CEMAC	ECCAS	CEPGL	MRU	COMESA	EAC	IGAD	IOC	SADC	SACU	AEC	AU
	Scheme															
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		✓	✓												✓	✓

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Table 1.4 (continued)

Country	Scheme															
	UMA	CENSAD	ECOWAS	UEMOA	CEMAC	ECCAS	CEPGL	MRU	COMESA	EAC	IGAD	IOC	SADC	SACU	AEC	AU
Réunion												✓			✓	
Rwanda							✓		✓	✓					✓	✓
Saharawi Arab Dem. Rep.															✓	✓
São Tomé and Príncipe		✓				✓									✓	✓
Senegal		✓	✓	✓											✓	✓
Seychelles									✓			✓	✓		✓	✓
Sierra Leone		✓	✓					✓							✓	✓
Somalia		✓									✓				✓	✓
South Africa													✓	✓	✓	✓
Sudan		✓							✓		✓				✓	✓
Swaziland									✓				✓	✓	✓	✓
Tanzania										✓			✓		✓	✓
Togo		✓	✓	✓											✓	✓
Tunisia	✓	✓													✓	✓
Uganda									✓	✓	✓				✓	✓
Zambia									✓				✓		✓	✓
Zimbabwe									✓				✓		✓	✓

Economic Commission for Africa (UNECA) recommended in 1984 that there should be some rationalization of 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, such a claim would be incorrect, since the AEC not only officially endorses all the existing African IEI schemes, but also encourages the creation of new ones, while remaining silent on how they can all coexist (El-Agraa 2004). When this uniqueness is combined with the proliferation of schemes, one cannot disagree with Robson (1997) when he declares that, regarding IEI, '*Reculer pour mieux sauter* is not a dictum that seems to carry much weight . . . On the contrary, if a certain level of [IEI] 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.'

1.4.3 Economic integration in the western hemisphere

IEI in Latin America has been too volatile to describe in simple terms, as the post-1985 experience has been very different from that in the 1960s and 1970s. At the risk of oversimplifying, one can state that there are four IEI schemes in this region (see Table 1.5). Under the 1960 Treaty of Montevideo, the Latin American Free Trade Association (LAFTA) was formed between Mexico and all the countries of South America except for Guyana and Surinam. LAFTA came to an end in the late 1970s, but was promptly succeeded by the Association for Latin American Integration (*Asociación Latinoamericana de Integración*, ALADI or LAIA) in 1980. The Managua Treaty of 1960 established the

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Table 1.5 Economic integration in the Americas

Country	Scheme (year founded) and aim					
	NAFTA (1993) FTA	CACM (1961) FTA	LAIA (1960/80) FTA	CARICOM (1973) CU/CM	AP (1969) FTA	MERCOSUR (1991) FTA
NAFTA:						
Canada	✓					
Mexico	✓		✓			
USA	✓					
Caribbean:						
Belize		✓		✓		
Costa Rica		✓				
El Salvador		✓				
Guatemala		✓				
Honduras		✓				
Nicaragua		✓				
Panama		✓				
Central America:						
Antigua and Barbuda				✓		
Bahamas				✓		
Barbados				✓		
Dominica				✓		
Grenada				✓		
Jamaica				✓		
Montserrat				✓		
St Kitts and Nevis				✓		
St Lucia				✓		
St Vincent and Grenadines				✓		
Trinidad and Tobago				✓		
South America:						
Argentina		✓				✓
Bolivia		✓			✓	
Brazil		✓				✓
Chile		✓			✓	
Colombia		✓			✓	
Ecuador		✓			✓	
Guyana				✓		
Paraguay		✓				✓
Peru		✓			✓	
Uruguay		✓				✓
Venezuela		✓			✓	✓

Central American Common Market (CACM) between Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In 1969 the Andean Pact (AP) was established under the Cartagena Agreement, forming a closer link between some of the least developed nations of LAFTA, now LAIA.

Since the debt crisis in the 1980s, IEI in Latin America has taken a new turn, with Mexico joining