1 Comparing regional institutions: an introduction

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Why study institutional design?

During the past decade regionalism has received increasing attention as a major potential force for global change.[1] While regionalism has been a consistent feature of the global security and economic architecture since World War II, the end of the Cold War and economic regionalization in the context of a rapidly integrating global economy have led to a new emphasis on regionalism. But the make-up and performance of regional organizations around the world is marked by a great deal of diversity. For example, Europe not only exhibits the highest institutional density in terms of the number of overlapping regional mechanisms, but individual European regional groupings also tend to be more heavily institutionalized and intrusive, especially in terms of their approach to issues that affect state sovereignty (such as human rights). Yet, they lag behind many other regions, such as Africa and Asia, in terms of their inclusiveness and flexibility in decision-making. Asian institutions, relatively new on the international stage, have claimed uniqueness in terms of their decision-making norms and approach to socialization, but many have questioned their effectiveness in managing security dilemmas and the economic vulnerabilities of their members.

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[1] Some of the recent works on regionalism include: Amitav Acharya, "Regional Approaches to Security in the Third World: Lessons and Prospects," in Larry A. Swatuk and Timothy M. Shaw (eds.), *The South at the End of the Twentieth Century* (London: Macmillan, 1994), pp. 79–94; Louise Fawcett and Andrew Hurrell (eds.), *Regionalism in World Politics: Regional Organization and International Order* (Oxford: Oxford University Press, 1995); Andrew Gamble and Anthony Payne (eds.), *Regionalism and World Order* (Basingstoke: Macmillan, 1996); Jean Grugel and Wil Hout (eds.), *Regionalism Across the North-South Divide* (London: Routledge, 1998); Edward D. Mansfield and Helen D. Milner (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997); Björn Hettne, András Inotai, and Osvaldo Sunkel (eds.), *Globalism and the New Regionalism* (New York: St. Martin's Press, 1999); Fredrik Söderbaum and Timothy M. Shaw (eds.), *Theories of New Regionalism: A Palgrave Reader* (New York: Palgrave Macmillan, 2003); Shaun Breslin, Christopher W. Hughes, Nicola Phillips and Ben Rosamond (eds.), *New Regionalisms in the Global Political Economy* (London: Routledge, 2002).

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Why, then, does it appear that different forms of institutionalization develop in different regions of the world? From a simple functionalist perspective one should not expect too much variation around the world, where states generally face similar kinds of cooperation problems. Thus, the first puzzle in which we are interested is how to describe and then explain any variation in the design of regional security and economic institutions across Asia, Africa, Latin America, the Middle East, and Europe.

The second puzzle, flowing naturally from this first puzzle, is whether variation in institutional design leads to variation in the nature of cooperation, including the efficacy of these institutions for resolving regional cooperation problems. Are the more formalized, bureaucratized, and oftentimes intrusive institutions of European cooperation more effective than the more informal, weakly organized 'talk-shops' of Asia-Pacific in promoting cooperation?

Our interest in this volume stems from two theoretical developments: first, the lack of interest in systematic comparative work on regional institutions from around the world, especially outside of Europe, focusing on variations in their design and efficacy; and second, the shifting emphasis on the theory of international institutions to studying variations in how they work.

Institutional design in the literature on regionalism

With the exception of European institutions, regional institutions have occupied a small and insignificant part of the overall theoretical literature on international institutions. And in this literature, considerations of institutional design have played a minimal part. The literature on regional institutions has evolved through three stages.

The first phase of the literature on regionalism was marked by a debate between regionalism and universalism which accompanied the creation of the United Nations.[2] Advocates of regionalism argued that geographic neighbors would have a better understanding of local disputes, and would be better able to provide assistance to victims of aggression than the universal organization. The regionalist position was recognized in the UN Charter, which listed mediation by regional agencies as one of the

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[2] For analyses of the universalist and regionalist positions, see: Francis W. Wilcox, "Regionalism and the United Nations," *International Organization*, 19:3 (1965), pp. 789–811; Ernst B. Haas, "Regionalism, Functionalism and Universal Organization," *World Politics*, 8 (January 1956), pp. 238–63; Inis L. Claude Jr., *Swords into Plowshares* (New York: Random House, 1964), chapter 6; Norman J. Padelford, "Regional Organizations and the United Nations," *International Organization*, 8 (1954), pp. 203–16.

techniques of international conflict control (Article 33/1, Chapter VI), while UN members were encouraged to "make every effort to achieve pacific settlement of local disputes through such regional arrangements" (Article 52/2, Chapter VIII), before taking up the matter with the Security Council. These provisions constituted a framework of regionalism represented by the three "original" macro-regional political groups, the Organization of American States (OAS), the League of Arab States, and the Organization of African Unity (OAU) (created in 1963 and later renamed as the African Union).

But it was with the advent of the European Economic Community (EEC) in 1957 that the second phase in the study of regional institutions came about. This was labeled as regional integration theory. As Nye puts it, "the major developments in the Liberal tradition of international relations theory in the post-1945 period occurred in studies of regional integration."[3] Integration theory represented an attempt by international organization scholars to shift from descriptive discussions of UN and regional political and security groupings to more theoretical pursuits and "to fit legal-formal institutions into a larger context of political community building."[4] Unlike the universalist–regionalist debate, the referent objective of regional integration studies was not just security but also welfare.

A range of approaches to integration emerged, including federalism, neo-functionalism, and transactionalism (communications theory), with neo-functionalism and transactionalism providing the two most influential frameworks.[5] The neo-functionalist approach, led by Ernst Haas, had the following features: (1) recognition of the crucial importance of politics in regional integration; (2) a liberal–pluralist conception of

[3] Joseph S. Nye, "Neorealism and Neoliberalism," *World Politics*, 40:2 (January 1988), p. 239.

[4] J. Martin Rochester, "The Rise and Fall of International Organization as a Field of Study," *International Organization* 40:4 (1986), p. 786.

[5] Donald J. Puchala, "The Integration Theorists and the Study of International Relations," in Charles Kegley and Eugene Wittkopf (eds.), *The Global Agenda: Issues and Perspectives* (New York: Random House, 1984), p. 186. Some of the works on these and other regional integration theories include: Ernst B. Haas, *Beyond the Nation State* (Stanford: Stanford University Press, 1964); Karl Deutsch *et al.*, *Political Community in the North Atlantic Area* (Princeton: Princeton University Press, 1957); Joseph S. Nye, *International Regionalism* (Boston: Little Brown, 1968), Leon N. Lindberg and Stuart A. Scheingold, *Regional Integration: Theory and Research*, (Cambridge, MA: Harvard University Press, 1971); Roger D. Hansen, "Regional Integration: Reflections on a Decade of Theoretical Efforts," *World Politics*, 21 (January 1969), pp. 242–71; Ernst B. Haas, "The Study of Regional Integration: Reflections on the Joys and Anguish of Pretheorising," in Richard A. Falk and Saul H. Mendlovitz (eds.), *Regional Politics and World Order* (San Francisco: Institute of Contemporary Studies, 1972), pp. 103–31.

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power; (3) bargaining by regionally-oriented pressure groups; (4) the notions of "task expansion" and "spillover" (the tendency of regional groups to expand the scope of their issue areas and how cooperation over "low-politics" gradually produces cooperation over "high-politics"); and (5) the notion of a political community as an end product of regional integration.

The core aspect of the transactionalist approach, led by Karl Deutsch, was community-building. The most well-known transactionalist notion of community is a "security community," a group of states which have developed long-term expectations of peaceful change and have ruled out the use of force among them.[6] They could either be "amalgamated" through political merger of the participating units, or remain "pluralistic", in which case the members would remain formally independent. The transactionalists developed a socio-psychological understanding of integration, combining both material transactions and ideational dynamics, including the development of collective identity and a "we feeling."[7] As such, less attention was given to the institutional features or designs of formal organizations per se. The neo-functionalist literature placed more emphasis on institutional design features. One was the scope of issue areas, where neo-functionalism took a normative position that security issues should not be brought to the agenda of regional institutions at the early stages of interaction. Another was mandate, where Haas' emphasis was on supranationalism, a concept that "combines intergovernmental negotiation with the participation of independent experts and spokesmen for interest groups, parliaments, and political parties."[8] Supranationalism was indicated by the attainment of a political community which involved a variety of "constitutional and structural factors." A third design feature concerned types of decision-making.[9] Haas identified four types: accommodation on the basis of the lowest common denominator; accommodation by "splitting the difference";[10] accommodation on the basis of deliberately or inadvertently upgrading the common

[6] Karl Deutsch *et al.*, *Political Community*, p. 5. Cited in Ronald J. Yalem, "Regional Security Communities," in George W. Keeton and George Scharzenberger (eds.), *The Year Book of International Affairs 1979* (London: Stevens and Sons, 1979), p. 217.

[7] Karl Deutsch *et al.*, *Political Community*.

[8] Ernst B. Haas, "International Integration: The European and the Universal Process," in Leland M. Goodrich and David A. Kay (eds.), *International Organization: Politics and Process* (Madison: University of Wisconsin Press, 1973), p. 399.

[9] Ibid., pp. 398–99 .

[10] Where conflict is resolved not on the basis of the will of the least cooperative, but somewhere between the final bargaining positions sometimes with the help of an external mediator. Ibid., p. 398.

interests of the parties;[11] and parliamentary diplomacy.[12] Leon Lindberg studied decision-making in European integration with reference to structures and levels of decision-making, participants in the decision-making process, their goals, resources and strategies, and policy outcomes from these processes.[13]

But while neo-functionalism and transactionalism paid attention to institutions, this was not so much to study variations in institutional design per se, especially in the design and efficacy of regional institutions around the world. For the most part, transactionalism and neo-functionalism focused on interactions and processes that helped or hindered integration, rather than on institutional designs and their effects. There was no conscious attempt to link the design features of regional institutions with the dependent variable of integration. This could be attributed to several factors.

First, there was no agreement on the meaning of integration. As Hodges contends, integration theory was controversial because there was no agreement on how integration was to be defined and whether it was a process or a condition.[14] For Haas, as he wrote in his major work, *The Uniting of Europe*, integration was: "a process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states."[15] For Karl Deutsch, on the other hand, integration was a terminal condition, meaning: "the attainment, within a territory, of a 'sense of community' and of institutions and practices strong enough and widespread enough to assure, for a 'long' time, dependable expectations of 'peaceful change' among its population."[16] Integration was also conceived as being both a process and a condition.

[11] According to Haas, this occurs where "the parties succeeded in redefining their conflict so as to work out a solution at a higher level, which almost invariably implies the expansion of the mandate or task of an international or national government agency." Ibid., p. 399.

[12] Parliamentary diplomacy "implies the existence of a continuing organization with a broad frame of reference, public debate, rules of procedure governing the debate, and the statement of conclusions in a formal resolution arrived at by some kind of majority vote." Ibid., p. 399.

[13] Leon N. Lindberg, "Decision Making and Integration in the European Community," in *International Political Communities: An Anthology* (Garden City, NY: Anchor Books, 1966), p. 203.

[14] Michael Hodges, "Integration Theory," in Trevor Taylor (ed.), *Approaches and Theory in International Relations* (New York: Longman, 1978), p. 237.

[15] Ernst B. Haas, *The Uniting of Europe: Political, Economic and Social Forces, 1950–1957* (Stanford: Stanford University Press, 2nd ed., 1968), p. 16.

[16] Karl Deutsch *et al.*, *Political Community in the North Atlantic Area*, p. 5.

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Second, the place of institutions in regional integration theory was not always clear or salient. Transactionalist approaches studied formal institutions only as one of the variables in the process leading to unification; For the most part, however, their focus was on transactions and processes, rather than institutionalization. Community-building was a precondition for institutional amalgamation. In contrast, for neo-functionalists like Haas, institutions were of central importance in fostering unification; institutional amalgamation preceded community formation.

Third, the literature on regional integration was heavily Eurocentric, with fewer examples of comparative studies that applied the different concepts of regional integration to the Third World.[17] For example, the insights of transactionalist theory about the background conditions that helped or hindered the development of security communities could not be applicable to the Third World, given the focus of Karl Deutsch and his associates on the "political community in the North Atlantic area."[18] Nye found that neither the conflict control role nor the integrative potential of regionalism worked well outside of Europe. In terms of conflict control, regional organizations outside Europe were partially effective in fostering "islands of peace" in the international system by keeping conflicts localized and isolating them from Great Power intervention.[19] But in the most significant later study, Ernst Haas found that the three original regional organizations, although initially somewhat effective in conflict control, became progressively ineffective.[20] In terms of economic integration, although in the Third World several micro-regional groups

[17] Joseph S. Nye, *Peace in Parts: Integration and Conflict in Regional Organization* (Lanham: University Press of America, 1987); Ernst B. Haas, Robert L. Butterworth, and Joseph S. Nye, *Conflict-Management by International Organizations* (Morristown, NJ: General Learning Press, 1972); Ernst B. Haas, "Regime Decay: Conflict Management and International Organizations," *International Organization*, 37 (Spring 1983), pp. 189–256; Ernst B. Haas, *Why We Still Need the United Nations: The Collective Management of International Conflict* (Berkeley: University of California, Institute of International Relations, 1986); Mark W. Zacher, *International Conflicts and Collective Security, 1946–1977*: *The United Nations, Organization of American States, Organization of African Unity, and Arab League* (New York: Praeger, 1979). A study comparing the OAU and the OAS was Boutros Boutros Ghali, "The League of Arab States and the Organization of African Unity," in Yassin El-Ayouty (ed.), *The Organization of African Unity After Ten Years: Comparative Perspectives* (New York: Praeger, 1975), pp. 47–61.
[18] This has been addressed to some extent in Emanuel Adler and Michael Barnett (eds.), *Security Communities* (Cambridge: Cambridge University Press, 1998).
[19] Nye, *Peace in Parts*, chapter 5.
[20] In general, Haas concluded that the OAS' effectiveness declined sharply after the 1965 Dominican Republic crisis, coinciding with the emergence of the Soviet-Cuban alliance and the declining hegemony of the US within the OAS. The Arab League's decline could be traced to the Camp David Accords in 1979; while for the OAU, a creditable performance during the 1966–1975 period was followed by a poor record during the 1976–1984 period. Ernst B. Haas, *Why We Still Need the United Nations*, pp. 29–34.

sought to emulate the EEC, none could succeed in achieving a level of
integration that would create the conditions for a security community,
whether of the amalgamated or the pluralistic variety. Neither could the
micro-regional groups which proliferated in Africa and Latin America,
and which pursued the EEC approach of market centralization and gen-
eration of welfare gains, produce the desired "spillover" effect leading to
cooperation over security issues.[21]

Attempts to explain the differences between European and "universal"
processes were the closest regional integration theory came to addressing
the issue of variations in how institutions matter. The core of these expla-
nations, however, was not institutional design per se, but a range of polit-
ical, economic, social, and cultural variables. Thus, comparing Europe
with the Eastern bloc, the Americas, and the Arab Middle East, Haas
found that the reason why none of these other areas had a supranational
institution could be attributed to the absence of certain "background
conditions": social structure (levels of pluralism and interest group activ-
ity), levels of economic and industrial development, and ideological pat-
terns (whether political parties are ideologically "homogenous," as in
Scandinavia). Here, institutional design could at best be seen as a depen-
dent variable, rather than itself a factor in institutional efficacy. Regions
with more pluralism, more advanced economic and industrial develop-
ment, and more ideological homogeneity are likely to achieve more rapid
integration. Haas also identified certain external background conditions,
such as common threat, although this did not lead to a consideration
of power differentials as the most important determinant of integra-
tion.[22]Nye also focused on certain background conditions in explaining
variations in the outcome of regional integration. He argued that func-
tionalist approaches are difficult to apply to Third World states, where
leadership "tends to be personalistic" and "heroes have trouble cooper-
ating." The gap between the literate elite and the illiterate masses, the
scarcity of organized interest groups, and the cultural cleavage between

[21] Lincoln Gordon, "Economic Regionalism Reconsidered," *World Politics*, 13 (1961),
p. 245. Charles A. Duffy and Werner J. Feld, "Whither Regional Integration Theory," in
Gavin Boyd and Werner Feld (eds.), *Comparative Regional Systems* (New York: Pergamon
Press, 1980), p. 497. Haas acknowledged that the "application [of the neo-functionalist
model] to the third world . . . sufficed only to accurately predict difficulties and failures
of regional integration, while in the European case some successful positive prediction
has been achieved." Ernst Haas, "The Study of Regional Integration," p. 117. Julius
Emeka Okolo, "Integrative and Cooperative Regionalism: The Economic Community
of West African States," *International Organization*, 39:1 (Winter 1985), pp. 121–53.
[22] Ernst B. Haas, "International Integration: The European and the Universal Process," in
International Political Communities: An Anthology (Garden City, NY: Doubleday, Anchor
Books, 1966), pp. 93–129.

city and countryside, which might seem to free the hands of the elites for
international integration, have more often resulted in insecurity, isolation,
and diversion of attention to internal integration. Scarcity of middle level
administrative manpower results in weak governmental and political insti-
tutions, which are susceptible to disruption by the relatively organized
institutions such as the army. The adaptability of governments under
these conditions tends to be low.[23]

Once again, the focus of the explanation of why variations occurred in
institutional efficacy between European and other regionalisms was more
on a range of political, social, and administrative factors than on how insti-
tutions were designed. The so-called background conditions were used
to explain the overall efficacy or quality of cooperation of regional insti-
tutions. Missing from the picture was a sense of how the way institutions
are designed could affect their performance.

Interest in regional institutions peaked in the 1970s, when Haas pro-
nounced regional integration theory as "obsolescent."[24] This was due
to the growing disunity within the EEC over the Middle East oil crisis,
differing European responses to the American technological challenge,
and the rise of trans-regional interdependence which threatened to over-
shadow regional integration schemes. The lull in the study of regionalism
continued until the 1980s, when a new stage in the study of regionalism
emerged, helped by a reviving EEC and globalization processes which cre-
ated new linkages within and between regions. The third stage in the liter-
ature on regional organization was marked by the EEC's (which in 1967
became the European Community (EC) and subsequently the European
Union (EU)) progress toward a single market and a monetary union serv-
ing as the empirical backdrop. It was also marked by growing attention to
subregional institutions in the Third World, most notably the Association
of Southeast Asian Nations (ASEAN), and the MERCOSUR group in
South America. At the same time, the effects of globalization were felt in
new and more intrusive kinds of intra-regional linkages which challenged
or bypassed state authority, and the emergence of transnational civil soci-
ety created an alternative framework for regional interactions challenging
the state-centric models which had been the dominant theme in the ear-
lier literature on regionalism.

The theoretical response to these developments came in two main
forms, which we consider to be the third stage in the literature on

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[23] Joseph S. Nye, "Central American Regional Integration," in Nye, *International Region-
alism*, pp. 381–82.
[24] Ernst B. Haas, *The Obsolescence of Regional Integration Theory* (Berkeley: Institute of
International Studies, 1975).

regionalism. The first was strongly influenced by neo-liberal institution-alism and regime theory. But the application of regime theory was almost entirely confined to international issue areas and Europe.[25] And because of the close association of neo-liberal institutionalism with regime theory, and since regimes were deemed to exist and operate both formally and informally, institutional design was not a core priority of this literature. Instead, regime theory "moved the research agenda [on institutions] away from analyzing specific institutional arrangements."[26]

The second response was called "new regionalism." Hettne and Söderbaum identify several sources of new regionalism: "(1) the move from bipolarity toward a multipolar or perhaps tripolar structure, with a new division of power and new division of labor; (2) the relative decline of American hegemony in combination with a more permissive atti-tude on the part of the USA toward regionalism; (3) the erosion of the Westphalian nation-state system and the growth of interdependence and 'globalisation'; and (4) the changed attitudes toward (neo-liberal) eco-nomic development and political systems in the developing countries, as well as in the post-communist countries."[27] Some analysts of the new regionalism literature accuse it of descriptive accounting of regional orga-nizations to the detriment of "an understanding of the domestic political mainsprings of regional governance."[28] But this would be overstat-ing the case. In reality, the new regionalism literature challenged the rationalist bias of neo-liberal institutionalism. Compared to the earlier regional integration literature, the literature on "new regionalism" viewed

[25] Scholars within the neo-liberal institutionalist tradition who paid attention to Asian regionalism include: Vinod K. Aggarwal, "Building International Institutions in Asia-Pacific" *Asian Survey*, 33:11 (November 1993), pp. 1029–42; Vinod K. Aggarwal, "Comparing Regional Cooperation Efforts in the Asia-Pacific and North America," in Andrew Mack and John Ravenhill (eds.), *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region* (St Leonards, NSW: Allen and Unwin, 1994), pp. 40–65; Miles Kahler, "Institution-Building in the Pacific," in Mack and Ravenhill (eds.), *Pacific Cooperation*, pp. 16–39; Stephan Haggard, "Regionalism in Asia and the Americas," in Edward D. Mansfield and Helen V. Milner (eds.), *The Political Economy of Regionalism*; Miles Kahler, "Legalization as Strategy: The Asia-Pacific Case," *Interna-tional Organization*, 54:3 (2000), pp. 549–71.
[26] Barbara Koremenos, Charles Lipson, and Duncan Snidal, *The Rational Design of Inter-national Institutions* (Cambridge: Cambridge University Press, 2004), p. 4. An important exception is: Vinod K. Aggarwal, "Reconciling Multiple Institutions: Bargaining, Link-ages, and Nesting," in Vinod K. Aggarwal (ed.), *Institutional Designs for A Complex World: Bargaining, Linkages, and Nesting* (Ithaca, NY: Cornell University Press, 1998), pp. 1–31.
[27] Björn Hettne and Fredrik Söderbaum, "Theorising the Rise of Regionness," in Shaun Breslin *et al.*, *New Regionalisms in the Global Political Economy*, p. 33.
[28] Kanishka Jayasuriya, "Introduction: The Vicissitudes of Asian Regional Governance," in Kanishka Jayasuriya (ed.), *Asian Regional Governance: Crisis and Change* (London: Routledge, 2004), p. 2.

regionalism to be a more multifaceted and comprehensive phenomenon, taking into account the role of both state and non-state actors, as well as the whole range of political, economic, strategic, social, demographic, and ecological interactions within regions.[29] It shifted the focus away from formal institutions toward studying informal sectors, parallel economies, and non-state coalitions. In fact, its focus on informal sectors and non-state actors might have lessened the importance of institutional features of regionalism. Instead, a much broader view of regional interactions emerged, especially a range of transnational processes that seems to operate outside the limits of state sovereignty. The major concern of new regionalism was to show the declining importance of the state and formal intergovernmental cooperation. In this sense, new regionalism is more concerned with regionalization, rather than regional institution-building.

We acknowledge the important contribution made by both neo-liberal institutionalism and the new regionalism literature. We do not underestimate the importance of informal processes and non-state actors in regionalism. But we believe design issues are important and should not be neglected. Moreover, the study of new regionalism does not mean that the formal regionalism among states has become unimportant. Like the overall literature on globalization, the literature on new regionalism might have underestimated the resilience of the state, or have been too quick to predict its demise.

Moreover, the initial comparative perspective on new regionalism was "derived from studying the process of Europeanization, the development of a regional identity in Europe . . . and applied to the case of other regions . . . , under the assumption that despite enormous historical, structural, and contextual differences, there is an underlying logic behind contemporary processes of regionalization."[30] Hence, studying variations in regional institutional design was not an important facet of this literature.

But comparative work is crucial, especially because of the new developments in regionalism in areas outside of Europe. Developments in Asian regionalism are particularly noteworthy here. The emergence of

[29] James H. Mittelman, *The Globalization Syndrome: Transformation and Resistance* (Princeton: Princeton University Press, 2000), p. 113; Björn Hettne, "Globalization and the New Regionalism: The Second Great Transformation," in Bjorn Hettne *et al.* (eds.), *Globalism and the New Regionalism*, pp. 1–24.

[30] Björn Hettne, "The New Regionalism: Implications for Development and Peace," in Björn Hettne and András Inotai (eds.), *The New Regionalism: Implications for Global Development and International Security* (Helsinki: United Nations University/World Institute for Development Economics Research, 1994), p. 2.