THE EVOLUTION OF REGIONAL INTEGRATION ARRANGEMENTS

IN THE DEVELOPING WORLD

by

MWITA CHACHA

(Under the direction of Jeffrey D. Berejikian)

ABSTRACT

This project is interested in explaining the puzzle of why some regional integration arrangements (RIAs) in the developing world have attained deeper levels of economic integration while others have not. By first noting that prevalent theories of integration do not adequately explain the evolution of regional integration in the developing world, I propose a theoretical model that argues that membership size and overlapping memberships have affected the deepening of economic cooperation in RIAs in the developing world. Membership size heightens preference heterogeneity, increases the cost of using side-payments, and exacerbates collective action problems that in turn limit the chances of deepening economic integration. Overlapping memberships splits states' loyalties, complicates the implementation of RIA rules and obligations, and reduces the benefits of regional integration that then also reduce the probability of deepening economic integration. These two hypotheses are tested quantitatively and qualitatively. 22 RIAs drawn from the developing world are evaluated. I develop original measures of depth of economic integration, the dependent variable, and overlapping memberships for the quantitative test. The findings from the quantitative evaluation lend support to the two hypotheses; although there is stronger support for the detrimental effect that overlapping membership has had on the depth of economic integration among these RIAs. Qualitatively, evidence shows the complications that membership size and overlapping memberships have had for several of these 22 RIAs and how these complications have

contributed to shallow economic integration for some of these RIAs. The findings of this project point to the need to rationalize memberships in RIAs regardless of whether the goal is deeper economic integration. Additionally, these findings also show the need to strengthen institutions of RIAs that are tasked with managing integration. If states are to derive benefits from regional integration, institutional mechanisms that address collective action problems need to be empowered to better monitor and enforce RIA rules and obligations.

INDEX WORDS: Developing World, Membership Size, Overlapping Memberships, Regional Integration Arrangements (RIAs), RIA Depth

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DEDICATION

To my parents Joyce Rhobi and Chacha Nyaigotti-Chacha

Finally, I am forever grateful to my parents Joyce Rhobi and Chacha Nyaigotti-Chacha, my siblings Bhoke, Mataro, and Mbusiro, and my brother-in-law Enock for their unwavering support and encouragement throughout the years. Despite a 5000+ mile separation, my family has served as my main source of encouragement and motivation towards attaining the objective of completing this project.

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INTRODUCTION: THE FUTURE IN REGIONAL INTEGRATION

In his address to the Rotary Club of Dar-es-Salaam, Tanzania in 2008 on the future of regional integration in Africa, the Secretary General of the East African Community Juma Mwapachu was quick to note "Regional integration is . . . the new paradigm that is defining and, indeed, influencing regional and global economic relations." These sentiments only serve to denote one of the main characteristics of the post WWII global political economy: the proliferation of regional integration arrangements (RIAs). These RIAs have commenced with economic cooperation initiatives premised on regional trade liberalization. The objective, as policy experts and scholars propose, is the promotion of economic development among participating states. The success of the European integration process in terms of expediting economic growth among its member-states and the eagerness of potential applicant states to join this arrangement only goes further to point out the economic, social, and political benefits of regional integration.

The European experience has furthermore been used to rally states especially in the developing world to forge closer links among themselves. The ongoing renewal of trade and aid relations between the European Union and African, Caribbean, and Pacific states is based on economic partnership agreements signed at the RIA level. The expected outcome is to promote regional integration among the ACP states, which is seen as a vehicle for economic development. Numerous examples of RIAs involving developing states augment this observation. These arrangements however, have had varied outcomes in terms of the extent of integration. In South America one can contrast between the Common Market of the South (MERCOSUR) and the Latin American Integration Association (LAIA), with the former being more integrated than the latter. A comparison of RIAs within sub-Saharan Africa such as the Common Market for Eastern and Southern Africa

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(COMESA) and the Economic Community of West African States (ECOWAS) demonstrates anec-dotally that the outcome of cooperation varies significantly. The case also holds for Middle Eastern and Asian RIAs: there is a notable discrepancy in terms of the depth of economic cooperation.

When compared to the European Union, RIAs in the developing world have yet to evolve into deeply integrated regimes. Many of these developing world RIAs outline extensive and ambitious goals on their founding treaties that usually reference the experience of European integration as one they seek to emulate. Although noting the EU experience and relying on policy recommendations that push for regional integration, several of these RIAs have taken divergent evolutionary paths towards deeper economic cooperation. An empirical question arises from this mixed track record: what can explain the evolution of regional integration arrangements in the developing world?

The focus of this dissertation is explaining the evolution of regional integration arrangements in the developing world. By evolution, this dissertation means the process towards deeper economic integration that RIAs in the developing world go through. In seeking to explain this evolutionary process, I propose a theoretical framework that focuses on the membership factors of RIAs in the developing world. This framework departs from major arguments proposed to explain European integration including liberal intergovernmentalism and neo-functionalism. While observing that these European approaches are useful, their applicability to RIAs in the developing world tends to be weak. Moreover, these European approaches fail to deal with characteristics of RIAs in the developing world that could help formulate better theoretical explanations of the evolutionary processes of these RIAs. The focus for the theoretical framework this dissertation articulates is hinged on the membership size of RIAs in the developing world and the extent of overlapping memberships in multiple RIAs. I shall argue that these two membership factors adversely affect the evolution of RIAs in the developing world to deeper levels of economic cooperation.

1.1 WHY REGIONAL INTEGRATION?

While not a panacea, regional integration is one means towards economic growth. This has been proposed especially for developing states. As noted earlier, the success of European integration

points to the economic externalities of regional integration. In order to understand this and other reasons for regional integration, a clear definition of the term is warranted.

Regional integration is the process by which states, geographically or non-geographically confined, set about to coordinate their economic, social and political affairs from a new focal point. Haas (1958) defines integration as the process "whereby political actors in several, distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new center, whose institutions process or demand jurisdiction over the preexisting national states."

In this dissertation, I focus on regional integration in already defined geographic areas. Although there has been a rise in the number of non-geographically defined free trade agreements, these have usually involved developed economies and a few have been between developed and developing states. It is in specifically defined geographic areas that one witnesses regional integration exclusively involving either developed states among themselves such as NAFTA or the EU or developing states as in the case with ASEAN or CARICOM. In these regionally defined integration endeavors, the projected goals of integration are grandiose. Furthermore, because geographic closeness is expected to facilitate trade, RIAs in such settings are expected to have the advantage of encouraging more intra-bloc trade that should expedite the evolution of regional integration to deeper levels.

In seeking to attain their various goals and objectives, RIAs go through a process of change over time. As Haas (1958) points out, regional integration itself could be understood as a process of shifting the center of economic and political policy coordination from various states to a new regional focal point. This definition indicates a forward-moving process; although over time some RIAs might stagnate or revert regional integration cooperation levels. This dissertation is interested in these evolutionary outcomes. Specifically, I define evolution of regional integration as the process by which RIAs extend the policy areas they cover thus deepening the level of economic integration. In most instances, RIAs commence from a treaty that promises integration of trade and management of economic interdependence. This may be followed by the lowering of tariffs through a preferential trade agreement, then the elimination of tariffs via a free trade agreement.

Ideally, this process culminates with the creation of a common currency and adoption of common trade and fiscal policies by RIA members. The first instance of integration, the treaty stage, does not encompass any policy area, but only promises future cooperation. In the PTA stage, tariff reduction has been introduced in the integration agenda. However, these are partial cuts, depicting the introduction of a minor policy area. In the next FTA stage, while tariffs are still the main policy area their scope has been increased to the extent that member-states of the RIA eliminate all tariffs to their trade. These are the progressive steps that make up the evolutionary process of regional integration. Not all RIAs follow these steps; in fact the puzzle motivating this dissertation is why some RIAs in the developing world have extended their policy scopes and deepened economic integration while others have stagnated or in some cases reduced the policy areas under economic integration.

While the evolution of regional integration to deeper levels of cooperation takes time, its results are usually tangible benefits and serve as the key reasons why states have vigorously pursued regional integration in the post WWII period. These externalities of regional integration are not only economic since all RIAs seek to augment economic growth, but also social and political. Furthermore, these benefits are not limited to developed economies; developing economies also accrue similar advantages. Understanding these benefits not only demonstrates the growing importance of regional integration in the contemporary global political economy, but also the need for a better explanation of regional integration factors in the developing world.

The progression of regional integration arrangements in the developing world is in need of further understanding. Despite their shallow levels of cooperation compared to the European Union, these RIAs continue to persist. In the World Trade Organization records, RIAs involving developing countries make up a sizeable majority. Research has demonstrated that regional integration in the form of regional trade agreements increases the level of trade for both developed and developing countries (Goldstein, Rivers & Tomz 2007). These benefits indirectly explain the proliferation of regional trade agreements in the GATT/WTO era (Mansfield & Reinhardt 2003). Moreover for both developed and developing countries, regional integration has been shown to increase

capital accumulation and foreign direct investment (Brada & Mendez 1988, **?**). Schiff & Winters (1998) clearly show this impact of regional integration by noting how a government signing onto regional trade agreements usually signals its commitment to sound economic policies which improve the states standing as a favorable investment destination. Schiff & Winters (1998) write, "FDI from outside the bloc may increase as foreigners seek to exploit new investment opportunities and to use one member as a platform for serving the whole bloc."

Security externalities are also seen as resulting from RIA membership. Literature on the liberal peace find a positive relationship between close economic and trade ties and interstate conflict (Gartzke, Li & Boehmer 2001). In regional integration literature, Hettne & Soderbaum (2000) write that RIA membership for states leads to the creation of collective institutions, legitimacy, and a regional identity, which transcends the nation-state level making it "inconceivable to solve conflicts by violent means between, as well as within, former [stand-alone] states." The security that results from regional integration has led Powers (2004) to argue that RIAs usually serve as security alliances, for example ECOWAS. In a further study by Haftel (2007) the institutional depth of RIAs in terms of increased economic activity and regular meetings of government officials diminish the chances of interstate violent conflict. Furthermore, the collective institutions that result from regional integration should affect intra-state security as well. Gleditsch (2007) find that membership in regional trade agreements reduce the escalation of civil conflicts since disputing parties fear the losses their economy might incur if their dispute spiraled into militarized violence.

There are thus benefits from regional integration for both developed and developing countries. However these studies have focused on the effects of regional integration and not the evolution of these regimes. An exception is the European integration process whereby various approaches have been proposed and applied to explain the developmental path the European Union has taken over the years. These approaches offer plausible explanations as to how integration progresses by outlining key determinants and explaining how they interact to lead to certain integration outcomes. However, they have only sparsely been applied to regional integration cases in the developing world. This study is important as it seeks to improve our understanding of the dynamics of

regional integration arrangements in this part of world and derive theoretical and policy relevant implications from its findings.

1.2   THEORIZING REGIONAL INTEGRATION

Theoretical approaches explaining the evolution of regional integration have focused on the European experience. While some of these theoretical schools have sparsely been applied to regional integration in other parts of the world, there has yet to be a theoretical framework that fully evaluates how characteristics of RIAs in the developing world influence the process of deepening integration. This dissertation therefore proposes a theoretical framework that departs from major theories of European integration, liberal intergovernmentalism and neo-functionalism, by arguing that the membership size of RIAs and the extent of overlapping memberships in multiple RIAs negatively affects the process of deepening of economic integration. This approach, unlike EU theories, is state-centric. Regional integration in the developing world continues to be the domain of governments. There are very few instances were domestic forces influence state preferences on integration in the manner that liberal intergovernmentalism argues.

On the first aspect of the theoretical model this dissertation advances, I revisit the breadth-depth trade-off argument that Downs, Rocke & Barsoom (1998) discuss extensively. In research on the evolution of international regimes, Downs, Rocke & Barsoom (1998) argue that membership factors matter. The argument they advance focuses on the number of states forming an international regime. With a small number of states founding an international regime, there is a high probability of this small number augmenting a cooperation and coordination center since these founding states would be more willing to commit to cooperation. Moreover, the extent of collective action problems for a small group of states is low. Once this core is formed, any future member of the regime will find it is among a group of states highly committed to cooperation and would be discouraged from reneging its commitments. Furthermore any new entrant would be expected to agree to this high level of cooperation upon joining, thus limiting cheating.

A logic similar to that Downs, Rocke & Barsoom (1998) discuss, I argue, is at work among RIAs in the developing world. Membership size affects the level of state preference heterogeneity, the extent to which states can use side payments to encourage laggard states to commit to deeper integration, and collective action problems and enforcement. These three components due to the membership size of RIAs ultimately affect the probability of the evolution of RIAs to deeper levels of economic cooperation.

Secondly, policy practitioners and economists have noted the adverse effects membership in multiple RIAs would have on states. Krueger (1997*b*) represents a group of researchers who have discussed the negative effects of overlapping memberships in RIAs. Overlapping membership involves a state being party to more than two RIAs at the same time. Kruger and others argue that overlapping memberships increase the number of rules of origin of goods a state applies, which in the process slows down the rate of interstate trade. Policy practitioners such as those affiliated with the United Nations Economic Commission for Africa also argue that overlapping memberships increases personnel and logistics costs to a state since it has to support the endeavors of each of the RIAs it is party to. At the same time, a state involved in more than one RIA has a low level of commitment to all the RIAs it belongs to, which essentially limits the evolution of the RIA to deeper levels of trade liberalization.

I therefore argue that overlapping memberships discourage the deepening of economic integration through three paths. First, overlapping memberships results in split loyalties and low levels of commitment on the part of states. Second, overlapping memberships complicates the implementation of RIA obligations, and thirdly overlapping memberships reduce the benefits of economic integration in the form of increased intra-regional trade.

This theoretical framework incorporating membership factors can broadly be grouped with other intergovernmentalist arguments that focus on states as the primary actors. However, by specifically focusing on membership factors, this framework is one of the main contributions of this dissertation. This framework is not only an original argument, but is also used to examine RIAs in the developing world that have yet to receive much attention from political science especially

with regard to how they evolve over time and attain or fail to attain deeper levels of economic integration.

1.3 MEASURING RIA EVOLUTION, MEMBERSHIP SIZE, AND OVERLAPPING MEMBERSHIPS

Regional Integration Arrangements evolve over time. The European Union was founded as the European Coal and Steel Community and later moved deeper into economic cooperation through the European Economic Community as a customs union. By 2002, the European Union was a single market with its own currency and central bank. The interest of this dissertation is to map out these temporal changes and quantitatively and qualitatively test the membership factors argument this dissertation proposes. In order to do this, I develop an original measure of deepening of economic integration that accounts for the major steps RIAs take toward trade and economic liberalization. In constructing this dependent variable, I rely on the various official documents and narratives of the RIAs under investigation in this dissertation. This measure is further discussed later in this dissertation.

Additionally, I also construct the two main independent variables capturing membership factors. The first, membership size, denotes the number of states involved in a particular RIA at a given time. This measure is readily available and does not warrant further discussion at this point. The second measure on overlapping memberships however, is also an original statistic that I develop. I use data on membership size in constructing the extent to which an RIA's member-states are also pursuing membership in other RIAs. This measure accounts for the frequency of overlapping memberships for each RIA and serves as one of the contributions of this dissertation. These variables and their operationalization are discussed in greater detail in the third chapter of this dissertation.

1.4 OUTLINE OF STUDY

The chapters following this introduction discuss in detail the major tenets summarized in this introduction. The second chapter gives a thorough and succinct review of the relevant regional

integration approaches. In this chapter I note the empirical scope and deficiencies of some of these approaches. The theoretical approaches I review are mainly those applied to the EU case.

Following the literature review, chapter three proposes the membership factors framework briefly noted in this introduction. In this chapter, the causal logic of how membership size and overlapping memberships affect the evolution of RIAs into deeper levels of economic cooperation is fully articulated.

In the fourth chapter, I conduct a quantitative test of the membership factors argument. I focus on 22 RIAs that are representative of most developing states over a period of time commencing on their respective founding years. This chapter discusses the operationalization of the dependent and main independent variables, several control variables that are included in the statistical analyses presented, and the statistical models used to analyze the data. Moreover, this chapter includes additional statistical tests to evaluate the robustness of the argument this dissertation proposes.

Since the quantitative analysis does not track how membership size and overlapping memberships affect the deepening of RIAs, I also include qualitative evidence from some of the 22 RIAs evaluated in the fourth chapter. In chapter 5, I examine how membership size has affected preference heterogeneity, the use of side-payments, and collective action problems and enforcement among several RIAs in the developing world. Chapter 6 focuses on overlapping memberships and provides brief qualitative narratives and some quantitative evidence on how overlapping memberships splits loyalties, complicates implementation, and reduces the gains from economic integration. These two chapters do not focus on particular RIAs, but provide evidence from several of the 22 RIAs in an attempt to be generalizeable.

Additionally, some qualitative evidence is provided for the difficulty in applying several of the theories of European integration. In chapter 7, I examine six specific RIAs from Latin America, Africa, and Asia through the lens of neo-functionalism, liberal intergovernmentalism, and the new institutionalisms. In this discussion, I show the deficiencies of these alternative explanations and why the theoretical model this dissertation proposes and tests provides a more plausible explanation for the evolution of regional integration in the developing world.

Lastly, I conclude with some theoretical and policy implications that can be derived from the findings of this dissertation.

CHAPTER 2

EXPLAINING REGIONAL INTEGRATION: A REVIEW OF MAJOR APPROACHES

As the most common of trade regimes since the end of the Second World War, theorizing on regional integration has received much attention from economists and political scientists. In explaining the evolution of regional integration arrangements (RIAs), the formation, accession, and depth of RIAs, various theoretical schools from economists and political scientists may be discussed. These schools may be grouped into various categories. First, to explain motivations for states to seek regional integration and/or deepen RIAs, one could distinguish between utilitarian models versus ideational arguments.

Table 2.1: Motivations for Regional Integration

Rational Arguments	Ideational and Non-Rational Arguments
Economic Approaches	Social Constructivism
Intergovernmentalism	Sociological Institutionalism
Neo-Functionalism	Historical Institutionalism
Rational-Choice Institutionalism	

A second categorization might focus on who are the main drivers or actors in the integration process. Using this schema, two categories can also be outlined as shown on the table below.

Table 2.2: Drivers of Integration

State Actors	Supranational Elites and Institutions
Economic Approaches	Social Constructivism
Intergovernmentalism	Neo-Functionalism
	New Institutionalisms

A third categorization might focus on the empirical testing done to support or reject hypotheses raised by these various schools. This particular categorization is important in this study because part of the motivation for this project is testing the applicability of some of these theoretical

approaches in settings that they have yet to be fully applied. Two categories can be deciphered in this third schema: approaches that have focused on the single case of European integration versus approaches that have examined European and non-European integration arrangements.

Table 2.3: Empirical Testing of Integration Approaches

European Integration	European and Non-European Integration
Intergovernmentalism (Moravcsik 1998)	Economic Approaches
	Intergovernmentalism (Mattli 1999)
	Social Constructivism
	Neo-Functionalism
	New Institutionalisms

This chapter reviews these major theoretical approaches of regional integration. I begin with rationalist approaches that focus on states as the main drivers, followed by rationalist approaches that examine the influence of supranational elites and institutions in regional integration, and finally ideational and non-rationalist approaches that tend to put emphasis on institutions motivating regional integration. In the course of outlining these approaches, I will also reference empirical findings in support of these theoretical schools drawn from previous research.

2.1 RATIONALIST, STATE-CENTRIC EXPLANATIONS OF REGIONAL INTEGRATION

In this category, one can include economics and political science explanations for regional integration. These include economic explanations of regional trade liberalization and monetary policy coordination and political science approaches under the banner of intergovernmentalism.

2.1.1 ECONOMIC EXPLANATIONS FOR REGIONAL INTEGRATION

Economists have studied regional integration much longer than political scientists. The focus of economists has been conditions that influence regional trade liberalization and coordination and harmonization of trade, fiscal, and monetary policies. Economic approaches to regional integration therefore are static and do not account explicitly for political and economic changes that might influence states' decisions on regional integration. Two main economic explanations can be

identified covering trade liberalization and monetary and fiscal policy coordination. In the first, economists have examined reasons why states would liberalize trade regionally. First proposed by Viner (1950), customs union theory outlines why it may be in a states self-interest to lower its tariffs on trade with other states within a regional arrangement. The impetus for regional trade liberalization is encouraging trade by expanding markets for producers within the integrated area. Encouraging trade maximizes the welfare of states by not only enabling their own producers to access other markets, but also availing cheaper imports from other states that are in the regional venture.

Customs union theory identifies two scenarios that may result due to regional trade liberalization. First, trade creation that entails increased trade activity due to lower tariffs may be the outcome. Trade creation means that the lowering of tariffs is in fact encouraging trade among the states in the regional integration arrangement. Second however, trade diversion that entails a shift in trade flows from cheaper producers outside the RIA to more expensive producers within the RIA, may result. Trade diversion inhibits the benefits that states might expect from trade liberalization. Both trade creation and trade diversion may take place simultaneously due to regional trade liberalization. Nevertheless for regional trade liberalization to be deemed beneficial, trade creation needs to outweigh trade diversion (Milner 1997).

The second main focus of economists has been fiscal and monetary policy coordination. Under the banner of optimal currency area theory, economists have examined ideal conditions that would lead states to coordinate and harmonize their fiscal and monetary policies and, in the process, merge their currencies (Mundell 1961). Cohen (1997, p. 52) identifies these conditions: wage and price flexibility, factor mobility, trade and economic interdependence, and inflation rates. These factors "are assumed to influence, to a greater or lesser extent, material gains or losses for the nation as a whole" (Cohen 1997, p. 52).

The Mundell-Fleming model identifies the 'trilemma' states face when considering the elimination capital controls, monetary policy autonomy, and exchange rate flexibility. This trilemma indirectly points to the choices states considering coordinating their fiscal and monetary policies

within an RIA face. While there may be negative externalities due to giving up a states monetary and fiscal policy autonomy, in highly integrated regions where trade levels are high and production factors are mobile, giving up ones currency and fiscal policy making powers ensures the efficient use of currency, reduces transaction costs of currency conversions needed to trade, reduces exchange rate uncertainties, and instills monetary policy discipline and credibility among states coordinating or harmonizing their fiscal and monetary policies (Cohen 1997, Dupasquier & Jacob 1997, Grauwe 1997).

The application of these two approaches to empirical cases has been extensive. For customs union theory, Lipsey (1960) revisiting the customs union theory uses European economic integration as a case study in identifying trade creation. Hazlewood (1975) focuses on the experience of the East African Community common market while noting that customs union theory may not be useful in explaining regional trade liberalization in the developing world. Furthermore, Krueger (1997*a*) examines the North American Free Trade Area (NAFTA) in her analysis of the differences between customs unions and free trade areas.

In examining currency unions, various economists have focused on the coordination and harmonization of monetary and fiscal policies among EU member states (Masson & Melitz 1991, Goodhart 1998, Fidrmuc 2004). Other studies have examined whether groups of states meet the conditions of the optimal currency theory. Mkenda (2001) and Buigut & Valev (2005) focus on the member-states of the East African Community and Ahn, Kim & Chang (2006) examine East Asian states. These empirical cases however do not fully account for temporal and political factors that can influence which states join and when they join. These approaches are criticized as being too static and failing to explain the dynamism involved in regional integration; for example what motivates a shift from a loose agreement on cooperation to one that leads to the reduction and elimination of trade tariffs (Mattli 1999, p. 19).

Despite these limitations, economists have contributed much to the theoretical development of political science arguments on regional integration. For instance, economic models used to examine the effects of trade liberalization on domestic economic groups have been used in articulating polit-

ical science arguments on regional integration. The Ricardo-Viner Model concentrates on specific sectors in an economy and argues that those employed in the export sector gain from and thus lobby for trade liberalization while the import-substitution sector loses and is against trade liberalization. In another theorem, the Heckscher-Ohlin and the Stolper-Samuelson Models, production factors are assumed to be mobile and trade liberalization is argued to favor owners of abundant factors while it hurts owners of scarce factors. These models have become part of the research agenda of international political economists as they show how domestic politics affects and is affected by international politics. Since liberalization will have similar effects on states in both international and regional contexts, these models are applicable to the study of regional integration. Political approaches of regional integration have been explicit about these domestic politics factors in regional integration dynamics, especially the intergovernmentalist school.

2.1.2 INTERGOVERNMENTALISM: STATES AND DOMESTIC POLITICAL CONSIDERATIONS

Intergovernmentalism includes two main political science approaches towards explaining the evolution of regional integration. These are liberal intergovernmentalism and the 'demand-supply' argument. Both approaches focus on states as the main actors in international relations. Furthermore, both introduce domestic political elements that influence government decisions on regional integration.

LIBERAL INTERGOVERNMENTALISM

Liberal intergovernmentalism is a theoretical approach that has its roots in the 1965 "Empty Chair Crisis". As the main school of thought on European integration, neo-functionalism had proposed that integration would be automatic via a 'spillover' process that governments of member-states of the European Economic Community at the time would be reluctant to halt. Supranational elites and transnational groups, according to neo-functionalism, were the more prominent actors in integration matters while states performed a referee role. The empty chair crisis however proved this

wrong by demonstrating that governments of member-states were indeed capable of halting integration if it went against their interests (Hoffmann 1966). The result was a theoretical approach that relies on assumptions from the main theories of international relations and economic evaluations of domestic consequences of trade and economic liberalization (Rosamond 2000, Moravcsik 1993).

In its original formulation, intergovernmentalism focused on the bargaining process among states and neglecting events that preceding interstate bargaining (Pierson 1996). Furthermore, intergovernmentalism failed to acknowledge the source of state preferences. Moravscik (1993, 1998) corrected these deficiencies through the liberal intergovernmental approach.

Liberal intergovernmentalism specifies a three-tier approach towards explaining the evolution of regional integration. In the first phase, national preferences are determined. At this stage, the link between domestic politics and international relations is evident. Because trade and economic liberalization would affect various domestic economic groups differently, these groups are the ones that influence government policy on regional integration. While increased trade and economic interdependence may "create 'international policy externalities' among nations, which in turn create incentives for policy coordination" (Moravcsik 1993), those that would be affected by coordination of policies are the ones that inform government preferences. In cases where the expected gains or losses to economic policy coordination are identifiable and significant, the groups most affected by these gains or losses would be influential in state preference formation (Moravcsik 1993). These economic policies are trade liberalization, as seen through the economic models referred to above, and fiscal, monetary, and production regulatory policies. When the gains or losses from coordination are ambiguous, such as in cases where there is minimal trade between states or non-economic policy areas are being considered for coordination, domestic groups would have less of an incentive to organize and try to influence state policies. Governments in this latter scenario are less constrained by their domestic constituency and therefore have more influence on what shape state preferences take (Moravcsik 1993).

At the second stage once state preferences have been determined, states bargain amongst themselves on what shape and form regional integration should take. States' bargaining positions

reflect national preferences that are influenced by domestic economic groups. Interstate bargaining is "the process of collective choice through which conflicting [state] interests are reconciled" (Moravcsik 1993). This reconciliation of state interests involves the convergence of the various preferences of different states. Preference convergence is the key determinant of what direction regional integration would take following interstate bargaining. States bargain based on leverage derived from how intense their national preferences regarding integration are. In the process of negotiating depending on the different national preferences influencing bargaining leverage, states might agree on less integration in cases where national preferences of many states are not in support of deeper integration. Additionally, a subset of states in the RIA in might be forced to create alternative coalitions of states willing to deepen integration while threatening to exclude laggard states. A third option for states negotiating deeper integration might be linking issues and/or offering side-payments to laggard states to facilitate deeper integration.

The final phase of liberal intergovernmentalism is delegation of authority to institutions to manage the agreements reached by states following interstate bargaining. Institutions ensure that states comply with their treaty obligations. Through monitoring state behavior, institutions ensure that states do not renege on their commitments. Enforcement of agreements and monitoring of state behavior ensures that the expected gains from integration are guaranteed. Furthermore, institutions for liberal intergovernmentalism reduce transaction costs and facilitate inter-state bargaining by providing information that comes to influence the bargaining process. Contemporaneously, institutions within regional integration arrangements strengthen government policy autonomy by supplementing governments' efforts at convincing their domestic constituency on regional integration. Domestic groups may be opposed to integration or may be skeptical about policies being coordinated. By giving institutions certain responsibilities that include addressing the concerns of these groups at the supranational level, governments not only increase their policy making power domestically but also "assign blame for unpopular policies that they may support to these institutions" (Moravcsik 1993). The principals then, create and empower agents to further their regional integration agenda.

Liberal intergovernmentalism, while explicit about the source of state preferences and the crucial role of interstate bargaining and state preference convergence in regional integration, has only explained European integration. In his major work, *The Choice for Europe*, Moravcsik explains the evolution of European integration from the beginning, focusing on domestic pressure and interstate bargaining. In summary, Moravcsik (1998, p. 18) asserts that "European integration can best be explained as a series of rational choices made by national leaders . . . [responding to] constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of each state in the international system, and the role of international institutions in bolstering the credibility of interstate commitments." In a later contribution to explain the eastern enlargement, Moravcsik & Vachudova (2003) argue that similar domestic economic forces within the EU 15 states influenced the push to invite new members because this was in their economic self interest.

In a symposium review of Moravcsik's explanation of European integration by Wallace, Caporaso, Schampf & Moravcsik (1999), Caporaso's segment praises Moravcsik for "doing a better job of theorizing the importance of the economic and the social . . . [and providing] a richer and more theoretically productive formulation." However, Caporaso and others accuse Moravcsik of selection bias in his testing of liberal intergovernmentalism. Capraso notes that by focusing on the three major powers in the European Union, United Kingdom, Germany, and France, and major decision nodes of the European integration process, Moravcsik essentially makes sure that his theoretical approach is supported. Wallace in her segment of the critique argues that Moravcsik (1998) fails to adequately account for the influence of supranational institutions. In line with historical institutionalism, Wallace writes it is not that supranational entrepreneurs can control or direct the process, but that in some circumstances they can be and sometimes have been important catalysts of plausible ideas and brokered interstate agreements. Despite these criticisms and its empirical limitations, liberal intergovernmentalism provides plausible insights on regional integration that can be applied to other regional integration arrangements. By theorizing on the necessity of preference convergence

for regional integration to proceed, liberal integovernmentalism provides a missing link that other approaches to regional integration fail to explicitly discuss.

DEMAND-SUPPLY THEORY OF REGIONAL INTEGRATION

Another rationalist and state-centric explanation for regional integration emanates from Mattli (1999). In his major work, *The Logic of Integration*, Mattli explains the demand and supply side of regional integration relying on domestic politics. In many ways, his argument is similar to Moravscik's.

Mattli seeks to solve the evolution of regional integration puzzle: "why have so many attempts at integration failed while a few have been crowned with success?" (Mattli 1999). In addressing this question, Mattli (1999) divides his argument to two parts: demand for integration by domestic economic actors and the supply of integration by domestic political leaders. In the demand side of Mattli's argument, it is argued that the advancement of technologies that affect market exchanges would usually create incentives for integration among domestic economic actors who then demand it from their respective governments through lobbying. Demands from these economic actors, on their own, do not equate to a state acceding into a regional integration arrangement. Domestic political leaders have to be willing to supply it.

Following domestic demands for integration, political leaders assess these demands in terms of how integration would affect their political survival. Leaders would supply integration by joining or forming regional integration arrangements when such moves increase the probability of them retaining their political power. In states that are economically successful or economic success is less dependent on coordination of economic policies with other states, leaders would have no incentive to sign on to integration initiatives since such a move would not enhance their political power by appeasing domestic economic groups. "However, in times of economic difficulties, political leaders will be more concerned with securing their own survival and are thus likely to implement economic policies that enhance the overall efficiency of the economy" and addressing

concerns of domestic economic groups through commitment in regional integration arrangements (Mattli 1999, p.51).

Although Mattli's main interest is the domestic politics surrounding regional integration, a related question he seeks to answer is the success of some regional integration arrangements, once founded, over others. Mattli identifies solving collective action problems among states as key for this success (or its lack of) in regional integration. Mattli (1999, p. 57) writes "successful regional integration requires the presence of an undisputed leader among the group of countries seeking closer ties . . . [with such a regional hegemon serving] as the focal point in the coordination of rules, regulations, and policies . . . [and also helping] to ease distributional tensions through, for example, side payments."

In testing this theory, Mattli compares cases of success and failure in integration including the European Union and those of other regions such as the Americas and Asia. He finds that during times of economic crises when integration was seen to benefit the survival of domestic leaders, integration was sought and successful ventures were those that had a regional hegemon willing to serve as the focal point of coordination.

The demand-supply argument is fruitful in articulating the influence of hegemony and how domestic politics influence regional integration. A major criticism of hegemonic stability theory is the limited number of cases where hegemons are seen as playing an active role in pushing for cooperation at the global level (Lake 1993). By theorizing on how regional hegemony can influence economic cooperation among a small group of states, Mattli addresses hegemonic stability theory's deficiency of few cases.

The domestic politics aspect of Mattli's argument addresses the behind-the-scenes debates that take place prior to domestic political elites considering and signing on to regional integration. While domestic politics might influence leaders decisions on whether to advance regional integration or not, Mattli's theory is not clear as to how a group of states decide on what form or shape regional integration should take. Mattli fails to theorize on what happens once domestic debate has been concluded, an issue that liberal intergovernmentalism is very specific about.

2.2 RATIONALIST-INSTITUTIONALIST EXPLANATIONS

In this group of approaches, emphasis is placed on institutional actors and how they influence regional integration. These rationalist-institutionalist approaches to regional integration include neo-functionalism and rational-choice institutionalism.

2.2.1 NEO-FUNCTIONALISM

Neo-functionalism may be credited for being the initial theory of European integration. Originally articulated by Mitrany (1944) as a normative prescription of how states can attain peace through acceding sovereignty to supranational institutions, neo-functionalism has come to provide a plausible causal logic of how supranational elites and transnational groups drive regional integration.

In his seminal work *The Uniting of Europe*, Haas (1958) laid out this neo-functionalist explanation of "how and why nation-states cease to be wholly sovereign, and how and why they voluntarily mingle, merge, and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts between themselves." Neo-functionalism argues that supranational elite entrepreneurship influences the process of integration. These elites, collaborating with domestic interests groups with a stake in closer cooperation, further integration through the process of "spillover". Because of growing economic interdependence, integration of policies that affect one issue-area leads to the need to integrate a related issue-area. This is the result of unintended consequences of previous integration and coordination. Furthermore, this process of integration is assumed to lead to a slow shift of decision-making competencies away from the nation-state to the supranational level. States, afraid of setting a bad precedent that would reverse gains already being derived from integration, were assumed by neo-functionalists to take a refereeing role in regional integration and seeking compromise over deadlock to ensure integration continues (Mattli 1999, Laursen 2003). Neo-functionalism argues that integration would start from low politics of economics, social, and technical policies, and eventually move into high politics.

While neo-functionalism as articulated by Haas offered a plausible explanation of European integration, its explanatory power dwindled after the "empty chair crisis" of 1965. Fearing the

expanding powers of the Commission, which at the time was seeking to change decision making from consensus to qualified majority voting, and opposition by France to the Commission's proposals regarding the financing of the Common Agricultural Policy, Charles de Gaulle boycotted Council meetings and halted any decision making regarding European integration. The "empty chair crisis" demonstrated that the state was not obsolete, but was obstinate (Hoffmann 1966). By not addressing adequately the power and influence of governments, neo-functionalism had failed to account for a key variable in the process of regional integration. Furthermore, the result of the French boycott was a momentary halt in integration whereby states could veto decisions they deem to be of most interest to them. Spillover was not automatic.

Despite its theoretical and empirical crisis, neo-functionalism continues to be applied to regional integration cases. 'New neo-functionalists have emerged and have focused on specific areas of European integration instead of offering a grand picture of how European integration has evolved. These 'new' neo-functionalists have examined the expansion of the scope of EU law (Burley & Mattli 1993) and the role of supranational elites in specific issue-areas (Sweet Stone & Sandholtz 1997).

Outside of Europe, neo-functionalism has been claimed by some to be crafted specifically to explain European integration and thus it may not be applicable in other cases (Malamud 2001). However, other scholars have indeed tested neo-functionalism in non-EU cases. In South America, Kaltenthaler & Mora (2002) examine the influence of supranational elites in the evolution of MERCOSUR and conclude "Unlike the European integration process, Mercosur has not gone very far in forming supra-national institutions" that influence the direction of regional integration. What Kaltenthaler & Mora (2002) find is a top-down approach towards integration with states guiding the major aspects of the integration process. State-driven regional integration is common in the developing world. In an earlier explanation of East African integration in the 1960s, Nye (1965) notes that supranational institutions and business groups in East Africa were not sufficient to propel integration and much depended on the governments of the three member-states of the East African

Community. In fact, the disbanding of the East African Community in 1977 had more to do with divergent preferences of the three member-states.

2.2.2 RATIONAL CHOICE INSTITUTIONALISM

New institutionalisms emerged as theoretical tools of examining how and to what extent institutions matter in politics. In its rational choice strand, new institutionalism focus on how institutions, once created, influence the actions of its creators, mainly states. The new institutionalisms have been applied to European integration exclusively. In explaining EU institutions, rational choice institutionalism "accepts the fundamental intergovernmentalist insight about the initial primacy and continuing centrality of member governments in the creation and amendment of EC institutions, and then works directly from this assumption to determine how, and under what conditions, EC institutions, once created, serve to structure the individual and collective choices faced by member governments, and thereby influence policy choices in ways that cannot be predicted from the preferences and relative power of the member states alone" (Pollack 1996). In other words, European Union institutions intervene between the principals, the governments of member-states, and EU policy outcomes (Pollack 1996).

Rational choice institutionalism originated from studies on the US Congress. Institutions, understood as "the formal rules of the game, could induce an equilibrium outcome in games that would otherwise be subject to indeterminate 'cycling' among unstable decisions" (Pollack 2001). The focus for rational choice institutionalism is not the entire process of regional integration, but snippets that show how institutions of regional integration begin to influence certain aspects of the integration process. For instance, Garrett (1992) argues that EU states created and empowered the European Court of Justice to aid in monitoring compliance with EU laws among member-states and rationally accepted the rulings of the court even when they went against them because ensuring compliance was in their long-term interest as EU members.

Besides the European Court of Justice, rational choice institutionalism has been used to explain the EU Commission's and the European Central Bank's autonomy and agenda-setting powers

(Pollack 1997, Tsebelis & Garrett 2001). While institutions matter, their independence "is likely to vary across issue-areas and over time, as a function of the preferences of the Member States, the distribution of information between principals [that is, states] and agents, and the decision rules governing the application of sanctions or the adoption of new [EU] legislations" (Pollack 2001).

Although their focus is on institutions, rational choice institutionalists do not take away states from its causal logic. By examining supranational institutions from a rationalist perspective however, rational choice institutionalism may be seen as closely related to neo-functionalism especially with regard to supranational agency and autonomy (Pollack 2001). Such insights might also be used to examine other cases besides institutions of the European Union.

2.3 IDEATIONAL AND NON-RATIONALIST APPROACHES

A third group of approaches to regional integration includes theories that focus on the influence of ideational and temporal factors. While three theories are identifiable, constructivism, sociological institutionalism, and historical institutionalism, this section discusses constructivism and historical institutionalism only. Because constructivism and sociological institutionalism share a lot of similarities, they are discussed as one school of thought that places emphasis on how ideas and norms matter.

2.3.1 CONSTRUCTIVISM AND SOCIOLOGICAL INSTITUTIONALISM

In international relations and comparative politics, arguments that introduced ideational factors have become common. In international relations, constructivism has been used to oppose the neo-utilitarian approaches, such as realism and institutionalism, and their claims on state behavior. In comparative politics a variant of the new institutionalisms, sociological institutionalism, has emerged as a counterargument to rational choice approaches. Both sociological institutionalism and constructivism espouse the same assumption on the power of norms: the "logic of appropriateness" and not the rationalist "logic of consequence" influence state behavior. "The logic of

appropriateness entails that actors try to figure out the appropriate rule in a given social situation" (Risse 2004, p. 163). Constructivist and sociological institutionalist arguments of European integration have sought to show that it is socially constituted ideas and norms within institutional arrangements that have influenced European integration and not rationalist calculations of states.

The scholarly works of Jeffrey Checkel may be viewed as having ushered in ideational arguments to the study of regional integration, specifically European integration. For Checkel (1999), integration institutions are constitutive in that they serve a socialization function that alters the preferences and interests of elites from nation-states, and in the process affects integration. Similarly, sociological institutionalism "posits that the goals and procedures of international organizations are more strongly determined by the standards of legitimacy and appropriateness of the international community to which they belong than by the utilitarian demand for efficient problem solving" (Schimmelfennig 2001). For an institution like the European Union, states that are members of it not only influence how the EU functions but the behavior of these member-states is also altered and affected by the EU itself (Risse 2004, p. 163). Thus the focus of these ideational approaches is the constitutive effect of identities affecting the interests of actors (Wendt 1999, Checkel 2003).

Schimmelfennig's research on the eastern enlargement of the European Union is a seminal example of the influence of ideational factors, and not rationalist calculations, in regional integration. Schimmelfennig argues that collective identity that had been shaped and influenced by EU institutions mattered more than economic interests in the enlargement of the EU. The EU needs to be understood as an organization that is based on a liberal collective identity. Domestically, this liberalism entails "social pluralism, the rule of law, democratic political participation and representation, private property, and a market-based economy", while internationally "the liberal order is characterized by the democratic peace and multilateralism" (Schimmelfennig 2001). From such a collective identity constituted through socializing institutions like those of the EU, sociological institutionalists argue that "the EU will be ready to admit any European state that reliably adheres to the liberal norms of domestic and international conduct."

In testing this hypothesis to the case of the eastern enlargement, Schemmelfennig identifies ideational factors that trumped any hint of rationalist calculations of states. While association with eastern European states would have been enough for the EU-15 to benefit economically, the eastern European states were offered full membership to the EU. Schimmelfennig solves this puzzle by proposing that it was the "strategic use of norm-based arguments" by proponents of enlargement. These "supporters of enlargement were able to justify their preferences on the grounds of the Community's traditional pan-European orientation and its liberal constitutive values and norms and to shame the "brakemen" into acquiescing in enlargement" (Schimmelfennig 2001). Such use of norm-based arguments ensured that opponents of enlargement were entrapped and eventually had no other alternative but to support the entry of the eastern Europeans into the EU liberal family.

Outside of Europe, Terada (2003) examined the Association of South East Asian Nations (ASEAN) through the ideational lens. Terada (2003) writes on the attainment of an East Asian Economic Caucus through the expansion of ASEAN as having been driven by a shared East Asian identity. ASEAN states had begun to see the need for more cooperation with northeast Asians states like Japan, China, and South Korea. The Asian financial crisis among other factors helped policy entrepreneurs sell the idea of an East Asian problem in need of an East Asian solution. As Terada (2003) writes, "Gradual acceptance of the East Asian concept was achieved through the promotion of shared understanding of regional settings and the articulation of a common view of regional problems which capitalize on personal acquaintances among policy leaders."

Although plausible, these ideational arguments stem from a theoretical approach that "is not a general substantive theory that predicts constant learning or a growing sense of collective identity; rather, its aspirations are more modest" (Checkel 1999). Constructivism in regional integration can be considered a mid-range theory outlining conditions where common identity formation takes place. It therefore indirectly addresses the issue of the evolution of regional integration as it remains "agnostic as to whether the endpoint of social interaction is greater common interests and identity" that enables deepened integration or not (Checkel 1999). Thus, constructivism and sociological institutionalism do not offer a narrative that addresses the full picture of integration; although the

presence of collective identity may facilitate certain parts of the agenda of regional integration arrangements. This is certainly the case with the European Union along Schimmelfennig's argument, and could be extended to cases of regional integration in the developing world including Terada's study of ASEAN.

2.3.2   HISTORICAL INSTITUTIONALISM

Similar to the other two new institutionalisms, historical institutionalism also focuses on the influence institutions have on political outcomes. However, historical institutionalism places weight on time. The evolution of institutions is premised on historical precedence.

Historical institutionalism stands out among the new institutionalisms because it blends both rationalist and sociological approaches in explaining how institutions matter (Hall & Taylor 1996). However, what makes historical institutionalism unique is its reliance on path dependence as an approach in explaining institutional change. Path dependence is a methodological tool that posits that timing, sequencing, and history matter. Institutions, according to historical institutionalism, are viewed as central factors in pushing historical developments along a set of 'paths' (Pierson 2004).

Historical institutionalists' explanation of European integration is a great departure from other rationalist and state-centric accounts. European integration has resulted in the continued ceding of state sovereignty to European Union institutions that coordinate the activities of member-states. In explaining why this has resulted, Pierson (1996) argues that while member-states create EU institutions, these institutions are able to exert their own influence on European integration because of 'lock in' processes due to unintended consequences of previous integration, and short-term horizons of member-state decision-makers. These factors work to shift state preferences, give more leverage to EU institutions, while abating the resurgence of state authority and control of the integration process.

By demonstrating that history matters, historical institutionalism is better suited at explaining the evolution of regional integration. However, historical institutionalism has been criticized for not accounting for agency in the process of institutional change (Peters, Pierre & King 2005).

While historical precedence influencing the paths that institutions may follow matter, it remains fuzzy who or what is motivating these changes. Furthermore, its choice of methodology, qualitative case studies, results in predictions that are hard to generalize to other cases of institutions and institutional changes. It is difficult to plausibly explain other instances of regional integration based on historical institutionalist findings from the European Union. While history would matter in any case of regional integration, the precise factors for each case would be different. This makes it difficult to conduct a large N study of institutional change and the evolution of regional integration using historical institutionalism.

2.4 CONCLUSION: REGIONAL INTEGRATION THEORIES AND THE DEVELOPING WORLD

This chapter has reviewed the major theoretical schools of thought used to explain regional integration. In most instances, European integration has been the main empirical case examined by these approaches. In attempting to explain regional integration in the developing world, several preliminary points need to be stated. First, in many developing states national governments are the key decision-makers in foreign policy matters. Second however, the process of democratization in many developing states has empowered various economic groups to have an influence on the economic policymaking process (Milner & Kubota 2005). Indeed, economic globalization in itself has been shown to correlate with democratization in the developing world (Milner & Mukherjee 2009). While there are burgeoning liberal forces in many developing states, regional integration is a collective decision dependent on a group of states agreeing how it should progress.

The intergovernmentalist arguments in this section give a more plausible causal logic for regional integration arrangements in the developing world, especially when one is to observe that governments of states in this part of the world influence key foreign policy outcomes. As a policy outcome premised on the convergence of various national preferences however, the evolution of regional integration arrangements would be dependent on the ability of its constituent member-states to commit and agree on what their respective RIAs should look like. In the next chapter, I developed an intergovernmentalist argument that focuses on the membership factors of regional

integration arrangements in the developing world. While the convergence of state preferences is influential, the ability and willingness of states to agree and commit to the RIA endeavor is dependent on its RIA membership portfolio. Simultaneously, the ability of an RIA to decide and agree on what direction the RIA endeavor should take is affected by collective action problems emanating from the size of the RIA itself.

MEMBERSHIP FACTORS, PREFERENCE HETEROGENEITY, AND THE EVOLUTION OF
REGIONAL INTEGRATION ARRANGEMENTS

This chapter proposes a theoretical framework explaining how membership factors influence state preference convergence and, in the process, the evolution of regional integration arrangements in the developing world to deeper levels of economic cooperation. To fully account for factors driving the deepening of regional economic regimes, examining how these regimes are affected by their size and membership portfolios of their member-states is important. The model developed in this chapter builds on the literature on collective action, evolution of interstate cooperation, regime design, and the adversity of overlapping memberships in multiple trade agreements. As an intergovernmentalist framework that subscribes to the proposition that the convergence of state preferences influences the evolution of regional integration, the model promulgated in this chapter argues that two membership factors–the size of the RIA and overlapping membership commitments of RIA members–influence the probability of preference convergence and thus the evolution of regional integration arrangements to deeper levels of economic cooperation. Although I develop this framework in reference to regional integration in the developing world, this logic is applicable to all other cases of regional integration.

The chapter is divided into two broad sections laying out the theoretical framework I advance. The first section focuses on the effect of membership size while the second section theorizes on the impact of overlapping memberships in regional integration arrangements. Each section develops a theoretical framework based on previous literature that I succinctly summarize. The chapter concludes with the main hypotheses derived from this theoretical framework.

3.1 MEMBERSHIP SIZE AND THE DEPTH OF REGIONAL INTEGRATION

This section develops a model on the effect membership size has on the evolution of regional integration arrangements to deeper levels of economic integration. In specifying this model, I begin with a brief overview of the literature on interstate cooperation, collective action problems, and the breadth-depth trade-off. I follow this with the theoretical model bringing into focus the effect size would have on the depth of regional integration arrangements.

3.1.1 COOPERATION AND THE NUMBER OF PLAYERS

In the development of institutionalist theory, Axelrod & Keohane (1985) explore factors that would lead states to cooperate in the long-term. As one of the main schools of thought in international relations, institutionalist theory is premised on the ability of states, through institutional mechanisms, to cooperate. In their game theoretic explanations, Axelrod and Keohane use the prisoners dilemma game to show how the tit-for-tat strategy enables cooperation by inducing reciprocity. However as the number of players increases, cooperation is threatened due to information inconsistencies on players' previous behavior in the game. The difficulty in knowing how other players behaved ensures that defections and cheating increase. In international relations, players are replaced with states and a similar threat to interstate cooperation emerges with increased number of states attempting cooperation. Two solutions to this problem have been advanced: hegemony and international institutions.

Hegemony has been prescribed as a way of solving collective action problems involving states and enabling interstate cooperation. Beginning with Kindleberger (1986) acknowledging the role of hegemons in the stability of the global economy to realist notions on how bipolarity is a more stable system than multipolarity, hegemony is seen to induce an equilibrium among states that facilitates cooperation. In the regional integration literature, Mattli (1999) argues that regional hegemons can help solve collective action problems among the RIA members, provide side-payments to laggards, and serve as the focal point for cooperation. However, Keohane and other institutionalists have challenged the role of hegemons in enabling cooperation.

In international relations, institutional theory argues that institutions, defined as "persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity, and shape expectations," solve the problems of collective action and those described above to enhance interstate cooperation (Keohane 2005). Indeed, institutions are perceived as the creations of rational states that see the benefits of cooperation but are afraid that other states might not honor their commitments. Institutions serve to provide information about the behavior of other states, monitor this behavior, and ensure credible state commitments while sanctioning cheaters or defectors (Keohane & Martin 2003).

In comparative politics, rational choice institutionalists have examined the role of institutions similar to institutional theory. Milgrom, North & Weingast (1990) explore how institutional mechanisms in medieval Europe helped to restore and enhance trade. Beginning with a similar prisoners' dilemma observation of how a small number of traders are able to rely on mutual trust to conduct trade, Milgrom, North & Weingast (1990) go on to show that as this number increases cheating and unfair play also begins to rise and in the process reduces the incentives to conduct trade. With the introduction of the law merchant, traders have a third-party to rely on to provide useful information about the behavior of other traders and sanction those who are perceived to be cheating other traders. This mechanism ensured that traders could go about their business without having to expend their own resources trying to find out the past actions of their trading partners.

3.1.2   NUMBER OF PLAYERS AND COOPERATION DEPTH

The above discussion demonstrates the problems that arise when the number of states involved in the cooperation endeavor increases. However, in both institutionalist and rational choice institutionalist works referenced above, there is no mention of the evolution of the cooperation endeavor. Hegemons or institutions may indeed solve the problems of sanctioning and monitoring that result. However when the decision to pursue deeper cooperation is solely dependent on states and their preferences, the number of states becomes a major predictor of whether state preferences have a

chance of converging and thus whether deeper cooperation may be pursued. Size not only affects the likelihood of cooperation, but also the evolution of cooperation.

Literature on the effect size of membership has on the evolution of cooperation falls under the breadth-depth trade-off debate. The breadth-depth trade-off argument has yielded contradictory yet interesting findings. On the one hand, one group has argued that by expanding membership, states sacrifice the depth of their cooperation initiatives (Downs, Rocke, and Barsoom 1998; Konstantinidis 2008). On the other hand, others note that depth is not sacrificed when states expand membership (Gilligan 2004).

The proponents of 'breadth sacrifices depth' argument posit that the strategy of admitting new members into a cooperation initiative affects the degree of cooperation depth. Downs, Rocke & Barsoom (1998) note the sparse understanding of "the standards that are set for admission, the order and speed with which candidate states are admitted, and the impact of expansion on cooperation and future evolution" of multilateral institutions. The main thrust of their argument is that sequential admission as opposed to an all-inclusive admission into the cooperation initiative increases the chances of deeper cooperation. A small group of states in favor of deeper cooperation would be more likely to align their preferences and establish deeper cooperation before allowing other states to join an already deepened cooperation initiative. This "sequential construction process provides more regulation-oriented or liberal states that usually play an important role in creating multilaterals with an ability to expand an institution's size while maintaining more control on the evolution of its policies than would otherwise be possible if an all-inclusive strategy had been pursued" (Downs, Rocke & Barsoom 1998).

An extension of the 'breadth sacrifices depth' argument can be found in the work of Konstantinidis (2008). Konstanitinidis contends that by using information asymmetries about the gains of cooperation, states can choose to extend membership to other states in order to institutionalize their cooperation initiative in a way that new members would not be able to reverse. Konstantinidis (2008) and Downs, Rocke & Barsoom (1998) examine the enlargement of the European Union to support their game theoretic claims. Indeed, the gradual, sequential expansion of the European

Union has taken place once major integration goals have been achieved: for instance, the first enlargement of 1973 took place following the consolidation of the customs union while the major enlargement of 2004 that nearly doubled EU membership was several years after the single market was launched and institutionalized. Acknowledging the role of state negotiations and preference convergence in European integration, Downs, Rocke & Barsoom (1998) note that it may be the case that "expansion magnifies the complexity of the bargaining process and increase transaction costs by introducing a host of new concerns that must be addressed with each successive step toward deeper integration." Moreover, Konstantinidis (2008) premises his argument on how these information asymmetries come to matter during "grand bargains" of European integration.

The plausibility of the sequential admission argument has not gone without its critics: For others, breadth does not constrain depth. Gilligan (2004) observes that in many multilateral organizations, an inclusive strategy has been pursued that allows any interested state to join in. This all-inclusive strategy has not necessarily meant that states are sacrificing depth. Specifically, Gilligan argues that the breadth-depth trade-off is not a general rule: "the broader-deeper trade-off occurs when members of the multilateral choose a single policy that is applicable to all members, that is when all members of the agreement must set their policy at the same level." It is not always the case that states engaged in a cooperation initiative set their policies at the same level. The World Trade Organization, for instance, has allowed developing states to conclude non-reciprocal trade deals with developed states such as the EU–African, Caribbean, and Pacific trade pacts between the 1960s and 2000. Admittedly, Gilligan notes that "[m]ultilateral agreements do not generally require that their members set their policies at exactly the same level."

The notion that the breadth-depth trade-off is not universal begs the question of what instances support this claim that membership size sacrifices cooperation depth. Gilligan (2004) points out that the exception, that is cooperation initiatives that are affected by the breadth-depth trade-off, happen to be regional integration arrangements that pursue common trade and economic policies. In the literature on the design of institutions, it has been noted that size exacerbates enforcement problem (Olson 1971). At the same time, higher numbers of states in a cooperation initiative

increases the potential of divergent state preferences that can limit the attainment of cooperation goals. Indeed, Koremenos, Lipson & Snidal (2001) note that states might choose to restrict membership due to uncertainties about the preferences of other states. In regional integration arrangements, such state preference uncertainties may come to negatively impact integration efforts.

While Gilligan and others reference European integration as an exceptional case that supports the claim of the breadth-depth trade-off, Kelley (2010) points out the importance of membership numbers to other instances of integration in Asia. Pointing to the experience of European integration and how the number of members has affected its evolution, Kelley argues that generally speaking "different membership models offer different mechanisms for how an organization can influence states in the region, leading to greater regional convergence necessary for successful integration." In citing evidence in support of the breadth-depth trade-off, Kelley (2010) notes that while a larger integration initiative is not necessarily going to be shallow, there have yet to be instances of large integration arrangements that have attained deep cooperation. I specify a model linking membership size with the evolution of regional integration arrangements in the next section.

3.1.3 MEMBERSHIP SIZE AND THE DEEPENING OF RIAs

The above discussion on breadth-depth trade-off notes that states would design institutions to limit membership in order to ensure that the core group of states augments and solidifies the institutions prior to extending membership. While these arguments note that states would rationally limit membership in order to increase the probability of deeper cooperation, it is plausible to argue that the lack of such institutional designs to limit membership would also affect the evolution of cooperation. Whether states rationally limit membership or not, expansion becomes a detriment to deeper cooperation. In regional integration where state preferences need to converge for cooperation to deepen, membership size exacerbates preference heterogeneity and reduces the probability of deeper integration arrangements. In this section, I begin with an outline of what deepening of RIAs entail and then discuss why shallow RIAs are not affected by membership size. I then proceed with a model outlining how membership size affects the process of deepening of RIAs.

To decipher logically how number of members in an RIA affects its evolution to deeper levels of cooperation, it is worthy to first note what evolution entails. While most RIAs follow a path from shallower degrees of cooperation to deeper cooperation involving states ceding authority and autonomy to many aspects of their economic policies, this is not a generic template. The shallowest level of economic integration is the preferential trade arrangement that entails lowering trade tariffs between RIA states. Deeper economic integration may include elimination of tariffs (free trade arrangement) with harmonization of external tariffs to third-party states (customs union) and free movement of all production factors (common market). In the deepest integration arrangements, states have most aspects of common markets and incorporate monetary coordination and eventually harmonize all their economic policies vis--vis non-members (economic union). Some RIAs, such as the South Asian Association of Regional Cooperation (SAARC) have began cooperation at the preferential trade arrangement level while others like the Common Market for the South (MERCOSUR) began economic integration as free trade arrangements. Since my interest is on the factors that influence a shift from shallower to deeper levels of cooperation, the point of commencement of economic integration is not paramount to the argument on membership size and the evolution of RIAs.

Liberal intergovernmentalism argues that the negotiation phase of regional integration involves states bargaining among each other in order to arrive at an agreement that is in their interest. The level of state preference heterogeneity matters for what outcome states agree on. Because signing on to an RIA signals a states willingness to cooperate and coordinate economic policies with other states, one can assume that for the states involved in an RIA they have preferences for some level of integration. As noted above, the initial phases of integration, that is shallow levels, are less demanding for states. Preferential trade arrangements only require states to lower their tariffs on other RIA members. In an age of economic interdependence, such a shallow level of economic integration would receive a great deal of support from RIA members. Indeed, we could expect that most states in an RIA have preferences in favor of lower tariffs. The extent of state preference heterogeneity at shallow integration levels would be low because the arrangement being negotiated

has very few requirements for states while increasing their welfare. The number of members in an RIA should thus not affect its evolution into a shallow economic integration arrangement.

However, membership size becomes an important factor of the evolution of RIAs into deeper levels if integration. Three related factors are identified as serving to limit the deepening of RIAs. First, the large number of states involved in the negotiations on integration exacerbates the level of preference heterogeneity that limits arriving at decisions that deepen integration. Second, size of membership increases the likely cost of using side-payments to convince laggard and reluctant states. Since size in itself increases the level of preference heterogeneity, it also makes it highly unlikely that member-states would use side-payments to convince those states with divergent preferences to support deeper integration. Third, membership size makes enforcement and monitoring difficult and a detriment to considering future deeper cooperation.

The heterogeneity of state preferences acquires a more significant role when more demanding economic integration is being considered by states. While economic liberalization may be an ultimate goal for most states involved in an RIA, some states might not have the capacity or willingness to begin this process. With greater numbers of states negotiating on deepening their economic arrangements, preference heterogeneity is heightened even further with some states being in favor of, for instance harmonization of external tariffs or free movement of production factors, while others preferring the status quo. Larger RIAs will have a high discrepancy on each states' economic interests that would ensure a high degree of preference heterogeneity during negotiations. This heterogeneity reduces the likelihood that states would agree on deeper integration.

Moreover while membership size heightens preference heterogeneity, it also makes it costly for states to use side payments to bring recalcitrant states on board with deeper economic integration. Dishing out side payments to convince laggard states to get on board and support deeper integration may be an option states in favor of deeper integration might take. For instance, following negotiations for a customs union involving the three member-states of the East African Community, Kenya, Tanzania, and Uganda, Tanzania and Uganda were fearful that their economic groups will not be able to compete with Kenya following the customs union's commencement. To ameliorate

their fears, Kenya agreed to a five-year transition period during which time Tanzania and Uganda would maintain a ten percent tariff on goods originating from Kenya and gradually reduce this ten percent every year by two percent. This sacrifice on the part of Kenya worked to get Uganda and Tanzania to sign the customs union protocol and thus enable the East African Community to deepen economic integration. The likelihood of such a sacrifice diminishes if the number of states involved is higher. With more members, there is a high likelihood that there will be more laggard states with divergent preferences. To get these laggards on board and in support of deeper integration, it would require the dishing out of even more side payments and making more sacrifices on the part of those states in favor of deeper economic integration. However, the cost of these side payments may outweigh integration benefits. It may also be difficult to justify side-payments of a large magnitude domestically, reducing the probability that states will issue them in the first place.

As membership size exacerbates preference heterogeneity and limits the use of side-payments, it also heightens enforcement problems. These enforcement problems discourage states from considering more demanding integration arrangements in the future. With a large number of states involved in an RIA, collective action problems are exacerbated. While there may be institutions that can serve to monitor and enforce agreements, size complicates matters when these institutions are weak, as it is usually the case with RIA institutions in the developing world. When state behavior is not effectively monitored, some RIA member-states would be reluctant to seek even more demanding economic integration agreements out of fear that there would not be any gains derived from deeper arrangements with less enforcement.

Based on these complications that result from membership size, one should expect a negative relationship between the number of members within an RIA and its level of depth. Figure 3.1 below summarizes the causal logic of the framework articulated above.

While size might not affect the initial starting phase of integration, at later levels membership size increases the level of preference heterogeneity that reduces the likelihood that state preference convergence on deeper integration results. As noted previously, it is factors such as those discussed in this section that have led states to come up with membership admission strategies to ensure

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                    ┌─────────────────────────┐
                    │   RIA Membership Size   │
                    └─────────────────────────┘
           ┌──────────────┼──────────────┐
           ▼              ▼              ▼
┌──────────────────┐ ┌──────────────┐ ┌──────────────────┐
│    Preference    │ │ Side Payment │ │ Collective Action│
│   Heterogeneity  │ │    Costs     │ │   Problems on    │
│                  │ │              │ │   Enforcement    │
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                │   RIA Evolution  │
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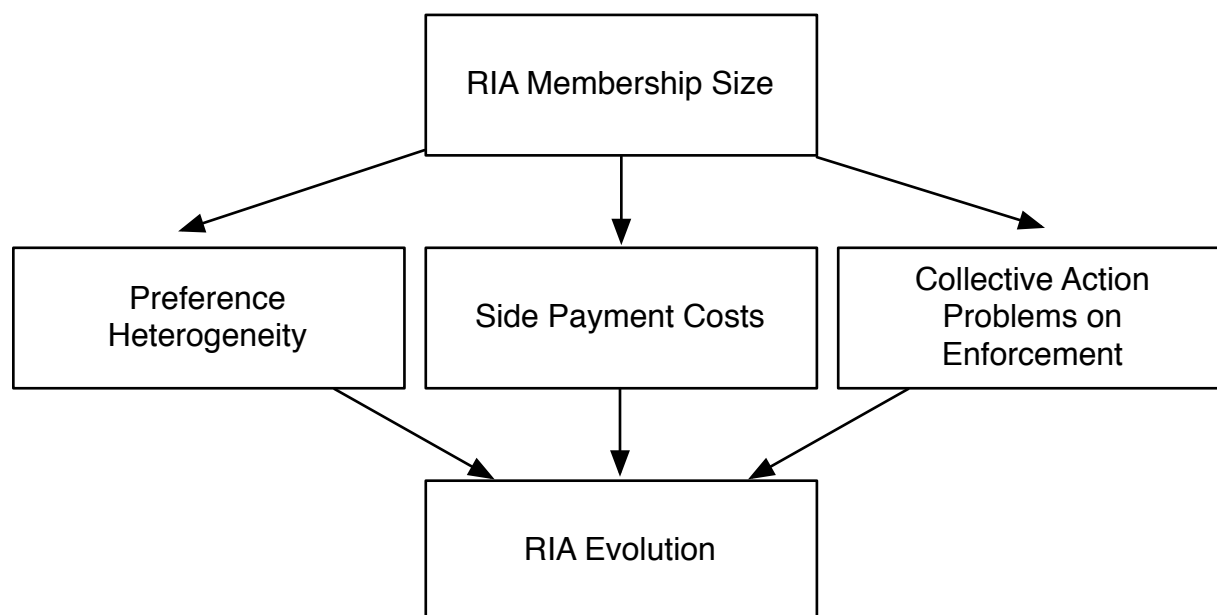
Figure 3.1: Membership Size and RIA Evolution

deeper arrangements. Indeed, Mattli & Plümper (2004) explain policy alternations among Central and Eastern European states as due to conditions for EU membership. These conditions ensured that these states considering EU membership had brought their economic policies in line with those of the EU prior to being allowed into a more deepened European arrangement.

However, RIAs in the developing world do not have such membership admission strategies and some commence with 10 or more member-states at shallower levels of economic integration. For instance, the Latin American Integration Agreement (LAIA) sought to develop an economic union by commencing at the preferential trade arrangement level in 1960 and with 12 member-states. LAIA has yet to move beyond its initial level of integration leading some of its members to seek alternative and smaller arrangements such as MERCOSUR and the Andean Community for deeper integration. A similar story may be told of the Common Market for Eastern and Southern Africa that began as a preferential trade arrangement in 1981 and with 19 members. In 1994, COMESA members began to lay out a framework for the establishment of a free trade arrangement

in 2000. In 2000 however, a fraction of the members, 9 out of 20, were willing to eliminate their tariffs on intra-COMESA trade while the rest sought to delay their accession into the free trade arrangement. While it may be rational for states to establish admission rules, shallower levels of integration have fewer requirements that are threatened by the size of the RIA. States might opt to join these arrangements because of their shallowness, without necessarily considering the long-term implications a large membership size has on future depth of integration.

In several cases of regional integration arrangements in the developing world therefore, there is a noticeable breadth-depth trade-off. This trade-off however, is not the only membership dynamic that affects preference convergence by heightening preference heterogeneity. An even more detrimental factor is overlapping memberships in multiple integration arrangements. I specify how the overlap phenomenon affects the depth of RIAs in the next section.

3.2   THE OVERLAP PHENOMENON AND REGIONAL INTEGRATION

In this section, a framework showing how overlapping memberships in multiple regional integration arrangements affects depth is discussed. I begin with an overview of the literature on overlapping memberships that focuses on its effects on regional trade agreements. I follow this with a theoretical model linking overlapping memberships, preference convergence, and the deepening of RIAs.

3.2.1   EFFECTS OF OVERLAPPING MEMBERSHIPS IN MULTIPLE RIAS

As states continue to embrace trade and economic liberalization through membership in the GATT/WTO and regional integration arrangements, a curious side effect has been states pursuing multiple memberships in two or more RIAs. For instance, India is a member of the Asia Pacific Trade Agreement (APTA), the South Asian Association of Regional Cooperation (SAARC), and the Bay of Bengal Initiative for Multi-Sectoral, Technical, and Economic Cooperation (BIM-STEC). The occurrence of this overlap phenomenon among developing states varies: some RIAs

have all their members involved in one or two other RIAs while others have fully committed members of a single RIA.

On the surface, the overlap phenomenon appears to complement global efforts of liberalization. Because multiple memberships in several RIAs establish a web of close trade and economic ties, one might conclude that perhaps the future of global economic liberalization will be through the overlap phenomenon. However, policy experts at multilateral institutions and scholars have noted that the overlap phenomenon engenders negative side-effects on regional trade liberalization efforts. Discussions on these effects have focused on RIAs in the developing world because it is here that the overlap phenomenon is most prevalent. This body of research, while interesting, does not fully test the arguments proposed regarding the effect of the overlap phenomenon conclusively. This dissertation aims to increase the understanding of regional integration in the developing world by building on this body of research to derive theoretical expectations that are empirically tested.

On the effects of overlapping memberships in multiple RIAs, research has examined three related areas of regional integration. First, a general survey points out that overlapping memberships reduce the ability of members of an RIA to coordinate integration policies. Second, and closely related to the coordination problem, is the overlap phenomenon's effect on the implementation of an RIA's trade regime. Third, and building on the second effect, is the overlap phenomenon's negative impact on intra-RIA trade.

The general premise that overlapping memberships in multiple RIAs adversely affects coordination has been the focus of policy experts and political scientists. Sally (2006), in a general assessment of the effects of overlapping membership, asserts that the different regional blocs a state belongs to may have different tariff schedules, rules of origin, and implementation periods. Due to these differences, coordination and implementation of policies directed at promoting regional integration becomes difficult. RIAs result from legal agreements between states that stipulate the objectives of cooperation. Overlapping memberships in multiple RIAs result in increased uncertainties on treaty obligations that negatively affects the coordination of policies that states had agreed to cooperate in (Jakobeit, Hartzenberg & Charalambides 2005). These legal uncertainties

resulting from the overlap phenomenon can also be understood as redundancies that complicate the implementation of RIA treaties and agreements that might have served to further regional integration (Nyirabu 2004). In describing the shallowness of many RIAs in sub-Saharan Africa as compared to those in other regions in the developing world, Feng & Genna (2005) observe that many RIAs in Africa are shallow due in part to overlapping memberships that produce a conflict in adopting integration requirements for members.

Although coordination problems capture the general negative impact of the overlap phenomenon on regional integration, it is on the implementation of an RIA's trade regime that one can clearly see why overlapping memberships is a detriment to regional integration. States pursue regional integration for economic gains. These gains emanate from increased trade activity. Indeed, regional trade liberalization is the primary form that regional integration arrangements take. In pursuit of regional trade liberalization, RIA members would craft trade rules to ensure that goods originating from RIA members are the ones receiving special treatment when being traded within the RIA. These rules of origin (RoOs) include strict requirements that traders have to meet and states have to enforce if the RIA is to serve the purpose of increasing trade and be economically beneficial to member-states.

In a situation where a state is a member of two or more RIAs that are pursuing trade liberalization, the implementation of these RoOs becomes especially problematic. Since each RIA will have its own trade regime, a state in multiple RIAs will be forced to comply with two or more sets of RoOs. Abiding by multiple RoOs, according to the World Trade Organization (2010) "can hamper trade flows merely by [increasing] the costs involved for traders in meeting multiple sets of trade rules." Krueger (1997*b*) examines the complications on implementing multiple RoOs in more detail. In her discussion, Krueger notes that overlapping memberships in multiple RIAs creates an unnecessarily complex customs clearance mechanism for economic actors in the RIA since it is these actors who have to deal directly with rules of origin. This complex web of RoOs has the effect of slowing down trade while increasing the costs of moving goods between RIA members (Krueger 1997*b*). Alluding to the coordination and implementation problems discussed above,

Krueger (1997*b*) concludes that overlapping memberships in multiple RIAs constraints "possibilities for further integration through "borderless" preferential agreements and the elimination of border barriers (presumably one of the raison detre of the regional nature of a preferential trade agreement)."

A closely related finding to the complexities of applying multiple rules of origin is that overlapping memberships in multiple RIAs does not increase trade. Lee, Park & Shin (2008) argue and demonstrate empirically that there is a minimal net trade benefit for states involved in multiple RIAs. "If a member forms another RTA, by creating overlapping RTAs, its additional trade with members of existing RTA(s) or with members of new RTA(s) is less than the additional trade formed between members belonging to a single RTA" (Lee, Park & Shin 2008). In other words, more trade would be created were all the states involved in one large RIA. In explaining this finding, Lee et al hypothesize in their conclusion that perhaps the low trade returns due to overlapping memberships may be due to multiple rules of origin that states that are in multiple RIAs have to comply with. A complex web of RoOs that are produced by overlapping memberships in multiple RIAs may be detrimental to intra-RIA trade.

It is puzzling that despite these adverse effects of the overlap phenomenon, states persist in pursuing memberships in multiple RIAs. While this puzzle yields an interesting research questions such as what motivates states to pursue multiple RIAs, this project is interested in how the overlap phenomenon affects the evolution of RIAs to deeper levels of economic cooperation. Part of the contribution of this dissertation is to develop a theoretical model linking overlapping memberships in multiple RIAs, preference convergence, and the deepening of RIAs and empirically testing these theoretical claims. Similar to the argument on membership size developed in the previous section, I argue that overlapping memberships exacerbates state preference heterogeneity. By overlapping memberships, the positions of domestic economic groups on economic integration will be split between the various RIAs a state is a member of. With such domestic divergent positions, states in multiple RIAs will not only have state preferences that support multiple regional integration initiative, but their capacity to commit to any future deeper integration in one of the several RIAs they

are members of will be limited. Moreover, overlapping memberships complicates the implementation of agreements that discourage states from considering any future more demanding agreements on integration. Poor implementation due to overlapping memberships increases the likelihood that states would shun away from considering deeper integration in the future out of fear that implementation problems would be exacerbated and the net benefits of deeper integration would be minimal.

3.2.2 THE OVERLAP PHENOMENON AND RIA DEPTH

Overlapping memberships in multiple regional integration arrangements is detrimental to state preference convergence, an important step in the evolution of regional integration arrangements to deeper levels of economic integration. To understand this relationship, three paths showing how the overlap phenomenon affects preference convergence need to be discussed: split loyalties from multiple memberships, coordination complexities that discourage future debate on integration, and adverse effects on the importance of the RIA market.

The overlap phenomenon produces a situation where domestic economic groups have competing interests on what particular RIA a state should pursue. When a state is only a member of one RIA, domestic economic groups are able to direct their lobbying efforts towards that single RIA. Whether for or against deeper integration, these domestic groups are able to inform government policy in a manner that ensures that the final state preference is uniform. Moreover, states that are members of a single RIA are also able to direct their attention solely to the affairs of that RIA. For instance, the implementation of rules of origin for a state belonging in only one RIA would not be a convoluted process that discourages traders from engaging in intra-RIA economic activities. Furthermore, if an RIA were considering commencing fiscal and monetary policy coordination, implementation would be more effective when all members of the RIA are not pursuing other RIA concurrently.

The situation is different when a state is pursuing multiple RIA memberships. Domestically, economic groups might be spilt on which RIA should be pursued by their government. Since

the different RIAs a state pursues might be benefiting different economic groups through market access and other economic opportunities, these groups would have difficulty in forging a common position regarding which RIA is worth deepening cooperation. At the same time, a state pursuing multiple RIAs would be handicapped in its ability to make credible commitments to all the RIAs it is a member of because state preferences would most likely not be clear on future considerations of deeper integration.

These situations of split loyalties that are produced by the overlap phenomenon have the effect of exacerbating the level of preference heterogeneity in the RIA. In instances where some members of a particular RIA are also pursuing other RIAs, one should expect it to be difficult for the members of this RIA to agree on common positions on regional integration that serve to deepen the RIA. Split loyalties mean that states are not fully focused on a single RIA as their preferences on integration are not entirely set on pursuing that one RIA.

A second path that the overlap phenomenon affects preference convergence and therefore the deepening of RIAs is through complications it introduces to implementing RIA rules. Effective implementation is necessary for states to witness gains from integration. These gains form the basis for future consideration of deepening integration. With poor implementation, gains from integration are scarce and this reduces the incentives for states to consider any further integration in the future. If an RIA has agreed to coordinate monetary policies to aid economic groups in its member-states have easier access to credit and invest freely within the RIA, these benefits can only be fully delivered if all members totally execute such agreements. The example on the implementation of rules of origin discussed in detail above also demonstrates the importance of implementation for states to witness gains from integration. Gains from integration due to sound implementation forms the basis for future consideration of deeper cooperation in the future.

Conversely, overlapping memberships results in poor implementation of various RIA agreements that states previously concluded. Indeed, Krueger's (1997) assessment of the implementation of rules of origin and also other scholars who note the redundancy of policies that affect implementation shed light on these adverse effects of overlapping membership. With poor imple-

mentation, there is a high likelihood that members of the RIA may not be seeing the full benefits of their present level of regional integration. For instance, poor implementation of rules of origin results in high costs of conducting trade and slower rate of trade creation for domestic economic actors. With such precedence on the performance of regional integration being set, domestic groups would be less reluctant to persuade their governments to pursue deeper integration in the future. State preferences, because of slow returns of previous integration, will not be in favor of future deeper integration. Since deeper integration would necessarily mean more requirements whose implementation would be even more demanding, the previous experience that is engendered by overlapping memberships would discourage states from contemplating considering deeper integration in the future.

As a product of the overlap phenomenon, poor implementation affects the gains of integration. Few net gains from integration influence domestic economic groups to be skeptical of future deeper integration. Their skepticism emanates from fear that it might be even more difficult to implement more demanding requirements of deeper arrangements in the future due to the prevalence of the overlap phenomenon within the RIA.

Regional integration arrangements are economic ventures whose benefits are assessed by states through increased trade and other economic activities. The findings by Lee, Park & Shin (2008) that overlapping RIAs do not exponentially increase intra-RIA trade and the WTO's observation that overlapping RIAs can in fact slow down trade creation within an RIA might be factors that frame a states domestic debate on whether to pursue deeper integration in the future or not. This path towards understanding how the overlap phenomenon affects the evolution of RIAs is related to the preceding section since complex and multiple rules of origin negatively affect the flow of trade. However in purely trade terms, trade creation being the primary impetus for integration, instances of overlapping memberships that adversely affect trade creation would initiate low levels of support for any future regional trade liberalization. With fewer returns from trade that can have the potential of spilling over to other economic policies being considered for integration, states would be less disposed towards negotiating further liberalization in the future.

The three paths articulated above point to the causal mechanism of how overlapping member-ships in multiple RIAs affects the deepening of RIAs. Figure 3.2 below summarizes the framework proposed above.
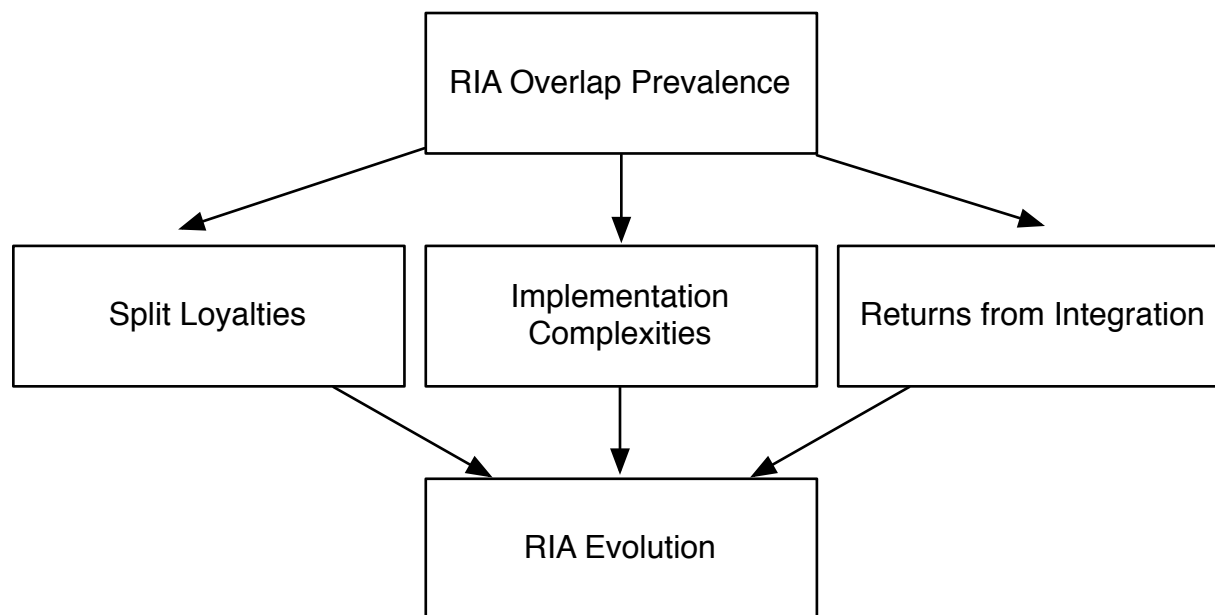
Figure 3.2: Overlap Phenomenon and RIA Evolution

The decision to pursue membership in multiple RIAs is solely in the hands of states. With stagnating WTO trade talks, states have not only joined RIAs, but have also expanded the web of regionalism by joining multiple RIAs. While overlapping memberships is not discouraged by the WTO, states are forbidden from being members of two or more customs unions. Thus, most cases of the overlap phenomenon will involve states that are at least in one RIA with shallow levels of cooperation depth. For instance, Tanzania is a member of the customs union of the East African Community and also the free trade area of the Southern African Development Community. While these links created by the overlap phenomenon might benefit an individual state, for the collective, the entire membership of an RIA, bargaining and arriving at common and beneficial agreements that further cooperation is made difficult.

A state that is party to two RIAs ensures that at least one of those RIAs maintains shallow economic integration. Recalling the Tanzania example, both the EAC and the SADC aim at estab-

lishing economic and monetary unions. However, Tanzanias involvement in both these RIAs means that at least one will find it difficult to attain this objective. While this example points to one state, usually more member-states in one RIA pursue others simultaneously. As the numbers of members of one RIA pursue another RIA, then the effects discussed in this section are exacerbated. The result is shallow and/or stagnant RIAs that find it difficult to get their members to agree on whether to deepen integration in the future or not. It could be observed that the prospects for the newly established Community of Sahel-Saharan States to establish an economic union have been weakened by the prevalence of overlapping memberships that a majority of its members have undertaken. Another interesting observation comes from the external relations of developing states, particularly those in sub-Saharan Africa. As they continue to negotiate free trade agreements between RIAs involving African states and the European Union, one requirement is that these agreements must be concluded at the RIA level. Thus African states involved in multiple RIAs will have to decide which RIA they would align with to access the EU market. The prevalence of the overlap phenomenon may arguably be delaying the conclusion of these trade pacts between African states and the European Union.

3.3 MEMBERSHIP FACTORS AND THE EVOLUTION OF RIAS: HYPOTHESES FORMATION

The two models specified in this chapter yield two related hypotheses. First, as the number of members in an RIA increases, the likelihood of the RIA attaining cooperation depth as it evolves diminishes. As Downs, Rocke & Barsoom (1998) rightfully acknowledge, this hypothesis is not in itself new. However since states in the developing world establish RIAs with deepening goals but lacking serious admission strategies, one is led to question the validity of the breadth-depth trade-off. Testing this hypothesis not only addresses this question, but its findings will aid in articulating policy implications on the future of global trade and economic liberalization.

The second hypothesis states that as the frequency of the overlap phenomenon involving members of an RIA increases, the likelihood of the RIA deepening its cooperation also decreases. Other scholars have discussed the effect of overlapping memberships. However, claims that overlapping

memberships have adverse effects on regional integration have not been fully evaluated empirically. A contribution of this dissertation is not only specifying a theoretical framework on the overlap phenomenon, but also testing this framework empirically.

The main expectation from these hypotheses is that size and the magnitude of overlapping memberships negatively affect the depth of RIAs in the developing world. This negative effect assumes that RIAs want deeper integration. The failure to guard against states committing to multiple RIA, a relatively impossible measure in the international system, and sequencing expansion of membership may be detrimental to deeper integration. However, these membership factors are not bad news for regional integration. Indeed, states continue to sign on to overlapping bilateral and regional trade agreements that some might argue contributes to multilateral efforts of liberalization. Furthermore, huge RIAs like COMESA and LAIA persist despite of lacking depth. Size and the overlap phenomenon therefore may be detrimental to deeper integration but they are not detrimental to regional integration.

In testing these two hypotheses, I also evaluate competing and complementary propositions on the evolution of RIAs. Some of these alternative arguments have been discussed in Chapter 2 of this dissertation. I use both quantitative and qualitative methods to test these arguments. The quantitative chapter tests a large N selection of RIAs while the qualitative chapter provides in-depth narratives tracking the evolution of specific RIAs and how membership factors and other factors have influenced this process. The case selection includes most RIAs in the developing world. The next chapter operationalizes the data and outlines the method used in the quantitative test.

CHAPTER 4

A LARGE-N EVALUATION OF THE EVOLUTION OF REGIONAL INTEGRATION
ARRANGEMENTS

In this chapter, I conduct a quantitative test of the argument proposed in the third chapter. The chapter is divided into two part: I first outline data operationalization and method specification and then discuss the statistical results. In the data and method section, I discuss the RIA cases under study and then develop measures of RIA depth, membership size, and frequency of overlapping memberships in multiple RIAs. I also outline several control variables used in the analysis and the methodology used to test the data. The second section explains the quantitative results, focusing on the two membership factors variables.

The quantitative findings lend some support to the hypotheses proposed in the previous chapter. Membership factors, number of members of an RIA and instances of overlapping memberships within the RIA have a negative impact on the depth of integration. Moreover, the findings suggest that the liberal intergovernmentalist proposition that economic forces influence the drive for regional integration has some weight. These quantitative results hold even when the temporal dimension of RIA evolution is accounted for. Additionally, evaluating the argument using an alternative measure of depth lends further support to the overlapping memberships' hypothesis.

4.1 DATA OPERATIONALIZATION AND METHOD SPECIFICATION

This section discusses the operationalization of all variables used in the quantitative test and the methodology employed in testing the two main hypotheses. Much attention is given to the dependent variable, the depth of RIAs, and the two independent variables of interest, membership size and the overlap phenomenon. In operationalizing the control variables used in this project, I

shall use group means. This is a technique that has been employed by others including Haftel & Thompson (2006) and Haftel (2007). As new actors in the international system, evaluating RIAs as units is therefore acceptable. I begin by outlining the cases of RIAs being examined before proceeding to the data operationalization and method specification.

4.1.1 CASE SELECTION: RIAs IN THE DEVELOPING WORLD

As a project interested in regional integration, the units of analysis are regional integration arrangements in the developing world. This group choice is ideal as it captures the collective nature of RIAs. While RIAs are composed of states and the evolution of RIAs is hinged on the behavior of states, the result of interstate bargaining is a group-level outcome that reflects the collective will of the constituent member-states of an RIA. Using the RIA as a unit of analysis ensures that one accounts for group level outcomes, most importantly the depth of RIAs.

The RIA cases are drawn from the developing world. These 22 RIAs are described succinctly in Appendix A. The choice of these 22 RIAs is hinged on data availability. Furthermore, these 22 RIAs encompass a majority of states in the developing world. These RIAs are examined between their years of formation and 2007. These RIAs were all created in different years: the oldest RIA, the Latin American Integration Association, was founded in 1960, while the youngest, the Community of Sahel-Saharan States, was founded in 1997. The unit of observation therefore is the *RIA-YEAR*.

4.1.2 MEASURING RIA DEPTH

This dissertation seeks to explain the evolution of RIAs in the developing world. Specifically, the interest is explaining factors that influence the deepening of economic cooperation of these RIAs. While most RIAs embark on integration efforts that include not only economic liberalization, but also social and political policy coordination and harmonization, I focus only on the economic aspect of integration. RIAs have been established first and foremost as economic ventures meant to increase trade and other economic activities within the region. In developing a measure of RIA

depth therefore, I focus on major episodes of RIAs that involve shifts in economic liberalization and economic policy coordination.

In developing this measure of RIA depth, I rely on official treaties of RIAs, World Trade Organization's evaluations of all regional trade agreements (RTAs) in existence, research and policy papers on regional integration, and news sources. Most RIAs maintain websites that have publicly available information such as treaties and agreements signed among their member-states. As the institution that manages global efforts at liberalization, the WTO maintains a database on all regional trade agreements including important dates and member-states of each RTA that has been notified to WTO. Similar to the WTO, various institutions such as the UN Economic Commission for Africa and the UN Economic and Social Commission for Asia and the Pacific conduct policy-relevant research on regional integration that includes information on the various RIAs in the developing world. Previous academic research also proves to be useful, especially in cases where scanty information is available on an RIA's treaties or areas of cooperation. Moreover, in some instances major depth episodes of RIAs may be reported in newspapers and other media and provide indicators of the dynamics taking place within RIAs. Indeed, in cases where RIAs do not maintain websites with official narratives on what form of economic cooperation is being pursued, news media serve as a second-best source of information on these RIAs.

Major episodes of RIA depth entail instances where states in an RIA commenced a certain type of economic policy coordination. The interest here is not agreement on coordination, but actual implementation of policy coordination articulated in the agreement. While an agreement or treaty signals intentions of states, the actual implementation ensures that states' words are backed by actual behavior. For instance although the South Asian Association of Regional Cooperation was established in 1985 and member-states signed an agreement to liberalize trade, it was not until 1996 that actual trade liberalization began to occur.

Economic integration for an RIA commences with trade liberalization. Although not a template, the initial step of trade liberalization is usually the lowering of tariffs among RIA members. By signing preferential trade agreements (PTAs), RIA members set the stage for lowering but not

eliminating tariffs to intra-RIA trade. PTAs are the most shallow of RIAs as they enable states to maintain some control of their trade policymaking.

Following PTAs, RIA members might decide on further tariff reductions that culminate in the total elimination of trade tariffs. Through signing free trade agreements (FTAs), RIA members signal their intention to eliminate all tariffs on intra-RIA trade. By getting states to eliminate all their tariffs, FTAs upgrade the level of trade integration requiring more commitment and having states cede their authority on tariffs (among fellow RIA members) to the RIA. However, member-states still maintain control of their trade policy vis-a-vis non-members of their respective RIAs.

In certain instances, RIAs already in an FTA stage may agree to harmonize their tariffs towards non-members. By concluding a customs union agreement (CU) members of an RIA not only trade freely among each other, but also maintain a common external tariff on trade with non-members of their respective RIA. By requiring states to coordinate their tariffs towards non-members, customs unions demand a high level of commitment from members of an RIA.

RIAs that are customs unions might in time advance to the common market and/or monetary union levels of integration. At the common market stage, RIA members commit to allowing the free movement of labor and capital within the RIA area in addition to customs union attributes of free trade. Usually common markets call for the coordination of monetary policies of RIA members. However economic unions call for the harmonization of monetary policies and introduce a common currency among RIA members. The only true monetary union is the European Union, although not all EU members use the Euro as their currency. Various West African RIAs qualify with some exceptions as monetary unions, although this is due to colonial era arrangements to harmonize their monetary policies and peg a common currency to the French Franc and now the Euro.

The major episodes of depth described above would form five categories: PTA, FTA, Customs Union, Common Market, and Economic Union. However, these are ideal points and usually RIAs do not attain a particular level of depth in one instance. In the case sample for this study, some RIAs call themselves FTAs although not all states have undertaken to liberalize trade. For example, the Common Market for Eastern and Southern Africa concluded an FTA in 2000. How-

ever only 9 member-states have eliminated trade barriers while 9 others only allow preferential access to COMESA member-states. Such instances result in what could be categorized as a partial or incomplete free trade area. A similar situation involves the two blocs that use the CFA Franc pegged to the Euro. While the CFA Franc has been the currency of several West African states since immediately following their independence, trade and other aspects of economic integration have either only been recently attempted or have gone through ebbs and flows. This has resulted in periods of time when there was a common currency but limited to no regional trade liberalization, thus going contrary to the rubric discussed above. Thus an assignment of depth measurement in this sample has to take into account such discrepancies. First, only RIAs where all members have acceded to a particular level of economic integration are coded as having attained that level. In the case of COMESA referenced above then, since only a subset of the RIA has signed onto its free trade agreement, COMESA is coded as a PTA. Second, in instances where members of an RIA share attributes that are usually assumed to be attached to higher levels of economic integration, for example a common currency or a common external tariff, but have low levels of economic integration in trade liberalization, these cases are coded one unit above their actual level of economic integration in trade. Such a schema ensures that the attributes of higher economic integration levels that RIAs with low levels of trade liberalization have attained are accounted for. Third, the coding of RIA depth begins once the agreement altering economic integration is enforced and not when it is signed. This is because states might signal cooperation through a treaty, but take years to actually begin implementing the stated objectives in the treaty signed.

Moreover, there are virtually no cases of common markets and monetary unions in the sample of cases for this study. Indeed Mansfield, Milner & Pevehouse (2007) and Mansfield, Milner & Pevehouse (2008) also observe fewer cases of these two high levels of integration depth in their empirical studies on the influence of veto players and regime type on regional integration. For this dissertation, I identify three broad categories: PTAs, FTAs, and Customs Unions, Common Markets, and Monetary Unions. Table 4.1 summarizes the coding rubric used to capture the depth of RIAs.

Table 4.1: Index of RIA Depth

Depth Index	Optimal Depth Level	Observed Depth Level
0	Agreement (No tariff reduction attempted)	Agreement (No tariff reduction attempted)
1	PTA	PTA
		Partial FTA
2	FTA	FTA
		Partial FTA with CET
3	Customs Union	Customs Union
	Common Market	Common Market
	Economic Union	Economic Union
		FTA with Currency

To shed light on the variation of RIA depth in the cases to be examined, I show their levels of depth in the year 2007 in Table 4.2. RIAs with an index of 0 are those that have yet to embark on trade and economic liberalization, although this is a goal for them. Most RIAs in the sample based on the 2007 indices are either PTAs or partial FTAs. As already noted, the fewest cases come from RIAs that are Customs Unions, Common Markets, Monetary Unions, and FTAs with a shared currency.

RIA DEPTH AS ORDINAL AND NOMINAL

Regional integration depth as discussed above denotes an ordered categorical variable. In most instances, RIAs move from shallow categories that are assumed to be less demanding to more demanding deeper levels of economic integration. For instance, the European Union's progression over time has involved a shift from a customs union to an economic and monetary union, a process that has taken time. However, RIA depth can also be considered to be a nominal variable. RIAs do not always commence integration from what might be considered the shallow PTA level and proceed to 'deeper' levels: it has been observed that some RIAs for instance EAC, begin their process of integration from the customs union phase bypassing the PTA and FTA stages. In this understanding of RIA depth, ordering is not relevant as RIAs do not strictly follow a set path

Table 4.2: Depth of RIAs in 2007

RIA	Depth Index	Observed Level of Depth
CAN	3	Customs Union
AMU	0	No liberalization attempted
ASEAN	1	Partial FTA
APTA	1	PTA
CEMAC	3	FTA with Currency
CACM	2	partial FTA with CET
CEPGL	0	No liberalization attempted
COMESA	1	Partial FTA
EAC	2	Partial FTA with CET
ECOWAS	1	PTA
LAIA	1	PTA
MERCOSUR	3	Customs Union
SAARC	2	FTA
SADC	2	FTA
UEMOA	2	Partal FTA with CET
ECCAS	0	No liberalization attempted
GCC	3	Customs Union
CEN-SAD	0	No liberalization attempted
PAFTA	1	PTA
MRU	0	No liberalization attempted
ECO	1	PTA
BIMSTEC	1	PTA

towards attaining what is considered 'deeper' levels of economic integration. This chapter shall therefore consider depth as both an ordinal and nominal variable similar to Mansfield, Milner, and Pevehouse (2008) who note that only evaluating depth as an ordinal variable "places certain restrictions [. . .] namely, imposing the assumption that each independent variable has a monotonic effect on the dependent variable."

4.1.3   RIA MEMBERSHIP SIZE

RIA membership size entails the number of states that are full members of an RIA. Information on an RIA's membership roll is mainly available on the websites of RIAs. However, other databases

including the United Nations University's Regional Integration Knowledge System (RIKS), the WTO RTA Database, McGill University's Preferential Trade Agreements Database, and the Correlates of War Project's International Governmental Organization (IGO) Dataset contain trends in the admission of states to RIAs over time. Table 4.3 depicts a sample of membership size data for the year 2007 for the sample of RIAs being examined. Based on Table 4.3, the smallest RIA comprises of 3 member-states while the largest has 26 members as of 2007. The mean membership size for this year is about 9 member-states per RIA.

Table 4.3: Membership Size of RIAs in 2007

RIA	Membership Size
CAN	4
AMU	5
ASEAN	10
APTA	6
CEMAC	6
CACM	5
CEPGL	3
COMESA	19
EAC	5
ECOWAS	15
LAIA	12
MERCOSUR	4
SAARC	8
SADC	13
UEMOA	8
ECCAS	11
GCC	6
CEN-SAD	26
PAFTA	16
MRU	4
ECO	10
BIMSTEC	7

4.1.4 FREQUENCY OF OVERLAPPING MEMBERSHIPS

In creating a measure of the frequency of overlapping memberships in multiple RIAs, sources of membership are used. To generate this measure, I first identify all instances of overlapping

memberships for each member of an RIA in each year. While some states might be members of more than two RIAs at the same time, I am only interested in whether there is presence of overlapping memberships and not the quantity of this overlap per member-state. After summing up all instances of overlapping memberships, I divide this statistic with the total sum of members of an RIA in the year being observed. *Overlap Frequency* is a ratio ranging between 0 and 1. For each RIA at year *t*,

$$Overlap\ Frequency_t = \frac{\sum Overlap\ Instance_t}{Membership\ Size_t} \tag{4.1}$$

Instances of overlapping memberships vary in quality and expected impact on RIA depth. For example, CEPGL and CEMAC member-states formed ECCAS in 1983 to enhance economic cooperation between the two blocs. In the perspective of ECCAS therefore, membership in CEPGL and CEMAC do not qualify as instances of overlapping memberships. Another example involves LAIA whereby its members are part of either CAN or MERCOSUR. CAN members are considered associate members of MERCOSUR and vice versa. Although states in these blocs are members of two RIAs, these instances do not qualify as true depictions of overlapping memberships. In generating this measure of *Overlap Frequency* cases where all members of a particular RIA are also members of the same overlapped RIA are not considered as instances of overlap as the two above examples demonstrate, while cases where members of a particular RIA are pursuing overlapping memberships in different RIAs are.

An alternative measure of overlapping memberships is also created using the above *Overlap Frequency* statistic. This *Overlap Index* summarizes the ratio from *Overlap Frequency* into 4 ordinal categories with the lower value indicates negligible frequency of overlapping memberships in an RIA. At a given year *t* for each RIA,

$$Overlap\ Index_t = \begin{cases} 0 \subset Overlap\ Frequency_t < 0.25 \\ 1 \subset 0.25 \leq Overlap\ Frequency_t < 0.5 \\ 2 \subset 0.5 \leq Overlap\ Frequency_t < 0.75 \\ 3 \subset Overlap\ Frequency_t \geq 0.75 \end{cases} \tag{4.2}$$

Table 4.4 presents a subset of these two measures of overlapping memberships in the year 2007 for the 22 RIAs under study.

Table 4.4: Indicators of Overlapping Memberships in 2007

RIA	Overlap Frequency	Overlap Index
CAN	0	0
AMU	0.8	3
ASEAN	0.3	1
APTA	0.667	2
CEMAC	0.333	1
CACM	0	0
CEPGL	1	3
COMESA	0.842	3
EAC	1	3
ECOWAS	0.8	3
LAIA	0	0
MERCOSUR	0	0
SAARC	0.875	3
SADC	0.692	2
UEMOA	0.875	3
ECCAS	0.636	2
GCC	0	0
CEN-SAD	0.962	3
PAFTA	0.313	1
MRU	0	0
ECO	0.8	3
BIMSTEC	1	3

4.1.5   ALTERNATIVE EXPLANATIONS

Market Importance: The argument of liberal intergovernmentalism is that convergence of economic preferences of member-states of an RIA drives the integration process. If economic groups in members of an RIA perceive gains from integration, then they are most likely to lobby their governments to pursue deeper cooperation. An ideal measure of this variable would include lobbying efforts of domestic economic groups and preference convergence indicators depicted by economic statistics of various sectors directly affected by integration. However, this is difficult for the large sample of cases being examined in this project. To capture the importance of the RIA market, I use

intra-RIA trade as a percentage of total trade conducted by RIA members.

$$Market\ Importance_t = \frac{RIA\ Trade_t}{Total\ Trade_t}\% \qquad (4.3)$$

This statistic is similar to the one used by Haftel and Thompson (2006) who argue that "increasing cross-border economic exchange demand greater regulation of such interaction." This demand for regulation could be understood as portraying the aggregation of domestic economic group pressure on their governments to find ways of managing trade liberalization within a regional context. A higher percentage of market importance equates to most members of the RIA perceiving the RIA market as being beneficial. Moreover, since economic preferences of member-states need to converge, a higher percentage would proxy a high likelihood of the existence of pro-integration economic groups in RIA member-states and thus pro-integration preference convergence while a low percentage would capture low levels of support for integration among economic groups in RIA member-states and thus the convergence of non-integration preferences.

The primary source of data to generate *Market Importance* is the IMF Direction of Trade Statistics (DOTS). However, some states in the RIAs being examined lacked trade entries for certain years that complicated the calculation of this indicator. For the years which DOTS data were missing for all members of a particular RIA, I used trade share data from the United Nations University's Regional Integration Knowledge System (RIKS). RIKS' trade share index is based on trade data from the United Nations' COMTRADE database and measures the level of importance of the RIA market when compared to the world market. COMTRADE and DOTS data are highly correlated and thus filling in missing years with the COMTRADE based measure is acceptable. Moreover, COMTRADE and DOTS data are in current U.S. Dollars.

Economic Downturn: Mattli (1999) argues that economic downturns influence states to pursue economic integration as a means of abetting the poor domestic economic performance. I capture this variable using gross domestic product data from the World Bank. The variable is generated by calculating the yearly percentage change of the total GDP of each RIA. GDP figures are in current U.S. Dollars.

Regional Hegemony: A second proposition by Mattli (1999) is the effect of regional hegemony on

the success of RIAs. To capture regional hegemony, I use GDP concentration ratio. This ratio, has been used by Mansfield and Pevehouse (2000) and Haftel (2010) in capturing regional hegemony and is generated as follows

$$Hegemony_k = \sqrt{\frac{\sum_{i=1}^{N_k} S_{ik}^2 - \frac{1}{N_k}}{1 - \frac{1}{N_k}}} \tag{4.4}$$

In the above equation, N_k is the number of RIA members of the kth RIA in year $t - 1$, and S_{ik} is the ratio of the GDP of the ith member of RIA k to the total GDP of RIA k in year $t - 1$ (Mansfield and Pevehouse 2000). According to Haftel (2010), this measure "takes into account both the relative economic size of all members and the number of members" of an RIA. *Hegemony* varies between 0 and 1 with higher values indicating the presence of a regional hegemon.

Regime Type: The effect of regime type on cooperation and regional integration has been shown in previous research (Milner & Kubota 2005). To control for the influence of regime type on RIA depth, I calculate the mean Polity IV score. The Polity IV Project codes states' regime type on a 21 point scale varying between -10 and +10. -10 indicates an autocracy while +10 indicates a full democracy.

Conflict: The measure for conflict takes into account both intra- and inter-state types. Both types of conflict reduce a state's ability to meet its commitments to other states because its paramount focus is engaging in the ongoing conflict. Resources that would have otherwise been used in advancing a state's cooperation agenda are diverted to the ongoing conflict. In the case of RIAs, conflicts that member-states engage in, whether within the borders of a particular state, between member-states, or between a member and a non-member, would limit the commitment of such states on the RIA. The agenda of the RIA such as reducing trade barriers or implementing a common currency would be dealt a major blow because some member-states are handicapped in their ability to implement these policies due to an ongoing conflictual engagement.

To capture *Conflict*, I use data from the UCDP/PRIO Armed Conflict Dataset. This dataset identifies all instances of conflict and assigns each instance a score of 1. Specifically, I identify intra- and inter-state conflicts taking place in RIA members and average them for each RIA. I then generate a dummy variable from these two means that is 1 if at least one third of the RIA members

were experiencing either intra- or inter-state conflict. Since it would be difficult to separate the effect of each type of conflict, this dummy indicator summarizes conflict within the RIA by taking into account both types. The following formula presents the calculation of this control variable. In this equation, $\bar{X}$ is the RIA mean of intra-state conflict while $\bar{Y}$ is the RIA mean of inter-state conflict.

$$Conflict = 1 \subset \bar{X} \geq 0.333 \mid \bar{Y} \geq 0.333 \tag{4.5}$$

Colonial RIA: Certain RIAs began as colonial economic arrangements. While most of these RIAs declined following the independence of their constituent states, they have usually rebounded integration efforts. We should therefore expect this colonial influence to play a role in the evolution of an RIA. Since these colonial-era arrangements already established a precedence of economic cooperation, there is a high probability that such arrangements would continue to pursue and enhance integration following the end of colonialism. The argument could also be made that colonial arrangements socialized these states to identify with the region and therefore continue to cooperate even after colonialism ended. I capture the influence of colonialism by creating a dummy variable indicating whether the RIA was in existence prior to the independence of its member-states or not. Information for operationalizing this variable is obtained from historical sources including the official websites of the RIAs under study.

4.1.6 STATISTICAL MODEL

The variables operationalized in the preceding subsection are estimated using several quantitative methods that account for the dependent variable's categorical outcomes. On the one hand, it may be assumed that *RIA Depth* is a ordinal indicator representing a rank order of how regional integration proceeds. On the other hand, it has been observed that the process of RIA evolution does not necessarily follow this ordinal path: some RIAs begin cooperation at the PTA level and others at the FTA stage, while some move from PTA to customs unions directly. Thus, the estimation will involve considering depth as an ordinal variable and as a nominal variable. To assess the robustness

of the proposed model, various techniques to account for temporal dependence are also used. This chapter therefore estimates the following model:

$$
\begin{aligned}
RIA\ Depth_{RIA_t} = \beta_0 + &\beta_1 Membership\ Size_{RIA_t} + \beta_2 Overlap\ Frequency_{RIA_t} + \\
&\beta_3 Market\ Importance_{RIA_t} + \beta_4 Economic\ Downturn_{RIA_t} + \\
&\beta_5 Regional\ Hegemony_{RIA_t} + \beta_6 Regime\ Type_{RIA_t} + \\
&\beta_7 Conflict_{RIA_t} + \beta_8 Colonial\ RIA_{RIA_t} + \xi
\end{aligned}
\tag{4.6}
$$

Descriptive statistics for the variables operationalized in this section are presented in Table 4.5. I present results and discuss findings from this quantitative analysis in the next section.

Table 4.5: Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.
RIA Depth	0.953	0.959	0	3
membership Size	8.096	4.881	2	26
Overlap Frequency	0.31	0.367	0	1
Overlap Index	0.989	1.196	0	3
Market Importance	7.745	6.103	0.062	25.344
Economic Downturn	0.089	0.233	-0.629	3.742
Regional Hegemony	0.214	0.159	0.001	0.754
Regime Type	-0.676	4.927	-9.667	8.800
Conflict	0.287	0.453	0	1
Colonial RIA	0.113	0.316	0	1

4.2 STATISTICAL RESULTS AND INTERPRETATION

This section discusses statistical results testing the influence of membership factors on the evolution of RIAs in the developing world. I present several tables noting results for different quantitative tests conducted to substantiate this dissertation's arguments. These tests include ordinal and multinomial logistic regressions and models accounting for the temporal dimension of RIA evolution. Additionally, I include estimates using an alternative measure of RIA depth developed by other scholars.

4.2.1 ORDINAL LOGISTIC ESTIMATES: *RIA Depth* AS AN ORDERED VARIABLE

Table 4.6: Ordinal Logit Estimates of the Effects of Membership Factors on RIA Depth

	Base 1	*Membership Size*	*Overlap Frequency*	Base 2	*Overlap Index*
membership Size	-0.050	-0.075	–	-0.057	–
	(0.091)	(0.088)	–	(0.091)	–
Overlap Frequency	-1.363*	–	-1.525**	–	–
	(0.710)	–	(0.744)	–	–
Overlap Index	–	–	–	-0.384*	-0.435*
	–	–	–	(0.216)	(0.226)
Market Importance	0.095**	0.112**	0.092**	0.097**	0.094**
	(0.037)	(0.042)	(0.034)	(0.037)	(0.034)
Economic Downturn	-0.011	-0.170	0.030	-0.023	0.029
	(0.349)	(0.303)	(0.342)	(0.351)	(0.341)
Regional Hegemony	1.896	0.989	2.051	1.785	1.992
	(2.150)	(2.034)	(2.228)	(2.135)	(2.203)
Regime Type	0.043	0.033	0.048	0.042	0.048
	(0.079)	(0.084)	(0.082)	(0.079)	(0.082)
Conflict	-0.654	-0.751	-0.420	-0.688	-0.428
	(0.628)	(0.638)	(0.496)	(0.628)	(0.495)
Colonial RIA	3.222**	3.092**	3.399***	3.196**	3.39***
	(1.018)	(1.331)	(0.983)	(1.035)	(1.004)
/*Cut*1	-0.212	-0.078	0.301	-0.227	0.349
	(0.986)	(1.072)	(0.862)	(0.979)	(0.852)
/*Cut*2	1.778	1.851	2.259	1.746	2.286
	(1.100)	(1.208)	(0.912)	(1.093)	(0.914)
/*Cut*3	3.715**	3.744**	4.156**	3.682**	4.176**
	(0.900)	(1.053)	(0.779)	(0.896)	(0.782)
Log-Likelihood	-622.76	-637.254	-625.839	-622.317	-622.194
N	598	598	598	596	596
Pseudo R^2	0.163	0.143	0.158	0.161	0.555

Notes:
[a] Robust standards errors clustered on 22 RIAs are in parentheses.
[b] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

Table 4.6 presents ordered logistic estimates for the effect of membership factors on the depth of RIAs. Five models are presented: the first base model includes all variables with *Overlap Frequency* as the indicator of overlapping memberships in an RIA, the second focuses only on *Mem-*

bership Size, the third focuses only on *Overlap Frequency*, the fourth includes all the variables with *Overlap Index* as the indicator of overlapping memberships in an RIA, and the last only focuses on *Overlap Index*. The results for the membership factors variables slightly support the main premise of this paper: *Overlap Frequency* is statistically significant and in the hypothesized direction in the two models it is estimated in. *Membership Size*, in this estimation, fails to yield significant results. Moreover, *Market Importance* is positive and statistically significant, supporting the liberal inter-governmentalist argument of the influential role economic interests play in regional integration.As expected, *Colonial RIA* is statistically significant and corroborates the observation that RIAs with a history of cooperation commencing during colonial times are more likely to be deeper.

To better understand the results in Table 4.6, I interpret the predicted probabilities of the statistically significant variables from the first base model, paying close attention to *Overlap Frequency*. Holding other variables at their means, for an RIA whose *Market Importance* is 10-percent, the probability of this RIA having attained the lowest level of depth, 1, is 0.459, while the probability of attaining the highest level of depth, 3, is 0.045. For an RIA with *Market Importance* of 25 percent however, the probability of attaining the lowest level of depth is 0.334 while that of attaining the highest depth is 0.163. These results indicate that when members of an RIA derive higher market benefits in the form of trade from membership in an RIA, there is a high likelihood that these states would seek deeper integration. Liberal intergovernmentalism is hinged on how economic groups that derive benefits from economic integration would lobby and influence their government's preferences on integration. These findings, albeit with some qualifications, hint at the crucial role intra-RIA trade would play in influencing these economic groups to pressure their governments on regional integration.

Another interesting finding is that of *Colonial RIA*. For an RIA that has colonial roots, the probability of attaining the highest level of depth is 0.399, holding other variables at their means. This finding is not unexpected and only suggests that integration is likely to be enhanced among states that have a long history of deep social and economic ties. This finding lends some support to the premise raised by sociological institutionalism and constructivism. Colonialism may

be understood as having socialized these states to view regional integration as an economically beneficial undertaking. Indeed, cases of colonial era integration such as the East African Community, support this ideational argument. Having been established in 1919 by British colonial authorities, the EAC was already a common market with a common currency at the time British colonialism ended in the region. While the EAC declined rapidly due to political disagreements in the 1970s, it rebounded in the 1990s and is currently a customs union and negotiating a common market among its members. Contrast this with newly formed arrangements such as the Economic Community of the Great Lakes Countries (CEPGL) or the Economic Community of West African States (ECOWAS), and this influence of colonial-era integration arrangements becomes evident. The CEPGL and ECOWAS were only established following the independence of their constituent member-states, but have yet to make much economic integration progress even after 30 years in existence.

One of the variables of interest, *Overlap Frequency*, yields findings that lend support to the argument proposed in this dissertation. Table 4.7 presents some predicted probabilities of the 3 depth levels with other variables at their means. Table 4.7 depicts the decreasing probabilities of being in the deepest RIA as *Overlap Frequency* increases. While the probability of attaining a depth category 3 RIA is 0.054 for an RIA with no overlap instance, the probability of an RIA with all members engaging in overlapping memberships to attain the highest level of depth is 0.014. Overlapping memberships, from this finding, may be making it difficult for members of an RIA

Table 4.7: Predicted Probabilities of *Overlap Frequency*

RIA Depth	=0	=0.25	=0.5	=0.75	=1
1	0.46	0.453	0.427	0.385	0.332
2	0.229	0.18	0.138	0.104	0.077
3	0.054	0.039	0.029	0.02	0.014

to align their preferences towards pursuing deeper cooperation. As Table 4.7 shows, its becomes difficult for RIAs with high levels of overlap to attain high levels of depth. With more states in an RIA pursuing membership in other RIAs, the probability of preference convergence in support of deeper integration is low. Members of MERCOSUR have focused on their own economic

integration while collectively collaborating with other Latin American states in LAIA. This has enabled these MERCOSUR states to advance economic policy coordination and harmonization. Conversely, SAARC members have pursued other RIAs in South East Asia including ASEAN, APTA, and BIMSTEC, that have ensured that these states fail to commit to deepening goals of SAARC. The outcome is that MERCOSUR is a customs union while SAARC is a free trade area although SAARC was formed earlier than MERCOSUR. Figure 4.1. depicts the predicted probabilities of *Overlap Frequency* for the 4 categories of the dependent variable. From this chart, the probability of being in an RIA with no level of depth (0) increases as *Overlap Frequency* increases from 0 to 1. However for the other 3 categories that depict some level of depth, these probabilities are in decline. From this chart therefore, instances of overlap seem to discourage the deepening of RIAs while encouraging the maintenance of shallow RIAs.
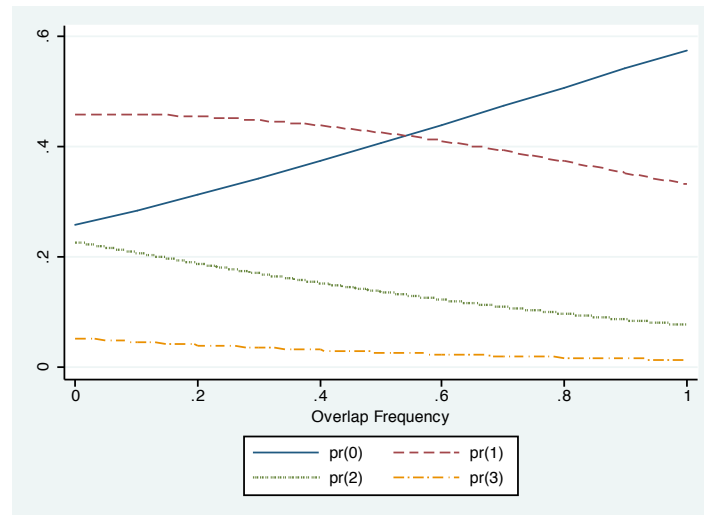
Figure 4.1: Predicted Probabilities of *Overlap Frequency* from Ordinal Logistic Estimates

4.2.2 MULTINOMIAL LOGISTIC ESTIMATES: *RIA Depth* AS A NOMINAL VARIABLE

The above estimates assume that RIAs stick to a template in attaining deeper integration, beginning from shallower categories (0) to deeper categories (3). This however, is not always the cases. Some RIAs begin integration at the FTA stage, such as the Central American Common Market and MERCOSUR. Indeed, most evolutionary paths entail a first move from 0 to 1 or 0 to 2 on the *RIA*

Depth scale. Therefore, it may be interesting to treat *RIA Depth* as a nominal variable and examine how the membership factors and other variables affect it.

Table 4.8 presents six multinomial logistic regression estimates for the effects of membership factors and other variables on *RIA Depth*. The first 3 models are estimates using *Overlap Frequency* while the latter 3 use *Overlap Index*. Both sets of estimates are identical in statistically significant variables; thus I will interpret results from the first three models to remain consistent. The results in Table 4.8 are consistent with the arguments proposed in this dissertation. The variables capturing membership factors and several control variables are statistically significant and in the hypothesized direction.

Similar to the ordinal logistic estimates, *Market Importance* is statistically significant in the multinomial logistic estimates in Table 4.8. These results again lend support to liberal intergovernmentalism since they may be pointing to the influence the RIA market would have on domestic economic groups to lobby for further economic integration. Interpreting these results using predicted probabilities and keeping other variables at their means, the predicted probability of an RIA with *Market Importance* of 10 percent shifting from no economic integration to a *PTA* is 0.422. For a similar RIA shift from no economic integration to an *FTA*, the predicted probability is 0.111 while a shift from no integration to the highest level of depth the probability is 0.012. These probabilities support the premise that the initial steps of economic integration are aided by intra-RIA trade. While the probabilities of moving from 0 depth to the highest levels are very low these market forces are still an important consideration for states. Figure 4.2. presents a chart depicting the predicted probabilities of *Market Importance* for the 3 depth levels.

While the findings on *Colonial RIA* are consistent with results from Table 4.7, the estimates for *Conflict* are more interesting. The model on *PTA* depicts positive and statistically significant results. However, conflict has a negative relationship in the models of deeper *RIA Depth*. For an RIA with at least one-third of its members experiencing some kind of conflict, there is a probability of 0.678 that this RIA will be a PTA. The probability for the other two high categories for an RIA experiencing conflict dwindles to 0.017 for an *FTA* and 0.001 for highest depth level. To

Table 4.8: Multinomial Logit Estimates of the Effects of Membership Factors on RIA Depth

	1	2	3	4	5	6
	PTA	*FTA*	*CU/CM/EU*	*PTA*	*FTA*	*CU/CM/EU*
membership Size	0.225**	-0.393***	-0.606**	0.219**	-0.394***	-0.600**
	(0.106)	(0.119)	(0.214)	(0.108)	(0.117)	(0.210)
Overlap Frequency	0.251	-2.638*	-3.993**	–	–	–
	(0.972)	(1.409)	(1.480)	–	–	–
Overlap Index	–	–	–	0.123	-0.755*	-1.239**
	–	–	–	(0.277)	(0.457)	(0.476)
Market Importance	0.265**	0.162**	0.165*	0.268**	0.164**	0.166*
	(0.097)	(0.079)	(0.085)	(0.096)	(0.081)	(0.085)
Economic Downturn	0.222	-3.028**	-0.039	0.175	-2.972**	-0.016
	(0.336)	(1.260)	(0.513)	(0.327)	(1.251)	(0.526)
Regional Hegemony	1.915	0.099	4.078	1.795	-0.089	3.919
	(1.870)	(2.826)	(2.664)	(1.834)	(2.735)	(2.604)
Regime Type	0.078	-0.028	0.070	0.075	-0.030	0.070
	(0.087)	(0.099)	(0.129)	(0.087)	(0.099)	(0.130)
Conflict	2.138***	-1.624*	-2.512***	2.130***	-1.644*	-2.504**
	(0.653)	(0.953)	(0.888)	(0.646)	(0.965)	(0.881)
Colonial RIA	0.605	3.714***	5.285***	0.550	3.629***	5.228***
	(1.831)	(1.039)	(1.189)	(1.848)	(1.063)	(1.223)
Intercept	-5.713**	1.241	0.136	-5.699***	1.237	0.106
	(1.802)	(1.086)	(1.297)	(1.781)	(1.090)	(1.268)
Log-Likelihood	-452.367			-452.948		
N	598			596		
Pseudo R^2	0.392			0.389		

Notes:
[a] Base Outcome = 0.
[b] Robust standards errors clustered on 22 RIAs are in parentheses.
[c] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

explain the puzzling finding for *PTA*, it may be the case that the fewer requirements of preferential trade agreements are not affected by conflicts. These fewer requirements may be attractive to states experiencing some kind of conflict since they enable them to rip some benefits of economic liberalization while at the same time continue to engage in violent behavior. Several RIAs in the case
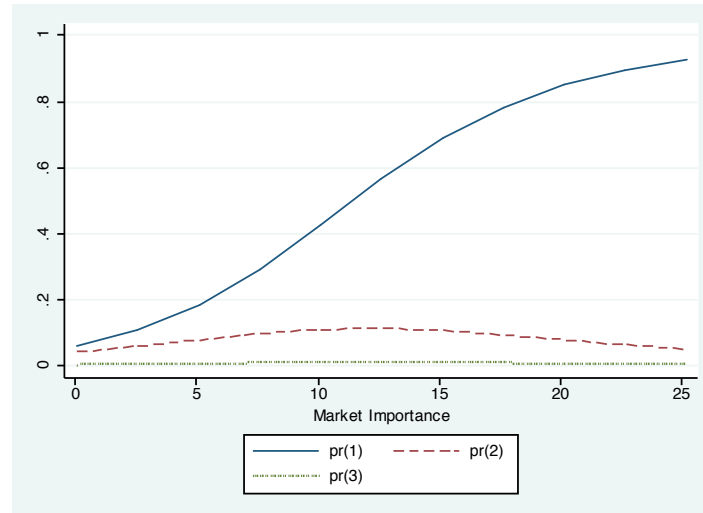
Figure 4.2: Predicted Probabilities of *Market Importance* from Multinomial Logistic Estimates

selection have at one time or another had their member-states experience conflict. For example, at the time their members were experiencing conflict both ASEAN and SAARC were operating as preferential trade agreements. The predicted probabilities of *Conflict* are depicted in Figure 4.3.
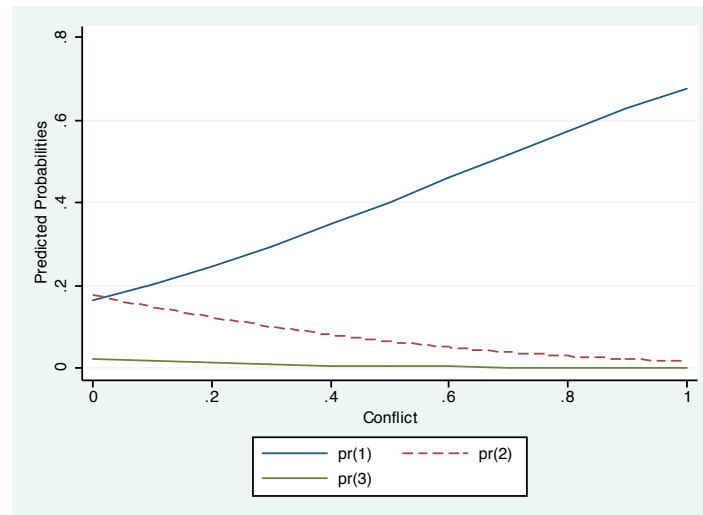
Figure 4.3: Predicted Probabilities of *Conflict* from Multinomial Logistic Estimates

The multinomial logistic estimates for *Membership Size* and *Overlap Frequency* are also very interesting and support the main premise of this dissertation: membership factors matter. In the

first model, *Membership Size* has a positive and statistically significant coefficient. However, later models show *Membership Size* to have a negative relationship with the depth of regional integration arrangements. In the first model, for an RIA with 10 members the predicted probability of such an RIA being a *PTA* holding other variables at their means is 0.423. However, for the same RIA to be an *FTA*, the predicted probability falls to 0.051 while for such an RIA to be a customs union, common market, or economic union dwindles to 0.003. However, for an RIA with 4 members, there is a probability of 0.092 for this RIA to be a *PTA*, 0.396 to be an *FTA*, and 0.096 to be one of the deepest RIAs. Graphically, these probabilities are depicted in Figure 4.4.
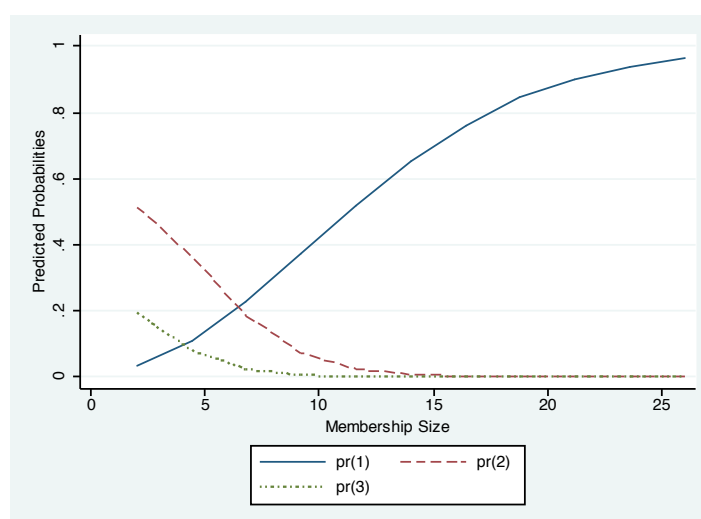
Figure 4.4: Predicted Probabilities of *Membership Size* from Multinomial Logistic Estimates

An interesting question arising from these findings on *Membership Size* is why size increases the likelihood of an RIA becoming a preferential trade arrangement. As noted in the theoretical overview, the initial steps of integration are less demanding to states. Fewer requirements to liberalize trade and coordinate economic policies mean that states would be highly likely to agree on such shallow RIA types. Indeed, multilateral efforts of trade liberalization led by the World Trade Organization have attracted most states due to fewer demands on the part of states. It is highly likely that if the WTO demanded the elimination of tariffs all together most states would renege their memberships and pursue alternative liberalizing ventures. The sample of RIAs in this study, moreover, contains 8 PTAs or partial FTAs out of 22 RIAs in 2007. Among these RIAs in the year

2007, ASEAN had 10 members, COMESA had 19 members, LAIA had 12 members, and PAFTA had 16 members. The size of these RIAs, while enabling the formation of PTAs and loose FTAs, has been an impediment to deeper economic integration. The example of ECOWAS and COMESA come to mind. While both these blocs have sought to fully liberalize trade and coordinate in monetary policies since the 1980s, these efforts are yet to bear fruit. Moreover, it could be argued that the size of LAIA has not only limited its progress, but also encouraged its members such as Argentina, Brazil, Paraguay, and Uruguay to form a complementary, yet smaller and deeper RIA, MERCOSUR after decades of futile attempts to deepen LAIA.

The estimates for *Overlap Frequency* and *Overlap Index* corroborate previous ordinal logistic estimates. For the *Overlap Frequency* estimates in the first three models, overlapping memberships become detrimental to further integration at deeper levels. While the estimates in the first model are not significant, in the second and third these estimates are statistically significant and in the hypothesized direction. Interpreting the results in the second and third models, the probability of an RIA with an *Overlap Frequency* measure of 0.333 to be an *FTA* is 0.109, holding other variables at their means. However, this probability drops to 0.01 for the same RIA being a customs union, a common market, or an economic union. Alternatively, for an RIA with an *Overlap Index* of 2, the predicted probability of such an RIA being an *FTA* is 0.061 while for a customs union or higher it is 0.003, holding other variables at their means. Figure 4.5 graphs the predicted probabilities of *Overlap Frequency* on *RIA Depth* measures 1 and 2. The decline in probabilities of these manifestations of deeper integration is visible.

4.2.3 ACCOUNTING FOR TIME: RIA EVOLUTION AS A TIME-DEPENDENT DYNAMIC

The previous ordinal and multinomial logistic estimates, while interesting and supporting the main arguments proposed in this dissertation, do not account for time. The evolution of RIAs, the process of moving from one level of depth to another, takes time. In order to account for this temporal dimension, this sub-section presents different models with a temporal aspect. Two procedures are conducted to account for time: introducing a year dummy variable and cubic splines.
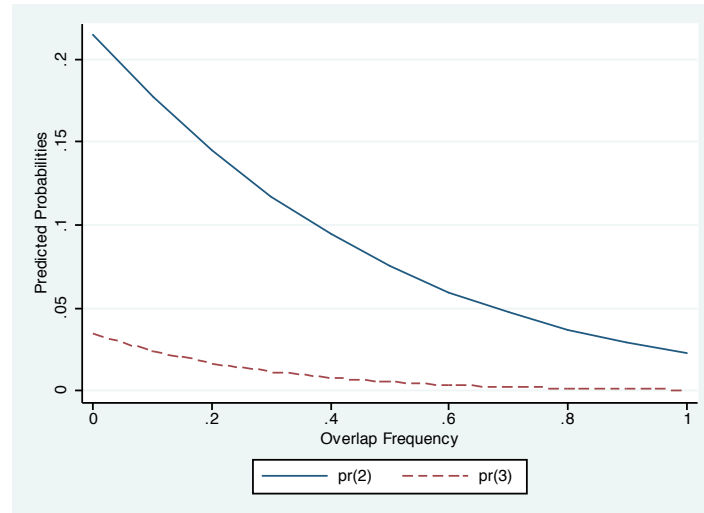
Figure 4.5: Predicted Probabilities of *Overlap Frequency* from Multinomial Logistic Estimates

YEAR DUMMIES WITH AN ORDERED AND NOMINAL DEPENDENT VARIABLE

The dataset developed for this dissertation is time-series cross-section. However, the dependent variable in this analysis, *RIA Depth* is categorized to 4 potential outcomes. Whether it is considered an ordered or nominal variable, there are yet to be statistical software models similar to those developed for binary and continuous dependent variables to account for time. One way of accounting for this temporal dependence is including time dummy variables in the regression. Table 4.9 presents ordinal logistic estimates with year dummies. The results in Table 4.9 are similar to the previous ordinal logistic estimates presented in Table 4.6. Even when time is accounted for using year dummy variables, indicators of overlapping membership are still significant and in the hypothesized direction. Other notable variables discussed previously including *Market Importance* and *Colonial RIA* are also significant. From the first base model in Table 4.9, for an RIA with *Overlap Frequency* of 0.25, the probability of this RIA having an *RIA Depth* measure of 1 is 0.516; however this drops to 0.178 for *RIA Depth* measure of 2 and 0.028 for *RIA Depth* measure of 3 holding other variables in the model at their means.

Table 4.9: Ordinal Logit Estimates of the Effects of Membership Factors on RIA Depth with Year Dummies

	Base 1	Membership Size	Overlap Frequency	Base 2	Overlap Index
Membership Size	-0.086	-0.109	–	-0.094	–
	(0.117)	(0.107)	–	(0.116)	–
Overlap Frequency	-3.39**	–	-3.659**	–	–
	(1.63)	–	(1.707)	–	–
Overlap Index	–	–	–	-0.935**	-1.008**
	–	–	–	(0.456)	(0.475)
Market Importance	0.085	0.124**	0.079*	0.089*	0.082*
	(0.054)	(0.054)	(0.047)	(0.053)	(0.046)
Economic Downturn	-0.038	-0.161	-0.016	0.001	0.024
	(0.543)	(0.339)	(0.534)	(0.335)	(0.53)
Regional Hegemony	1.648	0.338	1.943	1.49	1.803
	(2.515)	(2.146)	(2.538)	(2.138)	(2.452)
Regime Type	-0.029	-0.003	0.017	-0.026	-0.012
	(0.074)	(0.094)	(0.081)	(0.075)	(0.083)
Conflict	-0.279	-0.727	0.125	-0.387	0038
	(0.669)	(0.625)	(0.605)	(0.628)	(0.562)
Colonial RIA	3.32***	3.065***	3.573***	3.265***	3.527***
	(1.003)	(1.497)	(1.005)	(1.02)	(1.027)
/Cut1	-3.137**	-1.226	-2.242	-3.003**	-2.001
	(1.523)	(1.547)	(1.203)	(1.449)	(1.084)
/Cut 2	-0.834	0.804	-0.025	-0.742	0.166
	(1.419)	(1.631)	(1.144)	(1.385)	(1.095)
/Cut3	1.376	2.761**	2.094**	1.435	2.243**
	(1.175)	(1.516)	(0.997)	(1.159)	(0.972)
Log-Likelihood	-567.219	-617.653	-574.51	-571.938	-580.612
N	598	598	598	596	596
PseudoR^2	0.237	0.169	0.227	0.229	0.217

Notes:
[a] Robust standards errors clustered on 22 RIAs are in parentheses.
[b] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

Since the other estimations in this dissertation considered *RIA Depth* as a nominal variable, I also estimate and present multinomial logistic estimates controlling for time using year dummy variables. These estimates are presented in Table 4.10. These multinomial estimates mirror results in Table 4.8 with the main independent variables yielding statistically significant results even after accounting for temporal dependence.

Table 4.10: Multinomial Logit Estimates of the Effects of Membership Factors on RIA Depth with Year Dummies

	1 PTA	2 FTA	3 CU/CM/EU	4 PTA	5 FTA	6 CU/CM/EU
membership Size	0.179*	-0.505***	-1.056**	0.174*	-0.505***	-1.011***
	(0.104)	(0.127)	(0.334)	(0.104)	(0.125)	(0.302)
Overlap Frequency	-0.350	-4.371**	-17.579***	–	–	–
	(1.510)	(1.900)	(2.010)	–	–	–
Overlap Index	–	–	–	-0.001	-1.238**	-5.346**
	–	–	–	(0.434)	(0.574)	(0.627)
Market Importance	0.310**	0.209**	0.561**	0.318**	0.211**	0.546**
	(0.122)	(0.084)	(0.205)	(0.120)	(0.085)	(0.199)
Economic Downturn	0.511**	-3.114**	-2.096**	0.478*	-3.023**	-2.103**
	(0.253)	(1.341)	(1.025)	(0.260)	(1.275)	(0.970)
Regional Hegemony	1.711	-1.467	17.656*	1.583	-1.650	17.444*
	(1.970)	(4.261)	(10.590)	(1.918)	(4.053)	(10.219)
Regime Type	0.052	-0.091	-0.215	0.051	-0.092	-0.209
	(0.092)	(0.104)	(0.165)	(0.092)	(0.102)	(0.164)
Conflict	1.992*	-1.647	-2.149	1.958*	-1.696	-2.183
	(0.658)	(1.020)	(1.676)	(0.668)	(1.039)	(1.640)
Colonial RIA	0.187	3.583***	13.373***	0.148	3.517**	12.906***
	(2.176)	(1.112)	(3.002)	(2.269)	(1.148)	(2.804)
Intercept	-4.802**	6.469***	3.592	-4.963**	6.385***	3.411
	(2.030)	(1.984)	(2.891)	(1.955)	(1.986)	(2.804)
Log-Likelihood	-341.236			-342.719		
N	598			596		
Pseudo R^2	0.541			0.538		

Notes:
[a] Base Outcome = 0.
[b] Robust standards errors clustered on 22 RIAs are in parentheses.
[c] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

These multinomial logistic estimates for the membership factors variables in the models with year dummies are similar to those reported without this temporal dimension. The effects of *Membership Size* on *RIA Depth* still vary with the level of depth. While the size of an RIA increases the probability of shallow RIAs such as PTAs, this probability declines with size when one considers FTAs. Interpreting results from the first three models in Table 4.10, while an RIA with the maximum number of members, 26, has a 0.86 probability of being a *PTA*, this probability falls to zero for the same RIA making the leap to an *FTA*. For an RIA with 3 members, the probability of moving from no economic integration to the first level of depth s 0.046 and for the second level is 0.488.

Moreover, the estimates for overlapping memberships also lend support to the main proposition of this dissertation when time is accounted for. Interpreting results from the *Overlap Index* estimates on the latter three models in Table 4.10, the probability of an RIA with an *Overlap Index* of 0 to attain the second level of depth is 0.18. For an RIA with an *Overlap Index* of 3, the probability of making a leap to the same second level of depth is 0.005, holding other variables at their means.

USING CUBIC SPLINES TO ACCOUNT FOR TEMPORAL DEPENDENCE OF *RIA DEPTH*

The use of year dummy variables to account for temporal dependence has its problems. Carter and Signorino (2010) note that the use of time dummy variables is inefficient as it introduces several dummy variables into the estimation that reduce the degrees of freedom in the data. In the data for this dissertation, 46 year dummy variables are introduced to the estimated models. While the use of time dummies is common, Beck, Katz, and Tucker (1998) acknowledge that the use of time dummy variables is more efficient when fewer time periods are being considered.

For the case of RIA evolution however, a more efficient and plausibly better way of accounting for time is using cubic splines. First suggested by Beck, Katz, and Tucker (1998) for binary time-series cross-sectional data, cubic splines involve introducing a count variable that denotes the number of years between the main observations of the dependent variable and estimating this variable with smoothing splines along with other variables being considered. Although this is a

technique for binary dependent variables, it has been used for ordinal dependent variables. Mansfield, Milner, and Pevehouse (2008) using an ordinal indicator of the depth of regional integration use the cubic splines option in accounting for time dependence by essentially spelling out the number of years between each event that is considered deepening of regional integration. In this dissertation, a similar method is employed by first recoding the dependent variable into a binary outcome noting major deepening episodes. Using Beck, Katz, and Tucker's statistical tools, a count variable is created to note the number of years between each major deepening episode of each RIA. The created time variable along with 3 cubic splines are then added to the ordinal and multinomial logistic estimations. The method Beck, Katz, and Tucker (1998) propose gives more plausible estimations as it not only accounts for the number of years each major deepening episode takes to achieve, but also does not reduce the degrees of freedom in the data. This section presents and discusses results based on this method of accounting for temporal dependence.

Table 4.11 presents ordinal logistic estimates with depth time duration and cubic splines. Like previous ordinal logistic results presented in this chapter, accounting for temporal dependence using methods proposed by Beck, Katz, and Tucker (1998) supports one of the main hypothesis of this dissertation. Overlapping memberships adversely affect the deepening of RIAs even after accounting for time. Moreover, the importance of the RIA market also still supports the liberal intergovernmentalist notion that economic interests influence the deepening of RIAs.

Accounting for temporal dependence using cubic splines also supports the hypothesis that overlapping memberships are detrimental to the depth of RIAs. In interpreting results from the second base model in Table 4.11, an RIA with an *Overlap Index* of 0 has a probability of 0.464 to attain a depth score of 1, 0.223 to attain a depth score of 2, and 0.049 to attain a depth score of 3 holding other variables at their means. For an RIA with an *Overlap Index* of 4 however, the probabilities of deep integration decline: 0.364 for *RIA Depth* of 1, 0.09 for *RIA Depth* of 2, and 0.016 for *RIA Depth* of 3 holding other variables at their means.

The use of cubic splines in multinomial logistic estimates also supports the main premise of this dissertation that membership factors matter in the evolution of RIAs. Table 4.12 presents these

results. Estimates similar to previous presentations of multinomial logistic regressions can be seen in Table 4.11. The variables of interest, *Membership Size* and the two indicators of overlapping memberships are statistically significant lending further support to the main hypotheses of this dissertation even after accounting for time.

The results for *Membership Size* in Table 4.11 are similar to those reported in previous multinomial logistic estimates in this chapter. An RIA with 15 members has a probability of 0.723 to be a *PTA*. However this probability falls to 0.003 for the same RIA to be an *FTA* and to almost 0 for the highest level of *RIA Depth* holding other variables at their means. Conversely, an RIA with 4 members has a probability of 0.09 to be a *PTA*, 0.38 to be an *FTA*, and 0.044 to attain the deepest level of *RIA Depth* holding other variables at their means. While shallowness attracts more members, a high number of participants in regional integration arrangements decrease the likelihood of depth even when time is accounted for.

As shown in other ordinal and multinomial logistic regressions in this chapter, instances of overlapping membership reduce the likelihood of deeper RIAs. In the estimations that account for time using cubic splines both *Overlap Frequency* and *Overlap Index* are statistically significant in some of the models estimated. Reporting results for *Overlap Index*, an RIA with an *Overlap Index* of 0 has a probability of 0.179 to be an *FTA* and 0.026 to be a customs union, common market, or economic union holding other variables at their means. These probabilities can be contrasted with those of an RIA with an *Overlap Index* of 3: 0.02 to be an *FTA* and 0.0003 to be of the highest depth of an RIA.

4.2.4 Robustness Check Using Alternative Depth Measure

Additionally, I assess the robustness of the results using a different measure of economic integration depth. The Integration Achievement Score (IAS) is a measure Genna (2002) developed to capture the attainment of various components of regional integration. These include political, economic, and institutional developments of RIAs. The score summarizes the following components of regional economic integration: "(1) mobility of goods and services; (2) capital mobility;

(3) labor mobility; (4) supranational institutional building; (5) monetary policy coordination; and (6) fiscal policy coordination (Genna & Hiroi 2004). Each of these components is assigned a score ranging from 1 to 5. IAS summarizes these six components into a continuous measure ranging from 0 to six. Higher values indicate higher achievement of economic integration. IAS can also be broken up to its political and economic parts. The economic integration achievement score (EIAS) is based on economic integration components of IAS while the political integration achievement score (PIAS) focuses on political components of IAS. Genna's scores are available between the years of establishment of the various RIAs to 2004, unlike the measure of depth I developed that runs up to 2007. Table 14.13 depicts these scores for 18 RIAs in 2004. Genna's data are not coded for APTA, LAIA, PAFTA, and MRU. Thus these RIAs are not included in the following analysis.

To estimate the effects of membership size and overlapping memberships with IAS and EIAS as the dependent variables respectively, I use a PCSE OLS regression with a lagged dependent variable. This regression estimation corrects for panel heteroskedasticity and serial correlation. Control variables similar to those used in the preceding estimates are also included. Table 14.14 presents regression results using these two depth indicators.

The results in the IAS and EIAS models lend support to one of the arguments of this dissertation: overlapping memberships is negatively associated with integration achievement. From the IAS model, a one-unit increase in *overlap frequency* is correlated with a 0.093 decrease in the integration achievement score of an RIA holding other variables constant. For the EIAS model, a one unit increase in *overlap frequency* is correlated with a 0.149 decrease in an RIA's economic integration achievement score holding other variables constant. For instance, SADC's *overlap frequency* in 1992 was 0.889 while its IAS was 0.333 and EIAS was 0.3333. Following its *overlap frequency* drop to 0.769 in 2000, its IAS went up to 0.5 while its EIAS increased to 0.667. Indeed, RIAs with higher IAS and EIAS values are those that have low measures of *overlap frequency* as depicted in the data: CAN with a value of 0 for *overlap frequency* throughout its existence has an IAS value of 2.167 and EIAS value of 2.66667 in 2004 while AMU with a value of 0.8 for *overlap frequency* throughout its existence has an IAS value of 0.167 and EIAS value of 0 in 2004. Using

a different measure of depth of regional integration and more specifically the depth of economic integration, the premise that overlapping memberships negatively affects integration achievement is supported.

The estimates using IAS and EIAS do not yield statistically significant results for *membership size* nor other control variables that had significant results previously. Perhaps this might be due to the small sample size of Genna's data compared to the original data I developed for this dissertation. Another reason for the insignificant results of *membership size* may be due to overlapping memberships having a more powerful effect on the level of commitment of states towards a particular RIA. While the size of an RIA complicate and slow down decision making, it is overlapping memberships that can not only hinder agreements but also reverse gains already made through integration. However, results for *colonial RIA* are statistically significant and in the expected direction pointing to the influence historical economic ties has on the likelihood of attaining deeper levels of integration.

4.3 CONCLUSION

This chapter focused on quantitatively evaluating the plausibility of the membership factors argument. I have not only developed measures of the depth of RIAs and overlapping memberships, but also recoded other indicators to fit the RIA level of analysis that this dissertation is interested in. In conducting the quantitative tests, several models have been used that account for the ordinal and sometimes nominal nature of the depth of RIAs. Additionally, the robustness of these results have been assessed by accounting for temporal dependence of the evolution or the deepening of RIAs and through using an alternative measure of depth.

The results lend support to the two main hypotheses of this dissertation: the size of RIAs and instances of overlapping memberships discourage the deepening of RIAs in the developing world. In both ordinal logistic and multinomial logistic regression models, indicators of overlapping memberships have a negative relationship with the depth of RIAs. These results hold after time is accounted for using year dummy variables and cubic splines. Moreover, the multinomial logistic

estimates not only support the premise that the size of an RIA is detrimental to deeper cooperation, but an interesting observation is that size encourages shallow economic integration. Similar to the results on overlapping memberships, the results for membership size hold even when temporal dimension is included in the estimations. Furthermore, using a different measure of integration depth that Genna (2002) developed, I also find support for the overlapping memberships premise. Genna's integration achievement score (IAS) and economic integration achievement (EIAS) measures are negatively associated with the measure of overlapping memberships I have developed for this dissertation project.

Additionally, the importance of the RIA market to the deepening of economic integration is observed from this large N analysis. While not conclusive, these results may be lending some support to the liberal intergovernmentalist notions of economic preferences driving regional integration. RIAs with a large market share are more likely to deepen economic integration, perhaps meaning that economic groups benefiting from the RIA market might be lobbying their governments for further integration to continue gaining from a more liberalized RIA market.

The findings of this chapter also show that colonial-era ties have an influence on the depth of RIAs. RIAs such as the East African Community that were established during the colonial era are more likely to be deeper in economic integration than other RIAs. As previously noted, this finding is not unexpected but only augments the premise that a history of cooperation matters to the potential for further integration of a regional bloc.

Although these findings support the main premise of this dissertation, they fail to show clearly the causal logic articulated in Chapter 3: how size and overlapping memberships actually affect the RIA evolution process. In Chapter 3, membership size is argued to increase preference heterogeneity, increase the costs of side payments, and increase collective action problems on enforcement that then affects the evolution of RIAs. Furthermore, overlapping memberships lead to split loyalties within the RIA, makes implementation of RIA rules complex, and reduce the potential gains of integration that also adversely affects the process of RIA evolution. While this chapter's findings show a general trend of how membership size and overlapping memberships matter, they

do not specify how RIAs have experienced these factors and how these factors have come to affect the evolutionary paths of specific RIAs. The next two chapters qualitatively evaluate several of the 22 RIAs in the developing world to show exactly how membership factors have affected their deepening process.

Table 4.11: Ordinal Logit Estimates of the Effects of Membership Factors on RIA Depth with Cubic Splines

	Base 1	Membership Size	Overlap Frequency	Base 2	Overlap Index
Membership Size	-0.047	-0.073	–	-0.055	–
	(0.09)	(0.09)	–	(0.092)	–
Overlap Frequency	-1.377*	–	-1.544**	–	–
	(0.726)	–	(-0.777)	–	–
Overlap Index	–	–	–	-0.382*	-0.436*
	–	–	–	(0.223)	(0.238)
Market Importance	0.0903**	0.108**	0.0872**	0.093**	0.089**
	(0.04)	(0.041)	(0.033)	(0.037)	(0.033)
Economic Downturn	-0.0408	-0.14	-0.0174	-0.042	-0.01
	(0.336)	(0.313)	(0.335)	(0.335)	(0.334)
Regional Hegemony	1.609	0.77	1.771	1.541	1.717
	(2.15)	(2.036)	(2.23)	(2.138)	(2.205)
Regime Type	0.0519	0.0433	0.0575	0.051	0.057
	(0.085)	(0.091)	(0.087)	(0.084)	(0.087)
Conflict	-0.597	-0.68	-0.387	-0.629	-0.387
	(0.61)	(0.635)	(0.487)	(0.614)	(0.488)
Colonial RIA	3.185**	3.059**	3.344**	3.157**	3.338**
	(1.116)	(1.451)	(1.078)	(1.139)	(1.104)
Depth Time	-0.269**	-0.262**	-0.265**	-0.264**	-0.257**
	(0.116)	(0.112)	(0.115)	(0.116)	(0.115)
/Spline 1	-0.009*	-0.009*	-0.009*	-0.009*	-0.009*
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
/Spline 2	0.005*	0.005*	0.005*	-0.005*	0.005*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
/Spline 3	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
/Cut1	-1.079	-0.913	-0.635	-1.089	-0.561
	(0.924)	(1.025)	(0.798)	(0.919)	(0.794)
/Cut 2	0.946	1.05	1.361	0.92	1.414
	(1.06)	(1.163)	(0.875)	(1.055)	(0.881)
/Cut3	2.918**	2.988**	3.294**	2.894**	3.34**
	(0.86)	(1.012)	(0.741)	(0.859)	(0.749)
Log-Likelihood	-615.664	-629.509	-618.246	-614.918	-618.482
N	598	598	598	596	596
PseudoR^2	0.172	0.153	0.169	0.171	0.166

Notes:
[a] Robust standards errors clustered on 22 RIAs are in parentheses.
[b] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

Table 4.12: Multinomial Logit Estimates of the Effects of Membership Factors on RIA Depth with Cubic Splines

	1 PTA	2 FTA	3 CU/CM/EU	4 PTA	5 FTA	6 CU/CM/EU
membership Size	0.248**	-0.395***	-0.535**	0.242*	-0.396***	-0.530**
	(0.102)	(0.123)	(0.230)	(0.104)	(0.122)	(0.225)
Overlap Frequency	0.088	-2.691**	-5.079**	–	–	–
	(1.026)	(1.362)	(1.394)	–	–	–
Overlap Index	–	–	–	0.084	-0.766**	-1.580***
	–	–	–	(0.294)	(0.450)	(0.463)
Market Importance	0.276**	0.149*	0.111	0.279**	0.152*	0.115
	(0.104)	(0.080)	(0.098)	(0.103)	(0.081)	(0.099)
Economic Downturn	0.188	-2.981**	0.196	0.146	-2.912**	0.224
	(0.334)	(1.238)	(1.072)	(0.329)	(1.233)	(1.065)
Regional Hegemony	2.346	0.329	4.720*	2.167	0.100	4.525*
	(2.064)	(2.566)	(2.631)	(2.026)	(2.473)	(2.524)
Regime Type	0.076	-0.010	0.126	0.073	-0.013	0.126
	(0.096)	(0.096)	(0.173)	(0.096)	(0.096)	(0.174)
Conflict	2.257***	-1.637	-2.143**	2.248**	-1.652	-2.137**
	(0.620)	(1.074)	(1.036)	(0.614)	(1.083)	(1.019)
Colonial RIA	0.715	3.688***	5.530***	0.645	3.608***	5.487***
	(1.887)	(1.056)	(1.584)	(1.920)	(1.091)	(1.636)
Depth Time	-0.415**	-0.356	-0.229	-0.417**	-0.353	-0.224
	(0.145)	(0.262)	(0.252)	(0.142)	(0.258)	(0.249)
/Spline 1	-0.006	-0.012	-0.010	-0.007	-0.012	-0.009
	(0.007)	(0.011)	(0.015)	(0.007)	(0.010)	(0.015)
/Spline 2	0.001	0.006	0.009	0.001	0.005	0.009
	(0.005)	(0.006)	(0.013)	(0.005)	(0.006)	(0.012)
/Spline 3	0.001	0.000	-0.004	0.001	0.000	-0.004
	(0.002)	(0.002)	(0.005)	(0.002)	(0.002)	(0.005)
Intercept	-4.989**	2.221*	1.137	-4.952**	2.209*	1.090
	(1.687)	(1.240)	(1.093)	(1.660)	(1.239)	(1.065)
Log-Likelihood	- 434.164			-434.977		
N	598			596		
Pseudo R^2	0.416			0.413		

Notes:
[a] Base Outcome = 0.
[b] Robust standards errors clustered on 22 RIAs are in parentheses.
[c] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

Table 4.13: IAS and EIAS for sampled RIAs in 2004

RIA	IAS	EIAS
CAN	2.167	2.66667
AMU	0.167	0
ASEAN	0.667	1
CEMAC	0.667	0.666667
CACM	1.167	1.33333
CEPGL	0.333	0.33333
COMESA	1.67	1.66667
EAC	0.667	0.666667
ECOWAS	1.333	1.33333
MERCOSUR	1.333	2
SAARC	0.667	0.666667
SADC	0.667	0.666667
UEMOA	2.833	2.66667
ECCAS	0.333	0
GCC	2.5	3.66667
CEN-SAD	0.333	0
ECO	0.333	0
BIMSTEC	0.167	0

Table 4.14: PCSE OLS Regression Estimates Using IAS and EIAS

	IAS	EIAS
membership Size	0.002	0.005
	(0.002)	(0.005)
Overlap Frequency	-0.093**	-0.149**
	(0.031)	(0.049)
Market Importance	-0.001	-0.004
	(0.001)	(0.002)
Economic Downturn	-0.004	-0.017
	(0.017)	(0.021)
Regional Hegemony	0.071*	0.076
	(0.039)	(0.075)
Regime Type	0.001	-0.001
	(0.002)	(0.004)
Conflict	-0.003	-0.019
	(0.018)	(0.023)
Colonial RIA	0.153*	0.137**
	(0.085)	(0.055)
Lagged DV	0.969***	0.957***
	(0.017)	(0.025)
constant	0.065**	0.116**
	(0.031)	(0.057)
R^2	0.97	0.959
WaldX^2	5954.11	5274.78
Observations	357	357
Groups	18	18

Notes:
[a] Panel Corrected Standards Errors in parentheses.
[b] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

CHAPTER 5

HOW MEMBERSHIP SIZE AFFECTS REGIONAL INTEGRATION DEPTH

In the theoretical perspective I proposed that membership size exacerbates preference hetero-geneity, increases the cost of using side payments to influence the preferences of laggard states, and heightens collective action problems. These three factors, I hypothesized, combined to adversely affect the deepening of RIAs in the developing world. In Chapter 4 I provided some quantitative support for this hypothesis: RIAs with many members are most likely to be shallower than RIAs with fewer members. In this chapter, I provide some qualitative evidence drawn from the RIA cases examined in the previous chapter. The aim of this chapter is to clearly articulate the causal mechanisms based on empirical observations. Through the use of this narrative, I also aim at pro-viding further evidence and support for the hypothesis that membership size is detrimental to the deepening of RIAs in the developing world.

The chapter is divided into three main sections on how membership size 1) exacerbates prefer-ence heterogeneity, 2) increases the cost and discourages the use of side-payments, and 3) heightens collective action problems. Policy reports, previous scholarly work, and descriptive statistics drawn from the RIA cases are referenced. I do not focus on a particular RIA, but examine several to show the generalizability of the arguments raised in the theoretical perspective. I begin with some descriptive statistics that show the correlations between membership size and integration depth as observed from the data used in Chapter 3.

5.1 MEMBERSHIP SIZE AND RIA DEPTH: SOME DESCRIPTIVE STATISTICS

In examining the dataset used in this dissertation, there is a notable negative correlation between membership size and depth of integration. RIAs with more than 7 members are generally shallower

in terms of trade liberalization than RIAs with fewer than 7 members. For instance, in 2002, CAN with 5 members was a customs union while LAIA with 12 members was a PTA. In West Africa, ECOWAS with 15 members in 2002 was a PTA while CEMAC with 6 members was a customs union. Table 5.1 presents some statistics on the 22 RIAs comparing their membership sizes and levels of depth in the years 1998 and 2007.

Table 5.1: A Comparison of Membership Size and RIA Depth (1998 and 2007)

RIA	Membership Size		Depth Level	
	1998	2007	1998	2007
CAN	5	4	FTA	CU
AMU	5	5	Agreement	Agreement
ASEAN	9	10	PTA	PTA
APTA	5	6	PTA	PTA
EAC		3	–	FTA
CEMAC	6	6	CU	CU
CACM	5	5	FTA	FTA
CEPGL	3	3	Agreement	Agrement
COMESA	19	19	PTA	PTA
BIMSTEC	5	7	Agreement	PTA
ECOWAS	16	15	PTA	PTA
LAIA	11	12	PTA	PTA
MERCOSUR	4	4	CU	CU
SAARC	7	8	PTA	FTA
ECOTA	10	10	Agreement	PTA
SADC	13	12	Agreement	PTA
UEMOA	8	8	PTA	FTA
ECCAS	10	11	Agreement	Agreement
GCC	6	6	FTA	CU
CENSAD	6	26	Agreement	Agreement
PAFTA	16	16	PTA	PTA
MRU	3	3	Agreement	Agreement

In examining Table 5.1, one is able to observe that in the ten years these statistics cover RIAs with a large membership size tended to have attained shallow levels of cooperation. While there are some exceptions such as APTA, CEPGL, and MRU with fewer than 7 members and exhibiting shallow economic integration, the majority of the cases lend some support to the negative correlation between membership size and level of depth.

5.2 How Membership Size Increases Preference Heterogeneity

Intergovernmentalists contend that for regional integration to proceed to deeper levels of cooperation, the convergence of state preferences is necessary. While preferences may emanate from domestic economic groups that influence government decision-makers or exclusively from central governments, what is important is getting a group of states to agree on what form economic integration should take. Since states can have divergent policy positions based on their economic needs, negotiations for regional economic integration involve attempts that seek to maximize benefits while limiting losses to the negotiating parties.

In a negotiation setting involving a large group of states, there is a high probability that arriving at a consensus would be difficult or delayed at best. In the 22 RIAs examined previously, I have already shown the negative correlation between membership size and cooperation. To further lend support to this negative relationship, I provide short qualitative narratives that show how preference heterogeneity is heightened in situations where a large group of states seek to negotiate on economic integration. I do not focus on particular RIAs, but instead examine different arrangements that are part of the data used in the previous chapter.

5.2.1 Latin American Integration Attempts and Membership Size: LAIA and MERCOSUR

A close examination of Latin American integration reveals the impact that membership size can have on preference heterogeneity and in the process deeper economic cooperation. In documenting the history of LAIA and the emergence of MERCOSUR, Latin Americanists have pointed to preference heterogeneity as one of the reasons why LAIA has been unable to attain deeper economic integration. Manzetti (1993) writes on Latin American Free Trade Agreement (LAFTA), the precursor to LAIA, that " despite good intentions, its member states failed to agree on the breadth and scope that the nascent integration process should encompass, which led to the demise of LAFTA before the end of the decade." At the time of its founding, LAFTA had 11 member-states or virtually the entire South America. The failure of members of LAFTA to agree is clearly captured in

Wionczek's (1970) explanation of the decline of Latin American economic integration. Wionczek (1970) explains

> While there are many reasons for LAFTA's disappointing performance and lack of enthusiasm for a common market, some of them are particularly important. One is the ambitious geographical scope of LAFTA. In the name of a Latin American community of interests, economies of all sizes and levels of development were put under one roof. In spite of highly publicized declarations of regional solidarity, events of the last few years proved that each of the three groups within LAFTA (the industrial giants–Argentina, Brazil and Mexico, the middle group led by Chile, Colombia and Venezuela; and the most backward republics–Bolivia, Ecuador and Paraguay) faces specific problems which hardly lend themselves to joint action. All the major conflicts that arose in LAFTA involved the economic relations among these three groups. The poor members and the middle group insist quite correctly that they are getting little, if anything, from the regional free trade scheme and are, in fact, running the risk of becoming markets for the industrial surplus of the big three. And while Argentina, Brazil and Mexico are obviously interested in markets in neighboring countries, their dependence on exports to the rest of LAFTA is not great enough to force them to grant those unilateral commercial and other concessions for which the less fortunate republics have asked persistently.

The creation of LAIA to reignite integration efforts that LAFTA had failed to successfully launch demonstrates that divergence of preferences can limit economic integration. In creating LAIA, Latin American states settled on a loose arrangement without the demands articulated in LAFTA's founding treaty of establishing a common market. Manzetti (1990) writes that LAIA was more flexible than LAFTA and sought to be an umbrella institution to facilitate sub-regional economic integration efforts in Latin America.

One of the sub-regional arrangements that resulted from LAIA's slow but flexible integration was MERCOSUR. The creation of MERCOSUR is moreover a testament of how size affects preference heterogeneity and economic integration depth. MERCOSUR began as a bilateral trade and economic arrangement between Argentina and Brazil, two of the most industrialized states in Latin America in the late 1980s (Manzetti 1993). However, Paraguay and Uruguay were ultimately involved in the negotiations that resulted in clearly articulated protocols for facilitating deeper economic cooperation. According to Cason (2000) the "specificity of these measures to encourage integration was unprecedented in Latin America, where most previous integration schemes had invoked only vague promises." The four member-states of MERCOSUR may be said to have had a lesser degree of preference heterogeneity that enabled them to arrive at a consensus on deeper economic integration than previous attempts such as LAIA.

5.2.2 PREFERENCE HETEROGENEITY AND ASEAN INTEGRATION

The effect of membership size on preference heterogeneity can also be observed in Asian RIAs. ASEAN is considered one of the most dynamic RIA in Asia. However despite enhancing cooperation in other areas related to economic integration such as investments and customs, ASEAN is still a shallow RIA when trade integration is considered. Menon (2000) argues that ASEAN's rapid widening from six to ten members increased the level of diversity and heterogeneity that has made consensus decision-making to reflect the preferences of the most conservative or laggard member-states. Langhammer (1997) writes that ASEAN lacks any form of membership admission criteria that could serve as a vetting mechanism to admit states whose preferences are close to those already in ASEAN. The expansion of ASEAN in the 1990s resulted in heightened diversity in economic, social, and political policy-areas that have slowed down the deepening of ASEAN (Areethamsirikul 2006). Indeed, Cockerham (2010) writes that these new members were economically weaker than the original ASEAN-6 and have taken time in implementing tariff reductions that ASEAN calls for in order to establish a free trade area.

The rapid expansion of ASEAN to 10 members has reduced the likelihood that ASEAN will attain the goal of total economic unity by 2020. Plummer (2006) examines the possibility of ASEAN becoming a customs union and points to the high level of economic policy diversity that has affected the harmonization of tariff structures around a common external tariff. Indeed the widening of ASEAN is likely to adversely affect policy harmonization and result in a two-speed ASEAN with one group involving the original 6 and a second group involving later entrants (Menon 2000).

As these three RIAs show (LAIA/LAFTA, MERCOSUR, and ASEAN), membership size matters when one considers the divergent preferences that states might have regarding economic integration. Reforming LAFTA by creating LAIA only served to create a loose RIA to try and accommodate a large group of states with divergent preferences while simultaneously encouraging these states to pursue deeper levels of cooperation involving LAIA sub-groups, such as MERCOSUR and CAN. For ASEAN, its expansion increased the divergence of preferences and led to the introduction of mechanisms to assist the new entrants to enhance integration. These mechanisms however, have served to extend the shallowness of ASEAN and reduce the likelihood that it can attain deeper levels of economic integration in the near future.

5.3 MEMBERSHIP SIZE AND THE COST OF SIDE-PAYMENTS

States do not always have similar economic preferences. In a negotiation setting, states might use side-payments and issue-linkage as a means of convincing reluctant states to support economic integration. In the literature, intergovernmentalists argue that side-payments can be used to alter the preferences of more laggard states to be more pro-integration. Moravcsik (1998) argues that smaller states in the EU were offered side-payments as a means of alleviating their fears on deeper integration and enable them to support further European integration. Mattli (1999) argues that regional hegemons can use side-payments to convince reluctant states to support the integration agenda.

However, with a large membership size that would most likely include states with divergent economic preferences, the use of side-payments becomes unlikely. In Chapter 3, I argued that membership size makes it difficult to use side-payments because the cost of using such a device increases with membership size. Indeed, the use of side-payments becomes less likely with membership increases. This section provides some qualitative evidence on how membership size influences the use of side-payments to further economic integration. I examine the experiences of EAC and COMESA with side-payments in their integration process.

5.3.1 EAC, COMESA, AND THE IMPACT OF SIDE-PAYMENTS ON THE INTEGRATION PROCESS

RIAs in the developing world have rarely used side-payments to further regional economic integration. However, RIAs might include in their treaties guarantees to reluctant states that may influence their positions on deeper integration. For instance, some weak economies might be reluctant to embrace further tariff reductions within the RIA framework fearing revenue losses and competition from more efficient producers. To bring these laggards on board and in support of the deeper integration, the RIA might negotiate a grace period to allow these reluctant states to slowly adjust to lesser tariffs. Although not directly reported, one can observe the influence of membership size on whether states agree to such grace period mechanisms or not.

In one example alluded to in Chapter 3, the evolution of the East African Community into a customs union required some form of guarantees for reluctant states that was codified in the final treaty of the customs union. As a three-member RIA in 2000 during negotiations for a customs union, Tanzanian and Ugandan business interests were not keen on supporting the formation of a customs union with Kenya. For example, news reports quoted Tanzanian president at the time, Benjamin Mkapa admitting that "we have to give our industries more time to prepare themselves for competition" ("Tanzania: President Says" 2000). Business groups in Tanzania including the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) expressed its worry over the trade imbalance between Kenya and Tanzania and how this situation would deteriorate due to

the impending customs union ("EAC: Tanzanian Traders" 2000). The TCCIA although not anti-integration, urged the government to address this trade imbalance in order to avoid a situation where Tanzania will continue to be a dumping ground for Kenyan goods. Another business lobby group, the Confederation of Tanzania Industries (CTI) pointed out that some kind of provision to allow for asymmetrical tariff elimination was necessary to protect Tanzania's infant industries from outright direct competition with Kenyan industries ("Customs Union Protocol" 2003).

In Uganda, business lobby groups also raised some skepticism regarding the impending EAC customs Union. An official with the Uganda Manufacturers Association (UMA) argued that there was need for tariff measures to provide some protection to Ugandan industries ("Uganda Manufacturers Association" 2002). Furthermore views from the Private Sector Foundation of Uganda (PSFU) also summarize this uncertainty among Ugandan business towards the customs union. A PSFU official stated that the customs union would drive out Ugandan businesses since they would not be able to compete with the more efficient producers from Kenya and Tanzania ("Tensions Build Up" 2003). The PFSU goes further to propose the retention of some tariffs in order to protect Ugandan businesses at least for a period of time after the customs union becomes effective.

Once these positions had been articulated, the three member-states of the East African Community agreed to tariff concessions that Tanzania and Uganda were seeking prior to the establishment of the customs union. The deal, articulated in Article 11 of the customs union protocol, ensured that Tanzania and Uganda would have free access to the Kenyan market while Kenyan goods would be subject to a 10-percent tariff in Uganda and Tanzania for a period lasting 5 years. Uganda and Tanzania were to lower the tariffs on Kenyan goods from 10-percent at the start of the customs union to zero after 5 years by eliminating 2-percent in each of those 5 years (EAC 2004). The aim of this arrangement was to enable businesses and industries in Uganda and Tanzania make some efficiency gains before the end of the 5-year grace period in 2010.

With Kenya making these concessions to Uganda and Tanzania, it became necessary for the Kenyan government to allay fears that some business groups in Kenya had on this concession. The Kenya Revenue Authority argued that the effect of the 10-percent concession would be negligible

to Kenyan producers trading in the EAC ("Kenyan Manufacturers" 2004). Additionally, the Kenyan foreign ministry assured Kenyan businesses that anti-dumping measures put in place in the customs union protocol would ensure that Uganda and Tanzania dont have too much of an advantage in their trade relations with Kenya despite this concession ("Kenya Allays Domestic" 2004).

Business groups in Uganda and Tanzania acknowledged this concession. A Uganda Manufacturers Association official at the time said that businesses in Uganda were satisfied with the 5-year transition period, which would enable them to recover economically ("Uganda Gets 5-year" 2004). According to an East African Business Council (EABC) official, a lobbying body bringing together business groups in East Africa, this transition was given in consideration of Ugandan concerns regarding their young industries and how they may collapse under a liberalized East African market ("Uganda Gets 5-year" 2004). In Tanzania, the Confederation of Tanzania Industries (CTI) commended the adoption of the principle of asymmetry in the elimination of tariffs under the proposed East African customs union. The CTI noted that although its input in the custom union negotiations was not adequate, it felt that the interests of Tanzanian manufacturers were reasonably accommodated in the draft protocol of the customs union (Customs Union Protocol, 2003). As a project centered on economic integration, the 5-year transition period was seen by Tanzanian business as represented by the CTI as creating "an enabling policy environment for deeper participation of the private sector in the regional integration process" ("Customs Union Protocol" 2003).

This 10-percent concession by Kenya could be seen as a side payment used to satisfy the interests of Uganda and Tanzania and in the process satisfy their conditions for regional integration. Kenya, being the state to benefit most from the customs union was willing to compromise on this issue in order to keep the customs union agenda alive. The customs union protocol was finally signed in March 2004 and became operational in January 2005. On January 1, 2011, the customs union of the East African Community became fully operational following the expiration of the five-year grace period.

In contrast, examining COMESA reveals the difficulty in agreeing on side-payments as a way of advancing regional integration. With 20 members in the year 2000, COMESA formally launched

its free trade area. However, only nine of the 20 members acceded to the free trade area. The delay in acceding has meant that COMESA continues to operate as a partial FTA, despite moving forward to propose a customs union in 2008. Part of the reason why some states did not join and continue to be reluctant to join the FTA is the fear of revenue losses and unabated competition with more economically developed member-states. Oyejide and Njinkue (2001) write that states that failed to join the COMESA-FTA were afraid of revenue losses that joining the FTA might bring about and the lack of protection for their infant industries. Specifically, Uganda observed that joining the FTA would affect adversely its agricultural and industrial sectors ("Uganda Fears FTA" 2004). Additionally, Rwanda's president observed that his country needed some kind of protection if it were to join the FTA ("Small Nations Fear" 2008). Indeed, it has been reported that during negotiations several states including Ethiopia and Seychelles were reluctant to join the FTA due to fears of its potential economic consequences for their domestic firms and industries ("Now Oil Rich Country" 2006).

The treaty establishing the COMESA-FTA does not address these concerns that some member-states raised. Following negotiations on the FTA it was agreed that member-states would accede into the FTA in their own accord ("Members to Implement FTA" 2000). This essentially meant that economic integration in COMESA would be slow at best as some states continue to seek ways of addressing the potential costs of joining the FTA. In fact, it was not until 2004 that two more states (Burundi and Rwanda) joined the FTA and 2006 when Comoros and Libya acceded. At the moment, six states continue to remain outside the FTA despite the recent calls for a COMESA customs union.

Compared to EAC, COMESA failed to put in place side-payments mechanisms that would encourage reluctant states to sign on to deeper integration. Transitional redistribution mechanisms like those negotiated under the EAC would have enabled COMESA to set a clear plan of deeper integration by allowing reluctant states to benefit from non-reciprocal free access within COMESA in the short-term. There is a lack of a "mechanism to provide compensation for the sacrifices entailed in the pursuit of integration" in COMESA (Takirambudde 1999). Consequently, Alva and

Behar (2008) write that one of the factors that have detracted successful regional integration within COMESA is the lack of such redistributing mechanisms. The lack of such distributing mechanisms may be due to the membership size of COMESA. While for EAC the deal was between three states with one state guaranteeing the weaker two access to its market on a non-reciprocal basis, for the COMESA any deal would require the agreement of 20 states with nine states guaranteeing the remaining nine access to their markets on a non-reciprocal basis. With such a large number of states, obtaining an agreement may be difficult and perhaps impossible, leading to the continuation of shallow economic integration in COMESA.

There is therefore a correlation between membership size and the use of side payments in regional integration in the developing world. The above brief narrative provides some support to the causal mechanisms on how membership size affect the use of side-payments as a tool for furthering economic developing. While sub-Saharan African RIAs have been the focus, others have discussed such redistributional conflicts in Latin America as a reason for slow integration. Blomqvist, Lindholm, Lundahl, and Schauman (1993, pp. 65) write that the "principal reason for the failure of LAFTA integration scheme was [. . .] the conflicts that arose in distributing the benefits and costs of integration among member countries." With 11 economically heterogeneous member-states, LAFTA could not get consensus to offer side-payments to economically weak member-states. Blomqvist et al (1993) go further to elaborate that this "dissatisfaction of the smaller countries in LAFTA, resulting from distributive conflicts and the lack of a development-oriented scheme including a model for compensating the misfavored members, eventually triggered the formation of the Andean Pact [(CAN)] in 1969 by Bolivia, Colombia, Chile, Ecuador, and Peru (later joined also by Venezuela)."

5.4 MEMBERSHIP SIZE, COLLECTIVE ACTION PROBLEMS, AND IMPLEMENTATION OF RIA RULES AND OBLIGATIONS

Another complication that membership size introduces is enforcement and monitoring implementation of RIA rules and obligations. With a large number of states involved in an economic inte-

gration arrangement, making sure that all members adhere to agreed-upon treaties and protocols meant to liberalize trade becomes difficult. Since membership size exacerbates preference heterogeneity as previously discussed, this heterogeneity also influences the ability and willingness of states to comply with RIA rules. Since many RIAs in the developing world already suffer from weakly organized institutions to monitor and enforce agreements, an increasing number of participants further heightens collective action problems and ultimately makes enforcement difficult. With enforcement difficulties that membership size introduces, gains from economic integration become scanty and there are limited motivations for states to deepen cooperation in the future.

In the sample of 22 RIAs, there have been reports of enforcement problems affecting some RIAs. While there are indeed enforcement problems among some 'small RIAs such as CEPGL, the problem is more common and even worse for RIAs with a large membership load. For example, Kelley (2010) observes that economic integration schemes in Africa that start out with a large group of members, such as the African Economic Community, have been unable to enhance cooperation despite their ambitious plans due to collective action problems. Moreover, the multitude of RIAs in Africa such as COMESA, ECOWAS, and SADC has struggled to attain deeper levels of economic integration due to implementation problems. Elbadawi (1997, pp. 229) explicitly places blame for slow economic integration on the membership size of some of Africa's RIAs. Specifically, Takarambudde (1999 pp. 155) in reviewing integration attempts in eastern and southern Africa argues that states' unwillingness to implement agreed-upon trade liberalization measures has adversely affected SADC and COMESA integration. Additionally, Ojo (1999, pp. 121) examining ECOWAS also acknowledges that one of the main problems affecting its economic integration "is the members' failure to implement fully and faithfully the numerous protocols and decisions of the organization." These implementation problems may be traced back to the membership size of these RIAs coupled with weak monitoring and enforcing institutions within these RIAs. The next sub-sections examine COMESA, SADC, LAIA, and CAN to show how membership size makes implementation and enforcement difficult.

5.4.1   ECONOMIC INTEGRATION IN EASTERN AND SOUTHERN AFRICA AND THE EFFECT OF

MEMBERSHIP SIZE ON ENFORCEMENT AND IMPLEMENTATION

Eastern and Southern Africa is home to several ambitious RIA projects including COMESA and SADC. Although both arrangements have aims of establishing economic unions, their advancement has been limited due to membership size and overlapping memberships that is discussed in the next chapter. As noted above, implementation problems have plagued these two RIAs (Takarambudde 1999, pp. 155). For COMESA, Khandelwal (2004) writes that "[p]rogress in COMESA has been limited by country-level implementation problems." It could be argued that these implementation problems result from COMESAs large membership roll and the difficulties involved in coordinating, enforcing, and monitoring 19 states with dissimilar economic preferences. Although COMESA set out the year 2000 as the commencement date of its free trade area, trade liberalization has been slow. The Kenyan ministry of trade identifies implementation problems that have hampered the attainment of a COMESA FTA. The Kenyans have complained that COMESA member-states interpret its rules of origin differently, have yet to harmonize their customs clearance structures in a manner that facilitates the smooth flow of trade between borders, and some member-states have imposed non-tariff barriers despite agreements calling for their elimination. With these implementation problems based on complaints from the Kenyan ministry of trade, it may be said that the COMESA secretariat has had a difficult time in trying to monitor member-states and ensure their compliance with economic integration measures meant to enable COMESA to attain deeper levels of liberalization.

Moreover, SADC also exhibits the detrimental effects that membership size can have on implementation of RIA objectives. Elago and Kalenga (2007) review SADC's attempts at establishing an FTA by 2008 noting that implementation problems have slowed down this initiative. For instance, "Malawi, Tanzania and Zimbabwe were reported to be behind schedule by an audit on the implementation of the SADC Trade Protocol conducted in 2007" while the audit "also found that not all member states were implementing adopted trade facilitation instruments aimed at reducing cumbersome procedures" (Elago and Kalenga 2007). Saurombe (2009) also reports similar imple-

mentation problems plaguing SADC. According to Saurombe (2009) several members of SADC are reluctant to surrender trade policy making powers to SADC institutions and some do not have the capacity to implement tariff reductions meant to facilitate the attainment of a free trade area. For SADC therefore, attaining the goal of deeper trade and economic integration would take time "unless members are prepared to make drastic adjustments – which seems very unlikely for most" (Elago and Kalenga 2007).

5.4.2 CAN AND THE IMPACT OF MEMBERSHIP SIZE ON ENFORCEMENT AND IMPLEMENTATION

As observed from the data used in this dissertation, RIAs with fewer than 10 member-states tended to have attained deeper economic integration levels. While not universal, some of these 'small' RIAs have established mechanisms that reduce collective action problems and monitored and enforced member-states' adherence to their integration obligations. In Latin America, the Andean Community (CAN) emerged in 1969 following the failure of LAIA to enhance economic integration (Malamud 2010). Five of the 11 members of LAIA formed CAN with one of the most ambitious integration agendas at the time among developing states (Mace 1988) with supranational institutions and majority-rule voting on RIA policies (Malamud 2010). Despite its ambitious agenda, economic integration was slow due to several factors, among them non-compliance with RIA rules and obligations among member-states (Vargas-Hidalgo 1979).

Andean integration stalled until 1989 with the Galapagos summit that shifted decision-making powers on RIA affairs to the heads of governments of member-states (Malamud 2010) while also creating a council of ministers to ensure the implementation of integration rules and obligations, a commission to act as the secretariat, and a legislative branch (Devlin and Mulder 2006). With these new reforms, CAN made major strides in economic integration. An FTA was established 1993 and a customs union in 2005 (Devlin and Mulder 2006). The reason for these successes in deepening economic integration maybe attributed to member-state commitment in implementing

CAN's obligations. Mendoza (1998) and Devlin and Mulder (2006) note that member-states unilaterally embarked on trade liberalization at the same time that these states were reforming the institutions of CAN. Mendoza (1998) argues that the secretariat that was established following CAN's reforms in 1989 played a major role in enhancing the implementation of economic integration obligations among member-states. Adkisson (2003) finds that following these institutional reforms, implementation of integration rules in CAN improved leading to some progress in economic integration. While other factors might have influenced CAN states to rejuvenate and improve their regional integration initiative, the membership size of the Andean Community enabled the reformed institutions to facilitate implementation of rules among the few states involved in the integration arrangement.

These four cases succinctly show how membership size comes to negatively impact the implementation and enforcement of RIA rules and obligations. However, the notion that size is correlated with implementation problems is not limited to RIAs in Africa and Latin America only. Economic integration in the Arab world through PAFTA has been slow due to insufficient implementation and a lack of "binding commitments to its [(PAFTA's)] terms [of economic integration] and a timetable for implementation" (Romagnoli and Mengoni 2009). Additionally, Awad and Bakir (2008) note that PAFTA suffers from weak enforcement of member-states' implementation of trade facilitating procedures within the RIA. Moreover, Babili and Baghasa (2008) contend that while the expansion of membership of PAFTA has made it difficult for PAFTA to deepen integration, violations of obligations such as states refusing to lower tariffs or imposing non-tariff barriers contrary to previous economic integration agreements have further discouraged efforts meant to deepen economic integration in PAFTA.

5.5 CONCLUSION

In this chapter, I have provided brief qualitative support for the theoretical connection between membership size and the depth of cooperation in RIAs. The main goal of this chapter has been to articulate the causal mechanisms in the argument proposed in Chapter 3 by providing empirical

support based on previous research on some of the RIAs examined in Chapter 4. While not focusing on a specific RIA over time, the evidence I provide shows that there is a high likelihood of preference heterogeneity in RIAs with many members that discourages economic preference convergence that is necessary for deepening of RIA cooperation. Additionally, the large RIAs examined in this chapter also tended not to be able to use side-payments as a mechanism of getting laggard states to support deeper economic integration. Finally, I have reported some empirical observations on how membership size increases collective action problems and makes implementation of RIA rules and obligations difficult.

While there is a negative correlation between membership size and RIA depth that this chapter has provided support for, membership size in itself does not discourage regional integration. Indeed, several of the large RIAs examined have made some strides in trade liberalization. These RIAs however, have persistently remained shallow due to the three main problems this chapter has discussed. Shallow economic integration should therefore not be seen to lack any benefits for participating states: any step towards trade liberalization still results in some benefits compared to no trade liberalization. However, if the aim of these states is indeed deeper integration to levels comparable to the European Union (a very tough objective to attain) then there is need for some membership rules on who can and who cannot join. For RIAs that are already large, such membership rules might not work at this stage. The only ideal policy option would be strengthening of RIA institutions to encourage full implementation of RIA rules and obligations. A key to ensuring that economic integration remains beneficial to states is proper monitoring and enforcing RIA rules. The reformation of CAN institutions as discussed in this chapter shows the role institutions can play in ensuring better implementation of RIA rules and objectives.

CHAPTER 6

OVERLAPPING MEMBERSHIPS AND REGIONAL INTEGRATION DEPTH

This chapter provides additional evidence on the causal relationship between overlapping memberships and the depth of regional integration. Although the fourth chapter gives plausibility to the main propositions of this dissertation including the adverse effects of overlapping memberships on the depth of regional integration arrangements, it does not provide specific evidence from the RIA cases of how overlapping memberships has actually hampered the depth of economic integration. Drawing from several cases in the sample of RIAs, this chapter qualitatively and quantitatively presents the causal logic of the overlapping memberships argument.

In the theoretical perspective in chapter 3, I observed that overlapping memberships result in three main complications that affect RIA depth. First, overlapping membership results in split loyalties for member-states on which RIA they should pursue. Second, overlapping memberships result in increased policy implementation problems as states are forced to comply with a multitude of rules and obligations. Thirdly, overlapping memberships reduce the expected returns of integration to members of an RIA. I argued that these three factors combine to have an adverse effect on the deepening of RIAs. I provide some empirical support to these claims using mainly short narratives that discuss what policy experts and other scholarly works have noted on the deepening of the RIAs in my sample of cases. Additionally, I provide some descriptive statistics to further lend support on how overlapping memberships matter.

6.1 OVERLAPPING MEMBERSHIPS AND SPLIT LOYALTIES

Previously, I argued that overlapping memberships results in a situation whereby domestic economic groups have split interests in what RIA their state(s) should deepen cooperation in. Addi-

tionally, the states engaged in overlapping memberships would be unable to make credible commitments to a single RIA. In the process of economic groups having split interests and states unable to make credible commitments, RIA preference heterogeneity is exacerbated, thus limiting the chances of deeper RIAs. This section provides some evidence linking overlapping memberships and split loyalties from several of the RIA cases examined in the fourth chapter. RIAs in Eastern and Southern Africa, West Africa, and Asia are examined to show the relationship between overlapping memberships and split loyalties.

The notion that overlapping memberships results in split loyalties has been discussed by various policy studies on regional integration. Particularly in sub-Saharan Africa and Asia where overlapping memberships are common, studies have concluded that one adverse result of the overlap phenomenon is difficulty in committing to a particular RIA and enhance its chances of deepening cooperation. Jakobeit, Hartzenberg, and Charalambides (2005) observe "It is widely acknowledged that overlapping membership is serving to undermine regional institutions and steps towards deeper integration." Tostensen (1993, p. 159) writes that overlapping memberships in eastern and southern Africa have limited states' abilities to be loyal to a single RIA and meet their obligations to that RIA fully. Others have been more specific; for instance Draper et al (2007) write that overlapping memberships among RIAs in Africa "constitute a 'spaghetti bowl' that hinders regional integration [efforts] by creating a complex entanglement of political commitments and institutional requirements adding significantly to the costs of conducting intra-regional business." Bienen (2010) notes that due to overlapping memberships "there is a high likelihood that the programmes and activities of the different. . . [RIAs] are contradictory, thereby causing inconsistencies in members' regional integration policies as well as creating contradictory obligations and loyalties to the different. . . [RIAs]." Sarbo (2010) argues that overlapping memberships in Africa "poses serious problems of loyalty, commitment of resources, unnecessary multiplication of efforts and implementation of agreed upon mandates and mechanisms."

6.1.1   ECOWAS AND OVERLAPPING MEMBERSHIPS' EFFECT ON COMMITMENT AND LOY-

ALTY

In West Africa, several RIAs have been established with similar goals of deeper economic inte-
gration. An interesting feature that some of these RIAs share is joint memberships of some of
their member-states. This joint membership may be blamed for the slow progress of some of these
RIAs, particularly ECOWAS. Asante (1990, p. 120) writes that economic integration in ECOWAS
has been slow due to overlapping memberships among its member-states that has affected their
level of loyalty to the goals of ECOWAS. Table 6.1 provides a snippet on the extent of overlapping
memberships in West Africa in the year 2007.

Table 6.1: The Extent of Overlapping Memberships in West Africa in 2007

State	ECOWAS	UEMOA	CENSAD	MRU
Benin	X	X	X	
Burkina Faso	X	X	X	
Cape Verde	X			
Cote d'Ivoire	X	X	X	
Gambia	X		X	
Ghana	X		X	
Guinea	X		X	X
Guinea-Bissau	X	X	X	
Liberia	X		X	X
Mali	X	X	X	
Mauritania	X		X	
Niger	X	X	X	
Nigeria	X		X	
Senegal	X	X	X	
Sierra Leone	X		X	X
Togo	X	X	X	

From Table 6.1, one observes that all of ECOWAS states are also involved in one or all of the
other three RIAs depicted in the table. From the perspective of ECOWAS, its member-states are
not fully committed to its economic integration agenda due to their involvement in other RIAs that
have similar goals of economic cooperation. Indeed, while ECOWAS was formed in 1975 with
the goal of forming an economic union, by the year 2007 it had only attained the shallowest level

of depth (PTA). The puzzle then is why after 32 years ECOWAS has only managed to make very small steps towards attaining its goal of total economic integration.

In addressing this puzzle on ECOWAS' slow progress, overlapping memberships has been cited as one of the main causes of this slow progress. Aryeetey (2001) notes that the overlap between ECOWAS and UEMOA has made it "difficult for member states [of ECOWAS] to harmonise their interests" in pursuit of further integration within ECOWAS. Others like Jebuni, Ogunkola, and Soludo (1997) writing on ECOWAS integration identify overlapping memberships as a major constrain to economic integration efforts in West Africa. Due to overlapping memberships, "[m]embers are often confronted with congruent issues or at best different levels of loyalty, that may determine fulfillment and discharge of their obligations . . . to different [RIA] bodies" (Jebuni et al 1997, pp. 44).

Surprisingly, the plight of ECOWAS is not shared by all the RIAs depicted in Table 6.1. UEMOA as a subset of ECOWAS was formed by six ECOWAS states in 1994 and has attained deeper levels of economic cooperation compared to ECOWAS, CENSAD, and MRU. While UEMOA members are involved with other RIAs in West Africa, one could explain its depth as resulting from its historical experience with economic integration under French colonization. UEMOA states' similar economic experiences during French colonialism that resulted in these states adopting a common currency prior to engaging in trade liberalization may have made them natural partners and facilitated these states to form more robust links with each other as opposed to their links with other ECOWAS or CENSAD states. Indeed, UEMOA's membership size enables it to advance integration despite the high level of overlapping memberships. This is unlike ECOWAS with 16 members and CENSAD with 26 members. However, the exception of UEMOA does not reduce the explanatory power of overlapping memberships when one considers its effect on commitment levels of member-states.

6.1.2 HOW OVERLAPPING MEMBERSHIPS LIMIT LOYALTY IN COMESA

As noted previously, overlapping memberships is a common feature of African regionalism. In Eastern and Southern Africa, overlapping memberships is especially common. Table 6.2 portrays the extent of overlapping memberships between CEPGL, COMESA, EAC, and SADC in the year 2007.

Table 6.2: The Extent of Overlapping Memberships in Eastern and Southern Africa in 2007

State	CENSAD	CEPGL	COMESA	EAC	SADC
Angola					X
Botswana					X
Burundi		X	X	X	
Comoros	X		X		
D. R. Congo		X	X		X
Djibouti	X		X		X
Egypt	X		X		
Ethiopia			X		
Eritrea	X				
Kenya	X		X	X	
Lesotho					X
Libya	X		X		
Madagascar			X		X
Malawi			X		X
Mauritius			X		X
Mozambique					X
Namibia					X
Rwanda		X	X	X	
Seychelles			X		
Sudan	X		X		
South Africa					X
Swaziland			X		X
Tanzania				X	X
Uganda			X	X	
Zambia			X		X
Zimbabwe			X		X

There is a high degree of overlapping memberships in eastern and southern Africa especially between COMESA, EAC, and SADC. Eight states are member of both COMESA and SADC, four states are members of both COMESA and EAC, while one state is a member of both EAC and SADC. While membership size may have been a factor in slowing down progress in both

COMESA and SADC, some blame must be assigned to overlapping memberships and its impact on the level of state commitment to RIA obligations.

In the case of COMESA, Kasekende and Ng'eno (1997, pp. 153) in assessing regional integration in eastern and southern Africa write that overlapping memberships has led to "conflicts over [integration] mandates and to divided loyalty among governments." Divided loyalty among COMESA members might be observed as the RIA was gearing up to establish a free trade area in 2000. While it was agreed that COMESA states would eliminate all tariffs to trade commencing in the year 2000, only nine members out of 20 members acceded into the free trade area. Of those who failed to accede, nine were members of other RIAs in the region particularly SADC that had also began negotiations for a free trade agreement in 2000. Currently, several COMESA states have yet to sign the free trade agreement partly due to their other commitments to other RIAs.

Moreover, Tanzania provides further support to the notion that overlapping memberships result in split loyalties towards a particular RIA. As a member of COMESA, Tanzania participated in the 1994 negotiations that outlined 2000 as the year of the establishment of a free trade area. However, as a member of SADC, Tanzania was also involved in talks that led to the signing of a trade protocol that articulated a free trade agreement for SADC (The Post of Zambia 1996). The split in loyalties is visible in 2000 when Tanzania opted not to join the COMESA free trade area. Indeed, Tanzania opted to exit COMESA in 2001, a move that went contrary to some business groups in Tanzania that were benefiting from Tanzania's membership in COMESA (The East African 1999; The East African 2003). According to the Tanzanian Economic and Social Research Foundation, "Tanzanian business community strongly opposed Tanzania's withdrawal from COMESA . . . The feeling we got from the interview with the private sector umbrella organizations is that the private sector benefited much more from COMESA than it is the case with SADC."

Similar to UEMOA discussed in the previous sub-section, EAC also has a high level of overlapping memberships and has managed to attain a comparatively high degree of economic integration. This puzzling observation may be justified by two factors noted in the case of UEMOA. On the one hand, EAC states (Kenya, Tanzania, and Uganda) have had a history of economic coopera-

tion stretching back to 1919 under British colonialism. In fact, EAC in the 1970s was one of the most deep economic integration arrangements in the world having its own currency and common services while maintaining a common market. Although the original EAC collapse 10 years after decolonization, its three founding members had already been socialized to perceive each other as natural partners. Indeed, the reestablishment of EAC in 2000 came at a time when these three states were already part of either COMESA or SADC. The fact that the initial entry point of integration for the new EAC was at the customs union level points to the high commitment Kenya, Tanzania, and Uganda had towards EAC despite their other obligations to either COMESA or SADC. This may be due to links established prior to the formation of COMESA and SADC.

Additionally, EAC only involved three states seeking to form an economic union. Contrast this number of participants in EAC with those in either COMESA or SADC and one can observe the impact size has on the deepening of economic integration. As discussed in the previous chapter, EAC states found it comparatively easier to negotiate and conclude agreements that supported deeper integration and were able to enforce and monitor these agreements. Conversely, the membership sizes of COMESA and SADC have not only impeded arriving at a consensus, but also made it difficult to fully implement agreements meant to facilitate trade liberalization. Thus, while overlapping members do indeed matter, in some instances membership size might have an even more influential role in the deepening of arrangements.

6.1.3 Overlapping Memberships in Asian RIAs and Split Loyalties

Overlapping memberships is not limited to African RIAs: Tumbarello (2007) in an IMF report notes that overlapping memberships have adversely affected regional integration efforts in Asia. Table 6.3 shows the prevalence of overlapping memberships in Asia by examining APTA, ASEAN, BIMSTEC, and SAARC in the year 2007.

As shown in Table 6.3, most SAARC members are also pursuing integration in BIMSTEC. Moreover, three ASEAN members are also involved in BIMSTEC's integration efforts. These three RIAs aim for deeper trade and economic liberalization. However, all three have only managed to

Table 6.3: The Extent of Overlapping Memberships in 2007

State	APTA	ASEAN	BIMSTEC	SAARC
Afghanistan				X
Bangladesh	X		X	X
Bhutan			X	X
Brunei		X		
Cambodia		X		
China	X			
India	X		X	X
Indonesia		X		
Korea	X			
Laos	X	X		
Malaysia		X		
Maldives				X
Myanmar		X	X	
Nepal			X	X
Pakistan				X
Philippines		X		
Singapore		X		
Sri Lanka	X		X	X
Thailand		X	X	
Vietnam		X		

attain low levels of economic integration. Part of the explanation why these Asian RIAs have remained shallow is overlapping memberships and its negative impact on member-states' commitment to a particular RIA.

In one study on SAARC, Goel (2004, pp. 405) argues that overlapping memberships involving SAARC members results in a lack of cohesion within SAARC and makes it difficult to present South Asia as a unit for attracting foreign investors. By pursuing BIMSTEC and other RIAs in the region, SAARC member-states have failed to fully be committed to the goals and objectives of SAARC of pursuing deeper economic integration. Additionally, the slow progress of APTA and BIMSTEC may also be due to overlapping memberships. Kelagama (2001) argues that member-states of APTA and BIMSTEC are also pursuing membership in ASEAN and SAARC and this

has not served to further the integration agenda of APTA and BIMSTEC. Because of involvement in other RIAs among members of APTA and BIMSTEC that splits their level of commitment, the progress of APTA and BIMSTEC has been slow.

Overlapping memberships reduces a state's commitment and loyalty to one of the RIAs it maintains membership in. Although there are a few exceptions to this hypothesis, the general trend observed from the data and policy and scholarly works is that commitment levels diminish due to overlapping memberships. As commitment levels diminish so does the ability of states to fully implement policy obligations that RIAs require to advance cooperation. I examine the relationship between overlapping memberships and policy implementation in the next section.

6.2 Overlapping Memberships as a Cause of Policy Implementation Incoherencies

While in general overlapping memberships reduce the level of loyalty and commitment to a single RIA, its effect on RIAs is mainly felt in the policy implementation aspect of integration. RIAs, as economic ventures bringing together several states, set out rules and obligations that members are expected to follow for the arrangement to function smoothly. The goal is economic policy coordination and harmonization in order to enable states to reap the benefits of integration. However, overlapping memberships fail to facilitate the implementation of RIA rules and obligations. Indeed, the implementation complexities that overlapping memberships engender is the logical next step stemming from the previous section on split loyalties. This is particularly common in the area of trade rules and has received much attention from policy experts, RIA secretariats, and political economists.

Rules of origin are mechanisms that RIAs negotiate and agree upon to verify the origin of goods being traded in the RIA market. The purpose of RoOs is to substantiate which goods should receive the tariff preferences that the RIA accords to its member-states. Several economists have noted the implementation problems that can result due to overlapping memberships. Since each RIA would usually have its own set of rules of origin, for a state that is a member of two or more RIAs it

becomes problematic to fully implement the two or more sets of RoOs that sometimes might be incompatible. This section examines the effect of overlapping memberships on the implementation of rules of origin in COMESA and SADC and APTA, BIMSTEC, and SAARC.

6.2.1 OVERLAPPING MEMBERSHIPS AND IMPLEMENTATION OF COMESA AND SADC RULES OF ORIGIN

In the previous section, it was observed that there is a high degree of overlapping memberships between COMESA and SADC. While commitment and loyalty of members are adversely impaired due to overlapping memberships, the adverse effect of overlapping memberships is clearly seen in the implementation of policies agreed within the RIA to advance economic integration. A key element of economic integration, as noted above, is the implementation of rules of origin.

A comparison of COMESA and SADC rules of origin shows the implementation incoherencies that can result as a result of incompatible rules of origin. These two RIAs have some of the highest levels of overlapping memberships while at the same time both seek to establish customs unions in the future. Due to incompatible RoOs and the high level of overlapping memberships, the attainment of deeper economic integration for both RIAs is not guaranteed.

According to the COMESA Secretariat (COMESA 2011), COMESA's rules of origin are composed of five principles that facilitate intra-COMESA trade. First, goods receiving COMESA tariff preferences need to be "produced totally in the exporting member state such that there are no foreign materials added to the manufacturing process." However, COMESA RoOs also would admit those "goods when they are being made and there are some foreign materials added to the manufacturing process" with there being no more than 60-percent of the foreign materials' cost insurance and freight (CIF). Additionally, COMESA's RoOs permits goods whose raw materials are foreign, but in their production there is at least a value addition of 35-percent. Moreover, goods that rely on foreign raw materials for production, but have a tariff heading that is different from that of the raw materials are also permitted. Lastly, COMESA RoOs allows goods that "are in the list that was approved by the Ministers in charge of Trade in COMESA Member states (also called the

Council of Ministers) and are regarded as very important in the economic development of either the exporting member or the region and that, in the process of manufacturing, there should be at least 25-percent value addition."

SADC's RoOs have three main components. The first stipulates that for a good to enjoy SADC tariff preferences it has to have been produced or obtained wholly from an SADC member-state (SADC 2011). Moreover, goods that were produced in SADC using inputs obtained from a non-SADC state may qualify for preference treatment if they "have undergone sufficient working or process in one or more Member States." The last criteria is similar to COMESA's fourth principle stipulating that a good that had a change in tariff heading due to its processing or manufacturing would receive tariff preferences (SADC 2011).

The second component of the SADC RoOs is further expanded in several annexes that stipulate preferential treatment. While in the case of COMESA, there are set percentages for what is admissible, SADC's criteria varies and is based on the cost of the non-SADC materials used in production and on the product under consideration. For instance, while COMESA's ROOs are specific that the addition value of at least 35-percent when non-COMESA raw materials are used in the production process, SADC's RoOs requirements on additional value vary between 15-percent and 60-percent depending on the product classification. Erasmus, Flatters, and Kirk (2004) observe that while SADC's RoOs were expected to resemble those of COMESA, the actual rules following inter-state negotiations have been more restrictive.

Since COMESA and SADC highly overlap, implementing these incompatible RoOs for those states that are members of both RIAs may become problematic. Zambia, a member of both COMESA and SADC would be expected to implement these two sets of rules of origin to goods going through its borders either into the COMESA market or the SADC market. Since in certain aspects the two sets of RoOs are incompatible, one should expect customs officials to be unable to fully implement COMESA's and/or SADC's rules.

Rules of origin are an initial step towards further trade liberalization. RIAs with goals of further liberalization would articulate the next step in their quest for deeper integration. Overlapping

memberships complicates the implementation of these rules while at the same time making it impossible for states to follow through with future integration rules. Gibbs (2006) writes about the dilemma Zambia faces as a member of both SADC and COMESA. Under the SADC Protocol on Trade, Zambia is obliged to dismantle all tariff barriers to South Africa, a fellow SADC member, by, at the latest, 2012. However. Zambia is also obliged, as a result of its COMESA membership, to create a COMESA common external tariff (CET) (by 2008) that excludes and discriminates against South Africa. Thus, Zambia has agreed simultaneously to promote free trade with South Africa and to maintain tariff barriers against that country.

Zambia is not unique in facing these challenges that overlapping memberships introduce. As depicted in Table 6.2, other states in the region face a similar predicament. The implementation of incompatible integration rules such as RoOs is untenable in the long term, weakens "the integration momentum and negate the potential benefits of regional integration" (Nhara 2006).

Moreover, the complexities on application and implementation of rules of origin that overlapping memberships bring about have affected businesses in eastern and southern Africa. Businesses in Kenya, Tanzania, and South Africa have complained about the implementation incoherencies of the COMESA and SADC rules of origin. In a study Charalambide (2005) conducted on the private sector's perspectives on regional integration in eastern and southern Africa, he noted that

> Consultations and interviews with Southern and Eastern African companies and private-sector representatives underline three main concerns related to the overlapping membership of countries in regional integration initiatives: confusion over which regime and rules of origin apply at borders, limited coordination between COMESA and SADC, and the potential for infiltration of duty-free goods through partner countries with differing trade arrangement with third parties. These concerns are in part information problems, reflecting the poor state of awareness on trade arrangements and poor implementation of rules of origin.

6.2.2 Overlapping Memberships in Asia and Incompatible Rules of Origin

As previously noted, overlapping memberships is also common among Asian RIAs. Overlapping memberships that exist between APTA, BIMSTEC, and SAARC has resulted in incompatible rules of origin that each RIA articulates. The implementation of these incompatible RIAs is cumbersome. In examining these overlapping memberships, Rajan (2005) notes that they raise "many technical problems with respect to the implementation of ROOs." Indeed, in Examining snippets of APTA and SAARC rules of origin, one is able to observe the inconsistencies that a state party to the two RIAs will have to deal with when implementing the two sets of RoOs.

APTA's RoOs stipulate that goods from a non-APTA member-state used in the production or manufacture of another product in an APTA member-state should not exceed 55-percent of the finished product. However, SAARC's RoOs extend preferential treatment to non-SAARC goods used in the manufacture of another product in an SAARC state if this non-SAARC good does not exceed 60-percent of the value of the finished product. For states that are members of both APTA and SAARC such as Bangladesh, India, and Sri Lanka, they would have to subject their traders to these two differerent trade rules.

Moreover, Bangladesh, India, and Sri Lanka are also part of BIMSTEC that has been trying to establish a free trade area. With a set of multiple rules of origin as a result of overlapping memberships, it becomes difficult to fully implement these RoOs in a manner that advances the integration agenda of each specific RIA. Indeed, in examining India's overlapping memberships between BIMSTEC and SAARC, Mikic (2007) contends that multiple RoOs " often leads to conflicting criteria for the granting of origin, with an adverse effect on volume of trade." The advancement of trade liberalization in Asia has thus been slow due to overlapping memberships affecting the implementation of rules of origin.

This section has reported some observations on how overlapping memberships has affected adversely the implementation of rules of origin, a key element of regional trade liberalization. The problem is not only limited to sub-Saharan Africa; Asian RIAs also face a similar predicament. If overlapping memberships complicate the implementation of rules of origin, one should explic-

itly observe a negative relationship between overlapping memberships and intra-RIA trade. The next section presents evidence on how overlapping memberships decrease the gains of economic integration in the form of intra-RIA trade.

6.3 OVERLAPPING MEMBERSHIPS AND TRADE CREATION

The third complication that overlapping memberships bring about is its effect on intra-RIA trade. I argued that due to the difficulties that overlapping memberships introduce in implementing RIA obligations such as rules of origin, RIAs with a high level of overlapping memberships would witness less trade within the bloc. In this section, I empirically examine the effect of overlapping memberships on intra-RIA trade among the 22 RIAs previously examined.

The initial entry for most RIAs is trade liberalization. As discussed in the previous section, RIA members embarking on trade integration would craft rules of origin (RoOs) that stipulate legal mechanisms meant to verify the origin of goods being traded within the RIA that are to receive tariff preferences the RIA accords (Augier, Gasiorek, and Lai-Tong 2005). Economists note that even for a single RIA, RoOs discourage trade simply by adding more hurdles for traders to substantiate the origins of the goods they are importing or exporting within the RTA (Brenton and Manchin 2003; Anson, Cadot, Estevadeordal, Melo, Suwa-Eisesnmann, and Tumurchudur 2005). For instance, the rules of origin of the Common Market for Eastern and Southern Africa (COMESA) stipulate that for goods to receive its tariff preference they 1) should have originated from a COMESA member-state, or 2) should not include more than 60 percent of raw materials from a non-COMESA state, or 3) if made from non-COMESA raw materials these goods must have a value addition of at least 35 percent after production (COMESA 2011). Traders from a COMESA member-state have to ensure that the goods they are importing or exporting within COMESA meet these criteria.

As noted in the previous section, overlapping memberships further complicate the application of rules of origin by ensuring that a single state has to apply two or more sets of RoOs, that may sometimes be conflicting, to goods going through its borders. Estevadeirdal, Suominen, Sanguinetti, and Trejos (2005) argue that overlapping memberships result in more trade rules that "can

introduce policy frictions that increase the costs of trading." Overlapping memberships make the implementation of rules of origin cumbersome and problematic for traders and states, effectively delaying trade exchanges within an RIA due to complex customs clearance procedures that they introduce (Krueger 1997). Indeed, the World Trade Organization has noted that overlapping memberships "can hamper trade flows merely by [increasing] the costs involved for traders in meeting multiple sets of trade rules" (WTOa 2010).

The expectation resulting from these economists and policy practitioners is that overlapping memberships are detrimental to intra-RIA trade. Specifically, the problems that overlapping memberships engender slow down intra-RIA trade creation. Overlapping memberships not only exacerbate financial costs, but also complicate the application of RIA rules especially rules of origin meant to facilitate intra-RIA trade.

However, an empirical evaluation of these expectations on RIAs as units of analysis is still lacking. Although Lee et al. (2008) and Alba, Hurr, and Park (2010) examine the issue of overlapping memberships; both studies focus on states and dyadic trade levels. On the one hand, Lee et al. (2008) find that overlapping memberships do not lead to more dyadic trade creation for a state. For Lee et al. (2008), states engaging in overlapping memberships are not gaining economically from this action. Conversely, Alba et al. (2010) find that states that engage in overlapping memberships and form hubs within a system of overlapping RIAs generate more trade for themselves. Alba et al. (2010) thus perceive overlapping memberships to increase trade conditional on the state engaging in overlapping memberships being at the center of the network of overlapping RIAs.

Although Lee et al. (2008) and Alba et al. (2010) report conflicting findings, they also fail to address the issue of the RIA as a market. Since the motivation for forming RIAs is to heighten the importance of the regional market for states, examining the RIA as a unit provides a more reasonable assessment of what effect overlapping memberships would have on intra-RIA trade. Additionally, as policy practitioners and economists have argued that overlapping memberships does not facilitate successful economic integration, examining the effect of overlapping member-

ships on intra-RIA trade provides a more plausible logic and further support for the argument that the prevalence of overlapping memberships is detrimental to regional integration.

In empirically evaluating the effect of overlapping memberships on intra-RIA trade creation, I use variables already discussed in Chapter 4. The units of observations are the 22 RIAs over a period of time ranging from their distinct years of formation to the year 2007. The dependent variable is *Market Importance* while the main independent variable is *Overlap Frequency*. I also include a separate model that uses *Overlap Index* as the main independent variable. Additionally, I include control variables to account for potential alternative factors that influence intra-RIA trade: *Regime Type*, *RIA Depth*, *Membership Size*, *Conflict*, and logged RIA gross domestic product. This analysis uses a linear time-series cross-sectional model in testing the effect of overlapping memberships on intra-RIA trade. To correct for autocorrelation and heteroskedasticity within panels that could result in biased standard errors, I use a Praise-Winsten regression model with panel corrected standard errors and a lagged dependent variable in the regression estimations as Beck and Katz (1995) recommend.

Table 6.4 presents statistical results of the effect of overlapping memberships on intra-RIA trade. The results are negative and statistically significant for *Overlap Frequency* and *Overlap Index*. A one unit increase in *Overlap Frequency*, meaning when all members of an RIA are engaging in overlapping memberships, results in a 0.25 percent decrease in intra-RIA trade share holding other variables constant. For instance, a six member RIA with one member engaging in overlapping membership will see its intra-RIA trade share decrease by 0.007 percent. When two members of the same RIA are involved in other RIAs, intra-RIA trade share would decrease by 0.014 percent.

In examining the data, one can witness the negative relationship reported in these regression estimates. For instance, in 1997, ASEAN membership stood at nine states with an *Overlap Frequency* of 0.22 (two out of nine states engaging in overlapping memberships) and *Market Importance* of 21.14 percent. In 1998, ASEANs *Overlap Frequency* increased to 0.3333 (three out of nine states engaging in overlapping memberships) while its *Market Importance* dropped by 0.3124

Table 6.4: Prais Winsten Regression Estimates of the Effect of Overlapping Memberships on Market Importance

	Overlap Frequency	Overlap Index
Overlap Frequency	-0.254*	–
	(0.142)	–
Overlap Index	–	-0.083*
	–	(0.045)
Membership	0.008	0.007
	(0.009)	(0.01)
RIA Depth	-0.034	-0.034
	(0.043)	(0.043)
Regime Type	0.021*	0.02*
	(0.012)	(0.012)
Conflict	-0.155	-0.159
	(0.123)	(0.123)
Log GDP	0.028	0.029
	(0.041)	(0.041)
Lagged Market Importance	0.972***	0.972***
	(0.013)	(0.013)
N	600	600
Groups	22	22
R^2	0.961	0.961

Notes:

[a] Panel corrected standards errors are in parentheses.

[b] * $p \leq 0.1$; ** $p \leq 0.05$; *** $p \leq 0.001$. Statistical significance tests are two-tailed.

to 20.823 percent. Another example of COMESA also lends further support to these findings. COMESA, a 19 member RIA with an *Overlap Frequency* of 0.75 in 2005 and *Market Importance* of 9.26 percent witnessed a drop in its *Market Importance* to 6.88 percent in 2006 when its *Overlap Frequency* increased to 0.8.

Moreover, examining PAFTA from the data sample in 1998 with 16 members and an *Overlap Frequency* of 0.25, its *Market Importance* stood at 10.05 percent. However, the trade share fell by 0.84 percent in 1999 after PAFTA's *Overlap Frequency* increased by 0.0625 to 0.31. In yet another

example, UEMOA, an eight-member RIA, had an *Overlap Frequency* of 0.33 in 1999 and *Market Importance* of 11.5 percent. However, this trade share dropped to 10.66 percent in 2000 as its *Overlap Frequency* rose to 0.5.

Based on these results, there is a correlation between overlapping memberships and intra-RIA trade. The importance of the RIA market are diminished when member-states pursue concurrent memberships in other RIAs. The result of this third complication, as noted in this sub-section, is attributed to the difficulties of implementing multiple rules of origin. As already noted in Chapter 3, overlapping memberships split loyalties and state commitment, especially in the area of implementing rules of origin that comes to affect the importance of the RIA market.

6.4 Conclusion: Recent Reactions to Overlapping Memberships

This chapter's task has been to provide further qualitative and quantitative support of how overlapping memberships affects the deepening of cooperation in RIAs involving developing states. Three related complications were examined to show the causal logic behind the theory proposed in the third chapter. I have shown the link between overlapping memberships and split loyalties and commitment, overlapping memberships and how it complicates the application and implementation of rules of origin, and finally some quantitative support on how overlapping memberships reduce intra-RIA trade.

Overlapping memberships continue to be discussed in RIA circles due to the seemingly negative effects its has wrought on regional integration in the developing world. Several recent events have brought the issue of overlapping memberships to the limelight and lend further support to the argument that overlapping memberships is bad news for regional integration in the developing world. First, in 2000, the Cotonou Agreement replaced the Lome Conventions that had institutionalized trade and aid relations between the European Union and African, Caribbean, and Pacific (ACP) states since 1975. Cotonou envisioned economic partnership agreements (EPAs) that were to be signed between the EU and RIAs involving ACP states. For instance, EAC involving Burundi, Kenya, Rwanda, Tanzania, and Uganda is negotiating an EPA with the EU. These EPAs

entailed free trade agreements between the EU and singular RTAs and foreign aid disbursements to member-states of these RIAs. However, negotiations for these EPAs have yet to result in actual trade pacts particularly in sub-Saharan Africa. The European Union noted that overlapping memberships in RIAs in eastern and southern Africa has not only hindered the creation of more effective RIAs in the region such as SADC, but also complicated on-going negotiations between the EU and SADC states on a future free trade agreement between the two blocs (European Commission 2009). While observing the problems that overlapping memberships result in, the EU goes further to note that these "EPA negotiations have required the ACP States to make choices between the different configurations, exposing the problem [of overlapping memberships] and therefore promoting the search for further rationalisation and clarification [of this overlapping membership problem]" (European Commission 2009).

Second, the issue of overlapping memberships in eastern and southern Africa has recently received more attention from the RIAs involved. In 2008 COMESA, EAC, and SADC member-states started formal talks meant to address the overlapping memberships problem and eventually lead to the merging of these three blocs. Overlapping memberships between these three RIAs has hindered the growth of trade among their constituent member-states (EAC 2010). The aim of these tripartite talks is to arrive at solutions for overcoming the problems of overlapping memberships (SAIIA 2009). The main objective for these three RIAs is the creation of a free trade area encompassing them and harmonization of trade and economic policies as the three blocs seek to establish a single market in the future (EAC 2008). If the three RIAs are to form an overarching free trade area, then this might be considered a positive, albeit late, outcome of overlapping memberships that leads to expanded trade liberalization networks.

While critics of overlapping memberships note that it is detrimental to trade creation, some have argued that perhaps overlapping memberships are the inevitable path towards multilateral trade liberalization that the WTO has yet to avail (Baldwin 2006). The COMESA-EAC-SADC talks present one positive step that states have taken in seeking to address the overlapping memberships.

These three RIAs have all noted the adverse effects overlapping memberships pose to the success of their regional integration attempts, especially in terms of trade creation.

These two events further demonstrate how overlapping memberships has adversely affected regional integration attempts in the developing world. While states are free to choose their foreign economic policies such as pursuing two or more RIAs, there is need for rationalization of their commitments if regional integration is to actually complement WTO-led efforts of trade liberalization. Although not endorsing deeper economic integration, the findings discussed in this chapter show that if the goal of states is deeper integration their pursuit of multiple RIAs may limit the realization of this goal. However, if the goal is not to deepen integration, overlapping memberships still pose a problem in the implementation of rules of origin and other policies RIAs adopt to enhance economic liberalization. This is why rationalization of commitment is a policy option developing states should consider as they seek to make regional integration work for their economies.

CHAPTER 7

REGIONAL INTEGRATION IN THE DEVELOPING WORLD AND EUROPEAN THEORIES OF
INTEGRATION

The findings in the preceding three chapters lend support to the main premise of this dissertation
that membership factors affect the deepening of regional integration arrangements in the devel-
oping world. The literature overview in this dissertation explored other plausible explanations for
various aspects of integration including deepening of RIAs that have been used to explain Euro-
pean integration. In this chapter, I reexamine six RIAs in the developing world some of which have
been evaluated using some of these theories of European integration. Specifically, I will examine
CAN, MERCOSUR, COMESA, ECOWAS, ASEAN, and SAARC through the lens of some of
the theoretical approaches discussed in the literature review: neo-functionalism, liberal intergov-
ernmentalism, and the new institutionalisms. These six RIAs have been selected because they are
representative cases of regional integration in the developing world as they are drawn from the
three main continents that developing states inhabit.

The purpose of this chapter is to show the that difficulties of explaining regional integration
using these theories of European integration. These difficulties arise from the fact that the inputs
attributed to European integration using these theories are mainly absent in the developing world.
For instance, several scholars writing on integration in CAN and MERCOSUR show that neo-
functional tenets cannot explain the emergence and progress of these two blocs while liberal inte-
governmentalism is also not fully applicable. Although in both the cases of CAN and MERCOSUR
states play a prominent role in the integration process, the role of economic interest groups reacting
to continued economic interdependence is absent. Additionally The goal of this chapter is also to
demonstrate the need for an alternative approach to regional integration in the developing world

that captures the role of states in the developing world that has shaped regional integration arrangements differently from the experience of the European Union.

The chapter begins with an assessment of neofunctionalism and its applicability to these six RIAs. The focus of this section is the difficulty in identifying instances of spillover in these RIAs. Second, the chapter tests the applicability of liberal integovernmentalism focusing on whether the integration process resulted from economic interdependence and what role business groups played in the integration process. Third, the chapter considers new institutionalisms by referencing integration issues that some of the new institutionalisms could help explain and some studies that have applied these new institutionalisms to some of the six RIAs under consideration in this chapter. Finally, a conclusion is offered noting the need for an alternative explanation to regional integration in the developing world that captures the state-centric nature of economic integration in this part of the globe.

7.1   THE FAILURE OF SPILLOVER IN THE DEVELOPING WORLD

Spillover is the concept that defines how regional integration proceeds using the neo-functionalist framework. It is a process whereby "a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth" (Lindberg 1963, p. 9). Additionally, neo-functionalists argue that supranational institutions in conjunction with transnational economic interest groups take advantage of unintended consequences of previous integration to spillover integration into other policy-areas they deem beneficial.

While the 'empty chair crisis' led some to conclude that neo-functionalism neglected the role of states in integration, in its later reincarnation some 'new' neo-functionalists have only examined the influence of supranational institutions and transnational actors in specific issue-areas and have moved away from trying to provide a grand theory of (European) integration. In the context of RIAs involving developing states, the general consensus has been a lack of supranational institutions comparable to those of the European Union influencing the direction and scope of integration.

In the Latin American context, scholars have examined CAN and MERCOSUR to determine to what extent supranational institutions not only existed, but also had an influence on the integration process.

CAN was established in 1969 to improve the conditions of the weaker member-states of LAFTA and due to the failure of attaining deeper and beneficial integration within LAFTA (Mace 1988; Malamud and Schmitter 2007). CAN integration stalled until 1979 when a court of justice and a regional parliament were established, similar to EU supranational institutions (Dabene 2009). However these institutions did not have any influence on furthering integration due to member-states placing more emphasis on the structure over the functioning of these supranational institutions (Malamud and Schmitter 2007). Indeed, there was no notable integration within CAN throughout the 1980s. While acknowledging some semblance of supranationality within CAN through its level of legal integration second to that of the European Union, the institutions that were supposed to influence integration within CAN were feeble (Bonilla 2001), leading Malamud (2005) to conclude that spillover mechanisms were non-existence in CAN's integration process.

A second instant of integration in Latin America, MERCOSUR, also illustrates the inapplicability of neo-functionalism in explaining regional integration in the developing world. In their general conclusion, Kaltenthaler and Mora (2002) state that "unlike the European integration process, Mercosur has not gone very far in forming supra-national institutions" that influence the direction of regional integration. In its creation, MERCOSUR was not formed as a result of increasing economic interdependence among its would-be member-states: Hurrell (1995) notes that MERCUSOR was created at a time when trade and economic interdependence among its two main protagonists was relatively low. Additionally, MERCOSUR has avoided creating EU-like institutions to manage and influence integration (Dabene 2009, p. 95). Although it has been able to attain deep levels of integration, "its institutional development has not followed the European path: no supranational body has been set up, no community law has been created, and no fixed dispute-resolution court has been established" (Malamud 2005). Instead, MECOSUR was specifically set up as an intergovernmental entity with decisionmaking concentrated around the executives

of member-states (Malamud and Schmitter 2007). One could therefore conclude that the absence of institutions facilitating spillover in MERCOSUR weakens the applicability of neo-functionalism in yet another Latin American integration arrangement.

A second pair of RIAs from Africa also shows the lack of supranational institutions that neo-functionalists argue would influence regional integration. In many respects, regional integration in Africa remains under the purview of governments of member-states. In his examination of institutional similarities between three RIAs in Africa including COMESA and ECOWAS, Ntumba (1993) notes the weaknesses in the main supranational bodies of these RIAs, the secretariats and the tribunals adjudicating on the RIAs' treaties. Ntumba (1993) argues that a "strong institutional mechanism [. . .] can act as a locomotive or leavening agent of the [integration] process." However, the institutions within COMESA and ECOWAS are "handicapped by severe institutional weaknesses." Both secretariats of COMESA and ECOWAS do not have any real decision making powers as their independent influence has been constrained by the ever-present hand of governments of member-states that dominate all decisionmaking within these RIAs. In demonstrating the inapplicability of neo-functionalist premises of supranationality and spillover, Ntumba (1993, p. 314) acknowledges "In an institutional environment so heavily penetrated by intergovernmentalism, the secretariats are incapable of acting as the engine of regional integration and unable to safeguard the integrity of their respective treaties" similar to the commission of the EU.

Regionalism in Asia furthermore point to the weakness of neo-functionalism in explaining the process of integration in ASEAN and SAARC. In the case of ASEAN, member-states were reluctant from the begin to establish institutions that would evolve into supranational entities (Cockerham 2010). Indeed, Yoshimatsu (2006) writes that there are virtually no institutions within ASEAN that could be considered supranational because "members were extremely reluctant to relinquish their power to a supranational body." The secretariat "was not meant to be a supranational entity acting independently of its members" while member-states avoided creating a regional parliament nor a regional court similar to that of the EU (Davidson 2002, p. 33). Instead, the secretariat of ASEAN was set up to have a limited role in the integration process and be subservient

to member-states (Acharya 2001, p. 81). Acharya (2001, p. 95) writes that there had been recommendations for ASEAN states to empower its secretariat to levels similar to those of the EU commission, however those recommendation were rejected. This set up of ASEAN where the states dominates has led Davidson (2002, p. 37) and Cockerham (2010) to conclude that ASEAN is more of an intergovernmental as opposed to a supranational entity and a neo-functionalist narrative is not ideal at explaining ASEAN integration.

SAARC's integration process can also not be explained using the neo-functionalist logic. A similar fear of losing sovereignty through empowering regional institutions is exhibited within SAARC. Jain (2008) discusses several differences between the EU and SAARC observing that the SAARC is a top-down integration arrangement with a "minimal role for South Asian business interests to become the driving force for fostering regional integration." This is in contrast to European integration where domestic economic groups are said to lobby and influence how integration proceeds. Additionally, Jain (2008) writes whereas the EU "has supranational laws and institutions . . . [in SAARC] there is a strong suspicion of supranational institutions modeled on the EU pattern." While some SAARC researchers like Amin (2008) recommend to SAARC the need for supranational institutions with some level of autonomy to augment integration efforts, Jain (2008) observes that an "EU-style integration with the creation of similar institutional and legal structures and supranational bureaucracies was not preferred [by SAARC members] since it would erode national sovereignty."

From these three pairs of RIAs then, one could conclude that RIAs in the developing world are mainly top-down with states influencing the entire agenda of how economic integration should proceed. Although these RIAs have some regional institutions, the powers of these institutions are severely weakened making it difficult for these institutions to influence integration in a manner similar to what neo-functionalism would argue. The weakness of neo-functionalism does not mean it is not applicable to these cases of regional integration: the lack of factors that are attributed to European integration makes it difficult to explain fully regional integration in the developing world. Instead, an intergovernmentalist approach to regional integration might be better suited at

explaining integration dynamics in the developing world. However, although the common trend has been state-led integration, the input of domestic economic groups reacting as a result of economic interdependence is not strongly evident in the developing world making it less likely that liberal intergovernmentalism as applied to the EU can also explain integration in the developing world.

7.2 Intergovernmentalism with a Limited Role for Domestic Economic Interests

Liberal intergovernmentalism corrects for the deficiency of neo-functionalism by emphasizing the role of states in regional integration. Similar to neo-functionalism however, liberal intergovernmentalism also focuses on the role domestic economic actors can play in lobbying for integration and influencing the preferences their governments adopt prior to negotiation with other states on what direction and scope regional integration should take. In his seminal work, Moravcsik (1998) applied liberal intergovernmentalism to the European integration process. However, liberal intergovernmentalism has yet to be applied in the developing world in a manner similar to Moravcsik's narrative of European integration. Although the quantitative findings suggested that the importance of the regional market in terms of intra-RIA trade share is positively associated with the depth of economic integration, qualitatively examining some of the RIAs in the developing world in terms of the presence and influence of domestic economic groups is needed to determine the applicability of liberal intergovernmentalism. This section provides brief narratives for the six RIAs noted previously by focusing on one of the main tenets of liberal intergovernmentalism, domestic economic group pressure.

MERCOSUR integration can best be described as intergovernmental in the sense that states have dominated the process of economic cooperation. Experts of MERCOSUR integration use the term 'presidentialism' to describe the approach of integration that MERCOSUR states have taken since the process has mainly been driven by the executives of the member-states (Malamud 2003). According to Hurrell (2001), the "development of MERCOSUR coincides with the predominance

of presidentialist politics." However, presidentialism is the only extent MERCOSUR conforms to a liberal intergovernmentalist framework.

Whereas Moravcsik argues that it is through economic groups and states reacting to economic interdependence that initiates regional integration, for MERCOSUR interdependence came after integration while the input of economic interest groups was limited at best. In arguing that liberal intergovernmentalism is not that applicable to MERCOSUR, Malamud (2003) writes that MERCOSUR integration was not as a result of economic interdependence. Indeed, the state-initiated integration of MERCOSUR involving Argentina and Brazil, two long time adversaries, was due to declining trade interdependence (Malamud 2005).

Additionally, the input of domestic economic actors was severely limited. Hurrell (2001) writes on the political forces behind MERCOSUR integration and observes that there has been "weak input from political parties, business, or other societal groups" especially in the case of Brazil's foreign economic policy. It was only after establishment that MERCOSUR set up mechanisms that have permitted some interest group participation; but their participation has not had much of an impact on regional integration at the regional level (Hurrell 2001). Although some view MERCOSUR integration as an attempt by political elites in the four member-states "to gain credibility for their trade policies and to recast the role of the private sector" in these member-states, the integration process has remained intergovernmentalist and state-centric (Perales 2003, p. 75).

In the case of CAN, the integration process has advanced mainly due to presidentialism. First, the integration process did not result from economic interdependence, but was a reaction to the failure of LAFTA in improving the conditions of its less developed members (Mace 1988). The motivation for CAN's formation was thus not increasing economic interdependence, but an attempt at using regional integration to spur economic ties (Malamud and Schmitter 2007). This can explain attempts at forming supranational institutions to serve as the engine for CAN's integration. Indeed, the stagnation of CAN integration in the 1980s was only brought to an end through the establishment of the Andean Presidential Council, an intergovernmental organ, in 1990 (Malamud and Schmitter 2007).

As previously discussed, CAN placed emphasis on building supranational institutions during its founding that were meant to drive the integration process. Two of these institutions created through the Quito Protocol of 1983 were the Andean Business Advisory Council (ABAC) and the Andean Labor Advisory Council (ALAC) to facilitate the input of the private sector in member-states in integration matters because they had some reservations (Baquero-Herrera 2004). These private sector bodies however were not effective in influencing integration affairs; although Mendoza (1998) writes that there have been efforts to revitalize and give "them a larger role in the Andean decision making process" since the signing of the Trujillo Protocol of 1996. Despite the presence of such economic interest groups as liberal intergovernmentalists envision, their input so far in CAN and MERCOSUR is still limited while governments continue to dominate the integration process through 'interpresidentialism'.

The dominance of governments and the weakness of the private sector in regional integration is even more pronounced in the case of sub-Saharan African RIAs. For COMESA and ECOWAS, major decisions on integration have taken place without relying on the input or considering the preferences of economic actors of their respective member-states.

The initial formation of COMESA as the Preferential Trade Area of Eastern and Southern Africa (PTA) does not fit well with the liberal intergovernmentalist narrative. Martin (1990, p. 159) writes that the impetus for forming this integration arrangement came from the collapse of the original East African Community in 1977 and due to recommendations from the United Nations Economic Commission for Africa on the need for regional economic cooperation in eastern and southern Africa. Martin (1990, p. 160) documents interstate bargaining prior to PTA's formation that lasted from 1978 to 1981. However, this is as far as liberal intergovernmentalism goes in explaining the origins of COMESA. Martin (1990, p. 165) summarize trade statistics that demonstrate COMESA was not formed to manage increasing economic interdependence among the states of eastern and southern Africa. The statistics these two scholars discuss show weak trade links among the states that eventually formed COMESA. The low levels of trade interdependence could explain the slow rate of deepening integration within COMESA.

The involvement of business groups and the private sector in regional economic integration has also been limited in COMESA. Geda and Kibret (2007) note that one of the problems of regional integration in Africa is "poor private sector participation." While others like Aryeetey and Oduro (1996) and Aryeetey (2000) have acknowledged this weakness in regional integration in Africa, Geda and Kibret's country-levels studies among COMESA member-states show that the participation of the private sector is hampered by lack of government resources to ensure full participation, and when some resource are secured, the participation is limited at the level of the chamber of commerce officials. The case of Tanzania business groups stance on their governments COMESA exit that was discussed in a previous chapter demonstrate the limited role of the private sector in regional integration.

A similar narrative can be reported from ECOWAS, whose integration process has continued to be dominated by states and has not been dependent on economic interdependence in west Africa. As a venture formed to enhance economic cooperation, ECOWAS trade profile does not support a liberal intergovernmentalist notion that increasing interdependence influences states to integrate. Statistics Jebuni, Ogunkola, and Soludo (1997, p. 39) provide on intra-ECOWAS export share show that between 1970 and 1975 when ECOWAS was formed intra-ECOWAS export share increased by 1.2 percent. Between 1975 and 1985, intra-ECOWAS export share increased by 1.1 percent. Indeed, the formation of ECOWAS in 1975 did not lead automatically to trade liberalization. Jebuni et al (1997, p. 41) acknowledge that ECOWAS states spent more time on setting up institutions that did not deliver on trade liberalization while domestically there was limited support to the integration process. It was not until 1989 that ECOWAS started to discuss the implementation of trade liberalization mechanisms.

While trade interdependence was a weak motivation for forming ECOWAS, various scholars have discussed the high level of intergovernmentalism that continues to exist and guide ECOWAS integration. Asante (1990, p. 105) writes that the Authority of Heads of State and Government is the most important organ in ECOWAS. Aryeetey (2001) writes that the heads of state and government influence all aspects of ECOWAS integration including the appointment of all officials of

other bodies that manage ECOWAS affairs including the secretariat (now the commission) and the ECOWAS court of appeal. This dominance of governments is further elaborated in Asante's (1990, pp. 106) discussion on the lack of private sector input in ECOWAS affairs. ECOWAS "does not provide a forum for interacting with the private sector, trade unions or chambers of commerce" (Asante 1990, pp. 106). While Aryeetey (2001) notes that ECOWAS has since 1992 attempted to make ECOWAS a ""people-centered organisation" as opposed to the overly bureaucratic inter-governmental agency of the past and provides evidence of private sector participation in intra-regional business in West Africa, he goes further to conclude that it "is difficult to quantify the impact of [. . . this new private sector involvement] on regional cooperation." Indeed, Iheduru (2003) writing on the emerging influence of non-state actors in regional integration in West Africa acknowledges that the influence of these actors is still at a burgeoning state while the few that have emerged still must contend with powerful states that prefer to dictate the terms of regional economic integration.

In the case of ASEAN, its impetus for formation in 1967 according to various scholars stems not from managing economic interdependence, but to augment security and political cooperation in Southeast Asia. Mattli (1999, p. 163) writes "ASEAN's creation was triggered by a war in neigh-boring Indochina that threatened the stability of the area." Following this similar theme, Webber (2003, p. 133) argues that the "principle force that drove the formation and subsequent develop-ment of ASEAN in the first two decades of its existence was anti-Communism." While Saxonhouse (1993, p. 410-411) notes the security origins of ASEAN, he also acknowledges an economic com-ponent in the integration agenda. However, Saxonhouse is quick to point out that trade levels within ASEAN have remained relatively low. Mattli (1999, p. 165-166) elaborates that intra-ASEAN trade in 1990 was lower than the figure reported in the late 1960s following the creation of ASEAN.

The process of ASEAN integration however, exhibits elements of intergovernmentalism as states play a dominant role in economic integration. In discussing the history of ASEAN, Crozier (2006) not only points to the security origins of integration but also how states led the integration process. In the deliberations that Crozier summarizes, various leaders of Southeast Asian states

lamented the security threats that could be mitigated through regional cooperation. In the words of Crozier (2006, p. 19), ASEAN "was clearly an intergovernmental organization that did not aim at supranationalism." Others like Lane (2008) and Cockerham (2010) also note that the concern for sovereignty has meant that ASEAN states guide the process of integration and have limited the independent influence of ASEAN institutions. However since the Asian economic crisis in the late 1990s, some scholars have argued that business groups have come to play a major role in ASEAN integration and ASEAN states' reaction to the financial crisis. Yoshimatsu (2007) compares the influence of business interests in EU and ASEAN integration and finds some evidence of various business groups in ASEAN states, especially foreign business groups, seeking to influence government positions on ASEAN integration. However, Yoshimatsu concludes that "while business groups were certainly involved in the regional integration process [of ASEAN], their activities were guided and managed by the member states [. . . and thus the] pressure from the business groups was not strong enough to renew the member states efforts to push forward market integration." It is therefore implausible to claim that ASEAN integration follows a liberal intergovernmentalist thesis.

An overall assessment of SAARC also reveals a state-led integration arrangement without the tenets that liberal integovernmentalism argues for. From its initial founding, heads of government and other representatives of governments of South Asian states have played the leading role of regional integration politics. Dash (1996) writes that the impetus for regional cooperation came from various government leaders in the 1970s, but these efforts were hampered by state-centric concerns including India-Pakistan rivalry that continues to dominate SAARC integration. Nearly a decade after its founding in 1996, Dash observed that key "initiatives for SAARC programs and activities are primarily taken by . . . governmental actors." Pattanaik (2006) summarizes SAARC's 20 years of integration by pointing to a similar intergovernmentalist logic that Dash (1996) notes. According to Pattanaik "national political interests have taken precedence over collective economic interests." Pattanaik goes even further to show the lack of the 'liberal component of Moravcsik's argument for SAARC. In the process of SAARC integration, "business and industrial groups have

not been actively involved" (Pattanaik 2006). Instead, "state-centric interests have dictated the scope of regionalism" (Pattanaik 2006).

A further departure from the liberal intergovernmentalist argument is the lack of economic interdependence as the impetus for integration. Economic cooperation was not included in the initial agreement for cooperation within SAARC (Dash 1996; Pattanaik 2006). Pattanaik (2006) notes that there was reluctance to embark on economic integration within SAARC, which could explain the late start of trade liberalization within SAARC. In summarizing intra-SAARC trade share statistics Khan and Khan (2002) and Kemal (2004) show low levels of trade between member-states of SAARC, an indication that trade interdependence may not have been the driving force for economic integration within SAARC in the 1990s and early 2000s. Intra-SAARC trade levels according to Kemal's statistics have remained virtually around 4 percent despite signing a preferential trade agreement and a free trade agreement.

This brief narrative of these six RIAs give partial evidence that liberal intergovernmentalism is not adequate at explaining regional integration in the developing world. While it might be argued that liberal intergovernmentalism could explain the lack of deepening in some of these RIAs due to the absence of strong economic interests lobbying and increasing economic interdependence, this logic still cannot account for the progress that some of these RIAs have made despite lacking key variables of liberal intergovernmentalism. For all six RIAs, the process of economic integration has been state-centric. Moreover, the impetus for economic integration does not appear to emanate from increasing trade and economic interdependence that is viewed as having motivated European integration. For these six RIAs, economic integration was advanced as a means of spurring economic interdependence. More importantly, there is limited evidence of business groups and other economic actors playing any deciding role in economic integration. Unlike the EU where business groups are said to have influenced state preferences on economic integration, these six RIAs in the developing world do not exhibit robust business lobbying groups or in states where such business groups are in place they have yet to impact government preferences on regional integration.

7.3   NEW INSTITUTIONALISMS IN THE DEVELOPING WORLD: SOME PRELIMINARY OBSERVATIONS

While Mattli (1999) applies his approach to explaining the success (or failure) of regional integration and the above sections summarize some findings on neo-functionalism and liberal intergovernmentalism, there have only been few studies on regional integration in the developing world as analyzed through the lens of new institutionalisms. This section provides some preliminary findings scholars have discussed and potential areas of study for cases yet to be examined using one of the three new institutionalisms. From this section, one should note the influence of states and the limited capacity of these new institutionalisms at explaining the deepening of RIAs in the developing world.

The three new institutionalisms examine how institutions influence politics and have been used to test various aspects of European integration. The first, rational choice institutionalism evaluates institutions as "the formal rules of the game [that] could induce an equilibrium outcome in games that would otherwise be subject to indeterminate 'cycling' among unstable decision" (Pollack 2001). In its application to European integration, Garrett (1992) and others have looked at specific institutions of the European Union and how they have impacted European integration. All the six RIAs evaluated in this chapter have some form of institutional mechanisms that states have specifically created to play some role in the integration process. For instance, MERCOSUR states have only created intergovernmental institutional structures to limit any emergence of supranationality that might weaken the states' control of the integration process.

An application of rational choice institutionalism in African RIAs might begin by looking at the structure of secretariats and how these secretariats are set up to serve the interests of member-states and perpetuate a state-led integration process. The secretariats of COMESA and ECOWAS serve the interests of member-states by ensuring that these respective RIAs function smoothly. Article 19 of the ECOWAS Treaty of 1993 articulates the functions of the secretariat that include " execution of decisions taken by the Authority [of heads of government] and application of the regulations of the Council [of ministers]; . . . promotion of Community development programmes and projects

as well as multinational enterprises of the region; . . . convening as and when necessary meetings of sectoral Ministers to examine sectoral issues which promote the achievement of the objectives of the Community; . . . preparation of draft budgets and programmes of activity of the Community and supervision of their execution upon their approval by Council; . . . [and] preparation of meetings of the Authority and Council as well as meetings of experts and technical commissions and provision of necessary technical services" (ECOWAS Treaty 1993).

For COMESA, the secretariat under the leadership of the secretary general is expected to "service and assist the organs of the Common Market in the performance of their functions; . . . submit reports in consultation with the Intergovernmental Committee on the activities of the Common Market to the Council and the Authority; . . . act as the secretary to the Authority and the Council; . . . .[and] promote the adoption of joint positions by the Member States in multilateral negotiations with third countries or international organisations" (COMESA Treaty 1993).

Through the lens of rational choice institutionalism, the secretariats of COMESA and ECOWAS are designed to further regional integration. However their functions are under the watchful eye of member-states who, in laying out the functions of the two secretariats, ensure that they do not deviate and pursue an agenda independent of what member-states want. Both secretariats have specifically been crafted to enable a process of regional integration that is guided and supervised by member-states.

A second new institutionalisms, sociological institutionalism portrays institutions as encompassing norms and ideas and institutions serving to socialize political actors to behave differently. For instance, Schimmelfennig (2001) argues that the Eastern enlargement of the European Union was primarily due to eastern European states having been socialized to adopt liberal political and economic policies by the EU commission thus enabling these potential members of the EU to collectively identify with EU member-states. Current members were obliged to welcome these eastern states because the Commission argued that was the appropriate act since the EU had previously stated it was "ready to admit any European state that reliably adheres to the liberal norms of domestic and international conducts" (Schimmelfennig 2001).

In a previous chapter, it was discussed that ASEAN integration following the Asian financial crisis has been evaluated through sociological institutionalism. According to Terada (2003), the formation of the East Asian Economic Caucus that inadvertently enlargened ASEAN was due to policy entrepreneurs within ASEAN promoting the notion that the Asian financial crisis was an East Asian problem in need of an East Asian solution. The " Gradual acceptance of the East Asian concept was achieved through the promotion of shared understanding of regional settings and the articulation of a common view of regional problems which capitalize on personal acquaintances among policy leaders" (Terada 2003).

Regional integration in Latin American has sparsely been explained using ideational factors similar to those sociological institutionalism proposes. Using social constructivism, an approach in international relations that is similar to sociological institutionalism, Prieto (2003) and Fabbri (2005) argue that ideational factors can help explain the process of regional integration within CAN and MERCOSUR. Prieto (2003) examines CAN and MERCOSUR in seeking to explain "the engagement of South American states with their current regionalist projects" and argues that states in these two blocs have pursued integration "because they share certain regional collective identities and certain structures of collective knowledge, as well as certain perceptions about each others roles." For CAN, Prieto (2003) finds that

> To a certain extent, history has been used in the Andean region to idealize the integration of countries and people. This is reflected in the views of the Andean General Secretariat [2001] whose vision often refer to integration as a 'historical mandate', and whose official discourse explicitly addresses integration as a means of facing challenges or 'common external threats' such as globalization, the Free Trade Area of the Americas (FTAA) and international economic competition, etc.

For the case of MERCOSUR, Prieto identifies the emergence of democratic governance in the southern cone that served to promote homogeneity among would-be MERCOSUR members. Prieto writes

It is important to emphasise that the democratization processes that occurred in the region during the 1980s contributed to a great extent to the formation of homogeneity and collective identity among the members of Mercosur. As Argentina, Brazil and Uruguay underwent the transition to democracy, active presidential diplomacy led to unprecedented co-ordination of foreign policy. Regional integration was then sought as a political tool to consolidate broader goals aimed at reversing authoritarianism, intraregional antagonism, economic crisis and international marginalization.

For Fabbri's (2005) application of constructivism to MERCOSUR integration, constructivism is viewed as an approach that "can help capture the puzzles surrounding the emergence and evolution of" MERCOSUR. While acknowledging the rapprochement between Argentina and Brazil that ignited regional integration efforts, Fabbri notes that this rapprochement heightened interactions between key actors in these two states and influenced their perceptions regarding their common economic challenges in a globalizing world. "The lessons learned and accumulated by salient actors in Argentina and Brazil from past frustrated regional integration experiences, the growing recognition of the failures of existing national economic policies, as well as the widely shared perception and articulation that with the emergence of a constraining new economic world order there was little room for deviance from external ideational dictates in economic matters all point to the importance of learning" (Fabbri 2005).

The emphasis for Prieto (2003) and Fabbri (2005) is the emergence and propagation of the notion that without regional integration member-states of CAN and MERCOSUR would be more vulnerable in a rapidly globalizing world of the post-Cold War era. Both authors also reiterate the importance of historical learning for key actors in member-states of CAN and MERCOSUR that influenced the pursuit of regional integration following previous failures at regional integration and domestic economic policies. Although not strictly sociological institutionalism, the case studies Prieto and Fabbri discuss provide insights on how ideational factors can influence state decision-makers to pursue regional integration. Both authors note that their ideational take on Latin American integration does not negate the importance of economic/materialist factors: these

factors are conceived of as ideational elements along with other variables that can help explain the emergence of CAN and MERCOSUR.

As the third new institutionalisms, historical institutionalism stresses the importance of history in the process of institutional building and politics. While states might create institutions, these institutions according to historical institutionalism are able to push historical developments along certain paths over others (Pierson 2004). For regional integration arrangements, EU institutions are viewed as acquiring their own independent influence over time due to unintended consequences of previous integration that state actors with short time horizons pushed for (Pierson 1996).

In the developing world, there have been few studies applying historical institutionalism to regional integration processes. ASEAN has received some attention from scholars interested in the applicability of historical institutionalism outside of Europe. Usui (2007) compares the emergence of cooperation in environmental matters in the EU and ASEAN while Stubbs (2008) examines how ASEAN characteristics have come to influence global affairs.

Usui notes that whereas EU was structured around influential institutions that have enhanced environmental governance over time, ASEAN integration has been based on the 'ASEAN Way' that has influenced the emergence of weak environmental governance. Some characteristics of the 'ASEAN Way that include "soft law formulation of common action frameworks; national imple- mentation of ASEAN policy guidelines; non-interference and no compliance procedures" have ensured that internal institutions within ASEAN are weak while the emerging environmental gov- ernance is not as robust as that of the European Union. For Usui, the environmental *acquis* in the making in ASEAN "contextualises control by individual member state governments of institutional development." ASEAN Way's emphasis on soft law enables one to "anticipate the emergence of an *acquis politique*" on environmental governance "which may lead to gradual legalisation, or which may become an entire body of soft commitments that serve as a vehicle of discourse constituting the core values of East Asian open regionalism" (Usui 2007).

In Stubbs' (2008) application of historical institutionalism to ASEAN, he argues that ASEAN's "ideas about how regional and international relations should be conducted that have become

embodied in ASEAN over the last 40 years have slowly emerged as a coherent paradigm . . . [that] offers an alternative to the dominant Western liberal paradigm on which the global order and much of the actions and policies of many of the institutions of 'global' governance are based." These ideas include neutrality, sovereignty, territorial integrity, and equality of nations, peaceful dispute settlement, informal and non-confrontational deliberations among states, and promotion of domestic stability and social harmony that have become institutionalized within ASEAN over time. Stubbs (2008) further argues that the influence of these ideas beyond ASEAN have been due to its enlargement in the 1990s, US hegemony following the end of the Cold War that led to a unipolar system with much of the West appearing "to give some of the key principles in the UN Charter [such as sovereignty, territorial integrity, and equality] short shift" while "ASEAN promoted them as core norms in its approach to regional and international relations", and China's interest in ASEAN. These three events could be evaluated as critical junctures in the historical development of ASEAN norms and their emergent influence on regional and global politics.

While other RIAs in the developing world have yet to be evaluated using historical institutionalism, one might start by examining how historical precedence has influenced the trajectories of these RIAs. For instance, some could argue that India-Pakistan rivalry for regional hegemony in South Asia continues to impact the kinds of regional integration ventures in South Asia. This rivalry, the argument would go, has impacted the kinds of institutional arrangements within SAARC and its delay in embarking on economic integration. Additionally, the argument might mention India's pursuit of BIMSTEC as an alternative RIA it could play a leading role in without facing Pakistan's rival ambitions.

These analyses of RIAs in the developing world using historical institutionalism are interesting and give a glimpse on what factors influence the outcomes of integration in this part of the world. However, there is a lack of agency: since historical precedence influence current political outcomes, the role of political actors is limited to periods of critical junctures. Moreover, variables that might have been influential in ASEAN might not be the same as those that could be plausible for SAARC or other cases of integration, making generalization difficult.

The new institutionalisms offer alternative and plausible approaches to understanding regional integration institutions. As noted in this overview, through these new institutionalisms one is able to understand the workings of institutions and factors that have influenced their emergence and their functioning. However, new institutionalisms do not address in a generalizeable manner the question of explaining the deepening of regional integration arrangement, the main purpose of this dissertation. While states might rationally design institutions to further their interests, or norms and ideas that institutions acquire can influence certain aspects of integration, or the historical development of institutions matter, the question of how these factors influence the deepening of RIAs both in the developed and developing worlds is not fully accounted for in the new institutionalisms.

7.4 European Theories and Regional Integration in the Developing World: Lessons for an Alternative Approach

The purpose of this chapter has been to apply some of the theoretical approaches discussed in the literature review of this dissertation to select cases of regional integration in the developing world. From these brief narratives, several observations can be made regarding explaining the deepening of RIAs in the developing world. First, in the applications of neo-functionalism, liberal intergovernmentalism, and the new institutionalisms one is able to observe that states have dominated regional integration politics in the six RIAs examined in this chapter. While there are some RIAs with various institutions, these institutions are not independent and influential in driving the integration process without the approval of governments of member-states. Secondly, the input of transnational and domestic economic actors such as business lobby groups is highly limited in the six RIAs observed. For neo-functionalism and liberal intergovernmentalism, these domestic and transnational actors are said to be key at initiating the process of spillover and swaying government preferences on regional integration. Third, economic interdependence does not appear to have preceded regional integration. In the six RIAs discussed, regional economic integration was pursued to increase intra-regional trade and not to manage already increasing trade levels.

These three observations point to the crucial role of states in the integration process and therefore the need to account for state actions when explaining the deepening of RIAs. States make foreign policy decisions that can impact their level of commitment to regional integration arrangements and in the process not only influence the kinds of institutions that emerge within specific RIAs, but also the evolution of these RIAs into deeper or shallower arrangements. This aspect of commitment in the form of membership portfolios of states and RIAs has not been fully addressed by the approaches applied in this chapter. The theoretical approach this dissertation proposes and contributes to the study of regional integration focuses on these membership portfolios in the form of the membership size of RIAs and overlapping memberships in multiple RIAs. This framework not only accounts for the state-centric nature of regional integration in the developing world, but also state action that can implicitly impact the kinds of institutions that emerge from regional integration and what influence such institutions might have on the process of regional integration itself.

While acknowledging the in depth and plausible explanations of these alternative explanations to regional integration, they do not fully examine factors that are specific to the developing world. Indeed, the six RIAs discussed in this chapter do not have some of the attributes that neo-functionalism or liberal intergovernmentalism rely on as key variables of explaining regional integration in Europe. Perhaps the limited presence of these attributes such as supranational institutions and strong economic lobbying groups might explain the shallowness of several of these RIAs. Yet, we are still able to observe some of these RIAs like MERCOSUR and CAN attaining deeper levels of economic integration. These two theoretical approaches of European integration do not adequately explain why this has come about for some of these RIAs. It is more plausible to focus on factors that are specific to developing states that could be influencing the evolutions of these RIAs to deeper levels of economic integration. One of these factors is concerned with the state-centric characteristic of RIAs in the developing world. Since states have dominated regional integration in the developing world, a theoretical framework for explaining the deepening of these RIAs should account for the role and actions of states. This dissertation has specifically built a theoretical frame-

work that addresses this characteristic of RIAs in the developing world that theoretical approaches applied to the European Union have not adequately accounted for.

CHAPTER 8

CONCLUSION: THE FUTURE OF REGIONAL INTEGRATION IN THE DEVELOPING WORLD

Regional integration continues to persist in the developing world. Some of the RIAs examined in this dissertation have widened membership while others have deepened their levels of integration. For example, Latin America's two main RIAs, CAN and MERCOSUR, commenced plans to merge in 2008 to form a European Union-like RIA encompassing the entire South American landmass. Three main RIAs in eastern and southern Africa, COMESA, EAC, and SADC, initiated negotiations in 2008 to form a free trade area encompassing the three RIAs as a means of mitigating the negative effects of overlapping memberships. Another development has been north-south trade arrangements linking developing and developed economies. Since 2000 the European Union has been pushing for economic partnership agreements, free trade arrangements between the EU and RIAs involving African, Caribbean, and Pacific states. The EU is also negotiating free trade agreements with other RIAs in the developing world including ASEAN, CAN, and MERCOSUR.

The persistence of regional integration moreover, continues to accompany multilateral efforts are trade and economic liberalization. As the current Doha Round on trade liberalization under the auspices of the World Trade Organization continue to stall, regional integration may be viewed as one means of circumventing the uncertainties that multilateral talks present. Moreover, rising numbers of bilateral trade agreements (BTAs) has also accompanied these stalled global trade talks. The WTOs RTA database shows BTAs outnumbering plurilateral RTAs, essentially complicating the web of trade relations among states. For example, following the failure of talks on the Free Trade Area of the Americas, the United States negotiated and concluded BTAs with states in Central America, Chile, Colombia. RIAs such as the EU also have concluded a series of BTAs with other states including Chile, Mexico, Turkey, and South Africa. While these bilateral and regional

economic integration efforts present a challenge for the WTO, their prevalence and persistence warrants further empirical study to gain a better understanding on what these developments mean for the global political economy.

In direct contrast to key explanations of the deepening of regional integration arrangements such as neo-functionalism, liberal intergovernmentalism, and demand-supply arguments to integration, this dissertation has built a theoretical framework that insists on the top-down characteristic of regional integration politics in the developing world. Focusing on membership factors, I have argued that these factors affect states' levels of commitment and propensity to agree on deeper levels of economic cooperation within RIAs. To more rigorously provide an account of regional integration in the developing world, this project has focused on a common goal of most RIAs, the evolution of economic integration into deeper levels of cooperation.

First, I have argued that the membership size of RIAs in the developing world is detrimental to deeper economic integration. Following the breadth-depth trade-off logic, this proposition speculates that an RIA's membership size increases the extent of heterogeneity of member-states' preferences, heightens the costs of using side-payments, and exacerbate collective action problems that limit enforcement of RIA rules and obligations. These three factors then negatively impact the likelihood of deepening of RIAs.

Second, I hypothesized that overlapping memberships negatively affects the deepening of RIAs. I argued that the extent of overlapping memberships results in split loyalties on the part of member-states, introduces implementation complexities on RIA obligations, and limits the returns of economic integration. These three factors combine to negatively affect the deepening of RIAs in the developing world.

To test these two hypotheses, I used both quantitative and qualitative methods. In the quantitative analysis, I constructed original measures of several of the key variables including depth of economic integration and overlapping memberships for 22 RIAs drawn from the developing world. The quantitative analysis focused on the RIA as the unit of analysis, requiring the coding of several control variables to fit with this level. Using different model specifications and accounting

for the temporal dependence of the deepening of RIAs, I find support for the two hypotheses this dissertation raises. However, there is stronger support for the second hypothesis on overlapping memberships using both ordinal and multinomial logistic regressions. There is a negative relationship between overlapping memberships and the depth of RIAs analyzed in this dissertation. These results are corroborated using an alternative measure of integration depth that Genna (2002) developed. The hypothesis on membership size is statistically significant in the multinomial regression models, especially in deepening shifts from no economic cooperation to higher levels of integration.

To corroborate the quantitative findings, I also provide some qualitative evidence that map out the causal mechanism on how membership size and overlapping memberships would negatively impact the deepening of economic integration. Using several of the 22 RIAs analyzed in the quantitative chapter, I show how membership size has negatively hampered deepening efforts of several of these 22 RIAs. From the sample, the large RIAs such as COMESA, ECOWAS, and PAFTA have attained shallow levels of economic integration while the 'smaller' RIAs like MERCOSUR, EAC, and GCC have attained relatively deeper levels of economic integration.

Qualitative evidence is also provided for how overlapping memberships impacts the deepening of RIAs in the developing world. Economists and policy practitioners have continuously noted the adverse effects of overlapping memberships particularly for RIAs in sub-Saharan Africa and Asia where this phenomenon is prevalent. Using narratives summarizing the works of these economists and policy practitioners and some statistical analysis, I am able to show the causal link between overlapping memberships and its impact on the deepening of RIAs.

Moreover, an additional qualitative chapter on the applicability of other theoretical approaches used to explain European integration is included. In this chapter, I find that the two major theoretical school of European integration, neo-functionalism and liberal intergovernmentalism, are not suited at accounting for the process of regional integration in six of the 22 RIAs under investigation in this dissertation. Liberal intergovernmentalism comes close, as one is able to note the state-centric nature of regional integration in the developing world. A look at the new institu-

tionalisms also reveals that while its insights are plausible and interesting, its generalizeability is questionable. This overview points to the need for a theoretical approach that takes into account the state-centric characteristic and its impact on commitment levels of states engaged in regional integration.

The findings of this dissertation suggest that governments of states dominate regional integration in many developing states. However, these findings should not lead one to conclude that 'liberal' forces are not present in developing states: one observation in the overview of neo-functionalism and liberal intergovernmentalism is the presence of business and other economic actors who seek to lobby governments on economic integration. Although these domestic pressure groups are weak and their impact on government preferences is not strong, the fact that they exist and have continued to seek some influence on regional integration suggests that in the future such groups might have an even stronger impact on regional integration than we have seen in the past.

In their examination of comparative regionalism, Lombaerde, Soderbaum, Langenhove, and Baert (2010) note several problems including euro-centricism of integration theorizing and empirical methodology. This dissertation has not only revisited the dominant EU theories of integration to provide some evidence on their difficulty at explaining the deepening aspect of regional integration, it has also proposed a theoretical framework that accounts for factors prevalent in the developing world. Moreover, through developing measures of depth of economic integration, this dissertation has facilitated more rigorous comparisons of RIAs in the developing world. Indeed, this project has used both quantitative and qualitative methods to address the question of how and why membership factors should negatively impact the deepening of economic integration. This study is therefore in line with recommendation that Lombaerde et al (2010) suggest on comparing regional integration.

Although this dissertation has examined the question of what influences the deepening of RIAs in the developing world, another important question is whether regional economic integration is beneficial for developing states. With some of these RIAs having relatively low intra-regional trade, should developing states continue to pursue regional integration? Examining the effect of regional

integration on economic growth among developing states, Vamvakidis (1998) finds that "trade agreements between developing countries and large and more developed countries may lead to faster growth" for developing countries. On a related area of research, Velde and Bezemer (2006) find that regional integration in the developing world is not significantly associated with the inward flow of foreign direct investments; although states that are members of RIAs with more trade and investment provisions and those that are in RIAs with larger and more developed economies are more likely to increase the inflow of investments. In noting that FDI inflow increases when a state is part of RIAs with more provisions on trade and investments, Velde and Bezemer's assessment is corroborated in Buthe and Milner's (2008) work on FDI inflow and PTA/FTA membership among developing states. For Buthe and Milner, membership in PTAs/FTAs have requirements that can serve as commitment guarantees for potential investors and in the process facilitate the attraction of investments to developing states.

These findings suggest that RIAs are indeed necessary for developing states, but some caveats might be necessary to make them more effective at promoting economic development. RIAs that include at least one large economy are more likely to generate benefits for other member-states especially through trade opportunities. This observation rules out any expectation of benefits from RIAs such as CEPGL that involves Burundi, D. R. Congo, and Rwanda. Moreover, one may also expect based on the findings summarized above the potential for north-south trade arrangements such as those the EU is negotiating with African, Caribbean, and Pacific states. Since many developing states conduct trade with western and other developed economies, trade and economic liberalization arrangements linking these two groups of states might also serve to increase benefits through trade. Ultimately however, the level of institutionalization within RIAs appears to be crucial if RIAs involving developing states seek to attract foreign investments. Deeper RIAs are usually the ones that include provisions on trade and economic liberalization that potential investors might find attractive. The EU's promotion of these economic partnership agreements with RIAs involving African, Caribbean, and Pacific states might have a long-term positive impact on the

institutionalization and depth of these RIAs and in the process make these RIAs and their constituent states more attractive to investors.

By examining regionalism in the developing world, this dissertation has sought to demonstrate the resilience of these arrangements and factors that influence their evolution to deeper cooperation initiatives. Theoretically, this project has expanded knowledge on regional integration in the developing world through evaluating existing theoretical approaches and proposing and testing a unique framework that takes into consideration characteristics of RIAs in the developing world. The study of regional integration, especially discussions on what drives the deepening of regional integration has been dominated by studies on European integration. This dissertation takes a major step in line with the work of Mattli (1999) to examine and explain the deepening of RIAs in the developing world. The empirical evaluation of 22 RIAs that encompass a majority of developing states sheds light on dynamics that have been going on for years but had yet to be fully evaluated in political science research.

This dissertation's findings moreover, yield important policy implications if regional integration is to be beneficial for developing states. First, there is need for rationalization of overlapping memberships. From the quantitative and the qualitative findings, it is clear that overlapping memberships discourage the deepening of RIAs in the developing world. While not all states prefer deeper and more demanding RIAs that leads them to pursue various RIAs simultaneously, the act of overlapping memberships complicates trade regimes that RIAs establish leading to less benefits accrued due to regional integration. Moreover, overlapping memberships makes it difficult for states to conclude RIA-to-RIA arrangements similar to those the EU is negotiating with several developing states that might be even more beneficial. The approach that states in eastern and southern Africa are attempting to establish links between COMESA, EAC, and SADC appears promising at limiting the adverse effects of overlapping memberships on trade and the deepening the respective RIAs.

Secondly, there is need for more emphasis on institutionalizing RIA rules and obligations. While most of these RIAs have treaties and protocols calling for the reduction and elimination of

trade tariffs among other economic liberalization requirements, some member-states do not adhere to these requirements. This reneging act of some member-states adversely impacts the gains from regional integration and the future willingness of other member-states to commit to deepening economic integration. There is therefore need for strengthening secretariats of these RIAs in order to enable them to monitor states' behavior and fully enforce the rules and obligations of RIAs. Genna's (2002) integration achievement score data points out that CAN scores highly on economic integration. CAN's high rating on economic integration is further supported by its high score on political integration that captures the level of institutionalization within the RIA. In the seventh chapter, it was noted that CAN is one of the few RIAs that has established various relatively powerful institutions that monitor integration. While not advocating for supranationalism, this dissertation sees some empowerment of RIA institutions as necessary for availing economic benefits to constituent states.

Thirdly, while encouraging developing states to pursue regional integration arrangements with some having goals for deepening cooperation, these RIAs should not impede global economic liberalization efforts. Developing states would be worse off if they pursue RIAs that encourage intra-regional economic exchanges while discouraging extra-regional ties. Bergsten (1997) refers to this balance of regional and multilateral liberalization as 'open regionalism' and notes that it is "an effort to resolve one of the central problems of contemporary trade policy: how to achieve compatibility between the explosion of regional trading arrangements around the world and the global trading system as embodied in the World Trade Organization." Open regionalism would entail formation of RIAs with weak membership admission requirements, which could in the long term inhibit deepening economic integration. A compromise approach would be establishment of RIAs with deepening goals and encouraging RIA-to-RIA links such as those pointed out at the beginning of this chapter. For instance, the EU has attained deep and highly institutionalized levels of economic integration while MERCOSUR and ASEAN have similar goals of attaining common market status in the future. EU as a bloc has been negotiating free trade agreements with MERCOSUR and ASEAN and these negotiations are in advanced stages. An eventual EU-

MERCOSUR and/or EU-ASEAN free trade area not only extents the web of trade liberalization in line with the goals of the WTO but also provides additional incentives for these RIAs to deepen their integration levels. The eventual goal of the EU-initiated economic partnership agreements with RIAs in the developing states should be similar to this.

As trade and economic interdependence pervade the current international political economy, developing states have sought regionalism as a means of facilitating their integration into the global economy and accruing benefits from it. This dissertation project has sought to examine how membership factors influence the evolution of regional integration arrangements in the developing world to deeper levels of economic integration. Theoretically and empirically, I have found that these membership factors impact the deepening of regional integration and thus developing states need to address them, especially overlapping members, if their goal is deeper and more institution-alized regional integration arrangements. While not endorsing deeper economic integration per se, the findings of this dissertation shed some light on a policy area under the scope of governments that can facilitate economically beneficial regional integration for developing states in a rapidly globalizing world.

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RIAS IN QUANTITATIVE ANALYSES

The quantitative Analyses chapter tests the argument proposed in this dissertation by observing the evolution of 23 Regional Integration Arrangements in the developing world. These RIAs vary in terms of year of founding, number of members, and depth of cooperation. This appendix briefly outlines their histories to enable the reader have some understanding of these RIAs.

A.1 ANDEAN COMMUNITY (CAN)

The Andean Community (CAN) was formed in 1969 by Bolivia, Chile (who exited in 1973), Colombia, Ecuador, and Peru. Venezuela joined CAN in 1973, but exited in 2006. Although founded in 1969, CAN began to economically integrate in 1990 with an agreement to commence a free trade area signed in 1990 and a common external tariff approved in 1995. CAN attained complete FTA status in 2006. However, its common external tariff is not comprehensive making it an FTA with a partial CET.

The rejuvenation of integration efforts in the 1990s and 2000s have also be accompanied by economic cooperation agreements between CAN and third party states. These include negotiations with MERCOSUR states to commence a CAN-MERCOSUR free trade area in 2001, a cooperation agreement with the European Union in 2003 and 2007, and a cooperation agreement with the Central American Common Market in 2004. For more information visit http://www.comunidadandina.org.

A.2 Arab Maghreb Union (AMU)

The Arab Maghreb Union was formed in 1989 by Algeria, Libya, Mauritania, Morocco, and Tunisia with the goal of establishing a common market. Currently, economic integration efforts have stagnated. For more information visit http://www.maghrebarabe.org/en/.

A.3 Association of SouthEast Asian Nations (ASEAN)

The Association of SouthEast Asian Nations was founded in 1967 by Indonesia, Malaysia, The Philippines, Singapore, and Thailand. Brunei (1984), Vietnam (1995), Laos (1997), Myanmar (1997), and Cambodia (1999) joined later. Economic integration efforts began in 1976 following an accord that initiated a preferential trading area. Further trade liberalization took place in 1987 and 1992 that resulted in lower tariffs. 1992 also marked to commenced of efforts towards attaining a free trade area of ASEAN states. While a majority of states have already met their obligations with regard to the FTA, others have not making ASEAN a partial free trade area.

Externally, ASEAN has formed economic links with other states including China (2002, 2004), New Zealand and Australia (2002, 2009), Japan (2003, 2008), India (2003, 2008), and South Korea (2005, 2007). More information on ASEAN can be found at http://www.aseansec.org/.

A.4 Asia Pacific Trade Agreement (APTA)

The Asia Pacific Trade Agreement was found in 1975 by Bangladesh, India, South Korea, Laos, and Sri Lanka. China joined in 2001. APTA is managed by the UN Economic and Social Commission for Asia and the Pacific. APTA aims to promote intra-regional trade among member-states. Currently, APTA is a preferential trade agreement. It is unclear whether APTA seeks to further economic integration although concessions among member-states to facilitate trade are still going on. More information on APTA can be found at http://www.unescap.org/tid/apta.asp.

A.5   Economic and Monetary Community of Central Africa (CEMAC)

The Economic and Monetary Community of Central Africa was established in 1964 as the Central African Customs and Economic Union (UDEAC) by Cameroon, Central African Republic, Chad, Congo, and Gabon. Equatorial Guinea joined in 1983. Although UDEAC had attained high levels of economic integration due in part to its colonial past, integration reversed in the 1970s and 1980s. It was not until 1993 that integration restarted with the adoption of a new free trade agreement and later in 1994 a new common external tariff. CEMAC was officially launched in 1999 making it an customs union with a common currency, the CFA Franc pegged to the Euro. For more information go to http://www.cemac.int/.

A.6   Central American Common Market (CACM)

The Central American Common Market was founded in 1961 by El Salvador, Guatemala, and Nicaragua. Honduras and Costa Rica joined in 1962. CACM was initially founded as a free trade area with a common external tariff that had some exceptions. However, in the 1970s, due in part to the Soccer War between Honduras and El Salvador, among other conflicts, integration declined. These conflicts led to the brief withdrawal of both El Salvador and Honduras from CACM. Economic integration efforts resumed in the 1990s a decade after these two states rejoined CACM. CACM forms part of the Central American Integration System (SICA) as its economic integration branch. Throughout the 1990s, CACM made efforts towards reestablishing the free trade area, adopting a common external tariff, and harmonizing customs.

CACM's restart of integration has been accompanied by economic links with other states. Most CACM members are also part of the DR-CAFTA with the United States. CACM maintains a free trade agreement with the Dominican Republic and Chile and has s cooperation agreement with the European Union. More information is available at http://www.sieca.int/.

A.7   ECONOMIC COMMUNITY OF THE GREAT LAKES COUNTRIES (CEPGL)

The Economic Community of the Great Lakes Countries was founded in 1976 by Burundi, the Democratic Republic of the Congo, and Rwanda with the objective of deeper economic integration. Integration has failed to progress mainly due to civil conflicts in the three member-states. Efforts to revive CEPGL began in 2007, although not much hast taken place since then.

A.8   COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

The Common Market for Eastern and Southern Africa was founded as the Preferential Trade Area of Eastern and Southern Africa (PTA) in 1981 by Angola, Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. While Namibia (1991), Eritrea (1994), Egypt (1999), Seychelles (2001), and Libya (2004) joined later, several founding and later member-states including Lesotho (1997), Mozambique (1998), Tanzania (2001), Namibia (2004), and Angola (2007) exited this bloc.

PTA became COMESA in 1994 following a framework outline the objective of member-states to attain a common market and a common currency in the future. The first major step towards this direction occurred in 2001 when 9 of the member-states signed the free trade agreement of COMESA. Two other states joined the FTA in 2004 making COMESA a partial FTA. More information is available at http://www.comesa.int/.

A.9   EAST AFRICAN COMMUNITY (EAC)

The East African Community is a continuation of colonial era economic integration of Kenya, Uganda, and Tanzania that in the post-colonial period was reestablished in 1967. As a holdover of the colonialism, EAC had attained deep levels of economic integration that included a common market and a common currency, although by the time of the 1967 agreement the common currency had been disbanded. EAC lasted 10 years, effectively ending in 1977.

East African integration was revived in the 1990s following efforts of reigniting economic integration among the three previous member-state. EACII was formally established in 2000 with an agreement stipulating deeper economic integration from a customs union to a political federation. In 2004, the customs union protocol of the EACII was signed. Burundi and Rwanda joined EACII in 2007. In 2010, the five member-states finalized their common market agreement that is still in the implementation stage. For more information visit http://www.eac.int/.

A.10 ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

The Economic Community of West African States as established in 1975 by Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria. Senegal, Sierra Leone, and Togo. Mauritania exited in 1999. While the goal of ECOWAS is a EU-style economic bloc, integration efforts have progressed slowly. Trade liberalization efforts effectively began in 1990 with the objective of establishing a customs union by 2000. However, a customs union has yet to be unveiled. ECOWAS has made progress in security cooperation having established and deployed a peace-keeping force to quell civil disputes in several member-states. More information is available at http://www.ecowas.int/.

A.11 LATIN AMERICAN INTEGRATION ASSOCIATION (LAIA)

The Latin American Integration Association was founded in 1960 as the Latin American Free Trade Association (LAFTA) by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. Ecuador and Colombia joined in 1961 while Venezuela in 1966 and Bolivia in 1967. The goal was the establishment of a common market. However, stagnation in the 1970s led to the reshuffling of LAFTA into LAIA in 1980. LAIA was to be a more flexible arrangement to liberalize regional trade. Interestingly, members of the Andean Community and the Common Market of the South are also the members of LAIA. For more information visit http://www.aladi.org/.

A.12 COMMON MARKET OF THE SOUTH (MERCOSUR)

The Common Market of the South was founded in 1991 by Argentina, Brazil, Paraguay, and Uruguay with the aim of establishing a common market among these member-states. MERCOSUR concluded a free trade agreement in 1994 and began to partially implement a customs union agreement in 1995. Its external economic relations include a free trade agreement with Chile (1996), a free trade agreement with the Andean Community (1997), and a preferential trade agreement with India (2009). More information is available at http://www.mercosur.int/.

A.13 SOUTH ASIAN ASSOCIATION OF REGIONAL COOPERATION (SAARC)

The South Asian Association for Regional Cooperation was founded in 1985 by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined in 2007. SAARC seeks to economically integrate member-states through trade liberalization. The first indication of this was a preferential trade agreement that came into force in 1996. In 2006, SAARC states sign a free trade agreement. For more information, visit http://www.saarc-sec.org/.

A.14 SOUTHERN AFRICA DEVELOPMENT COMMUNITY (SADC)

The Southern Africa Development Community was established in 1992 to replace the Southern Africa Development Coordination Conference (SADCC) that had been established as a regional organization in 1980. SADC was to be an economic arrangement geared towards trade liberalization. SADC's original members include Angola, Botswana, Lesotho, Malawi, Swaziland, Tanzania, Zambia, and Zimbabwe. Namibia joined following its independence in 1990 while South Africa (1994), Mauritius (1995), Seychelles (1997) and the Democratic Republic of Congo (1997) joined in the mid to late 1990s.

In its quest for economic integration, SADC signed a trade protocol outlining its goal for a free trade area in 1996. The SADC trade protocol began to be implemented in 2000. In 2008, SADC was a free trade area. More information is available at http://www.sadc.int/.

A.15 WEST AFRICAN ECONOMIC AND MONETARY UNION (UEMOA)

The West African Economic and Monetary Union was founded in 1994 by Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal, and Togo. Guinea-Bissau joined in 1997. Prior to UEMOA's creation, member-states were part of the West African CFA franc zone, effectively sharing a common currency. UEMOA aims at economic integration through trade while still maintaining the CFA franc pegged to the Euro. By 2000, UEMOA was a partial free trade area with a common external tariff. More information is available at http://www.uemoa.int/.

A.16 ECONOMIC COMMUNITY OF CENTRAL AFRICAN STATES (ECCAS)

The Economic Community of of Central African States was formed by members of CEMAC, CEPGL, and Sao Tome and Principe in 1983 with the aim of pursuing economic and monetary integration. Angola joined in 1999. ECCAS' integration efforts have stagnated following its founding. More information is available at http://www.africa-union.org/root/au/recs/eccas.htm.

A.17 GULF COOPERATION COUNCIL (GCC)

The Gulf Cooperation Council was established in 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates as a free trade area. GCC's goal is trade and monetary integration. Following years of stagnation, GCC signed a customs union agreement in 2001 and formally implemented it in 2003. In 2008, GCC began to implement a common market agreement. Visit the following link for more information http://www.gcc-sg.org/.

A.18 COMMUNITY OF SAHEL-SAHARAN STATES (CEN-SAD)

The Community of Sahel-Saharan States was founded in 1997 by Burkina Faso, Chad, Libya, Mali, and Niger. Other states joined later including Central African Republic (1998), Eritrea (1999), Djibouti (2000), The Gambia (2000), Senegal (2000), Egypt (2001), Nigeria (2001), Somalia (2001), Tunisia (2001), Benin (2002), Togo (2002), Guinea-Bissau (2004), Cote d'Ivoire

(2004), Liberia (2004), Ghana (2005), Sierra Leone (2005), Comoros (2007), Guinea (2007), Kenya (2008), Mauritania (2008), and Sao Tome and Principe (2008). Although the aim is economic integration, no steps have been taken in this direction. More information on CEN-SAD can be found at http://www.cen-sad.org/.

A.19 PAN ARAB FREE TRADE AREA (PAFTA)

The Pan Arab Free Trade Area is the Arab League's arm for economic cooperation. It was established in 1981 by Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen. PAFTA aims to economically integrate member-states through trade liberalization. Following over a decade of no progress, PAFTA states agreed in 1997 to expedite the creation of a free trade area in 10 years. In 2008, gradual elimination of tariffs commenced. However, there is no indication that a free trade area has been attained.

A.20 MANU RIVER UNION (MRU)

The Manu River Union was formed in 1973 by Liberia and Sierra Leone with the goal of pursuing economic integration through trade liberalization. Guinea joined MRU in 1980. Although its first decade was characterized by major strides in trade liberalization, MRU began to decline between the 1990s and 2000s largely due to the civil wars that plunged the three member-states into chaos. In 2004, members of MRU decided to revive the organization. Cote d'Ivoire joined in 2008, however there is no indication that the rejuvenation efforts are resulting in renewed efforts to liberalize trade among the four members.

A.21 ECONOMIC COOPERATION ORGANIZATION (ECO)

The economic Cooperation Organization was founded in 1985 as a venture to liberalize trade between Iran, Pakistan, and Turkey. Former Soviet Republics of Azerbaijan, Kazakhstan, Kyr-

gyzstan, Tajikistan, Turkmenistan, and Uzbekistan and Afghanistan joined in 1992. Liberalization efforts began in 1995 resulting in the establishment of a preferential trade area in 2003. More information on ECO is available at http://www.ecosecretariat.org/.

A.22 Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation (BIMSTEC)

The Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation was formed in 1997 by Bangladesh, India, Sri Lanka, and Thailand. Myanmar (1998), Nepal (2003), and Bhutan (2003) joined later. With the goal of economic cooperation, BIMSTEC countries signed a free trade agreement in 2004 that commenced the gradual elimination of trade tariffs. More information is available at http://www.bimstec.org/.