

# Southern (Dis)Comfort: SADC, MERCOSUR and ASEAN as Three Approaches on Regional Integration

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Leticia C. Simões (Leticia.simoes@uol.com.br)  
Wellington D. Amorim (wda3059@gmail.com)\_  
Guilherme M. Dias (diasgm@gmail.com)  
Patricia N. Carvalho (patinasser@yahoo.com.br)

Regional integration has European Union as its model and as such, it has been intensively studied. Nevertheless, comparative analysis about integration processes regarding developing countries are scarce. This study aims to focus on SADC, MERCOSUR and ASEAN - all of them with more than twenty years since their formation - and also on the development the blocs brought so far to each region. Aggarwal and Koo's model of strength and scope, along with his institutional game approach and the economic analysis of interregional trade and investments, will be used as the basic methodological tool to our study.

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The purpose of the present paper is to analyze three integration processes, encompassing developing countries. As to regional integration, the most widely known, as well as analyzed, is the European Union process. In fact, it serves as a benchmark for most studies.

Nevertheless, this poses a problem for analyzing other processes. After all, when the European integration started, with Benelux, and afterwards including France, (then) West Germany and Italy, the six countries were already considered as developed ones, in economic terms. As to Southeast Asia, South America and South African regions, the same can't be said when their integration processes started. In fact, after at least two decades, most of the countries of ASEAN, MERCOSUR and SADC are still viewed as developing.

Therefore, it's not so easy to pick the evaluating tools to measure the degree of success in those integration processes; models rooted in the European experience can easily lead to misinterpretations.

This paper starts with the theoretical approach devised by Aggarwal & Koo (2008) in order to analyze institutional arrangements in Asia (2008, pp. 13-14). Then, in the three following parts, the information about ASEAN is updated, the model is applied to MERCOSUR and then to SADC. The fifth part summarizes the conclusions.

## **1. Theoretical approach**

Aggarwal & Koo (2008) classify the institutional arrangements in terms of their membership, their *strength* and their *scope*.<sup>1</sup> *Strength* is defined as “the precision and obligation of rules” (ibidem, p. 13). For example, while the European integration process is made up by ‘a wide set of specific and binding rules’, ASEAN's could be

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<sup>1</sup>Aggarwal & Dupont (2008, p.85), instead of the term strength, apply “the stringency for their rules (the degree to which they constrain state behavior)”. They also include in their analysis “the extent of delegation of power from member states to institutional bodies and the centralization of tasks within the institution”. In this paper, since it's a first step in a comparative analysis, Aggarwal and Koo's simpler approach will be applied instead of Aggarwal and Dupont's.

described as a set of “declarations, intentions and voluntary commitments” (ibidem, p.13). In fact, the so-called “ASEAN way” and MERCOSUR “democracy clause” helps explaining both institutions contrasting approaches as to the recent Thailand military coup and in Paraguay’s impeachment of then President Lugo.

*Scope* is defined as “issue coverage”, that is, if the arrangement has its focus primarily in a single area (as economic integration) or a broad one (economic integration, security, environmental issues, etc.). A wider *scope* (if associated with a great dose of *strength*, in terms of “issues linkage”) can enforce agreements.

Regarding ASEAN, MERCOSUR and SADC, we will give an overview of each integration process and apply Aggarwal and Koo’s model. Comparing the different outcomes, some conclusions can be obtained in order to point at least some issues which determine the success or failure of an integration process among developing countries.

## 2. ASEAN

The Association of Southeast Asian Nations (ASEAN) does not represent the first attempt to reunite the region. It started by the end of 1940s and early 1950s, with decolonization and the automatically increase of nationalisms<sup>2</sup> and also with the spread of Cold War dispute in Southeast Asia, a region that seemed conducive to the search for areas of influence. But the same Cold War that encouraged nationalism also inspired 'regional' arrangements as the Bandung Conference<sup>3</sup> in 1955 seen as a

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2 Philippines was the first country to have the independence accepted by its metropolis – the US – during the post World War II, in 1946. Shortly after, Myanmar (1948), Indonesia and Laos (1949), Cambodia (1953), Vietnam (1954), Malaysia (1957) - Sabah and Sarawak in 1963 – Singapore (1959) also reached the independence. The exceptions are Brunei, a sultanate that only in 1984 was no longer considered as a British protectorate. The other is Thailand, one of the few countries that wasn’t turned to a western colony, what didn’t save it from the weakening and declining in its sovereignty in 1945 due to attacks on French and British territories in Asia during World War II. (TURNBULL, 1999)

3 Bandung was not the only move that complemented the idea of rapprochement and solidarity between countries, but the latent nationalisms made it more difficult during those years. Contradicting the conflicts and rivalries derived of the post-decolonization latent nationalisms, in 1961 was created the Association of Southeast Asia (ASA) initially formed by Thailand, the Philippines and Malaysian Federation. In 1963 - the same year that Malaya became Malaysia Federation - starting from the same spirit of cooperation

movement of solidarity among the countries of the Third Way, and considered "later as *primus inter pares* for the ASEAN" (TURNBULL, 1999, p. 594).

It took more than political arrangements among the countries to build an association that gathered them. The rival nationalisms of newly independent nations still had a strong presence. In this moment, regionalism and nationalism were placed on opposite sides. It was necessary to create links could bind regionalism to nationalism. Therefore, ideas of self-determination, national consolidation and non-intervention, in other words, ideas of national stability - allied to the ideas of unity, solidarity and regional organization were taken into consideration (BA, 2009). Those ideas formed the basis for the so called ASEAN-Way<sup>4</sup>, an informal set of rules that guides the association since its beginning.

Created on August 8th 1967 by the Declaration of Bangkok signed by Thailand, Indonesia, Malaysia, Philippines and Singapore, ASEAN had as its priorities the members' reconciliation from recent conflicts as a way to restore the confidence among those states (TURNBULL, 1999) and to protect the sovereignty of each member state (SIMON, 2008). Its member also had, at the time of ASEAN creation, very similar design as countries: they were anticommunists and they gathered moved by the fear of an aggressive and imperialistic reaction from North Vietnam and Communist China to the region; they had governments with open economies, but tending to authoritarianism; and they sought above all to promote and expand trade within ASEAN and outside the region as a tactic to develop individual countries and the region as a whole (TURNBULL, 1999).

The end of the Cold War brought a new boost to ASEAN. With the end of ideological struggle, and the emergence of the U.S. as the new power, the association could focus on other objectives than on defense and sovereignty of its member states against the communist threat. It was also during the 1990s that ASEAN has increased its

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and seeking rapprochement was created the Maphilindo, whose members were Philippines, Indonesia and Malaysia.(TURNBULL, 1999) Both ASA and Maphilindo failed in keeping its members together: the first weakened due to the lack of relations between Philippines and Malaysia and the second couldn't accommodate old rivalries from two of its members (The Malaysian Federation and Sukarno's Indonesia).  
4The set of ASEAN rules known as the ASEAN-Way according to Jürgen Haacke (2005), can be summarized in six basic informal 'laws': "sovereign equality; the non-recourse to the use of force and the peaceful settlement of conflict; non-interference and non-intervention; the non-involvement of ASEAN to address unresolved bilateral conflict between members; quiet diplomacy; and mutual respect and tolerance." (HAACKE ,2005, p.1)

scope and strength by horizontal expansion throughout the decade, and a series of new arrangements, commitments and declarations signed.<sup>5</sup> (BA, 2009)

After the entry of Brunei on the bloc in 1984, ASEAN has opened up to new members from 1995 to 1999, with the desire to actually represent the region of Southeast Asia. Vietnam was, in 1995, the first country to join the ASEAN in the post Cold War. Two years later, in 1997, Laos and Myanmar also joined the bloc and in 1999 its latest member was added, Cambodia, equally important to the concept of Southeast Asia that the organization sought to create.

But even before the end of the Cold War, considered as a turning point for ASEAN<sup>6</sup>, the association had already started widening its strength and scope not only by increasing the numbers of arrangements, declarations, meetings and treaties it signed but also broadening the sphere of its agency.

In 1971 it was signed by all founding members the ZOPFAN (Zone of Peace, Freedom and Neutrality) as a way to make the members believe that despite the differences they had a lot in common. The instructions that came out of that reunion became key-concepts to ASEAN (BA, 2009). In 1976, ASEAN created the Treaty of Amity and Cooperation (TAC) initially as a legal code to link some friendly inter-state conduct that later become a document that would give to other countries in the region access to the Association, and in the late 1980s had some amendments to also suit to countries outside of Southeast Asia that also wanted to have relations with it.

Also in 1976 during the Bali Summit, the Declaration of ASEAN Concord (DAC) was also signed and it had the role “to consolidate the achievements of ASEAN and expand ASEAN cooperation in the economic, social and political fields.”<sup>7</sup> The guidelines of 1976’s DAC inspired the 2003’s DAC II, signed by all ten members. It launched the basis for the creation of the three ASEAN Communities: Political-Security, Economic and Socio-Cultural, a sign of scope and strength increase for an

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5 The region of East Asia experienced a time of great economic growth and rapid industrialization that began about a decade after the end of World War II, but reached its peak in the late 1980s and early 1990s with Japan and the Asian Tigers. The bloc insertion in the good economic moment of Asia began in the 1980s, but it was after 1990 that became clear that the association started to seek new goals, while maintaining the same principles of the moment of it was created and shaped.

6 Henrique Oliveira (2006) argues that ASEAN went through three distinct phases: “[...] the first corresponded to the process of maintaining the regional security [...] The second phase, with greater emphasis in 1980, covered the period when Southeast Asia was inserted in the process of Asian economic development [...] The third phase, in the post-Cold War represented a new direction for its goals.” (OLIVEIRA, 2006, p.92)

7 Available at <http://www.asean.org/news/item/declaration-of-asean-concord-indonesia-24-february-1976>

Association first created to protect the sovereignty of its states and guarantee their development through trade.

One year later, in 1977, the Association signed the Agreement On ASEAN Preferential Trading Arrangements, one of the first devices to liberalize trade intra-bloc that, together with DAC, paved the way to several Preferential Trade Agreements negotiated during the 1980, and most important, to ASEAN Free Trade Area (AFTA), signed in 1992. (McDOUGALL, 2007). On the same year AFTA was created, ASEAN also signed the South China Sea Declaration as a way to ensure the peaceful resolution of disputes on the region (sovereignty, jurisdiction etc..) respecting the basis of non-aggression and coexistence environment between neighbors, reinforcing the principles contained in TAC.

In the 1990s, ASEAN signed several treaties seeking greater regional integration, the development of its member-states and the bloc itself. Among the treaties signed there were the 1994 ASEAN Regional Forum<sup>8</sup> (ARF) a space to discuss security issues more comprehensively than within the organization; the 1995 Southeast Asian Nuclear-Weapon-Free-Zone Treaty; the 1996 ASEAN Mekong Basin Development Cooperation that seeks to strengthen economic ties with the region, the 1997 "ASEAN Vision 2020" a declaration based on ZOPFAN that set goals in various areas (such as economy, trade, science and technology, infrastructure and communications) to the bloc for the year 2020 and the 1999 Joint Declaration on Cooperation in East Asia that officially launched the ASEAN +3 (with China, Japan and South Korea) with the main focus of joint cooperation in the economic, social, political and security areas.

The association with Japan, China and South Korea through ASEAN+3 itself is an example of the ASEAN's scope enlargement. The same can be observed about the strength in ASEAN. Although impossible to compare to the European Union strength according to Aggarwal and Koo (2008)'s perspective, even inside the ASEAN+3, a loosen arrangement, there are agreements to rule the Free Trade Areas with Japan (AJFTA), China (ACFTA) and South Korea (AKFTA).

In the early 2000s, ASEAN launched the will to create a Community of Southeast Asia. Since then, the association was divided into pillars and after into communities that has its own goals and structure: Political-Security Community "aim to

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8 Countries that are part of the ARF are Australia, Bangladesh, Brunei, Cambodia, Canada, China, Singapore, South Korea, North Korea, United States, Philippines, India, Indonesia, Japan, Laos, Malaysia, Myanmar, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia, Sri Lanka, Thailand, East Timor, Vietnam and the European Union. Available at:

ensure that countries in the region live at peace with one another and with the world in a just, democratic and harmonious environment"<sup>9</sup>; Economic Community whose goals are "to establish regional economic integration by 2015 [...] with the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy"<sup>10</sup>; and Socio-Cultural Community that "aims to contribute to realising an ASEAN Community that is people-oriented and socially responsible with a view to achieving enduring solidarity and unity among the peoples and Member States of ASEAN"<sup>11</sup>. Also, arrangements and agreements launched before the communities' existence were placed on the more corresponding community (for example the ARF is placed on Political-Security Community and AFTA is placed on Economic Community).

With the creation of ASEAN the Association more than tripled its intra-bloc trade, and opened connections with a wide range of countries and other associations improving the share of trade and development for each member state. After the end of the Cold War, the Association began to launch several programs for social and cultural purposes like Disaster Management, Education, Environment, Rural Development and Poverty Eradication, Health, Science and Technology and others. Despite its complexity, ASEAN also has a growing, even if small, program of Joint Security dealing with issues such as Transnational Crime, Human Rights and also high level security inside ARF.

Even though it is evident that, inside ASEAN, the Economic Community is still the most vital the other two Communities remain in the background – which is perfectly in line with the ASEAN-Way informal rules – it is undeniable that the ASEAN made advances in both strength and scope. Created mainly as a self defense mechanism for all of its founded members, the association passed through improvements from the late 1970s until the present days, and changed radically its objectives after the end of the Cold War seeking more development than defense. Nowadays the Association is connected with almost all the world either through TAC, FTAs, or other arrangements as ASEAN+3 or other external relations<sup>12</sup> the Association keeps with a numerous range of States and Organizations.

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9 Available at: <http://www.asean.org/communities/asean-political-security-community>

10 Available at: <http://www.asean.org/communities/asean-economic-community>

11 Available at: <http://www.asean.org/communities/asean-socio-cultural-community>

12 Available at: <http://www.asean.org/asean/external-relations>

But ASEAN structure is not only restricted on the Communities. Since the ratification of ASEAN Charter, which entered into force in 2008<sup>13</sup>, the Association has a series of organs to conduct it<sup>14</sup> and its full structure is described from Chapter IV to Chapter X of ASEAN Charter<sup>15</sup>. In this sense, it is possible to assume that Aggarwal & Koo (2008)'s perception of strength and scope in ASEAN is of widening in both subjects respecting the own ASEAN 'way' of doing so, which means the enlargement of the previous scope launched in its creation, but at the same time its strength faces limits by the ASEAN-way, which restricts the imposition of rules to its participants on the behalf of sovereignty and self-determination. Therefore, further widening of ASEAN strength, going for a more binding mechanism, doesn't seem probable, at least in the near future.

### **3. MERCOSUR**

Argentina, Brazil, Paraguay and Uruguay signed on March 26<sup>th</sup>, 1991, the Treaty of Asunción that created the Southern Common Market (MERCOSUR). The primary objective of the Treaty of Asunción was the integration of the four States through the free movement of goods, services and factors of production, the establishment of a Common External Tariff (CET), the adoption of a common trade policy, macroeconomic and sectoral policies coordination and the harmonization of legislation in the relevant areas. In December 1994, the Protocol of Ouro Preto, established the institutional structure of MERCOSUR and endowed it with international legal personality.

MERCOSUR is an outcome of some political and economic motivations. After the end of the Cold War, the world was under the impact of globalization and regionalization processes with the intensification of economic competition and neoliberal changes in the international economy. In this sense, regional economic blocs

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13 Available at: <http://www.asean.org/archive/publications/ASEAN-Charter.pdf>

14The ASEAN organs to ASEAN Charter are:

ASEAN Summit; ASEAN Coordinating Council, ASEAN Community Councils, ; ASEAN Sectoral Ministerial Bodies; ASEAN Secretariat; Committee of Permanent Representatives do ASEAN; ASEAN National Secretariats; ASEAN Human Rights Body; ASEAN Foundation

15 Available at: <http://www.asean.org/asean/asean-structure>



have encouraged liberalization among themselves, not only boosting intra-regional, but also inter-regional trade and the free movement of factors. Series of agreements for cooperation and association were promoted in various regions as the world was featuring a “new wave of regionalism” that contrasted with the “old” one that prevailed from the 1950s to the beginning of the 1980s. All this happened since the bipolar balanced system that institutionalized transnational economic multilateralism combined with state economic intervention of the post-II World War was replaced by the expansion and the strengthen of market, thus a lot of preferential trade agreements were established (MANSFIELD e MILNER, 1999, p. 600).

In Latin America, the neoliberal economic reforms that were accomplished under the umbrella of the Washington Consensus since the 1980's had opened the doors to the movement of international capital and trade flows in a completely different manner from Latin America Free Trade Association (LAFTA). LAFTA was established by the Montevideo Treaty in 1960 and comprised seven Latin American countries: Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay. All these countries aspired to form a free trade area and later a common market in overall Latin American region within a twelve-year period (AMORIM, 2010, p. 9). The aim of LAFTA was promoting the intra-regional exchanges to raise Latin American participation in the international trade and to reverse the falling tendency of commodities' international prices as well as to encourage industrialization in those countries.

LAFTA was thus formulated based on the idea that trade was a dynamic element for development and the difficulties that the continent faced at that time would only be overcome through a model of import substitution on a regional scale headed by the state (CAMARGO, 1993, p.5). Unfortunately, the overstated emphasis on the commercial aspects that dominated the relations between the countries in Latin America raised barriers that hindered the chances of LAFTA's fulfilling performance. The heterogeneity of aims as well as the high level of different development degrees between the members and levels of engagement, the difficulties of coordination of decision-making process and the lack of complementary characteristics between the goods traded led to the paralysis of the regional integration process.

Therefore, since LAFTA was thought in a context of great importance given to the role of state intervention in the economy which cooperation was called “closed regionalism”, MERCOSUR, in turn, was thought in the context of a trend of

less state intervention and major difficulties in negotiations within the World Trade Organization (WTO), and took part of a process of cooperation that was called “open regionalism”. Before changes in this cooperation approach, most Latin America countries adopted a more closed-economy development strategy, known as “industrialization by import substitution” (PAIVA & GAZEL, 2003, p. 118)<sup>16</sup>.

Furthermore, Argentina and Brazil political rapprochement in order to deepen the cooperation and to solve common problems was very important in geopolitical and economic terms. There were changes in their bilateral and multilateral perceptions about time to recover from the historical rivalries and disagreements as well, which turned to disposal for cooperation and political dialogues since the beginning of the 1980's<sup>17</sup>. Thereby, during this first phase of their cooperation, the political aims were in the frontline, since the redemocratization processes in both countries was supported by their governments that abandoned their nationalist positions of dictatorial period.

In 1986, presidents Raúl Alfonsín from Argentina and José Sarney from Brazil had signed the Declaration of Iguazu, which marked the launch of the integration program between Brazil and Argentina, called Economic Cooperation and Integration Program (PICE, acronym in Portuguese). This joint declaration contained economic agreements but also military and nuclear topics, trying to keep a gradual, flexible strategy, and symmetric conditions for its members. Two years later, the PICE subscribed by Brazil and Argentina, forecasted cooperation in several other sectors and established a common market in a ten years period. PICE provided a push for the constitution of the MERCOSUR, as soon as the Treaty of Asunción was signed in 1991.

Indeed, from the second half of the 1980s until the beginning of the 1990s, there was a simultaneous economic, commercial and institutional intra-bloc growth. All member states had important macroeconomic performance and the trading

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16 The prestigious ideology of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) during the 1950s and 1960s concerning continental integration was a cause that impelled the efforts on this way, since ECLAC encouraged a state-led and joint regional project as a way out of development.

17 In 1980, in a completely different context vis-à-vis 1960, another Montevideo Treaty was established, creating the Latin American Integration Association (LAIA), giving continuity to the process of trade integration initiated with LAFTA. The aim was restructuring LAFTA and reediting it in order to reach the common market, overcome the exceeding commercial character of the bloc, taking into account a broad conception of cooperation to the development, finding strategies to deal with the adverse shocks and the heterogeneity demands and conditions of their members. Once again, performance of LAIA was affected by the conditionalities enforced by the international financial organizations set to each indebted Latin American economies, at that time in recession and dealing with high inflationary rates.

bloc was tremendously successful as the group as a whole has reduced tariffs and non tariff barriers to trade up to 1998 and MERCOSUR has moved in the direction of a customs union thanks to the negotiation and implementation of a large percentage of common external tariffs (PAIVA & GAZEL, 2003, p. 116). Flows of Foreign Direct Investment (FDI) in the MERCOSUR countries were high, once the structural reforms and privatizations that had marked the opening of their economies in the period opened the doors for capital from overseas.

Regarding MERCOSUR institutions, the decision-making core was initiated and strengthened after the establishment of an institutional framework of intergovernmental character. At the same time, the first results of economic integration and the display of trade possibilities arisen the interest of the business groups. During this period, the participation of non-governmental sectors was still hampered by the lack of proper political channels, which would only occur later during the transition phase of MERCOSUR.

One possible explanation for the limited participation of the private sector was the strong political and economic instability in Argentina and Brazil at that time, generating national uncertainty about the feasibility of the integration process, and in some ways, drawing attention away from interests groups organized for immediate domestic issues (VIGEVANI, MARIANO & MENDES, 2002, p. 45). Since the consensus about the decision-making system and intergovernmental institutional structure of MERCOSUR were maintained due to pressure from the two larger members, Argentina and Brazil, and the beginning of the institutionalization of MERCOSUR, there was not a supranational system, but an inter-governmental one with capability of solving disputes beyond the level of the states, i.e., common institutions formed exclusively by representatives of each government were not prioritized.

Nevertheless, the Brazilian government, as other MERCOSUR members, had a negative macroeconomic performance after the subsequent financial crisis of the end of 1990s. A significant reversal of the flow of FDI also took place. There would be a commercial and an institutional paralysis in MERCOSUR: the international crisis that affected abruptly countries of Latin America, culminated in Brazilian devaluation of its currency in 1999 that created a series spill back effects that had more negative repercussions on trade balances and exchange of other countries. The worst spill back effects happened in Argentina, which appear explicitly in a deep crisis since 2000 and led to the worsening of relations with Brazil.

After 1999, the bloc experienced a downturn and stagnation in commercial and institutional progression (GONÇALVES & LYRIO, 2003, p.16). The persistence of problems in the relative growth of trade and economic integration in MERCOSUR and in South America indicates that there were structural reasons to compromise that process. One was the growth of the world economy from 2001 to 2008 and the strength of the economy of China that led business sectors and major groups of South American governments to refocus on their interests (VIGEVANI, MARIANO & MENDES, 2002, p. 46) looking to it as a strategic market to import to and export to.

Although the countries maintained the policy emphasis on integration, its meaning had been proportionately reduced. The increase in commodity prices, including oil and gas, as well as the liquidity in the financial system observed in the early years of the new century, contributed to the increase of exports, not only from Brazil but also from other countries in the region to other external markets. In spite of Bolivia and Chile in 1996, Peru in 2003 and Colombia and Ecuador in 2004 approvals as associated members of MERCOSUR, the founding members were having increased trouble of coordinating interests and the bloc strength was not rising anymore.

There were several other difficulties of mutual understanding due to the different macroeconomic policies and asymmetries between economies. The transaction costs in the region remained high due to precariousness of transportation infrastructure and integration process that could have advanced further if standards had been agreed by governments in a simpler and more effectively way (IEDI, 2011). Brazil was consolidated as the core exporter of manufacturing in the region and as the main economy of the bloc. In other words, the MERCOSUR model maintained an asymmetric structure since its beginning and even after the deepening process, there was no political will to change it.

Since the end of the 1990s, MERCOSUR scope did not evolve afterwards in spite of the path of its trade negotiations with the United States, the European Union and the WTO (PAIVA & GAZEL, 2003, p. 126)<sup>18</sup>. It was also settled that, for most exceptions, those countries would continue to use their own tariffs although they would converge to a common external tariff by 2001. But in practice, MERCOSUR does not walk to the direction of consolidating a true common market.

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18 As Paiva & Gazel (2003) asserted, one other important gain has been the increased bargaining power that the MERCOSUR countries acquired as a bloc to negotiate trade agreements with other countries. Good examples of such gains are the “Four plus One” talks with the United States, the talks with the EU and the discussions on the Free Trade Area of the Americas (FTAA).

MERCOSUR members could not even reach a complete customs union. Therefore, the exceptions to CET – in the last years taken especially by Argentina – frustrated the customs union and hindered the common market completion. The CET has just favored Brazil, creating a kind of market reserve for Brazilian products. Lack of complementary aspects and internal asymmetries, problems already experienced in LAFTA, have lingered. The Fund for Structural Convergence of MERCOSUR (FOCEM), which currently invests \$ 200 million in the bloc's smaller economies, created in the end of 2004, is the only instrument that focuses on infrastructure financing (SELA, 2013) and it's still not enough to overcome the big differences.

Moreover, the two first main bodies of MERCOSUR - the Board and the Common Market Group - in the beginning were not an intergovernmental composition neither predicted by any independent integrated official agency government. The Administrative Secretariat had a very limited role in the administrative plan. In 1992, it was created by the Brasilia Protocol a mechanism for settlement of disputes through ad hoc arbitration tribunals (PEÑA, 2005). But the institutional difficulties were still clear because MERCOSUR had created institutions to reduce uncertainties that potentially would generate conflicts without affecting the intergovernmental nature of the bloc.

In this way, both the structure of MERCOSUR as its mechanism dispute settlement did not mean the creation of supranational bodies nor a jurisdictional permanent system (VIGEVANI, MARIANO & MENDES, 2002, p. 47). The 2005-2006 conflict between Argentina and Uruguay regarding the pollution in which appear as opposing interests of environmental preservation and development is a great example of divergences. Another important one was the decision that declared the controversial entry of Venezuela in the bloc in a time of institutional instability of the bloc. In 2012, Paraguay was suspended<sup>19</sup> from his duties for deliberation and decision under the argument of the undertaking democratic clause assumed by MERCOSUR. This clause was instrumentalized in the Ushuaia Protocol of 1998, which was regarded as an essential condition for the integration development or for the entry of bloc members (HOFFMANN, 2005, p. 85).

In these and other cases, the interest for cooperation and integration does not seem to be sufficient to counteract the structural weaknesses of Paraguay and Uruguay, overcome the institutional problems or enter the regional dynamics of domestic political agendas. That means there are conflicting interests that hinder

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<sup>19</sup> Paraguay was reinstated this year (2014).

capabilities to create strong synergies in MERCOSUR due to the decreased chances of achieving the desired scope and creating an effective institutional mechanisms. Regarding Aggarwal & Koo (2008) definitions, MERCOSUR has not increased its strength as the project wanted. Its scope was widened to political dimension, which was not definitely able to transcend the commercial dimension which, in turn, did not reach a real common market.

#### **4. SADC**

Adopted in August 1992, the Windhoek Declaration transforms Southern African Development Coordination Conference (SADCC), which consisted of ten African states, into Southern African Development Community (SADC). The new organization abandoned the theme of collective resistance to neocolonialism and the discriminatory and repressive policies of the white minority regime in South Africa to pursue a pattern of effective integration guided towards partnership between the parties (ANGLIN, 1983).

The SADCC had been built in 1980 with the objective of reducing the dependence of the region had in relation to South Africa and the former metropolises. This would be based on the strengthening of ties between the parties through an effective and balanced regional integration. Member states would be willing to mobilize their resources in order to implement national, interstate and regional policies that broaden opportunities for cooperation regarding economic autonomy (ibidem).

As South Africa moved into a democratic regime, it was natural to seek incorporation in the regional political conviviality and the country's first priority was to normalize relations with its neighbors, showing interest in participating in integration initiatives. Nevertheless, the process of recasting the bloc will still occur without the South African presence. The reform led by founding members will reposition the integration process in Southern Africa, adapting it to the new reality of post-Cold War era, in which elements such as economic openness and free trade are basic. Thus, we have the transformation of SADCC into SADC in 1992, with the later addition of South Africa on the bloc in 1994.

Changes in South Africa also accompany the transformations experienced by other regions seeking to adapt to a new reality in which international bipolarity and ideological dispute had no more space. The response to the intensification of the globalization process was the expansion of the scope and involvement of the states in regional integration initiatives (CLAPHAM, 1996).

In this sense, African eyes turn to Europe signing of the Maastricht Treaty, as an important step in the rapprochement between States. At the same time, the South American and Asian example of this phenomenon will also serve as a parameter to consolidate in Southern Africa the perception that the path of integration was unavoidable if the goal of the countries of the region was to make globalization an opportunity to fill the many development gaps and meet the challenges of inequality.

In structural terms, the SADC is initially composed of the Summit of Heads of State or Government, the policy-making body of the bloc in which the policy guidelines and control of community operations are defined. With annual meetings, a committee elected by the 15 members, with a chairperson supported by his predecessor and his successor, coordinates the Summit (SADC, 2011b).

The Council of Ministers is the body responsible for monitoring the implementation of decisions and policies. The Standing Committee of Officials is the national technical advice, especially on economic issues. The Secretariat is entrusted with the bureaucratic functions and supporting the functioning of other organs. Finally, the Tribunal is the legal guarantor of institutional compliance.

In 1997, the bloc established of the SADC Parliamentary Forum, which has up to 5 parliamentarians from each member state. The forum runs from the exchange of experiences among parliaments and aims to popularize the bloc with the debate on topics of social character and bring to the SADC perceptions of populations on development and integration (SADC, 2011a).

In 2001, the bloc approved a revision of its structure incorporating a Troika to provide emergency solutions for issues of security and defense. The new structure also included one Sectoral and Cluster Ministerial Committees incorporating the authorities for areas considered crucial for deepening regional integration. National committees are responsible to follow the implementation of policies within states and contribute with suggestions to formulate regional strategies.

The SADC traces its perception of development seeking to integrate and balance the political and economic dimensions. This becomes clear when we look at the multiplicity of regional integration issues defined by bloc and intra-continental relationships that replicate this model. In general, the African integration perspective necessarily involves political stability as a condition for the success of multilateral initiatives, with the involvement of regional economic communities on issues of security and defense.

After two years of discussion, in 2001 the SADC Summit approved the Regional Indicative Strategic Development Plan (RISDP). The document, as stated by the SADC Secretariat, has as its “ultimate objective to deepen integration in the region with a view to accelerate poverty eradication and the attainment of other economic and non-economic development goals” (SADC, 2011b, p. 07).

The process to implement the Regional Indicative Strategic Development Plan goes through three core aspects: harmonization of economic policies of the parties, the social challenges facing the states and issues of infrastructure of the bloc. Balancing the requirements of members to meet these demands is complex given the significant difference in terms of share of total GDP of the bloc.

South Africa responds for almost two thirds of SADC’s GDP, followed by Angola with 15% and Tanzania with 3.7%. Smaller countries like Seychelles, Lesotho and Swaziland have more than 1% each. The inequality in bloc’s economic capabilities is a great challenge to deepen integration.

Strategies to connect the bloc's economies are linked to productive structure, highly concentrated in the primary sector. According to data from the Secretariat, only South Africa and Mauritius have more than a quarter of its GDP coming from the manufacturing sector. Increased levels of participation of industrial and service sectors in GDP, increasing levels of economic diversification of the bloc, are part of the elements that arise amid the aim of integration process (SADC, 2011a).

The bloc has also worked in the main issues of national economies, with attention to the difficulties in stabilizing inflation in Zimbabwe and to a lesser extent in Angola. The response patterns of the countries have been raising interest rates, increasing debt levels and reducing investment capacity even with the increase of incoming foreign investment.



Despite being a priority item on the agendas of regional integration initiatives worldwide, intra-bloc trade is not treated in this way in SADC. With the discrepancy between the South African economy and the others, the focus of regional leader turns to other markets, especially for having consolidated its position in the region, particularly among the SACU countries. Less than a quarter of the SADC trade is between its members, which confirms the need to expand trade relations, especially for smaller countries whose dependence on intraregional trade is significant.

The targets set by the bloc pass by the sustained increase in economic growth, averaging 7% annually as set in MDGs. The value is linked to the demands that these states have in terms of poverty reduction. Economic reforms in terms of governance, infrastructure improvement and increased productivity are the other dimension of economic adjustments that arise on SADC members (SCHOEMAN, 1998).

The process of moving towards the common market still faces a number of complications in meeting the scheduled. SADC acknowledges the difficulty of States in achieving the targets set in terms of tariff eliminations, standardizing trade and customs procedures and other technical aspects. The participation of some members of the bloc in other integration initiatives also restricts the conditions to adapt, something that SADC has faced in conjunction with other regional economic communities.

The debate and the demands in economic terms directly affect the social challenges of the SADC. The impacts of the economic difficulties of the members in the depletion of their populations are significant. Evaluation standards of the bloc are formulated taking in account the historical evolution of Member States' Human Development Index. Thus, it is possible to realize the difficulty of reconciling very different levels of development and equally disparate demands (SADC, 2011b).

The first link between the two dimensions is the main public health issue in the region, the prevention and treatment of HIV/AIDS. The epidemic is a destabilizing factor of the Southern African societies, for their impacts on families with the loss of human life and its impact on the economy, reducing productivity, losing working-age population and the increasing the cost to raise awareness on the need to avoid contamination and to treat already infected.

Education is also considered crucial element for the success of regional integration. Issues such as gender inequality, lack of a regional standard of quality,

difficulties in providing educational services in important areas to the economies of the member countries are elements that are in the SADC agenda, but will not be achieved without the improvement of economic conditions (SADC, 2011b).

Another challenge the community faced was the multitude of questions about infrastructure that the bloc has. Despite the potential, the energy exporter status, bad distribution to various regions directly impacts the ability to attract investments and promote economic activity. The logistical challenges in terms of transport are also significant because they involve and restrict the physical integration of the bloc.

The path to economic union with the adoption of a single currency planned for 2018 passes through this triad of elements and by the joint action of the SADC members. The organization sees intricate problems and solutions and the integration with other regional communities and the African Union, depicts a continental, African standard of integration (SCHOEMAN, 1998).

Characterizing the SADC according to Aggarwal-Koo model in terms of strength and scope of the bloc leads us to observe the growth of the organization since 1992, increasing by 50% the number of members, coming out of the original ten founding members of SADC, reaching 15 Member States in 2011. Compared with the predecessor SADCC, the change was just over 10%, from the nine founding members in 1980 to 10 in 1992 (AGGARWAL; KOO, 2008, p.14).

As an institution dedicated to promoting and developing a multidimensional approach, covering various sectors, the scope of the SADC can be considered comprehensive, in that it involves the arrangement of trade liberalization, macroeconomic adjustments, adoption of mechanisms for coping with poverty, political common socio-economic development, balance mechanisms of the productive sectors. Regarding the SADCC, the scope was narrower, centered in the commercial aspect, with the coordination of policies in the diplomatic and ideological level (idem).

## **5. CONCLUSION**

The three regional agreements covered in this study, although encompassing developing countries, hadn't the same goals at inception. ASEAN, with 5 original members, looked for increasing security and defusing border problems among them. Economic issues would have a real impact only more than a decade later. SADC, although also aiming some common ground policies which would foster mutual security, had an economic goal clearly set, in order of fostering integration. MERCOSUR had a broader scope since the beginning (it didn't even called itself a FTA or Customs Union; the name means South Common Market, implying that its initial step (or goal) would already be the to establish itself in the third phase of the usual integration process).

The initial emphasis in the economic issue, in the case of SADC and MERCOSUR, is linked with the end of Cold War, when it was thought that economic blocs were fundamental to survive in a world where security conflicts would diminish, almost disappear. In order to raise the bargaining power, each country would be better if grouped, preferentially with its neighbors.

SADC was strengthened with the addition of South Africa, after its transition post-apartheid, and other countries like Namibia. In the case of ASEAN, it doubled in terms of participants, almost encompassing the whole South East Asia (with the only exception regarding the inclusion of East Timor, which is pending Indonesian consent). As to MERCOSUR, adding Venezuela was a great achievement, since it opened the bloc to another geographical dimension, that is, uniting countries from the south to north in South America, as well as a country with an economy which is complementary to Argentina and Brazil's.

As to scope, the three processes have widened its original one. Therefore, security, economics, social and cultural integration and exchange, establishment of regional institutions, have become part of the debate among the participants. Nevertheless, although the scope has widened, there are doubts about the implementation of the institutions which would pave it. For example, in MERCOSUR the pace is very slow in most of the regional institutions, and in fact the economic integration process has stalled. It would be fair to say that MERCOSUR is in transition

between a Free Trade Area and a Customs Union, that is, an “incomplete Customs Union”, not even close to a Common Market, although its name bears it (and it’s been more than twenty years since its inception). In the case of ASEAN, the so called economic pillar is far ahead of the other two, but those have come a long way, since they were not even considered until a decade ago. SADC shares some characteristic with MERCOSUR; besides that, it mainly depends on South Africa’s leadership to steer the movement or really implementing such a wide scope.

Therefore, as can be seen from Table 1, the strength of the three processes is not as wide as the scope; if both were broad, the integration process would be much more enhanced. Nevertheless, it should be stressed that in two of the cases the strength level was increased.

Table 1: The evolving strength and scope of selected regional agreements

	Number of members t=0	Current members	Issue scope t=0	Issue scope now	Strength t=0	Strength now
ASEAN	5	10	Medium	Broad	Weak	Medium
SADC	9	15	Broad	Broad	Weak	Medium
MERCOSUR	4	5	Broad	Broad	Medium	Medium

Source: Adapted from Aggarwal & Koo (2008, p.14)

Another important point is that the three processes happened in areas which experienced different levels of economic activities, in the last 15 years. MERCOSUR started with a bang and now its intrabloc trade is way below the level reached in 1996; in fact, it seems that the economic elites in the countries are more focused on Asia and other areas than MERCOSUR itself; as to the political elites, their main worry has been solidifying UNASUL. With economies faltering, many questions arise about MERCOSUR’s future.

SADC also went through difficult times, although in recent years there has been a resurgence of many African economies. The main point is South Africa’s economic record, which is faltering in recent years. Higher economic growth in smaller countries was not able to foster demand in regional markets. Intrabloc trade in SADC is still an issue to be addressed as Member States represented less than 16% of bloc’s exports destination in 2010.

ASEAN has been favored, since East Asia and South East Asia are knitted together in economic and political terms and the region has experienced several years of sustainable growth. Especially as to the economic issue, the development of Local Production Arrangements contributed to the deepening of the integration process.

Therefore, the comparative analysis of the three regions point that the maximum level in scope, if not matched by its counterpart in strength, will lead to an integration process which advances very little in real terms after the initial “boom. bphase”. As to the three processes which were analyzed, the main propeller to a wider integration, it seems, continues to be economic growth and its well known stimulus.

Nevertheless, further research can shed light about future changes in the levels of strength and if they will have any measurable impact on the three integration processes.

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