

Is the EU a Model of Regional Integration? Risks and challenges

by

Sanoussi Bilal

European Centre for Development Policy Management (ECDPM)
Onze Lieve Vrouweplein 21, NL-6211 HE Maastricht, The Netherlands
Tel. +31-43- 350 29 23, Fax +31-43-350 29 02, E-mail: sb@ecdpm.org
www.ecdpm.org and www.acp-eu-trade.org
www.ecdpm.org/bilal

Abstract

The experience of the European Union (EU) is widely perceived as not just an example, but the model for regional integration. In recent years, the EU has also been pursuing an increasing number of trade agreements. Besides fostering economic ties, these agreements have also been used by the EU to export its regulatory approach beyond tariff and non-tariff barriers issues. As a result, this EU regulatory demonstration effect also influences the institutional development of its trading partners.

More recently, the EU seems to have stepped up its efforts to shape the regional integration process of developing countries, by undertaking comprehensive agreements with regional groupings, which cover not just trade, but also trade-related issues, development concerns and political aspects. This is notably the case with the current negotiations with African, Caribbean and Pacific (ACP) regional groupings in the context of economic partnership agreements (EPAs). The support provided by the European Commission to the development of the institutions and work programme of the African Union (AU) will also further contribute to export the EU integration model.

Background note for the ACP-EU Joint Parliamentary Assembly's Committee on Political Affairs discussion on the issue of 'Lessons to be learnt from the European model of regional integration for the ACP countries', meeting of 13 September 2007, in the ACP House, Brussels. This is a revised and abridged version of an earlier study.

September 2007

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1 Introduction

The experience of the European Union (EU) is widely perceived as not just an example, but a model for regional economic integration. In recent years, the EU has also been pursuing an increasing number of trade agreements. Besides fostering economic ties, these agreements have also been used by the EU to export its regulatory approach beyond tariff and non-tariff barriers issues. As a result, this EU *regulatory demonstration effect* also influences the institutional development of its trading partners.

More recently, the EU seems to have stepped up its efforts to shape the regional integration process of developing countries, by undertaking comprehensive agreements with regional groupings, which cover not just trade, but also trade-related issues, development concerns and political aspects. This is the case with the current negotiations with African, Caribbean and Pacific (ACP) regional groupings in the context of economic partnership agreements (EPAs). The support provided by the European Commission to the development of the institutions and work programme of the African Union may also further contribute to export the EU integration model.

The purpose of this paper is to discuss the extent to which (i) the EU can serve as a relevant model for regions with different level of development and institutional history than the EU; and (ii) positively influence and support the regional integration process of developing countries.

2 The EU as a reference

When considering regional integration processes around the world, the experience of the European Union (EU) is a recurrent point of reference. Because of its long history, broad scope, further deepening and successive enlargements, the European Union is often viewed as the epitome of regional integration. It is often considered as a model to be followed by other regional groupings, if not in the short term, due to unfavourable circumstances prevailing in the region, at least in the long run, as an ultimate aim to achieve. This is the case to some extent for many regional integration programmes in Africa and Latin America. In other regions, in Asia for instance, the European integration experience is rather perceived as an “anti-model”, a form of deeper integration that countries do not want to pursue. In any case, regional integration initiatives across the world are often compared to the European “model”.

The European Union, for its part, has since a long time been in favour of regional integration among other countries, its neighbours or in other parts of the world. The EU has often provided support to such initiatives, and over the last decade has entered into more formal political and economic cooperation agreements with some regions. In its approach, the EU has often claimed its willingness to help regional initiatives, including by sharing its experience.

2.1 *European integration as an example*

The early integration initiatives as well as the new wave of regionalism that has stormed the world have triggered greater attention to the various possible forms and shapes that regional integration can take. In most discussions about regional integration, however, references are made at some points to the experience of the European Union, regarding its level of integration, evolution over time, policy coverage (with its three pillars and their increasing coverage), institutional

development, membership, or relations with the rest of world, etc. If the EU is not always perceived as the ultimate model for regional integration processes, it is at least commonly referred to as a chief example and a likely benchmark.

2.2 Emulation from the EU model

Many of the regional integration initiatives have been inspired by the EU experience, in terms of policy agenda or institutional development. A case in point is the West African Economic and Monetary Union (UEMOA), which has attempted to mimic some of the norms, legal provisions, institutions and policies of the EU. This development can be traced back from the colonial past of this region and its cultural, political and economic close ties with France, as well as the endogenous belief by West African countries that regional integration will foster development and strengthen their position. Economic integration is therefore perceived as a tool to pursue deeper forms of integration with broader objectives.

More generally, many other regions have followed a similar approach, adopting economic integration objectives and institutional designs that resemble, at least in their form, some of the features of the EU model. Of course, institutions should reflect the level of integration and policy mandate of the region. Beyond the desire to emulate the EU experience, institutional development also depend of the effective degree of integration pursued.

Yet, many observers have noted that developing countries have had a tendency to engage in deeper regional integration agenda which do not correspond to their effective regional interests. Either rhetoric has been ahead of real political will (as often the case in African experiences of regional integration), or economic, political and geo-strategic conditions have not been conducive to the implementation of ambitious integration agenda. In other words, grand integration designs *à la* European way did not match the economic and political reality of the regions concerned.

Important lessons on regional integration processes seem to have been neglected, notably that different levels and scope of integration can be pursued, depending on the specific characteristic and political ambitious of a region, as well as on the capacity available in the region (including at the institutional level) to effectively pursue the integration agenda. This 'fallacy of transposition' due to the 'non-replicability' of the European experience, which does not fit developing countries, has dominated the institutional and policy development of many regions, notably but in Africa, but not only.

Some aspects of the EU model, which is a complex mix of intergovernmental and supranational approaches, have not been carried over to some other regional groupings. Most developed countries, while calling for greater integration, have also resisted the delegation of sovereignty that would have been necessary to development effective supranational institutions, preferring to rely more heavily on an intergovernmental model of integration. This resistance has also contributed to put the institutional design and policy agenda of some of the regional groupings (e.g. ECOWAS, SADC, etc.) at odds with the effective implementation of their integration programmes.

It would be wrong to assume an initial Machiavellian design by the EU to force regional integration objectives and force its design-like type of institutions upon developing countries. While the EU has inspired many of the regional integration processes around the world and provided active support for several of such

initiatives, it is generally not at the origin of these integration agenda which have been embraced by national leaders.

When considering whether the EU has been a driving force or a model for developing countries, it is not necessary to only assess the active policy of the EU in this respect. The European experience has been important and visible enough to attract, by itself, the attention that made it de facto a model of regional integration for many, and an incentive to attempt to pursue similar paths. This is not to say that the EU has been active in promoting and support regional integration, and to some extent actively contributed to export its model.

3 EU support to regional integration

The European Commission strongly believe in the merits of regional integration, including as a tool for development. According to the Commission, regional integration among developing countries, if carried out in a transparent and open manner (i.e. open regionalism), contribute to their integration in the world economy and plays a key role in conflict prevention and peace consolidation (European Commission, 1995b, 2002). Therefore, the EU, "in light of its experience and of the instruments at its disposal", provides support to developing countries in their regional initiative (Council of the European Union and European Commission, 2000).

The European Parliament also shares the view of the European Commission and Council on the important role that regional integration and free trade agreements can play "in the establishment of a more equitable world trade system" and therefore fully support and encourage regional integration among developing countries (European Parliament, 2002, p.14).

This support to regional integration initiatives takes various forms. It is part a political support on the principles of regional integration.

Besides this 'political support' and experience sharing, the EU has also committed a sizeable share of its development aid and technical assistance to regional support, which is one of the six priority areas of its development assistance. In the framework of its partnership with the African, Caribbean and Pacific states (Cotonou Partnership Agreement) and the Mediterranean countries (MEDA), the EU has jointly elaborated regional indicative programmes in complement of its national support.

In parallel, the EU also believe that, in complement to regionalism among developing countries, regional integration between developed and developing countries and regions can also be beneficial. The EU therefore promotes both North-South agreements, and building on Southern regional integration, what it calls South-South-North free trade agreements (European Commission, 2002).

Take the case of the economic partnership agreements (EPAs) currently negotiated between the EU and 6 regional ACP groupings. As proposed by the European Commission, they should be essentially enhanced, development-oriented free trade areas (FTAs) between ACP regional groupings and the EU. They should cover not only trade in goods and agricultural products, but also in services, and should address tariff, non-tariff and technical barriers to trade. Other trade-related areas should also be covered, including by increased cooperation between the EU and the ACP, such as competition, protection of intellectual property rights, standardisation and certification, sanitary and phytosanitary (SPS) measures, investment, trade and

environment, trade and labour standards, consumer policy regulation and consumer health protection, food security, public procurement, etc.

A basic principle of EPAs contained in the Cotonou Agreement is that they should build on and reinforce the regional integration process of the ACP. According to the European Commission, by building on larger well-integrated regional markets, regional EPAs should contribute to foster the integration of the ACP in the world economy, provide for economies of scale, stimulate investment and contribute to lock in the necessary trade reforms. The regional partnership with the EU should hence help to increase the credibility of regional integration processes, in particular in Africa.

In this respect, the EU is also perceived as an 'external guarantor' to avoid economic and integration policy reversal and create a lock-in effect through cooperation with the EU and possible bi-regional agreement.

The EPAs will also benefit from deeper integration within the regions, so that better integrated regions can concluded more comprehensive agreements with the EU, which, in the views of the European Commission, can only be beneficial to them. The more the better! Stronger regional groupings will in turn be able to provide stronger support to the AU process. Moreover, the different regional EPAs should be based on a similar framework. So, while the European Commission envisages differentiated specific provisions for each EPA, their general structure should be common. Ultimately, as explicitly indicated in the Commission negotiating mandate from the EU member states, EPAs could over time be merge among regions in Africa to become larger entities. Hence, a common EPA for all African ACP countries could be envisaged in the long run. This would then be compatible, and perhaps in fact reinforce, the integration process of the African Union. Or so goes the global vision of the European Commission.

However, EPAs could well complicate or disrupt the regional integration process for some regions. This is at least the fear of several countries. First, EPA negotiations will force countries to choose one region over another, in the case of multiple memberships. While this may arguable be a desirable outcome, as discussed in the previous section, the danger is that considerations about the relationship with the EU may take precedent over regional concerns. That is, external considerations driven by the EU may prevail over domestic (national and regional) concerns. The issue is whether the regional integration process can be driven, or supported, by foreign forces (in this case the EU), or whether the process, to be sustainable, should not be endogenous. This is a question which ultimately can only be resolved by the African countries themselves.

African regional grouping are also put in the difficult position of having to speak with one voice during the negotiations with the EU. Political will may be insufficient. Conflicting interests may generate tensions within the region.

It is interesting to note that difference between the integration process with the EU in Northern African and in Sub-Saharan ACP countries. In the former, the EU signed association and cooperation agreements (i.e. FTAs) with the Mediterranean countries first. Then, regional integration among Mediterranean countries has been pursued. The EU has then played the role of catalyst to effective regional integration among developing countries, the ultimate objective being a broad MEDA-EU agreement. By contrast, in the rest of Africa (and the Caribbean and Pacific), the EU wants to build on the existing regional agreements to sign with them economic partnership agreement.

From the above discussion, it becomes apparent that while the EU is strongly pledging its support to open regionalism among developing countries and has embarked on bi-regional cooperation and integration agreements building on this regional integration process, the EU support can be a double-edge sword. In seeking to strengthen regionalism, the EU may also put regional integration processes under unwarranted pressures.

4 EU efforts to export its model

While the EU is keen on supporting open regionalism, it does not pursue it only for altruistic purposes (to favour sustainable development) or because of strong believe on the merits on regional integration (a credo of the European Commission), although these are undeniably important factors. The active promotion of regional integration also responds to clearly identified strategic objectives of the EU. As indicated a decade ago, “conveying a clear political message to a country regarding its importance for the Union also remains a motivation for proposing an FTA (European Commission, 1995a). Support to regional integration agreements is a way for the EU to signal its interest in a region, for political and geo-strategic considerations, as well as to defend its economic interests.

But even in situations where the EU has less direct economic interests at stake, as in the case of the ACP regional groupings, the EU has been active in promoting, if not exporting, its vision of what regional integration should entail. *A priori*, the European Commission adopts a soft approach, sharing its experiences and providing friendly advices, while respecting the integration process and specificities of each region.¹

However, the EU is often more directive than one might think. The European Commission outlined for instance a ‘toolbox’ for EPAs which highlights key elements for successful regional integration, to be considered by the ACP, but which also reflects the broader thrust of the Commission on what credible regional integration processes should entail. It identifies five components. The first two relate to trade in good (boiling down to the creation of a customs union) and trade in services (with the liberalisation of the four modes of supplies and the development of a simplified and harmonised regulatory system). A third category covers trade (related) rules which affect effective regional integration. These include SPS and technical regulations which need to be harmonised at regional level through the setting up of regional bodies. A regional authority must be created to enforce competition and subsidy rules. Similarly, regional policies must be established on intellectual property rights, investment, public procurement, environmental, labour and consumer rules. To ensure appropriate and credible implementation of regional policies, enforcement mechanisms must also be put in place (e.g. regional appeal courts, regional binding arbitration, etc.). Finally, regional groupings may consider fiscal and macroeconomic harmonisation, creation of monetary union, and the development of appropriate regional bodies “to be the motor of integration”.

¹ Commission stated for instance that: ‘Taking the EU, being the world’s most integrated region, as an example, regional integration needs to be tackled in a comprehensive manner to achieve its objectives: more trade, more investments and higher competitiveness. However, regional integration can be structured in different ways and can be implemented in different sequences and speeds. This will depend on the specific situation, the institutional set-up as chosen by the member states and the status of development of the members of a region’ (European Commission, 2003).

The EU is at times extremely keen on defending its interests and exporting its experience, if not its model. The approach of the EU is based partly on the conviction that deeper forms of regional integration are ultimately beneficial for the member countries. It also derives from the rationale that for a bi-regional FTA to be of real benefit for the EU and its economic entities, the agreement must entail substantive and broad coverage, and the partner region must itself be sufficiently integrated so as to allow effective free movement of not only goods, but also services, capital and possibly workers (at least on a temporary basis, as foreseen in mode 4 of GATS).

In doing so, the EC also pursues, at least implicitly if not in an open way, an effort to export its regulatory model. The objective of closer economic and political cooperation and greater economic integration with EU partners naturally lends itself to the logic of regulatory convergence between the partners. The EU being the dominating partner, it is to be expected that the EU partner will adjust its regulatory system to the one of the EU, and in case of a regional partner, render its regional integration process compatible with some of the trade and economic objectives of the EU.

5 Concluding remarks

Obviously, the EC sees bilateral and bi-regional agreements as a way to promote a desirable regulatory cooperation to reduce the impact on trade of national and regional regulations. Regulatory cooperation and harmonisation in FTAs may therefore not only help release the full trade and investment potential of a trade agreement. It may also generate a better common understanding of what best regulatory practices are, although often based on the EU model or experience. Besides, EU agreements also provide scope for technical assistance and support in regulatory areas that the partner region and countries might have difficulties to address otherwise.

The extent to which it imposes its model, or simply expresses legitimate concerns and shares its relevant experience remains a matter of appreciation. But clearly, all these elements are parts of the EU approach to regionalism, and constitute both an opportunity and a challenge for the regional integration process of developing countries.

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EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT (ECDPM)

Onze Lieve Vrouweplein 21
NL-6211 HE Maastricht
The Netherlands
Tel +31 (0)43 350 29 00,
Fax +31 (0)43 350 29 02

Rue Archimède 5,
B-1000 Brussels
Belgium
Tel +32 (0)2 237 43 10,
Fax +32 (0)2 237 43 19

More information: info@ecdpm.org www.ecdpm.org