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Occasional Paper No. 9711
December, 1997

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Comparing the Motives and Influence of
Small and Large States

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An earlier version of this paper was presented at the Annual Meeting of the International Studies Association-Midwest, October 18-20, 1996 at the Holiday Inn Riverfront in St. Louis, Missouri. The author would like to thank J. Martin Rochester, David Wood, William Hazelton, and Robert Snyder, for their comments on this paper.

ASYMMETRICAL REGIONAL INTEGRATION:
COMPARING THE MOTIVES AND INFLUENCE OF
SMALL AND LARGE STATES

Why do states with different capabilities and interests engage in regional integration? Neoliberals increasingly challenge the assumptions of the realist paradigm as they contend that an increased sensitivity to other states characterizes international relations and this accounts for the proliferation of regional cooperative agreements between states. While not assuming perfect symmetry or mutual vulnerability, neoliberals argue that the sensitivity of states to the actions of others has altered traditional conceptions of power, hegemony, and dependence in world politics. A new era of transnational interdependence is antiquating the realist notion of indissoluble state sovereignty. One of the most important areas of study for neoliberals is regional economic integration. While not asserting that all states enter regional integration pacts for similar reasons, neoliberals emphasize functionalism as a global process that presumably affects all states similarly. However, not all states are of equal power and importance in regional economic organizations such as the European Union (EU) or the member states of the North American Free Trade Agreement (NAFTA). This article explores the motives and influence of two states, one large and one small, involved in regional integration. My thesis is that an inverse relationship exists between the incentive of market access emphasized by neoliberals and the perceived power a state has within the organization. For small states, such as Ireland, access to the large market entices membership. Large states, such as the United States, may not gain access to a much larger market than their own, but they assume they have power and influence within the organization which justifies membership. From these two cases I conclude that not only is symmetry or mutual vulnerability not necessary to achieve regional integration, but that different states engage in regional integration for different reasons. I advocate a more refined and limited functionalist exploration for membership and participation in regional International Governmental Organizations (IGOs). This approach to regional integration distinguishes large

successful in terms of fulfilling common interests between states. The most important interest these organizations have served for states is to advance their economic well-being and yield greater levels of prosperity. Participation in international organizations has clearly benefited states in economic terms,⁶ and this reality provides further incentive for states to cooperate across national boundaries for their continued economic benefit. Contemporary functionalist theories, such as Corbey's theory of dialectical functionalism, no longer assume an incessant and inexorable process of integration. Instead, integration occurs as an action-reaction process among institutions, member states, and domestic interest groups. From this perspective problems, delays, and stagnation in integration only serve to reinvigorate this process in the long-term.⁷

Keohane and Nye have led the neoliberal effort to adapt functionalist theory so that it is relevant for the contemporary international system.⁸ The increased flow of goods, services and capital has had dramatic effects on states and even has altered the traditional domestic basis of politics.⁹ The contemporary functionalist theories of neoliberals, sometimes called neofunctionalism do not assume that regional integration will result in international institutions eroding the sovereignty of the state. However, some supporters of this approach advocate the concept of "pooled sovereignty" which recognizes that states remain the dominant actor in regional organizations but that the responsibility for the well-being of the international institution is shared among the governments who form and belong to the organization.¹⁰ In these circumstances, the membership of the state in the IGO clearly is seen to place constraints on the foreign policy choices of individual governments. However, this conception of neofunctionalism and its effect on states' foreign policy, including their regional trade policy, neglects to appreciate how policies that promote integration of markets are a result of domestic forces from the inside-out as well as the outside-in.¹¹ Domestic politics plays an important role in determining the logic of state behavior in regional IGOs, and this is too often ignored in functionalist and neofunctionalist theories of integration.

Even if small states have the greater economic incentive to seek regional integration, they lack the power and capacity to compel their larger neighbors to join organizations or further cooperation within existing institutions. Previous research indicates that large or powerful states choose to commit to multilateral arrangements because they value the future highly and are critical in the creation of regional IGOs because they possess a disproportional amount of power.¹⁷ The advantage of access to an expanded market, while not as compelling for large states as it is for small states, nevertheless provides an important long-term incentive for states to continue cooperating in regional efforts of economic integration. Large states, by definition, have more power and capabilities and one would expect more influence in these organizations. However, Goldstein has demonstrated that the United States has surprisingly less power and influence in dispute settlement procedures than its North American neighbors.¹⁸ In contrast, the most powerful states in Europe and especially Germany were seen to have an asymmetrical amount of influence in the process of bargaining in the most recent efforts of regional integration.¹⁹ It would seem to be the case that because large states have a disproportionate amount of influence in negotiating the treaty that brings integration they expect to have greater influence within the regional IGO. This may or may not be the case due to the structure of the IGO and the domestic political factors that determine the level of interest and effectiveness of states within IGOs. Thus, while small states may achieve more potential economic benefit from regional integration, they have less perceived influence within the institution. Large states are compensated for the reduced economic incentive that encourages economic integration with perceived power in the organization.

Although the reality of power and its pursuit cannot be ignored in international relations, the reality of integration also needs to be appreciated. The international system may continue to be described as one of anarchy, but this anarchy no longer prescribes a world of chaos and disorder. As Alexander Wendt has noted, "Anarchy is What States Make of It."²⁰ What states make of their situation in this world of anarchy is determined by their experience in relating to others in the international system, their conception of self-identity, and a variety of other social

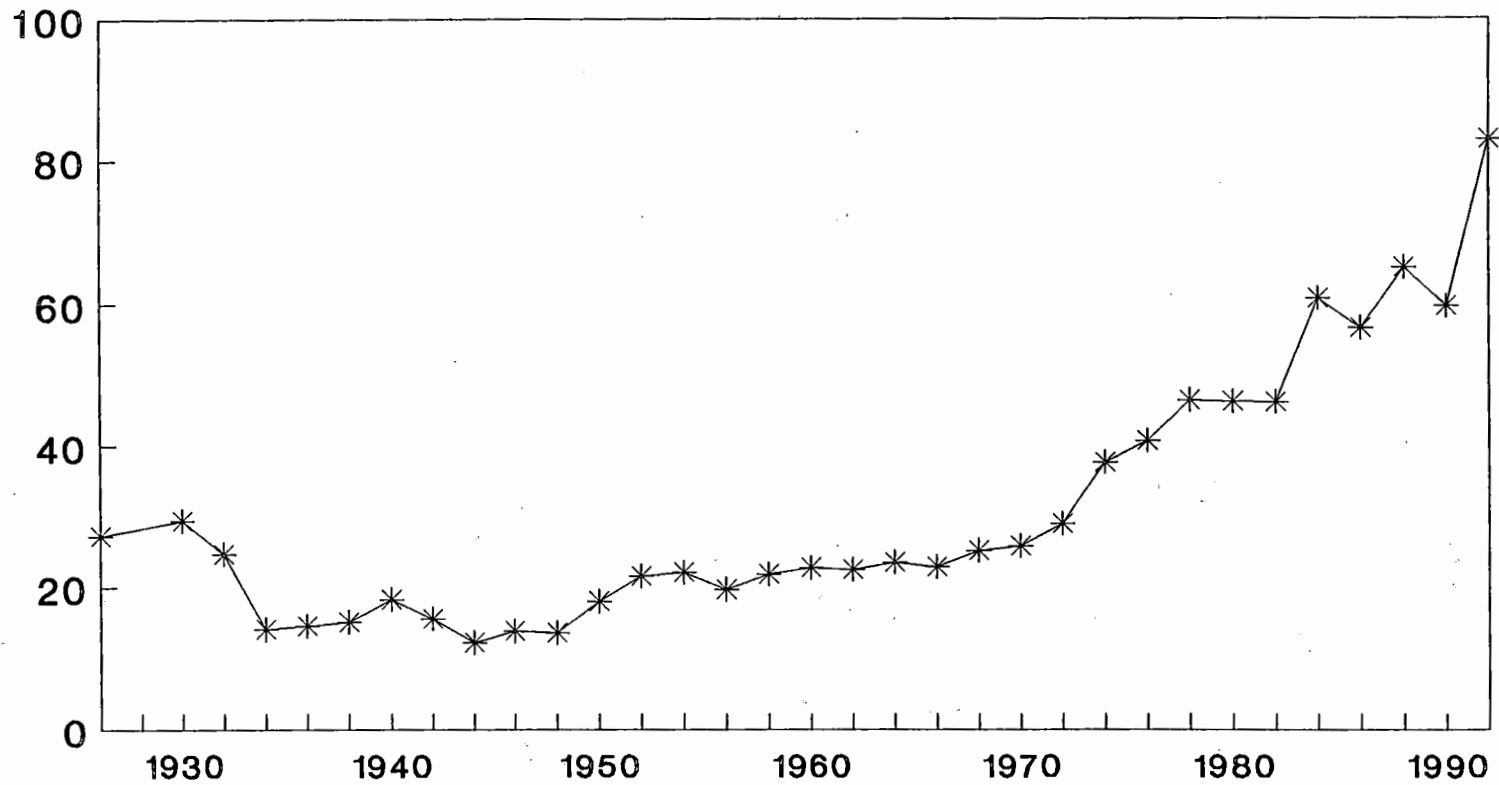
necessarily meant an end to economic protectionism and a strategy of autarky.²⁴ The Irish government's decision to promote economic growth was predicated on the assumption that the state could play an important and positive role in achieving national economic objectives. The basic strategy of the state was to channel and direct investment into enterprises that had good export potential. The Irish Development Authority (IDA) was the specific governmental body directed to attract appropriate direct foreign investment and promote Irish exports abroad. These policies proved to be successful in achieving economic growth as the Irish economy boomed in the late 1960s and early 1970s. As part of its plan for export-oriented growth Ireland sought to reintegrate its economy with that of the international capitalist system. It did so first with the creation of the Anglo-Irish Free Trade Area in 1966 and later when it joined the European Economic Community (EEC) in 1973.²⁵ By the time Ireland gained admittance into the EEC, the Irish mass public was solidly behind this proposal as an overwhelming eighty-three percent favored this measure.²⁶ The Irish perceived their membership in the EEC as not conflicting with their historic policy of neutrality. The Irish policy of neutrality had always been one of asserting independence and a separate national identity, not one merely interested in the avoidance of international involvement.²⁷

Gaining access to new markets for their agricultural surplus served as the primary incentive for Irish support of European integration.²⁸ Sheehy claims that Irish farmers were especially supportive of the European Community's Common Agricultural Policy (CAP).²⁹ Access to larger markets in Western Europe also serve as an incentive for some Irish industries. In addition, the Irish realized that if Britain joined the Common Market and Ireland failed to do so they would be excluded from trade with their largest trading partner.³⁰ Finally, by joining the EEC Ireland would be able to widen its economic relationships with others in Europe. This would enable it to minimize its historical dependence on Great Britain for trade.³¹ As a result of its greater integration with other European economies, the Irish economy has become less dependent on foreign investment and trade with Great Britain.³²

[Figure 1 Here]

Figure 2

IRELAND'S RELIANCE ON THE WORLD ECONOMY FOR PROSPERITY (EXPORTS/GNP IN PERCENT)



Source: CSO, Trade Statistics
and Statistical Abstracts
Dublin: Stationary Office.

aftermath of this treaty.³³ The government repeated statistics that indicated that Ireland receives six times as much from the European Community than it contributes. While future investment and jobs were of critical importance, so was the continuation of £940 million in annual EC supports to Irish agriculture. Maastricht also promised to benefit Ireland in terms of its ability to improve public services.³⁴ As the Taoiseach (Irish for Prime Minister), Albert Reynolds, stated while campaigning for the referendum in Roscommon,

There was no point in pretending that material factors are relatively unimportant or that we are about that sort of thin. Ireland's interests and the European ideal both point in the same direction³⁵

While relentlessly stressing the economic benefits of a "yes" vote and the dire consequences of a "no" vote, Reynolds and other advocates of the treaty also sought to reassure those who questioned the impact of Maastricht on Ireland's unique cultural heritage. Reynolds promised that any future effort to involve Ireland in a military alliance would require a national referendum. In addition, he pledged that his government would pursue a peace policy that would insure Ireland's historic neutrality policy. Reynolds was also able to insert a special provision in the Treaty itself that protected Ireland from any EC attempt to interfere with its abortion law. Finally, the government promised a referendum in the Fall that would settle the issue of travel and information regarding abortion. All of these efforts were intended to remove the fears of voters anxious about the Maastricht's potential implications for Ireland's culturally defined traditions.

While most of the political establishment in Ireland publicly supported the treaty and campaigned for its ratification, many questioned the merits of the treaty given its likely effects on two critical issues: abortion and neutrality. An *Irish Times*/MRBI poll taken just a week before the referendum found that of those opposed to the referendum 29% cited the treaty's affect on abortion law and 18% interpreted it as a loss of neutrality as the bases for their opposition to the treaty. Thus, those seeking to secure Ireland's unique cultural heritage opposed the referendum

has meant that the Irish could find a sense of identity for themselves and interact with the rest of the world in a way that would not mean a return to historic and cultural dependence on Britain. Although Sharp presents Ireland as a weak dependent state in the context of the European Community, he admits that Ireland's good citizen role has provided a status to the Irish that allows them to believe they are more sovereign and independent than they really are.³⁷ European integration meant more than just new markets for the Irish. It meant that Ireland could integrate with others in a setting based on sovereign equality that would not sacrifice its hard won independence. The social and cultural consequences of European integration have not, however, fulfilled the dreams of the Gaelic revival or the aspirations expressed by Eamon de Valera in an earlier era. The effect of integration has seriously challenged Ireland's traditional national self-identity and nationalistic policies,³⁸ but this reality should not be seen as the intended consequence or the popular perception of Irish membership in the European Union. As the former Taoiseach, Charles Haughey has said:

I feel sure that membership in the Community will make us [the Irish] all the more conscious of our national identity and appreciative of our distinct cultural values and will stimulate us to greater efforts to preserve them.³⁹

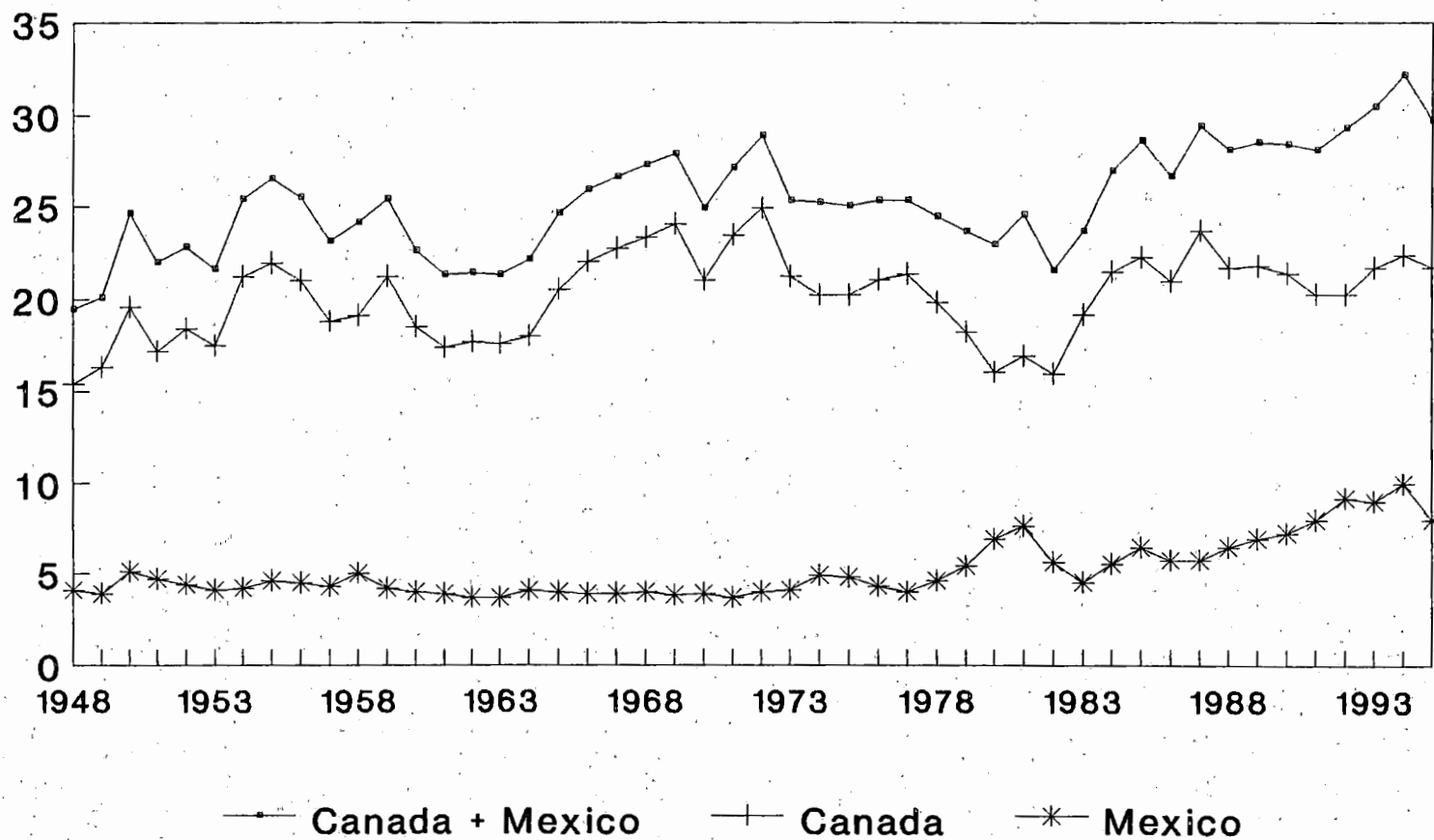
For the Irish, the economic benefits that have come via membership in the European Union outweigh whatever costs are associated with the potential loss of a distinctive national culture.

The United States and NAFTA

Recent examinations of American trade policy portray US policy as taking a dramatically different course in the post-Cold War period. Global free traders denounce increasing bilateral and protectionist tendencies in American trade policy.⁴⁰ Others identify a pattern of an increasingly inward-looking policy as a result of domestic needs and priorities replacing global security interests as a basis for American foreign economic policy.⁴¹ These overviews of changes in American economic foreign policy minimize a new form of engagement the United States has

Figure 3

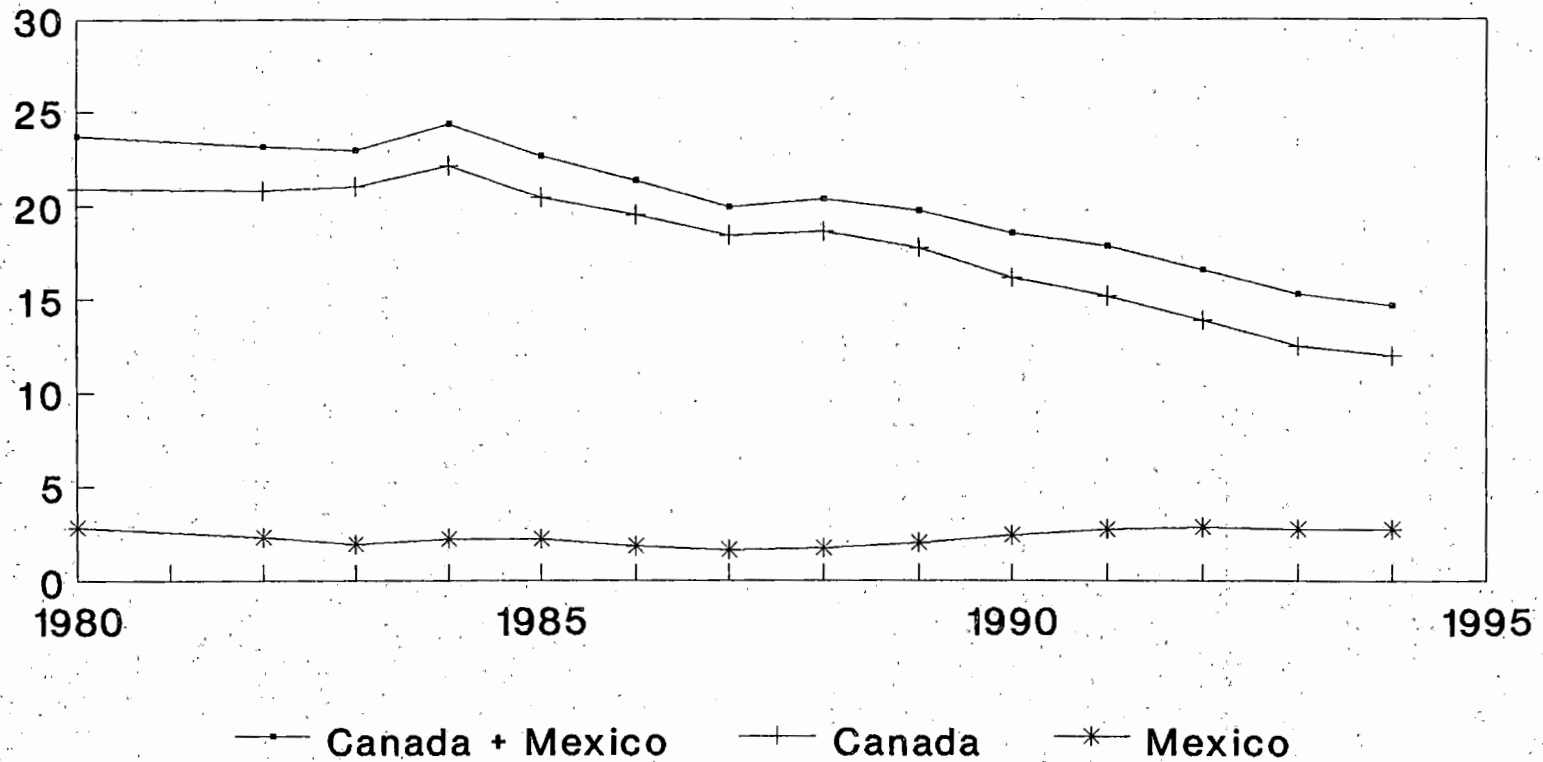
US EXPORTS TO NAFTA TRADING PARTNERS (PERCENT OF TOTAL EXPORTS)



Source: U.S. Dept. of Commerce,
Bureau of the Census, Statistical
Abstracts of the United States.

Figure 4

US DIRECT FOREIGN INVESTMENT IN NAFTA COUNTRIES (PERCENT OF TOTAL US FOREIGN INVESTMENT)



Source: U.S. Dept. of Commerce,
Bureau of the Census, Statistical
Abstracts of the United States.

America's working class. Clearly, we are not close to achieving a United States of Europe or a United States of North America, but patterns of economic cooperation that have emerged have important long-term cultural implications. While a "European Man" or "North American woman" has yet to be created, there is evidence of an increasingly cosmopolitan sense of self that exists for the Irish in the European context and that exists among Americans in the North American context.⁵¹ Rapid political unification remains elusive as ever -- not so much because of differing economic interests but because cultural differences provide for different senses of identity and these challenge contemporary efforts of regional integration. Despite these limitations, we can expect regional integration to continue as long as the domestic economic and cultural interests of states are served and as long as the most powerful states in a region support it.

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- ¹³ John A. Kroel, "The Complexity of Interdependence," International Studies Quarterly 37 (1993), 321-348.
- ¹⁴ Moravcskik, 19-56.
- ¹⁵ Charles F. Doran, "Living with Asymmetry," Mershon International Studies Review 38 (1994), 260-264.
- ¹⁶ Kroel, 338.
- ¹⁷ See Lisa L. Martin, "Interests, Power, and Multilateralism," International Organization 46 (1992), 391-425 and Karl Deutsch, Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience (Princeton University Press, 1957).
- ¹⁸ Judith Goldstein, "International Law and Domestic Institutions: Reconsidering North American Trade Laws," International Organization 50 (1996), 541-564.
- ¹⁹ Garrett, 533-560.
- ²⁰ Alexander Wendt, "Anarchy is What States Make of It: The Social Construction of Power Politics," International Organization 46 (1992), 391-425.
- ²¹ See, for example, Peter Alexis Gourevitch, "Sparing the Circle: The Domestic Sources of International Cooperation," International Organization 50 (1996), 349-373, Michael G. Huelshoff, "Domestic Politics and Dynamic Issue Linkage: A Reformulation of Integration Theory," International Studies Quarterly 38 (1994), 255-279, Wayne Sandholtz, "Choosing Union: Monetary Politics and Maastricht," International Organization 47 (1993), 1-39, Helen Milner, "Regional Economic Co-operation, Global Markets and Domestic Politics: A Comparison of NAFTA and the Maastricht Treaty," Journal of European Public Policy 2 (1995), 337-360, John A. C. Conybeare and Mark Zinkula, "Who Voted Against NAFTA? Trade Unions versus Free Trade." The World Economy 19 (1996), 1-12, and Goldstein, 541-564.
- ²² Nicholas Mansergh, "Irish Foreign Policy, 1945-1951," in Kevin B. Nolan and T. Desmond Williams, ed. Ireland in the War Years and After 1939-51. (Notre Dame: University of Notre Dame Press, 1970) and T. D. Williams, "Irish Foreign Policy 1949-60," in Joseph J. Lee, ed. Ireland 1945-70. (New York: Barnes & Noble, 1979).
- ²³ Peter Neary, "The Failure of Economic Nationalism," The Crane Bag 8 (1984), 68-77.
- ²⁴ Brendan M. Walsh, "Economic Growth and Development, 1945-1970," in Joseph J. Lee, ed. Ireland 1945-1970. (New York: Barnes and Noble 1979).
- ²⁵ Dermot McAleese, "Anglo-Irish Economic Interdependence: From Excessive Intimacy to a Wider Embrace," in P. J. Drudy, ed. Ireland and Britain Since 1922. (New York: Cambridge University Press, 1986).
- ²⁶ Patrick Keatinge, "The Europeanisation of Irish Foreign Policy," in P. J. Drudy and Dermot McAleese, eds. Ireland and the European Community. (New York: Cambridge University Press, 1984).
- ²⁷ Karl Zemanek, "The European Neutral: A Neutral's View," Atlantic Community Quarterly 25 (1987), 25-30.
- ²⁸ Garret Fitzgerald, "Ireland and the European Challenge, in Dermot Keough, ed. Ireland and the Challenge of European Integration. (Dublin: Hibernian University Press, 1989) and Dermot McAleese, "Ireland and the European Community: The Changing Pattern of Trade," in P. J. Drudy and Dermot McAleese, eds. Ireland and the European Community. New York: Cambridge University Press.

Economy of North American Free Trade. (New York: St. Martin's Press, 1993), Ambler H. Moss, Jr., Assessments of the North American Free Trade Agreement. (Miami: North South Center Press, University of Miami, 1993), Gerald P. O'Driscoll, Jr., Free Trade with North America: Expanding Trade for Prosperity. (Boston: Kluwer Academic Publishers, 1993), Robert A Pastor, Integration with Mexico: Options for U.S. Policy. (New York: The Twentieth Century Fund Press, 1993), and A. R. Riggs and Tom Velk, Beyond NAFTA: An Economic, Political and Sociological Perspective. (Vancouver: The Fraser Institute, 1993)

⁴³ For a good summary of this argument see Gary Clyde Hufbauer and Jeffrey J. Schott, "Prescription for Growth." Foreign Policy 93 (1993-94), 104-114. The text of the treaty itself emphasizes the economic objectives of this treaty. See The NAFTA. (Washington: US Government Printing office, 1993) p. 1-1.

⁴⁴ For a negative assessment of this expectation, see Salem S. Ajluni, "Thinking Globally, Acting Locally." Peace Review 6 (1994), 313-320.

⁴⁵ Paul Krugman in "The Uncomfortable Truth About NAFTA -- It's Foreign Policy, Stupid," Foreign Affairs 72 (1993), 13-19 emphasizes the political nature of NAFTA.

⁴⁶ Susan Kaufman Purcell, "The Changing Nature of US-Mexican Relations," Journal of Interamerican Studies and World Affairs 39 (1997), 137-152.

⁴⁷ Abraham F. Lowenthal, Partners in Conflict: The United States and Latin America in the 1980's. (Baltimore: The Johns Hopkins University Press, 1990).

⁴⁸ John Saxe-Fernandez, "After the Cold War: New Strategies in Latin American-United States Relations," International Journal of Politics, Culture and Society 8 (1994), 225-255.

⁴⁹ O'Brien emphasizes how regional integration in North America is caused by the global economy and the change that results in both national and transnational institutions.

⁵⁰ Robert A. Pastor and Jorge G. Castaneda, Limits to Friendship: United States and Mexico. (New York: Vintage, 1988).

⁵¹ Timothy J. White, "What Does it Mean to Be Irish? The Transformation of Political Identity in Ireland," Southeastern Political Review 24 (1996), 137-157 and Ronald Inglehart, Neil Nevitte, and Miguel Basanez. The North American Trajectory: Cultural, Economic, and Political Ties among the United States, Canada, and Mexico. (Hawthorne, NY: Aldine de Gruyter, 1996)