

3. Regional Economic Integration - Bringing Values Back In

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1. Abstract

This paper deals with the most basic of questions: why should governments participate in Preferential Trading Agreements? The paper begins with a review of the reasons, claimed, real and presumed, that governments have in the past used to justify the creation of PTAs. It continues by listing five basic value goals espoused by contemporary governments: peace, freedom and the absence of random violence, prosperity and economic development, the reduction in the incidence of poverty, democracy and a clean and healthful environment. In its empirical section, the paper examines four existing PTA's - the European Union, NAFTA, AFTA and APEC, and tries to determine the extent to which these four groups have contributed to the achievement of the five basic values goals. The paper concludes that the contribution of PTAs to the achievement of these goals has been modest, but not insignificant.

2. Introduction

Customs unions have existed since the seventeenth century, but until the establishment of the GATT system in 1947, customs unions tended to cluster around one hegemonic state.¹ Article XXIV of the GATT specifically allowed for the creation of customs unions and free trade areas, a new concept at that time. (Granatstein, 1985) From 1949 to 1995, governments notified the GATT/WTO of 134 regional trading arrangements. (Bhagwati and Panagariya, 1996: 56-73) These have come in two waves, dating roughly from 1958 to 1970 for the first wave, with the second wave beginning in the mid 1980s with the Single European Act and the CUFTA. (Bhagwati, 1994) Today one can hardly open a newspaper or economic or business periodical without reading about plans for the establishment, enhancement or enlargement of a preferential trading agreement (PTAs).

A note about terminology. Many economics textbooks include definitions of customs unions and free trade areas, but in fact most contemporary PTAs deal with much more, and sometimes much less, than trade. They may include provisions for the

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free movement of capital and labour (CUFTA, EU), for the allocation of industries or markets (ASEAN, the Autopact) or provisions for the subsidization of industries (the CAP), governments (the Lomé conventions) or projects (the EU's regional funds). Here I call all such arrangements PTAs. I also assume that a PTA is worthy of examination whenever political leaders say that one exists.

We need also to distinguish between market and institutional integration. Market integration occurs when exports and imports of two countries increase as a proportion of their total production. Institutional integration (also known as structured regionalism) occurs when two or more governments enter into a formal agreement to liberalize trade. (Drysdale, 1994) Students of regional integration have also identified intermediate stages known as 'open' or 'soft regionalism'. Drysdale defines open regionalism as 'concerted unilateral MFN (most-favoured nation) liberalisation of trade by a number of states'; Zhao defines soft regionalism as cooperation among governments to liberalize trade without a formal agreement to do so. (Drysdale, Vines and House, 1998: 6 and 15; Zhao, 1998: 100) Drysdale makes a further distinction between open regionalism and PTAs. In this paper, PTAs will refer to all regional attempts to liberalize trade, whatever the label.

The relationship between these three concepts is controversial. Market integration frequently precedes institutional integration, either because it creates a demand for institutional integration - economists say that institutional free trade reduces transaction costs - or because it anticipates institutional integration. (Ravenhill, 1995a) Thus British trade with the EC increased significantly before Britain entered the Community, Hong Kong-China trade increased rapidly before the 'handover', (Zhao, 1998) and American-Mexican trade rose before the implementation of NAFTA (Ravenhill, 1995a). In ASEAN and AFTA, the situation was different. Intra-ASEAN trade was low and declining before the ASEAN leaders decided to institute AFTA, and previous efforts to free trade among ASEAN had met with little success. In some cases, such as those of the Lomé conventions and CARICOM, institutional integration has led to only limited market integration; in others, such as the EU, it has led to a considerable degree of market integration, though the rapid growth of intra-Community trade experienced in the Community's early years has levelled off. As a political scientist, I will discuss only examples of institutional integration. Market, without institutional, integration is a subject for economists.

The literature on regional economic integration is full of comparative adjectives and adverbs. Integration is said to be fast or slow, deep or shallow, high or low. Only seldom do the writers specify what they mean by these terms. In most cases, the underlying, but only rarely mentioned, model is that of the nation-state. Integration is said to be advanced or deep or to have achieved a high level when the resulting regional compact resembles the model of the nation-state where there is assumed to be an almost

total free movement of goods and factors of production under a common set of rules. Table 1 provides a rough scale of the various degrees of economic integration according to this conventional model.

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Scale Comparing Levels of Institutionalized Regional Economic integration*

Table 1

Level 3

European Union

Regional communities perform functions formerly attributed to national governments

-for example, environmental controls, immigration controls, regional economic development

NAFTA

Level 2

Regional common markets regulate some areas related to trade; there is at least some institutionalized free movement of factors of production

Level 1

Regional customs unions and free trade areas which provide for the free movement of most goods and some services

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ASEAN, APEC

Level 0

Conventional international trade treaties

Notes

*On the Distinction between institutionalized and market integration see Drysdale (1994 : 38)

Yet most proponents of PTAs insist that they are not trying to create new states. Even in Europe, the phrase the 'United States of Europe' has been out of fashion for over twenty years. People who consider themselves to be progressive and future-oriented speak and write about new models of international integration, multi-layered, overlapping institutions which are subject to various degrees of popular control. (Falk, 1992: 20-22; Barnett, 1994: 428-430). The European Union's principle of subsidiarity, as defined in the preamble, but not the text, of the Treaty on European Union (popularly known as the Maastricht Treaty) constitutes another attempt to imagine something other than the state model. This concept, adapted from Catholic social thought, holds that it is possible to find an appropriate level for each field of governmental activity. (Fischer, 1998; Schumacher, 1974: 203) In this case, the starting point is not the state as such but the various functions governments perform. If these activities, from fire-protection, to education, to policing, to environmental controls, are listed, it should be possible to determine the level of government which could best deal with each of them. This scenario assumes that the existing institutional structure of levels of government - municipal, regional, national, supranational and global - will remain in place, that is it makes only a limited allowance for new forms of governance.

Whether or not the state becomes the implied model of international economic integration, the continuing popularity of PTAs can hardly be denied. The rest of this paper examines the motives and the consequences of this popularity. I begin by summarizing the various explanations for the establishment of PTAs given in the academic literature or made by political leaders advocating the establishment of a PTA. In the next section, I attempt to evaluate these explanations in terms of their ethical validity. What value goals would justify the creation of PTAs? And to what extent do the explanations given in the first section satisfy the ethical criteria discussed in this second section? The last part of the paper attempts an operationalization of the criteria established in the first two sections by applying them to some existing PTAs in North American, Europe and East Asia. The conclusions allow some preliminary guesses as to the extent to which PTAs might fulfil the hopes placed upon them.

3. Justifications for the Creation of PTAs²

Economic arguments constitute the most common justifications of the creation of PTAs. In a seminal work, Viner (1950: 41-55) made a distinction between good and bad PTAs. Good customs unions and free trade areas create trade, bad ones divert it from its 'natural' channels. The argument as to whether specific PTAs would cause trade diversion or trade creation has been central to the economic evaluation of PTAs since that time. It is not, however, the only economic argument. Most economists, no matter

where they stand with respect to the creation of specific PTAs, generally repeat the mantra that with but few exceptions global free trade constitutes a welfare enhancing economic optimum³, and that it, therefore, should be the long term goal of all governmental trade policies. However, they concede that since this goal is unlikely to be achieved for a very long time, if at all, PTAs may constitute a useful interim measure, building blocks towards global free trade. (Bergsten, 1994) They may even be laboratories within which governments can practice free trade and gradually introduce their industries to foreign competition. (OCDE, 1995: 65-66; Bergsten, 1997; Soesastro, 1997a) The argument that freer regional trade can train industries for wider regional or global competition is one of the arguments advanced for the creation of the AFTA. (Bowles, 1997: 220-221) Chirathivat (1996) calls AFTA a 'training ground' for global trade liberalization. In a pragmatic vein, Bhagwati, a strong advocate of global free trade, concedes that PTAs may not be good, but that they are better than the likely alternative, that is national protectionism or bilateral trade agreements. (Bhagwati and Panagaryia, 1996). A 1995 OECD study tries to combine all these arguments into one grand optimistic conclusion, that since PTAs can only function within a stable global trading system, there is no need to worry since PTAs and a liberalizing global trading system are symbiotic partners whose welfare depends one on the other. (OCDE, 1995: 92)

Other economists, however, have thrown cold water on such optimism. They point out that in many cases, especially in the case of the smaller developed economies, the unilateral dismantling of tariffs may be economically more advantageous than a PTA. This question raises another issue: whom does the PTA benefit, all of its members, some of its members, or the global economy (not to mention its effect on individuals within the member states)? In most cases, the effects will not be equally positive - if indeed they are positive - at all three levels.

Furthermore, though economists may blanch at the thought, economic welfare as defined by economists may not always be what political leaders want. Some may prefer economic development and industrialization, even if they know that such a policy will not increase the national income as much as freer trade might. (Tovias, 1994) This indeed was the argument used by Canadian opponents of the CUFTA and NAFTA; they argued that these PTAs would reduce Canadian workers to the production of raw materials and the flipping of hamburgers. (Barlow, 1990: 104-106)

Political leaders, on the other hand, have emphasized one type of economic argument in defending PTAs: From the founders of the European Economic Community to Presidents Reagan, Bush and Salinas and Prime Minister Mulroney, they have all insisted on the short to medium term welfare enhancing arguments. They claimed that the specific PTA they advocated would lead to prosperity for the peoples living in the participating states. Two examples from the hundreds available suffice to make the point. A French Christian Democrat wrote in April 1957 that 'The enlarging of markets

Image Not Available

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in the Common Market will bring about a general economic expansion.’
(Mallet, 1957) And President Salinas told the Canadian House of Commons in 1991

Within the framework of an agreement between sovereign nations that will do away with tariff and non-tariff barriers, increase the expanded trade patterns and objectively and justly resolve differences, we can expect investment and the creation of jobs to benefit all three countries. We shall also be able find economies of scale that will not only increase the competitiveness of Canada and restore that of the United States, but also bring Mexico’s competitiveness up to world levels. (Canada, 1991: 19178-19181)

In Asia, PTAs have not been a means of economic development as much as a consequence of that development. With the modernizations of their economies, the leaders of the ‘Asian tigers’ felt confident enough to engage in regional free trade talks (Ravenhill, 1995b), or perhaps a need to follow a trend.

Political arguments used to link the development of regional freer trade and regional integration to the achievement of peace and understanding among peoples and leaders. This was a pet theory of Franklin Delano Roosevelt’s long-serving Secretary of State, Cordell Hull. In his memoirs, Hull pointed out that during World War II the United States fought with none of the countries with which it had signed trade treaties during the 1930s. (Hull, 1948: 365) In a more sophisticated version of this argument, scholars such as David Mitrany argued that international cooperation, including the freeing of trade, could hollow out the national sovereignties that led to war among states (Pentland, 1973: 64-73), Ernest Haas and Leon Lindberg foresaw the creation of regional institutions which would ensure the smooth functioning and deepening of regional free trading arrangements (Pentland, 1973: 100-11) and Karl Deutsch postulated that the freeing of trade and the resultant contacts among people would create peace and understanding. (Deutsch, 1957: 58 and 205-207) Table 2 gives a summary of these arguments.

A Summary of the Theory of International Economic Integration

Table 2

more trade, **A** _____ prosperity and individual

more

Image Not Available

well-being

B2

peace and international

understanding

Notes

Adapted from Mahant (1993:9)

If one assumes that a regional PTA will require some kind of political institutions to ensure its successful functioning, a related set of issues arises, that of the optimal size of a political, as against an economic, system. This is a fascinating issue, which seems to be subject more to the vagaries of fashion than to the rigours of rational analysis. In 1974, E.F. Schumacher wrote that *Small is Beautiful*, whereas in the 1990s Mike Harris and Tung Chee-hwa are telling their respective constituents to amalgamate municipalities because 'bigger is better'. Economists, most of whom are convinced that universal free trade is at least a theoretical optimum, are not so unanimous when it comes to the governmental function of the creation and governance of a currency. In a set of ideas that has been labelled the 'optimum currency area' argument, some economists propose that a freely floating exchange rate, the monetary equivalent of universal free trade, may not induce the desired wealth creating effects. Instead, a monetary area with a stable exchange rate but large enough to absorb most external shocks might be preferable. The unanswered question, of course, is: How large is large enough? (Grubel, 1981: 500-510) It is a question Europeans are trying to answer as they create their European Monetary Union.

Other political arguments have explained the creation of PTAs in term of the foreign policy advantage of one or several states. Economists using this argument have attempted to demonstrate that the creation of a PTA or the reduction of a tariff may benefit the dominant economy of the region at the expense of the smaller ones. (Busch and Milner, 1994; Leyton

Brown, 1994) Political scientists have written about a kind of free trade imperialism, whereby a hegemonic state will use the creation of a PTA to consolidate its

domination of smaller states. (Mahant and deVanssay, 1994; Nesadurai, 1996) A related proposition holds that a free trade agreement may be a means by which a government can gain control over the affairs of another state, control which would otherwise be considered interference in another's affairs. This was undoubtedly the case of the USA and Mexico; the Bush administration wanted to lock in the Salinas's administration's liberalization of the Mexican economy, and the Clinton administration wanted to gain some influence over Mexico's environmental regulations. (Orme, 1996, 153-154). It was also the case of APEC, by which the US government sought to impose liberalization on the participating Asian economies. (Ravenhill, 1995a) It is not only powerful states which can use PTAs to gain influence over their neighbours. A study of Dutch membership in the EC concludes that the control a member-state has over its neighbours must be considered a real advantage, in comparison with the influence of a small non-member on adjacent countries. (Wolters, 1990)

In a contrary argument, that of the institutionalists, also labelled 'trade follows the flag', political scientists and historians have claimed that freer trade follows the creation of regional political institutions or the extension of political influence. (Krasner, 1991) A free trade agreement can be a means of expressing good will towards a de facto ally, especially where a formal security alliance may be politically unfeasible. This is the case of the US-Israel free trade agreement. More recently, political scientists have identified a process of post-national integration, whereby the various functions of sovereign states are gradually transferred upward or downward, depending which level of government can best perform them. This idea is closely related to the principle of subsidiarity, mentioned above. Under this scenario, the freeing of trade would be a function that would move upward to a regional and perhaps eventually to a global institution. (See Table 3 in this paper and Mahant and de Vanssay, 1994)

Reasons for the Creation of PTAs

Table 3

Economic Welfare	Integration (economic to	Free Trade Imperialism	Hegemonic Stability	“Trade follows the Flag”	Post-National Integration
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	political)					
Zollverein 1	#	*				
Zollverein 2	#	#			*	
Zollverein 3		*			*	
European Community 1955-1957	#	*				*
European Community SEA	*	#				#
European Community 1992 (Maastricht)		#				
Greater Economic and Monetary Union (1990)		*		*		
FTA	*		?	*	#	#
NAFTA	#		?	*	#	#
FTAA	#		?	*	#	

Notes:

Legend: * = Primary; # = Secondary; and ? = Possible.

Source: Mahant and De Vanssay (1994)

The most sophisticated set of arguments focuses on the freeing of trade as part of complex of other political objectives. This argument concedes that global free trade may constitute the wealth creating optimum, but that for the achievement of a balance of political, economic and cultural objectives, PTAs are the best possible solution. This is the logic that underlies what has been labelled 'the European idea'. (Mahant, 1969: 17, 75-77, 326-327) Cooper (1994) and Acharya (1997) apply a similar argument to East Asia. Arndt

(1994) argues that because of cultural similarities and the fact that democratic controls work best on a limited geographic scale, regional economic integration may be preferable to the global kind.

Some commentators have explained the creation of specific PTAs in terms of the *domestic* political situation of the proponents. Luszti (1996: 27-70) explains the repeal of the Corn Laws and the American negotiation of regional PTAs during the 1930s in terms of the domestic political situation of Prime Minister Robert Peel and President Roosevelt. He makes a similar argument with respect to Prime Minister Mulroney and North American free trade. (71-94) Mulroney wanted to favour the free traders of western Canada and the US-connected capitalists of Ontario and Quebec, thus solidifying the political power of a group that no intellectual tinkering by any thinker about nationalism, such as Pierre Trudeau, should ever be able to dislodge.

A related argument concerns the achievement of domestic policy preferences. President Salinas would have found it politically impossible to change Mexico's state monopoly on petroleum extraction, but he was able to alter the policy somewhat in the context of NAFTA. This process is most pronounced in Western Europe, where interests such as those of consumers, that have seen but little success at the national level have been furthered at the European one. (Dehousse, 1997: 48) Similarly, the government of Italy has successfully used the European Community as a reason or an excuse, depending on one's point of view, for reforming such basic governmental policies as the fiscal regime and the budget deficit. It has also helped Mexican environmentalists to get their government to enforce its environmental laws. (Orme, 1996: 152-154)

A final set of political arguments explains the creation of PTAs in defensive terms. Thus APEC was a reaction to the establishment of NAFTA (Acharya, 1997) and also prevented the formation of a similar Japan-American bloc. (Arndt, 1994) AFTA was meant to better ASEAN's position within APEC (Soesastro, 1997b) and the IMF (Bowles and MacLean, 1996), to counter NAFTA and the Single European Market (Luhulima, 1994) and to attract investment that might otherwise have gone to China (Bhalla and Bhalla, 1997:75; Higgott, 1998:57; Ravenhill, 1995a). The Australian government saw APEC as a means to forestall a possible failure of the Uruguay Round or the creation of trade blocs from which Australia might be excluded. (Ravenhill, 1995a) Similarly, the European Union helps to strengthen the hand of European negotiators when they face the US in multilateral trade negotiations.

These defensive arguments illustrate the fact that PTAs can be outward as well as inward looking. They can become steps on the way to freer global trade. (Bowles and MacLean, 1996; Soesastro, 1997b) This trend has been called the 'new regionalism' with respect to AFTA (Buszynski, 1997-98) or 'open regionalism' with respect to APEC. (Zhao, 1998)

In short, political leaders and academics have not lacked for explanations which justify the creation of PTAs, nor have they stinted themselves when it comes to

planning new PTAs. Some of this talk seems pointless. What, for example, is the point of discussing a Free Trade Area of the Americas when the American Congress will not even discuss 'fast track' (except perhaps to keep the idea alive)? Nevertheless, in April 1998, Western hemisphere leaders set up talking groups and issued press releases to say that they wanted to make 'concrete progress' towards a free trade agreement by 2005. (*New York Times*, April 20, 1998; 'Competition Policy', 1997; 'TPC Concludes', 1997) One could say that real political leaders durst not come home from a summit meeting unless they can claim to have talked about freer trade. In more formal language, AFTA 'served an important symbolic purpose for ASEAN'. (Ravenhill, 1995b) Obviously, political leaders and many others believe that PTAs are a 'good thing'. The next section will attempt to determine the ethical foundations of this belief. Can the creation of PTAs contribute to the achievement of the basic objectives of governments and political systems?

4. PTAs and the Purposes of Government

The British poet Alexander Pope said that fools rush in where angels fear to tread. And scholars tend to avoid basic questions lest they be considered fools. However, when so much has been written and said about PTAs, it is surely be salutary ask how they relate to the purposes of government. What are governments supposed to do for the people they govern? And does the creation of PTAs contribute to the achievement of these goals?

The role of government and its relation to economy and society is a hotly disputed topic. However, most people, at least in Canada, would probably agree on the following basic value objectives governments ought to try to achieve for the people under their authority:

1. *Peace and freedom from random violence* - This includes both the absence of war, international and civil, and the absence of criminal violence.

PTAs contribution to this objective can only be indirect. Those who argue that freer trade leads to prosperity also sometimes argue that prosperity leads to the absence of crime. This is an indirect line of reasoning I cannot pursue here because it would lead me into the bowels of sociology, and because I am limiting myself to the direct effects of PTAs. Others have argued that prosperity promotes a peace-inducing foreign policy, or that trade promotes economic development which in turn leads to prosperity, or that trade leads to contact, which promotes understanding, which leads to peace. These arguments, used by Hull, Mitrany Deutsch and Haas, were discussed above. (See also Table 2.)

2. *Prosperity and economic development* - The degree of specificity with which governments should promote economic development is another hotly debated topic. Some would claim that governments ought to do no more than provide the setting within

which private initiative can flourish. Others insist that government has a responsibility to promote industry and foster economic development, but both schools agree that government has some responsibility for the economic well-being of people. After all, if governments had nothing to do with prosperity than most politicians running for office would be liars.

As was discussed above, the claim that PTAs contribute to prosperity and probably also to economic development is one of the most frequent claims made for PTAs. To the extent that PTAs do achieve this aim, they contribute to one of the basic aims of politics.

3. *The elimination of, or at least a reduction in the incidence of, poverty* - There is general agreement on this aim of government, though there is a great deal of disagreement as to how it can best be achieved. Some claim that government has an obligation to take from the rich and support the poor, 'Make the rich pay' the slogan of a Canadian political party proclaimed in the 1970s. Others would argue that in a climate of general prosperity everyone will be better off as wealth trickles down from the rich to the poor. No one has ever campaigned on the slogan, make the rich richer, so that the poor can survive, but some, such as Ronald Reagan and Mike Harris, have come close. The Franco government in Spain worked on the principle that to take from the poor and give to the rich would keep the poor down and the political system stable, a rationale which succeeded for most of Franco's lifetime. Between these two extremes, there is a middle of the road position (Canadian Liberal, European Christian Democrat) which holds that a moderate amount of redistribution to help the most destitute and free enterprise, including free trade, for the rest constitutes the best of all worlds. (Banting, 1999)

What role would PTAs play in achieving such a state of affairs? One argument holds that the economic competition engendered by freer trade will lead to a reduction in wages and social benefits, and may thus lead to a less equal distribution of wealth; this process has also been labelled 'the race to the bottom', to the extent that firms cut social benefits to compete, or 'social dumping', if firms move to an area where social benefits appear to be lower. This is an argument used by left-wing opponents of specific PTAs such as the European Union or NAFTA. During the negotiations leading to the Treaty of Rome, the French communist newspaper *L'Humanité* (March 18, 1957) carried a table showing that German social benefits were lower than those in France, and a text pointing out that if France entered the EEC French social benefits would fall to that level. Canadian opponents of the CUFTA and the NAFTA published similar information about American social benefits. (Warnock, 1990: 147-154; Barlow, 1990: 25 and 85-87)

Another argument deals with the degree to which the prosperity a PTA supposedly creates will in itself contribute to the redistribution of wealth, or whether some degree of redistribution needs to be built into the provisions creating the PTA (the European Union's cohesion and social policies). One economist has tried to resolve this problem by disaggregating the effects the freeing of trade within ASEAN or APEC would have on consumption, investment and exports in the participating states, but this again, of

course, is overall consumption. (McKibbin, 1998: 207-210). Often, advocates of PTAs fudge the distribution issue, suggesting without actually saying so, that the prosperity engendered by PTAs will also reduce poverty and increase social stability and thus also reduce the attraction of extremist political movements, an argument used both by post-war Europeans advocating economic integration and by Americans and Mexicans defending NAFTA. (Orme, 1996:109)

4. *Democracy* - During this last decade of the twentieth century, almost everyone who has ever discussed politics claims to be in favour of democracy. Democracy has two essential components, majority rule and the freedom to exercise the civil rights which make the operation of that majority rule possible.

This is one objective that cannot be ascribed to PTAs as such. The contribution that PTAs can make is at best indirect. PTAs, so the argument goes, promote prosperity, and prosperity promotes democracy. Indeed, in spite of claims that European integration will promote democracy, European leaders admit that the best that the EU can hope to do is to stabilize democracy where it already exists. This was the argument for the admission of Portugal, Spain and Greece to the European Community, and it is for these reasons that European leaders insist that East European governments and those of Cyprus and Turkey must achieve democracy before they begin to negotiate membership in the Union. Similar claims that the freeing of trade could lead to the stabilization of democracy have been made in Asia and in the Western hemisphere, but since few of the participating governments have achieved a stable democracy (Canada and the US excepted); such claims remain to be verified. To the contrary; the claim has often been made that by transferring authority for key economic decisions to non-elected transnational bureaucrats PTAs may actually undermine democracy.

In short if the establishment of liberal democracy is one of the purposes of government in the twentieth and twenty-first centuries, PTAs have only a tenuous relationship to that aim.

5. *A clean and healthful environment* - Most people would agree that governments have a duty to provide a minimal degree of environmental protection. Few, like Herbert Spence, the nineteenth century liberal, prefer to seek their own protection from cholera or typhoid. Though the authority of government to provide clean water, sanitation, and prevent excessive pollution are recognized, the question of the contribution of PTAs to the achievement of these aims is debated. One argument often made holds that the pressure of competition under freer trade leads to the reduction of environmental standards. (Hunter, 1997) To counter such arguments, political leaders have tried to build minimum environmental standards into PTAs. They have also claimed that the prosperity PTAs are supposed to foster would in turn lead to a post-materialist concern for the environment and the adoption of higher environmental standards, or to the prosperity that makes environmental controls affordable. The post-materialist argument has been countered by another one, that the rapid economic growth characteristic of early industrialization could lead to environmental damage. (Hunter. 1997)

Environmental concerns relate to the claims made for PTAs in one other way. If PTAs give one state the possibility of influencing the domestic regulations in another state, then environmental regulations may be one set of rules especially subject to such influence. Thus within both APEC and ASEAN, discussions of environmental programmes preceded talk of the creation of a PTA, a fact which could be used to support the claim that ‘sustainable environment’ was already built into the institution in question. (Hunter 1997; Manila, 1991; *Far Eastern Economic Review*, Oct.16, 1997) One study of the effects of trade liberalization within ASEAN and AFTA specifically included the effect such liberalization might have on global warming. (McKibbin, 1998: 199) Similarly in NAFTA, the negotiation of an environmental ‘side agreement’ supported the claim that a PTA would have benign environmental effects.

In reviewing these five basic objectives of government and the relationship of these objectives to the creation of PTAs, commentators have not always been careful to identify the temporal relationship between the PTA and the desired value objective. Is the desired objective a prior condition for the creation of the PTA? Or does it need to accompany the PTA in order for the latter to function as intended? Or will the achievement of the value objective be a consequence of the creation of the PTA? Table 4 summarizes these reputed relationships.

Reputed Temporal Relationship between Basic Value Goals and PTAs

Table 4

Basic Value Goal	Prerequisite	Corequisite	Consequence
Peace and non-violence	Yes	Yes	Yes
Economic Prosperity	No	No	Yes
Liberal democracy	No	No	Yes
Reduction in the incidence of poverty	No	No	Yes
A healthful environment	No	Yes	Yes

While there are any number of books and articles on regional integration which attempt to explain the advantages of this process in inductive terms, few have dared to assess the practical consequences of integration. Economists frequently predict the precise effect that a specific PTA or PTA related measure will have. There were so many predictions as to the growth the Canadian economy would enjoy as a result of entering into the CUFTA that the federal Department of Finance published a study summarizing the predictions. They ranged from a low 0.7 percent to a high of 8.9 percent. (Mahant, 1993:77) Similarly, European economists calculated that by adopting the Single Market programme, the European Community would enjoy increased growth of 5.3 percent.

(Commission, [1988]:6) But the same economists become reticent when it comes to assessing the actual results once the PTA is implemented. In a rare exception, Giannitsis (1994) admits that Greek industrial production had been predicted to grow by between one and six per cent as a result of EC membership, but that the actual growth was only 0.2 percent. Political theorists or students of the international political economy have also made few attempts to evaluate the consequences of PTAs in terms of the degree to which they have contributed to the basic values we expect government to pursue for us. Such efforts are generally left to propagandists and publicists. (See for example, Hurtig, 1991.)

The rest of this chapter consists of a preliminary attempt to relate the activities of four existing or partially implemented PTAs - the European Union, NAFTA, AFTA and APEC, to the basic values discussed above. For each of the PTAs, I will first assess the degree to which they have been implemented, and then attempt to assess the extent to which this implementation may have contributed to the achievement of basic political goals. This effort will be largely subjective. The operationalization of these effects awaits another study.

5. Have PTAs Achieved their Ostensive Purposes?

Among PTAs, the *European Union* has been uniquely successful. Since the nineteenth century Zollverein preceded the creation of Germany, no other PTA has continued to free trade and achieve integration in other fields of governmental activity in accordance with the statist model mentioned earlier.

NAFTA has freed trade in goods, in accordance with the terms of the agreement, and even accelerated the reduction of tariffs. However, the *NAFTA* agreement excludes several significant sectors of the economy: automobiles and parts, textiles and agriculture. *NAFTA* and the *CUFTA* it subsumes include fairly detailed provisions on the free movement of some factors of production, such as investment, but there was no intention to liberalize the movement of labour. Indeed, recent moves in the American Congress (April to May 1998) propose to make movement across the two North American boundaries much more difficult. Nor are there any plans to move ahead to a closer union or to add to the supranational institutions (binational panels, sanctions against environmental transgressions) already in existence. To the contrary, all three governments assured their peoples that their sovereignty was secure under *NAFTA*. (See the quotation from President Salinas above.)

ASEAN has had a scheme for the selective reduction of tariffs since 1977, but its impact on intra-*ASEAN* was 'negligible'. (Chirathivat, 1996) In one infamous case, the Philippines agreed to liberalize trade in snow removal equipment while Indonesia added nuclear power plants to its list. (Ravenhill, 1995b). In 1992, member governments decided to improve on *ASEAN*'s limited success in freeing trade by announcing the creation of an Asian Free Trade Area or *AFTA*. By the terms of *AFTA*, all tariffs were

to be reduced by 20 percent and most NTBs eliminated over five years; no intra-AFTA tariffs should exceed 5 percent after fifteen years, but there were many exceptions, including most raw materials and lists of products exempted for reasons of 'national security'. (ODCE, 1995:46; *Far Eastern Economic Review*, Oct. 21, 1993; Chirathivat, 1996) Though ministers adopted an accelerated tariff reduction schedule in September 1994 for many goods, such as base metals, machinery, electrical equipment and plastics, and removed several categories of goods from the exclusion list, tariff reduction fell behind schedule, even before the economic crisis of October 1997. (Chirathivat, 1996; Soesastro 1997a)

There are only seven officials in the ASEAN secretariat to supervise the implementation of the AFTA and no mechanism for dispute resolution. Yet when ministers met at the beginning of the South East Asian financial crisis, that is in October 1997, they reiterated the need to free regional trade at an accelerated pace, as they did in December 1998. At that time, the heads of government decided on a two tier reduction of tariffs; the six original ASEAN members accepted a rapid reduction of tariffs - to no more than 5 percent on 90 percent of their total tariff lines - whereas the newer member states agreed to only a minimal reduction. (Joint Press, 1997; Statement, 1998) Yet intra-AFTA trade constitutes less than ten per cent of total trade for several of the participating economies.⁴ Thus even a successful AFTA is unlikely to have any significant effect on the economies, let alone the political systems, of the participating states. (De Simone, 1996)

APEC members started talking about freeing trade in 1994. With the Bogor Declaration of November 15, 1994, they set a target date of 2010 for the freeing of trade among the developed member economies, 2020 for the less developed ones. (APEC Overview, 1997) The November 1997 APEC meeting in Vancouver identified nine key economic sectors within which trade liberalization should begin, but left further decisions to talks during 1998 'with a view to commencing implementation whenever possible in 1999.' (*South China Morning Post*, Nov. 24, 1997) In short, APEC has not yet liberalized any trade, and with the economic crisis in Asia far from resolution, is not likely to do so for some time. The lengthy press release of the May 23, 1998 meeting of APEC finance ministers in Kananaskis, Canada, did not mention free trade, and the leaders' meeting in November 1998 managed only a polite reference to the freeing of trade. (APEC, 1998; Bhalla and Bhalla, 1997: 102-107; Joint Ministerial, 1998) APEC has also discussed measures which should accompany the freeing of trade, such as competition policy, customs procedures, harmonization of standards and the mediation of disputes; it has also adopted a non-binding investment code. (Arndt, 1996; APEC, 1999)

Much of what we can say about the effects of PTAs must, therefore, remain speculative for the time being. Only one of our four PTAs has achieved an almost total freeing of trade; another has achieved significant success, whereas the last two, AFTA and APEC, have not (yet?) freed trade to any significant extent.

6. Have PTAS Contributed to the Achievement of Basic Political Goals?

Peace and the absence of violence - There has been no military action among the members of the European Union since the creation of the European Economic Community in 1958, but to ascribe this fact to the EU would reverse the order of causality. It is largely *because* war among the member states had become unthinkable that the Union could flourish and develop, though the Union has contributed to a deepening of relations that has made war even more unthinkable. As for domestic violence, the fifteen member states enjoy low crime rates by world standards. There have been occasional outbursts of terrorism in several EU states (France, Germany, Italy, the UK and Spain). But only in Spain and the UK do these continue to be of any political significance. An end-of-history mood has settled on the continent, and the continuation of European integration is a part of that acceptance of things as they are. There are few challenges to the existing relations among states, or to the existing political systems strong enough to result in violence. The EU is a part of that acceptance, but not a cause of it. The most it could be credited with is a contribution to economic growth and stability and to the psychological sense that all is right with the world.⁵

The situation is different with respect to NAFTA. Here the three countries have not been involved in any hostile military action since the United States sent troops into Mexico in 1916, giving North America a much longer period of peace than Western Europe has enjoyed. Nevertheless, the possibility of military action remains. American military academies stopped teaching their students about a possible invasion of Canada in the 1930s and Canada scrapped all defence plans for war with the United States during that decade. (Mahant and Mount, 1989: 153) The idea of Canadian-American war has indeed become unthinkable. On the Mexican border, however, one can well imagine a situation of domestic instability in Mexico or a perceived provocation whereby the Mexican authorities refused to stop smuggling of narcotics or immigrants; such a situation could lead to military intervention by the American government. NAFTA, by locking in economic reforms and promoting economic welfare, was meant to create the stability in Mexico that would prevent such a situation from arising. But the economic success of NAFTA with respect to the Mexican economy has been limited. American purchases from Mexico increased by 80 percent during NAFTA's first three years; yet Mexico continues to suffer from high inflation, a widening income gap between rich and poor and political instability. In March 1997, the *Economist* judged Mexico to be the second riskiest of all emerging markets in which to invest, second after only Russia. (March 22, 1997: 150; May 10, 1997: 30) In short, NAFTA has not yet contributed to peace and stability in all of North America.

Within ASEAN the possibility of military clashes between almost any combination of two member states remains all too real. There are border problems over refugees (Thailand and Myanmar), disputes over islands in the South China Sea (the Philippines and Vietnam) not to mention a host of internal problems which cause civil

war in several member states (the Philippines, East Timor, tribal areas of Myanmar). ASEAN and AFTA leaders have made few if any claims for the peace or stability producing effects of freeing trade. Given the instabilities of the region, this is hardly surprising. Any claim that the freeing of trade could resolve any of the regions insurrections or territorial disputes would seem overblown.

ASEAN leaders have, on the other hand, made a strong claim for the stability producing effects of continued contact among ASEAN leaders. There is much talk of an 'ASEAN way' (of doing what?), of concepts such 'soft regionalism', 'cooperative security' or 'flexible consensus', (Wah, 1996-7; Thambipillai and Saravanamuttu, 1985: 3-29) and about the fact that different ASEAN committees or groups meet as many as 250 times a year. (Acharya, 1997; interview with Shaun Narine, May 14, 1998). Such talk harks back to Karl Deutsch's concept of a security community created through the understanding that comes from increased contact, but it has little to do with the freeing of trade or the creation of PTAs. (Deutsch, 1957: 1-7)

What is true of ASEAN applies with even more force to APEC. The US is the dominant power within APEC, and APEC talk of freer trade reflects American foreign policy objectives as much as it reflects any desire to contribute to stability or prosperity. APEC's founding has been described as a kind of insurance policy, in case the Uruguay Round did not succeed, and its continuation has been seen as a means to prevent the dominance of the Japanese economy in East Asia. (Bhalla and Bhalla, 1997: 100-101) Asians, including Australians, want APEC to keep the Americans in Asia, whereas the Bush administration wanted it to keep Asians from excluding the Americans. (Clarke, 1995) APEC has nevertheless led to some side-effects that could contribute to the peace of the region. It is one of the few international forums in which both China and Taiwan participate, the former as a state, the later as 'an economy'. (Interview with Shaun Narine, May 14, 1998.) APEC's task is less the freeing of trade than it is 'the promotion of confidence building'. (Soesastro, 1997a)

In short, it remains to be demonstrated whether any of the PTAs discussed in this paper have contributed or could contribute to peace and stability between or within the participating states.

Prosperity and Economic Development - Intuitively, one would hope that PTAs would contribute to prosperity and economic development. Otherwise, why bother with the creation of a PTA? Indeed many of the supposed benefits of a PTA, such as peace or democracy, are supposed to follow from the prosperity engendered by a PTA. (See Table 2.)

The European Union's member states have undergone a tremendous period of economic growth since 1958. Everyone of the fifteen member states is much wealthier now than it was then. What is more, the less developed among the European economies, Spain, Ireland, Portugal, southern Italy, and Greece, have all begun to develop or in the case of Ireland and Spain, have developed to a considerable degree (as has southern Italy, but not as rapidly as has the North). However, the degree to

which this development can be attributed to membership in the Union is a topic few have dared to tackle.⁶ Access to a larger market and European development assistance may have played some role in the development of the smaller economies such as those of Greece, Ireland, Portugal. Studies of these three countries have shown that Greece benefited but little during the early years of membership, Portugal benefited from growth elsewhere in Europe, but this benefit could not be credited to EC membership, while Ireland gained more than it lost. (Giannitsis, 1994; Marques-Mendes, 1993; Brunt, 1991) Many of the so-called evaluations of the benefits of EU membership have concentrated on the balance between financial contributions and receipts, amounts which are small (less than one per cent of GDP in all cases) in relation to the economy overall.

Within NAFTA, the situation has been mixed. The Canadian economy sank into recession shortly after the conclusion of the CUFTA, but even the CUFTA's most determined enemies can blame the Agreement for no more than intensifying that recession. (Merrett, 1996: 78-129) On the other hand, the Canadian and American economies entered into a period of prosperity shortly after the conclusion of the NAFTA whereas the Mexican one did not. Again, even the NAFTA's most determined boosters can ascribe only a part of this prosperity to the agreement. In times of prosperity, the NAFTA may help the Canadian economy because it gives an almost assured access to the American market. The direct economic effect of NAFTA on the US economy could not have been great, however, since trade with Mexico and Canada combined accounts for far less of the American GDP, proportionally, than does Canadian trade with the US for Canada.⁷

Mexico's less happy experience can be ascribed to a number of factors. The old wisdom that economic integration between developed and less developed economies will usually benefit the former is surely of some relevance here (Axline, 1994; Ravenhill, 1995b) as well as the fact that the degree of liberalization the Salinas government attempted was too much and too fast, not to mention the eagerness of US and other investors to pour in money without sufficient knowledge of the Mexican economy and political system. (World Bank and IMF Share, 1995) Yet the stability promised by NAFTA may have helped the Mexican economy's rapid recovery. Thus the effect of NAFTA has been different with respect to the three participating economies.

Until the collapse of Thailand's banks and that of the South Korean won, the smaller East Asian economies had become synonymous with rapid economic growth. They were the Newly Industrializing Countries *par excellence*, the Asian tigers. Neither AFTA nor APEC can, however, be ascribed any special role in either this development or its halt. As mentioned above, with the exception of Singapore and Malaysia, AFTA trade does not constitute a significant proportion of the trade, let alone the GDP, of the participating states. APEC's 'internal' trade is more significant than is AFTA's only because APEC includes the world's two largest economies (the US and Japan) as well as all of AFTA and NAFTA. (Bhalla and Bhalla, 1997: 72-79; Guerriri 1998: 68-79; Ostry,

1998: 337-338) But APEC has yet to liberalize any trade, so that the only benefits which could be ascribed to any trade liberalization would be those arising from the anticipation of liberalization. (Arndt, 1996)

The reduction of poverty is one benefit that leaders embarking on PTAs have sometimes promised. An important distinction is that between absolute and relative poverty. When Europeans speak of the effect the EU has had or may have on the reduction of poverty, they usually refer to the distribution of income. Until quite recently, the European approach to social policy was to continue to build the welfare state as the economy grew, that is to reduce relative poverty. (Mahant and Preston, 1986) In Mexico and South East Asia the focus has been on the reduction of absolute poverty.

In the European Union, there has been almost universal acceptance of the fact that 'Europe' must have a social dimension. This policy was written into the Treaty of Rome and has been repeated many times since. How successful such a policy has been depends on what one is looking for. There has been only limited progress towards a harmonization of social policies. Income disparities have been widening in several member states, notably Britain. On the other hand, one European social policy, that of cohesion or regional development, has known some success, while a programme to combat unemployment remains at the stage of guidelines. (European Council on Employment, 1998)

In the NAFTA member states, income disparities were widening before the implementation of the agreement. So the answer here is simple. NAFTA could not have caused the rise in relative poverty; but since the crisis of 1994, absolute poverty in Mexico has also been on the rise. (Economy, [1996]) Although the NAFTA Labor Commission has very limited powers of enforcement, it has received submissions almost from the day in 1994 when it first opened its doors. (Cushen, 1999) By April 1999, it had received twenty submissions, alleging twelve Mexican, six American and two Canadian violations of domestic labour laws. Of these twenty, only three had led to any action on the part of the NAALC or the target governments. The other seventeen were withdrawn or refused by the National Administration Offices which screen the initial complaints. In one case, a firm took its case to the domestic American court system and did not have to reinstate the workers it had fired, allegedly for trying to organize a union. However, two of the successful cases did lead to significant reforms. In one case, a firm in the maquiladora zone was stopped from testing its women workers for pregnancy; in another, immigrant workers in the US were given some assurances that their immigration status would not be investigated if they filed health or safety complaints. (Summary, 1999)

Within ASEAN, rapid economic development led to a dramatic decline in absolute poverty and to dramatic increases in literacy. In Indonesia, for example, the proportion of people living in absolute poverty decreased from 70 to 10 percent. (Addressing, 1998) These developments were, however, unequally distributed across

the member states, with the Philippines experiencing fewer economic benefits than the other members. The social effects of the Asian crisis which began in late 1997 are just now being measured, though they have been evident to observers for some time. There has been a dramatic resurgence in absolute poverty. (*The Economist*, May 1999; 'Down But Not Out of Hope.') Neither the reduction in poverty nor its recent rise can, however, be ascribed to AFTA, much less to APEC, which consists of some of the world's wealthiest as well as some of its poorest economies. According to press reports, the APEC finance ministers meeting on May 23, 1998, that is after the overthrow of Indonesia's President Suharto, was the first such meeting to devote much time to the discussion of poverty. (McCarthy, 1998) It did not discuss free trade. (Joint Ministerial, 1998)

Liberal democracy has become a promised consequence of almost any contemplated policy. Would any leader say that this policy might have deleterious effects on democracy? Yet the fact that PTAs may remove control of economic policy away from elected leaders at the national level has been one of the most frequently voiced concerns about international economic integration. Logically, PTAs could contribute to political democracy through their effect on prosperity and economic development. The relationship between economic development and democracy is one political scientists have debated for some time. Most successful, in the sense of long lasting, democracies have existed in industrialized countries (a few exceptions such as India and Costa Rica notwithstanding). Hence, the implicit or explicit assumption has been that by contributing to economic development and/or prosperity, PTAs would automatically further democracy.

PTAs could, however, enhance democracy in another way, that is by themselves practising democracy. As mentioned earlier, democracy at the national level is a condition of membership in the EU. At the European level, EU leaders have made major efforts to create some of the institutions of democracy: direct elections, a European ombudsman's office, an executive which is at least in part responsible to the Parliament, but these democratic institutions seem not to have taken root in terms of popular participation. Perhaps because Europeans sense that much decision-making authority remains with the national governments, or perhaps because Strasbourg and Brussels seem remote and somehow different in terms of political culture, Europeans have not taken to these new institutions.

As mentioned earlier, political democracy is a condition of membership in the European Union, and Europeans have been concerned that the EU will detract from their democracies by putting decisions into the hands of Eurocrats who are responsible to no one democratic government. Yet, even within the EU, the institutional provisions of the Community, if not its free trading practices, have on occasion enhanced democratic control, as when the British Government encouraged the formation of a parliamentary committee which would be a kind of watchdog which could scrutinize European legislation before it was incorporated into British law. (George, 1992: 94-100.)

NAFTA consists of two long established democracies and one political system, that of Mexico, which *may* have begun the long road towards political democracy. The relevant question with respect to NAFTA is, to what extent if any it has contributed to what little progress toward democracy there has been in Mexico. The ethos of being part of a group of three which includes two liberal democracies, as well as direct American and Canadian pressure (including observers) may have contributed to the relative degree of openness of the last Mexican congressional election. Also, the legal procedures needed for the functioning of NAFTA, such as the review of trade laws and the binational panels, may contribute to the establishment of the rule of law in Mexico. (Mahant and de Vanssay, 1996) Thus, indirectly, NAFTA may have and might continue to play a role in Mexico's limited progress towards democracy. (Kelley, 1997)

As for the NAFTA level, there is not even pretence of a hint of democracy or popular participation. There is no NAFTA parliamentary commission (though there have been exchange visits of legislators), let alone a commissioner for human rights or ombudsman's office. NAFTA drafters appear to have assumed that the normal democratic procedures of participating states should suffice. The issues this raises with respect to the possible hollowing out of domestic democratic protections have not yet been faced. The bilateral dispute resolution panels, for example, deprive firms of the right to appeal through the domestic court system. American firms have on occasion threatened to launch a constitutional challenge to this system, but they have not done so. On the other hand, individuals and groups have embraced enthusiastically the one kind of participation NAFTA offers them, that is the filing of complaints on environmental or labour issues.

Within ASEAN, the situation is different because there some leaders have openly and unabashedly postponed democracy and labelled it a long term goal which Asian states could not yet afford, or for which they were not yet ready. Much has been written and said about an 'Asian way' which combines consensus (read authoritarian) decision-making with rapid economic development. Even the august *Economist* with its roots in nineteenth century liberalism has at times mused whether Asians had not managed to achieve economic development and social progress without democracy. The wind filling these sails has all but blown itself out with the economic crisis of 1997. The need for democracy is now widely acknowledged, even though its achievement becomes risky in a time of crisis. Thus it is economic necessity, not ASEAN or AFTA, which has led to such progress towards democracy as there may have been. (In Singapore and perhaps also Malaysia the process has been one of regression from democracy.) All of ASEAN's members, with the possible exception of the Philippines, have governments which are either authoritarian or corrupt or both. Only very recently has ASEAN begun to show any interest in the internal political situation of its member states. (Eng, 1999)

Within APEC, governments of all kinds co-exist. APEC's continued existence may well depend on its avoidance of issues, such as the democratic record, or otherwise,

of member governments. Any contribution which APEC may ever make to the achievement of democracy will depend on the long term effects APEC may have on the economies of participating states, or on such intangibles as the prestige governments may derive from participating in APEC.

A clean and healthy environment - Few have claimed that the freeing of trade would lead to a cleaner environment, but the possible environmental effects of PTAs have been a widely discussed topic. Concern for the environment is the quintessential post-materialist issue, that is it follows economic development. In Europe, this has meant that environmental standards have been built into the European Union's regulatory system, so that in some areas, for example, automobile emissions, Europe has achieved or is close to achieving common standards.

Concerns that NAFTA would lead to a degradation of environmental standards were a frequently mentioned cause for opposition to NAFTA. Consequently, the Agreement includes a number of environmental provisions, including a commitment not to lower environmental standards in order to protect investment and a commitment not to harmonize environmental standards in a downward direction. There is also a bilateral Mexican-American agreement to deal with environmental problems in border areas. (Houseman, 1996) After the election of the Clinton administration in the US and the Chrétien government in Canada, the three governments negotiated a supplementary agreement, the North American Agreement on Environmental Cooperation (NAAEC). Under its terms, governments, groups or individuals may complain that any one of the three governments is not enforcing its own environmental legislation. In case of a governmental complaint, an intergovernmental dispute resolution procedure that could result in either a fine or trade sanctions follows. (Trakman, 1997: 31-35) This procedure has not yet been used. It is also possible for a group or an individual to file a complaint. Such a complaint can only result in the publication of a factual report by the Commission for Environmental Cooperation, but not in enforcement procedures. Between June 1995 and October 1998, twenty such complaints were filed. Some of these were rejected as unsubstantiated but others have resulted in the publication of a 'factual record', meaning that the Secretariat had found some evidence of a government's non-compliance with its own legislation. (NAAEC Review, 1997; Registry, 1998)

ASEAN leaders have been discussing environmental issues since 1977, that is long before they agreed on a PTA. (Functional, 1997) Environmental issues are a part of ASEAN's wide-ranging agenda and are not usually linked to trade issues. There have been regional training workshops (on for example on Concepts and Methods of Natural Resources and Environmental Accounting) and a symposium such as that on the Marine Turtle Conservation Programme. (Cooperation, 1997) In early 1998, when the Secretariat completed work on a draft ASEAN Strategic Plan of Action on the Environment, it included several mentions of the need to integrate environmental planning with AFTA, but this plan has not been adopted by the ministers. (ASEAN Strategic, 1998)

APEC was founded in 1989, a time when environmental issues were already high on the public agenda. APEC has, therefore, discussed environmental issues since its inception. The first APEC Economic Leaders meeting in November 1993 included environmental issues in its 'Economic Vision' statement. Meetings of ministers responsible for the environment followed; APEC meetings now include a regular agenda of environmental issues, such as the APEC Cleaner Production Strategy and the Impact of Expanding Population and Economic Growth on Food, Energy and the Environment. There have also been meetings with youth and with business to discuss environmental issues. Most of what APEC has 'done', however, consists of words rather than actions, and even the words have caused controversy when they seemed too committed. According to one observer, 'specific actions ... are limited to information exchange, training seminars and loose commitments to "cooperation".' (APEC Environment, 1997) Most important of all for our topic, APEC environmental activity has, for the most part, not been linked to the freeing of trade but rather pursued for its intrinsic benefit. APEC meetings have talked about sustainable development and about the liberalization of trade, but they have done little in either domain. (Hunter, 1997)

7. Conclusions and Suggestions for Future Research

Depending on the circumstances and their degree of development, it seems possible that PTAs have contributed, or at least could contribute, to the achievement of at least three of the basic value goals discussed in this paper: economic prosperity, international peace and democracy. (Table 5)

Basic Political Value Goals and Regional PTAs- A Summary of Standards Achieved as of 1997

Table 5

Goals Achieved → Regiona PTA ↓	Internation al Peace	Prosperity and Economic Development	Political (Liberal) Democracy	Reduction and Incidence of Poverty	A Healthful Environment
European Union	Not at all (peace preceded the Union)	Possibly	To some extent (Greece, Spain Portugal)	To some extent	Considerabl y
NAFTA	Not at all (peace preceded NAFTA)	Possibly	To some extent (Mexico)	To the contrary*	A little
ASEAN (AFTA)	A little	Maybe a	A little	?	Not at all

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		little**			
APEC	Not at all	Too soon to tell	Too soon to tell	Not at all	?
Overall	A very little	Possibly	A little	A little	A little

Notes

*NAFTA may have contributed to the intensification of income disparities in Canada and Mexico

**Economists suggest that South-East Asia's rapid economic development was the result of *market* rather than *institutional* integration.

The record is less positive with respect to environmental standards. Whereas both NAFTA and the EU may have helped to improve environmental standards or their implementation, this is not the case in Asia where economic integration and development have contributed to a degradation of the environment. The record is even less positive with respect to the reduction of poverty. PTAs seem to have contributed to a widening gap between rich and poor wherever they have been created, and this in spite of the efforts of EU leaders to create a European social policy. In the long run, this widening gap may have its own negative effects on the development of democracy.

Obviously, there is a need for further studies of the political effects of PTAs. What little study there has been has been on the economic fringes of the effects of PTAs. The larger political and social issues have been left to polemics or ignored altogether. Yet comparison is the laboratory of the political scientist. Only the *comparative* study of PTAs can reveal their effects.

Unfortunately, in this age of 'information overload' and narrow specializations, it is almost impossible for any one person to do a meaningful comparative study of the effects of PTAs in different geographical regions. Perhaps the way to advance knowledge of this important issue would be to design a rigorous framework for the comparative study of PTAs and then to invite area specialists to provide the necessary data.

List of Abbreviations Used in Text

Table 6

AFTA	Asian Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CAP	Common Agricultural Policy

CARICOM	Caribbean Common Market
CUFTA	Canada-US Free Trade Agreement
EC	European Community
EEC	European Economic Community
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFN	most favoured nation
NAAEC	North American Agreement on Environment Co-operation
NAALC	North American Agreement on Labour Co-operation
NAFTA	North American Free Trade Agreement
NTB	non-tariff barriers
OCDE	Organisation de Coopération et de Développement Économique
OECD	Organization of Economic Cooperation and Development
PTA	preferential trade agreements
WTO	World Trade Organization

Notes

1. Viner(1950: 141-167) lists 268 customs union agreements dating from the seventeenth century to 1948. Of these 202 consisted of agreements centring on one major state: England, Prussia, Austria or South Africa. Of the remaining 62 several were of a similar kind (i.e. France-Monaco) but there were not enough with any one state to constitute a grouping.
2. This section deals with nation-states as a whole, that is with those who act on behalf of the state or who study states. It does not deal with the sub-national level, that is interest groups and political parties.
3. For non-economists, it is worth recalling that when economists write about welfare enhancement they mean the growth of overall wealth, that is GDP, without any implications as to the distribution of that wealth.
4. Intra-ASEAN trade constituted 17.1 percent of the members' total foreign trade in 1970. After several decreases, it rebounded to 18.3 percent by 1992. (Chirathivat, 1996) There is also a great difference among individual members' dependence on intra-ASEAN trade, from a high of 28 percent for Malaysia (most of that with Singapore) and 25 percent for Singapore to below 10 percent for Indonesia, Thailand and Malaysia. (DeSimone, 1996)

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5. The rethinking of the postulates of the welfare state that has been going on in some European states, notably Sweden and the UK, is a different issue that is of only marginal relevance to the topic of this paper.

6. There is one exception. A useful series of books published in the early 1990s made an effort to assess the effect of EC membership on the economy and politics of all of the member states. See for example, Wolters and Coffey (1990).

7. Calculations on figures from the *Statistical Abstract of the United States 1997* show that exports to Canada and Mexico about 3.5 percent of the American GDP. This contrasts with the almost 20 percent of the Canadian GDP which is accounted for by exports to the US.

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