



External Influences on Regionalism

Lenz, Tobias

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External Influences on Regionalism: Studying EU Diffusion and Its Limits

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TOBIAS LENZ, JUL 17 2013

Regionalism has become a global phenomenon. As international interdependence continues to grow, countries increasingly seek institutionalized cooperation with neighbouring states to tackle pressing problems such as environmental degradation, migration flows, and developmental challenges. The list of regional organizations is long. Among the more well-known ones are the North American Free Trade Agreement, Mercosur in South America, the Southern African Development Community, the Association of Southeast Asian Nations, and the European Union (EU). But there are many more. Have you heard of the Pacific Island Forum? The Organization of Eastern Caribbean States? Or the Intergovernmental Authority for Development? Today, there is barely a region in the world that does not feature a regional organization.

In the academic study of regional organizations, scholars have mainly focused on explaining the differences between them. Why are some more institutionalized than others? Why are some more successful than others, etc.? Less attention has been paid to understanding commonalities. Many of these organizations were created around roughly the same time: a first wave emerged in the 1960s, a second wave followed in the early 1990s. Many economics-oriented regional organizations pursue the ambition to create EU-type common markets and customs unions. Marked similarities in institutional arrangements exist. For example, 11 organizations have created a regional court along the lines of the European Court of Justice (Alter, 2012). Finally, many regional organizations have seen a continuous evolution over time, moving away from traditional models of intergovernmental cooperation towards more supranational forms of governance. These phenomena are central to our understanding of regionalism.

Diffusion theory draws particular attention to such commonalities, and the EU as the most prominent pioneer plays a special role in this broader panorama of regional organizations. This article explicates how diffusion theory can serve as a useful analytical tool to examine the EU's influence on regionalism elsewhere.

Explanations of Regionalism

Despite their global reach and marked commonalities, regional organizations are predominantly analysed as independent phenomena. The literature tends to work from the widespread yet often implicit assumption that the main driving forces of regionalism have internal origins. Consider prominent theories of European integration. Ernst Haas' (1958) pioneering effort to construct a neo-functional theory of integration focuses on the functional connectedness between policy fields, and the nurturing of integration dynamics by supranational entrepreneurs. Similarly, Andrew Moravcsik's (1998) liberal intergovernmentalism locates integration dynamics in economic interdependence among member states and their differential bargaining power. Institutionalists also emphasize the role of regional and sometimes domestic institutions in shaping the path of European integration (Pierson, 1996).

Beyond Europe, the independence assumption is also discernible. Political economy approaches highlight the influence of dominant domestic coalitions, whose preferences tend to be deduced from their location in the structure of economic (and political) exchange. Economists have examined preferential trade agreements as a functional response to structural changes in the world economy, notably increasing interdependence coupled with the stalemate of multilateral negotiations on trade liberalization in the General Agreement on Tariffs and Trade and the World Trade Organization. On the other hand, constructivists highlight the role of domestic ideas, cultural

External Influences on Regionalism: Studying EU Diffusion and Its Limits

Written by Tobias Lenz

traditions and identities. Katzenstein (2005), for example, explains variation in the degree of formalization and institutionalization of regional organizations between Europe and Asia as a function of different ideas about cooperation. Overall, a wide variety of existing approaches to the study of regionalism focus on internal dynamics, thereby conceiving different regional organizations largely as independent from each other.

Diffusion theory, in contrast, puts the interdependence of units of analysis centre stage. It starts from the premise that rather than being independent phenomena, regional organizations influence each other. In technical terms, diffusion denotes a situation in which the “prior adoption of a trait or practice in a population alters the probability of adoption for remaining non-adopters” (Strang 1991, p. 325). Expressed differently, the norms, ideas, institutions, policies and practices developed in one organization affect the dynamics of regionalism elsewhere. From this perspective, regional organizations form a population, or community, characterized by manifold links between them – both direct and indirect – that serve as channels through which different political ‘objects’ spread.

Based upon the relationship between units and the underlying logic of action, diffusion theory distinguishes several causal mechanisms through which diffusion operates. When regional organizations are directly linked, some may affect others by attaching material rewards (financial aid, market access etc.) to the adoption of its ideas and practices. In the absence of providing tangible incentives, organizations may socialize others into desired forms of behaviour by appealing to causal or normative understandings of the world. On the indirect side, three mechanisms are particularly prominent. Competition describes a situation in which the actions of some organizations change the incentives attached to different decisions for others. Learning captures a process in which policy-makers change their conceptions of cause-effect relationships based on the study of other organizations. Finally, emulation denotes a process in which others copy the ideas and practices of dominant pioneers, which come to set new standards of appropriate behaviour.

The European Union, the Diffusion of Regionalism, and Its Limits

The EU is widely considered the foremost exponent of gradual economic integration as a means to transform historical animosities between states. For this reason, it has attracted attention among policy-makers in other parts of the world that similarly struggle to provide security, stability and prosperity for their people. Diffusion theory offers a set of analytical tools to analyse the Community’s influence on regionalism elsewhere.

It is well known that the EU actively seeks to strengthen existing regional organizations around the world: it lends financial and technical assistance, holds interregional political dialogues to discuss salient political issues, and negotiates interregional cooperation and free trade agreements. The informational and economic resources provided through interregional channels affect regional dynamics elsewhere. For example, EU-funded consultants provided informational input into decision-making by the Association of Southeast Asian Nations or the Andean Community in Latin America that led to the adoption of economic legislation very similar to that of the EU. The EU’s provision of financial assistance can also affect regional dynamics. On several occasions, policy-makers in the Southern African Development Community created EU-type institutions in a context of high financial dependence on the EU (Lenz, 2012). Manipulating market access is another tool of diffusion. In the negotiation of Economic Partnership Agreements with African sub-regions, the EU used access to its market as a bargaining chip to advance closer economic integration among its partners. These instances of EU influence are well documented.

Less well researched is the EU’s indirect influence on regionalism through processes of competition, learning and emulation. Rather than getting involved in other regions directly, it is often local actors who transfer EU-type ideas and practices to other locales under conditions created by the EU’s mere existence. Its ‘completion’ of the Internal Market in the early 1990s, for example, played an important role in the proliferation of similar regional trade agreements throughout the decade – a spread of rules strongly driven by a competition logic (Mattli, 1999). The Eminent Persons Group that developed recommendations for the design of a coherent legal document of the Association of Southeast Asian Nations – the so-called ASEAN Charter – learned from the EU. They visited Brussels, and gathered information on the EU’s experience with regional integration. One result of this learning

External Influences on Regionalism: Studying EU Diffusion and Its Limits

Written by Tobias Lenz

process was the creation of an EU-type Committee of Permanent Representatives (Jetschke and Murray, 2012). Finally, Mercosur policy-makers recently emulated the European Parliament when creating a Mercosur Parliament, which was inaugurated in 2006 (Dri, 2009).

Even though EU ideas and practices diffuse to other regional organizations, they rarely result in similar or even comparable institutional practices and outcomes. Since they never enter into a vacuum, existing structural conditions – both material and ideational – affect the way in which they are received and operate. This forms an important limit to EU diffusion. An example of material conditions affecting the reception of EU models concerns economic integration. The creation of a common external tariff as one element of an EU-type common market has been hampered in various regions by the fact that some member states have tariffs close to zero, and are unwilling to raise them to conform to a joint tariff. Beyond material structural differences, policy-makers in other regions tend to be much more reluctant than their counterparts in Europe to share national sovereignty, adjusting EU-type ideas and practices accordingly. For example, European Court of Justice-inspired regional courts are rendered less intrusive by limiting the access of private actors to the court's jurisdiction, or by making sanctions conditional upon unanimous agreement by member states. Similarly, regional secretariats created along the lines of the European Commission do not hold an exclusive right to propose legislation, thereby bolstering member state control over regional integration. In fact, different conceptions of national sovereignty pose one of the foremost limits to the diffusion of EU-type ideas and practices.

Studying EU Diffusion Empirically

Even though the notion that ideas, policies and institutions developed in Europe diffuse to other parts of the world might seem intuitive, it poses tricky methodological challenges in empirical analysis. How do we know that existing ideas and practices in regional organizations originated in Europe rather than elsewhere? More fundamentally even, how can we have confidence in that they diffused rather than being autonomous creations by local policy-makers? And even if we can show that ideas and practices diffuse from the EU, how do we know that diffusion causally mattered beyond merely providing some distant inspiration for reform in a world in which few political ideas and practices are genuinely novel? These questions indicate that causal claims about EU diffusion centrally rest on a counterfactual: outcomes in regionalism would be different if the EU did not exist. It is this counterfactual that needs to be specified convincingly in order to render such claims persuasive. How can this be accomplished? Three steps are necessary.

First, we need to map the empirical contrast space, that is, to identify and specify potential alternative decisions to the one actually chosen, given a particular political problem. This step serves to detail *ex ante* the hypothetical situation 'absent the EU.' In a context in which the EU has already addressed many of the potential political challenges to be encountered by regional policy-makers, one of these alternatives can generally be identified as being of an EU-type. These alternatives, including the EU-type one, need to be clearly distinguishable. It requires operationalizing them based upon transparent indicators. An example from economic integration shall illustrate. Given the challenge of ensuring economic competitiveness, we might posit a free trade agreement, in the regional context or beyond, as a functional equivalent to an EU-type common market under the purview of a regional organization. A free trade agreement may be operationalized as involving free trade in goods, whereas an EU-type common market entails the free movement of goods, services, capital and labour plus a common external tariff.

The second step is about establishing correlation between the 'ideal typical' EU-type decision and the actual decision by mapping similarity between the two. To the extent that correlation can be established, we have *prima facie* evidence of EU diffusion. To return to the previous example, a common market without a common external tariff might still constitute correlation, whereas an economic cooperation arrangement that involves free trade in goods and services, more akin to the North American Free Trade Agreement, does not.

Third, EU influence needs to be verified by tracing the process and controlling for alternative explanations. This is to ensure that correlation is not spurious, and to identify the causal mechanism at work. Chief among the alternative explanations is one that posits outcomes as similar but independent reactions to similar structural

External Influences on Regionalism: Studying EU Diffusion and Its Limits

Written by Tobias Lenz

constraints unrelated to the EU – the so-called Galton's problem. When studying an organization in detail, we might find that liberalizing the movement of goods, services, capital and labour in a region – presumably an attempt to emulate an EU-type common market – has functional roots. Policy-makers might have tried to solve specific cooperation problems related to economic exchange and migration entirely unrelated to EU influence.

Conclusion

The EU is one of the most successful instances of voluntary international cooperation. Among the first regional organizations to be founded after World War Two, it quickly contributed to enmeshing (initially West) European economies in a dense web of mutual economic exchange, thereby rendering another deadly conflict less likely. The Community's contribution to peace and prosperity over more than 60 years is a historic achievement, recently recognized with the Nobel Peace Prize. It therefore is neither surprising that policy-makers in other regions have sought to replicate the EU's success, nor that the EU supports attempts at regional integration in other parts of the world. Yet, the current Euro-crisis marks a watershed in the process of European integration. How this affects the perception of the EU in other parts of the world, and thereby the indirect diffusion of EU-type ideas, institutions and policies remains to be seen.

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Tobias Lenz is post-doctoral fellow in a multi-year research project on the 'Causes and Consequences of Multilevel Governance', directed by Liesbet Hooghe and Gary Marks at the Free University of Amsterdam, the Netherlands. His research deals with regional organizations in a comparative perspective and the role of diffusion processes, especially from the EU. This piece draws heavily on two recent publications: 'EU normative power and regionalism: ideational diffusion and its limits', *Cooperation and Conflict* (Vol. 48, No. 2), and 'Does regionalism diffuse? A new research agenda for the study of regional organizations', *Journal of European Public Policy* (Vol. 20, No. 4, co-authored with Anja Jetschke). Tobias holds a D.Phil in International Relations from Oxford University, United Kingdom.

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External Influences on Regionalism: Studying EU Diffusion and Its Limits

Written by Tobias Lenz

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