The Political Economy of Regional Integration

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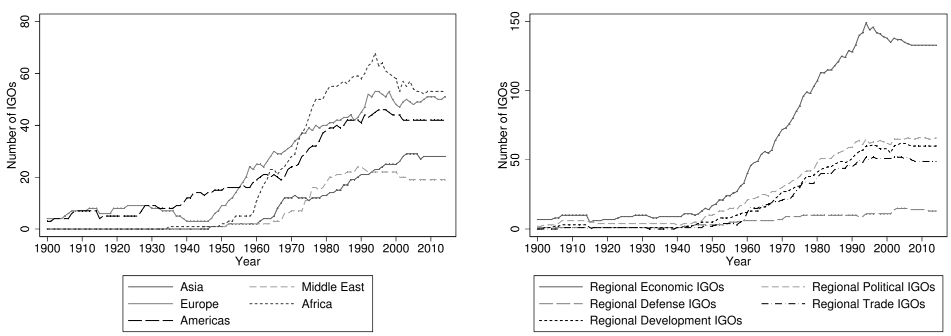
Abstract This paper reviews and analyzes recent research on regional integration. The review is structured along a political economy framework, and proceeds in three steps. After analyzing the development of regional agreements from a historical perspective, I first discuss regional integration as a consequence of the decision-making calculus of office-motivated political leaders who find themselves under pressure by different societal groups interested in promoting or hindering regional integration. These pressures are conveyed, constrained, and calibrated by domestic institutions, which provide an important context for policy-making, and in particular for the choice to enter RIAs. The analysis also highlights the importance of international pressures for regional integration. Second, I provide a summary of the determinants and consequences of variations in regional institutional design. Third, I analyze the "normative" and strategic consequences of regional integration. The paper concludes by outlining opportunities for future research, placing particular emphasis on, the domestic politics of regional integration, the causes and consequences of institutional design beyond trade agreements, as well as the consequences of the increasing number of oftentimes overlapping regional agreements.

[*]I am very grateful for helpful comments and suggestions from Julia Gray, Dirk Leuffen, Nita Rudra, and Jen Tobin on an earlier version of this article.

1 An Analytical Framework for Regional Integration

On May 19, 2016, North Atlantic Treaty Organization (NATO) invited Montenegro to become its 29^{th} member. The accession of the small Balkan country was merely the next step in NATO's Eastern expansion that had taken place since the mid-1990s. Some observers believe that this process brings stability and security to the region. Other are not so sure. Russia in particular claims that NATO's Eastern expansion is a threat to peace. Whatever the merit of Russia's position, it illustrates the debate about regional integration. Whereas some laud such integration for the betterment it supposedly brings to the security and prosperity of the participants, others deplore it for the increase in fragmentation, isolation, and competition it supposedly causes among both participants and third parties. The explosive growth of regional integration agreements (RIAs) since the 1950s has made them the centerpiece of many questions of global governance. Do RIAs have the intended effects for members, do they affect non-members, and if so, how? Why do governments sign these agreements, and do they anticipate the long-term consequences of doing so?



(a) Geography (b) Organizational Type

Figure 1: The Growth of Regional IGOs, 1900-2014

Figure 1 details the increasing importance and fragmentation of formalized RIAs since the 1950s (Pevehouse, Nordstrom and Warnke, 2004).[1] These agreements are more prevalent in Africa, Europe, and the Americas although Africa, like the Middle East, has seen some decline since the 2000s, while Europe, like Asia, has forged ahead during that period (Figure 1(a)). RIAs have outgrown other types of IGOs and have become a dominant mode of international cooperation in many

[1]The COW IGO data include a large number of formalized schemes of regional integration, but exclude emanations (regional organizations that are formed by extant international organizations) and agreements that do not involve substantial delegation of decision-making to a central supranational body, such as many preferential trade agreements (PTAs), which are even more numerous and have been counted elsewhere (Dür and Elsig, 2015).

issue areas (Figure 1(b)). This, of course, has not gone unnoticed: scholars have developed theories and studied empirically all aspects of regional integration from multiple academic perspectives, employing a wide array of approaches.

One consequence of the wealth of studies has been definitional diversity. Frequently used terms — regionalism, regionalization, regional integration — refer to different concepts related to the same phenomenon, and each can have multiple meanings (see Sbragia (2008), Mansfield and Milner (1999), and Börzel (2012) for the definitional debate). For instance, regional integration could refer to a *process* that involves "change from relative heterogeneity and lack of cooperation towards increased cooperation, integration, convergence, coherence and identity in a variety of fields such as culture, security, economic development and politics, within a given geographical space" (Schulz, Söderbaum and Öjendal, 2001, 5). It could also refer an *outcome* wherein states "reorganize a particular regional space along defined economic and political lines" (Gamble and Payne, 1996, 2). It could even refer to the *body of ideas, values and concrete objectives* that are aimed at creating, maintaining or modifying the provision of security and wealth, peace and development within a region: the urge by any set of actors to reorganize along a particular regional space" (Schulz, Söderbaum and Öjendal, 2001, 5, emphasis added). Regional integration can also take many forms ranging from informal cooperation to various degrees of increasingly formal interactions where governments transfer some sovereignty to a regional organization. Even the inherently geographic connotation of regional integration has been extended to cover the rise of "cross-regional" RIAs and the less region-bound preferential trade agreements (PTA).

This protean adaptation of the conceptual apparatus has driven it further from its historical origins in the study of the European Union (EU). Some of this was doubtless due to idiosyncratic regional aspects that gave rise to different "models of integration." But some of it was due to the explicit rejection of invariably normative comparisons that took the EU as either the paragon of regional integration or its antimodel. The virtue of this development is that the study of regional integration is no longer hidebound for being moored to theories like neofunctionalism and intergovernmentalism that dominate EU scholarship. This has opened up possibilities for comparative analysis without lapsing into what Murray (2010) calls "integration snobbery." The vice of that development is its embarrassment of riches, which make it quite challenging to perform that analysis without some kind of disciplining framework.

Thus, while this diversity of approaches has accumulated into an impressive body of work, this review only deals with the *political economy* of regional integration. I cannot possibly do justice to the rich literature that examines the topic from other perspectives, like those that focus on cultural or ideational factors or on explicitly security-related regionalism, among others (Acharya and Johnston (2007); Börzel and Risse (2016) review other perspectives). But more importantly, I want to organize our current understanding of regional integration into a framework that seems particularly serviceable for comparative study. This necessarily limits my scope. I have tried to incorporate some of the other work where it seems to connect with the approach taken here but any further extension in the width of coverage would necessarily sacrifice its depth and coherence. I have opted to err on the side of depth in a unified analytical framework.

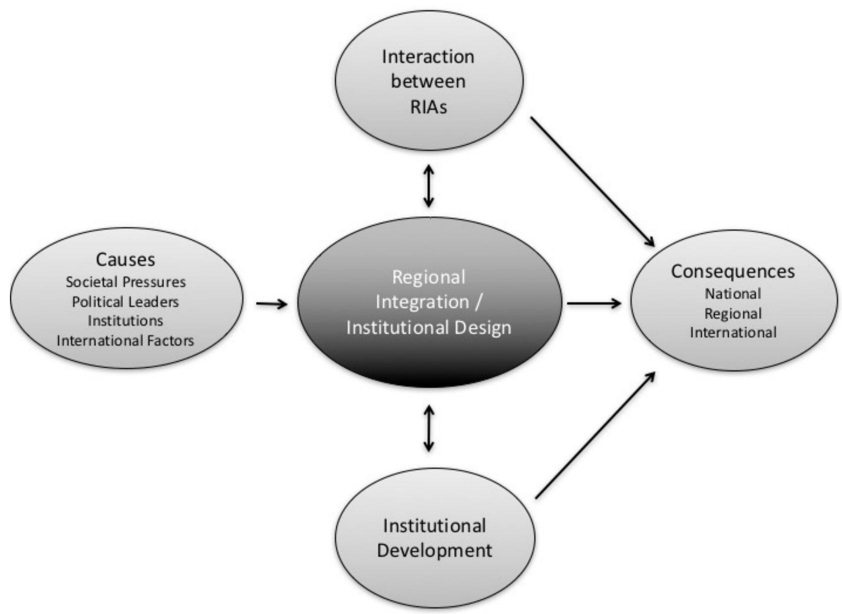


Figure 2: An Analytical Framework for Regional Integration Research

This review is organized by the political economy model shown in Figure 2. This framework emphasizes the decision-making calculus of office-motivated political leaders who find themselves under pressure by different societal groups interested in promoting or hindering regional integration. These pressures are conveyed, constrained, and calibrated by domestic institutions, which provide an important context for policy-making, and in particular for the choice to enter RIAs. This immediately brings to the fore the design of these agreements, an issue unfortunately black-boxed by many alternative approaches. RIAs vary tremendously in their design when it comes to mandate, membership, scope, decision-making rules (both formal and informal), and extent of delegation. They also seem to be formed for a variety of purposes, and the designs reflect the goals policy-makers are hoping to achieve. The choice to enter an RIA might have unintended consequences, but we can certainly glean a better understanding of the RIA effectiveness if we know what the intended consequences are. The approach also suggests that RIA design must be an ongoing concern: as policy goals, information, and knowledge change over time, so will the RIAs. Moreover, as different RIAs come into being — sometimes with overlapping membership and issue areas — the interaction among RIAs can produce further impetus for changes in design.

The usefulness of the analytical framework is not merely organizational. By focusing attention on the connections among its components, the model identifies several lacunae in our grasp of regional integration. First, our understanding of how domestic politics influences, and is influenced by, regional integration is still rudimentary and the causal mechanisms underspecified. Second, insights from new data on institutional design have not been incorporated into the theoretical explanations, and more relevant design data need to be collected. Third, the role of complexity of integration both within and across regions is poorly understood. These are all promising venues for future research.

2 Choosing to Integrate

The political economy framework makes the governments' choice for regional integration central to the explanation. As with any deliberate choice, the analysis boils down to the government's incentives to act, and this means identifying the actors who push for it, the actors who oppose it, the political institutions that mediate these demands, and the government's own ideological and possibly opportunistic predilections.

2.1 Who Demands and Who Opposes Integration?

The starting point for many demand-driven theories of regional integration is the pressure from domestic groups that expect to benefit from it. These arguments typically focus on demand for regional public goods and study the mobilization of economic and social interest groups to cope with externalities created by increasing economic interdependence and competition.

In a seminal work, Viner (1950) argues that custom unions can be beneficial for a country's economy if they are trade-creating rather than trade-diverting. Removing tariff barriers within a region enables a more efficient allocation of production across countries. If these benefits outweigh the costs of diverting trade from outside the union as a consequence of setting up a common external tariff, then domestic economic groups should demand regional trade integration from the government. Regional integration can also improve a country's terms of trade, which strengthens the incentives to act (Collier, 1979). Common currency areas could reduce uncertainty and minimize transaction costs, which also improve trade flows, giving groups reasons to demand them (Mundell, 1963). Greater mobility of capital, labor, consumers, and taxpayers leads to fiscal spillovers across countries in a region, which create demand for more fiscal coordination and integration, as well as for centralized redistributive policies (Casella and Frey, 1992). More generally, RIAs can be beneficial if they help overcome market failures that arise from economic and political uncertainty, or if they mitigate financial risks (Haas, 1958).

One implication of this line of reasoning is that regional integration might be contagious: by affecting the terms of trade among those who integrate, they also change the terms of trade for outsiders who trade with them (Baldwin, 1995; Mansfield, 1998). Baccini and Dür (2015) argue that trade agreements can cause investment discrimination against outsiders, which could prompt the excluded countries to sign trade agreements as a strategy to level the playing field. For example, the creation of a single European market triggered a number of initiatives in other regions — the Arab Maghreb Union, the Andean Pact, MERCOSUR — all in an effort to cope with increased economic competition (Mattli, 1999). Similarly, ASEAN came into being in part because of the stiff competition the Southeast Asian founding members faced through other regionalization processes in China and India Hwee (2010).

Based on these considerations, scholars identify a variety of domestic groups that should favor regional economic integration. Among them are export-oriented firms (Milner, 1997) and multinational corporations (Manger, 2009); within those groups highly productive companies appear to benefit disproportionately (Baccini, Pinto and Weymouth, 2016). European export companies joined forces with the European Commission to lobby EU member governments in favor of the Single European Market and the European Monetary Union (Moravcsik, 1991; Frieden, 2002). Similarly, American business lobbied the US government in favor of the NAFTA and APEC agreements (Milner, 1995; Cameron and Tomlin, 2002). Although generally we should expect import-competing firms to oppose multilateral free trade, their preferences over RIAs might not be that unconditional. For instance, if integration diverts trade, it could reduce competition from outsiders, which would benefit import-competing firms (Grossman and Helpman, 1995). In general, unlike multilateral economic integration, regional integration can produce different sets of winners and losers depending on trade patterns and RIA design. Much more work needs to be done on the distributional consequences of RIAs (which cannot be presumed to be analogous to bilateral or multilateral agreements) so that we can better identify the groups who push for and oppose them.

Although analyses typically give the pride of place to firms and organized special interest groups, the general public could also spur demand for integration. One prevalent assumption is that the public at large comprises consumers who benefit from lower prices, and should therefore have strong preferences for free trade and regional integration. This assumption is unwarranted. Kono (2008) shows that support for free trade ranges from a low of 8% in Uganda to a high of 77% in Japan. Similarly, by 2008 over 54% of Americans believed that NAFTA was bad for the US economy, and only 37% thought it was good (Gallup, 2008). Scholars have recently begun to study the determinants of trade policy preferences in the general public but the results are mixed and virtually non-existent for anything other than trade (Scheve and Slaughter, 2001; Hainmueller and Hiscox, 2006). One notable exception is the wealth of public opinion research on European integration, summarized by Hobolt and de Vries (2016), but for reasons we turn to next, it is unclear how generalizable the effects might be.

2.2 Will the Government Respond, and If So, to Whom?

Demand for or opposition to regional integration can only be meaningful if the government is responsive to such pressures. Office-motivated political leaders are more likely to react if their political survival depends on what they do with respect to integration (Moravcsik, 1998). They might be more willing to accommodate domestic market actors when the economy is in the doldrums (Mattli, 1999), or when they hope that the integration policy could serve as a signal that their policies are generally sound (Haggard, 1997). Coming down from this level of abstraction requires one to study carefully how domestic institutions translate social and economic pressures into the leader's odds of political survival.

Since politics is much more densely and formally institutionalized in democratic societies, it is perhaps not surprising that most work has focused on the mediating role of institutions in democracies. The fundamental principle in these polities is that voters exercise some sort of influence on policy through the leaders they elect. Thus, for example, a democratic government's decision for free trade would be rooted in the preferences of the public (Milner and Kubota, 2005). By equating democracy with increased influence of voters on the likelihood of a leader's political survival and ascribing certain policy preferences (e.g., favoring free trade) to these voters, scholars have found that more democratic polities are more likely to integrate regionally (Mansfield, Milner and Rosendorff, 2002). The results are robust across RIAs, and within RIAs such as the EU (Mattli and Plümper, 2002) or the ECOWAS (Kirschner and Stapel, 2012).

The central role reserved for the public in these studies is perhaps surprising given the paucity of empirical knowledge we have about the distribution of preferences among its members. In fact, when scholars initially attempted to relate public opinion to regional integration, they found no effects. This was chalked up to voters facing severe collective action problems (Gilligan, 1997) or being rationally ignorant (Gabel and Scheve, 2007), and so unable to mount effective pressure in favor of policies they might prefer. In contrast, further careful scrutiny found that greater public support for free trade is associated with lower tariffs, and that this correlation only holds for democracies (Kono, 2008). There are several plausible reasons for these mixed results.

First, one factor that might be at play here is the salience of regional integration among voters. Decisions related to RIAs are often not salient domestically, in part because leaders deliberately de-politicize or obfuscate them. This was one reason for the "permissive consensus" during the early stages of European integration (Inglehart, 1970). Over time, however, this integration has become progressively politicized and is now quite salient among the European publics (Hobolt and de Vries, 2016). As a result opinion about European integration has started to affect votes (Carrubba, 2001; Tillman, 2004), which in turn, has furnished incentives to political leaders to mind their regional negotiations and cooperation strategies (Schneider, 2013). These results suggest that it would be worthwhile to investigate the variation of the salience of regional integration beyond the EU and over time to identify the conditions that admit voter influence on related policies.

Second, another potentially relevant factor is the ability of institutions to channel diverse interests. For example, democratic systems with greater numbers of veto players would be more likely to permit opposing preferences to bubble up through the political hierarchy, which could give contradictory incentives to policy-makers and make them less likely to join RIAs or cooperate within existing agreements (Milner and Mansfield, 2012).

Third, it could be that the public's penchant for the trade aspects of regional integration is not the relevant preference that political leaders worry about. Domestic political instability was crucial for the design of the Arab League, where regional integration was the key to shoring up sovereignty and legitimacy of ruling regimes, trumping both collective security arrangements and intraregional conflict resolution (Barnett and Solingen, 2007). More generally, in the wake of decolonization many political leaders in Asia, Africa, and the Middle East have had to fend off internal and external threats to sovereignty, and have often seen regional integration as an instrument to strengthen their position (Okolo, 1985; Hurrell, 2007). Those in particularly weak states have been especially prone to seek it (Söderbaum, 2004). The regime-preserving logic of regional integration implies that neither should we look for the impetus behind it in the economic preferences of the public nor should we evaluate these RIAs for their economic efficiency or ability to provide collective goods. They should, however, enhance the legitimacy and stability of participating regimes.

This last point leads to one further consideration. While some polities democratized during the decolonization period, many did not. How are we to understand government responsiveness in authoritarian regimes? Unlike democracies with much studied institutions and public opinion surveys, non-democracies tend to be opaque with murky institutional channels of influence and publics that might intentionally falsify its preferences. While we do have some impressionistic results — personalistic authoritarian leaders appear to be both less willing and less able to commit and adapt to regional cooperation (Haas, 1961; Nye, 1987) — we are on much shakier ground both theoretically and empirically when it comes to non-democracies. One potentially very fruitful venue for research here would be to use the growing literature on authoritarian political institutions and apply it to questions of regional integration (Gehlback, Sonin and Svolik (2016) provide a review of this literature).

2.3 International Origins of Regional Integration

The incentives for the government to pursue regional integration need not all be sourced to domestic interests. At least three foreign factors might also independently furnish the necessary impetus. First, the government might want to respond to regional security threats (Lake and Morgan, 1997; Buzan and Wæver, 2004). For example, the Russian-led Collective Security Treaty Organization (CSTO) has sought to increase ties with the Shanghai Cooperation Organization (SCO) and China, arguably as a way to counterbalance NATO. (Hemmer and Katzenstein (2002), however, note that external threats might not be a sufficient explanation for regional integration because Asia still does not have an effective collective defense organization.)

Second, the government might wish to increase its bargaining leverage in the WTO. Since membership in RIAs seems to confer greater clout, the government might actively pursue one (Mansfield and Reinhardt, 2003). Moreover, once integration is under way, it can increase trust among political leaders, and give them even stronger incentives to cooperate (Gowa and Mansfield, 1993).

Third, a regional hegemon might be interested in the political, economic, and security benefits of consolidating its influence over a group of states, and could urge them to integrate (Katzenstein, 2005). Conversely, rival hegemonic powers could work against it. Although the roles of the United States and the Soviet Union during the Cold War instantly come to mind, one need not be limited to them. Additional examples include the US for NAFTA, Brazil for Mercosur, Nigeria for ECOWAS, and India for SAARC. A more recent development is the incipient formation of a rival hegemonic bloc by BRICs that could challenge the existing regional integration arrangements.

3 The Design and Development of RIAs

Not all RIAs are created equal. Although typical studies of regional integration treat them that way implicitly by only asking whether countries are members or not, RIAs — even the less formalized ones — vary considerably in their institutional design, with changes sometimes occurring within an existing RIA over time. These differences matter greatly for international cooperation. Take, for instance, revenue-sharing and redistribution among members. The institutional designs of the EU and SADC explicitly provide for them, whereas that of Mercosur, a similar regional organization, does not. Within the EU, political leaders can offer side-payments to other governments and achieve deeper integration despite stringent decision-making rules requiring unanimity (Schneider, 2011). Within Mercosur, no such possibility exists, and even though Brazil has the potential to be its paymaster, domestic political and economic factors have made it reluctant to assume the leadership role (Malamud, 2008, 160). This has caused integration within Mercosur to proceed along different lines (Hummel and Lohaus, 2012).

Given the importance of such design variations, it is not surprising that there has been a tremendous data-collection effort under way. The initial wave focused exclusively on PTAs: the Design of Trade Agreements database includes nearly 600 PTAs between 1947 and 2010, and covers many institutional features like sector coverage, commitment depth, and trade integration and compliance tools (Elsig, Dür and Baccini, 2014).

More recently, the data-collection effort has extended to other RIAs, covering issue areas (Pevehouse, 2005; Goertz and Powers, 2014), voting rules (Blake and Payton, 2015), vitality of agreements (Gray, 2016), and their sovereignty costs (Hafner-Burton, Mansfield and Pevehouse, 2013; Hooghe and Marks, 2015). Haftel (2012) provides information on the economic activities and institutional structure of 28 RIAs over three decades. And Lenz et al. (2014) provide information on whether the organization is general-purpose or task-specific, on the extent of delegation to supranational bodies and pooling within member state bodies, and the number of reforms in 72 intergovernmental organizations, including regional arrangements, from 1950 to 2010. The CROP project collects data on the emergence and institutional development of RIAs as indicated in their founding agreements.[2] These data are absolutely crucial to our understanding of RIAs and evaluating their effects. For example, Gray and Slapin (2012) use expert surveys to measure effectiveness, the use of dispute settlement mechanisms, and the political and international influence of regional economic agreements.

Space limitations preclude a comprehensive assessment of all potentially relevant RIA features. I have singled out two prominent ones — pooling and delegation — to illustrate the important role of institutional design. Governments can pool authority among themselves in member states bodies or they can delegate it to independent ones, such as a general secretariat, an assembly or a court.

3.1 Pooling Authority: Voting Rules and Flexibility

When governments pool authority to make collective decisions, the formal preference aggregation rules — whose vote counts and for how much — can have both direct effects (by weighing some members or coalitions of members more heavily than others) and indirect effects (by fostering the development of particular informal, but pervasive, culture that regulates formal behavior).

Many RIAs require unanimous decisions within particular issue areas (Blake and Payton, 2015). It is well-known that unanimity, which, unlike majority rule, endows each member with *de facto* veto powers, often results in conflict and gridlock, and tends to produce outcomes geared toward the lowest common denominator (Schulz and König, 2000; Tsebelis, 2002). Increasing preference heterogeneity among members tends to aggravate these problems (Schneider and Urpelainen, 2014),

[2] http://lehrstuhlib.uni-goettingen.de/crop/information.html

whereas providing opportunities for issue-linkage tends to ameliorate them (McKibben and Western, 2014). While it is true that countries and coalitions that control more votes often obtain greater benefits from regional integration (Hug and König, 2002; Schneider and Tobin, 2013), the unanimity requirement can strengthen the bargaining position of weaker members against more powerful states (Schneider, 2011). At the very least, it allows them to block decisions they oppose, as Turkey did in 2011, when it derailed NATO's operational planning of the no-fly zones over Libya because it disagreed with France about the locus of political control (Blake and Payton, 2015).

Unanimity may pose special challenges when it comes to two areas where it is almost invariably the rule: admitting new members — which can increase preference heterogeneity — and attempting more intensive integration — when these divergent preferences can come into conflict — the so-called "broader-deeper trade-off" (Downs, Rocke and Barsoom, 1998). Initially, simply correlating enlargement and further integration produced mixed results: some found that broadening membership worsens the prospects of deeper integration (König, 2007; Hertz and Leuffen, 2011), while others found either no effect or precisely the opposite (Golub, 2007). All of these claims are probably correct because the effect is conditional (Keleman, Menon and Slapin, 2014; Schneider, 2014). First, deepening can occur prior to enlargement and because of its anticipation: members who expect problems to arise after enlargement may choose to reform the regional institutions and pass legislation before it occurs, getting new members into a deeper agreement and reducing the need for post-enlargement changes along these lines (Leuffen and Hertz, 2010). That is because unanimous accession rules enable existing members to extract more concessions from new applicants (Schneider and Urpelainen, 2012). Second, the trade-off depends on preference divergence, which is not an automatic consequence of enlargement. This could be because expansion is limited to states that are economically and politically similar to existing members, as is often the case with PTAs (Mansfield and Pevehouse, 2013). The preference alignment could also be a consequence of government changes (Schneider, 2014), and it could be endogenous as the evidence of a PTA's success alters the preferences of non-members, bringing them closer to those of members. This congruence through socialization can reduce heterogeneity over time. It could also be that some issue areas involve more shared interests than others, as is often the case with exclusively economic regional agreements (Slapin and Gray, 2014).

The study of the supposed trade-off does, however, reveal abiding concerns with reconciling possibly conflicting demands in these agreements. Since RIAs typically involve countries of varying structural power but depend on voluntary cooperation of even their weaker members, these benefits of unanimity often outweigh its costs, which helps explain its wide adoption. Even RIAs that have recently moved toward formal majority voting rules — the EU and the Inter-American Development Bank — still rely on consensus informally (Lewis, 2003). One can see this change as an attempt to balance the weaker members' need to ensure that their fundamental interests are protected with the stronger members' desire for efficiency without coercion by obstinate minorities. The culture of informal consensus pushes the more powerful to give due voice to the concerns of the less powerful, while the latter's ability to impose undesirable outcomes is tempered by the threat that they could always be overridden if push came to shove. Because informal negotiations take place behind closed doors unlike public votes, governments might be more willing to change their initial positions in order to compromise. Removing sensitive details from the public spotlight can thus foster the emergence of a cooperative culture, that can enhance the function of RIAs (Stasavage, 2004). Still, governments are quite aware of the weight that formal rules accord them, and this shapes the limits of what is acceptable to concede for the sake of unanimity. Even when decisions are supposed to be by informal consensus, they are made "in the shadow of the formal vote" (Golub, 1999). This implies that there might be less of a difference between Asian RIAs, with their ostensible reliance on informal and consensual decision-making, and their more formalized European and North American counterparts (Kahler, 2000).

Since voting rules determine, in part, the extent of a government's influence over collective decisions, they represent the degree of control it has over its sovereignty costs, which are of great salience domestically (Haftel and Thompson, 2006). When it comes to more parochial concerns that need to be addressed promptly and proactively, the voting mechanism can prove cumbersome and unresponsive. Consequently, governments have admitted flexible arrangements into the institutional design. These "escape clauses" allow members to avoid especially burdensome contractual obligations, which makes RIAs more attractive initially and more durable afterwards(Rosendorff and Milner, 2001; Pelc, 2009). The demand for flexible arrangements originates in the conflict between import-competing groups that stand to bear most of the costs from RIA membership and exporters that stand to reap most of the benefits (Kucik, 2012). Leaders vulnerable to domestic protectionist groups are much more likely to sign up for RIAs when they contain escape clauses. There are, of course, limits to these arrangements since providing for too many will destroy the integrity of the RIA and undermine its purpose. Baccini, Dür and Elsig (2015) demonstrate that flexibility in some areas may go hand in hand with rigidity in others. Manger (2015) also finds that integration is deeper when the dominant regional trade is intra-industry (and so the need for escape clauses is smaller).

Flexible arrangements can also have a darker side for they can allow some members to shift burdens onto others. The EU has increasingly accepted them in its quest for further institutional deepening and widening (Schimmelfennig, Leuffen and Rittberger, 2013). But many are discriminatory: they provide an escape clause for some by imposing (temporary) restrictions of membership rights on others. The former can thus avoid real or imagined costs while denying substantial benefits to the latter. Discriminatory flexibility of this type has been critical to the successful expansion of the union (Plümper and Schneider, 2007; Schneider, 2009). Qualitative evidence suggests that similar practices exist in other RIAs, but their origins, purpose, and effects require further study.

The incentives to seek more flexible or more rigid arrangements may not be related to the ostensible aims of the agreement. This can happen when a government's main concerns are not the RIA's *raison d'etre*. For example, even though African leaders are among the most enthusiastic signers of RIAs, as shown in Figure 1(a), they tend to hollow out these agreements by endowing them with no implementation and enforcement capacity (an extreme instance of flexibility by incapability). This is because they are much more interested in using membership in the RIAs to cement their states' sovereignty and security than in regional integration (Herbst, 2007). On the other end of the spectrum, emerging democracies are more likely to sign stringent human rights agreements because they can use the sovereignty costs to lock in liberal policies (Hafner-Burton, Mansfield and Pevehouse, 2013). Understanding the institutional design of RIAs thus requires us to go beyond the stated purpose of the agreements, and consider both international and domestic political problems confronted by members. Disentangling the reasons governments agree to relinquish more or less sovereignty is also necessary if we are to assess the functioning of RIAs.

3.2 Delegating Sovereignty

Instead of making decisions collectively, governments can choose to delegate their authority to an organization. This can be especially fruitful when expertise, impartiality, and the presence of a third party are particularly important for cooperation. There is a plethora of functions that RIA agencies can, and do, fulfill: gathering information, providing technical policy expertise, creating rules, setting the agenda, arbitrating, monitoring compliance, and enforcing agreements, among others. Some RIAs, like the EU, involve the delegation of many of these functions. Others, like ASEAN, restrict delegation to only a few. PTAs tend to occupy an intermediate position, with delegation usually limited to specific functions like arbitration and enforcement of the agreement itself.

On the credit side, delegating to an agent can reduce transaction costs, enhance coordination, and strengthen incentives for cooperation and compliance, all of which increase the effectiveness of RIAs (Schneider and Slantchev, 2013). On the debit side, relinquishing sovereignty to an autonomous organization increases the risk of agency slippage — the danger that the RIA would produce policy outcomes that the government does not like and cannot control (Pollack, 1997). Whether RIA agencies are truly autonomous enough to pose such a risk is unclear: even the favorite bogey, the European Commission, seems to be quite constrained (Hug, 2003). Nevertheless, there is evidence that governments are more likely to delegate authority when they believe this risk to be small, as is likely to be the case when the countries are roughly similar economically and are not motivated by regime-preservation (Smith, 2000; Haftel, 2013). In this way, the choice of how much authority to delegate reflects the perceived balance between the benefits of agency and the costs of slippage. This balance varies with the context of membership, which implies that the degree of delegation cannot be used as a normative benchmark for comparisons.

4 The Effects of Regional Integration

Having chosen to participate in a RIA and carefully tailored its institutions to their perceived needs, governments should expect to reap the benefits. So do they? How effective are RIAs in achieving their goals? I should warn here from the outset that the discussion of effects is perforce limited to non-strategic normatively desirable outcomes, such as free trade, security, or economic development, and does not include an assessment of how good RIAs are at fulfilling the strategic goals of political leaders. This is simply because there is very little research on the latter even though anecdotal evidence suggests that role might be quite important in some regions. This matters because lumping RIAs whose purpose is not to promote the economic welfare of the members — official statements to the contrary notwithstanding — with those for which it is will surely be problematic for analysis. Caution is needed when interpreting general findings that suggest that deep RIAs are more effective than shallow ones (Dür, Baccini and Elsig, 2014). After all, the shallow RIA could be quite good at delivering what its members want, enhanced sovereignty for instance, without coming anywhere near to improving the usual normatively desirable outcomes.

The vast majority of studies of RIA effectiveness examine the impact of these agreements on trade. The consistent finding is that they do generally increase trade flows among members and reduce trade volatility. The effects are substantial: 34% jump in trade among PTA members (Tomz, Goldstein and Rivers, 2007), and a doubling of trade volume within a 10-year period (Baier and Bergstrand, 2007). This despite the apparent inability of PTAs to reduce certain non-tariff trade barriers like discrimination in procurement (Rickard and Kono, 2014). Estimating the effects of RIAs on multilateral trade — that is, beyond trade among members — is much more complicated, and a lively debate exists whether RIAs are more likely to promote multilateral trade liberalization or impede it (Bhagwati, 1991; Lawrence, 1996).

Probing deeper into the effects of particular institutional design features has significantly refined our understanding of how these RIAs work. We now know that customs unions are far more effective in promoting trade than free trade or partial scope agreements (Magee, 2008). Moreover, shallow agreements have no effect on trade flows at all, whereas deeper PTAs produce larger increases in trade (Dür, Baccini and Elsig, 2014). In line with the reasoning about escape clauses, trade agreements with flexible arrangements are also better at reducing trade volatility than rigid agreements (Kucik, 2015).

The focus on institutional features can also help uncover the reasons some RIAs fail to function properly: after all, institutions cannot deliver the intended outcomes if they are not implemented properly by the member countries. As it turns out, governments that face significant legal ratification hurdles, that operate under binding political constraints, or that simply do not have sufficient administrative capacity often do not implement the legal obligations of their agreements (Haftel and Thompson, 2013; Gray, 2014); see also Börzel et al. (2010) and König and Mäder (2013) for the growing studies on compliance within the EU more specifically. The resulting implementation gap could be extensive — only half of Mercosur legislation was in force in 2004 — and this might be the major cause behind deficit in performance, as Malamud (2005) has argued for Mercosur.

As for the effect of RIAs on non-trade related outcomes, what the literature lacks in iterative refinement or accumulated knowledge, it makes up for in breadth of coverage. Scholars have analyzed how RIAs affect human rights (Hafner-Burton, 2005), foreign direct investment flows (Büthe and Milner, 2008), exchange rate regimes and currency policies (Copelovitch and Pevehouse, 2013), sovereign risk assessments (Gray, 2009, 2013), stock market performance of domestic companies (Bechtel and Schneider, 2010), regional and interstate conflict between members (Mansfield and Pevehouse, 2000; Haftel, 2007), economic sanctions (Hafner-Burton and Montgomery, 2008), foreign development aid (Baccini and Urpelainen, 2012), the regulatory quality of new members (Mattli and Plümper, 2004), and, perhaps the most studied of all, the democratic quality of domestic institutions (Pevehouse, 2002; Schimmelfennig and Sedelmeier, 2002; Donno, 2013).

These studies generally find that RIAs contribute to good governance, and whatever disagreement exists tends to revolve around the precise mechanism that is responsible for that. The traditional argument is that the positive effect is due to the capacity and willingness of member states to abide by the terms of membership (Mattli and Plümper, 2004; Plümper, Schneider and Troeger, 2006). In this view, the RIA itself might not be much of an independent contributor although the initial costs of membership could affect the incentives to comply with its conditions (Downs, Rocke and Barsoom, 1996). The rejoinder is that socialization within RIAs and within networks of organizations changes the preferences of governments, making them more likely to operate cooperatively within the agreement frameworks, and this contributes to the positive outcomes (Checkel, 2005).

Unfortunately, unlike the trade case, there has been almost no work done on the interplay between regional and multilateral integration in these non-trade areas. This is especially galling in lending and foreign aid, where the recent establishment of a number of regional finance and development institutions with functions very similar to those of existing multilaterals (e.g., the European Stability Mechanism vs. the IMF, or the New Development Bank of the BRICS countries vs. the World

Bank) raises important questions about the effectiveness of the latter. An analogous gaping hole exists in security, where it is straightforward how an improvement in the security of RIA members might contribute to the insecurity of non-members.

The solid evidence for the benefits offered by trade RIAs and the accumulating indications of similar effects in non-trade areas may tempt one into a functionalist explanation of the explosive growth of RIAs over the past half a century depicted in Figure 1. Some of that growth is almost certainly caused by learning from experience because the designers of RIAs have a well-documented tendency to model new agreements on existing ones. PTAs, for example, usually follow one of three prototypes — the EU, NAFTA, and a "Southern" type — with NAFTA-style agreements becoming dominant over time (Baccini, Dür and Haftel, 2015). The European Court of Justice has been copied at least eleven times (Alter, 2012). When Mercosur established its own parliament in 2006, it emulated the European Parliament (Dri, 2009). When ASEAN formed its Committee of Permanent Representatives, it also drew upon the European experience with regional integration (Jetschke and Murray, 2012). But this sort of self-evident triumphalism needs to be tempered with several observations.

First, whereas membership in any one RIA is beneficial, a country cannot simply increase its benefits by piling up memberships in other RIAs. The effects are not additively separable: there are negative interactions that can render the whole of multiple memberships less than the sum of individual ones. Increasing the number of agreements with overlapping memberships leads to regime complexity — what some have dubbed, half in jest, a "spaghetti bowl" of RIAs — that can increase transaction costs for companies and countries that have to deal with often contradictory and incompatible regulations (Bhagwati, 1993; Alter and Meunier, 2009). For instance, out of 58 regional trade agreements, only about a third have identical Rules of Origin for a given product (Estevadeordal, Suominen and Teh, 2009). Moreover, a rise in RIAs could be associated with increasing competitive pressures that end up in beggar-thy-neighbor trade wars that leave everyone worse off (Krugman, 1991). The recognition of these adverse consequences could be among the reasons that while two countries with a bilateral investment treaty (BIT) are more likely to sign a PTA subsequently, the likelihood of that happening drops if one of them has BITs or PTAs with many other countries (Tobin and Busch, 2010).

Second, the presence of several institutions that ostensibly could handle the same matter allows governments to forum shop and select which RIA to use for any particular purpose (Busch, 2007; Schneider and Tobin, 2016). The risk of losing influence that comes when one's forum is abandoned for another could impel the affected RIA to make itself more attractive by weakening the enforcement of its membership terms. This could help explain the great variations in dispute settlement procedures that exist in otherwise very similar PTAs (Allee and Elsig, 2015).

Third, the process of socialization into RIAs may not be limited to transmitting the values of good governance. It could just as well infect members with less desirable incentives. For example, governments can become more corrupt after they join a RIA with a highly corrupt membership (Hafner-Burton and Schneider, 2016). They can also become more cavalier with human rights after they join a RIA whose members are known to disrespect these rights (Greenhill, 2015).

Finally, there is a growing worry over the potential for a democratic deficit in these agreements(Dahl, 1999; Crombez, 2003; Hix and Follesdal, 2006; Moravcsik, 2002). Relocating political decisions to the regional and multilateral fora could make them unresponsive to domestic and local concerns because voters have much less influence at these higher levels. Paradoxically, it could also expose governments to domestic electoral backlash over policies they could do precious little to control (Schmidt, 2006). As many other problems of regional integration, the democratic deficit critique started out in studies of the EU but has now spread to other RIAs like Mercosur and NAFTA (Anderson, 1999; Malamud, 2008). This particular consequence has troubling normative implications and it is imperative for further studies to assess its likelihood and intensity.

5 Conclusion

The scholarship of regional integration has moved well beyond its EU-centric inception and now even analyses of the EU are enriched by findings from investigations of other RIAs. The political economy approach advocated by this review has furnished a particularly useful organizing framework, which facilitates comparative studies and identifies areas where more needs to be done. Four venues for future research seem particularly promising (and badly needed).

First, fastening on the political choice to participate in a RIA has necessitated a careful consideration of the domestic politics of that decision. There has been very little work on the role of domestic institutions, government ideology, and public opinion in the causes and consequences of regional integration. The increasing salience of RIAs with domestic audiences is only likely to make these factors even more important. The recent revelations of secret TTIP negotiations documents caused public support for the US-EU trade deal to plummet from 53% to 18% in the United States and from 55% to 17% in Germany, where support for free trade in general plunged from 88% to 56%, jeopardizing Germany's ability to pursue free trade agreements in the future (Reuters, 2016). With leaks now a permanent fixture of the informational landscape and their content easily and instantly distributed and publicized online, the secret negotiations that had been the oil in the engine of agreements are likely a thing of the past. This can only further politicize regional policies domestically.

Second, scholarly work on regional integration focuses almost exclusively on decisions to join or to enlarge RIAs. The "Brexit" referendum that took place the United Kingdom in June 2016 reminds us that RIAs do not necessarily increase in size. Whether or not the United Kingdom will follow through with the public demand to give up EU membership, we lack a better understanding of why, when, and how countries decide to leave RIAs. The United Kingdom's decision to withdraw from the EU would certainly not be unique. In a Monkey Cage post, Felicity Vabulas argues that there have been more than 225 cases of membership withdrawals from international organizations.[3] For example, Panama decided to withdraw from the Central American Parliament in 2010. And the Common Market for Eastern and Southern Africa (COMESA) has shrunk in size a few times, when Lesotho and Mozambique left the organization in 1997, Tanzania quit in 2000, Namibia left in 2004, and Angola suspended its membership in 2007 (Slapin and Gray, 2014, 734).

Third, the review repeatedly referenced different motivations for integration across regions, cultures, and issue areas. These must find expression in the institutional design of various RIAs, and set the actual goals that the agreements are supposed to achieve. We need both better data and better theories to link government preferences to eventual outcomes through these institutions. In particular, it seems worthwhile to distinguish conceptually and empirically between normative and strategic goals for RIAs. This would permit us to finally move beyond the distorting simplification of correlating outcomes with a dichotomous variable that codes whether a country is an RIA member or not. Instead, we would correlate them with various institutional features, which would also permit meaningful focused comparisons between different RIAs.

Finally, we have very little systematic knowledge about the effects of regime complexity on systemic and domestic outcomes. Why do governments create and participate in institutions with overlapping jurisdictions? Does the resulting complexity have some, possibly unanticipated and probably unintended, detrimental effects for the welfare of citizens in member countries? What about effects on non-members? RIAs are expanding in size, scope, and number, creating ever denser global institutional networks that link disparate regions. What effect do these developments have on preferences of member governments, their strategies at the international stage, and their politics domestically?

This brings us back full circle: the choice for RIAs is motivated by domestic politics, their institutional design reflects both the desired goals and intended constraints, and now domestic politics are influenced by the consequences of these choices. It is a simple framework but, as Clausewitz once said, the simplest thing is difficult.

[3] https://www.washingtonpost.com/news/monkey-cage/wp/2016/07/01/brexit-isnt-all-that-special-heres-why-nations-leave-international-organizations/, last accessed: July 2016.

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