1 Introduction: Regional Integration and Political Economy

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Following the launch of the internal market scheme in the mid-eighties the world witnessed a resurgence in regional integrative ventures. In Southeast Asia ASEAN gained a new momentum as it experienced a transformation from chiefly an intergovernmental venue created in response to security concerns towards a comprehensive regional trading bloc. In the Americas the United States took the lead in expanding a series of trading agreements with its northern neighbour to the NAFTA arrangement involving Mexico, USA and Canada. Further south the countries of Latin America have set up a number of regional trading systems the two most important being MERCOSUR and ANDIN (the Andean Pact).

Regional integration is a key component in the globalisation process. Understanding the dynamics of regional integration will shed important light on the overall dynamics of change in the world economy. Thus far, regional integration has mainly been analysed using static models coming out of either international trade theory (e.g. the works of Alan Winters and the Cechinni reports) or neorealism as employed by political scientists (e.g. Andrew Moravcsik).

In this book a theoretical framework capturing the dynamics of integration is explored. It rests on qualitative institutional political economy as associated with the new institutionalism of political science and sociology. In addition it incorporates elements of economic theories on technical change.

A theory pertaining to capture the dynamics of political developments is most appropriately tested against a highly volatile policy field. Hence the subject singled out for scrutiny is European level labour market policy. This particular field has gone through roller coaster-like ups and downs. Initially dwarfed by technocrats labour issues rose to prominence in the early seventies, some 15 years after the EU’s inception. It suffered devastating defeat in the early eighties.
only to reappear on the forefront of the European policy agenda in
the wake of the internal market scheme and the subsequent institutional reforms.

1.1 Integration and Political Economy

The concept of integration has provoked extensive debate in political science and economics. Is it a 'process' or an 'end state', how may it be delineated from interdependence and which of the three basic dimensions – personal, relational and structural integration – should be emphasised. Should social integration be distinguished from assimilation and do personal, relational or structural integration result in the demise of previous personal traits, relational patterns and structural features? This study adopts the institutional stance and hence highlights the relational dimension.

Regional integration is thus defined as a process of cross-national, mutual adaptation of institutions in the spheres of state, market and civil society. Regional integration is a process with no absolute finality or fixed equilibrium. Integrating units be they state apparatuses, markets or civil societies, are themselves 'moving targets' as they continuously undergo processes of change. Integration constitutes a pattern of institutional change which subject all affected entities to roughly similar pressures which in turn provoke often strongly divergent responses.7

Regional integration evidently goes beyond the disciplinary boundaries of social science. As a minimum a political economy approach must be employed to unveil the dynamics of integrative processes.

There is no comprehensive theory on the political economy of regional integration. Such a theory must combine the insights of political science, economics and in addition incorporate the findings of other social and human sciences such as sociology, anthropology and cultural studies. In this study I set forth to explore the dynamics of European integration with a view to constructing a conceptual framework applicable on regional integration processes involving advanced economies.8

Political economy in no way constitutes a unified paradigm or approach to the study of societal processes and dynamics. While different traditions exist they are united in their aspiration to combine political and economic factors when accounting for societal dynamics.

At least three variances of political economy can be identified. First