Chapter 9

Beyond Europe: Integrated Markets in Other Parts of the World

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Abstract

The internal market of the European Union is the highest level of economic integration in the world. However, it is not the only international instrument for market integration. Both in Europe and beyond, we find many international organisations that aim at, and sometimes achieve, some degree of economic cooperation and integration. These may be classified as free trade zones, customs unions, common markets, economic unions, and currency unions. The EU is partly an economic union and partly, for the states of the Eurozone, a currency union. A comparative analysis of other international organisations reveals that the special feature of the EU is its supranationality, a feature that even the currency unions in the Caribbean and Africa lack.

Keywords: European Union, internal market, supranationality, international economic organisations

1. Introduction

The European Union prides itself to have achieved a level of economic and political integration unique in the world. In particular, the single market tends to be qualified as unparalleled.

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Technically, this high level of integration is expressed in the supranational quality of the European Union. The European Union may take binding decisions, even against the will of individual member states.

It is interesting to see whether Europe's supranational integration which culminates in the single market qualifies as unique, or there are similar market integrations in other parts of the world. A comparative overview will help answer this question.

Formally, the European Union is neither the only nor the oldest supranational organisation in the world. Some supranational bodies such as the Danube Commission, founded in 1856 and refounded in 1948, are much older. Nevertheless, all other supranational organisations deal with a very narrow field of specialised tasks, such as the Danube Commission with navigation on a river. The European Union is the only supranational organisation with a wide field of competences. Member states have transferred sovereign rights in many different policies onto the EU, making the EU a supranational organisation of nearly "general competence". This, as the following comparative analysis will show, is unique in itself.

However, the EU does not have the power to define its own competences. The "Kompetenz-Kompetenz", as the German doctrine calls it, remains with the member states that may or may not, in the treaties, transfer a given competence totally or partly onto the EU. Therefore, the powers of the EU are derivative, such as that of any international organisations', and not original as the powers of a state are.

2. Parameters of comparison

The EU and its single market rely on a universal economic integration in the sense that it encompasses in principle all economic activities, all goods and services, labour, and capital.

In contrast, many international economic organisations such as the International Cocoa Organisation or the Kimberley Process, focus on a single product, or are open to only one half of the market, e.g., to exporters, such as the OPEC. In our comparative tour around the world, we will leave them aside because comparing a general economic organisation with a one-issue organisation would be like comparing apples to oranges. We will also leave aside the World Trade Organisation because its aim is not the economic integration of its member states but the coordination of their economic policies. So let us concentrate on economic integration mechanisms of a general scope.

When classifying such integration mechanisms, we can distinguish five distinct levels ranging from weak to intensive integration. The borders between these five levels are not always clear in individual cases, but they suffice to create a useful typology.[1]

The lowest level of integration is a *free trade zone*. In a free trade zone, member states reduce or even abolish customs among each other whereas each member state is free to apply their individual customs tariff vis-à-vis third countries.

The second level of integration is a *customs union*. A customs union is characterised by the abolition of all customs between member states and a unified external customs tariff vis-à-vis third states.

One level higher, we find the *common market* or *internal market*. If a common market is established within a customs union, this means that all products and goods may circulate freely and under equal conditions without being stopped or hampered by state frontiers. More developed common markets permit the free circulation of services and/or labour as well.

Level four is the *economic union* which is characterised by a harmonised economic policy of the member states of a common market. One field of economic policy harmonisation is the reduction and, ideally, the abolition of non-tariff and similar barriers to trade.

The peak of economic integration is the *currency union,* which is an economic union operating under a joint currency. The European Union qualifies as a currency union for the members of the Eurozone and as an economic union for the other member states.

We will use these five levels for our comparative analysis of the world's other economic integrations. In this paper, we only deal with integrated markets of more than two countries that achieve the first level of integration but do not consider international economic organisations short of a free trade zone such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the Southern African Development Community (SADC). In a historical perspective, we would also have to exclude the Roman Empire which did not possess an integrated market but many internal customs between provinces, round individual cities. etc., as, e.g., the New Testament illustrates quite vividly. When it comes to historical perspective, the Central European Free Trade Agreement (CEFTA) should be dealt with as well.

1 Krajewski, 2021, pp. 305–309.

3. Free Trade Zones

Since we do not have any free trade zones in Europe, let us start our world tour in Asia.

3.1. Association of Southeast Asian Nations (ASEAN) and ASEAN Free Trade Area (AFTA)

Founded in 1967, the Association of Southeast Asian Nations (ASEAN) is a primarily political international organisation with ten member countries in South-East Asia.[2] Its predecessor was formed in 1961.

In 1991, ASEAN members founded the ASEAN Free Trade Area (AFTA) as the ASEAN economic suborganisation. Within AFTA, most customs between member states have been reduced to zero, with the exception of the most important and at the same time most delicate field of the economy: agriculture. Decision-making is purely intergovernmental without any supranational elements.

AFTA shares its basic problem with ASEAN. The ten member states are heterogeneous and share nothing except the same geographical mesoregion.[3] One the one hand, we have Singapore, one of the 21st century's metropolises, and the petro-microstate of Brunei. On the other hand, there is Myanmar with its eternal military dictatorship. Myanmar is often described as an "army with a state apparatus attached" but may be equally justifiably qualified as an "army with an economy attached" – or Cambodia which to this very day has not really recovered from the Khmer Rouge's genocide. In the field of economy, it is clear that these countries live under very different circumstances and that their interests are therefore very different. Furthermore, both political and economic integration are hampered by deep-rooted cultural prejudices and a long-standing lack of trust.

In light of the above, AFTA is demonstrating a poor performance. It is reasonable to assume that South-East Asia's economic integration will not extend beyond the boundaries of a free trade zone and that the development of supranational decision-making structures will not occur.

3.2. The United States–Mexico–Canada Agreement (USMCA)

The United States–Mexico–Canada Agreement (USMCA) was founded in 2020, replacing the North American Free Trade Agreement (NAFTA) which dates back to 1994.[4] NAFTA and USMCA limit the economic integration to a free trade zone and do not aspire for more. NAFTA focused on the free flow of goods and later expanded

2 Herdegen, 2020, pp. 261–263.

3 Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam. Regular observers are Papua New Guinea and Timor Leste.

4 Herdegen, 2020, pp. 255–257; Siqueiros 1993, p. 383.

to include free trade in services. USMCA has expanded the scope of the agreement to include digital services. NAFTA and USMCA play an important role in dispute resolution. All decision-making is strictly intergovernmental.

One of the reasons, if not the only one for this reluctant integration lies in the heterogeneous nature of its members. Although it comprises no more than three states,[5] it is not uniform: two well-developed economies face an emerging one. One country, the US, is the dominating partner due to its demographic and economic weight as well as its geographical position. Any strengthening of the USMCA would inevitably enhance the influence of the United States over the Canadian and Mexican economy and economic policy, given the natural preponderance of the US among the partners. A lack of equilibrium leads to a lack of will to integrate.

3.3. The Greater Arab Free Trade Area (GAFTA)

While Asia and the Americas have only one free trade zone each, the Middle East and Africa offer a richer source of comparison. The first free trade zone of that region is the Greater Arab Free Trade Area (GAFTA). It was founded in 2005 within the Arab League and consists of 17 members.[6]

The success of overall GAFTA integration has been limited because so far members have not reduced customs in a sizeable amount vis-à-vis each other, and both tariff and non-tariff barriers of trade continue to limit economic exchange among the members of the free trade zone. However, smaller groups of states within the GAFTA have liberalised trade among each other to a wider extent. This “integration of multiple speeds” (or multi-speed integration) is a phenomenon familiar to the EU as well.

Most experts do not expect further economic success from the GAFTA because of its heterogeneous membership and the fact that most members of this free trade area are not market economies but mixed market-state economies, many of which are underperforming. Weak member state economies translate into weak economic integration.

3.4. The Gulf Cooperation Council (GCC)

Formed in 1981, the Gulf Cooperation Council (GCC) has united six members.[7] It is primarily a political organisation but it has economic goals as well. There are plans to create among the members of the GCC a customs union and a currency union, but neither union has progressed beyond the stage of rather vague plans.

5 Canada, Mexico, USA.

6 Algeria, Bahrein, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Marocco, Oman, Qatar, Saudi-Arabia, Sudan, Syria, Tunesia, United Arab Emirates, Yemen. Membership applications by Mauretania and Somalia are pending. For more detail see Herdegen, 2020, p. 264.

7 All states of the Arab Peninsula with the exception of Yemen.

At present, cautious customs liberalisation between members has moved the GCC towards a free trade area, but these attempts appear to be stalling.

There is little prospect that the GCC will ever achieve its economic goals because the shared priorities of its member states are predominantly centred on security rather than economic integration. Consequently, the focus of GCC cooperation remains on security concerns, and economic matters are not a priority.

3.5. Economic Community of West African States (ECOWAS)

On the African continent, the Economic Community of West African States (ECOWAS), founded in 1975, started as a cooperation platform of mostly former French colonies. Today, it comprises 15 members with English, French, and Portuguese official languages.[8] Four members have been suspended in the last years because of military coups. Since the democratic performance of many other ECOWAS members is not exactly glorious, this measure is criticised as hypocritical by both African and Western governments.

ECOWAS aims at an economic integration and political co-operation. The economic goals include a common market and a common currency. Quite concrete plans exist but pertinent action has been postponed several times.

ECOWAS functions exclusively in intergovernmental structures. Its institutions are the Commission, the parliamentary assembly, i.e., the ECOWAS Parliament, and the Community Court of Justice.

Compared to other economic integrations described in this paper, political cooperation seems to work better. The ECOWAS military intervention in the Liberian civil war usually counts as a success story. When in July 2023 the military in Niger ousted the elected president, the political reaction of ECOWAS was prompt. The ECOWAS heads of government met several times and decided to suspend Niger's membership. More far-reaching plans of an economic embargo or a political or even military intervention, however, were brought up in these meetings but dropped in the end.

One factor hindering the progress of economic integration might be the natural dominance of Nigeria with its large population and superior economic power. Many of the smaller ECOWAS states find it difficult to maintain equal footing with the regional superpower and therefore hesitate to give up sovereignty for the benefit of an integration which may serve as a channel for enhancing Nigeria's dominance. This situation bears a certain simiarity with the natural preponderance of the USA preventing the other USMCA members from deepening economic integration.

8 Benin, Burkina Faso*, Cape Verde, Gambia, Ghana, Guinea*, Guinea-Bissau, Ivory Coast, Liberia, Mali*, Niger*, Nigeria, Senegal, Sierra Leone, Togo (*: membership is suspended). Mauretania left ECOWAS in 2000. Morocco's membership application is kept pending because of fears of opening the gate for goods from Morocco's other free trade partners.

3.6. The East African Community (EAC)

The East African counterpart of ECOWAS is the East African Community (EAC). Although EAC was founded in 2000, however, close co-operation in East Africa is much older. Former British colonies, i.e., Kenya, Tanzania, and Uganda shared a common currency and maintained a customs union in the interwar period and maintained close ties after gaining their independence. In 1967, they were planning to create a common market, and they retained a common currency, the East African Shilling, until 1969. However, starting from the 1970s, the three East African states loosened their ties.

In 2000 they founded a new international organisation, the EAC, which aims at a general political co-operation and has economic goals: a customs union and a common currency, i.e., the re-establishment of the degree of the economic integration that had existed from the 1920s to the late 1960s. On the long run, political and economic integration are scheduled to result in a federal state. The EAC has well-established organs such as the East African Court of Justice and a joint parliamentary assembly.

This successful past, however, was soon diluted by the acceptance of more members. With Burundi, Rwanda, the Republic of Congo, and South Sudan, countries without the traditions of the close East African co-operation were admitted to the EAC. Somalia applied for membership, and other countries have shown their interest to join, too.

EAC's future is qualified as uncertain. What may have worked between the original three founding members is far from working with and among the other members who are quite unwilling to give up sovereign rights for the benefit of integration. Still, compared to many other initiatives such as GAFTA, GCC, or COMESA,[9] ECA may be regarded as moderately successful. This is why it is attractive to so many countries in the region.

3.7. Common Market for Eastern and Southern Africa (COMESA)

The Common Market for Eastern and Southern Africa (COMESA) unites 21 member states "from Cairo to (nearly) Cape Town."[10] Its predecessor, the Preferential Trade Area for Eastern and Southern Africa (PTA), was founded in 1981 and replaced by COMESA in 2000.

COMESA's principal goal is the creation of a common market. However, no steps have been undertaken so far to create the basis of a common market, and all

9 On COMESA, see point 3.7.

10 Burundi, Comoros, Congo (Democratic Republic), Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia, Zimbabwe. Former members Angola, Lesotho, Mozambique, Namibia and Tanzania left COMESA at various points.

economic co-operations within the framework of COMESA have remained in the realm of good intentions. One reason may be the large number of very heterogeneous member states. It seems practically impossible to organise closer co-operation in purely intergovernmental structures among so many and so different states.

4. Customs unions

Customs unions can be found in Africa and South America. We will start with the African examples.

4.1. Union économique et monétaire ouest-africaine (West African Economic and Monetary Union, UEMOA)

Similar to the EAC, the Union économique et monétaire ouest-africaine (West African Economic and Monetary Union, UEMOA) is also based on a common currency from colonial times: the CFA Franc that was introduced in 1945. After gaining independence, former French colonies kept the common currency and the common central bank, the West African Central Bank. In 1994, seven of these countries institutionalised their co-operation under the common currency and founded the UEMOA which was joined by a former Portuguese colony.[11] In 2015, UEMOA members developed their organisation into a customs union with a joint external customs tariff. UEMOA also operates a joint court of law and a joint stock exchange. The West African Central Bank has certain features that go beyond mere intergovernmental structures but can take fundamental decisions only with a unanimous vote of all member states.

Despite the joint currency, UEMOA does not qualify as a currency union because it lacks the lower levels of integration.

Plans for the future include the establishment of a common market. Its realisation, however, faces grave problems. The economic structure of all UEMOA member states continues to be strongly colonial. Foreign trade is conducted with the former colonial metropolis but hardly with the neighbours in the region. 60 per cent of UEMOA's foreign trade target Europe whereas trade among members amounts to only 11 per cent of the foreign trade of their respective countries.

Insofar, UEMOA is a good example for the double-edged colonial heritage. On the one hand, one leftover of the French colonial rule is a common currency with functioning institutions such as a joint central bank for this currency. On the other hand, the structures of foreign trade still focus on Europe, reducing regional trade into

11 Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo; Guinea-Bissau.

a marginal phenomenon. As a result, economic structures in the UEMOA member states serve European interests rather than the needs of the local populations.

4.2 The Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa, CEMAC)

The Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa, CEMAC) is the clone organisation of UEMOA. Five states from former French Equatorial Africa retained after independence the CFA Franc as a joint currency. They, plus one former Spanish colony[12], institutionalised their pertinent co-operation in 1994 in the CEMAC. CEMAC has its own central bank, the Bank of Central African States, and maintains a court for disputes among members as well as the Development Bank for Central African States. As in UEMOA, the joint central bank of CEMANC, too, may be the nucleus for supranational decision-making. So far, however, decision-making has strictly followed intergovernmental structures.

4.3. Mercado Común del Sur (Mercosur) / Mercado Comum do Sul (Mercosul)

The regional economic bloc in South America is the Mercado Común del Sur (Mercosur in Spanish) or Mercado Comum do Sul (Mercosul in Portuguese).[13] Although close economic co-operation in South America started quite early, in 1960, in the Latin American Free Trade Association, the next step, the customs union, i.e., Mercosur, was founded as late as in 1991. The organisation's membership is special insofar as it has more associated than member states.[14]

The main purpose of Mercosur is to enhance economic co-operation, including securing South America's position in a globalising world and economy. The organisation is still struggling to achieve its primary goal, i.e., the creation of a customs union. Cooperation in technical and undisputed political fields works well, resulting in enhanced economic contacts and pertinent international treaties, but the highly divergent economic interests of the heterogeneous membership as well as the other members', especially Argentina's fight against the dominance of the largest member Brazil slow down progress in other, usually more important questions of market integration. Nevertheless, Mercosur is already formulating the next goal which is the common market.

The organisational structure of Mercosur is based on that of the EU. There is a body of the heads of states and governments, a Council which is to promote integration, a court, and other auxiliary bodies dealing with more specialised details.

12 Cameroon, Central African Republic, Chad, Congo (Republic), Gabon; Equatorial Guinea.

13 Herdegen, 2020, pp. 259–261; Mayr, 1993, p. 258; Moavro, Orietal and Parera, 1997.

14 Members: Argentina, Brazil, Paraguay, Uruguay, Venezuela (suspended since 2016); associated: Bolivia (in the process of accession), Chile, Colombia, Ecuador, Guyana, Peru, Suriname.

The one key difference, however, is that decision-making is not majoritarian (supranational) but unanimous (intergovernmental).

Compared to most other market integration organisations mentioned in this paper, Mercosur works well. A positive factor may be the common narrative (to secure South America's position in globalisation). A negative factor is the imbalance of power among the members with one very large member (Brazil) naturally dominating the entire organisation.

4.4 Comunidad Andina (Andean Community, CAN)

The Comunidad Andina (Andean Community, CAN), founded in 1969, is the second instrument of integration in South America. Unlike Mercosur, it does not concentrate on economy but aims at an all-encompassing political co-operation including economic issues. Its membership fluctuates. Right now, CAN has four members: Bolivia, Colombia, Ecuador, Peru. Two countries (Chile until 1976 and Venezuela until 2006) were members at some time but lost membership in the past. Furthermore, five states are associated members: Argentina, Brazil, Chile, Paraguay, Uruguay. At first sight, the core of the member states, being all Andean countries, appears to be comparatively homogeneous.

Besides common political goals, CAN aspires at economic integration as well. For this purpose, it established a customs union in 1994. Yet, only two member states (Colombia, Ecuador) apply the joint external customs tariff whereas the other two members (Bolivia, Peru) continue to use their own tariffs which makes the customs union incomplete. Since decision-making is strictly intergovernmental, CAN has no legal means to enforce the customs union on the two non-complying members.

Despite the *prima facie* homogeneity of the Andean states, the few CAN members were not able to set aside national egoisms and vanities as well as traditional prejudices and mutual mistrust. Therefore, their political as well as economic co-operation stagnates, unlike Mercosur which shows a much more dynamic development such as the trade agreement with the EU signed in December 2024.

5. Common markets

In a comparative perspective, common markets are less frequent than organisations on the lower levels of integration.

5.1. European Free Trade Association (EFTA)

The European Free Trade Association was founded in 1960 as a counter-project to the European Union. Whereas the EU embarked on a supranational path from the start, EFTA was consciously designed as an intergovernmental organisation. In those days, there were two economic blocs in Western Europe: EFTA and EU. Today, EFTA only has residuary significance. Most of its former members joined the EU, leaving EFTA with only four members: Iceland, Liechtenstein, Norway, Switzerland.

EFTA's meaning is reduced further by the fact that three of its members are integrated into the EU's treaty system, the European Economic Area (EEA), and the fourth member, Switzerland, has achieved a similar association to the EU on a bilateral basis. Nevertheless, despite the strong integration into the EU treaty cosmos, EFTA retains some factual importance among its four member states.

The lesson that comparatists may learn from EFTA is that supranational integrations (EU) seems to be a better functioning organisation than intergovernmental integrations (EFTA), at least in the European political and economic context. When market integration reaches the level of a common market, unanimous decision-making is less and less appropriate to answer the legal and other questions the market asks. There were, of course, other factors that favoured the EU over the EFTA, e.g., that the core countries of Western Europe of those days (France, Italy, West Germany) united in the EU, or that the EU formed a contiguous territory in Europe's centre whereas EFTA members were dispersed in various parts of Europe's geographical periphery. Nevertheless, markets need to be regulated in order to function, and this is true for a common market as well. Market regulation runs more smoothly if no individual member state has unlimited veto power. Consequently, the EU thrives, whereas the EFTA withers away.

5.2. Caribbean Community and Common Market (CARICOM)

The Caribbean Community and Common Market (CARICOM),[15] established in 1973, was based on the Carib Free Trade Area (CARIFTA) founded in 1968. CARIM's 15 members are – mostly small – Central American countries.[16] The membership is therefore very heterogeneous, encompassing (former) British, Dutch, and French colonies, ranging from very poor (Haiti) to fairly well-off (Barbados) states. CARICOM itself groups its members into one of two categories: "less developed countries" and "more developed countries". 8 members maintain a joint currency, the Eastern Caribbean Dollar,[17] whereas the other members hold individual currencies. Many members still have a colonial-style economy oriented towards the former colonial power, but some countries managed to free their economic structures from such legacies. Given this picture, a *prima facie* impression suggests that chances for a true market integration are rather precarious.

Nevertheless, economic co-operation in CARICOM may be considered a success since it has a common external customs tariff, a common market and also to some

15 Herdegen, 2020, p. 261.

16 The 15 full members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago; the 5 associates: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Turks and Caicos Islands (all British colonies).

17 For more detail see OECS at point 7.1.

extent common economic planning. Besides market integration, co-operation in other fields such as foreign policy, public health, education or a joint passport works well, too.

Although the transition from CARIFTA to CARICOM was conducted with explicit reference to the role model of the EU, CARICOM's decision-making remains strictly intergovernmental. The only supranational element is the Caribbean Court of Justice which decides disputes within CARICOM and acts as a supreme court for those member states that so decide. The latter function is attractive for former British colonies because it allows them to break away from the Privy Council without having to establish a supreme court of their own.[18]

Despite CARICOM's orientation towards the EU as a role model, its history is similar to Mercosur. A regional free trade organisation is replaced, as a next step, by a common market. This "organic" development through the different levels of market integration seems to favour success, as it did both with Mercosur and CARICOM.

5.3. Mercado Común Centroamericano (Central American Common Market, MCCA)

In the same region, since 1960, the Mercado Común Centroamericano (Central American Common Market, MCCA) has been the instrument for market integration of the five Central American republics: El Salvador, Guatemala, Honduras, and Nicaragua. In its first decades, MCCA was hardly operational, due to hostilities among the member states. In 1993, the members reactivated MCCA which was then joined by Costa Rica. Today the organisation has a common external customs tariff, allows for the free circulation of goods and has developed first initiatives to enable the free flow of services and labour. Initiatives to liberalise trade in services dates back to 2007, but due to mutual distrust, results have been limited so far.

MCCA decision-making institutions are the Central American Economic Council, the Executive Council, and the Secretariat which work on an intergovernmental basis. Apart from them, MCCA has a court and maintains the Central American Bank for Economic Integration.

In some respects, MCCA is the exact opposite of CARICOM. In CARICOM, a larger number of quite heterogeneous states manages to co-operate quite successfully whereas in MCCA, a small number of quite homogeneous countries – only Costa Rica has a different demographic, social and economic structure – struggles very hard to achieve at least some level of market integration. One reason of faltering cooperation is mutual distrust, fuelled by frequent civil wars, revolutions, and extremely high levels of intra-country (violence.

18 Barbados, Belize, Dominica, Guyana and St. Lucia have opted for this function.

6. Economic unions

Apart from the EU which functions as an economic union for the non-members of the Eurozone, there is only one example for an economic union worldwide.

6.1. Eurasian Economic Union (EEU)

The Eurasian Economic Union (EEU) is a product of Russia's aspirations to keep together the post-Soviet world after 1991. The principal international organisation for that purpose was the Commonwealth of Independent States (CIS), founded in 1991, reuniting, at times, all Soviet successor states with the exception of the Baltic republics. The CIS was the general forum for co-operation in many fields, including economy. However, the need was felt for a separate international organisation for those CIS members wishing a higher degree of market integration than CIS with its fluctuating membership allowed for. These countries gradually formed the Eurasian Economic Union during the 1990s.[19]

In its first decade, the EEU was successful and established a customs union, a free trade zone, and later a single market and introduced further instruments for market integration. From the beginning, the legal basis of the EEU was laid down not in one treaty but in a larger number of agreements, and each agreement had a different circle of signatories. This caused considerable problems in the development of an economic union in the post-Soviet region. Another problem was that some participants, e.g., Russia and Belarus, agreed on a considerably higher degree of integration on a bilateral level. As a consequence, different treaty provisions are applicable depending on which EEC member states and which area of the economy is concerned. This legal fragmentation does not favour the development of closer economic ties.

The practical importance of the EEU and other multilateral treaties on market integration of the post-Soviet space has dropped considerably since around 2010. The EEU's fate is similar to CIS. CIS functioned fairly well in many policy fields in the 1990s, inviting the active co-operation of the member states, but ceased to be functional after 2000. The EEU as well started successfully and was reduced to a phantom after 2010. The reasons are similar. First, more and more former Russian/Soviet colonies no longer deem a high degree of co-operation with Russia necessary because they more and more render themselves independent from the former colonial centre. The Russian aggression against Ukraine has accelerated this process, making many post-Soviet states seek greater distance from Russia which again reduces the significance of the EEU. Second, Russia herself erodes the multilateral treaty system, and the international organisations designed to keep together the post-Soviet space. Under Yeltsin, Russia followed an integrationist policy, trusting in multilateralism and international organisations. Putin changed this policy and returned to the classical Tsarist and Soviet attitude of divide et impera which relies on

19 Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia. Observers: Cuba, Moldova, Uzbekistan.

bilateral relations in which Russia can exert its influence on the other country much more directly than it could do in multilateral relations and international organisations. Russia did not abolish the CIS and the EEU, but Moscow concentrates relevant decision-making about market integration in bilateral treaty relations, leaving the EEU as little more than an empty shell.

6.2. A look into history: the Commonwealth of Nations

CIS and EEU are the instruments of the former colonial centre to reorganise its empire after the independence of the colonies. It is interesting to see what other former colonial powers did in this respect. Some of them limited their multilateral treaty relations to political, military, and cultural aspects,[20] but, between 1931 and 1949, Great Britain established an international organisation for a wide range of cooperation, including economic cooperation: the Commonwealth of Nations.

In the first decades, the Commonwealth was a forum for considerable economic integration, too. When Great Britain joined the EU, the EU gradually took over Britain's special economic relations with the former colonies, as it did with France's and Portugal's special economic relations with their respective former overseas possessions. These special post-colonial economic relations have been institutionalised in the Lomé Convention and the Cotonou Agreement with the EU on the one hand and the so-called African, Caribbean and Pacific Group of States (ACP countries) on the other. After Brexit, Great Britain has endeavoured to re-establish its old close links to its former possessions, though with limited success so far because quite a few former colonies declined the conclusion of trade treaties with the UK.

7. Currency unions

Currency unions are the highest level of institutionalised market integration. As seen before, the Eurozone within the EU is such a currency union.

7.1. Organisation of Eastern Caribbean States (OECS)

The Organisation of Eastern Caribbean States is the currency union of the states that share the Eastern Caribbean Dollar as a common currency. Therefore, it has close links with CARICOM.[21]

The Eastern Caribbean Dollar (EC$) was introduced in 1965 when the pertinent territories were still colonies of various European states. After gaining their

20 Communauté Française, Comunidade dos Países de Língua Portuguesa.
21 Supra point 5.2.

independence, these states decided to retain the EC$ and to establish an international organisation for this purpose, which they did in 1981. Today, OECS has seven members – six Caribbean insular micro-states, i.e., Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, one British overseas territory, Montserrat – and four associated members: two British and two French territories, namely Anguilla, British Virgin Islands; Guadeloupe, and Martinique. The dynamics of OECS are exactly the opposite of the EU. European integration started as a supranational common market and gradually developed into a currency union, whereas OECS started with a common currency, the heritage of colonial times, and supported it with the necessary market integration. This market integration gained momentum in 2001. Since 2012, OECS has had a common external customs tariff and a free flow of goods, services, labour and capital, thus attaining in principle, though not always in detail, a level of market integration similar to the EU.

Like the EU, economic cooperation and market integration are only one goal of OECS. This organisation encompasses a joint foreign policy, joint foreign representations, a joint university, and many other joint institutions, e.g., in health care. The reason for this wide scope of joint activities is the small size of the member states, as neither of them would be able to maintain a diplomatic service, a university, specialised hospitals, etc. By pooling their limited capacities, they create a critical mass that enables them to have all these components of modern statehood. Ultimately, this is true for the common currency as well. Only the joint economic potential of all member states suffices to maintain a currency.

As a currency union, OECS is as incomplete as the EU because not all members and associates have the EC$.[22] OECS has a joint central bank for all members of the EC$ zone: the Eastern Caribbean Central Bank, founded in 1983.

The Eastern Caribbean Central Bank and the Eastern Caribbean Supreme Court are the only supranational elements in the OECS structure. The court is not only the forum to solve disputes within the OECS but also provides supreme-court-level jurisdiction in some member states. The other OECS institutions, the Council of Ministers, the Assembly of Parliamentarians, and the Secretary, decide strictly in intergovernmental structures.

7.2. Joint currencies without a currency union

We saw that some groups of states in Africa share a joint currency: UEMOA, CEMAC and, historically, EAC.[23] These are not currency unions in the sense of the Eurozone or OECS because the joint currency lacks the fundament of an economic union. They remain mere customs unions that happen to have a joint currency.

22 British Virgin Islands: US$; Guadeloupe and Martinique: €.
23 Supra points 4.1., 4.2., 3.6.

8. Conclusions

On a regional level, we find numerous attempts at market integration. Especially Central America and Africa provide a rich scope of initiatives whereas integration is especially rare in Asia.

Looking at the examples described above, we can identify some factors that favour an integrated market. Homogeneity is the first of such factors. Similar structures and parallel interests help reduce national egoisms for the benefit of joint endeavours. Cultural closeness seems to be less important because attempts at close integration between culturally homogeneous groups of states were not more successful than others: CGG, GAFTA in the Arab-Muslim world, MCCA on the Central American continent, and CAN in the Andes. On the other hand, cultural differences are one main obstacle for a closer ASEAN integration.

External or objective force may be another such factor. OECS seems to be successful, i.e. achieves the goals it set to itself, because the small size of member states forces them into close cooperation. This is highlighted by a look at similar organisations in Africa: CEMAC, EAC, and UEMOA. All four organisations started with a joint currency inherited from colonial times. In the Caribbean, this led to a currency union with highly integrated markets whereas in Africa, where member states are larger and therefore may consider themselves more easily in possession of a full-fledged sovereignty, integration seems less pressing. For the Caribbean micro-states, sovereignty is an illusory concept from the outset. This may make it easier for them to pool parts of their sovereignty. It is worth noting, however, that even OECS did not make the step from intergovernmental to supranational decision-making.

A third positive factor is a common vision and a common narrative. Even in a purely economic union, a narrative about shared goals and, eventually, values seem to be helpful. In the EU, the common narrative used to be peace in Europe, later complemented by welfare for everybody. In Mercosur, the common narrative of securing South American identity and significance in a globalising world favours integration.

On the other hand, a negative factor seems to be one dominating state. If one state stands out by size, demography, economic potential, etc., other members tend to be careful to give too many competences to their international organisation for fear that this will enhance the dominating partner's influence. We find this mechanism in USMCA, Mercosur, and EEA, and to somewhat lesser extent in ECOWAS. OECS is very conscious of the importance of a sound power balance because they hesitate to accept members larger than a micro-state. They not only rejected Venezuela's membership application, but refrained even from accepting the island state of Trinidad and Tobago, fearing that that would upset the fine balance within the union. A look at the EU confirms this. Since its beginnings, European integration has always been careful in maintaining a balance between small, middle-sized, and large member states. This sometimes results in complicated voting rules but prevented any state or state group from dominating or feeling dominated.

Looking at the other integrated markets in the world, we find some highly developed organisations with well-integrated economies. Nowhere, however, do we find supranationalism beyond "supranational organs by nature" such as a joint court or central bank. Supranational decision-making is a European speciality. Probably a very lucky constellation of positive factors, as well as the absence of negative factors, made transferring parts of their sovereignty onto a supranational organisation acceptable to EU members.

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