ECONOMIC INTEGRATION IN SELECTED REGIONS OUTSIDE THE EUROPEAN UNION

Within the EU, regional economic integration is far advanced, and much discussed and analysed. The EU is thus often used as a point of reference for other regions of the world. At the same time, it represents only one of many experiences with regional economic integration. This article focuses on selected regions other than the EU – the Commonwealth of Independent States, the Middle East, Africa, East Asia and Latin America – and shows the different intensities and patterns with which integration in each of these regions has proceeded. It finds that in certain cases the main impetus for integration has been provided by market forces responding to economic factors, while in others political initiatives have been the driving force. Over the long run, however, a degree of interaction between the two can be observed.

1 INTRODUCTION

Being itself the outcome of a lengthy process of regional economic integration, the ECB has become a natural partner to several regional groupings in the world, which call on the ECB to share its experience in the framework of joint seminars and other initiatives involving policy-makers and, sometimes, academics. In particular, in recent years the ECB has co-organised Eurosystem high-level seminars with central banks in the South and East Mediterranean region, the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)[1], and most Latin American central banks. Seminars on regional economic integration have also taken place in the framework of the Asia-Europe Meeting (ASEM) and the Group of Twenty (G20), as well as contacts with other regional entities such as the Gulf Cooperation Council (GCC), the Association of Southeast Asian Nations (ASEAN) and the Centro de Estudios Monetarios Latinoamericanos (CEMLA). In this context, the ECB is not only interested in explaining the European case study, especially in the field of monetary cooperation, but, equally importantly, in understanding regional economic integration outside the EU. The latter topic is the focus of this article.

Regional economic integration can be defined as the degree of interpenetration of economic activity among countries belonging to the same geographic area, and is measured both by real aspects, such as trade and labour mobility, and by financial and monetary aspects, such as interest rate and inflation rate convergence. The actual level of economic integration reached by a region at a given point in time can be interpreted as the outcome of both economic factors and official policies, with different combinations of the two depending on the case in question. The policies may pursue different final objectives of integration, such as those in the classification provided in Table 1, and may also vary markedly in form, ranging from intergovernmental agreements to wide-ranging unions involving a transfer of sovereignty to supranational institutions. All these different institutional settings can be grouped under the label "regional arrangements".

While the EU is often referred to as the most advanced regional arrangement, several regions outside the EU have established or strengthened an institutional framework to support integration, especially since the 1990s. Indeed, over the past 15 years a proliferation of regional initiatives has accompanied the multilateral process of globalisation. This has notably been the case of emerging, transition and other developing countries, on which this article mainly focuses.

Regarding trade integration, developing countries are authorised to exchange virtually any trade preferences among themselves under the enabling clause of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) rules, which can be interpreted as an exemption from the most-favoured-nation principle. This article focuses solely on this type of trade arrangement, sometimes referred to as a "South-South" arrangement, and thus

1 See the appendix for a glossary of the regional terms and acronyms used in this article.

Table 1 Policy objectives in regional economic integration: standard classification

1. Preferential trade area (PTA)	A region where lower tariffs are imposed on goods produced in the member countries than on goods produced outside.
2. Free trade area (FTA)	A region where tariffs and quotas are abolished for imports from member countries, which, however, retain national tariffs and quotas against third countries.
3. Customs union (CU)	An FTA with common tariffs and quotas (if any) for trade with non-members.
4. Common market (CM)	A CU with no non-tariff barriers to trade (product and services market integration) or restrictions on factor movement (factor market integration).
5. Economic union (EUN)	A CM with a significant degree of coordination of national economic policies and/or harmonisation of relevant domestic laws.
6. Total economic integration (TEI)	An EUN with all relevant economic policies conducted at the supranational level within a framework of established supranational authorities and laws.

Source: Adapted from B. Balassa, "The Theory of Economic Integration" (1961).

does not deal with arrangements such as the North American Free Trade Area (NAFTA) and agreements between the EU and developing countries such as the African, Caribbean and Pacific (ACP) countries, which can be referred to as "North-South" arrangements.

In addition to trade policy, certain developing countries have also been making progress in financial and/or monetary and exchange rate cooperation as well as peer group economic surveillance at the regional level, in certain cases (e.g. East Asia) with the involvement of one or more developed countries (e.g. Japan), as reviewed below.

The regions considered in this article comprise selected EU neighbouring regions (the Commonwealth of Independent States (CIS), the Middle East and Africa), East Asia and Latin America. Their processes of regional integration are examined by looking at both the actual degree of economic integration (the economic dimension) and the underlying regional or sub-regional arrangements (the institutional dimension). The main variables chosen in describing the economic dimension are, where available, regional trade integration and openness, differences in real GDP per capita, business cycle synchronisation, nominal interest rate differences and intra-regional exchange rate volatility. The institutional dimension is assessed on a qualitative basis. An index is used to measure progress in regional cooperation over time, with index values ranging from 0 (no integration at all) to 100 (total economic integration; see Table 1). Index values are presented for regional arrangements in East Asia and Latin America and, to allow for a better interpretation, are compared with the integration path followed by the EU since 1957, used here as a simple point of reference, i.e. not as a benchmark to be pursued. (Details of the methodology used to construct the index can be found in ECB Working Paper No 185 entitled "European integration: what lessons for other regions? The case of Latin America".)

The article addresses three main questions. First, is it possible to assess the various processes of regional economic integration on the basis of the same explanatory factors? Second, how important is the institutional dimension in a dynamic process of regional integration, and how is it linked to the economic dimension? And third, is regional integration consistent with integration into the global economy? Finally, tentative answers to such questions are suggested based on the analysis conducted below.

2 EU NEIGHBOURING REGIONS

There have been several, sometimes overlapping, attempts to foster regional economic integration in the EU neighbouring regions. With the exception of the Commonwealth of Independent

Table 2 Indicators of economic integration in selected EU neighbouring regions[1), 2)]

	Intra-regional trade as % of		Average variation (%) from group mean of members'						Nominal exchange rate volatility[5)]
	GDP	total trade	real GDP per capita[3)]		inflation rates[4)]		nominal interest rates[4)]		
	2002	2002	1993	2002	1993	2002	1993	2002	1993-2002
Commonwealth of Independent States	14	26	70	49	968	11	9.7[6)]	4.3	105
Middle East and Northern Africa	5	8	197	213	10.2	3.3	3.0	2.7	20
Gulf Cooperation Council	4	6	48	56	1.6	1.2	1.1	0.6	1.4
Large arrangements in Sub-Saharan Africa									
Economic Community of Central African States	1	2	143	211	287	19	6.0	9.1	76
Economic Community of West African States	6	9	54	51	15	4	14.6	6.2	26
Southern African Development Community	5	10	125	171	222	28	4.8	8.5	67
Monetary unions in Sub-Saharan Africa									
West African Economic & Monetary Union	6	10	40	37	10.5	0.3	0	0	6
Central African Economic & Monetary Community	1	2	119	160	4.1	2.5	0	0	0
Common Monetary Area	n.a.	n.a.	49	43	1.8	1.1	1.3	1.4	0

Sources: IMF, ECB calculations.
1) Depending on data availability, the number of countries in a regional arrangement may vary over time.
2) Members of each group are listed in the glossary in the appendix.
3) Population-weighted average of the differences between each member's real GDP per capita and the population-weighted regional average.
4) Average of the percentage point differences (absolute) between each country's interest rate or inflation rate and the respective regional mean.
5) Regional average of the standard deviations of four rolling month-on-month log differences in the exchange rate for every pair of currencies in the region.
6) 1996.

States, however, the overall degree of actual economic integration has remained low. From an institutional perspective, the most ambitious and advanced integration project is being pursued by the members of the Gulf Cooperation Council, which have already achieved a remarkable degree of monetary convergence.

COMMONWEALTH OF INDEPENDENT STATES

The CIS, set up in 1991 by 12 successor countries of the former Soviet Union,[2] has a degree of economic integration which appears relatively high if compared with other EU neighbouring regions, but low if compared with regions such as the EU and East Asia. Intra-regional exports and imports of goods (hereafter "regional trade") account for about 26% of CIS total trade (see Table 2). Regional trade openness, i.e. the share of regional trade in regional GDP, amounts to 14%, whereas trade openness to the world as a whole stands at about 50% of regional GDP. Russia's trade with other CIS countries is the main determinant of regional trade, which reflects both Russia's economic size relative to the other CIS countries and the legacy of trade links in the former Soviet Union.

Over the past decade, economic developments in the region have been affected by the transition from planned to market economies. In the early years of transition, many countries experienced hyperinflation, together with substantial inflation differentials and nominal exchange rate volatility. After the Russian financial crisis in 1998, however, inflation and interest rate differentials, as well as exchange rate volatility, declined substantially, with most exchange rate policies shifting to a tightly

2 Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

managed float based on the US dollar as the anchor currency. Moreover, led by the strong recovery in Russia, the whole CIS has been enjoying high growth rates since the turn of the century.

The differences in GDP per capita among CIS members have increased significantly compared with Soviet times, although they are not as pronounced as in other regions of the world. Financial integration has been limited, even though the region has recently witnessed some cross-border banking activity. Finally, regional labour mobility seems to be quite high, as indirectly suggested by the rising deficits of private transfers in Kazakhstan and Russia which point to worker immigration from other CIS countries.

Given the common historical and economic legacy and similar challenges in the transition process, there have been several institutional efforts to foster economic integration in the region. The CIS aims to become a common economic space based on the principle of free movement of goods, services, labour and capital. This objective, however, is not being consistently pursued by all 12 CIS members at the same time. Four members – Russia, Ukraine, Belarus and Kazakhstan – agreed in 2003 to develop such a common economic space. Five members, namely Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova, founded GUUAM in 1997, a regional initiative aimed at deepening relations and cooperation among members. Five other members – Russia, Belarus, Kazakhstan, the Kyrgyz Republic and Tajikistan – established the Eurasian Economic Community (EAEC) in 2000. The latter two sub-regional arrangements, however, have relatively modest integration objectives, mainly focusing on trade and general policy cooperation. In addition, Belarus and Russia have started discussions on economic and monetary union. All in all, these regional policy initiatives have made limited progress, since countries have not yet implemented the steps that they have committed themselves to.

In this context, three other factors seem to affect economic integration in the region. The first one is divergence in resource endowments, with certain CIS countries being major exporters of natural resources including oil, and the other members largely relying on imports of energy from the first group. A second factor is the unequal progress made during the transition to a market economy. Laggard countries tend to be less integrated globally than countries with a stronger transition record. Finally, geographical considerations play an important role, since the CIS is the region with the largest number of land-locked countries in the world. Hence, the number of borders that goods have to cross to reach markets outside the region is comparatively high. Coupled with often restrictive trade policies at the country level, this tends to increase transport costs and hinder the exchange of goods and services both within and across regional borders.

Looking forward, despite the lack of progress in implementing the regional arrangements, economic integration is perceived as an important instrument both to deepen economic links within the region and to open it up to the rest of the world. The recent improvement in the macroeconomic environment of most CIS countries is providing new impetus to integration efforts as growing intra-CIS trade has underpinned the recovery in the region, highlighting the potential benefits of reducing intra-regional trade barriers. Subject to progress in institution-building and pursuing more open trade policies in general, the prospects for the further advancement of these countries in terms of regional and global integration seem to have improved.

MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa (MENA) region exhibits a low degree of economic integration. Despite a common language in large parts of the region and trade openness of individual countries of 52% of GDP on average, regional trade accounts for only 8% of MENA's total trade. As a result, regional trade openness stands at about 5% of regional GDP, and has hardly changed over the last decade (see Table 2).

Economic as well as institutional and political factors account for the low degree of integration. On the economic side, similar factor endowments imply that the bulk of exports are directed outside the region. Moreover, the dependence of government revenues on tariffs, on account of a weak fiscal basis, makes tariff reductions difficult. On the institutional side, the coherence and effectiveness of initiatives aimed at fostering cooperation in the region tend to be undermined by regional conflicts, which also hamper policies to develop a regional economic infrastructure.

Among the four regional arrangements in MENA, the scheme comprising the largest number of members (22) is the Arab League. Its key economic integration objective is the creation of a Pan-Arab Free Trade Area (PAFTA) by 2005, to which, however, not all members have subscribed. The Arab Maghreb Union (AMU), which comprises five North African countries, aims to liberalise the intra-regional movement of goods, services, capital and labour. The Agadir group is comprised of the four Arab countries that are most advanced in the process of association to the EU, and aims to liberalise regional trade by 2005. Finally, six countries located on the Arab peninsula form the Gulf Cooperation Council.

The GCC is the most advanced arrangement in the MENA region, with a customs union established in 2003. It is also the arrangement with the most ambitious objectives, as member states have embarked on a process of economic and monetary integration with the ultimate objective of monetary union by 2010. Nevertheless, economic integration in the GCC is limited, with regional trade as a percentage of total trade and GDP even somewhat lower than in MENA as a whole (see Table 2). This is mainly due to the dependency of GCC economies on the production of oil and related products, exports of which – directed almost entirely to countries outside the region – account for above 70% of the GCC's total exports. In this respect, GCC countries are a textbook example of how similar factor endowments may prevent trade links from strengthening within a region. Regarding the non-oil trade of the GCC, a higher proportion (around one-third) is estimated to be intra-regional.

While financial integration also remains low, the high degree of monetary convergence among GCC member states, reflected in the strong US dollar orientation over the past two decades, is striking, especially given the environment of liberalised capital accounts. As a result of the dollar anchor, nominal exchange rate volatility among GCC currencies has been lower than in any other region of the world. Another consequence is that inflation differentials have been limited and interest rates have been co-moving within a narrow range.

The GCC aims to establish a common market by 2007 and, as mentioned above, a single currency by 2010. The planned move to monetary union is, therefore, embedded in a broader integration project. Despite these ambitious objectives, the institutional framework of the GCC has thus far been intergovernmental in nature, at both the political and the technical level, with supranational elements still in their infancy. Future developments in the field of economic and monetary integration may therefore hinge on the suitability of this institutional framework in the pursuit of the aforementioned objectives, as well as on the political readiness to implement these objectives effectively.

SUB-SAHARAN AFRICA

With the exception of the most southern part of Africa, where the regional exchange of goods and services increased quite substantially over the 1990s, economic integration has remained low in Sub-Saharan Africa. Similarly to MENA, a significant openness at the country level (between 50 and 60% of GDP) co-exists with a low degree of openness within the various regional arrangements (see Table 2), even considering the fact that the statistics do not capture informal cross-border trade, which is estimated to be significant. Moreover, economic integration is low in spite of recent regional attempts to better coordinate economic policies. The three sub-regional monetary unions described below, however, are benefiting from subdued inflation as well as lower interest rate and inflation differentials than elsewhere in the region (Table 2).

Again, the dependency of most African economies on a few primary commodities mainly directed at markets in Europe, Asia and North America, as well as local and regional conflicts, greatly contribute to the poor degree of regional economic integration. However, this has not been offset by enhanced integration in world trade. The share of African exports in world exports has in fact fallen from around 5% before 1980 to close to 2% since the mid-1990s.

Notwithstanding the low degree of actual economic integration, many initiatives have been taken at the institutional level since the early 1960s, at both the continental and the sub-continental level. The Organisation for African Unity (OAU), established in 1963 and transformed into the African Union in 2002, decided in 1991 to create an African Economic Community and an African Monetary Union for the whole continent by 2028, building upon sub-continental cooperation agreements called Regional Economic Communities (RECs). Fourteen RECs have now been established, including some large economic integration schemes in Central, West and Southern Africa (ECCAS, ECOWAS and SADC) and three already existing monetary unions: the West African Economic and Monetary Union (WAEMU), the Central African Economic and Monetary Community (CAEMC) and the Common Monetary Area in Southern Africa (CMA).

Most of these regional arrangements, however, suffer from significant institutional weaknesses, which, combined with governance problems at the country level, help to account for the low level of economic integration. In particular, compliance with the commitments made has remained low, for instance in the field of tariff reductions owing to the high dependency of countries' revenues on customs duties and the lack of regional schemes for the compensation of revenue losses. The institution-building challenge is further complicated by the fact that most countries (47 out of 53 African countries) are members of more than one regional arrangement (in some cases three or four), which leads to inconsistencies and conflicts. As a result, not even the existing monetary unions are based on a common market, and the most advanced form of market integration does not go beyond the customs union stage.

3 EAST ASIA

Compared with the other regions reviewed in this article, East Asia exhibits a much higher degree of regional economic integration which, however, is not matched to the same extent by regional institutional developments. Economic integration within the region has increased notably since the early 1980s, and the share of intra-regional trade in total trade is now similar to that of the EU. While the convergence of financial variables is not as striking, it is higher than in most other regions. By contrast, the progress made by the official sector in advancing integration arrangements for the region has been relatively modest, although some important steps have been taken in the past five years.

There are no formal regional blocs in East Asia that properly reflect the scope of regional economic integration. Rather, the economies that capture this phenomenon well are the ten largest in the region. This group of economies, labelled here as "ASEAN5+3+2", comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand (that is, the five founding members of ASEAN, the key formal regional bloc), the "big three" (China, Japan and South Korea), Hong Kong S.A.R. and Taiwan. It is significant that, of all East Asian economies, these ten are the most economically integrated into the world economy. It should be noted that this group includes a major advanced economy, Japan, a feature which is unique among the groups of countries discussed in this article, but which is essential to understanding certain dynamics of integration in the region.

Table 3 shows measures of regional economic integration among the ASEAN5+3+2 economies and, for comparison, among the ASEAN5 countries only. The measures of trade integration are the most striking. Significantly, intra-regional trade accounts for over 40% of the total trade of the ASEAN5+3+2 economies. Intra-regional trade openness of 16% is also high in view of the inclusion of Japan, whose openness to the world is a mere 18% of GDP. It is notably higher for the ASEAN5 alone, not least on account of their smaller economies. The high degree of trade integration reflects the exploitation of comparative advantages within the region in the production of goods for export to advanced third markets. This process characterises East Asia's development strategy of exporting manufactures to high-income economies outside the region. Production in the region has been described as being akin to a single production line, with sites of high skill and productivity, such as Japan and South Korea, providing the most technologically sophisticated goods and components, and the more labour-intensive products and components being produced in locations such as China. As many of the exports are component-intensive (such as electronics, in which the region excels), much regional trade is intra-industry trade in intermediate goods (or "vertical" intra-industry trade). However, as incomes in East Asia rise, the region is increasingly becoming a target market for final goods in its own right.

While trade integration is very high, income disparities in East Asia are wide. The average percentage difference between each of the ten countries under consideration and the group average is unusually large, at almost 140%. However, rather than signifying an impediment to regional integration, these income disparities are entirely consistent with the integration of production processes, as countries contribute to

Table 3 Indicators of economic integration in East Asia

	Intra-regional trade as % of		Average variation (%) from group mean of members'			
	GDP	total trade	real GDP per capita 2)	nominal interest rates 3)	Business cycle synchronisation 4)	Nominal exchange rate volatility 5)
ASEAN 5+3+2 1)						
1993-2002	**16**	**43**	**138**	**3.3**	**0.30**	**21**
1998-2002	17	43	133	3.4	0.35	44
1993-1997	14	43	142	3.2	0.25	19
1986-1992	10	37	136	4.2	0.04	18
1980-1985	n.a.	n.a.	124	3.5	n.a.	24
ASEAN 5 1)						
1993-2002	**23**	**20**	**64**	**4.0**	**0.25**	**18**
1998-2002	27	20	68	4.4	0.34	54
1993-1997	20	19	60	3.6	0.15	15
1986-1992	14	16	43	4.9	-0.13	15
1980-1985	n.a.	n.a.	31	3.4	n.a.	24

Source: ECB calculations.
1) The acronyms are explained in the glossary in the appendix.
2) Population-weighted average of the differences between each member's real GDP per capita and the population-weighted regional average.
3) Average of the percentage point differences (absolute) of each country's interest rate from the respective regional mean.
4) Average cross-correlation of the Hodrick-Prescott residuals (i.e. actual minus trend) of countries' monthly industrial production series.
5) Regional average of the standard deviations of four rolling month-on-month log differences in the exchange rate for every pair of currencies in the region.

the production and assembly of final goods in accordance with their relative competencies and cost advantages. Income disparities therefore underpin the high proportion of total trade that is accounted for by regional trade in intermediate goods.

Business cycle correlation has risen steadily since the mid-1980s. This is in part evidence of the integration arising from the regional organisation of production, and was reinforced by the regional downturn induced by Asia's financial crisis in 1997-98. The growing importance of domestic demand within the region may also play a role.

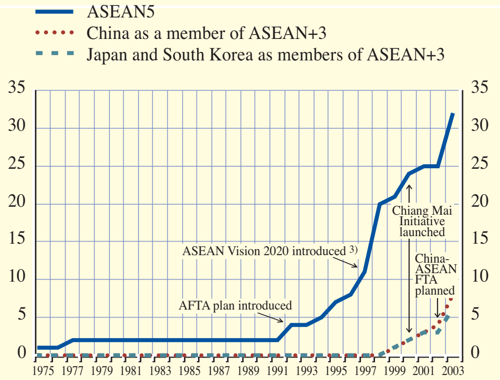
Intra-regional exchange rate volatility and interest rate differences among the ASEAN5+3+2 economies over the period 1980-97 were modest given the range in development levels of the countries. They reflected in large part official attempts to stabilise East Asian currencies vis-à-vis the US dollar to support the strategy of exporting to external markets, predominantly the United States. The financial crisis of 1997-98 led to a large depreciation of some of the currencies in the region, thereby raising intra-regional exchange rate volatility. More recently, intra-regional exchange rate stability has been largely restored, owing to the use of the US dollar as an external anchor, even though countries are pursuing quite varied exchange rate regimes de jure.

Turning to the institutional dimension of regional integration, it is remarkable that five of the ten largest Asian economies (including China, Japan and South Korea) – which, not coincidentally, are major traders in world markets – are not members of any regional trade arrangement. This makes them exceptional among their global peer group. The only fully-fledged intra-regional arrangement is the Association of Southeast Asian Nations (ASEAN), founded in 1967. Membership has doubled to ten since its inception, although the expansion increased the group's GDP by less than 10%. A key initiative, launched in 1992, set the group on the path towards an ASEAN Free Trade Area (AFTA). Marked progress in tariff reduction has been made since then: by 2002 six ASEAN countries (ASEAN5 plus Brunei) had reduced internal tariffs on most goods to below 5%, with the other members expected to follow by 2008. However, the impact of AFTA on overall regional economic integration seems to have been limited thus far. First, the largest economies in the region are not members of AFTA. Second, it is difficult to gauge its actual effect on ASEAN regional trade since this trade has not been growing faster than ASEAN trade with the rest of the world.

Significantly, following the Asian financial crisis of 1997-98, the intra-regional dialogue has been strengthened under the auspices of the ASEAN+3 (i.e. all ASEAN members plus the aforementioned "big three"), an informal group that includes almost all the main economies in the region. This group places particular emphasis on promoting financial stability via three main avenues: (i) exchange of information, economic surveillance and peer review; (ii) macroeconomic policy cooperation; and (iii) development of regional financial arrangements. Regarding the latter, ASEAN+3 has strengthened the network of regional repurchase agreements under the Chiang Mai Initiative, with the aim of providing liquidity support to a country facing financial difficulty. This can be interpreted not only as a response to the Asian financial crisis, but also as a first step towards greater regional monetary integration. A discussion has re-emerged about the possibility of creating an East Asian Community (EAC), which is based on a proposal made in the early 1990s by the then Prime Minister of Malaysia. This time the prospects for the materialisation of such a community are arguably better since the ASEAN+3 countries present an obvious founding membership.

Whether the aims of such a community would include formal measures to foster deeper economic integration remains to be seen. Finally, both ASEAN+3 and EMEAP – which

Chart 1 Index showing regional cooperation for ASEAN5 and selected members of ASEAN+3 1), 2)



Source: ECB calculations.
1) Index values range from 0 (no integration) to 100 (total economic integration). See the introduction for details.
2) The acronyms are explained in the glossary in the appendix.
3) This initiative aims to allow free factor movement.

includes the central banks of ASEAN5, the big three, Hong Kong S.A.R., Australia and New Zealand – are working on a number of initiatives aimed at fostering bond market development and integration in the region. This is an important goal given that Asian domestic financial markets are in most cases not sufficiently developed to ensure an efficient allocation of the large domestic savings to local investment.

Chart 1 measures the progress made by ASEAN5 and ASEAN+3 countries in pursuing one or more of the integration objectives listed in Table 1, by converting the integration achievements into a scale of between 0 and 100 (see the introduction). It confirms that there have been significant improvements in recent years. In relative terms, however, these groups lag behind several other regional arrangements, as illustrated in Chart 2. In an effort to foster economic relations, ASEAN has started negotiations for free trade agreements with China (by 2010) and Japan (by 2012), though these are complicated by the lack of a single negotiating authority for the group and persisting differences in members' external tariffs.

Rather than seeking multilateral intra-regional cooperation, several countries in East Asia have begun exploring bilateral trade agreements with partners inside and outside the region. Japan, for instance, has already concluded an agreement with Singapore, while it is conducting negotiations with three other countries (Thailand, the Philippines and South Korea). Indeed, trade policies in the region tend to prioritise unilateral and global trade liberalisation. This is in line with the region's development strategy, which relies on access to the markets of advanced economies. This strategy has enabled many countries in the region to attain rapid GDP growth rates, economic development and, last but not least, regional economic integration in the absence of a developed official regional framework. In other words, economic integration in East Asia can be mainly interpreted as the indirect result of countries pursuing compatible development goals. This experience also illustrates that formal regional integration agreements per se may not be necessary to deepen regional economic integration, at least to a certain extent.

This does not mean, however, that the official sector has no role to play in the economic integration of East Asia. On the contrary, looking backward, countries in the region have benefited from substantial unilateral tariff reductions coupled with economic policies that have helped to develop the countries' industrial capacity and competitiveness. Looking forward, the most recent initiatives show that there is both scope and rationale for enhancing the degree of financial and monetary integration in the region, which is lagging behind integration in terms of trade, direct investment and other real variables. Moreover, new regional actors, such as India and other countries in the Pacific, may be involved in the cooperation process.

4 LATIN AMERICA

In Latin America, the efforts towards economic integration supported by formal regional arrangements date back to the 1960s. These initiatives – which included the Central American Common Market (CACM), the Andean Community (CAN), the Latin American Free Trade Area (LAFTA) and the Caribbean Community and Common Market (CARICOM) – were primarily established as an advancement of the import substitution industrialisation (ISI) framework, a dominant development strategy in this region during the early post-war period. While the debt crises in the 1980s and the associated policy constraints prompted the abandonment of the ISI framework, regional initiatives were still viewed as an instrument to complement a development strategy based on export promotion within a wide-ranging process of economic liberalisation and reform. Partly as a result, the 1990s saw the revival of integration agreements which had de facto been abandoned in the mid-1970s (such as the CACM or the CAN), the establishment of new regional agreements such as the Common Market of the South (MERCOSUR), and Mexico's partnership with two advanced economies (the United States and Canada) in the form of the North American Free Trade Area (NAFTA).

In spite of this trend, economic integration remains very heterogeneous in Latin America, both across the region as a whole and within individual sub-regional groupings. The reasons for this heterogeneity are partly structural in nature. They include: (i) significant differences in openness to trade and/or export patterns; (ii) non-complementary production structures in South-South integration arrangements given generally limited intra-industry trade; (iii) underdeveloped infrastructure networks; and (iv) diverging vulnerability to exogenous shocks under a large dependence on external financing. Cyclical developments – including

Table 4 Indicators of economic integration in Latin America

	Intra-regional trade as % of		Average variation (%) from group mean of members'				
	GDP	total trade	real GDP per capita 2)	nominal interest rates 3)	Inflation rate correlation 4)	Business cycle synchronisation 5)	Nominal exchange rate volatility 6)
Latam11 1)							
2001-2002	4.9	13	50	8	0.18	0.2	37
1994-2000	4.5	15	45	128	0.34	0.32	28
1987-1993	2.8	13	40	1,045	0.21	n.a.	68
MERCOSUR 1)							
2001-2002	4.0	16	59	6	0.7	0.2	57
1994-2000	3.5	21	44	283	0.73	0.41	18
1987-1993	1.8	13	39	2,298	0.53	n.a.	85
CAN 1)							
2001-2002	4.0	11	49	5	0.12	0.15	24
1994-2000	3.7	11	34	7	0.1	0.42	33
1987-1993	2.0	6	36	178	0.13	n.a.	74
CAN3 1)							
2001-2002	3.4	9	51	7	-0.13	0.49	35
1994-2000	3.1	9	30	5	-0.27	0.72	48
1987-1993	1.5	4	39	8	0.07	n.a.	44

Source: ECB calculations.
1) The acronyms are explained in the glossary in the appendix.
2) Population-weighted average of the differences between each member's real GDP per capita and the population-weighted regional average.
3) Average of the percentage point differences (absolute) of each country's interest rate from the respective regional mean.
4) Regional mean of bilateral correlations between group members of inflation rates.
5) Average cross-correlation of the Hodrick-Prescott residuals (i.e. actual minus trend) of countries' monthly industrial production series.
6) Regional average of the standard deviations of four rolling month-on-month log differences in the exchange rate for every pair of currencies in the region.

frequent crises as well as differences in political agendas – have also contributed to this trend.

In economic terms, the most significant South-South arrangements in Latin America are those in the Southern Cone (MERCOSUR and the CAN). Table 4 shows the evolution of a number of indicators of economic integration for these arrangements[3] in recent years, relative to a regional benchmark consisting of the 11 largest Latin American economies (Latam11). The upward trend in intra-regional trade openness is noticeable, albeit to a still low level of 4.9% of GDP for the 2001-02 period in Latam11 (from an average of 2.8% in the period 1987-93). MERCOSUR's intra-regional trade integration stands out by comparison with that of Latam11, with a higher average (around 20% compared with 14%), and faster growth since the 1987-93 period.

Business cycle correlations appeared to be relatively strong in both MERCOSUR and the CAN, sharply exceeding the Latam11 average, at least until the financial crisis affecting major economies in the region in 2002. While this period of instability was associated with an increasing convergence of real interest rates, it came at the sizeable cost of an increase in per capita income discrepancies across all groups (which were already on the rise during the 1994-2000 period, with MERCOSUR the worst affected). In several cases, the financial turmoil of 2002 also negatively affected some indicators that had shown a narrowing trend until that time (e.g. nominal exchange rate volatility and equity returns in MERCOSUR). This notwithstanding, MERCOSUR tends to outperform the CAN in most integration indicators, most noticeably in inflation correlations.

Looking at the economic integration trends within the individual sub-regions, a number of elements should be highlighted. First, the surge in intra-regional trade in both the CAN and MERCOSUR has mirrored progress in the institutional dimension, as discussed below. However, the impact of this policy-induced trigger on overall trade expansion relative to economic size is still modest in comparison with other arrangements in the Western hemisphere. For instance, in 2002 total trade accounted for 20% and 15% of GDP for the CAN and MERCOSUR respectively, as opposed to 90% and 25% in the CACM and NAFTA. Second, while MERCOSUR has witnessed an improvement in some of its integration indicators, its progress was partly reversed following the economic and financial turmoil in 2002. Notwithstanding the post-crisis recovery of major MERCOSUR economies, there remains a downside risk that this will turn out to be a permanent rather than a temporary setback. Third, the CAN (particularly CAN3) has achieved considerable progress on a number of integration criteria, albeit from a very low base.

The heterogeneous nature of Latin American integration is also reflected in the varying degrees of institutionalisation underpinning the various regional agreements, even in those cases where similar objectives, such as the establishment of a common market, are pursued. Regarding the current degree of regional cooperation, Chart 2 measures a number of arrangements in Latin America against the index of regional cooperation. Scores in 2002 ranged from 43 and 41 (out of a maximum possible score of 100) in the cases of the CAN3 and the CACM3 respectively, to only 20 in the case of MERCOSUR. Using ASEAN5 as a point of reference, most Latin American regional arrangements rank higher, with the important exception of MERCOSUR. Turning to institutional trends across the region over time, a number of common features can be observed. First, the depth and scope of each sub-regional arrangement appear to be positively correlated with the degree of institutionalisation. This makes sense in that any regional arrangement requires a minimal operating institutional set-up, and this can be expected to expand as the objectives of

3 A distinction is made between the CAN (five members) and a sub-group, CAN3 (three members), in order to account for the differentiated integration paths of Bolivia and Peru.

integration become more ambitious. Second, Latin America emerges as a region with a preference for deeper integration mechanisms, as illustrated by the fact that all the arrangements under consideration now aim to establish a common market at the very least.[4] In this context, peer-reviewed efforts at the ministerial level aiming at macroeconomic coordination have been initiated by all arrangements under consideration, with varying degrees of success.[5] Third, with the exception of CARICOM, progress in deepening integration has been achieved in a remarkably short period of time, dating back in most cases to the beginning of the 1990s.

Beyond these broad trends, however, significant differences emerge in both the extent and the sequencing of institutionalisation. First, as regards institutional design, the comparison between the CAN and MERCOSUR is illustrative insofar as both are arrangements between major Latin American economies at similar stages of development, with similar stated objectives. The CAN is modelled on the EU and has progressively established a number of supranational structures over the years, including the Andean Parliament, a Court of Justice, a reserve fund and a regional development bank. Common microeconomic policies have also been developed in the agricultural sector. MERCOSUR, by contrast, operates within a minimal institutional structure, which is largely intergovernmental in nature. This did not prevent MERCOSUR from creating a customs union (albeit an imperfect one) within its first four years of existence, suggesting that institutional minimalism is not necessarily a handicap in the presence of strong political consensus among the signatory parties. At the same time, this institutional setting also enables member countries to temporarily withdraw from some of their commitments, as MERCOSUR's history shows.[6] In this context, the political will of member states becomes the key variable on which the process of regional integration depends.

Second, regarding the sequencing of institutionalisation, regional arrangements in Latin America seem to have followed a flexible rather than a structured approach in the attainment of the stated economic objectives. For example, both the CAN and CARICOM undertook a number of reforms related to the establishment of a common market (including the partial liberalisation of capital flows and labour movement) some time before the customs unions process had been completed. This flexibility might also implicitly reflect different priorities for any given integration goal. For example, CARICOM moved to set up the Caribbean Court of Justice only recently (2002), whereas both the CAN and the CACM established comparable supranational structures early on in their respective integration processes.

In conclusion, the regional arrangements in Latin America tend to be characterised by their heterogeneity in both institutional and economic terms. Latin America continues to exhibit a low level of trade integration both within the region as a whole and with the rest of the world, although trade within specific sub-regional groupings has been increasing over the past decade. However, the policy-led efforts towards regional integration during the 1990s resulted in some progress on a host of other indicators of economic and financial integration. In institutional terms, most regional arrangements tend to have a high level of institutionalisation by comparison with the other regions reviewed in this article, including supranational features.

4 Of these, the single monetary policy of the ECCU (Eastern Caribbean Currency Union) is clearly the most advanced.

5 Since 1994, the CACM has used a set of eight indicators (i.e. current account deficit, net international reserves, real exchange rate, GDP growth, real interest rates, public debt, public sector deficit, and inflation) to monitor convergence in the sub-region. Targets for the latter three have also been set by the CAN (in 2001) and MERCOSUR (in 2000). Actual progress with regard to MERCOSUR, however, has been hampered by the volatile macroeconomic environment prevailing since the targets were set.

6 A new permanent trade dispute settlement court, which recently began operations for MERCOSUR, may deter such actions in the future.

Looking forward, two downside risks to the outlook for Latin American regional integration can be identified. First, there remains the possibility that the financial and economic instability that peaked in 2002 will bring about a more permanent reversal in economic integration than is currently anticipated. Second, it is unclear whether the main integration arrangements in the region will continue to operate successfully in the absence of a significant increase in intra-regional trade (in the case of the CAN) or a deepening of institutional integration beyond the current level (in the case of MERCOSUR).

5 A TENTATIVE ASSESSMENT AND OPEN ISSUES

The analysis conducted in this article allows some tentative conclusions to be drawn regarding (i) the different character of economic integration in various regions of the world, (ii) the link between the economic and the institutional dimension in a dynamic process of regional integration, and (iii) the compatibility between regional and global integration.

NO ONE-SIZE-FITS-ALL APPROACH TO REGIONAL INTEGRATION

First, no single interpretation is suitable to understand the relevance, intensity and patterns of economic integration across different regions of the world. Several examples supporting this view are found in this article. For instance, unlike the European experience, where the process of economic integration was progressively enshrined in, and reinforced by, institutional arrangements, the relatively high level of integration among East Asian economies can be better understood as the outcome of the regional organisation of production rather than of joint policy decisions aimed specifically at integration. Another insight provided by the East Asian case study is that the degree of income disparity within a region does indeed affect the pattern of integration, but does not necessarily provide a guide to its intensity. In the EU, high incomes per capita and relatively low income differences between members (especially prior to the May 2004 enlargement) have fostered trade in final goods, driven not least by consumer desire for variety. In East Asia, by contrast, marked intra-regional differences in per capita income levels have supported regional intra-industry trade in intermediate goods destined for markets outside the region. Finally, structural factors may also strongly affect the relevance, intensity and patterns of integration, as the experiences of the EU neighbouring regions and Latin America exemplify. For instance, similar endowments in terms of the type and extent of natural resources may limit the potential for regional economic integration – especially in the cases of the Middle East and Africa – in the same way as the opposite feature tends to foster it in Europe and East Asia.

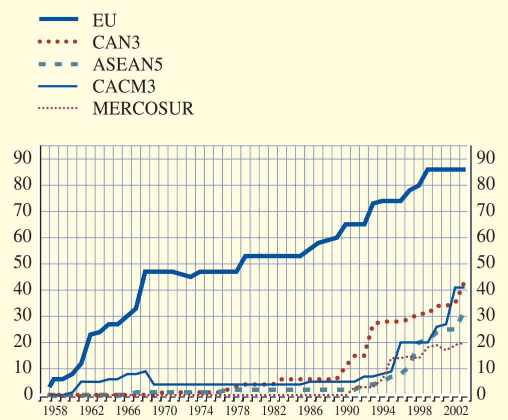
The examples above all suggest that each region of the world is developing its *own* approach to economic integration. Indeed, regional arrangements are likely to succeed only to the extent that they embody realistic objectives in line with local economic conditions and the level of political commitment. This, at least, has been the experience of the EU over the last 50 years.

THE IMPORTANCE OF INSTITUTIONS

It is striking that, despite significant differences in the level of regional cooperation achieved in different regions, a strong acceleration towards greater regional cooperation has taken place over the past 15 years, especially in East Asia and Latin America. This is confirmed by Chart 2, which compares the progress made by these two regions in pursuing one or more of the integration objectives listed in Table 1 with the progress made by the EU since the 1950s.[7]

7 The six founding members of the European Economic Community (EU6; see glossary) set the upper bound against which other EU Member States have subsequently followed their own path of regional integration. Currently six other EU Member States (Greece, Spain, Ireland, Austria, Portugal and Finland) have achieved the same level of institutional integration through their participation in the single currency, while the other 13 EU Member States are not participating, at least for the time being, in Monetary Union.

Chart 2 Index of regional cooperation for several arrangements in East Asia, Latin America and Europe[1), 2)]



Source: ECB calculations.
1) Index values range from 0 (no integration) to 100 (total economic integration). See the introduction for details.
2) The acronyms are explained in the glossary in the appendix.

Owing to the relatively recent nature of this process of regional catching-up, it would be premature to draw firm conclusions about its likely influence on real, financial and/or monetary integration in each of the regions under discussion in the decades to come. On the one hand, a certain degree of economic integration could be seen as a precondition for further regional cooperation. On the other hand, a static analysis of a region's current degree of economic integration may not provide the best basis on which to evaluate the merits of strengthening regional cooperation. The European experience, which can be assessed over a longer time horizon, seems to confirm that there is dynamic interaction between the process of regional cooperation and actual economic integration. This does not mean that the latter is entirely endogenous to the policy decisions on regional cooperation: there is no "automatic pilot" ensuring that a strengthening in such cooperation will bring about, for instance, higher regional trade, more synchronised business cycles, financial market integration and nominal convergence. Rather it means that a virtuous circle may develop over time between the process of regional cooperation and the actual degree of economic integration, if certain preconditions are fulfilled.

One key precondition seems to be a lasting political commitment to enhance regional integration. Creating common institutions is not sufficient on its own to promote integration, as illustrated, for instance, by most arrangements in the EU neighbouring regions and, to some extent, the MERCOSUR experience. Institutions risk remaining ineffective if they are not backed by political commitment and a legal framework to ensure implementation of the agreed integration steps. In this respect it should be highlighted that outside the EU, with the important exception of three Latin American arrangements (CAN, CACM and CARICOM),[8] institution-building has not led to the development of supranational bodies and laws. While this may not be a problem as long as the final objective of integration is limited to the development of a free trade area or a customs union, the lack of an appropriate degree of institutional development may hamper the pursuit of more ambitious objectives, especially those requiring common policies. Furthermore, if countries are racked by regional conflicts or historically-rooted resentment, they are severely handicapped in their consideration of closer economic integration. Only when conflicts have ended and resentment has been put aside is there scope to consider regional initiatives, and, as the EU experience illustrates, such initiatives can in turn foster regional cohesion and peace over a long horizon.

REGIONAL INTEGRATION AS PART OF GLOBALISATION

A final question is whether the process of regional integration should be interpreted as a stepping stone or a stumbling block to global economic integration. While the economic literature on the subject is far from conclusive, the experiences reviewed in this article illustrate that the answer to this question hinges on the concrete characteristics of an integration process. East Asia, for example, pursued global integration, and experienced increasing

8 A supranational element may from now on also apply to MERCOSUR, following the establishment of a new permanent trade dispute settlement court.

regional integration almost as a "by-product", as illustrated by the development of a regional production line for world markets. In this respect, globalisation and regionalisation have proceeded in harmony. The interaction of regional and global dynamics may benefit not only export-led growth, but also growth pursued through the bolstering of domestic demand and the attraction of foreign direct investment (FDI). Since most developing economies, especially those in Africa, have very small domestic markets, regional integration may become an important tool to expand markets and thus permit economies of scale. This may in turn facilitate integration into the global economy, by both improving competitiveness and possibly attracting FDI inflows. On the other hand, the experiences of Latin American countries in the early post-war period show that integration into the world economy is hindered by an approach such as import substitution industrialisation.

In the same vein, the institutional dimension of regional integration may usefully complement global integration under certain conditions. Enhanced regional surveillance, for instance, can facilitate IMF-led multilateral surveillance, as several experiences in East Asia and Latin America confirm. Internationally agreed standards and codes, which are formulated at a rather general level and implemented on a voluntary basis, can be supplemented by a regional set of rules and laws, which, as the EU's *acquis communautaire* illustrates, can be more detailed and require greater commitment by signatories. Regional cooperation may also encourage the development and improvement of local market infrastructure, whereas the impetus from global integration may, per se, be less conducive to such an outcome. In the financial field, regional cooperation may foster the emergence of larger and more liquid markets, as well as of proper regulation and supervision, thus facilitating the process of capital account liberalisation.

While all these regional policies, which can be grouped under the heading "open regionalism", are not only consistent with, but can even reinforce, countries' integration into the global economy, a number of potential threats to global economic integration should also be acknowledged and counteracted. Possible risks arise from the potential for creating forms of regionalism inconsistent with the principle of progressive trade liberalisation underpinning the WTO, the lack of an effective WTO system for monitoring and assessing regional trade arrangements, the participation of certain countries in many sub-regional arrangements at the same time – which complicates the assessment of their legal compatibility – and, more generally, any form of prioritisation of regional economic integration at the expense of global integration.

APPENDIX: GLOSSARY OF THE REGIONAL TERMS AND ACRONYMS USED IN THIS ARTICLE

ACP countries	African, Caribbean and Pacific countries.
AFTA	ASEAN Free Trade Area.
Agadir group	The members of the Agadir group are Egypt, Jordan, Morocco and Tunisia.
AMU	Arab Maghreb Union, comprising Algeria, Libya, Mauritania, Morocco and Tunisia.
Arab League	The members of the Arab League are Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates and Yemen.
ASEAN	The current membership includes, along with the five founders (ASEAN5), Brunei, Cambodia, Lao PDR, Myanmar and Viet Nam.
ASEAN+3	ASEAN plus China, Japan and South Korea.
ASEAN5	The original members of the Association of Southeast Asian Nations, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand.
ASEAN5+3+2	ASEAN5 plus China, Japan and South Korea, plus Hong Kong S.A.R. and Taiwan.
ASEM	Asia-Europe Meeting, comprising the finance ministers of ten Asian countries (China, Japan, South Korea, Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam), the finance ministers of the EU Member States and representatives of the European Commission. The ASEM observers are the IMF, the World Bank, the ECB and the Asian Development Bank (ADB).
CACM	Central American Common Market, comprising Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The same countries are members of the Central American Monetary Council (CAMC).
CACM3	CACM without Costa Rica and Honduras.
CAEMC	Central African Economic and Monetary Community, comprising Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon and the Republic of the Congo.
CAN	Comunidad Andina (Andean Community), comprising Bolivia, Colombia, Ecuador, Peru and Venezuela.
CAN3	CAN without Bolivia and Peru.

CARICOM	Caribbean Community and Common Market, comprising Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.
CEMLA	Centro de Estudios Monetarios Latinoamericanos.
CIS	Commonwealth of Independent States, comprising Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
CMA	Common Monetary Area, comprising Lesotho, Namibia, South Africa and Swaziland.
EAC	East Asian Community. Although such a community is still under discussion, membership is likely to comprise, in the first instance, the ASEAN+3 countries.
EAEC	Eurasian Economic Community, comprising Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan.
ECCAS	Economic Community of Central African States, comprising Angola, Burundi, Cameroon, the Central African Republic, Chad, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, the Republic of the Congo, São Tomé and Príncipe, and Rwanda.
ECCU	Eastern Caribbean Currency Union, comprising Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
ECOWAS	Economic Community of West African States, comprising Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks, comprising Australia, China, Hong Kong S.A.R., Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand.
EU	European Union, comprising the following 25 Member States: Belgium, the Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.
EU6	The six members of the EU (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) that in 1957 founded the European Economic Community, the forerunner of the EU.
GCC	Gulf Cooperation Council, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

GUUAM	The members are Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.
G20	Group of Twenty economies, comprising Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, South Korea, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union. The Managing Director of the IMF, the President of the World Bank and the President of the ECB also participate, along with the chairpersons of the International Monetary and Financial Committee of the IMF Board of Governors and the IMF/World Bank Development Committee, as ex officio members.
LAFTA	Latin American Free Trade Area, which was founded by Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.
Latam11	This label is used in this article to refer to the 11 major countries in Latin America, namely, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.
MENA	Countries covered here as Middle Eastern and North African: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates and Yemen.
MERCOSUR	Mercado Común del Sur (Common Market of the South), comprising Argentina, Brazil, Paraguay and Uruguay.
NAFTA	North American Free Trade Area, comprising Canada, Mexico and the United States.
OAU	Organization for African Unity, which in 2002 was transformed into the African Union (AU) comprising 53 African states.
PAFTA	Pan-Arab Free Trade Area. This is a trade arrangement of the Arab League.
SADC	Southern African Development Community, comprising Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
WAEMU	West African Economic and Monetary Union, comprising Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.