VIOLENT CONFLICT AND REGIONAL INSTITUTIONALIZATION: A VIRTUOUS CIRCLE?

DISSERTATION

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International institutions have attracted a great deal of attention from scholars of international relations. A cursory look at the universe of international institutions reveals immense diversity. Yet systematic analysis of institutional variation is lacking, and the sources and effects of this variation are not well understood. My dissertation examines variation in one important type of international institution, regional integration arrangements (RIAs), and its relationship with violent conflict.

The theoretical chapter explores possible causal paths by which regional institutionalization affects intramural violent conflict. It points to specific institutional features that correspond to alternative causal mechanisms advanced in the extant literature. It then considers possible effects of intramural conflict on regional institutionalization. The next chapter elaborates on the concept of regional institutionalization, and presents an original dataset by coding twenty-five RIAs on this variable. This data set points to a considerable institutional variation and reveals a sizable gap between institutional design and implementation thereof.

Statistical techniques and an in-depth investigation of the Association of Southeast Asian Nations (ASEAN) are employed to test the hypotheses generated in the theoretical chapter. The empirical results demonstrate that some institutional features are more effective than others in reducing intramural disputes, that variation in the
institutionalization of these features has important consequences for violent conflict, and that implementation is crucial in this respect. They also suggest that both domestic and inter-state conflict hamper regional institutionalization. Finally, they uncover a mutually reinforcing feedback loop between peace and regional institutionalization, which provides empirical support for the “virtuous circle” thesis offered in this dissertation.

My findings indicate that the realist dismissal of international institutions is unwarranted, but that institutionalists should pay closer attention to the manners by which international institutions alleviate international conflict and to the implementation of signed agreements. They also suggest that violent conflict operates as a powerful constraint rather than an incentive to regional institutionalization, which in turn indicates that institutionalized international cooperation is conditioned upon matters of high-politics. At the same time, these findings show that under conditions of peaceful coexistence, international institutions can produce otherwise unrealized benefits to their member-states.
Dedicated to Einat

My toughest critic
and my greatest advocate
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CHAPTER 1

INTRODUCTION

Regional integration arrangements (RIAs)\textsuperscript{1} have become a prominent feature of the contemporary international environment. Today, most industrialized and less-developed states are members of at least one RIA and more than one-third of world trade takes place within such frameworks (Schiff and Winters, 2003:1). Even this relatively homogenous group of international organizations displays significant variation in its level of regional institutionalization.\textsuperscript{2} As a recent review on this issue notes, “it is clear that all regional trade institutions are neither created equal nor equally successful in meeting their stated objectives. Significant variations exist in both the institutional design of PTAs and the depth of integration they foster” (Mansfield and Milner, 1999:615). What are the relationship between this variation in RIAs and violent conflict? Specifically, does institutional variation across RIAs have implications for questions of intramural conflict and peace, and to the extent that it does, what are the specific mechanisms by which such organizations may inhibit violent conflict? Does violent conflict affect regional

\textsuperscript{1} Other common labels for the same type of organizations are preferential trade agreement (PTA), regional trade arrangement (RTA), and trading blocs. I prefer the inclusive term of regional integration arrangement, which captures the notion that these organizations cover a variety of issues that go well beyond trade. Several recent studies on this issue use a similar label (Schiff and Winters, 2003, Economic Commission for Africa, 2004). A detailed definition of an RIA is provided in Chapter 3.

\textsuperscript{2} I define this key concept below.
institutionalization? Do violent conflict and regional institutionalization produce virtuous and vicious circles? This study endeavors to answer these three related sets of questions.

The functional similarity of RIAs, on the one hand, and their institutional variation, on the other, provides valuable insights into the study of institutional institutions and their implications for world politics. Of particular interest to students of international politics is the relationship between these regional institutions and patterns of violent conflict (Mansfield, 2003). Unpacking this nexus taps into the sources of international conflict and uncover the conditions under which institutionalized international cooperation is possible. Doing so has important practical as well as theoretical implications. From a practical viewpoint, many RIAs were formed in order to promote regional peace and stability. It is valuable to know which institutional features are instrumental in obtaining these goals, and which are not. In other words, such information can facilitate a wiser design of international institutions at the regional level. A better understanding of the effect of conflict on regional institutionalization can point to the conditions that are conducive to institutionalized international cooperation.

From a theoretical perspective, international institutions have attracted a great deal of attention from scholars of international relations. Disagreements regarding the significance of international institutions generated heated debates and many scholarly discussions. Only recently, however, have analysts begun to explore the conditions under which such institutions matter (Martin and Simmons, 1998). The recognition that the universe of international institutions is very diverse resulted in a growing interest in institutional variation and its implications for world politics (Koremenos, Lipson, and
Snidal, 2001). This increased attention notwithstanding, systematic conceptualization of this variation is lacking, and the sources and effects of this variation are not well understood. Moreover, despite the importance of violent conflict to the study of international relations, the recent upsurge in scholarly work on institutional variation across RIAs (Grieco, 1997; Kahler, 1995; Mattli, 1999) and on institutional design (Koremenos, Lipson, and Snidal, 2001; Smith, 2000) overlooks the potential implications of the latter to the former, and vice versa. My dissertation endeavors to advance this promising research agenda.

In addition, my dissertation sheds light on a central debate between the realist and the institutionalist worldviews. Realists ascribe little importance to international organizations and believe that they reflect the interests of their more powerful members. Institutionalists, on the other hand, argue that international institutions can facilitate peace, and should be established in war-torn regions. Neither school of thought considers the implications of institutional variation with respect to institutional design and implementation to their arguments, however. This is a very significant oversight because the causal mechanisms offered by these contending views suggest that institutional variation and design have important implications for the link between international institutions and conflict. Thus, a systematic consideration of these issues bears on this enduring debate.

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3 The institutionalist worldview subsumes several theoretical approaches, mainly neo-liberal institutionalism, liberalism, and constructivism. While there are significant differences between these approaches, they all ascribe theoretical and empirical importance to international institutions. Thus, this label serves as a useful point of departure. Nonetheless, I differentiate between these theories in instances in which their arguments and expectations diverge.
Despite the potential promise that such research holds, little empirical evidence has been accumulated on these questions. Several recent empirical studies that explore the links between intergovernmental organizations (IGOs), in general, and of RIAs, in particular, and violent conflict, treat these organizations as homogeneous and fail to consider their degree of implementation (Mansfield and Pevehouse, 2000; Mansfield, Pevehouse, and Bearce, 1999/2000; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998). While the assumption of uniformity provides a first cut into the relationship between these institutions and violent conflict, it precludes any inference with respect to the effect of institutional variation on conflict (Mansfield and Milner, 1999:618). Moreover, the results with respect to the effect of IGOs and RIAs on conflict are mixed. While some studies find that IGOs mitigate conflict, others find that joint membership in IGOs is either associated with higher levels of conflict or is not associated with violent conflict. Taking into account the considerable variation across these organizations may help to resolve these apparent inconsistencies.

My dissertation addresses these theoretical and empirical gaps. It does so by, first, examining existing, and developing new, theoretical arguments with respect to the potential effects of intramural violent conflict – that is, conflict within a given region – on regional institutionalization. It then reverses the causal arrow to theorize on possible effects of regional institutionalization on violent conflict. Second, it elaborates on the concept of regional institutionalization, and presents an original dataset that codes twenty-five RIAs on their level of institutionalization in the 1980s and 1990s, which capture the era of “new regionalism” (Schiff and Winters, 2003:5-6). My measure
considers a variety of issue-areas that RIAs address, but oftentimes overlooked by students of economic regionalism (Page, 2000a). It also considers implementation, which is rarely accounted for in systematic empirical studies of international institutions (Martin, 2000). This chapter demonstrates that, indeed, a considerable variation exists with respect to the variables that pertain to regional institutionalization and that that a sizable gap between institutional design and implementation exists.

Finally, it reports on several empirical tests – both quantitative and qualitative – of the hypotheses derived from the theoretical discussion. The empirical chapters shed new light on the complex and dynamic relationship between regional institutionalization and violent conflict. The quantitative analyses employ the regional level of analysis. As such, they expand on other quantitative analyses on the link between international organizations and conflict, which commonly employ a dyadic set up (Mansfield and Pevehouse, 2000; Russett and Oneal, 2001). In the past, systematic analysis at the regional level faced several conceptual and methodological challenges, which resulted in the marginalization of this research program. The growing importance of the regional level in the Post-Cold War era rendered this oversight untenable, however. Thus, the emphasis of the regional level of analysis underscores its growing significance to the study of conflict and peace in the post-Cold War era (Buzan and Wæver, 2003; Gleditsch, 2002; Kacowicz, 1998; Lake and Morgan, 1997; Lemke, 2002). The qualitative analysis, which focuses on the Association of Southeast Asian Nations (ASEAN), provides an in-depth examination of the causal mechanisms underlying the various hypotheses.
My findings indicate that some institutional features mitigate violent conflict, while others do not, and that implementation is crucial in this respect. Thus, the realist skepticism with respect to international institutions is misplaced, but that institutionalists should pay closer attention to the alternative causal mechanisms by which international institutions mitigate conflict and their observable implications as well as to the implementation of signed agreements. I also find that violent conflict operates as a powerful constraint rather than an incentive to regional institutionalization, which in turn suggests that the ability and willingness of states to cooperate appear to be conditioned by matters of high-politics. At the same time, my findings show that under conditions of peaceful coexistence, international institutions can produce otherwise unrealized benefits to their members. Finally, my study indicates that circular dynamics between conflict and regional institutionalization produce virtuous and vicious circles.

This chapter further elaborates on the contribution of this dissertation to the study of international relations. The next section surveys the extant literature regarding possible effects of regional institutionalization on inter-state violent conflict. The second section examines the existing knowledge with respect to the determinants of institutional variation across international institutions. The third section considers a small number of studies that point to the possibility of a virtuous circle between peace and international institutions. The final section lays out the plan of the dissertation.

1.1 The Effect of Regional Institutionalization on Violent Conflict – the Extant Literature

Policymakers often invoke the prospects of peace and stability as a reason to form and develop RIAs. For example, the founders of the European integration process
strongly believed that a regional economic organization was vital for European reconciliation (Schiff and Winters, 2003:192). More recently, South Asian leaders agreed to “renew [their] commitment to the objectives and principles of SAARC [South Asian Association for Regional Cooperation] and pledge[d] to reinvigorate cooperation to realize peace, amity, progress and prosperity of all peoples of South Asia” (Islamabad Declaration, January 6, 2004). Even a cursory comparison between the EU and SAARC, however, indicates that the former is much more institutionalized and powerful than the latter. Despite this obvious disparity and despite the centrality of the debate with respect the role of international institutions in world politics, neither realists nor institutionalists considered the implications of institutional variation in a systematic manner. This section revisits the realist-institutionalist debate, assesses the arguments that these schools of thought put forward, and their bearing on possible effects of regional institutionalization on intern-state violent conflict. It also examines the empirical evidence brought to bear on the competing theoretical claims.

1.1.1 The Realist School of Thought

As discussed in more detail in the next chapter, realists express skepticism with respect to the ability of IGOs to alleviate violent conflict independent of states’ power and thus pay little attention to institutional variation (Mearsheimer, 1994/95; Schweller, 2001; Waltz, 1979). Therefore, the body of evidence that realists bring to support their contentions is quite patchy. Their critique is usually based on logical consistency and

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4 The examination of the effect of regional institutionalization on domestic conflict, while a worthy endeavor, is beyond the scope of this dissertation. I intend to explore this question in the future.
historical examples (Carr, 1964; Mearsheimer, 1990, 1994/95, Schweller and Priess, 1997). While the allegedly mitigating effect of economic interdependence on conflict has been challenged on empirical grounds (see, e.g., Barbieri, 1996; Gowa, 1994; Gowa and Mansfield, 1993; Keshk, Pollins, and Reuveny, 2004; Pollins, 1989), to date no similar challenge has been put forth to the liberal contention that international institutions reduce violent conflict.\(^5\) Instead, it seems that realists put the burden on liberal scholars to show that institutions alleviate conflict independently of the balance of power and other realist variables.

1.1.2 The Institutionalist School of Thought

In contrast to realists, institutionalists argue that international institutions play an important role in world politics. In 1917, Woodrow Wilson advocated the formation of the League of Nations because he believed that this organization will be able to guarantee the “political independence and territorial integrity to great and small states alike” (point #14). The recent institutionalist literature offers more elaborated theoretical arguments regarding the effect of international institutions on conflict. Scholars identified with rationalist perspectives argue that international institutions facilitate international cooperation by reducing transaction costs, providing information, and encouraging issue-linkage (Abbott and Snidal, 1998; Keohane, 1984; Keohane and Martin, 1995; Martin, 1992; Martin and Simmons, 1998). Scholars identified with constructivist and psychological perspectives maintain that international institutions reinforce cooperative

\(^5\) In an early study, Singer and Wallace (1970) find no effect of IGOs on war. As the authors themselves (1970:542) point out, however, their bivariate statistics are vulnerable to the problem of spurious causation. Domke’s (1988) results are mixed and cannot be considered as a realist challenge to the liberal claims.
norms and foster socialization (Adler and Barnett, 1998; Ruggie, 1982; Wæver, 1998; Wendt, 1999). In addition, institutionalists maintain that institutions can be instrumental in reducing international conflict and propose several causal mechanisms by which they may do so. As my brief discussion below indicates, however, the effectiveness of these causal mechanisms depends in important ways on the institution’s level of institutionalization.

The most conventional argument can be traced to functionalists and neo-functionalists, who argue that cooperation through international organizations increases the opportunity cost of violent conflict (Mansfield, 2003; Nye, 1971). The logic of this argument suggests that greater functional cooperation and integration result in greater benefits for member-states, and in turn increase the opportunity cost and thus mitigate violence. A second causal path underscores several institutional features that directly facilitate the peaceful resolution of international disputes (Bearce, 2003; Mansfield, 2003; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998). Of course, the ability of IGOs, RIAs included, to foster nonviolent solutions to bilateral political tensions depends upon the existence and strength of the various institutional features. A third line of reasoning considers the possibility that international institutions may foster intramural socialization, communication, and a sense of shared identity. These processes depend, at least partly, on functional and institutional cross-border networks (Adler and Barnett, 1998; Bearce, 2003; Deutsch et al., 1957; Russett and Oneal, 2001).

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6 I present a more complete discussion of these and other causal mechanisms that connect institutionalization and conflict in the next chapter.
While the theoretical study of the effects of international institutions is well-developed, there is a surprising shortage of empirical studies that attempt to assess the different arguments in a systematic manner. Most existing studies focus on a single case-study, provide anecdotal evidence, or simply assume away the effect of institutions on international violence. Of late, however, scholars who work in the “Kantian peace” research program have begun to conduct systematic empirical investigation of the effect of international institutions on international conflict. The results of these studies are mixed, however. With respect to RIAs, Mansfield, Pevehouse, and Bearce (1999/2000) and Bearce and Omori (2004) find that these institutions reduce conflict. Mansfield and Pevehouse (2000, 2003), on the other hand, find that RIAs mitigate conflict only when they interact this variable with trade flows. Similarly, several studies find that the density of IGO membership reduces the likelihood of interstate militarized conflict (Domke, 1988; Russett and Oneal, 2001; Russett, Oneal, and Berbaum, 2003; Russett, Oneal, and Davis, 1998). Other studies, on the other hand, find that either shared membership in IGOs does not affect violent conflict (Mansfield and Pevehouse, 2000; Boehmer, Gartzke, and Nordstrom, forthcoming), or is associated with higher levels of conflict (Gartzke, Li, and Boehmer, 2001; Sweeney, 2003).

These pioneering studies serve as an important first cut into the empirical evaluation of the intuitionists’ claims. At the same time, these studies overlook the significant institutional variation across existing IGOs (see, e.g., Grieco, 1997; Kahler, 1995; Singer and Wallace, 1970; Chapter 3 of this dissertation). Considering the centrality of this institutional variation to the theoretical literature that examines the effect
of such institutions on violent conflict, treating the various organizations as uniform is unwarranted. Moreover, the inconsistent results across the different studies point to the limitations of this approach (Gartzke, Li, and Boehmer, 2001:409). In particular, by not differentiating between more and less institutionalized organizations, the mitigating effect of the former may be masked by the incapacity of the latter. Finally, these studies fail to differentiate between the various arguments made by divergent institutionalist theories and their observable implications. Rather, they point to several possible explanations to their findings, any of which is equally plausible (Mansfield and Pevehouse, 2000; Russett and Oneal, 2001). This “catch all” approach detracts from the value of their findings to institutionalist theoretical development and practical guidance to policymakers who design international institutions.

Aware of this drawback, a small number of scholars began to address it. In an early study, Domke (1988) differentiates between IGOs that fulfill different functions and between universal and limited IGOs. He does not examine their level of institutionalization, however. More recently, Boehmer, Gartzke, and Nordstom (forthcoming) explored the effect of variation in IGOs on conflict. They indeed find that greater institutionalization is more effective in mitigating conflict. This commendable effort examines only a small number of institutional traits and does not take into account their implementation, however. Finally, Bearce and Omori (2004) examine the effects of different institutional features of various RIAs on violent conflict. Their study covers a different time-period, has a very different research design, and does not account for several important issue-areas. One important goal of my dissertation is to advance this
research agenda by systematically analyzing the implications of different institutional features for questions of war and peace and by paying greater attention to the implementation of these features.

1.2 The Effect of Violent Conflict on Regional Institutionalization – the Extant Literature

Unlike the vigorous debate regarding the effect of institutions on conflict, possible effects of conflict on institutions and institutionalization have attracted only scant attention. Although the numerous RIAs display substantial variation in their institutional design and the implementation thereof, this variation and its determinants are not well understood. Conventional explanations, such as economic interdependence and the existence of a regional hegemon are highly contested and not adequately tested (Grieco, 1997; Kahler, 1995). From this perspective, this variation remains a puzzle that calls for greater theoretical attention and empirical scrutiny. While neither the realist school of thought nor the institutionalist one devotes a great deal of attention to this particular issue, each implies alternative answers to this question. This section examines the existing literature with respect to these questions, and briefly outlines several potential causal paths that link violent conflict to regional institutionalization.

1.2.1 The Realist School of Thought

As pointed out above, realists believe that institutions reflect the realities of international power. The persistence and viability of international institutions depend on more important factors in world politics, such as the distribution of power in the system (Mearsheimer, 1994/95; Waltz, 2000:18-19). From this perspective, states are likely to form and sustain international institutions if they enjoy prior mutual trust or if they face a
common external threat. Realists would argue, for example, that the EU and NATO were created only after their members established sustainable peaceful relationships. Thus, realist theory suggests that peace is an important condition for institutionalization and that conflict should negatively affect international institutions and institutionalization (Schweller and Priess, 1997). Despite the potency of this logic, realist scholars have left it largely un-theorized.

An exception is Grieco (1988; 1993), who contends that cooperation through international institutions hinges on states’ sensitivity to relative gains. This sensitivity depends, among other things, on past and present political relationships. Even Grieco, however, does not develop this important point, and moves on to argue that under conditions of anarchy relative gains always matter.7 This omission is also apparent in his effort to develop a realist account for variation in regional institutionalization. In his attempt to explain this variation, Grieco (1997) emphasizes shifts in relative capabilities, which reflect states’ concern with relative gains. In doing so, he overlooks the possible effect of conflict on institutionalization. In addition, Grieco’s empirical sample is bounded to regions that enjoyed relative peacefulness in recent decades, i.e. Western Europe, North and South America, and Southeast Asia. Such a “truncated” sample may fail to draw attention to the effect of conflict on institutional variation.

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7 See Gowa and Mansfield (1993) and Gowa (1994) for an application of this logic to cooperation in international trade.
1.2.2 The Institutionalist School of Thought

In contrast to realists, institutionalists pay a great deal of attention to institutional variation. Their frustration with the debate regarding the significance of international institutions per se has resulted in a growing interest in institutional variation, its sources, and its effects (see, e.g., Koremenos, 2001; Koremenos, Lipson, and Snidal, 2001; Thompson and Haftel, 2004; Yarbrough and Yarbrough, 1992, 1997). Several studies focus on institutional variation across RIAst in particular (Choi and Caporaso, 2002; Grieco, 1997; Haggard, 1997; Kahler, 1995; Katzenstein, 1997; Mattli, 1999; Smith, 2000). This research examines several important determinants of regional institutionalization, most notably economic interdependence and regional distribution of power. Remarkably, despite the centrality of violent conflict and war to the study of international relations, the extant literature takes no notice of the potential effect of such variables on institutional variation.

From an empirical perspective, these studies arrive at different and sometimes contradicting findings with respect to the variables under scrutiny. For example, some studies conclude that economic interdependence and regional hegemony are important sources of regional institutionalization (e.g., Mattli, 1999). Other studies indicate that these variables cannot account for the observed institutional variation (Choi and Caporaso, 2002; Grieco, 1997; Kahler, 1995). These discrepancies emanate from two related problems.

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8 For early studies, see Haas and Schmitter (1964) and Nye (1971).
9 Other variables that are mentioned are the structure of domestic institutions, the number of member-states and their homogeneity, and international norms. For more details, see Chapter 5 below.
First, definitions and measurements of institutionalization and other variables are imprecise and impressionistic (see, e.g., Grieco, 1997:169-70; Kahler, 1995:3-5). As a result, these studies ascribe different values to similar observations, which in turn lead to different conclusions. Moreover, such imprecision renders meaningful empirical comparison and replication very difficult. Second, these studies examine a limited number of RIAs. Most studies focus on a small number of prominent organizations in Western Europe, North America, and the Asia-Pacific. Although there is some overlap, each examines a somewhat different sample. These different samples point to discrepant conclusions. In addition, these studies ignore a large number of less visible and less institutionalized RIAs in Africa, Asia, and Latin America. As a result, they capture only a small part of the existing institutional variation that RIAs contain. These shortcomings render the conclusions drawn from these analyses premature at best.

A small number of studies, associated with the ‘Kantian peace’ research program, attempt to empirically evaluate the effect of conflict on international institutions. Russett, Oneal, and Davis (1998) and Russett and Oneal (2001) examine the determinants of the density of IGO membership, and find that interstate militarized conflict affect joint IGO membership negatively. Mansfield and Pevehouse (2000) and Mansfield, Milner, and Rosendorff (2002), on the other hand, find that the effect of conflict on the likelihood of states to share membership in RIAs is not statistically significant. In addition to the incongruity of the results that they report, these studies do not take into account spatial
and temporal institutional variation. It is also noteworthy that these studies do not elaborate on the theoretical logic that might give rise to their findings.\footnote{Each dedicates one sentence to this issue. Russett and Oneal (2001:212) state that “one possibility is that we have the causal arrow reversed.” Mansfield and Pevehouse (2000:798) feel the “need to ensure that they are not undermined by any simultaneity bias that might arise if MIDs affect…the likelihood that a pair of states belongs to the same preferential groupings.” Mansfield, Milner, and Rosendorff (2002:497) simply say that “it is also important to take account of military disputes since such events obviously might discourage participants from forming a commercial agreement.”}

In a recent exception, Boehmer and Nordstrom (2003) examine the effect of interstate disputes on the level of institutionalization of the universe of IGOs. They find that conflict-prone dyads are less likely to have joint membership in the most institutionalized IGOs. There are several differences between their study and my own, however. First, they pay little attention to the theoretical underpinnings of this relationship. Second, their definition of institutionalization is somewhat crude and does not account for implementation. Thus, the empirical research on the effect of conflict on international institutions and institutionalization leaves much to be desired.

In sum, it is apparent that despite the promise and importance of theoretical and empirical research on the effect of violent conflict on international institutions, both realists and institutionalists have left it under-theorized. In addition, very little empirical evidence on this issue has been accumulated. My dissertation fills this gap by developing several arguments that link regional institutionalization to domestic and international conflict. While some of the arguments draw on the extant literature, others emanate from an original theoretical framework. It also provides systematic empirical analyses of these arguments.
1.3 A Virtuous Circle?

The discussion so far points to another shortcoming of the extant literature. Taken as a whole, the current knowledge suggests that there are good reasons to believe that regional institutionalization affects interstate conflict, while at the same time it suggests that conflict affects institutionalization. In other words, it is plausible to expect that institutionalization and peace produce “a mutually reinforcing feedback loop” (Russett and Oneal, 2001:212). Yet, most studies address the two causal arrows in isolation. Even studies that acknowledge the possibility of reciprocal relationships between institutions and conflict examine each causal arrow separately (Boehmer, Gartzke, and Nordstrom, forthcoming; Boehmer, and Nordstrom, 2003; Mansfield and Pevehouse, 2000; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998).11

Although these studies recognize this shortcoming, they point to thorny technical problems that prevent them from applying simultaneous equation techniques in their research. They call attention, for example, to the discrete nature of their endogenous variables (Russett, Oneal, and Davis, 1998:44). My dissertation provides preliminary empirical evidence regarding the notion that regional institutionalization and peace produce a virtuous circle. Although I encountered difficulties that are similar to those

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11 This limitation emanates from the manner in which the data is arranged. The dyad-year set up, which these studies use, is not amenable to an empirical test of simultaneous relationships See: Russett, Oneal, and Davis (1998:44).
engulfed previous studies, my case study analysis offers a first cut into this dynamic relationship.

1.4 Plan of the Dissertation

The next chapter presents the theoretical framework. In it, I delve into the nexus between variation in regional institutionalization and violent conflict in greater length, and derive testable hypotheses. I first elaborate on the effect regional institutionalization and several institutional features on violent conflict. Then I develop several arguments regarding the effects of domestic and international violent conflict on regional institutionalization. This chapter highlights the need to take into account institutional variation and institutional design when considering the relationship between regional institutionalization and conflict. In addition, the theoretical discussion highlights the dynamic and reciprocal relationship between the main variables of interest.

Chapter 3 offers a definition, operationalization, and measurement of regional institutionalization. My conceptualization of this variable includes several issues that RIAs address, but are oftentimes ignored by IR scholars. It goes beyond the classification that is conventional in economics, and takes into account cooperation on development, foreign policy, and security, as well as the institutions that sustain the integration and cooperation process. It also goes beyond institutional design, and provides a measure of implementation, which is key to any attempt of international cooperation. Then, I generate an original dataset by coding twenty-five RIAs on their level of

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12 I employed several types of simultaneous equations techniques. In all model specifications the low quality of the instruments rendered the results unreliable. I thus do not report and discuss them in the dissertation. I elaborate on this issue in detail in Chapter 4.
institutionalization from 1982 to 1997. The dataset uncovers significant spatial and temporal institutional variation. Comparison of my original measure with other studies on regional integration provides the former with a great deal of face validity.

A quantitative empirical test of the sources of regional inter-state conflict is conducted in chapter 4. After briefly reviewing the suggested effects of the relevant features regional institutionalization on conflict, it outlines and justifies the research design. In it, I point to the advantages of the regional level of analysis, compared to the dyadic one, describe my choice of estimation technique, and explain why I am not employing a simultaneous equations technique. Next, I elaborate on the definition and measurement of the dependent and independent variables and discuss alternative explanations, e.g. economic interdependence, regime type, and contiguity. To operationalize the dependent variable, I use the Military Interstate Disputes (MIDs) dataset (Ghosn, Palmer, and Bremer, 2004; Jones, Bremer, and Singer, 1996). I employ an event-count panel-data set up to test the alternative hypotheses. I find that institutional variation has important implications for intramural conflict. In particular, I find that highly institutionalized scope of activity and regular meetings among high-level officials mitigate violent conflict, and that the implementation of signed agreements is required in order to produce this pacifying effect. On the other hand, trade liberalization, security linkages, and the broader institutional framework do not seem to facilitate intramural peace.

Chapter 5 tests the determinants of regional institutionalization. After a brief summary of the hypothesized effects of conflict on regional institutionalization, it
discusses and evaluates several alternative explanations, most notably economic interdependence, regional hegemony, and regime type. Next, it elaborates on the definition and measurement of remaining independent variables. This chapter employs two alternative datasets of conflict. In addition to the MIDs dataset, which is used to measure inter-state conflict, I employ the Uppsala dataset on armed conflicts (Gleditsch et al., 2002), to measure domestic violent conflict. The empirical results support the notion that both domestic and inter-state violent conflict decrease regional institutionalization.

In Chapter 6, I conduct an in-depth investigation of ASEAN from 1960 to the present. This chapter serves several goals. After pointing the utility of an in-depth case study in the context of the broader dissertation, it describes the history of violent conflict and regional institutionalization in Southeast Asia in the last four decades. Beyond providing a necessary background for the causal investigation and demonstrating that a great deal of variation on the variables of interest exists, it gives further face validity to the measures offered in Chapter 3. The causal analysis substantiates the theoretical framework and largely corresponds to the results of the quantitative analyses. It also highlights the dynamic and reciprocal relationship between violent conflict and regional institutionalization. At the same time, it shows that the links between these two phenomena can be more complex and nuanced than initially hypothesized. The final chapter summarizes the main findings of the dissertation and discusses their implications for scholarly research and policymaking. In addition, it suggests avenues for future research.
CHAPTER 2

THEORETICAL FRAMEWORK

This chapter presents the theoretical framework. In it, I delve into the nexus between variation in regional institutionalization and violent conflict and derive testable hypotheses. I first elaborate on the effect regional institutionalization on violent conflict. Then I develop several arguments regarding the effects of domestic and international conflict on institutionalization in detail. This chapter underscores the need to consider institutional variation and institutional design when considering the link between these two variables. It also points to the dynamic and reciprocal relationship between the main variables of interest.

2.1 The Effect of Regional Institutionalization on Violent Conflict

The controversy regarding the effect of international institutions on conflict lies at the heart of the debate between realists and institutionalists. This section examines the implications of the arguments that these schools of thought put forward regarding this issue for possible effects of variation in regional institutionalization on interstate violent
conflict. The theoretical discussions are followed by hypotheses that correspond to the causal logics of the alternative views. Table 2.1 summarizes the hypotheses deduced from the different arguments discussed in this section and identifies scholars who point them out. It also points to primary causal mechanisms associated with the various hypotheses. While the different hypotheses are associated with more than one causal mechanism and the various causal mechanisms are commonly associated with more than one hypothesis, the former provide a rough guide regarding the theoretical underpinnings of the later.

2.1.1 The Realist View

The realist school of thought ascribes little independent political power to international institutions. According to this view, such institutions and organizations are epiphenomenal and reflect the interests of the powerful states in the international system. Therefore, they reject the notion that international organizations and law can independently inhibit violent conflict. In *The Twenty Years' Crisis*, E.H. Carr (1964[1946]) dismisses as utopian the idea that international organizations and the covenants on which they are founded can bring about peaceful change. He concludes his book (1964:239) by saying that “those elegant superstructures must wait until some progress has been made in digging the foundations.”

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13 The examination of the effect of regional institutionalization on domestic conflict, while a worthy endeavor, is beyond the scope of this dissertation. I intend to explore this question in the future.

14 Schweller and Priess (1997) attempt to promote a more nuanced realist account of international institutions. They argue that institutions serve as intervening variables between power and state behavior. Still, they believe that institutions reflect and promote the interests of the dominant powers at the expense of the weak (1997:12-13).
More recent studies echo this theme. Waltz (1979:70-71) and Mearsheimer (1990:46-48) cast doubt on the belief that European integration has been instrumental in bringing peace to Europe. Instead, they highlight the role of systemic forces such as bipolarity, and the existence of nuclear weapons. As Mearsheimer (1994/95:7) summarizes, “institutions have minimal influence on state behavior, and thus hold little promise for promoting stability.” Schweller (2001:182) adds that when important interests clash, a powerful state “may choose to exhibit restraint, and then again it may not. In these matters, however, institutions are guarantors of nothing.” Because realists believe that international institutions do not matter, they see no need to concern themselves with the possible effects of institutional variation on conflict (Schweller and Priess, 1997:23).\textsuperscript{15} If the most institutionalized international organizations – such as the United Nations, NATO, and the European Union – cannot promote peace, less institutionalized organizations certainly cannot. In addition, realists rarely pay attention to different institutional features and their potential effect on conflict and cooperation. Realism thus provides the null hypothesis, that RIAs have no independent effect on the level of intramural violent conflict.

\textit{2.1.2 The Institutionalist View}

Institutionalists take an alternative position on this issue. They argue that international institutions play an important role in world politics. In particular, they maintain that institutions can be instrumental in reducing inter-state violent conflict and propose

\textsuperscript{15} In their own study, Schweller and Priess offer a realist framework to study institutions. As they admit (1997:23), however, their model “is merely a sketch derived from earlier realist’ insights on institutions; far more work remains to be done.” To my best knowledge, realist scholars did not act upon this suggestion.
several causal mechanisms by which they may do so. These causal mechanisms point to different institutional features that RIAs may (or may not) have. Moreover, according to this logic the effects of these institutional features on conflict depend in important ways on their level of institutionalization.

2.1.2.1 Trade Liberalization

The most conventional argument can be traced to the widely known idea that international trade increases the opportunity cost of conflict.\(^\text{16}\) That is, liberals believe that commercial interdependence fosters economic benefits that states, or domestic groups within them, might have to give up if they resort to violence.\(^\text{17}\) As Nye (1971:110) points out, “the higher each disputant’s level of interest in the other disputant’s welfare, the greater the incentives to resort to non-violent forms of settlement of dispute.” RIAs are particularly useful from this perspective. By promoting intra-regional trade, these institutions may raise the opportunity costs of violent disputes (Haas, 1964; Mansfield, Pevehouse, and Bearce, 1999/2000; Mansfield and Pevehouse, 2000; Nye 1971).

\(^{16}\) For a recent review, see Mansfield and Pollins (2001).

\(^{17}\) The literature on the link between commercial interdependence is voluminous. For a recent statement of the liberal view see Russett and Oneal (2001). For a recent review of the debate regarding this issue, see Mansfield and Pollins (2001).
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Expected Effect on Conflict</th>
<th>Scholars who Identify Hypothesis</th>
<th>Associated Causal Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>H0</td>
<td>International Institutions and their Specific Features</td>
<td>None</td>
<td>Mearsheimer, 1994/95; Schweller, 2001; Waltz, 1979.</td>
</tr>
<tr>
<td>H1</td>
<td>Trade Liberalization</td>
<td>Decrease</td>
<td>Nye, 1971; Mansfield and Pevehouse, 2000.</td>
</tr>
<tr>
<td>H3</td>
<td>Security Linkages</td>
<td>Decrease</td>
<td>Bearce, 2003; Gartzke, and Nordstom, forthcoming; Powers, 2001; Sangiovanni, and Verdier, 2004.</td>
</tr>
<tr>
<td>H4</td>
<td>Regular Meetings of High-Level Officials</td>
<td>Decrease</td>
<td>Bearce, 2003; Bearce and Omori, 2004; Russett and Oneal, 2001.</td>
</tr>
<tr>
<td>H5</td>
<td>Institutional Centralization</td>
<td>Decrease</td>
<td>Mansfield and Pevehouse, 2000; Russett and Oneal, 2001; Wæver, 1998.</td>
</tr>
<tr>
<td>H6</td>
<td>Regional Institutionalization</td>
<td>Decrease</td>
<td>Implied by proponents of H1 to H5; Deutsch et al., 1957; Adler and Barnett, 1998.</td>
</tr>
</tbody>
</table>

Table 2.1: Summary of Hypotheses with Respect to the Effect of Regional Institutionalization on Conflict
The effect of RIAs on the level of economic interdependence is not uniform, however. Several studies examine the effect of regional integration on intra-regional trade and find significant spatial and temporal variation (e.g. Frankel, 1997; Foroutan, 1998; Soloaga and Winters, 1999; Kono, 2002). While the extant literature does not examine how variation in trade liberalization agreements affects intra-regional trade, it stands to reason that greater cooperation in commercial issues ought to increase the actual trade flows.\(^{18}\) From this perspective, it is noteworthy that empirical studies which examine the effect of economic regionalism on trade, usually point to the more institutionalized RIAs as the most effective (Frankel, 1997; Foroutan, 1998).

Beyond its direct effect on regional trade, regional institutionalization may enhance commercial interdependence in additional ways.\(^{19}\) In particular, RIAs provide an institutional framework that helps to ensure that economic exchange between the member-states will be steady and more predictable. Such framework may boost the confidence of private businesses in the stability of access to markets in neighboring member-states (Mansfield and Pevehouse, 2000:780). It is also suggested that institutional mechanisms that attempt to boost trade may lead policymakers to expect an increasing flow of intra-regional trade in the future. More institutionalized RIAs are likely to produce expectations for higher levels of commercial exchange, and thus to

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\(^{18}\) It is noteworthy that empirical studies which examine the effect of economic regionalism on trade, usually point at the more institutionalized RIAs as the most effective. Frankel (1997) finds that ASEAN, ANCOM, MERCOSUR, and the EU tend to boost trade among its members. Foroutan (1998) maintains that among RIAs in the developing world, the CACM, ANCOM, MERCOSUR, WAEMU, and SACU can be considered as effective.

\(^{19}\) As discussed in Chapter 4, the empirical analysis considers the separate effect of actual levels of intra-regional trade on conflict.
reduce the possibility that member-states will jeopardize these future gains (Copeland, 1996). In short, then, more institutionalized trade agreements should be more effective in containing regional hostility. Thus:

**H1**: the more institutionalized the intramural trade liberalization, the lower the level of intramural interstate violent conflict

2.1.2.2 Scope of Economic and Activity

While the majority of the extant literature focuses on the effect of RIAs on trade, for a large number of RIAs in the developing world trade liberalization makes little economic sense. Indeed, attempts to liberalize intra-regional trade usually provided member-states with modest benefits at best (see, e.g., Langhammer and Hiemenz, 1990; de la Torre and Kelly, 1992; Schiff and Winters, 2003). As a result, many RIAs emphasized and expected to benefit from cooperation in other issue-areas, such as economic development and industrialization, sectoral cooperation, and enhanced bargaining power (Nye, 1971; Mytelka, 1973; Mansfield, 2003). Similarly, the recent, more open, wave of economic regionalism encompasses a wide variety of issue-areas that pertain to economic and other functional interdependence that goes above and beyond trade liberalization (Page, 2000a). These policies foster intramural economic interdependence, and in turn increase the costs of breaking down such arrangements as a result of violent conflict. A greater number of issue-areas, or *scope*, that RIAs cover and a deeper integration and cooperation in any such issue-area should result in higher opportunity costs of inter-state violence. Mansfield (2003:226), for example, argues that
enhanced bargaining power and better ability to attract foreign direct investment (FDI) increase the opportunity cost of violence and thus facilitate intramural peace.

In addition, grouping together several issue-areas under one institutional umbrella allows spillover, positive issue-linkage and side payments that tend to increase cooperation and to diffuse conflict (Mitrany, 1946; Haas, 1964; Martin, 1992; Kahler, 1995:5). The Association of Southeast Asian Nations (ASEAN), for example, seems to have played such a role in mitigating the continuing friction between Malaysia and the Philippines with respect to the disputed territory of Sabah. In 1969, Malaysia’s Prime Minister announced that Malaysia and the Philippines had agreed to restore diplomatic relations without any preconditions, out of consideration for the need for regional cooperation (Leifer, 1989:35).

Finally, recent studies suggest that economic interdependence can mitigate violence by increasing the ability of policymakers to communicate their resolve through costly signals. When interdependent states disagree they can utilize their economic ties as a way to signal their resolve, and thus to peacefully settle their differences (Morrow, 1999a; Gartzke, Li, and Boehmer, 2001). One can apply this logic to the effect of RIAs on intramural conflict. To the extent that these organizations increase economic interdependence, they can reduce violence by providing their members with more opportunities to convey their resolve with peaceful means (Bearce, 2003). For example, protagonists can threaten to leave an RIA in order to demonstrate the gravity of the matter. The greater the functional cooperation and integration that an RIA produces, the higher the sacrifice states make by giving up part or all the benefits RIAs provide for
their members. Thus, the logic of this argument suggests that higher levels of regional institutionalization provide members of RIAs with a more costly signal with which they can demonstrate their resolve.\textsuperscript{20} In sum, we can hypothesize:

**H2:** the more institutionalized the economic scope of an RIA, the lower the level of intramural violent conflict

### 2.1.2.3 Security Linkages

One way by which states can directly communicate their military objectives and strategic intentions is through cooperation on security-related issues. By creating confidence building measures (CBMs), sharing intelligence, having joint military exercises, and signing security-related agreements, member-states may reveal information on their military preparedness and their motivation with respect to security affairs (Bearce, 2003; Morrow, 1994). This information may help to reduce informational asymmetry and misperceptions, and thus to mitigate violent conflict. It may also facilitate intramural cooperation in suppressing cross-border crime and terrorism, which can potentially escalate into inter-state conflict. Security arrangements may also include mechanisms for the resolution of bilateral disputes. Such mechanisms may prevent such disputes from escalating (Powers, 2001; Russett and Oneal, 2001:163-64). Likewise, recent studies suggest that to the extent that RIAs have peacekeeping operations or other types of task forces, RIAs can provide safeguards to peaceful resolutions of existing conflicts and to commit opposing parties to these arrangements (Bearce, 2003; Boehmer, Gartzke, and Nordstrom, forthcoming).

\textsuperscript{20} For a similar argument with respect to the universe of international organizations, see Boehmer, Gartzke, and Nordstrom (2002).
Finally, pooling military resources may alleviate the problem of credible commitments that is inherent to international politics. According to this logic, because the balance of power shifts over time, rising powers may commit to peace in the present but reneg on their commitment later. Thus, states that are powerful in the present have an incentive to launch a preemptive strike against a rising, but still weaker, power (Fearon, 1995). Arrangements that increase military interdependence can provide a solution to this problem by preserving the status quo and by impeding unilateral action. Sangiovanni and Verdier (2004), for example, contend that European integration can be understood in these terms. According to this logic, a greater pooling of military resources should result in a greater commitment to intramural peace.

Taken together, these arguments suggest the ability of such security linkages to contain violent conflict depends on their degree of institutionalization. More agreements that cover more issue-areas (e.g., CBMs, dispute resolution, peacekeeping forces, and anti-terrorism measures) should equip member-states with better ways to peacefully resolve their differences, should foster greater transparency and trust, and should allow states to make stronger commitment to peace and stability. Thus:

**H3**: the more institutionalized the security linkages of an RIA, the lower the level of intramural violent conflict

As will be shown in Chapter 3, although security aspects of RIAs have attracted only scant attention, many of these organizations include security linkages in varying

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21 For exceptions see Powers (2001) and Bearce (2003).
forms and degrees of institutionalization. These linkages are especially pertinent in RIAs among less developed states, where economic and military problems tend to intermingle.

2.1.2.4 Regular Meetings of High-Level Officials

The institutions that sustain the integration and cooperation process can be very instrumental in decreasing violent conflict. Many of these organizations hold regular meetings of officials at the highest levels, which usually operate as the uppermost body of decision-making. While the formal agendas of these meetings oftentimes emphasize economic cooperation, they allow senior policy-makers the opportunity to discuss outstanding issues directly and openly. One observer of ASEAN, for example, points out that the foreign ministers of its members developed a habit of playing golf in their annual meetings and notes that “although the golf game may be relaxed, it is a primary tool for diplomatic discussions in Southeast Asia” (Indorf, 1975:26). Such dialogues are instrumental in diffusing tensions and in promoting political compromises (Russett and Oneal, 2001:165-66).

Such meetings also provide a forum for heads of state and foreign ministers to socialize. As such, they foster inter-personal trust and enhance mutual confidence (Russet, Oneal, and Davis, 1998; Bearce, 2003). While such regular meetings and summits take place only once or twice a year, they can increase communication and discussion among policy-makers in between such meetings. Andrew Hurrell (1998:246) argues, for example, that “the institutionalization of visits, exchanges by presidents and officials [in Mercosur] was increasingly leading to a broader “habit of communication” of
the kind that has been so important in Europe.” Personal trust among regional leaders can provide reassurances and understandings concerning the peaceful resolution of conflict.

Finally, a regional setting may allow contending parties to negotiate outstanding issues in an informal and a less demanding atmosphere, compared to bilateral negotiations or formal dispute resolution. Such forum also provides members that are not directly involved in such conflict with an opportunity to provide a role of third-party mediators or honest brokers. Discussion of such issues in the framework of a regional summit that deals with other issues provides the different parties with a valuable flexibility. The recent peace deal between India and Pakistan, for example, was secured after an informal discussion between the leaders of these two countries took place during a summit of the South Asian Association for Regional Cooperation (SAARC) in Islamabad (Economist.com, January 6, 2004). Hence:

**H4:** The more institutionalized the regular meetings of high-level officials, the lower the level of intramural violent conflict

2.1.2.5 Institutional Centralization

The broader institutional framework that sustains the activities of the RIA – which I label institutional centralization\(^\text{22}\) – may also facilitate intramural peace and stability. This category goes beyond meetings of high-level officials, and considers the role of other institutions, such as a regional bureaucracy, an economic dispute settlement mechanism, and domestic linkages. These bodies foster the interaction and socialization

\(^{22}\) I borrow this term from Koremenos, Lipson, and Snidal (2001: 795), who define institutional centralization as “everything from rudimentary forums of bargaining, through information and monitoring functions, to centralized adjudication and enforcement.”
of lower-level officials and non-governmental groups as well as facilitate the collection and exchange of information that increases transparency (Keohane, 1984; Abbott and Snidal, 1998; Russett and Oneal, 2001:164). Such institutions also foster the creation of regional bureaucracy that allows the socialization of public officials from the different member-states. In turn, these officials may develop a sense of common regional interest and promote the regional cause back home (Wæver, 1998). In addition, a permanent corporate secretariat can efficiently collect and disseminate useful information on the behavior of its members and to support the daily functioning of the organizations (Feld, Jordan, and Hurwitz, 1994). One observer of Southeast Asian regional politics, for example, argues that “[in ASEAN’s case] an evolving practice of political co-operation expressed in bureaucratic and ministerial consultation has served…to create a subregional security community” (Leifer, 1989:157).

Other studies underscore regional institutional features that facilitate the peaceful resolution of interstate disputes. One account highlights the role of dispute settlement mechanisms (DSMs), which are a common element of many RIAs (Yarbrough and Yarbrough, 1997; Smith, 2000). These mechanisms usually address economic disputes that arise from substantive disagreements regarding the operation of the RIA and other outstanding economic matters. As such, so the story goes, they resolve conflicts that can potentially escalate into militarized disputes (Russett, Oneal, and Davis, 1998; Russett and Oneal 2001; Mansfield and Pevehouse, 2000:781; but see Bearce, 2003). Taking these arguments at face value, the ability of international organizations, RIAs included, to reduce violent conflict and to foster a sense of regional community functions depends
upon the existence and strength of institutional features, such as a regional bureaucracy and a dispute settlement mechanism. Thus:

H5: the higher the level of institutional centralization, the lower the level of intramural violent conflict

2.1.2.6 Regional Institutionalization

Considering the several causal mechanisms discussed above, it is apparent that the different arguments associated with the institutionalist viewpoint in the same direction. They all suggest that wider and deeper institutionalization should reduce violent conflict. In particular, bringing all the different elements discussed above together provides more room for issue-linkages, side payments, and peaceful bargaining strategies. In addition, the logic of “security communities” suggests that the case for the pacifying effect of the sum of activities and institutions that a regional organization encompasses will be greater than the effect of its individual parts. According to this logic, common identity – or “we feeling” – leads to a security community in which violent conflict becomes illegitimate and unthinkable (Deutsch et al., 1957; Adler and Barnett, 1998; Wæver, 1998). While international organizations are not the only means to shape norms and identities, they play a very important role in the creation of security communities (Adler and Barnett, 1998:421). RIAs that address a greater number of policies and practices and provide more opportunities for interaction and socialization, it seems, are better suited to create and deepen a sense of community. In short, the institutionalist perspective suggests that the aggregate level of regional institutionalization will decrease the level of violent conflict. We can thus hypothesize:
**H6:** the higher the level of regional institutionalization, the lower the level of intramural violent conflict

Considering all the hypotheses associated with the institutionalist perspective, it appears that the various causal mechanisms point to different institutional features. While the links between the former and the latter are not mutually exclusive, they provide a useful first cut into the observable implications of the institutionalist causal stories. It is noteworthy that the different hypotheses can be derived from different theoretical frameworks within the institutionalist worldview. For example, the hypotheses with respect to trade liberalization and scope of economic activity are grounded in rational arguments that point to opportunity cost, signaling, and issue-linkages, which are associated with the liberal and neo-liberal institutionalist perspectives. The hypothesis with respect to regular meetings of high-level officials, on the other hand, emanates from causal mechanisms that are associated with psychological and constructivist theories. Thus, an empirical evaluation of these hypotheses may provide us with insights into the comparative utility of these schools of thought.
2.2 The Effect of Violent Conflict and Regional Institutionalization

In this section I develop a theoretical framework that links regional institutionalization to intramural violent conflict and peace. I offer three causal paths that point to a negative impact of conflict on institutionalization and two that suggest a positive effect of conflict on institutionalization. The theoretical discussions are followed by hypotheses that correspond to the causal logics of the alternative views. Table 2.2 summarizes the hypotheses deduced from the different arguments discussed below, and point to scholars who are identified and causal mechanisms associated with these hypotheses.

2.2.1 Inter-State Conflict and the Supply of Regional Institutionalization

The first causal path draws on conventional explanations of cooperation in international commerce and other issue-areas. It emphasizes the conditions that are conducive for the supply of international institutions. Grieco’s concerns with relative gains serves as a useful starting point. In several studies (Grieco, 1988, 1993, 1997) he contends that cooperation through international institutions hinges on states’ sensitivity to relative gains. This sensitivity depends, among other things, on past and present political relationships. As he points out (1993: 129), the sensitivity to relative gains “increase[s] as a state transits from relationships of what Karl Deutsch termed a “pluralistic security community” to those approximating a state of war. The level of [this sensitivity] will be greater if a state’s partner is a long-term adversary rather than a long-term ally.”23 From a

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23 Even Grieco, however, does not develop this important point, and moves on to argue that under conditions of anarchy relative gains always matter. For example, in his account for variation in regional
similar perspective, Schweller and Priess (1997) argue that states in regions with revisionist and unsatisfied states are likely to experience more conflict, and thus to be more sensitive to power differentials and relative gains. Neoliberal institutionalists concur. Reflecting on the “relative gains” debate, Keohane and Martin (1995:44) agree that it is important to specify the conditions under which relative gains matter, and point to the possibility of violence and war as one such important condition.24

Sensitivity to relative gains, in turn, has implications for the prospects of international cooperation. Underlying any instance of cooperation is the assumption of mutual beneficial exchange (Keohane, 1984; Martin, 1992). At the same time, cooperative enterprises involve some uncertainty with respect to the distribution of benefits they generate. It is also highly unlikely that benefits will be distributed equally among the collaborating parties. Thus, states that are mindful of this reality understand that their partners might benefit more than they would. To the extent that economic and political gains can be converted into military power, states that believe that such power will be turned against them in the future will be more reluctant to cooperate. From this perspective, adversaries are more suspicious about the future intentions of their counterparts and less likely to trust each other. In sum, enmity results in greater sensitivity to relative gains, which in turn inhibits cooperation. On the other hand, states

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24 This line of reasoning is also implicit in studies that argue for a virtuous circle between the lack of conflict and international organization (Russett and Oneal, 2001).
that have cordial relationships are less sensitive to relative gains, and thus can benefit
from the absolute gains that international cooperation bestows.

Several studies that examine the relationship between international trade and
conflict employ this logic to argue that enmity inhibits international trade. Gowa (1994)
and Gowa and Mansfield (1993) point out that international trade allows states to
increase economic efficiency, and that greater efficiency frees economic resources for
military purposes. They further argue (1993:408) that “trade with an adversary produces
a security diseconomy.” As a result, governments are likely to raise tariffs against and
trade less with adversaries.²⁵ Pollins (1989) advances a somewhat different argument and
emphasizes the role that private actors – economic firms and individuals – play in
international trade. He suggests that such actors may wish to promote economic exchange
with friendly states while keeping such exchange with rivals in check. An extension of
these arguments to regional institutionalization is straightforward.

²⁵ They also argue that trade between allies produces positive security externalities. Their empirical test
examines only the effect of alliance on trade and overlooks the effect of enmity, however.
<table>
<thead>
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<th>Hypothesis</th>
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<td>H7 Inter-State Violent Conflict</td>
<td>Decrease</td>
<td>Haftel (this study). Implied by Gowa and Mansfield (1993); Grieco (1988); Pollins (1989).</td>
<td>Relative gains, security externalities; expectations of private actors</td>
</tr>
<tr>
<td>H9 Domestic Violent Conflict</td>
<td>Decrease</td>
<td>Haftel (this study).</td>
<td>Diminished capacity, fears of spillover</td>
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<td>H10 Domestic Violent Conflict</td>
<td>Increase</td>
<td>Haftel (this study).</td>
<td>Conflict resolution, mediation, economic development</td>
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<tr>
<td>H11 Regional institutionalization serves as a costly signal of intramural peace to attract FDI</td>
<td>Decrease</td>
<td>Haftel (this study).</td>
<td>Signaling</td>
</tr>
</tbody>
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*Table 2.2: Summary of Hypotheses with Respect to the Effect of Inter-State and Intra-State Conflict on Regional Institutionalization*
Higher levels of institutionalization reflect greater cooperation in more issue-areas. Because regional institutionalization produces security externalities, foes are less likely to institutionalize their RIAs. In addition, institutionalization requires states to pool their resources, to share decisionmaking powers, and to relinquish some national autonomy. An atmosphere of hostility and distrust among regional partners is not conducive to such institutionalization. Even if governments attempt to overcome their mutual suspicion, public opinion may disapprove of regional institutionalization in a hostile atmosphere. To cite just one example of the effect of conflict on institutionalization, the Economist (January 26th 2002) maintains that “much of the blame for SAARC’s [South Asian Association for Regional Cooperation] impotence is leveled at India and Pakistan, constantly at loggerheads with each other and thus creating a sense of insecurity in the region.” We can thus conclude that, *ceteris paribus*, international enmity leads to low levels of regional institutionalization, while amity leads to high levels of institutionalization. Thus:

**H7**: the greater the level of intramural inter-state violent conflict, the lower the level of regional institutionalization

2.2.2 Inter-State Conflict and the Demand for Regional Institutionalization

An alternative causal story focuses on the *demand* for international institutions. It begins with the notion that incentives and circumstances that change over time give rise to the problem of time-inconsistency, which refers to the possibility that actors will not live up in the future to commitments they make in the present. Because other actors are
mindful of this possibility, they ignore such commitments and forgo potential mutually
beneficial agreements. Thus, both sides are better off if an actor who makes a promise is
able to commit itself credibly to it. One solution to this problem is the creation of
institutions that bind actors to their initial commitments by tying their hands (Morrow
1999b, 92-94). The problem of credible commitment is ubiquitous to international
politics. In an anarchical world, states may commit themselves to policies only to reverse
them when circumstances change.

In particular, shifts in the distribution of power may encourage rising powers to
overturn existing arrangements. Thus, states that are powerful in the present, so the story
goes, can use international institutions to bind themselves, as well as potential rivals, to
their preferred international order (Lake, 1999; Ikenberry, 2001). One implication of this
argument is that greater incentives to renege should be associated with greater
institutionalization. As Lake (1999:62) argues, “[under conditions of relational hierarchy]
the dominant polity must commit itself not to act opportunistically toward its subordinate,
and it must construct safeguards [institutions, that is] to make this commitment credible.”
Several scholars employ this theory to explain variation in international institutions.

Goldstein and Gowa (2002) point out that the post-Cold War trade regime is more
institutionalized than its predecessor. During the Cold War, they argue, mutual interests
guided the US and Europe, thus concerns regarding American opportunism were low.
The rising American power and fading communist threat in the 1990s, on the other hand,
resulted in increasing conflict and mistrust between the US and its partners. Therefore,
Goldstein and Gowa (2002:160) contend that “the creation of the World Trade
Organization reflected US recognition of its need to make a credible commitment to its trading partners in a period in which trade contracting was becoming increasingly difficult.” Lake (1999) and Ikenberry (2001) promote a similar view with respect to the broader institutional setting. They argue that in order to secure the support of weaker states in their desired international order, the most powerful states have to bind themselves to such order through international institutions. Thus, greater power disparities should be associated with high levels of institutionalization (Ikenberry, 2001:270).

The same logic is applied as a solution to problems of regional order. Sangiovanni and Verdier (2004), for example, maintain that regional institutionalization can bind potential adversaries to a peaceful regional order. Sangiovanni (2003:1) explains, “cooperation among states [that enjoy stable and peaceful relations] can usually be sustained by more informal and less institutional mechanisms. Rather, integration is most likely among states that find themselves caught in a regional security dilemma out of which they hope to break by means of contractual cooperation. Given the high stakes of such dilemmas, strong institutional safeguards are needed to ensure against opportunistic behavior.”

Lake advances a somewhat different argument. According to him (1997:53-55), regions that face a greater number of security predicaments are more likely to form institutions to manage their relations. Recalling the different ways by which RIAs may diffuse intramural tensions discussed in Section 2.1, this assertion is reasonable. To the extent that policymakers believe that international institutions can mitigate violent
conflict and to the extent that are interested in avoiding such conflicts, they may attempt to advance international organizations where they are most needed, that is, when and where conflict and violence are rampant. Hence:

**H8**: the greater the level of intramural inter-state violent conflict, the higher the level of regional institutionalization

It is noteworthy that in order to serve as instruments of credible commitments, international institutions have to generate *ex post* costs that are high enough to prevent unsatisfied actors from reneging. In order to bind such actors, the exit costs must be higher than the costs of remaining in. The most effective way to prevent actors from resorting to violence is to neutralize their power through a transfer of resources from stronger to weaker actors or through the integration of national militaries into a regional force (Morrow, 1999b:106; Sangiovanni, 2003:9-10). Such arrangements require states to relinquish some important aspects of their sovereignty, however, and very few, if any, institutions possess such powers (Jervis, 1999; Schweller, 2001).

### 2.2.3 Domestic Conflict and the Supply of Regional Institutionalization

The potential effects of domestic conflict on international cooperation remain largely unexplored. This study makes a first cut into this issue, and suggests several ways by which domestic conflict might inhibit international cooperation in general, and regional institutionalization in particular. First, states that experience domestic instability and civil wars simply lack the ability to invest in the institutionalization of their RIAs. Institutionalization requires significant political and financial commitment from the members of the RIA. States that experience domestic conflict have to devote their
material and political resources to address these problems rather than to empowering international institutions. Such problems can be a serious stumbling block on the road to further institutionalization. For example, Nye (1971:82) argues that “competing demands on decision-makers’ attention caused by internal instability, may hinder the capacity of the more prosperous states to “hear” the messages from their weaker partners or to respond to them.”

Moreover, domestic violence tends to have devastating economic effects that strain the resources available to the state even further. From this viewpoint, some level of domestic stability is an important condition for international cooperation. As one observer of African regional integration lament, “wars and conflicts in COMESA [Common Market for Eastern and Southern Africa] have devastated transport networks, communications and other basic infrastructure for trade in countries like Angola, Ethiopia, Sudan, Somalia, and Mozambique…Several regional security matters still need to be resolved in the COMESA area, and so building institutions for COMESA trade without the resolution of regional security issues may border on wishful thinking” (Poku, 2001:99). In addition, insofar as regional institutionalization entails delegation of national autonomy, governments whose authority is challenged at home are more jealous of their sovereignty, and thus less willing to entrust international institutions with political independence.

Second, regional partners of states that suffer from domestic strife may be loath to institutionalize their relationships with the latter. Such institutionalization allows internal problems to spill over to neighboring states. Contending groups may take advantage of
freer movement of goods and people to advance their position vis-à-vis their domestic rivals by, for example, establishing military bases across borders. Such actions tend to internationalize domestic instability. This problem is especially important in developing regions, where national borders often do not correspond to ethnic divisions. It is no surprise, then, that “instability and insecurity have emerged as the greatest impediments to regional integration in Central Africa...The fear of a few states’ contagious warmongering...hindered the desire to construct a common political and economic space” (Ropivia, 1999:126). In summary, this discussion suggests that domestic conflict leads to a low level of regional institutionalization, while domestic stability leads to high level of RIA institutionalization. Hence:

**H9**: the greater the level of intramural domestic violent conflict, the lower the level of regional institutionalization

### 2.2.4 Domestic Conflict and the Demand for Regional Institutionalization

While domestic strife may hamper international institutions, it may also create incentives to promote regional institutionalization. To the extent that policymakers believe that RIAs can potentially facilitate domestic stability, they may attempt to advance such institutions. RIAs may mitigate intra-state conflict in several ways. First, it is widely agreed that income inequality and economic grievances are important determinant of domestic violence (Fearon and Laitin, 2003). Insofar as RIAs foster economic growth and improve the well-being of the population, they can moderate such economic grievances. Of course, the greater the benefits RIAs confer, the greater the
moderation effect should be. Second, regional institutions can provide external assurances of the peaceful resolution of domestic disputes through mediation and intervention. Because a meaningful ability to intervene and to restrain civil armed conflicts requires a powerful organization, one can expect higher levels of institutionalization where domestic conflicts are more common. We can thus hypothesize:

**H10**: the greater the level of intramural domestic violent conflict, the higher the level of regional institutionalization

### 2.2.5 Regional Institutionalization, Signaling, and FDI

The final causal story, which is original to this dissertation, begins with the assumption that states ascribe great importance to foreign direct investments (FDI). FDI help to create jobs, provide technological and managerial know-how, and stimulate more investment by boosting confidence in the host economy (African Development Bank, 2000:124). Foreign investors, however, are concerned with political instability that may result from domestic and international violence. Political instability reduces the expected gains from commercial activities, such as FDI, and increases the level of economic uncertainty (Nigh, 1986:99; Baker, 1999:13). As a result, states that want to attract FDI must convince foreign investors that they are not vulnerable to such risks.

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26 This statement holds only if one assumes that economic regionalism will benefit underprivileged societal groups that have a propensity to use violence. This is the case in Europe, where the EEC established special funds for underdeveloped regions. This may be an exception, however. It is possible that RIAs will exacerbate economic inequality rather than reducing it. This question is beyond the scope of this research.
How can states convince foreign investors that they are not vulnerable to this type of political risk? The logic of signaling models sheds light on this question. In a signaling game each player can be one of several types and each player knows its own type, but it does not know the other player’s type. The players can communicate information about their type through their moves. In particular, a player can move in a way that only one type would, and by doing so separate itself from other possible types. Such moves are considered to be costly signals, because only one type is willing to bear the costs that are associated with the signal while other types are not (Morrow, 1999b). From this perspective, we can think of any given region as either ‘conflictual’, where domestic and international violence are common, or ‘peaceful’, where domestic and international violence are infrequent.27

While domestic and international conflicts run rampant in several regions, others have become politically stabilized and have turned into ‘zones of peace’ (Gleditsch, 2002; Kacowicz 1998; Singer and Wildavsky, 1996). This stabilization consists of a substantial reduction in domestic and international conflict in such regions. States that inhabit peaceful regions know that they are unlikely to fight with their domestic opposition and their neighboring states. Because most regions have a past experience of hostilities and conflicts, states in peaceful regions may find it difficult to convince extra-regional investors that such political stability is viable. Thus, Peaceful types that want to attract foreign capital will benefit from separating themselves from Confictual types through costly signals.

27 The actual players are the states that inhabit the region. The term “region” refers to the collectivity of these states. The underlying assumption is that most of the states are of the same type.
Importantly, however, forming an RIA may not always involve substantial costs. States sometimes sign agreements that fail to materialize and remain ‘dead letters’. Moreover, because investors may view RIAs as a signal of peace, ‘conflictual’ types have strong incentives to imitate and to form such institutions in order to attract FDI. In other words, ‘zones of war’ may sign RIAs in order to conceal this negative information. Such behavior will result in a pooling equilibrium that will leave foreign investors with no new information. Thus, a key issue is what kinds of costly actions states in peaceful regions can take in order to separate themselves from states in war-prone regions.

The most significant costs that international institutions can impose on their member-states, I argue, involve national autonomy and sovereignty that states forego in return for the benefits that the RIA provides. Regional institutionalization requires states to pool resources, to invest in the formation and maintenance of the RIA institutions, to share decisionmaking powers, and to make compromises. From this viewpoint, the level of institutionalization exerts substantial effects on state behavior (Keohane, 1989:2-3; Ikenberry, 2001). As such, increasing institutionalization indicates a greater loss of national sovereignty, and thus greater costs (Choi and Caporaso, 2002:483). One observable implication of this argument is that regions that contain peaceful states will put a great deal of resources into the institutionalization of their RIAs. On the other hand, states in regions in which domestic and international hostility are pervasive will refrain
from taking such costly steps, and they will find high levels of regional institutionalization too costly.\textsuperscript{28} Thus:

**H11:** the greater the level of intramural violent conflict (intra and inter-state), the lower the level of regional institutionalization.

### 2.3 Virtuous and Vicious Circles

The theoretical discussion so far shows that there are good reasons to believe that regional institutionalization affects violent conflict, and that, at the same time, conflict affects regional institutionalization. In other words, regional institutionalization and peace produce “a mutually reinforcing feedback loop” (Russett and Oneal, 2001:212). In particular, the supply-side arguments regarding the effect of conflict on regional institutionalization indicate that initial peace and stability operate as important conditions for regional cooperation. The implications of the different hypotheses with respect to the effect of international institutions on violent conflict are that high levels of regional institutionalization can be more effective in dampen conflict, compared to lower ones. Thus, initial reconciliation is conducive to high levels of regional institutionalization, which in turn facilitate further peace and stability. Hence the virtuous circle. Widespread violence, on the other hand, shackles regional institutionalization, which means that the RIA can do little to moderate intramural aggression. Hence the vicious circle.

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\textsuperscript{28} Note that this argument differs from the argument with respect to the effect of scope on conflict. In the later, states signal resolve (rather than peace) vis-à-vis neighboring member-states (rather than foreign investors). In addition, in the later argument the costs are embodied in the forgone benefits (rather than the relinquished sovereignty). Thus, these two arguments are not mutually inconsistent.
In order to test the hypotheses laid out in the previous chapter, it is necessary to define, operationalize, and measure the variables of interest. While there is no dearth of measurements and data on violent conflict, attempts to systematically describe and evaluate institutional variation across international governmental organizations (IGOs) and regional integration arrangements (RIAs) are few and far between. The main goals of this chapter are thus to provide an operationalized definition of regional institutionalization, to describe the original dataset constructed for this dissertation, and to demonstrate that there is a great deal of spatial and temporal variation on the variables that pertain to this concept. The next section reviews current attempts to identify and measure institutional variation across RIAs. The second section elaborates on my own definition and measurement of regional institutionalization. The third section discusses issues of case selection and data considerations. The fourth section presents empirical evidence with respect to the variation on the variables that pertain to regional institutionalization. The last section concludes.

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29 As discussed below, RIAs represent one important type of IGOs.
30 I discuss the variables that pertain to violent conflict in Chapter 4 and Chapter 5.
3.1 Extant Approaches to Institutional Variation

A survey of the relevant literature suggests that there are three main ways by which scholars address institutional variation across IGOs. The first grouping ignores the possibility that institutionalization may vary across international organizations, and treat them as homogenous “black boxes.” The second one acknowledges that important variation across RIAs exists, but stops short of providing an explicit and measurable way of assessing this variation. The final grouping recognizes this variation and borrows a classification that is conventional in economics. I discuss each approach in turn.

3.1.1. The Quantitative Approach

Several recent studies explore the effect of IGOs, in general, and of RIAs, in particular, on violent conflict (Domke, 1988; Mansfield, 2003; Mansfield and Pevehouse, 2000; Mansfield and Pevehouse and Bearce, 1999/2000; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998). These empirically-oriented studies employ a dyadic set up that examines the pacifying effect of joint membership in these arrangements. While there are some differences across these studies, they all assume homogeneity across these various arrangements. These pioneering studies make significant contribution to the scholarly knowledge on the role of international organizations in world politics, as they provide some of the first quantitative analyses regarding this

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31 Recent studies expanded this research agenda to examine the determinants of IGO and RIA membership (Mansfield, Milner, and Rosendorff, 2002; Mansfield and Reinhardt, 2003).

32 Mansfield and his coauthors use a categorical variable in which any dyad scores one if the two states are members of the same RIA, and zero otherwise. Russett and his collaborators count the number of international organization in which any dyad shares membership.
question. Indeed, this “first generation” work provides solid foundations for this dissertation.

While the assumption of uniformity across RIAs provides a first cut into the relationship between these institutions and violent conflict, it precludes any inference with respect to the causes and effects of institutional variation. This is significant because the theoretical arguments in support the finding that IGOs and RIAs mitigate inter-state violent conflict suggest that such variation has important implications for this issue. For example, this work points to the possibility that RIAs mitigate conflict by increasing the economic opportunity costs of conflict and by serving as arenas of negotiation and bargaining (Mansfield, 2003; Mansfield and Pevehouse, 2000:779-81). As discusses in the Chapter 2, one should expect these pacifying effects to vary in accordance with the level of institutionalization. Thus, insofar as spatial and temporal variation across RIAs is considerable, the assumption of homogeneity is inadequate for the purposes of this study. Moreover, as pointed out above, the results of studies that measure the pacifying effect of RIAs and IGOs are mixed. While some studies find that these organizations reduce conflict, others do not find evidence that support this argument. Relaxing the assumption of homogeneity may go a long way to resolve these inconsistencies (Gartzke, Li, and Boehmer, 2001; Mansfield, 2003).

3.1.2 The Qualitative Approach

A second approach – exemplified in the works of Kahler (1995), Grieco (1997), Katzenstein (1997), Mattli (1999), and Choi and Caporaso (2002) – does appreciate the significant variation across RIAs. Moreover, the main goal of these studies is to account
for this variation. As such, they provide a very useful springboard to the study of economic regionalism and regional institutionalization. While this body of work offers numerous insights into the causes and effect of institutional variation (discussed elsewhere in this dissertation), it does not provide precise and reproducible definitions and measurements of this variation.33

Mattli (1999) explores the relative success of different RIAs in integrating the economies of their member-stats. He argues (1999:54) that one condition for success is the existence of “‘commitment institutions,’” such as centralized monitoring and third party enforcement.” While he points to the European Court of Justice and the European Commission as examples of such institutions, he fails to offer an explicit operationalization of this concept and does not compare it across the various RIAs in a systematic manner. Katzenstein (1997:3) contends that “the scope, depth, and character of regional integration processes vary across numerous dimensions and among world regions.” His comparison of Asian and European integration efforts emphasizes the supranational strength of the different RIAs. He does not provide a clear metric of this concept, however, and turn to other studies to substantiate his claims (Katzenstein, 1997:21-22). Choi and Caporaso (2002:483-84) employ a similar strategy.

Grieco and Kahler offer the most elaborated discussion on this issue. Grieco (1997:165) argues that institutionalization involves three dimensions. The first dimension, which he labels the *locus of institutionalization*, refers to the number of RIAs

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33 Smith (2000) is a notable exception. His study focuses on only one institutional aspect of RIAs, namely mechanisms for dispute resolution. I discuss his work below.
in any particular region rather than the characteristics of any particular organization. The second dimension, which he labels *scope of activity*, refers to the range of activities covered by the RIA. Grieco (1997:168-69) point to various cross-regional differences on this dimension, but does not put forward an explicit measure of this dimension. The final dimension is labeled *the level of institutional authority*, “which refers to whether national governments are jointly pooling a small or substantial amount of responsibility regarding the activities covered by their regional arrangements” (Grieco, 1997:169-70). How exactly to measure this variable and how to assign values to different RIAs remains unspecified.\(^{34}\) In sum, while the last two dimensions offered by Grieco provide some important clues with respect to the concept of regional institutionalization, they are not readily reproducible.

Kahler (1995:3-6) identifies several dimensions by which one may understand institutional variation. These are *strength*, *centralization*, *scope*, *number*, and *domestic political linkages*. The two dimensions that are most relevant to the issue of institutionalization are strength and scope.\(^{35}\) Kahler argues that monitoring and enforcement powers are good indicators of strength and that the degree of differentiation of issue-areas is a good proxy of scope. Like Grieco, Kahler stops short of giving more specific guidelines on how to measure these dimensions, or how to apply them systematically on different RIAs. Overall, this literature offers valuable insights into the

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\(^{34}\) While Grieco evaluates six RIAs on this variable, it seems that his evaluation is grounded in intuition and prior knowledge rather than explicit guidelines. It is also not clear how the three dimensions are combined into one coherent measure.

\(^{35}\) Centralization refers to manner by which institutions evolve, number refers to the number of member-states, which is not an organizational characteristic, and domestic political linkages refers to the role of non-governmental organizations (NGOs) in international institutions.
different dimensions of regional institutionalization, but its imprecise definitions and impressionistic coding do not provide a sound basis for systematic comparison on this variable.

3.1.3. The Conventional Economic Approach

The third approach borrows a distinction that is conventional in economics, which emphasizes the reduction of barriers to commercial exchange. This classification, developed by Bela Balassa (1961), was influenced by the development of European integration. In brief, this approach views regional institutionalization as a gradual process that begins with a free trade area (FTA), continues with a customs union (CU) and a common market (CM), and ends with an economic and monetary union (I discuss these features in more detail below). This classification is still widely used in economics (Frankel 1997; Hufbauer and Schott, 1994; OECD, 1993) and political science (Bearce and Omori, 2004; Laursen, 2003; Smith, 2000). The clear and simple classification offered by this approach is very appealing. In addition, it captures some of the most important activities RIAs usually cover. In particular, these issue-areas have implications for international trade policy and trade flows (Haftel, 2004). Nonetheless, in the context of this study this approach faces two challenges.

First, these different categories fail to capture the range of activities that RIAs engage in, even in the supposedly exemplary case of European integration (Nye, 1971:28-30). As one observer of economic regionalism recently noted:
“Both the conventional economic classification of free trade areas, customs unions, and common markets, and the only fully developed regulatory structure for regions, under the World Trade Organization, assume that trade is the basic motive and characteristic and, by implication, the most important potential source of effects on third parties. They also assume a continuum from less to more integrated, along a single path. The briefest look at the empirical evidence, or the literature from disciplines other than economics, shows that neither assumption is true” (Page, 2000a: 8).

This point is of particular importance with respect to the questions addressed in this dissertation. As discussed in the Chapter 2, several causal mechanisms that link regional institutionalization and conflict rely on institutional features that do not correspond to one of Balassa’s categories, e.g., security arrangements and regular meetings among high-level officials. Thus, while this economic classification may be useful for other purposes, it seems inadequate to answer the questions posed in this study.

Second, this classification is formal and ignores the degree of implementation of these arrangements. As Nye (1971:29) points out, “the popular usage of many of the terms can be misleading. The “common market” label is more widely applied than practiced…A cynic might say that regional economic schemes are more common than markets.” Insofar as a systematic gap between the degree of institutionalization as envisioned in the agreement and the degree of institutionalization as actually implemented exists, the former is lacking.

One may argue that to the extent that the degree of regional integration as presented by Balassa is highly correlated with the degree of regional institutionalization in other issue areas and is highly correlated with the degree of implementation, one need not worry about these issues. If this is the case, regional integration would be a good proxy of regional institutionalization. Below I show that this is not the case, however.
3.2 Defining and Operationalizing Regional Institutionalization

This section defines regional institutionalization and offers an operationalization and measurement that endeavors to correct the inadequacies of extant treatments of this issue. The concept of institutionalization is frequently used to describe the process of economic regionalism (see, e.g., Choi and Caporaso, 2002; Grieco, 1997). Only rarely, however, does an explicit definition accompany such usage.

A useful starting point is Sandholtz and Stone Sweet’s definition (1998:16), according to which institutionalization is “the process by which rules are created, applied, and interpreted by those who live under them.” As a result of their exclusive attention to European integration, however, Sandholtz and Stone Sweet emphasize the dimension of supranationality, which is distinctive to this region. While neither Grieco (1997) nor Kahler (1995) offer explicit definition of this concept, they both rightly emphasize the scope of activity and institutional authority or strength. We can thus define regional institutionalization as the degree of the functional activity and political authority that states delegate to their RIA. Because states are very jealous of their sovereignty, relinquishing such power is anything but obvious. In practice, I operationalize this definition along two dimensions. The first dimension involves rule creation, which I label institutional design. The second dimension - which I label implementation - involves the application and interpretation of rules, and the actual steps that member-states take in order to realize the agreements they concluded.

Before elaborating on these dimensions in more detail, it is important to understand what institutionalization is not. According to my definition,
institutionalization is different from effectiveness. The latter term refers to the relative success of an institution to obtain its stated goal. From this perspective, institutionalization may or may not enhance the effectiveness of rules (Raustiala and Slaughter, 2002; Victor, Raustiala, and Skolnikoff, 1998). For example, states may form a free trade area (FTA) in order to increase intra-regional trade. Institutionalization refers to the rules established to form the FTA and the implementation of these rules. Effectiveness refers to the impact of the FTA on actual trade flows.36

3.2.1 Institutional Design

Institutional design refers to approved agreements and plans that specify the mandate and institutional structure of any RIA. This is a necessary and important dimension of any institution, and uncovering the sources of its variation is of great interest to the field of international relations (Koremenos, Lipson, and Snidal, 2001). To allow a meaningful comparison of the different RIAs, it is necessary to construct a list of issue-areas that all or most of these organizations address and a list of the institutions they commonly include. RIAs cover a wide range of economic and political issues, and an exhaustive list of the issue-areas that these institutions address does not exist. Based on the extant literature, I attempted to record the universe of issues that RIAs typically address. I believe that this list is general enough to “travel” across different regions, on

36 The effect of institutionalization on effectiveness is an important empirical issue that is beyond the scope of this dissertation.
the hand, and detailed enough not to miss essential dimensions of institutionalization of any RIA, on the other.  

In practice, institutional design is composed of three parts. The first two parts are the *scope* of economic activity and the *security linkages*. These parts capture the range of issues-areas in which states adopt and establish rules (Grieco, 1997:168; Kahler, 1995; Koremenos, Lipson, and Snidal, 2001:770-71; Lindberg, 1971:59-60). The third part, *institutional centralization*, refers to the bodies that sustain the integration and cooperation process, their activities and responsibilities (Koremenos, Lipson, and Snidal, 2001:795). These two parts are divided into several categories according to different issue-areas. Each category is further divided into several indicators, which attempt to measure the breadth and the depth of the issue-area coverage. In total, I identify 14 categories and 40 indicators, summarized in Table 3.1. Each indicator can obtain a value of 1, if present, and 0 if absent. Thus, the designed regional institutionalization – which I label *DERI* – can range from 0, for the lowest level of regional institutionalization, to 40, for the highest. Table 3.1 also reports the number of trait presents for each indicator.
Higher values indicate that a certain indicator is a common element of RIAs, while lower values suggest the opposite. Below, I elaborate on the various categories and indicators, as well as the rationale for their selection.
<table>
<thead>
<tr>
<th>Component</th>
<th>Category</th>
<th>Indicator</th>
<th>Trait Present</th>
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<tbody>
<tr>
<td>Scope of Economic Activity (27 points)</td>
<td>1. Trade Liberalization (4 points)</td>
<td>1. Preferential trade agreement (PTA)</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Negative list of goods (FTA)</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. All members of RIA participate</td>
<td>75</td>
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<td></td>
<td></td>
<td>4. Quotas and NTBs</td>
<td>58</td>
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<tr>
<td></td>
<td>2. Customs Union (3 points)</td>
<td>5. Common External Tariff (CET)</td>
<td>55</td>
</tr>
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<td></td>
<td></td>
<td>6. Negative list of goods</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. All members of RIA participate</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>3. Movement of Services (2 points)</td>
<td>8. Free movement of services</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. At least six sectors</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>4. Movement of Capital and Investment (3 points)</td>
<td>10. Free movement of capital</td>
<td>40</td>
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<td></td>
<td></td>
<td>11. Intra-regional national treatment</td>
<td>33</td>
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<td></td>
<td></td>
<td>12. Extra-regional investment code</td>
<td>23</td>
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<tr>
<td></td>
<td>5. Movement of Labor (3 points)</td>
<td>13. Free movement of labor</td>
<td>42</td>
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<td></td>
<td></td>
<td>14. Recognition of professional certifications</td>
<td>24</td>
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<td></td>
<td></td>
<td>15. Visa requirements relaxed</td>
<td>38</td>
</tr>
</tbody>
</table>

*Continued*

**Table 3.1:** Coding Rules for Designed Regional Institutionalization
Table 3.1 continued

| 6. Monetary and Fiscal Coordination (4 points) | 16. Common currency | 31 |
|                                             | 17. Coordination of monetary and exchange rate policies | 60 |
|                                             | 18. Coordination of fiscal policies | 22 |
|                                             | 19. Criteria for macroeconomic convergence | 7 |
| 7. Harmonization and Sectoral Cooperation (2 points) | 20. Harmonization of business conditions (at least 4 issue-areas) | 22 |
|                                             | 21. Sectoral cooperation (at least 6 issue-areas) | 67 |
| 8. Development and Industrialization (4 points) | 22. Border coordination and Growth Triangles | 15 |
|                                             | 23. Regional infrastructure and industrial projects | 53 |
|                                             | 24. Regional development bank | 50 |
|                                             | 25. Compensation mechanism | 24 |
|                                             | 27. Coordination of negotiation in GATT/WTO | 17 |
### 10. Security Linkages (3 points)

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<tr>
<td>28. Agreement on common security issues or regional forum to discuss security issues</td>
<td>33</td>
<td></td>
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<tr>
<td>29. Joint maneuvers, peacekeeping operations, etc.</td>
<td>10</td>
<td></td>
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<tr>
<td>30. Anti-terrorism or anti-drug trafficking measures</td>
<td>10</td>
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### Institutional Centralization (10 points)

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<tr>
<td><strong>11. Decisionmaking Body (2 points)</strong></td>
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<tr>
<td>32. Majority rule</td>
<td>3</td>
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<tr>
<td><strong>12. Regional Bureaucracy (3 points)</strong></td>
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<tr>
<td>33. Permanent secretariat</td>
<td>79</td>
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<tr>
<td>34. Independent staff</td>
<td>76</td>
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<tr>
<td>35. Recommendations and initiatives</td>
<td>15</td>
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<tr>
<td><strong>13. Dispute Settlement Mechanism (3 points)</strong></td>
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<tr>
<td>36. Dispute settlement mechanism</td>
<td>52</td>
</tr>
<tr>
<td>37. Third party ruling binding</td>
<td>37</td>
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<tr>
<td>38. Standing tribunal</td>
<td>29</td>
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<tbody>
<tr>
<td><strong>14. Domestic Political Linkages (2 points)</strong></td>
<td></td>
</tr>
<tr>
<td>39. Regional parliamentary organization</td>
<td>26</td>
</tr>
<tr>
<td>40. Business organization</td>
<td>33</td>
</tr>
</tbody>
</table>
3.2.1.1 Scope of Economic Activity

Scope refers to the economic and political issue-areas covered by the RIA (Grieco, 1997; Kahler, 1995). The first six categories are largely compatible with the Balassa’s categories (1961). These are: free movement of goods, customs union, free movement of services, free movement of capital and investment, free movement of labor, and monetary and fiscal cooperation. Unlike Balassa, I am not assuming a gradual process that begins with a free movement of goods and ends with a monetary and economic union. Both theory and practice show that these categories can be independent of each other (Choi and Caporaso, 2002:483; Foroutan, 1993; Page, 2000a). For example, some RIAs established a monetary union without establishing a customs union, e.g. the CFA Franc Zones in Sub-Saharan Africa, while the GCC42 made considerable progress on free movement of labor and capital but not on a common external tariff.43 It is noteworthy that these categories are usually politically sensitive, and subordinating them to regional institutions can generate significant sovereignty costs.

The remaining three categories refer to several issue-areas that are excluded from Balassa’s conventional typology. Nonetheless, these are important issues that correspond to key goals of past and present RIAs. Because there is little systematic analysis of these issue-areas in the general context of RIA institutionalization, classification of these issues is not straightforward. I used one previous study (Page, 2000a) and my own best

42 The full name of this and other RIAs mentioned in this chapter are listed in Table 3.2.
43 In addition, it is noteworthy that the name of the RIA does not always reflect its level of integration. For example, the Central American Common Market endeavors to establish a customs union, while the Southern African Customs Unions is actually a common market and a monetary union.
judgment to identify the different categories and the indicators contained therein. These categories include sectoral cooperation and harmonization, economic development, and economic diplomacy.

3.2.1.1.1 Trade Liberalization

Free movement of goods can range from a preferential trade agreement (PTA) to a full-blown free trade area (FTA). In general, a PTA implies a short, positive, list of reciprocal concessions. The term “positive list” refers to the fact that all the products that enjoy trade concessions are listed. Such lists commonly include several hundred products out of many thousands possible tariff lines. The Bangkok Agreement (BA), for example, contains concessions on 438 products (Kelegama, 2001:111). In addition, when signing a PTA it is oftentimes the case that states make concessions on products that are unimportant to their economy (de la Torre and Kelly, 1992:34). Thus, a PTA imposes some modest costs on the member-states of the RIA. I assign one point to RIAs that have a PTA, and zero otherwise.

An FTA, on the other hand, usually covers most of the trade among its members and it can entail significant political and economical costs. This is especially true for developing states, in which tariffs are still a very important source of state revenue. Article XXIV of the GATT/WTO defines an FTA as a trade agreement that eliminates ‘substantially all’ trade barriers among its members (Pomfret, 1988:62). The practical meaning of ‘substantially all’ remains a controversial issue, however. I define an FTA as a trade agreement that contains a negative list. This approach lists the products that are excluded from the trade agreement, and thus reflects a comprehensive trade arrangement.
For instance, the Mercosur FTA covers 90% of products and excludes some capital goods and hi-tech products (IMF 1994, 115). I assign one point to RIAs that have an FTA, and zero otherwise.

To ensure effective circulation of goods, it is important that all the members of an RIA participate in the trade agreement. This is not always the case, however. Under some circumstances an RIA member may choose to opt out the trade agreement. Such exclusion typically undermines the viability of the arrangement. For example, although Peru is a member of ANCOM and participates in many of its activities, it does not participate in its FTA. The Colombian vice minister of trade complained that “Peru’s partial involvement [in ANCOM] furthers the image that the bloc is a weak community” (Journal of Commerce, May 20, 1997:A1). Thus, RIAs in which all members participate in the trade agreement score one point, and zero otherwise.

Another important impediment to free circulation of goods is non-tariff barriers (NTBs). Such barriers refer to various measures ranging from import quotas, administrative and health regulations, border inspections, exchange control, and the like (Pomfret, 1988:37-46). The importance of NTBs as a significant obstacle to international trade became apparent in the 1980s and 1990s. RIAs are no exception, and many of them suffer from pervasive NTBs. Thus, mechanisms to eliminate such barriers are important part of any regional trade agreement. RIAs that address NTBs score one point, and zero otherwise.

44 On the importance of this issue for the CACM, MRU, and the EU, see Bulmer-Thomas (1998:320), Sesay (1990:80), and Swann (1996:61-68) respectively.
3.2.1.1.2 Customs Union

A customs union (CU) is an FTA that also applies a common external tariff (CET) vis-à-vis third parties. A CET is a significant indicator of institutionalization for two reasons. First, states give up their ability to set their own domestic protection. Under a CU they have to coordinate agreed upon regional tariff schedules. Second, because the tariff is collected at the regional border it gives rise to thorny distributional issues.\textsuperscript{45} RIAs that have a customs union score one point, and zero otherwise.

Like an FTA, member-states can apply a CET on a small number of product or on most of their imports. Therefore, I employ the distinction between a positive and a negative list approach to assess the comprehensiveness of the CET. ANCOM and the CEAO customs unions, which applied a CET to 175 and 400 products respectively, are examples of the former (Mace, 1994:42; Bach, 1990:58). Other RIAs, e.g. the EC, SACU, and ECOWAS, illustrate the latter. RIAs that adopt a negative list approach score one point, and zero otherwise. In addition, in some RIAs, not all members participate in the CET. For example, Peru and Bolivia do not participate in ANCOM’s CU. (Mendoza, 1999:91). Thus, RIAs in which all members participate in the trade agreement score one point, and zero otherwise.

3.2.1.1.3 Free Movement of Services

Free movement of services includes national treatment of various sectors, notably transportation, communications, and finance. Development of service sectors became an

\textsuperscript{45} For example, states with major seaports and airports may collect tariffs on goods that their final destination is in neighboring countries. In order to overcome this problem a compensatory mechanism is required.
important part of many economies, and free movement in these sectors is a high priority for multilateral and regional organizations (Bulmer-Thomas et al., 1992:27-28). Nonetheless, often such sectors are controlled by national governments due to their monopolistic character and their sensitivity to issues of health safety, national security, and the like (Page, 2000a:213). RIAs that have an agreement on the free movement of services score one point, and zero otherwise.

In general, RIAs discuss this issue on a sectoral basis, and the more sectors are under consideration the greater the institutionalization. Some RIAs liberalize only few sectors. For example, by 1997 ANCOM had an agreement only on transportation, and ASEAN identified four service sectors (Mendoza, 1998:323; Tongzon, 1995:75). On the other hand, RIAs such as CARICOM and NAFTA enjoy free movement of most services (Page, 2000a:247). Therefore, a distinction between agreements that cover few sectors and agreements that cover many sectors seems warranted. The WTO identifies eleven primary service sectors. I take the mid point to distinguish between a limited agreement, on the one hand, and a comprehensive agreement, on the other. That is, agreements that cover at least six services sectors score one point, and zero otherwise.

3.2.1.1.4 Free Movement of Capital and Investment

Free movement of capital refers to the abolition of various restrictions on capital movement across national borders. It is an important part of the free movement of factors

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46 These are financial services, tourism, infrastructure development, and transport and communication (Tongzon, 1995:75).

47 These are: business, communications, construction, distribution, education, environment, finance, health and social services, tourism, recreation, and transportation.
of production, which compose a Common Market (CM). Free movement of capital is important for two reasons. First, it affects domestic laws and institutions (Frankel, 1997:16). Second, it constrains the ability of policy-makers to pursue an independent monetary policy (Edwards [in Haggard], 1995:136). An RIA that provides for free movement of capital scores one point, and zero otherwise.

Short of free movement of capital, the members of the RIA can grant national treatment to foreign investors from fellow member-states. Although historically intra-regional investment flows between developing countries were small, their volume and importance are on the rise. In addition, such a measure may level the intramural playing field whereas foreign investments are concerned. RIAs such Mercosur, the GCC, and ASEAN have such provisions. I assign one point to RIAs that include such provision, and zero otherwise.

Another issue, closely related to intra-regional movement of capital, is the treatment of extra-regional foreign investment. This issue, and the activity and regulation of MNCs in particular, are of great consequence to developing countries. As such, attempts to regulate foreign direct investments (FDI) are politically sensitive. Nonetheless, many RIAs establish investment codes vis-à-vis extra-regional investors. Investment codes that attempted to constrain foreign investors were popular among developing countries in the 1960s and 1970s. Such a regional code was an important component of the Andean Pact, for example (Mace, 1994:44). Several RIAs, e.g. MRU, ASEAN, and WAEMU, attempted to formulate investment codes that promote foreign investments. In light of the intensifying competition for FDI (especially between
developing countries) these latter codes have become more common (African Development Bank, 2000:125-26). I assign one point to RIAs that have an extra-regional investment code, and zero otherwise.

3.2.1.1.5 Free Movement of Labor

Free movement of labor refers to entry of service providers and business visitors, visa requirements, and similar provisions. Like movement of capital, movement of labor is considered to be an issue of deep integration that has an impact on domestic laws and institutions (Frankel, 1997:16). In addition, movement of labor is a politically sensitive matter due its potential implications for immigration. Typically, the more developed members are troubled by the possibility of massive migration from the less developed members, especially under conditions of high unemployment rates. Free movement of labor is an important part of the EU. It is also apparent in RIAs among developing countries, e.g. ECOWAS and the GCC, which have made a commitment to free movement of labor (Peterson, 1988:149). An RIA that provides for a free movement of labor scores one point, and zero otherwise.

Short of a comprehensive free movement of labor, RIAs can agree on a mutual recognition of professional certificates. Such provisions permit free movement of skilled workers that have academic or professional credentials. CARICOM, for example, have provisions for the free movement of college graduates (Page, 2000a:216-17). RIAs that provide for a mutual recognition of professional certificates score one point, and zero otherwise. Lastly, RIAs can relax visa requirements and allow easier intra-regional travel. Such provisions can be considered as a first important step towards free movement of
labor. Various RIAs provide for such measures. ECOWAS and Mercosur permit visa-free travel for all its citizens (Bundu, 1997:35) and ECO simplifies visa procedures only for businesspeople (Pomfret 1997b, 660). RIAs that relax visa requirements score one point, and zero otherwise.

3.2.1.1.6 Monetary and Fiscal Coordination

Monetary union refers to the adoption of a common currency, a common central monetary authority (common central bank), and the surrender of national autonomy in the field of monetary and exchange rate policy (Foroutan, 1993:239). Also, many times the national currency serves as a symbol of national sovereignty and independence. In addition to the well known European monetary union, three monetary unions exist in Africa.\textsuperscript{48} Various RIAs, e.g. CARICOM, GCC, and ECOWAS, explored the idea of forming a monetary union as well. RIAs that formed a monetary union score one point, and zero otherwise.

Short of aiming for a common currency, RIAs can coordinate and consult on their monetary policies and exchange rate policies. One way to coordinate such policies is to form regional forum of the heads of central banks that consult on such matters. In addition, LDCs that do not have hard currencies can establish clearing mechanisms, e.g. the PTA Clearing House, to facilitate intra-regional exchange. RIAs score one point for the coordination of monetary and exchange rate policies and zero otherwise.\textsuperscript{49}

\textsuperscript{48} These are: SACU, which contains the Rand Zone, and UDEAC/CEMAC and CEAO/WEAMU, which are linked to the French Franc through the CFA Franc.

\textsuperscript{49} RIAs that have a monetary union are assumed to coordinate their monetary and exchange rate policies.
In addition, RIAs can coordinate fiscal and macroeconomic policies. Such coordination refers to coordination and harmonization of tax rules, subsidies, government spending, and the like (Page, 2000a:231-33; Robson, 1997:163). As in monetary issues, such coordination can limit the autonomy of the member-states to pursue their own preferred policies. The Francophone RIAs in Africa, for example, developed a complex system of regional tax rules (Foroutan 1993:259). Other RIAs conduct regular consultation on such matters. RIAs score one point for coordination of fiscal and macroeconomic policies, and zero otherwise.

Finally, RIAs may agree on criteria for macroeconomic convergence. Such provisions refer to some established criteria of several important economic indicators that the member-states should achieve. Some of the important economic indicators are inflation rate, interest rate, and budget deficit. In the developing world a convergence of such indicators can enhance economic growth and stability (ECA, 2004). In addition, such convergence criteria serve as a precondition for a meaningful monetary integration, thus they are usually conservative and require careful economic policies and cut on government spending. RIAs score one point for the adoption of macroeconomic convergence criteria, and zero otherwise.

3.2.1.1.7 Harmonization and Sectoral Cooperation

Harmonization of government regulation and business conditions refers to regional policies that affect the conditions of production in the member-states, and the competitiveness of firms within the region (Page, 2000a:217). Page (2000a) identifies seven issue-areas where harmonization of business conditions is important. These are:
labor standards, competition policy, anti-dumping, environmental regulations, intellectual property, standards, and company law. Different RIAs attempted to achieve different levels of harmonization. The EU and Mercosur have provisions for most of these issue-areas. Other agreements, such as ANCOM and ASEAN, cover only two or three issue-areas. The mid point serves as a threshold between a limited agreement and a comprehensive agreement. Thus, RIAs that harmonize business conditions in at least four areas score one point, and zero otherwise.50

Sectoral cooperation refers to the cooperation or harmonization of various economic and social sectors. Sectoral cooperation creates or strengthens economic and social links across the region. Indeed, for several RIAs in the developing world, e.g. SADCC, ECO and IOC, such cooperation is a key component of the regional organization. This category can include regional working groups that conduct common studies, exchange people and information, and develop regional projects in economic and social sectors. I identify ten major issue-areas in which RIAs often cooperate. These are agriculture and fisheries, energy, natural resources, transportation, communications, insurance, tourism, health, science and technology, and education and culture. In addition, RIAs can harmonize activities in these sectors and offer corporate sectoral services (Nye, 1971:30). A regional airline, a regional reinsurance company, and a common management of natural resources are some examples of such harmonization. The midpoint serves as a threshold, thus RIAs that include sectoral cooperation in at least six areas score one point, and zero otherwise.

50 Most RIAs either address most or very few of these issue-areas.
3.2.1.1.8 Development and Industrialization

Although traditional analysis of regional integration emphasizes issues of trade and movement of factors of productions, for many RIAs – especially RIAs among developing countries – development and industrialization is a central motive (de la Torre and Kelly, 1992:25). This category can be further divided into four indicators.

RIAs may establish cross-border industrial areas, which commonly attempt to utilize the comparative advantage of the involved states. Such areas also benefit from low transportation costs and easier movement of labor (Page, 2000a:228). Examples of such areas are the ASEAN’s Growth Triangles, SAARC’s Growth Quadrangle, and ANCOM’s Border Integration Zones. These areas require substantial initial investment, and they demand ongoing cross-border coordination. RIAs that provide for cross-border industrial areas score one point, and zero otherwise.

RIAs can initiate common industrialization plans and infrastructure projects that enhance regional development. The effort of the Andean Pact to jointly plan regional industrial development and to assign different industries to different states, and the ASEAN Industrial Projects (AIP) illustrate attempts of common industrialization (Mace, 1994:43-44; Tongzon, 1998:59-63). Some examples of infrastructural projects include AMU’s oil pipeline, the MRU’s Mano River Bridge, and SADCC’s Maputo Corridor (Mortimer 1999, 190; Bourenane, 2002:22). RIAs that have common industrialization plans or infrastructure projects score one point, and zero otherwise.

RIAs may establish a regional development bank in order to mobilize financial resources towards feasibility studies and implementation of infrastructure projects. As
such, a development bank is a valuable tool of economic development. Indeed, many RIAs are quick to establish a regional development bank for such purposes. The CACM’s Central American Bank of Economic Integration (BCIE) and the UDEAC’s Development Bank are but two examples. RIAs score one point for the establishment of a development bank, and zero otherwise.

Closely related to economic development is the issue of compensation. It is widely agreed that regional cooperation and integration give rise to unequal distribution of benefits. Usually benefits are skewed in favor of the larger and more developed states (Mytelka, 1973; Robson, 1987). In order to ensure the sustainability of an RIA that increases economic disparity, a compensation mechanism is needed. There are two main ways by which economic redistribution can take place.\(^{51}\) First, RIAs may facilitate direct transfers from the more developed to the less developed states, as in the case of SACU. Second, the more developed states can make financial contributions to a compensation fund, which in turn helps to finance development projects in the less developed states. The EC Structural Funds and the CEAO Solidarity and Intervention Fund for the Development of the Community (FOSIDEC) illustrate this possibility.\(^{52}\) RIAs score one point for the establishment of a compensation mechanism, and zero otherwise.

\(^{51}\) A third option is to give LDCs concessions regarding the rate and pace of implementation of different provisions. Such a possibility does not involve any meaningful compensation, however.

\(^{52}\) In this case, regional tariff revenues as well as contributions from the more developed states are used to finance projects in the organization’s LDCs.
3.2.1.9 Bargaining Power

The potential increase of bargaining power vis-à-vis third parties is an important motive of many RIAs (Mansfield and Reinhardt, 2003; World Bank, 2000:17-21). In order to obtain this goal, member-states have to coordinate their policies and to adopt a common position in the bargaining process. RIAs may adopt common positions vis-à-vis other RIAs or important economic powers. Several RIAs among developing countries have provisions on such issues. ASEAN, the CACM, AMU, and the GCC formed corporate bodies to negotiate with the EU, and the members of Mercosur, and CARICOM adopted a similar strategy in the FTAA negotiations. One point is assigned to RIAs that provide for a common bargaining position in negotiations with other RIAs or important economic powers, and zero otherwise.

In addition, RIAs may attempt to enhance their bargaining power in multilateral fora, e.g. the GATT/WTO and the IMF. From this perspective, RIAs represent an effort to strengthen the voice of states that are too weak unilaterally and too diverse multilaterally in these fora (Jenkins, 2001:30; Mansfield and Reinhardt, 2003:837). One point is assigned to RIAs that provide for a common bargaining position in multilateral negotiations, and zero otherwise.

3.2.1.2 Security Linkages

This category identifies several ways by which RIAs can cooperate on security issues. I consider only security linkages that are nested in the RIAs, and exclude

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53 The various failures to organize a unified position of all developing countries illustrate this point all too well.
independent security arrangements, such as military alliances. In other words, the regional security cooperation has to be conducted as a part and parcel of the RIA. In the context of this study, security cooperation deserves particular attention. As discussed in Chapter 2, such cooperation attracts considerable theoretical attention as it may directly affect and affected by violent conflict. Despite this theoretical prominence and despite the fact that several RIAs include security arrangements, this issue-area attracted only scant empirical attention. Thus, this is one of the first attempts to identify and categorize the different elements of security cooperation that is embedded in economic IGOs. I identify three separate indicators that pertain to security linkages.

First, RIAs may have agreements on common security issues or they can establish a regional forum to discuss security issues. Typically, security agreements lay out general principles e.g. non-interference in neighboring countries’ domestic affairs, a nuclear-free region, regional friendship, and the like. In addition, sometimes these agreements contain a dispute settlement mechanism of political and security issues. CEPGL and ASEAN are examples of RIAs that signed such agreements. Regional security forums allow members of an RIA to enhance security cooperation, exchange information, and promote security-building measures. Examples of regional fora that facilitate security dialogue are Mercosur’s Permanent Commission for Coordination and the well known ASEAN

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54 Examples of regional IGOs that deal with security but are not embedded in RIAs are Organization for Security and Cooperation in Europe (OSCE), Southeast Asia Treaty Organization (SEATO), and the Arab League.

55 Powers (2001) and Bearce and Omori (2004) conducted similar exercises for RIAs in Africa and for RIAs from 1950 to 1985, respectively.
RIAs score one point for an agreement on common security issues or on the establishment of a regional security forum, and zero otherwise.

Second, RIAs can formulate and conduct common intra-regional and extra-regional security policies, e.g. by conducting joint military maneuvers, and by forming peacekeeping and other task forces. Several RIAs attempted to create such regional security frameworks. The Economic Community of West African States Monitoring Group (ECOMOG), which is a part of ECOWAS, conducted peacekeeping operations in several member-states, e.g. Liberia, and Sierra Leone (ADB, 2000:166). A second example is the GCC’s strike force called the Peninsula Shield (Barnett and Gause, 1998:174). RIAs score one point for conducting common security tasks, and zero otherwise.

Third, RIAs may coordinate non-traditional security issues, i.e. anti-terrorism measures and anti-drug trafficking policies. The issue of anti-terrorism, although not as central as it is nowadays, was of substantial importance, especially when states faced terrorist infiltration from their neighbors. SAARC, for example, signed a regional convention on the suppression of terrorism. The issue of drug-trafficking is important as well, and it is an important concern for many developed and developing countries. In particular, oftentimes the former demand from the latter to keep drug trafficking in check. Due to the cross-border nature of such activity, regional cooperation on such matter can be fruitful. The CACM’s commission against drug trafficking is an example of an attempt

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56 The ARF became an important forum to discuss Asian security issues between ASEAN and other regional and global important powers, e.g. China, Japan, and the US (Narine, 2002:102-13).
to address this issue (Nicholls, et al. 2001:151). RIAs score one point on an agreement on anti-terrorism measures or anti drug trafficking policies, and zero otherwise.

3.2.1.3 Institutional Centralization

Koremenos, Lipson, and Snidal define institutional centralization as “everything from rudimentary forums of bargaining, through information and monitoring functions, to centralized adjudication and enforcement” (2001: 795). This definition is, however, somewhat broad and ambiguous. I operationalize this definition as the bodies that sustain the integration and cooperation process, their activities and responsibilities. Thus, greater centralization indicates that the locus of decisionmaking and the regular operation of the organization have moved from the national level to the corporate level, which in turn reflects greater sovereignty costs. In particular, some of the institutional features pertain to decisionmaking capacities, as well as to monitoring and adjudication. From this perspective, institutional centralization subsumes other institutional qualities, such as strength (Kahler, 1995), authority (Grieco, 1997), and independence (Abbott and Snidal, 1998; Thompson and Haftel, 2004). Institutional centralization goes beyond monitoring and adjudication, as it attempts to capture additional institutions that facilitate cross-border communication, dissemination of information, and socialization. In practice, I examine four institutional categories and their features, assess their main functions, and their contribution to institutional centralization.

57 I discussed strength and authority above. Independence is defined as “the authority to act with a degree of autonomy, and often with neutrality, in defined spheres” (Abbott and Snidal 1998: 9).
3.2.1.3.1 Decisionmaking Body

Because the decisionmaking process is essential to the sustainability of the organization, all RIAs provide for regular meetings of a decisionmaking body, typically every six months or a year. Decisionmaking bodies that are composed of high-level officials – that is, heads of state or foreign minister – have several advantages compared to bodies that are composed of lower-level officials (e.g. economic ministers and ambassadors).58 First, meetings and decisions by high-level officials demonstrate strong political commitment to the integration process, and provide the RIA with political credibility (Bouzas and Soltz 2001, 103-5). For example, in the 1990s CACM “upgraded” the level of the decisionmaking body from economic ministers to presidents in order to revitalize the integration process and to strengthen the “Central American identity” (Nicholls et al., 2001:157). In addition, meetings among high-level officials can serve as important forums for informal discussion of important regional matters, and can provide opportunities for socialization and communication at the highest levels. Such functions may further consolidate the sustainability of the RIA.

Of course, in order to provide the organization with these benefits, high-level officials have to meet routinely in practice. Delays or cancellations of scheduled meetings indicate lack of political commitment to regional institutionalization and may point to institutional vulnerability. For example, an observer of AMU notes that the fact that the Summit was convened only six times in nine years (instead of eighteen times, as

58 Most decisionmaking bodies are indeed composed of high-level officials. The Bangkok Agreement, and CACM before 1990 exemplify the few exceptions.
planned) resulted in “a state of, at best, prolonged hibernation” (Mortimer, 1999:177). In
sum, RIAs in which regular meetings of high-level officials take place in practice score
one point, and zero otherwise.

In addition, we need to examine the decisionmaking procedure, or in other words,
the voting rules. Voting rules have important implications for the degree of RIA
institutionalization. An important distinction is between decisions made by consensus, or
unanimity, and decisions made by majority rule. The latter indicates greater
institutionalization because member-states have to relinquish their veto power (Smith
1993:376-7; Koremenos, Lipson, and Snidal, 2001:772). In other words, majority rule
may force states to put up with decisions with which they disagree. Rule by consensus,
on the other hand, “is intended to ensure full respect to the sovereignty of member states,
as no obligation can be imposed on a member states without its acquiescence or
expressed consent” (Ntumba, 1997:309). It is noteworthy that most RIAs follow a
consensus rather than a majority rule. Nonetheless, few RIAs, e.g. the EU and ANCOM,
provide for a majority rule (Avery, 1983:177-78). Because majority rule is rare among
RIAs, I make a dichotomous distinction between those RIAs that have a meaningful
majority rule procedure and those that do not.59 Thus, RIAs that employ majority rule
procedure to make decisions score one point, and zero otherwise

59 That is, I ignore the distinction between simple majority and special majority (e.g. two-thirds majority
rule) and between equal and weighted voting procedure.
3.2.1.3.2 Regional Bureaucracy

Regional bureaucracy refer to a permanent corporate technical and administrative body that manages the operation of the RIA on a regular basis, typically labeled secretariat or commission (Jacobson, 1984:89). This body is an important part of institutional centralization, as it commonly has monitoring and informational capacities. The existence of one permanent body that manages the operation of the RIA is the most basic requirement for the existence of a regional bureaucracy. Not all RIAs, however, maintain their own corporate secretariat. A survey of existing RIAs reveals several such instances: the administration of SACU is managed through the Finance Department of South Africa (Page, 2000a:237); and the Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the secretariat of the Bangkok Agreement. I assign one point to RIAs that have a permanent secretariat, and zero otherwise.

Beyond the mere existence of a regional bureaucracy, the existence of an independent staff is another indicator of institutionalization. That the staff of the corporate bureaucracy functions as uninstructed bureaucratic and technical experts whose positions are insulated from international politics and diplomacy is essential for the efficacy and the legitimacy of the organization (Fled and Jordan, 1989:123-25; Jacobson, 1984:90). Most RIAs that have a secretariat also have some independent staff, although for some of them the number of staff is very small. Some secretariats, however, have to rely on national bureaucrats. For example, NAFTA’s bureaucracy is composed of three separate national secretariats. Each secretariat has its national staff, which as such, has a

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60 ECO’s secretariat, for example, employs only 17 people.
national loyalty. RIAs with secretariats that have an independent staff score one point, and zero otherwise.

Finally, an important indicator of regional institutionalization is the responsibilities that the member-states delegate to the corporate bureaucracy. From this perspective, we can make a distinction between several types of responsibilities. Jacobson (1984:83) classifies the functions that IGOs may take into five categories: informational, normative, rule-creating, rule-supervisory, and operational. Most secretariats engage in informational and operational roles. That is, they prepare meetings and documents, provide technical assistance, and ensure the day-to-day functioning of the organizations (Jacobson 1984:89).

Nonetheless, some bureaucracies are equipped with additional responsibilities that fall in the other three categories. In particular, some secretariats and commissions can initiate and recommend policies, monitor the implementation of agreements, and promote the goals of the organization. Holding such prerogatives greatly enhances the strength of the bureaucracy (Lindberg, 1971:84). As Lindberg points out with respect to the European Commission, “possession of a formal right to initiate most policy proposals, to be present as these are discussed by the governments, and to participate actively in the discussion, as well as the responsibility for reporting treaty violation, i.e., to act as watchdog of past obligations, have also been important resources [of the Commission’s strength].” The bureaucracies of ANCOM and WEAMU enjoy similar powers, at least on paper. In contrast Ntumba (1997:313) concludes that several RIAs have very weak secretariats because “[they are] expected only to ensure the smooth functioning of the
community machinery on a day-to-day basis, they are severely handicapped in doing anything else by the lack of any real decisionmaking power.” I assign one point to regional bureaucracies that can initiate policies or make recommendations, and zero otherwise.

3.2.1.3.3 Dispute Settlement Mechanism (DSM)

Procedures for the settlement of intramural economic disputes reflect the adjudicating capacities of the RIA. The existence of such procedures provides member-states with legal recourse when differences regarding the rules of the RIA arise. Thus, DSMs can prevent unilateral action, and as such they contribute to the continued legitimacy of the RIA (Yarbrough and Yarbrough, 1997:134-135). At the same time, member-states may have to delegate important judicial powers to third parties.

DSMs can range from a more diplomatic to a more legalistic design. James McCall Smith offers a five points scale along this continuum: none, low, medium, high, and very high (2000:143). I employ Smith’s measurement and data, but for simplicity and symmetry collapse his categories into just four: none, low, medium, and high. Low level legalization refers to an instance in which third-party review is automatic, but not binding, and judges are picked from an ad-hoc roster; medium level legalization refers to an instance in which third party review is automatic and binding, but judges are still picked from an ad-hoc roster; high level legalization entails a standing tribunal (Smith, 2000). I assign one point to each level of legalism for a maximum of three points.
Domestic political linkages refer to private and quasi-private contacts that are embraced and sponsored by the RIA (Kahler, 1995:5-6). Such transnational coordination can have important role in the process of regional integration. First, although the organizations that embody these linkages cannot participate in the formal decisionmaking process, they may have a consultative status (Jacobson, 1984:117). As such, they may have informational, agenda-setting, and monitoring capacities. In addition, transnational coordination reflects the institutionalization of intramural interdependence in the sense that it strengthens the ties between the broader population, and not just between public officials. Ultimately, for economic, social, and political integration to thrive, contacts between private individuals need to take place. From this perspective, incorporating such linkages into the integration process represents an effort to close the “democratic deficit” that plagues many IGOs (Ntumba, 1997:316-17). I consider the roles of two highly significant types of domestic linkages, namely parliamentary organizations and business organizations.

Parliamentary organizations reflect intramural regional political linkage and cooperation. Typically, they are quasi-governmental forums that allow political parties to exchange information, coordinate position, and make recommendation on regional
issues. To the extent that politicians have greater accountability to their voters, their involvement in the integration process gives the integration process more legitimacy in the eyes of the mass public. As an observer of SAARC argues, the South Asian Parliament is expected to be “the crowning epitome for making regionalism a mass movement in South Asia” (Husain, 1999:235). RIAs that have regional parliamentary coordination score one point, and zero otherwise.

Similarly, the organization of interest groups at the regional level, which although not part of the formal organization, can have very important role in developing social and economic intramural networks and in increasing interdependence. A corporate chamber of commerce, regional labor unions, and the like can serve as a good indication of institutionalization of informal linkages. Moreover, such organizations have important role in mobilizing the private sector, which eventually have to carry out various regional policies (Bundu, 1997:44-45). The goal of ECOWAS’s West African Enterprise Network, for example, is “to improve the business climate in West Africa and to promote cross-border trade and investment in the region” (Aryeetey, 2001:35). RIAs that include such business organizations score one point, and zero otherwise.

3.2.3 Implementation

Implementation refers to the actual steps that member-states take in order to realize the agreements they concluded. It captures the notion that institutionalization involves not only agreements and rules but also behavior according to these rules. As

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62 Corporate parliamentary cooperation is usually very different from national parliaments. Even where a “regional parliament” exists, the representatives are not directly elected and they do not participate in the decisionmaking process. The European Parliament is a notable exception to this rule.
such, it is a key component of regional institutionalization. Keohane (1989:1), for example, maintains that institutionalization in world politics refers to instances in which “behavior is recognized by participants as reflecting established rules, norms, and conventions, and its meaning is interpreted in light of these understandings.” Thus, the incorporation of implementation into the measure of regional institutionalization takes it beyond institutional design as it begins to account for actual state behavior. It is important to consider implementation because many times practices do not correspond to written agreements. Some agreements become ‘dead letters,’ which exert little impact on state behavior (Foroutan 1993). As Lisa Martin (2000:18) points out, “if agreements are not implemented, and the necessary policies changed, no cooperation has taken place. So it is essential that we consider implementation of international agreements if we are to understand patterns of international cooperation.”

Victor, Raustiala, and Skolnikoff (1998:4) point out, however, that “implementation is a loose process that is not easily defined.” When implementation of international agreements is considered, one can think of at least two distinct stages of implementation. First, governments need to transfer their international obligations to domestic laws and regulations. Second, non-state and sub-state actors – such as firms, investors, local governments, and bureaucracy – have to implement these new rules (Victor, Raustiala, and Skolnikoff, 1998:4). Because of the lack of systematic and

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63 Implementation is related to but different from the concept of compliance. Implementation is usually a key step towards compliance, but it is neither a necessary nor a sufficient condition for compliance (Raustiala and Slaughter, 2002:539).

64 This is true of institutions in general, of course. Cukierman, Webb, and Neyapti (1992) make a very similar argument with respect to the independence of central banks.
comparative information on the implementation of RIAs, in this study I examine only the degree to which national governments implement the agreements they signed.

The collection of comparable data on implementation is, however, more difficult than on institutional design. Various studies employ in-depth accounts regarding the accomplishments of one or two case studies. Other studies evaluate a greater number of RIAs but in a very crude manner. Such studies usually assess each RIA on its own right and assign values such as “success” or “failure” (see, e.g., IMF 1994; OECD 1993). As such, they do not provide a clear metric for a comparative evaluation of implementation. A comprehensive comparison regarding the degree of implementation of different RIAs is rarely done.\(^{65}\) In this study I offer a first cut into this institutional dimension.

When measuring implementation one can think of a continuum from no implementation to complete implementation for each of the indicators. In the middle, member-states can implement only part of the agreement. In order to compare the degree of implementation across RIAs, where appropriate,\(^{66}\) I created an ordinal scale of zero, one half, and one. If the RIA did not implement the agreement regarding a specific indicator, or if implementation is low, then the RIA scores 0. If implementation is complete, or nearly complete, then the RIA scores 1. If implementation is partial, then the RIA scores 0.5. For example, many RIAs reduce barriers to trade and factors of

\(^{65}\) For exceptions see Page (2000a, 2000b), and Li (2000). Li, however, operationalizes this concept by asking if the RIA specified a timetable for liberalization. Such measurement only partly captures actual implementation.

\(^{66}\) It is possible, although not easy, to evaluate the level of implementation of agreement that address different issue-areas. Implementation is less relevant to different institutions that sustain the integration process. Such institutions either exist or they do not. For example, RIAs may or may not have a secretariat, but they cannot have half a secretariat.
movement in a gradual process. If they have completed only some of these steps, I code the degree of implementation as partial.

To create a measure of regional institutionalization that incorporates the level of implementation I multiply the values scored on the designed level of regional institutionalization (DERI) with the score on implementation. I label the new variable *implemented regional institutionalization*, or IMRI. Member-states may implement all the planned activities and institutions, thus IMRI ranges from 0 to 40, just like DERI. To the extent that the signed agreements are fully implemented, the values on these two variables will be the same, because all the DERI indicators are multiplied by one. If the agreement is not fully implemented, the value on IMRI will be lower than the one on DERI. To see that, imagine an RIA that has an agreement on twenty indicators, i.e. DERI = 20. Ten indicators are fully implemented, four are partly implemented, and six remain only on paper. The value on IMRI is calculated as follows: (10*1) + (4*0.5) + (6*0) = 12. As we shall see below, the values on IMRI are indeed oftentimes lower than the ones on DERI. This is not surprising as regional institutionalization is a gradual process, in which different goals may have different intended schedules.

3.3 Sample and Data

Equipped with the measure of regional institutionalization thus far described, I turned to data collection. As regional institutionalization is an attribute of regional integration arrangements (RIAs), the latter is the unit of analysis. RIA is a type of IGO that is defined as a “political process characterized by economic policy cooperation and
coordination among countries” (Mansfield and Milner, 1999:591). That is, RIAs must have a component that deals with economic policies, but they may include other issue-areas, e.g. political and security cooperation. In addition, like other types of IGOs, RIAs should have a continuous institutional framework, which according to Feld, Jordan, and Hurwitz (1994:10) is “the most distinguishing feature of an IGO.” This definition excludes three types of agreements that are related to economic regionalism but do not qualify as RIAs.

First, I follow the conventional practice, which requires three states as members to qualify as an RIA (Feld, Jordan, and Hurwitz, 1994; Pevehouse, Nordstrom, and Warnke, 2004:104; Union of International Associations (UIA)). This criterion leaves out bilateral trade agreements either between two states or between an RIA and a state. While this criterion may seem arbitrary at first, most, if not all, bilateral trade agreements lack continuous institutional frameworks. As such, this criterion has little impact on my sample. Second, consistent with the conventional practice, I exclude non-

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67 Framework agreements - such as the African Economic Community (AEC), the Cross Border Initiative (CBI), Asia Pacific Economic Cooperation (APEC), and East Asia Economic Caucus (EAEC) - are excluded.

68 Institutional framework refers to a corporate bureaucracy, a decisionmaking body, and the like (Archer, 1992:36-37; Feld, Jordan, and Hurwitz, 1994:10-11). These functions are discussed in the subsection on institutional centralization above.

69 I do include RIAs that started as bilateral agreement and than expended their membership, such as the Canada-U.S. Free Trade Agreement (CUFTA) which was later subsumed by NAFTA.

70 Most of the bilateral agreements signed before 1993 were between the European Communities (EC) and many of its neighbors. Only three other bilateral agreements were signed before 1993. These are the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA), the Israel-U.S. Free Trade Agreement, and the Laos-Thailand Trade Agreement (WTO, 1995).

71 Singer and Wallace (1970), for example, allow for bilateral of IGOs.

72 This is true for the larger IGO population (Pevehouse, Nordstrom, and Warnke, 2004:104). In addition, because these agreements do not have a formal structure, it is more difficult to collect reliable information.
reciprocal agreements, such as the Caribbean Basin Initiative (BCI) and the Lomé Convention (Mansfield and Pevehouse, 2000; Page, 2000a; Smith, 2000; UNCTAD, 1996). Finally, I exclude framework agreements, such as the African Economic Community (AEC), the Asia Pacific Economic Cooperation (APEC). While these agreements may embrace the idea of regional cooperation in principle, they do not provide for concrete measures to achieve this goal (Smith, 2000).

These criteria leave me with a list of twenty-five RIAs that existed in the 1980s and the 1990s (I discuss the temporal domain below). This list covers RIAs across most continents, which include the majority of the states in the system. Tables 3.2, 3.3, and 3.4 report the names of these RIAs, their member-states, and the years in which they were formed for the Americas and Europe, Asia and the Middle East, and Sub-Saharan Africa, respectively. This list includes all the RIAs that correspond to the selection criteria, and it closely corresponds to similar lists assembled by other scholars and organizations that observe regional integration (ADB, 2000; de la Torre and Kelly, Frankel, 1997; IMF,

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73 For various reasons, it is not uncommon that one RIA transforms into another. Several RIAs changed their names during the 1980s and the 1990s. These are: Communaute Economique de l’Afrique de l’Ouest (CEAO) that became WEAMU in 1994; the Andean Pact that became ANCOM in 1996; the Southern African Development Coordination Conference (SADCC) that became SADC in 1992; the Preferential Trade Area for Eastern and Southern Africa (PTA) that became COMESA in 1993, and the European Communities (EC) that became the EU in 1992. For the purposes of this study, these RIAs are treated as the same organization, and it is assumed that the title change reflects an institutional change within the organization. In addition, sometimes a RIA is composed of more than one organization. For example, until 1994 the African Francophone RIAs had separate organizations for monetary integration, i.e. WAMU (Western African Economic Union) and BEAC (Banque des Etats de l’Afrique Centrale), and for other issues, i.e. CEAO and UDEAC. I treat such instances as different parts of the same RIA.

74 The most notable exceptions are Eastern Europe, Oceania, Northeast Asia, and parts of the Middle East.
1994; 1992; Mattli, 1999; OECD, 1993; UNCTAD, 1996). Thus, my comprehensive sample is compatible with standard conventions in this research area.

The temporal domain of my sample is the 1980s and the 1990s. The examination of RIAs throughout these two decades sheds light on the phenomenon known as the *new regionalism*. This contemporary wave of economic regionalism differs from earlier ones in several aspects. One important difference is that the old regionalism encouraged protectionism and import substitution industries, while the new regionalism is usually combined with unilateral and multilateral economic liberalization (Hettne, 1999:7-8; Kahler, 1995:81-82; Mansfield and Milner, 1999:601; Schiff and Winters, 2003). In addition, the new wave of regionalism usually encompasses a wide variety of issues that were uncommon in earlier RIAs (de Melo and Panagariya, 1993; Hettne, 1999:8; Kahler, 1995:81-82; Pomfret, 1997a:207-08). The transition from the old regionalism to the new regionalism began in the 1980s at a measured pace and then went into full swing in the 1990s. Thus, the temporal domain of my sample can adequately capture the dynamics of this recent wave of regionalism. In order to maximize data availability and reliability, 1997 is the most recent year on which I collected information.

Regional integration is a gradual process, and signing agreements, ratifying them, and implementing them can be time consuming. Institutional change may usually take, at the very least, several years to accomplish. This reality has two implications for my data collection efforts. First, since changes from one year to another can be very small (and

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75 In Chapter 6, which provides an in-depth case study of ASEAN, I go beyond this time period and code the level of regional institutionalization for this RIA from 1960 to 2001 annually. I intend to expand the temporal domain of my coding for other RIAs in the future.
difficult to observe), I collected information every several years. More precisely, I coded the various RIAs in five-year intervals, i.e. 1982, 1987, 1992, and 1997, which is conventional in the discipline (Singer, Bremer, and Stuckey, 1972; Mansfield, 1994). Second, because it is difficult to properly evaluate the level of regional institutionalization for RIAs that exist for a short period of time, I examine only organizations that formed no later than 1992. This criterion also guarantees that I have at least two observations for each RIA. Coding of the twenty-five RIAs across these time-points produced a data set of ninety observations.

When coding the degree of institutionalization of the RIAs, I relied on various secondary sources. For the formal agreements I used several books that survey RIAs, e.g. IMF (1994), UNCTAD (1996) the African Development Bank (2000), and Page (2000a). In addition, I used the UIA’s Yearbook of International Organizations (various years), the IMF Directory of Economic, Commodity, and Development Organizations website, and some of the RIAs’ own websites. For the dispute settlement procedures I relied on Smith (2000). Each coding is a result of cross-examination of these different sources. To determine the degree of implementation, I used similar secondary sources. In addition, I surveyed in-depth case studies that attempted to evaluate the RIAs under scrutiny. Tables 3.2, 3.3, and 3.4 report the main sources used to code each RIA. In order to increase the reliability of my coding and to reduce the risk of measurement errors, I compared several sources before I determined the value of each indicator.

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76 RIAs that were formed after 1982 do not have four observations. An RIA that was formed in, say, 1989 has only two observations, 1992 and 1997. The wide majority of RIAs (18 out of 25) do have four observations.

77 I coded cases that are excluded from Smith’s study according to his own criteria.
<table>
<thead>
<tr>
<th>RIA and Year of Formation</th>
<th>Members</th>
<th>Sources for Coding of Regional Institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andean Community (ANCOM)</td>
<td>Bolivia, Colombia, Ecuador, Peru, Venezuela</td>
<td>Mace (1994); Mendoza (1998, 1999); Nicholls et al. (2000); Nicholls et al. (2001); Nogues and Quintanilla (1993)</td>
</tr>
<tr>
<td>Caribbean Community (CARICOM)</td>
<td>Antigua and Barbuda, Bahamas (joined 1983), Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname (joined 1995), Trinidad and Tobago</td>
<td>El-Agraa and Nicholls (1997); Nicholls et al. (2001); OAS Compendium (1996); Payne (1994) Taccone and Nogueira (2002)</td>
</tr>
<tr>
<td>Latin American Integration Association (LAIA)</td>
<td>Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay Peru, Uruguay, Venezuela</td>
<td>UNCTAD (1996); Bulmer-Thomas (1997a)</td>
</tr>
<tr>
<td>Mercado Comun del Sur (MERCOSUR)</td>
<td>Argentina, Brazil, Paraguay, Uruguay</td>
<td>Bouzas and Soltz (2001); Pereira (1999); Page (2000a); Zormelo (1995)</td>
</tr>
</tbody>
</table>

Table 3.2: RIAs in the Americas and Europe, their Member-States, and Sources of Information
<table>
<thead>
<tr>
<th>Organization</th>
<th>Countries</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization of Eastern Caribbean States (OECS) 1981</strong></td>
<td>Antigua and Barbuda, Dominica, Granada, Montserrat, St Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines</td>
<td>UNCTAD (1996); OECS website</td>
</tr>
<tr>
<td><strong>European Free Trade Association (EFTA) 1960</strong></td>
<td>Austria (left 1995), Finland (joined 1986 left 1995) Iceland, Liechtenstein (joined 1991), Norway, Portugal (left 1986), Sweden (left 1995), Switzerland</td>
<td>EFTA website; Kahler (1995); YIO (1999/2000)</td>
</tr>
<tr>
<td><strong>The European Union (EU) 1957</strong></td>
<td>Austria (joined 1995), Belgium, Denmark (joined 1973), France, Finland (joined 1995), Germany, Greece (joined 1981), Ireland (joined 1973), Italy, Luxemburg, the Netherlands, Portugal (joined 1986), Spain (joined 1986), Sweden (joined 1995), the United Kingdom (joined 1973).</td>
<td>El-Agraa (1997); Hafbauer and Schott, 1994; Page (2000a)</td>
</tr>
<tr>
<td>RIA and Year of Formation</td>
<td>Members</td>
<td>Sources for Coding of Regional Institutionalization</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Arab Maghreb Union (AMU) 1989</td>
<td>Algeria, Libya, Mauritania, Morocco, Tunisia</td>
<td>African Development Bank (2000); Aghrout, and Sutton (1990); Mortimer (1999)</td>
</tr>
<tr>
<td>Association of Southeast Asian Nations (ASEAN) 1967</td>
<td>Indonesia, Malaysia, Thailand, the Philippines, Singapore, Brunei (joined 1984), Vietnam (joined 1995), Laos (joined 1997), Myanmar (joined 1997), Cambodia (joined 1999).</td>
<td>Collins (2003a); Davidson (2003); Mahani (2002); Narine (2002); Page (2000a); Ravenhill (1995); Tongzon (1998)</td>
</tr>
<tr>
<td>Gulf Cooperation Council (GCC) 1981</td>
<td>Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates</td>
<td>Barnett and Gause (1998); Dar and Presley (2001); Koppers (1995); Peterson (1988)</td>
</tr>
<tr>
<td>South Asian Association for Regional Cooperation (SAARC) 1985</td>
<td>India, Pakistan, Bangladesh, Nepal, Sri Lanka, Maldives, Bhutan</td>
<td>Gonsalves and Jetly (1999); Husain (1999); Hussain (1999); Kalam (2001)</td>
</tr>
</tbody>
</table>

Table 3.3: RIAs in Asia and the Middle East, their Member-States, and Sources of Information
<table>
<thead>
<tr>
<th>RIA and Year of Formation</th>
<th>Members</th>
<th>Sources for Coding of Regional Institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community of the Countries of the Great Lakes (CEPGL) 1976</td>
<td>Burundi, Congo DR (Zaire), Rwanda</td>
<td>ADB (2000); Foroutan (1993); OECD (1993); UNCTAD (1996)</td>
</tr>
<tr>
<td>Economic Community of Central African States (ECCAS) 1983</td>
<td>Angola (joined 1999), Burundi, Cameroon, Central African Republic, Chad, Congo, Congo DR; Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe</td>
<td>ADB (2000); Ntumba (1997); Ropivia (1999); OAU/NEPAD (2000)</td>
</tr>
</tbody>
</table>

Continued

Table 3.4: RIAs in the Sub-Saharan Africa, their Member-States, and Sources of Information
Table 3.4 Continued

| Economic Community of West African States (ECOWAS) | Benin, Burkina Faso, Cape Verde, Cote d’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania (left in 1999), Niger, Nigeria, Senegal, Sierra Leone, Togo | ADB (2000); Aryeetey (2001); Bach (1983); Bundu (1997); Ntumba (1997); Ojo (1999); Okolo (1990); Robson (1985) |
| Mano River Union (MRU) | Guinea (joined 1980), Liberia, Sierra Leone | ADB (2000); Robson (1982); Sesay (1985, 1990) |
| South African Customs Union (SACU) | Botswana, Lesotho, Namibia (joined 1990), South Africa, Swaziland. | ADB (2000); Jenkins (2001); Page (2000a); Poku (2001); Robson (1997) |
| Central African Customs and Economic Union (UDEAC) | Cameroon, Central African Republic (left 1968 and rejoined in the same year), Chad (left 1968-84), Congo, Equatorial Guinea (joined 1983), Gabon | ADB (2000); IMF (1994); Jalloh (1985); Masson and Pattillo (2001); Pourtier (1999) |
3.4 An Overview of Regional Institutionalization

In this section I present and discuss several descriptive observations that stem from the data set of regional institutionalization thus far discussed. I consider three issues in particular. The first two sub-sections examine spatial and temporal variation in the level of regional institutionalization, respectively. The third sub-section considers variation in and relationship between the different components of the aggregated measures of regional institutionalization. In it, I pay particular attention to institutional features that are hypothesized to affect violent conflict. Table 3.5 presents these variables and reports their descriptive statistics.

3.4.1 Spatial Variation in Regional Institutionalization

As discussed above, it is not unusual for scholars to treat RIAs as if they are uniform (Mansfield, Milner, and Rosendorff, 2002; Mansfield and Pevehouse, 2000; Russett and Oneal, 2001). Thus, establishing that regional institutionalization varies across different regions is a necessary point of departure. In addition, describing the data and comparing it to other accounts of economic regionalism can provide a sense of the face validity of my original measure. As a starting point, we can group the RIAs into several categories, according to their degree of institutionalization. I divided the range into four equal quartiles that represent low, medium, high, and very high degree of institutionalization. Figures 3.1 and 3.2 present the distribution of RIAs on this continuum for designed and implemented regional institutionalization, respectively.\textsuperscript{78}

\textsuperscript{78} For each RIA, the value represents the average across the different time points.
### Table 3.5: Variables Pertain to Regional Institutionalization and their Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Label</th>
<th>Indicators (Range)</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designed Regional Institutionalization</td>
<td>DERI</td>
<td>1-40 (0-40)</td>
<td>2</td>
<td>38</td>
<td>17.39</td>
<td>8.67</td>
</tr>
<tr>
<td>Implemented Regional Institutionalization</td>
<td>IMRI</td>
<td>1-40 (0-40)</td>
<td>1</td>
<td>37</td>
<td>10.59</td>
<td>7.49</td>
</tr>
<tr>
<td>Designed Trade Liberalization</td>
<td>DETRADE</td>
<td>1-4 (0-4)</td>
<td>0</td>
<td>4</td>
<td>3.03</td>
<td>1.31</td>
</tr>
<tr>
<td>Implemented Trade Liberalization</td>
<td>IMTRADE</td>
<td>1-4 (0-4)</td>
<td>0</td>
<td>4</td>
<td>1.37</td>
<td>1.49</td>
</tr>
<tr>
<td>Designed Scope</td>
<td>DESCOPE</td>
<td>1-27 (0-27)</td>
<td>0</td>
<td>26</td>
<td>12.05</td>
<td>6.89</td>
</tr>
<tr>
<td>Implemented Scope</td>
<td>IMSCOPE</td>
<td>1-27 (0-27)</td>
<td>0</td>
<td>25</td>
<td>5.82</td>
<td>5.90</td>
</tr>
<tr>
<td>Designed Security Linkages</td>
<td>DESECURITY</td>
<td>28-30 (0-3)</td>
<td>0</td>
<td>2</td>
<td>.59</td>
<td>.75</td>
</tr>
<tr>
<td>Implemented Security Linkages</td>
<td>IMSECURITY</td>
<td>28-30 (0-3)</td>
<td>0</td>
<td>2</td>
<td>.37</td>
<td>.69</td>
</tr>
<tr>
<td>Regular Meetings of High-Level Officials</td>
<td>HILOF</td>
<td>31 (0-1)</td>
<td>0</td>
<td>1</td>
<td>.75</td>
<td>.43</td>
</tr>
<tr>
<td>Institutional Centralization</td>
<td>IC</td>
<td>31-40 (0-10)</td>
<td>0</td>
<td>10</td>
<td>4.38</td>
<td>2.51</td>
</tr>
</tbody>
</table>

**Note:** N = 90. The number of indicators refers to Table 3.1.
Figure 3.1: Distribution of RIAs According to their Level of Designed Regional Institutionalization, Average 1982-1997
Figure 3.2: Distribution of RIAs According to their Level of Implemented Regional Institutionalization, Average 1982-1997
These figures point to several observation. First, it is clear that there is a great deal of spatial variation in the level of regional institutionalization. Figure 3.1 indicates that the distribution on the designed level of regional institutionalization resembles a right-tail bell shaped curve. That is, some RIAs fall in the lowest category, most RIAs fall in the medium and high categories, while only one RIA – the EU – falls in the highest category (discussed below). Figure 3.2 point to somewhat smaller, but still significant, variation on the level of implemented regional institutionalization. Almost all RIAs fall in the low and medium categories (only the EU continues to fall in a high category).

Second, this variation is consistent with the conventional wisdom with respect to existing RIAs. Most observers agree that many of these organizations are not very institutionalized, but that some are more institutionalized than others (Choi and Caporaso, 2002; Laursen, 2003; Page, 2000a). This is especially true for RIAs in the developing world, which leave much to be desired (Langhammer and Hiemenz, 1990; OECD, 1993:65). In addition, a comparison of the two figures supports the notion that implementation lags behind planned regional institutionalization (de la Torre and Kelly, 1992; Langhammer and Hiemenz, 1990; WTO, 1995:27). This gap is related to what Langhammer and Hiemenz (1990:2) label the “fallacy of transposition,” which refers to attempts of less developing regions to replicate the European experience. These attempts
have resulted in very ambitious agreements that did not correspond to the economic and political realities in these regions.\textsuperscript{79}

Next, it is worthwhile to examine how the different RIAs score on my original measure. Figures 3.3 and 3.4 report the average level of designed and implemented regional institutionalization for the individual RIAs, respectively. Again, these figures report considerable variation across the different organizations. They also show that in many cases there is a sizable gap between institutional design and its implementation. Some notable examples in this respect are AMU, ECOWAS, and UDEAC that drop from high level to low level of regional institutionalization when we consider implementation. These cases indeed illustrate the notion of “fallacy of transposition” mentioned above.

\textsuperscript{79} A more systematic analysis of the determinants of regional institutionalization is conducted in Chapter 5.
Figure 3.3: Designed Regional Institutionalization, Average 1982-1997
Figure 3.4: Implemented Regional Institutionalization, Average 1982-1997
The overall picture largely corresponds to extant accounts of institutional variation across RIAs. As mentioned above, my measure points to the EU as the most institutionalized RIA existing today. The gap between the EU and all the rest is much more pronounced when one takes into account implementation. This result echoes the commonly held view that the EU “has consolidated its status as the champion of regional integration” (Choi and Caporaso, 2002:483; also see, Grieco, 1997; Mattli, 1999). It is widely agreed, for example, that the EU is much more institutionalized than RIAs in the Western Hemisphere, such as MERCOSUR and NAFTA (Choi and Caporaso, 2002; Grieco, 1997; Li, 2000) and Asia (Choi and Caporaso, 2002; Grieco, 1997; Katzenstein, 1997). Indeed, the high level of institutionalization renders the EU a unique organization in the sense that it approaches a loose type of federalism. Nonetheless, I would argue that, at least for now, the EU is an international organization that still has a long way to go before it resembles a federal system. As Kahler (1995:82) observes, “the EU’s evolving institutions provide an important benchmark for other regional institutional arrangements. Despite its virtually unique institutions, the EU continues to confront many of same dilemmas that other, less institutionalized arrangements face.”

More detailed comparisons are more difficult to make because – as discussed above – scholars rarely provide clear metric and coding of institutional variation. One exception is Page (2000b:73), who ranks eleven RIAs that are included in my sample.80

80 These are ANCOM, ASEAN, CACM, CARICOM, COMESA, the EU, MERCOSUR, NAFTA, SAARC, SACU, and SADC.
While she examines somewhat different categories and while her ranking is very tentative,\textsuperscript{81} it serves as a useful benchmark for comparison. The EU turns out to be the most advanced RIA in her comparison, as it scores forty-three out of a maximum of forty-five points. The next two most advanced RIAs are SACU and MERCOSUR, which score thirty and thirty-two points respectively. These two organizations are located on the higher end of my measure of implemented regional institutionalization as well. SAARC and SADC, which receive the lowest scores (thirteen and seventeen, respectively) in Page’s ranking, are located on the lower end of my own measure. Thus, my measure largely parallels Page’s assessment. In sum, comparison with other assessments of cross-regional variation provides my measure of regional institutionalization with face validity.

3.4.2 Temporal Variation in Regional Institutionalization

Coding regional institutionalization over a period of two decades provides us with insights regarding temporal variation. Figure 3.5 presents the sheer number of RIAs in each time-point. It shows an increase in the number of organization throughout this period, and reflects the emergence and revival of several RIAs in the late 1980s and 1990s that was associated with the new wave of economic regionalism (IMF, 1994; WTO, 1995).\textsuperscript{82} This figure is also consistent with the observation that the number of regional RIAs continues to grow. This is noteworthy because the number of universal IGOs is actually in decline (Feld, Jordan, and Hurwitz, 1994:17-21; Pevehouse, Nordstrom, and Warnke, 2004).

\textsuperscript{81} She cautions (2000b: 86) that this exercise “should not be taken seriously.”

\textsuperscript{82} Recall that I did not code RIAs that were formed after 1992. Although new RIAs were formed after 1992, they are excluded from my sample.
Figure 3.5: Number of RIAs in Different Time-Points, 1982-1992
Figure 3.6 reports the average level of designed and implemented regional institutionalization in each time-period for the eighteen RIAs that existed in 1982. This figure indicates that the level of regional institutionalization is increasing throughout this period. This upsurge is especially pronounced in the early 1990s. This trend is, again, consistent with the dynamism ascribed to the new wave of economic regionalism (IMF, 1994; Mansfield and Milner, 1999).

An examination of the different RIAs shows that the aggregate averages mask a great deal of temporal variation. Figure 3.7 presents the change in the implemented level of regional institutionalization for each RIA from the earliest year coded to 1997. This figure shows that most organizations went through considerable institutional changes throughout the examined period. Several Latin American RIAs – e.g. CACM, CARICOM, and ANCOM – exhibit a marked increase in the level of regional institutionalization. This picture parallels the observation that RIAs in this region experienced institutional weakness in the 1980s, but were reinvigorated in the 1990s (Bulmer-Thomas, 2001; Hafbauer and Schott, 1994; Mattli, 1999). Similar trends were apparent in Europe, where the Single European Act (SEA) and Maastricht Treaty provided the EU with new momentum in the 1990s, and in Asia, where RIAs such as ASEAN broke new grounds in regional cooperation (El-Agraa, 1997; Narine, 1998).

83 Newly formed RIAs have low levels of regional institutionalization that may lead to an artificially low average. It is thus more informative to compare the same group of organizations across time.

84 The growth rates are higher in 1992, somewhat lower in 1997, and still lower in 1987.
Figure 3.6: Designed and Implemented Regional Institutionalization by Year, 1982-1997
Figure 3.7: Temporal Change in Implemented Regional Institutionalization, 1982-1997
African RIAs, on the other hand, show a mixed track record. Several RIAs, mainly in central Africa, experienced a significant institutional decline. RIAs in other parts of the continent, on the other hand, proved to be more dynamic. My coding closely corresponds to a similar assessment made by the Economic Commission of Africa (2004). ECA evaluates the rate of progress of most African RIAs in the 1990s. It concludes (2004:230-31) that WEAMU, ECOWAS, and SADC made the most impressive progress in the 1990s, while CEPGL, ECCAS, IOC, and MRU, made the most erratic progress. Figure 3.7 echoes this conclusion. In summary, this sub-section demonstrates that a significant cross temporal variation in regional institutionalization does exist. Scrutinizing this variation provides additional face validity to my measure.

3.4.3 Disaggregating Regional Institutionalization

So far I discussed the aggregate measures of regional institutionalization. The theoretical framework presented in Chapter 2 points to the potential importance on different institutional features in isolation. In this section I take up two issues that pertain to these features. First, I succinctly demonstrate that variation exists for each of the individual institutional features. Second, I examine the correlation between the different features. This is a significant issue because if these different institutional aspects are highly correlated, one may be able to employ one feature as a surrogate for regional institutionalization, dispensing with the rest.
3.4.3.1 Variation in Five Institutional Features

Figure 3.8 reports the average level of designed and implemented levels of trade liberalization for the different RIAs. This Figure indicates that almost all RIAs include institutional features that pertain to trade liberalization. This is not surprising as this issue-area is at the heart of many existing RIAs. It is also clear that there is a wide variation in institutional design that pertains to trade liberalization and implementation thereof. In particular, it seems that many RIAs include plans for an encompassing free trade area, but quite a few of them – e.g. AMU, ECOWAS, and CACM – fall short on the implementation of these plans. Figure 3.9 presents the average level of designed and implemented levels of the scope of economic activity for the various RIAs. It shows a great deal of variation on both the designed and implemented of scope, which parallels the trends in the aggregated variables of regional institutionalization discussed above.

Figure 3.10 presents the average level of designed and implemented levels of security linkages for the various RIAs. This figure reveals that institutional features that pertain to security are rather common in existing RIAs. Sixteen out of twenty-five RIAs include some kind of security linkage. There is also visible variation in the institutionalization of this feature. ECOWAS and the GCC exemplify RIAs that contain high levels of security cooperation. In COMESA and ANCOM, on the other hand, security linkages seem to play only a minor role.

Figure 3.11 presents the average level of regular meetings of high-level officials. It indicates that it is conventional for heads of states or foreign ministers to meet regularly in a regional context. At the same time, several RIAs, such as AMU, NAFTA,
SAARC, and the CACM, fall short of this standard. Finally, Figure 3.12 presents the average level of institutional centralization for each RIA. Again, one observes substantial variation on this variable. The EU and ANCOM have the most developed institutional framework, while SACU and the BA have the least developed one.
Figure 3.8: Designed and Implemented Trade Liberalization, Average 1982-1997
Figure 3.9: Designed and Implemented Scope of Economic Activity, Average 1982-1997
Figure 3.10: Designed and Implemented Military and Security Linkages, Average 1982-1997
Figure 3.11: Regular Meetings among High-Level Officials, Average 1982-1997
Figure 3.12: Institutional Centralization, Average 1982-1997
3.4.3.2 Correlation between Five Institutional Features

Table 3.6 reports bivariate correlations between the different institutional components, as envisioned by the agreement and as implemented in practice. It highlights two points. First, like with the aggregate measure of regional institutionalization, the levels of institutional design and implementation are positively correlated, but this correlation is far from perfect (.36, .67, and .71 for trade liberalization, scope, and security linkages, respectively). These figures indicate that one should consider these two dimensions separately.

Second, Table 3.6 shows that the bivariate correlations between the different institutional features are positive but, again, not perfect. It suggests that each of these features captures a distinct aspect of regional institutionalization, which merits separate empirical analysis. In particular, the correlation between the scope of economic activity and institutional centralization is less than .5. This is somewhat surprising because one may expect that a wider scope would require higher levels of institutional centralization to manage the various activities (Smith, 2000). The low correlation between regular meetings of high-level officials and most of the other variables is also noteworthy.
<table>
<thead>
<tr>
<th>Designed Trade Liberalization</th>
<th>Implemented Trade Liberalization</th>
<th>Designed Scope</th>
<th>Implemented Scope</th>
<th>Designed Security Linkages</th>
<th>Implemented Security Linkages</th>
<th>Regular Meetings of High Level Officials</th>
<th>Institutional Centralization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designed Trade Liberalization</td>
<td>0.36</td>
<td>0.66</td>
<td>0.40</td>
<td>0.20</td>
<td>0.18</td>
<td>0.10</td>
<td>0.32</td>
</tr>
<tr>
<td>Implemented Trade Liberalization</td>
<td>0.31</td>
<td>0.77</td>
<td>0.07</td>
<td>0.18</td>
<td>0.10</td>
<td>0.20</td>
<td></td>
</tr>
<tr>
<td>Designed Scope</td>
<td>0.67</td>
<td>0.47</td>
<td>0.40</td>
<td>0.17</td>
<td>0.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implemented Scope</td>
<td></td>
<td>0.19</td>
<td>0.31</td>
<td>0.10</td>
<td>0.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designed Security Linkages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.71</td>
<td>0.14</td>
<td>0.38</td>
</tr>
<tr>
<td>Implemented Security Linkages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.24</td>
<td>0.48</td>
<td></td>
</tr>
<tr>
<td>Regular Meetings of High Level Officials</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.60</td>
</tr>
</tbody>
</table>

Table 3.6: Bivariate Correlation between Several Institutional Features
Figures 3.8 to 3.12 nicely illustrate this limited correlation. Some RIAs reflect instances in which all good (or bad) things go together. The EU scores very high on most institutional features, while the BA scores low across the board. Other RIAs point to a great deal of variation across different institutional features. SACU, for example, scores very high on scope of economic activity, but very low on institutional centralization and security. ANCOM, on the other hand, illustrates a case of high institutional centralization with relatively modest institutionalization on the other two components. Finally, ECOWAS scores high on security but low on economic scope. On the whole, these examples reinforce the notion that relying on just one institutional feature as a surrogate for regional institutionalization is unwarranted.

3.5 Conclusion

In order to test the hypotheses laid out in the Chapter 2, it is necessary to define, operationalize, and measure variation across RIAs. In this chapter I argued that the extant literature on the relationship between RIAs and conflict does not address this variation in a satisfactory manner. Thus, this chapter provides a theoretically informed measure of this variation, labeled regional institutionalization. This variable includes several institutional features that are believed to mitigate violent conflict. It also considers implementation, which is rarely accounted for in quantitative studies.

A collection of systematic data on most existing RIAs over a time period of sixteen years results in three important conclusions. First, the aggregate level of regional institutionalization varies across time and space. Second, the implemented level of regional institutionalization does not correspond to the designed one. Third, the
correlation between the different institutional features is low, and indicates that a separate analysis of these features is warranted. Equipped with the variables and data described in this chapter, we can now turn to the analysis of the relationship between regional institutionalization and conflict.
CHAPTER 4

THE EFFECT OF REGIONAL INSTITUTIONALIZATION ON VIOLENT CONFLICT

Institutionalists argue that institutions can be instrumental in reducing inter-state violent conflict and propose several causal mechanisms by which they may do so. As discussed in Chapter 2, these causal mechanisms point to different institutional features that RIAs may (or may not) have. I also pointed out that according to this logic the effects of these institutional features on conflict depend in important ways on their level of institutionalization. In this chapter I conduct a quantitative analysis of the hypotheses with respect to the effect of variables that pertain to regional institutionalization on violent conflict. The next section elaborates on issues of research design, and on the dependent, independent, and control variables. It also explains my choice of estimation technique. The third section reports the results of the empirical analysis. My findings suggest that some institutional features help to reduce intramural violent conflict, while others do not, and that implementation is crucial in this respect. The final section concludes.
4.1 Research Design

This section justifies my choices with respect to the research design adopted in this study. I begin by pointing out the advantages of the regional level of analysis, compared to the dyadic one. I then describe the unidirectional estimation technique employed to analyze the data, and explain why I am not employing a simultaneous equations technique. Finally, I describe the dependent, independent, and control variables.

4.1.1 Unit of Analysis, Sample and Data

In order to test the hypothesized effect of variables that pertain to regional institutionalization on violent conflict I use the original data set described in Chapter 3. Because these variables are attributes of the RIA, the empirical analysis is conducted at the regional level of analysis, and a region is defined by organizational membership. For the sake of consistency, the dependent variable and the control variables are also defined and measured at the regional level. This set-up expands on other quantitative analyses on the link between international organizations and conflict, which commonly employ a dyadic set up (Bearce and Omori, 2004; Mansfield and Pevehouse, 2000; Mansfield and Pevehouse and Bearce, 1999/2000; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998).

Although the dyadic level of analysis provided numerous insights into the sources of violent conflict, it suffers from some limitations. In particular, it reduces any interaction at the international level to a dyadic one. There are good reasons to believe that some types of interactions are not adequately captured by a dyadic set up, and more
amenable to a regional set up. Regional institutionalization is, of course, an organizational trait of the RIA and not of any particular dyad. The dependent variable, violent conflict, is also not necessarily a dyadic phenomenon (Gleditsch, 2002:41). Many disputes involve multiple participants, which oftentimes involve neighboring states. Some conventional explanations for the likelihood of militarized interstate disputes point to a similar direction. The regional balance of power and the existence of a regional hegemon, for example, require one to identify a region. Recent studies point out that security relations, regime types and the level economic interdependence tend to cluster geographically, which in turn suggest that regional dynamics are at work (Gleditsch, 2002; Buzan and Wæver, 2003).

Taken together, these observations point to the significance of interaction at the regional arena and reinforce several calls for greater scholarly attention to this level of analysis (Buzan, 1991; Buzan and Wæver, 2003; Gleditsch, 2002; Kacowicz, 1998; Lake and Morgan, 1997; Lemke, 2002; Solingen, 1998). Such analysis can serve as a useful complement (rather than a substitute) to the dyadic level of analysis. The definition of particular regions according to membership in regional international organizations emanates from my attempt to evaluate the effect of these organizations on conflict in the region. While there is a lack of consensus on how exactly to define a region and on the identification of specific regions, identifying regions by organizational ties is one conventional way to proceed (Mansfield and Milner, 1999; Väyrynen, 2003). In addition, as pointed out above, my sample covers most regions in the world, which in turn reduces the risk of selection bias.
4.1.2 Estimation Technique

The dependent variable is a count of intramural violent disputes and is characterized by a Poisson distribution. Therefore, an event count model is used for estimation. In addition, the significance of the goodness-of-fit parameters in the statistical models below indicates that a negative binomial regression model (NBRM) is most appropriate. This model assumes a Poisson distribution but allows a conditional variance that is greater than the conditional mean (Long, 1997). Finally, the data is arranged in a panel set-up. I employ a random effects count model to account for cross sectional unobservable contextual heterogeneity.\textsuperscript{85}

A survey of the extant literature and the theoretical chapter indicate that there are good reasons to believe that regional institutionalization affects interstate violent conflict, and that, at the same time, conflict affects regional institutionalization. The plausibility of this mutually reinforcing loop suggests that a unidirectional technique may not be the most appropriate. To the extent that two variables are simultaneously determined, unidirectional estimation techniques may lead to biased results. This problem emanates from the co-variation between the independent variables and the disturbance term, which violates an important assumption of the ordinary least squares (OLS) and event count models. From this perspective, simultaneous equations technique may be more suitable for my purposes. I thus attempted to employ this technique in my empirical analyses.

\textsuperscript{85} Panel data refers to datasets that are cross-sectionally dominated. My dataset contains 25 sections (RIAs) and up to four time points. The command xtnbreg in Stata is used.
I first analyzed the data with a two-stage least-square (2SLS) model. 2SLS uses the predicted values of the original variables to create new variables, or instruments, that are highly correlated with these variables but are not correlated with the disturbance terms. The quality of such instrument depends on the $R^2$ in the first stage regression. Gujarati (1995:689-690) argues that an $R^2$ that is higher than 0.8 indicates that the instrument serves as a good approximation of the original variable. A lower $R^2$, on the other hand, indicates that the instrument is a poor proxy of the original variable. Unfortunately, the $R^2$s were lower than the conventional threshold, ranging from 0.3 to 0.6. These values indicate that the instruments are indeed inadequate substitutes of the original endogenous variables, which means that one cannot use the results to make an inference with respect to the actual relationship between the two variables.

The poor quality of the instruments may emanate from several reasons. First, like OLS, the conventional 2SLS assumes that the endogenous variables are normally distributed. These variables – violent conflict and regional institutionalization – seem to violate this assumption. Regional institutionalization resembles a normal distribution but is bounded between 0 and 40. Even more problematic, the variables that pertain to violent conflict better fit a Poisson, rather than a normal, distribution. Regrettably, simultaneous equations techniques that allow for count variables do not yet exist. A development of such technique in the future may allow me to mitigate this problem and to examine its magnitude. In an attempt to circumvent the distribution-related problem I converted the

\footnote{It is also noteworthy that existing simultaneous equations techniques are not designed to account for fixed or random effects. Thus, in an attempt to solve one problem, one forgoes a solution to another problem.}
MID count variable into a categorical one. That is, any RIA scores 1 if it experienced any number of MIDs in a five-year period and 0 otherwise. I then used a two-stage probit least-square (2SPLS), which is designed to estimate a simultaneous equation model in which one of the endogenous variables is discrete (Keshk, Pollins, and Reuveni, 2004; Maddala, 1983). The R²’s remained poor, however.

As the low quality of instruments cast serious doubt on any results obtained from the simultaneous equations analyses, I do not report and discuss them in this study. Nonetheless, considering the theoretical argument offered in this dissertation, it is important to keep looking for solutions to the current technical obstacles. Beyond developing new estimation techniques, there are two additional ways by which one may improve the quality of the instruments. First, the simultaneous equations technique requires a large number of degrees of freedom, and thus stretches the small number of observations thin. From this perspective, collecting more data across time and space may permit more informative analysis. I intend to collect such data in the future. Second, the quality of the instruments depends on the quality of the theories and associated models of each of the endogenous variables. Further theoretical developments and empirical analyses may allow me to better specify the statistical models and to increase the confidence in the related findings.

4.1.3 Dependent Variable

The dependent variable is intramural violent conflict. Like for other variables, I aggregate the number of disputes over a five-year period. To minimize the risk of endogeneity, these periods succeed the year in which the main independent variables are
measured (discussed below). For each RIA, I calculate the occurrence of violent conflict. That is, for any given dispute, all years in which it took place are coded 1, and zero otherwise. This measure, labeled MIDDV captures the amount of intramural conflict in a five-year period, regardless the timing of its initiation. To operationalize this variable, I use the militarized interstate disputes (MIDs) dataset, which is a conventional measure of interstate violence. This dataset contains incidents that involve the threat, display, or use of force between members of the interstate system (Ghosn, Palmer, and Bremer, 2004; Jones, Bremer, and Singer, 1996).

4.1.4 Independent Variables

The main independent variables are the institutional features discussed in Chapter 3. These are the designed and implemented Trade liberalization (DETRADE and IMTRADE); designed in implemented scope of economic activity (DESCOPE and IMSCOPE); security linkages (SECURITY); regular meetings of high-level officials (HILOF); institutional centralization (IC); and designed and implemented regional institutionalization (DERI and IMRI). Table 3.5 provides a summary of these variables and their characteristics. Institutionalist theory expects that all this variables will decrease the level of intramural violent conflict.

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88 I also tested statistical models in which the dependent variable was dispute onset. This alteration did not change the results in a meaningful way, and thus not reported.
4.1.5 Alternative Explanations

The extant literature offers several explanations for violent conflict and war at the regional level. I briefly review the arguments and discuss the operationalization and measurement of these control variables. Table 4.1 summarizes the related hypotheses and point to scholars who are identified with them, where appropriate, and Table 4.2 provides descriptive statistics for the control variables. To minimize the risk of endogeneity and to smooth possible picks, all the control variables are lagged five-year averages, unless indicated otherwise.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Expected Effect on the number of MIDs</th>
<th>Scholars Identified with Hypothesis</th>
</tr>
</thead>
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<td>Decrease</td>
<td>Mansfield and Pevehouse (2000); Polachek (1980); Russet and Oneal (2001)</td>
</tr>
<tr>
<td>H13 Regional Democraticness</td>
<td>Decrease</td>
<td>Gleditsch (2002); Russet and Oneal (2001)</td>
</tr>
<tr>
<td>H14 Concentration Ratio</td>
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<td>Lemke (2002); Mansfield and Pevehouse (2000)</td>
</tr>
<tr>
<td>H15 Economic Development</td>
<td>Decrease</td>
<td>Mousseau (2000); Mueller (1989); Schumpeter (1951)</td>
</tr>
<tr>
<td>H16 Domestic Armed Conflict</td>
<td>Increase</td>
<td>Brown (1996); Dassel and Reinhardt (1999); Davies (2002)</td>
</tr>
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<td>H17 International System</td>
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<td></td>
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<tr>
<td>H18 Great Power Intervention</td>
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<td></td>
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<td>H19 Number of Members</td>
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<tr>
<td>H20 Borders per Member</td>
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**Table 4.1**: Summary of Alternative Explanations and Scholars Identifies with Related Hypotheses
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</table>

**Table 4.2: Descriptive Statistics of Dependent and Control Variables**

4.1.5.1 Economic Interdependence

Economic interdependence, usually conceptualized in terms of international trade, is a widely cited explanation for peace. According to proponents of this theory, free trade results in gains to individuals in the involved countries. Because war and violence jeopardize these beneficial ties and can create substantial losses to commercial interests, simple calculation will show that war is too costly and irrational under conditions of free trade. This argument was popularized by 19th century British liberals, such as Richard Cobden, and attracted a renewed scholarly attention in recent years (Polachek, 1980;
Russett and Oneal, 2001; for a recent review see Mansfield and Pollins, 2001). Indeed, as discussed above, several scholars argue that RIAs mitigate conflict partly because it reduces barriers to regional trade and increases economic interdependence (Mansfield and Pevehouse, 2000). From this perspective, accounting for regional economic interdependence allows one to evaluate the effect of regional institutionalization on conflict independent of its indirect effect through its effect on trade.

**H12**: the greater the level of regional economic interdependence, the lower the level of intramural interstate violent conflict

The level of regional economic interdependence is usually captured by regional trade share, which is the intra-regional trade as a percentage of the total regional trade (Grieco, 1997; Page 2000).[^89] A greater proportion of intra-regional trade indicates that the RIA members trade more among themselves relative to their trade with the rest of the world, which in turn suggests greater regional interdependence. Thus:

\[
TSHARE = \left( \sum_{t=4}^{5} \frac{\text{Intra-Regional Export}}{\text{Total Exports}} \right) / 5
\]

UNCTAD provides information on trade share for most RIAs, based on their exports.[^90] TSHARE is expected to reduce the level of violent conflict in a region.

4.1.5.2 Regime Type

Proponents of the “democratic peace” research program contend that democracies rarely go to war against other democracies, and less likely to fight each other relative to other groups of states (the body of literature on this issue is voluminous. For a concise

[^89]: Grieco (1997) refers to this measure as trade encapsulation.

[^90]: Trade data for SACU is not available, and most likely does not exist (see Page, 2000:117).
statement of the theory and findings, see Russett and Oneal (2001)). Most of the empirical research on this issue, however, is conducted at the dyadic level. While the empirical findings at this level of analysis are generally robust for alternative specifications, the explanatory power of the theory at other levels of analysis is yet to be determined (Gleditsch and Hegre, 1997; Gortzak, Haftel, and Sweeney, 2005). Particularly, although both regime type and conflict tend to cluster geographically, the effect of regime type at the regional level attracted only scant attention (Gleditsch, 2002). Nonetheless, studies that examine the sources of regional conflict posit that higher levels of democracy in the region should result in less conflict, at least as a starting point (Gleditsch, 2002; Kacowicz, 1998; Lemke, 2002). Thus:

**H13:** Democratic regions will face lower levels of regional violent conflict, relative to non-democratic ones.

To assess the level of regional regime type, I employ the widely used Polity IV definitions and data (Jaggers and Gurr, 1995; Marshall and Jaggers, 2002). A composite measure of democracy is the difference between the level of democracy and the level of autocracy, and can range from 10 to -10 for strong democracy and strong autocracy, respectively. To measure the level of regional democraticness I first calculate the regional average of the composite variable. Then, I distinguish between regions that inhabit mature democracies and other all other regions. Thus, $DEMOC$ is a dichotomous

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91 Where $DEMOC > 6$ indicates coherent democracy, $DEMOC < -6$ indicates coherent autocracy, and any number in between indicates anocracy (Jaggers and Gurr, 1995). Data on the OECS states is not available.
variable that scores one if the average level of democracy is greater than six, and zero otherwise.\textsuperscript{92} DEMOC is expected to reduce the level of regional violent conflict.

\subsection*{4.1.5.3 Regional Hegemony}

Theories of power transition hold that preponderance of power is associated with more stability and less violence (Gilpin, 1981; Organski, 1968; Pollins, 1996). According to proponents of this perspective, global hegemons have both the ability and the willingness to impose order that mitigates the concerns of other states with respect to their survival and security. Therefore, greater power disparity should result in lower levels of war and other militarized disputes (Pollins, 1996). Several recent studies examined the implications of this logic at the regional level (Kacowicz, 1998; Lemke, 2002; Mansfield and Pevehouse, 2000). Lemke (2002), for example, develops a “multiple hierarchy model,” in which he argues that regional hegemony should result in lower levels of interstate war. His empirical tests support this proposition. In the context of economic regionalism, Mansfield and Pevehouse (2000: 800-801) find empirical support to the notion that greater power disparity reduces the likelihood of militarized disputes among regional members. We can thus hypothesize.

\textbf{H14}: the greater the intramural power asymmetry, the lower the level of regional violent conflict

There are several ways to operationalize and measure regional hegemony. One simple measure examines the relative size of the largest state in the RIA relative to the weakest state or to the rest of the group (Grieco, 1997:173-74; Lemke, 2002:99). This

\textsuperscript{92} This threshold follows the conventional practice in the definition of mature democracies.
measure, although intuitively reasonable, is somewhat crude and can be misleading (Smith, 2000:160). A more sophisticated measure of asymmetry is the concentration ratio (Mansfield, 1994; Mansfield and Pevehouse, 2000; Smith, 2000). This measure takes into account both the relative weight of all members and the number of the members. Formally, this measure is calculated as follows:\footnote{The measure and notation are taken from Mansfield and Pevehouse (2000:800). Smith employs the same measure, apart from taking the square root of the equation (2000:160).}

\[
\text{CONCEN} = \left( \frac{1}{5} \sum_{i=1}^{N} \left( \frac{\sum(x_i^2) - 1/N}{1 - 1/N} \right) \right)^{1/5}
\]

Where \(x_i\) is each member’s share of total regional Gross Domestic Product (GDP), and \(N\) is the number of RIA members. The value of this index increases as asymmetry grows and is bounded between 0 and 1. This index offers a reliable grasp of regional asymmetry and it contains several useful statistical properties.\footnote{For the advantages of this index, see Smith (2000).} GDP data from the Penn World Tables is used to calculate this variable (Heston, Summers, and Aten, 2002). CONCEN is expected to reduce the level of violent conflict in a region.

\textbf{4.1.5.4 Economic Development}

The idea that high levels of economic development reduce conflict and war is not new. Joseph Schumpeter (1951) argued that capitalism and the rise of a powerful middle class will result in the overthrow of warlike interest groups that support imperialism. According to him, war jeopardizes economic prosperity, thus the middle class will find war too costly. Schumpeter’s contention was echoed in recent years. Mueller (1989) argues that war among states in the developed world and Friedman’s (2000:249) “golden
arches theory of conflict prevention” posits that states that have big middle class rather wait in line for burgers than fight wars. Finally, Mousseau (2000) argues that developed market economies are characterized by liberal norms such as equitable contract enforcement and respect for property rights. These norms, which are common only to highly developed states, give rise to similar preferences and low likelihood of military conflict. Mousseau also finds negative association between the level of economic development and the likelihood militarized interstate disputes. Thus:

**H15:** the higher the level of regional economic development, the lower the level of regional violent conflict

The average regional GDP per capita is employed to measure the level of regional economic development. I use data from the Penn World Tables to calculate this measure (Heston, Summers, and Aten, 2002). As in other variables, DVLP is a lagged five-year average. It is expected to reduce the level of regional conflict.

4.1.5.5 Domestic Armed Conflict

The internationalization of civil wars in Central and West Africa as well as in Central Asia and South America attests to the potential effect of domestic violence on neighboring states. As Brown (1996:590) points out, “almost all internal conflicts involve neighboring states in one way or another. The vast majority of internal conflicts have important implications for regional stability.” From a theoretical standpoint, the logic of diversionary war points to the possibility that government will turn to international conflict in order to ameliorate domestic unrest or take advantage on states that experience
high levels of domestic strife (Dassel and Reinhardt, 1999; Davies, 2002). We can thus hypothesize:

**H16**: the higher the level of domestic violent conflict, the higher the level of regional violent conflict

To measure the level of regional conflict, I count the number of domestic armed conflict as reported in the Uppsala dataset on armed conflicts (Gleditsch et al., 2002). The Uppsala dataset distinguishes among four types of wars: interstate armed conflict, extrastate armed conflicts, internationalized internal armed conflicts, and internal armed conflicts. It also divides armed conflicts into three levels of intensity: minor armed conflict, intermediate armed conflict, and war.\(^95\) I count all the incidents among members of an RIA that are defined as internal armed conflict.\(^96\) As in other variables, CIVIL WAR is a lagged five-year average. It is expected to increase the level of regional interstate conflict.

4.1.5.6 Polarity and Great Power Intervention

It is widely agreed that regional political dynamics do not operate in isolation and are affected by external forces, such as great power intervention. What is the exact effect of these forces on regional conflict, however, is not clear. Some people argue that great power competition tends to exacerbate local conflict and to inflame otherwise peaceful regions. Others, by contrast, contend that great powers restrain their local clients in order

---

\(^95\) A minor armed conflict involves at least 25 battle-related deaths per year and fewer than 1,000 battle-deaths during the course of the conflict. An intermediate conflict involves at least 25 but less than 1,000 battle-related deaths per year and an accumulated total of at least 1,000 battle-deaths during the course of the conflict. Like in the COW dataset, a war involves at least 1,000 battle-deaths per year.

\(^96\) Internationalized internal disputes are excluded in order to minimize the possibility of overlap with the dependent variable.
to prevent local conflict from expanding to the global arena (for review of these contending perspective, see Stein and Lobell, 1997; Miller 2001). Although these opposing effects may cancel out, it seems important to account for the possibility of great power intervention.

While the need to account for great power intervention is convincing, it poses an empirical challenge to the analyst. Systematic data on great power intervention does not exist. Moreover, several difficulties may hamper the construction of a dataset of this sort (Lemke, 2002:147).\footnote{The main obstacle is to identify intervention when it occurs. For example, interventions can be sometimes covert.} I offer two indirect ways to examine the effect of the broader international system on the level of regional conflict. First, I consider the structure of the international system. The conventional wisdom holds that the Cold War compelled the great powers to interfere in the politics of different localities, and that regions experience greater independence in the post-Cold War era (Lake and Morgan, 1997). Although the jury is still out regarding the implications of this retreat for matters of regional security (Stein and Lobell, 1997), we can use this structural change as a first cut into the effect of great power intervention on regional conflict. Thus, DECADE is a categorical variable that scores 1 for the 1990s, and zero otherwise.

The broader international structure tells us nothing about potential cross-regional variation. It is plausible, however, that not all regions are equally vulnerable to outside intervention. Although no systematic information exists on which power intervened in which region, one can estimate the \textit{ability} of great powers to project their power in
different regions. Douglas Lemke did just that. He used each great power’s military capabilities, distance from any particular region, and types of terrain to estimate the ability of any one of the great powers to exert their power in different regions (Lemke, 2002). I employ his coding and count the number of great powers that can intervene in any particular region.\(^98\) As more powers can interfere in a particular region, its vulnerability to external intervention increases. Thus, INTRVN is a count of the number of great powers that are capable of interfering in any RIA, and can vary from 0 to 5.\(^99\)

4.1.5.7 Number of Members and Contiguity

It is reasonable to expect that the number of states in a region will be associated with the number of disputes. A greater number of states may result in additional opportunities of interaction and friction, and thus more conflict (Pollins, 1996:110). MEMBERS is a lagged five-year average count of the states that are members of an RIA. MEMBERS is expected to increase the level of interstate conflict. In addition, it is widely acceptable that geographical proximity provides more opportunities for interaction, and in turn for conflict (see, e.g., Gleditsch, 2002). Thus, CONTIGUITY measures the

\(^{98}\) Consistent with the Correlates of War Project, Lemke identifies five great powers: the U.S., China, the Soviet Union, Great Britain, and France. According to Lemke, the U.S. can intervene in all regions of the world, China can intervene in Southeast Asia, Great Britain, France, and the Soviet Union can intervene in North and West Africa and the Northern part of South America, and the Soviet Union can also intervene in the Southern part of South America (2002:150-51). Lemke does not code Central and North America, Western Europe, and Central Asia. Based on his criteria and upon personal communication with Lemke, I assume that the U.S., Great Britain, France, and the Soviet Union can intervene in Europe and the Americas and that the U.S. and the Soviet Union can intervene in Central Asia. Also, our operationalization of specific regions often diverges. To the extent that at any great power can interfere in at least two members of an RIA, I consider the RIA as vulnerable to intervention by this great power.

\(^{99}\) In practice it varies from 1 to 4. The U.S. can project its power in all corners of the globe and no region is vulnerable to all great powers’ intervention.
number of borders in a region.\textsuperscript{100} Because the number of borders is highly correlated with the number of members, I divide the number of borders by the number of members.\textsuperscript{101} I operationalize this variable with the COW Direct Contiguity Dataset, Version 3 (Stinnett et al., 2002). CONTIGUITY is expected to increase the level of interstate conflict.

4.2 Results

Tables 4.3 and 4.4 report the results of the empirical analysis. The models in Table 4.3 examine the effect of different institutional features on the dependent variable separately. The models in Table 4.4 examine the effect of the aggregated level of regional institutionalization and a combination of several institutional features.\textsuperscript{102} Table 4.5 provides substantive interpretation of the significant variables. Because a negative binomial regression is non-linear, the substantive interpretation of these results requires one to exponentiate the coefficients. The numbers in Table 4.5, then, reflect the expected value of the incidence of the dependent variable as conditioned by the values of certain independent variable. Finally, Table 4.6 summarizes the results of the quantitative analysis.

The results are generally consistent across different model specifications and indicate that some institutional features are more useful than others in reducing intramural conflict. My findings do not provide empirical support to the notion that trade liberalization decreases violent conflict. Models 1 and 9 show that although IMTRADE is

\textsuperscript{100} Following the conventional practice, I define a border as either a boundary of land or a water separation of less than 150 miles (Russett and Oneal, 2001).

\textsuperscript{101} This division reduces the correlation from .9 to .45.

\textsuperscript{102} TRADE is subsumed by SCOPE, and both attempt to capture a similar concept. Therefore, I run these two variables in separate models. The same is true for HILOF and IC.
negatively signed, it is not significant at any meaningful level of significant. It seems, then, that the elimination of trade barriers, in and of itself, does not contribute to intramural peace. In light of the great deal of attention that scholars pay to this particular issue, this is a surprising result.
<table>
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<tr>
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Continued

Table 4.3: The Effect of Six Institutional Features on Intramural MIDs, 1982-2001
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Note: *p<.1; **p<.05; ***p<.01 (two-tailed). Figures in parentheses are z statistics.
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Table 4.4: Additional Estimates of Institutional Variation and MIDs
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Note: *p<.1; **p<.05; ***p<.01 (two-tailed). Figures in parentheses are z statistics.
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Dichotomous Variable

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Note: Expected count is bolded; Expected change from baseline in italics. All calculations except for IMRI are based on Model 12, Table 4.3. Calculation of IMRI is based on Model 8, Table 4.3. All variable held at their 50th percentile (median) in the baseline model. The baselines for comparison are 1.34 for model 12 and 1.37 for Model 8.

Table 4.5: Expected Counts of Militarized Interstate Disputes, 1982-2001
One possible explanation for this finding may point to the potential gap between trade liberalization and actual trade flows, which may result from economic circumstances that are not conducive to international trade (Andreatta, Ardeni, and Pallotti, 2000: 4; de la Torre and Kelly, 1992).\textsuperscript{103} Under these conditions, the elimination of trade barriers may not lead to increased commerce, and in turn to less conflict.

There are two problems with this argument. First, the effect of trade liberalization on conflict is grounded, at least partly, in the idea that RIAs will produce expectations for trade in the future (Copeland, 1996; Mansfield and Pevehouse, 2000). Otherwise, it is not clear why they would sign a trade liberalization agreement in the first place. Second, although trade liberalization is only modestly correlated with the level of intra-regional trade (TSHARE),\textsuperscript{104} the latter is also insignificant and flips signs across different models. Another explanation for the weakness of trade-related variables can be found in a growing number of scholarly studies that challenge the theoretical foundations and the empirical findings that link commercial interdependence and peace (Barbieri, 2003; Bearce, 2003; Keshk, Pollins, and Reuveny, 2004; Morrow, 1999). These studies suggest that – for a host of possible reasons\textsuperscript{105} – the effect of trade on conflict is indeterminate.

In contrast to trade liberalization, the hypothesis with respect to the broader scope of regional agreements, \textit{when implemented}, is strongly supported by my findings. As

\textsuperscript{103} Similarly, Mansfield and Pevehouse (2000) argue that the effect of RIAs on conflict is especially pronounced when it is accompanied with sizable trade flows.

\textsuperscript{104} The bivariate correlation between IMTRADE and TSHARE is .35.

\textsuperscript{105} Discussion of this literature is beyond the scope of this study. For a recent review, see Mansfield and Pollins (2001).
apparent from models 3 in Table 4.3, IMSCOPE is negative and significant at a 95 percent level of confidence. Models 10-12 in Table 4.3 show that this result is robust to different model specifications. Thus, RIAs that address more economic and functional issue-areas, cover more ground within each issue-area, and implement the agreements concerning these issue-areas, experience a lower number of intramural MIDs. Substantively, moving from the first to the third quartile reduces the expected count of disputes by almost 50 percent. It is noteworthy that these strong results do not apply to the planned scope of economic activities. DESCOPE is negatively signed but statistically insignificant. These differences suggest that if the scope of RIAs is to have a pacifying effect on violent conflict, its implementation is likely to play important role in this respect.

This finding provides support to the idea that member-states can benefit from regional cooperation and integration in a wide array of issues, which may range from financial and monetary coordination to sectoral cooperation and a common bargaining position. These benefits, in turn, increase the opportunity cost of violent conflict. In addition, it is possible that the sum of these different issue-areas is greater than their separate parts. As discussed above, such broader agenda may allow issue-linkage, which fosters cooperation and compromise by providing more opportunities for side payments and other give-and-take negotiation strategies (Kahler, 1995; Martin, 1992).

The empirical results indicate that security linkages that are nested in RIAs do not have the hypothesized pacifying effect on conflict. SECURITY is not statistically significant and actually flips signs across different models. There are at least two
explanations for this surprising finding – which is consistent with another recent study on this issue (Bearce and Omori, 2004).\textsuperscript{106} It is possible that regions in which political tensions abound, regional partners will anticipate conflict in the future and form security arrangements in order to contain them. Insofar far as these expectations materialize, one should observe a positive correlation between security linkages and violent disputes, which may wash out their pacifying effect. It is also possible, however, that at least some of these security linkages do not function as theory expects. For example, very few security agreements, if any, provide for pooling of consequential military resources. As such, they may not be capable of alleviating the problem of credible commitment to peace in the future. In addition, although such security linkages may provide information on military capabilities, they may fall short of revealing intentions concerning future military action.

In fact, Security issues are often politically divisive, and attempts to address them at the regional level can drive a wedge between members of an RIA. The interventions of ECOWAS and SADC in several African conflicts created political tensions between the members of these RIAs, and undermined the cohesion of these organizations. (Andreatta, Ardeni, and Pallotti, 2000: 19-22; Söderbaum, 2003). Moreover, security linkages can sometimes exacerbate regional tensions rather then containing them. Söderbaum (2003:179) concludes that “the intervention forces [of ECOWAS and SADC] became

\textsuperscript{106} Bearce and Omori (2004:24) explain their results away by suggesting that the small number of security arrangement in their sample, which ends in 1985, may not allow a meaningful inference. This argument is less applicable to my sample that covers the 1990s, an era that witnessed a growing number of regional security arrangements. About a quarter of the observations in my dataset score one or higher on SECURITY.
part of the conflict and even fuelled further violence.” In summary, it seems that security arrangements may not be the most efficient way to reduce the number of militarized disputes among regional partners. At the same time, there is a great deal of disparity in the types of security linkages that are nested within existing RIAs. This variation suggests that a more fine-grained analysis of different types of security linkages, their goals, and their functions, can shed light on the conditions under which they may reduce conflict.

Turning to the institutions that sustain the process integration, it is apparent that regular meetings of high-level officials have a sizable pacifying effect on the number of intramural militarized disputes. As models 5, 9, and 12 show, HILOF is negatively signed and significant at a 95 percent level of confidence or higher. Substantively, RIAs in which regular meetings of foreign ministers or heads of states operate as the highest organ of decision-making experience about a half number of conflict, relative to RIAs in which such meetings do not take place. These strong statistical and substantive results support the institutionalist view, which posits that regular summits of top-level policymakers foster intramural peace and stability. These results point to the role of such meeting as a forum for socialization, for an informal dialogue of sensitive political issues, and the like. They are also consistent with the findings of another recent study that examines this link (Bearce and Omori, 2004).

ECOWAS’s intervention in Liberia is a case in point. Söderbaum (2003:172) reports that ECOMOG forces “actively took part in the crimes committed against civilians and actually got heavily involved in warlord politics.” As a result of The involvement of its troops in lucrative (illegal) trade, ECOMOG became known in Liberia as ‘Every Commodity and Movable Object Gone’ (Söderbaum, 2003:172)
Unlike meetings of high-level officials, my empirical analysis does not provide empirical support to the notion that the broader institutional framework – which I label institutional centralization – can mitigate violent conflict. IC is not significant in any of the three models in which it appears, and it flips signs across different models. It seems, then, that a corporate bureaucracy, dispute settlement mechanisms (of disagreement with respect to economic matters), and domestic linkages, do not have a direct effect on the level of intramural violent conflict. These findings suggest that information which is collected and disseminated by the corporate bureaucracy may not have direct bearing on issues of national security and that cross-border inter-personal ties among regional bureaucrats is less effective than similar ties among high-level officials, possibly because the former are not involved in the decisionmaking process regarding security and military affairs. These results also cast doubt on the role of judicial organs in the economic sphere play in mitigating military disputes. One possible explanation for this finding is that economic disputes do not usually escalate into military ones, thus an amicable resolution of the former does not affect the latter in any predictable manner.

The final hypotheses examine the effect of the overall level of regional institutionalization on militarized disputes. Models 7 and 8 report the results concerning the effect of the designed and implemented regional institutionalization, respectively, on the number of MIDs. As these models indicate, both DERI and IMRI are negatively signed but statistically insignificant. It is also apparent that the statistical and substantive

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108 I tested for the separate effects of regional bureaucracy and dispute settlement mechanism as well. Both turned out statistically insignificant (not reported). The results with respect IC and its components are, again consistent with the analysis of Bearce and Omori (2004).
effect of the implemented regional institutionalization is somewhat greater than the
designed one. Actually, IMRI approaches conventional levels of significance.
Substantively, moving from the 25\textsuperscript{th} percentile to the 75\textsuperscript{th} decreases the number of violent
conflicts by about thirty percent. Considering the discussion so far, these results are not
surprising. We can think of the institutional features that turned out to be insignificant as
a “noise” that is added to those features that mitigate conflict in meaningful ways, and
obscures their effect. In addition, the difference between design and implementation
corresponds to my findings concerning the scope of the RIA, which is an important
component of the overarching regional institutionalization (Grieco, 1997; Kahler, 1995).
These results suggest that a theoretical and empirical examination of the different
institutional features in isolation is more fruitful than aggregating them into one “mega-
variable.”

The performance of the control variables is generally consistent across the various
model specifications. As discussed above, intra-regional commercial interdependence
does not have a significant effect on the number militarized disputes in the region.
Similarly, my analysis indicates that democratic regions are not more peaceful than their
non-democratic counterparts. The estimates of DEMOC are positive, but never approach
a conventional level of statistical significance. This result points to the possibility that –
outside the industrialized regions of the North – high levels of regional democraticness
may actually increase political tensions and the consequent number of militarized
disputes (Henderson, 2002). The coefficient of economic development is negative but not
significant. At the same time, the z statistics approach a 90 percent level of confidence.
The ambiguity with respect to this variable calls for further investigation of the link between economic development at the regional level and intramural militarized interstate disputes. The structure of the international system and the vulnerability of a region to great power intervention do not seem to affect the level of violent conflict. These results provide initial support to the notion that the main sources of regional conflict are domestic and regional in nature rather than global (Miller, 2001).

Regional concentration of power (CONCEN) has negative and significant effect on the level of regional conflict across most models. Substantively, moving from the first to the third quartile percentile reduces the expected count of disputes by 40 percent. It suggests that regions with a hegemon enjoy low levels of MIDs, while regions in which the distribution of power is more evenly distributed are more violent-prone. These findings are consistent with recent theoretical and empirical studies on this question (Buzan and Wæver, 2003; Lemke, 2002; Mansfield and Pevehouse, 2000). The estimate of CIVIL WAR is positive and highly significant across all models. This variable has a sizable substantive effect as well. This result points to the potential international repercussions of domestic conflicts, which may spillover to produce interstate violence in particular (Brown, 1996; Dassel and Reinhardt, 1999; Davies, 2002). Finally, as expected, as both the number of RIA members and the number of borders between these members increase, the number of militarized disputes increases as well. In other words, more opportunities for interaction produce disagreements and conflict.
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</tr>
<tr>
<td>H13 Regional Democraticness</td>
<td>Decrease</td>
<td>No</td>
</tr>
<tr>
<td>H14 Concentration Ratio</td>
<td>Decrease</td>
<td>Yes</td>
</tr>
<tr>
<td>H15 Economic Development</td>
<td>Decrease</td>
<td>Comes Close</td>
</tr>
<tr>
<td>H16 Domestic Armed Conflict</td>
<td>Increase</td>
<td>Yes</td>
</tr>
<tr>
<td>H17 Great Power Intervention</td>
<td>Unclear</td>
<td>No</td>
</tr>
<tr>
<td>H18 International System</td>
<td>Unclear</td>
<td>No</td>
</tr>
<tr>
<td>H19 Number of Members</td>
<td>Increase</td>
<td>Yes</td>
</tr>
<tr>
<td>H20 Borders per Member</td>
<td>Increase</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Table 4.6**: Summary of Hypotheses and Results Regarding the Determinants of Militarized Interstate Disputes
4.3 Conclusion

Institutionalists offer several causal mechanisms through which international institutions may mitigate violent conflict. Extant empirical analysis pays only scant attention to institutional variation and the implication of such variation to questions of war and peace, however. This chapter provides one of the first systematic empirical analyses that pertain to the effect of institutional variation on violent conflict. The empirical analysis indicates that some institutional features are more useful than others in reducing intramural disputes. In particular, I find that the scope of economic activity – that go beyond the traditional emphasis on trade – and regular meetings of high-level officials are instrumental in mitigating violent conflict. On the other hand, trade liberalization (by itself), security arrangements, and institutional organs that do not engage top-level policy-makers do not seem to affect military conflict.

These findings highlight the importance of institutional design and variation thereof. As my empirical analysis shows, lumping together various institutional features may result in a lot of noise in the data, which in turn may obscure their separate effects. I also find that institutional variation across RIAs, apparent in the results with respect to the implemented levels of scope and the aggregate regional institutionalization, has implications for the ability of RIAs to mitigate violent conflict. Finally, my analysis also indicates that the implementation of the different institutional features is necessary in order for the pacifying mechanisms to work.

The empirical analysis points to several other conclusions. It employs the regional level of analysis to examine several variables that thus far were considered mainly at the
monadic or dyadic levels. The results do not provide support to the two other legs of the “Kantian tripod,” – economic interdependence and democracy. On the other hand, my results indicate that other factors – namely the regional distribution of power, domestic conflict, and the level of development – are better suited to account for the level of interstate violent conflict.
CHAPTER 5

THE EFFECT OF VIOLENT CONFLICT ON REGIONAL INSTITUTIONALIZATION

Unlike the extensive research on the effect of institutions on conflict, possible effects of conflict on institutions and institutionalization have attracted only scant attention. In chapter 2 I elaborated on several causal mechanisms that link the former to the latter and derived testable hypotheses. In particular, I argued that both inter-state and intra-state conflict should hamper and that peace and stability should be conducive to regional institutionalization. I also pointed out that several works identified with a liberal perspective point in the opposite direction. That is, they indicate that high levels of violent conflict create demand and supply for regional institutionalization. In this chapter, I provide a quantitative test of these hypotheses. In the next section I discuss research design, dependent, and independent variables. I then report the empirical results of the analysis and discuss their implications. My findings provide support to the notion that high levels of both inter-state and domestic violent conflict result in low levels of regional institutionalization. The final section concludes.
5.1 Research Design

To test the effect of violent conflict on regional institutionalization I employ a similar research design to the one described in Chapter 4. That is, I use the same data set on regional institutionalization and the same unit of analysis discussed above. The estimation technique is somewhat different from the one I used in the previous chapter. Because the dependent variable is normally distributed, I employ a standard random effects model (instead of a random effects count model).\textsuperscript{109}

5.1.1 The Dependent Variable

The dependent variables are the designed and implemented levels of regional institutionalization, labeled DERI and IMRI, respectively. As discussed in previous chapters, these variables range from zero, for low levels of regional institutionalization, to forty, for high levels of regional institutionalization.

5.1.2 Independent Variables

The first independent variable is inter-state violent conflict. Like in Chapter 4, I operationalize inter-state violent conflict with the militarized interstate disputes (MIDs) data set (Ghosn, Palmer, and Bremer, 2004; Jones, Bremer, and Singer, 1996). The MIDs dataset contains incidents that involve the threat, display, or use of force between members of the interstate system. I first count all the incidents of intramural MIDs. Next, to take into account the possibility that more states can generate more conflicts, I divide

\footnote{109 I use the \texttt{xtreg} command in Stata. An F test and a Breusch–Pagan Lagrange multiplier test indicate that an OLS model is not an appropriate model. A Hausman test indicates that random-effects are more efficient than fixed effects (Greene, chapter 14). Thus, random-effects seem to be the appropriate model.}
the number of MIDs by the number of RIA members. Even after considering the various types and intensities of conflict, the number of intramural conflicts is relatively small. In order to correspond to the set up of the dependent variables, I aggregate the number of disputes over the five-year period that precedes the year in which the level of regional institutionalization is measured.\textsuperscript{110}

In addition, I measure this variable in two different ways. First, I calculate the onset of disputes. That is, for any given conflict, the first year in which the conflict has begun is coded 1 and 0 otherwise. Second, I calculate the occurrence of disputes. In this case, for any given conflict, all years in which the conflict took place are coded 1, and zero otherwise. This measure captures the amount of warfare in a five year period, regardless of the timing of its initiation. Thus:

\[ \text{MIDONMEM} = \sum_{t=1}^{t-5} \text{Onset of MIDs} / \text{Number of Members} \]

\[ \text{MIDMEM} = \sum_{t=1}^{t-5} \text{MIDs} / \text{Number of Members} \]

Table 5.1 provides descriptive statistics for these variables. In accordance with hypotheses 7 and 11 in Table 2.2, I expect MIDONMEM and MIDMEM to decrease the level of regional institutionalization.

The second independent variable is domestic violent conflict. I operationalize intra-state violent conflict with the Uppsala dataset on armed conflicts (Gleditsch et al., 2002). This dataset distinguishes among four types of wars: interstate armed conflict, \textsuperscript{110} These variables are aggregated as follows: 1977-81; 1982-86; 1987-1991; 1992-1996.
extrastate armed conflicts, internationalized internal armed conflicts, and internal armed conflicts. I count all the incidents of domestic armed conflicts occurred in any RIA’s member-states. As such, I minimize the overlap between the MIDs data set and the Uppsala data set. Like in the MIDs variables, I aggregate these conflicts over a five-year period and divide it by the number of member-states. I also consider both the onset and occurrence of domestic armed conflict. Thus:

\[
\text{DACONMEM} = \sum_{t-5}^{t-1} \frac{\text{Onset of Domestic Armed Conflicts}}{\text{Number of Members}}
\]

\[
\text{DACMEM} = \sum_{t-5}^{t-1} \frac{\text{Domestic Armed Conflict}}{\text{Number of Members}}
\]

Table 5.1 provides descriptive statistics for these variables. In accordance with hypotheses 9 and 11 in Table 2.2, I expect DACONMEM and DACDMEM to decrease the level of regional institutionalization.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIDONMEM</td>
<td>.315</td>
<td>.35</td>
<td>0</td>
<td>1.29</td>
</tr>
<tr>
<td>MIDMEM</td>
<td>.37</td>
<td>.42</td>
<td>0</td>
<td>1.91</td>
</tr>
<tr>
<td>DACONMEM</td>
<td>.47</td>
<td>.55</td>
<td>0</td>
<td>2.6</td>
</tr>
<tr>
<td>DACMEM</td>
<td>1.33</td>
<td>1.61</td>
<td>0</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 5.1: Descriptive Statistics of Main Independent Variables

111 There is some overlap between the MIDs data set and what is defined in the Uppsala data set as “internationalized domestic conflict.” For example, the MIDs dataset codes an interstate dispute between the Democratic Republic of Congo and Rwanda in 1996. The Uppsala dataset describes the same event as a domestic conflict in Congo with Rwandan intervention.
5.1.3 Alternative Explanations

The existing literature on economic regionalism emphasizes several explanations for variation in the level of regional institutionalization, namely economic interdependence, regional hegemony, regime type, and members’ diversity. In addition, it is reasonable to expect that institutional duration and the number of members will affect regional institutionalization. Below I briefly review the arguments, derive testable hypotheses, and discuss the operationalization and measurement of these control variables. Table 5.1 summarizes the related hypotheses and point to scholars who are identified with them, where appropriate. Table 4.2 above provides descriptive statistics for the control variables. To minimize the risk of endogeneity and to smooth possible picks, all the control variables are lagged five-year averages, unless indicated otherwise.

5.1.3.1 Economic Interdependence

The most cited explanation for the level of institutionalism is the level of economic interdependence. First developed by neofunctionalists, this approach maintains that increasing cross-border economic interactions result in growing societal demands for regulation of such interaction. As a result, national governments in a specific region will see a functional necessity to manage their interactions through international institutions. In other words, policy-makers will be inclined to pay higher costs in terms of national autonomy in order to ensure higher benefits for the society, which may result from regional institutionalization (Caporaso, 1998:344-45; Haas, 1966:109-10; 117).
This approach still serves as a starting point for several recent explanations for variation among international institutions (see, e.g., Sandholtz and Stone Sweet, 1998). For example, Walter Mattli (1999: 42) argues that when the potential for economic gains from regional integration is significant, “market players will then have an incentive to lobby for regional institutional arrangements that render the realization of these gains possible. The demand for regional rules, regulations, and policies by market players is a critical driving force of integration”. Thus, we can hypothesize:

**H21:** the greater the level of regional economic interdependence, the higher the level of regional institutionalization.

It is noteworthy that despite the intuitive appeal of this argument, several recent studies cast doubt on its empirical validity. Miles Kahler, for example, contends that “regional institution building demonstrates a cyclical pattern that belies any simple explanation based on the demands of economic integration” (1995:80). Similarly, Joseph Grieco finds that “contrary to functionalist expectations, in some areas of the world there have been increases in intraregional trade without a corresponding increase in institutionalization...Moreover, in some cases we can observe growth of institutionalization, in the absence of increased trade encapsulation” (1997:172). Both Kahler and Grieco examine a limited number of RIAs, however. Thus, a systematic empirical analysis of this question can shed light on this issue. Like in Chapter 4, I measure commercial interdependence with the intra-regional trade as a percentage of the

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112 Kahler also raises the interesting possibly that the relationship between economic interdependence and institutionalization is curvilinear. According to his “arc of information” thesis, decentralized institutions are expected when integration is shallow and information is scarce and expensive, and when integration is deep and information is plentiful and cheap. Higher level of institutionalization is expected in the middle (Kahler 1995:16). Testing for this relationship, I found no empirical support to Kahler’s thesis.
total regional trade, labeled TSHARE. This variable is expected to increase the level of regional institutionalization.

5.1.3.2 Regional Hegemony

Two alternative explanations emphasize the distribution of power among the group members. These arguments offer diametrically opposed views regarding this issue. One argument focuses on the importance of hegemonic power as a supplier of regional institutions. This view can be traced back to Karl Deutsch, who argued that successful political integration tends to develop around one core area that pushes it forward (Deutsch et al., 1957:38). More recently, some scholars grounded this argument in the theories of collective action and hegemonic leadership. According to them, the hegemon will bear the costs associated with greater institutionalization (Mattli, 1999; Yarbrough and Yarbrough, 1992:61-66). As Mattli (1999:56) argues, “successful integration requires the presence of an undisputed leader among the group of countries seeking closer ties.” One implication of this argument is that a greater power asymmetry between the members of the RIAs should be associated with greater institutionalization. Thus:

H22: the greater the intramural power asymmetry, the higher the level of regional institutionalization.

At the same time, some scholars argue that it is equality among group member that is conducive to greater institutionalization. Early observers pointed out that asymmetry will result in distributional conflicts, which in turn may frustrate greater

---

113 Economists sometimes employ a different measure, the regional intensity ratio. This measure divides the level of intra-regional trade by the region’s share of world trade. I tested for this variable, which turned out insignificant. One explanation for this result is that small regions tend to have very high intensity ratios due to fact that their regional trade composes only a small fraction of world trade.
institutionalization (Nye 1971:210). Haas and Schmitter (1966:268) conclude that “a similarity in size and power [was] extremely favorable to the rapid politicization of economic relationships.” From a similar perspective, Grieco (1997:176) maintains that deterioration of the relative capabilities of weaker members vis-à-vis the more powerful member will cause the former to shy away from greater institutional commitments. Others, who focus on the interests of the more powerful members, arrive at a similar conclusion. According to them, it is not in the interest of the hegemonic power to promote institutionalization regardless of its ability to do so. For example, Smith (2000:149) argues that larger states are the least dependent on international trade. As such, they should be reluctant to forgo national autonomy in order to achieve regional cooperation. In sum, proponents of such a view believe that power asymmetry should have negative impact on regional institutionalization. Thus:

**H23**: the greater the intramural power asymmetry the lower the level of regional institutionalization.

In summary, although both sides produce evidence that support their arguments, it seems that the effect of regional hegemony on the level of institutionalization remains inconclusive. I measure intramural power asymmetry with the regional concentration power discussed in the previous chapter. IR theory suggests the CONCEN has cross-cutting effects on regional institutionalization, thus I do not have prior expectations regarding its direction of influence.
5.1.3.3 Regime Type

For neofunctionalist theory, democracy is an important precondition for economic regionalism. As a recent review points out, “neofunctionalism argued that integration was most likely to emerge first among countries with certain type of domestic environment: liberal democratic countries with advanced capitalist economies, differentiated social structures, and highly pluralistic interest groups” (Choi and Caporaso, 2002:485). In recent years, the idea that democracies are more likely to cooperate in international organizations in general, and in RIAs in particular, has received renewed attention (Ikenberry, 2001; Mansfield, Milner, and Rosendorff, 2002; Russett and Oneal, 2001). Mansfield, Milner, and Rosendorff (2002) argue that democratic governments are more likely to tie their hands to RIAs, and they find that democratic dyads are more likely to sign such agreement. We can extend the logic of this argument to the level of regional institutionalization. Thus:

**H24**: the greater the level of intramural democraticness, the higher the level of regional institutionalization

To assess the level of regional “democraticness,” I employ the Polity IV definitions and data (Marshall and Jaggers, 2002). To measure the level of regional democraticness, DEMOC, I calculate the regional average of the composite variable elaborated on in the previous chapter. DEMOC is expected to increase the level of regional institutionalization positively.
5.1.3.4 Diversity

Homogeneity among member-states is an oft-cited condition for regional institutionalization. For example, Stephen Haggard (1997: 46) argues that lower heterogeneity and divergence among the regional group members increases the prospect of deeper institutionalization. The problem, as Choi and Caporaso point out (2002:482), is that “a large number of variables fit within this framework: similarity of values, of economic systems, of political systems, of way of life, of level of economic development and so on.” The most conventional way to operationalize regional heterogeneity is to examine the disparity in the level of regional development (Mansfield and Pevehouse, 2000:800; Nye, 1971:79). It is argued that RIAs tend to benefit the more developed members on the expense on the less developed ones (Mytelka, 1973:243-244). Thus, less developed states may wish to avoid meaningful institutionalization that in turn may lead to political or economic domination by the richer members of the RIA (Grieco, 1997:176; Nye, 1971:83-84). We can thus hypothesize:

**H25**: the greater the inequality in the level of regional development, the lower the level of regional institutionalization

The standard deviation from the average regional GDP per capita is employed to measure the inequality in the level of regional development. I use data from the Penn World Tables to calculate this measure (Heston, Summers, and Aten, 2002). DVLP_STD is expected to decrease the level of regional institutionalization.
5.1.3.5 Number of Members

The conventional wisdom holds that there is a trade off between the expansion and deepening of RIAs. From this viewpoint, a greater number of actors is believed to hamper institutionalization (Langhammer and Hiemenz 1990:69; Mansfield and Milner 1999:615-16). In addition, a greater number of states increases the possibility of greater divergence among the group members (Haggard 1997:24; Kahler 1995:126). Thus:

**H26**: the greater the number of members participating in the RIA, the lower the level of regional institutionalization.

MEMBERS is a lagged five-year average count of the states that are members of an RIA. It is noteworthy that several RIAs witnessed considerable changes in their membership over time. MEMBERS is expected to decrease the level of regional institutionalization

5.1.3.6 Duration

Regional Institutionalization is a process that may take years and decades to unfold. From this viewpoint, time may allow member-states to implement existing agreements and expand the activities that RIAs address. Students of political parties, for example, emphasize the role of time in the institutionalization process (Gunther and Hopkin, 2002; Huntington, 1968; Janda, 1980).114

**H27**: the longer an RIA exists, the higher the level of regional institutionalization

---

114 Note that the literature on political parties considers time as part of institutionalization (Huntington, 1968:13-14; Janda, 1980:19-20). I exclude time from the definition of the dependent variable, and treat it as something that may or may not explain the degree of RIA institutionalization.
DURATION is the number of years that passed from the year in which the RIA was formed to year $t$. DURATION is expected to increase the level of regional institutionalization.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Expected Effect on the number of Regional Institutionalization</th>
<th>Scholars Identified with Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>H21 Intra-Regional Trade</td>
<td>Increase</td>
<td>Haas (1964); Mattli (1999)</td>
</tr>
<tr>
<td>H22 Concentration Ratio</td>
<td>Increase</td>
<td>Deutsch et al. (1957); Mattli (1999)</td>
</tr>
<tr>
<td>H23 Concentration Ratio</td>
<td>Decrease</td>
<td>Grieco (1997); Smith (2000)</td>
</tr>
<tr>
<td>H24 Regional Democraticness</td>
<td>Increase</td>
<td>Ikenberry (2001); Mansfield, Milner, and Rosendorff (2002)</td>
</tr>
<tr>
<td>H25 Inequality in Regional Development</td>
<td>Decrease</td>
<td>Mansfield and Pevehouse, (2000); Nye (1971)</td>
</tr>
<tr>
<td>H26 Number of Members</td>
<td>Decrease</td>
<td>Langhammer and Hiemenz (1990); Haggard (1997); Kahler (1995)</td>
</tr>
<tr>
<td>H27 Duration</td>
<td>Increase</td>
<td>Gunther and Hopkin (2002); Huntington (1968)</td>
</tr>
</tbody>
</table>

Table 5.2: Summary of Alternative Explanations and Scholars Identifies with Related Hypotheses
5.2 Results

This section reports and elaborates on the results of the statistical analysis. Table 5.3 reports the results for the MIDs dataset. The statistical results support hypotheses 7 and 11, which expect that more inter-state militarized disputes will result in lower levels of institutionalization. As Table 5.3 indicates, both MIDONMEM and MIDMEM have a negative effect on regional institutionalization, whether designed or implemented. Substantively, the coefficients on these variables indicate that an increase of one MID per member-state results in a decrease of between one to two points in the level of institutionalization. In three out of four models the parameter estimates are significant at a 90 percent level of confidence or higher.

Thus, it seems, regions that face high levels of militarized inter-state disputes are likely to experience institutional weakness and decline. The other side of the same coin is that intramural peace is conducive to regional institutionalization. On the other hand, my findings cast serious doubt on the notion that high levels of institutionalization in war-prone regions serve as a mechanism that helps states to credibly commit to peace, as stated in the Hypothesis 8 in Table 2.2. These results suggest that militarized disputes – which reflect interstate suspicion and mistrust – operate as an important constraint on, rather than as an incentive for, international cooperation. To the extent that regional institutionalization can serve as a mechanism that advances regional peace (Mansfield and Pevehouse, 2000; Russett and Oneal, 2001, Sangiovanni, 2003), then, it is unlikely to emerge where it is most needed.
### Table 5.3: A Random-Effects Model of The Determinants of regional institutionalization, 1982-1997: Militarized Interstate Disputes

<table>
<thead>
<tr>
<th></th>
<th>Designed Institutionalization</th>
<th>Implemented Institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 5</td>
<td>Model 6</td>
</tr>
<tr>
<td>MIDONMEM</td>
<td>-2.12** (2.13)</td>
<td></td>
</tr>
<tr>
<td>MIDMEM</td>
<td>-1.59* (-1.86)</td>
<td></td>
</tr>
<tr>
<td>TSHARE</td>
<td>.185** (2.27)</td>
<td>.184** (2.24)</td>
</tr>
<tr>
<td>CONCEN</td>
<td>2.336 (-.60)</td>
<td>2.127 (.54)</td>
</tr>
<tr>
<td>DEMOC</td>
<td>-.230 (-1.62)</td>
<td>-.219 (-1.53)</td>
</tr>
<tr>
<td>DVLP_STD</td>
<td>-.001 (-.01)</td>
<td>.001 (.05)</td>
</tr>
<tr>
<td>MEMBERS</td>
<td>.491** (2.29)</td>
<td>.493** (2.28)</td>
</tr>
<tr>
<td>DURATION</td>
<td>.362*** (5.57)</td>
<td>.359*** (5.48)</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>5.967** (2.18)</td>
<td>5.999** (2.18)</td>
</tr>
<tr>
<td>R²</td>
<td>.45</td>
<td>.44</td>
</tr>
<tr>
<td>Wald Chai²</td>
<td>93.77***</td>
<td>109.54***</td>
</tr>
<tr>
<td>NT</td>
<td>82</td>
<td>82</td>
</tr>
</tbody>
</table>

Note: *p<.1; **p<.05; ***p<.01 (two-tailed). Figures in parentheses are z statistics.
With respect to the other explanatory variables, economic interdependence – measured as the share of intra-regional trade of the total regional trade – has a positive and highly significant effect on the level of institutionalization in all four models. Substantively, an increase of 10 percents in TSHARE results in an increase of about 1.8 points in the level of designed institutionalization and about 3.7 points in the level of implemented institutionalization. Thus, my analysis provides strong support to the conventional wisdom, which holds that economic interdependence stimulates regional institutionalization. This result provides empirical support for the notion that states design institutions in order to manage increasing cross-border transactions (Haas, 1966; Mattli, 1999; Sandholtz and Stone Sweet, 1998). Thus, despite recent skepticism regarding this functional logic (Grieco, 1997; Kahler, 1995), it seems premature to discard it. Also, the results indicate that statistical and substantive effects of economic interdependence on the implemented regional institutionalization are especially strong. Thus, high levels of intra-regional trade compel states not only to sign agreements that are more far-reaching, but also to implement them.

The duration of agreements is also positive and significant. Its coefficient indicates that every ten years of existence adds about three to four points to the level of regional institutionalization. This result indicates that time is, indeed, an important source of institutionalization. In addition, it reminds us that institutions are sticky, and to the extent that they continue to exist, they tend to expand. From this perspective, it is interesting that DURATION exerts greater effect on institutional design. It is thus
possible that states, while they rarely downgrade or scrap existing agreements, may disregard them when these agreements are not compatible with their goals.

The effect of regional concentration of power is negative in some models, positive in others, and is statistically insignificant across all models. It seems, then, that despite the prominence of this variable in the extant literature, the empirical analysis indicates that regional hegemony is not an important determinant regional institutionalization. There are at least two ways to explain this result. First, as discussed above, different theories put forth diametrically opposed expectations regarding the role of a regional hegemon. While some scholars emphasize its ability to supply collective goods, others emphasize its reluctance to do so (Mattli, 1999; Smith, 2000). It may be the case that these conflicting tendencies simply cancel out the effect of hegemony. Second, it is widely agreed that regional cooperation and integration give rise to skewed benefits in favor of the larger states (see, e.g., Mytelka, 1973). On the other hand, institutional centralization constrains the ability of powerful states to unilaterally coerce other states (Ikenberry, 2001; Smith 2000). Thus, it is possible that the aggregate measures of regional institutionalization mask a positive effect on the scope of activity and a negative effect on the level of institutional centralization. Further theoretical and empirical analysis should address these questions.

The effect of regional democraticness on regional institutionalization is insignificant. This result is incompatible with recent studies that expect democracies to be more cooperative (Mansfield, Milner, and Rosendorff, 2002; Russett and Oneal, 2001). One possible reason for this result may emanate from my sample selection, which is
populated with RIAs among developing countries. Many of these states experienced a process of democratization that was accompanied with domestic institutional weakness and political conflict (Mansfield and Snyder, 2002). It may be the case that such adverse conditions have a negative effect on international institutions as well. For example, while the average level of democracy in the ECCAS increased from -7.5 in 1992 to -2.6 in 1997, the level of regional institutionalization decreased from 4 to 2, respectively.

The positive effect of the number of members on institutionalization challenges the conventional wisdom. Hence, an increasing number of members does not seem to hold the level of institutionalization back. Rather, it suggests that growing membership requires greater institutionalization. Finally, the disparity in the level of regional development has neither statistical nor substantive effect on the level of regional institutionalization. It is possible that greater regional inequality produces tensions, on the one hand, but at the same time generates demand for institutions that can address such tensions.

Table 5.4 presents the results for the domestic armed conflict. The statistical analysis provides strong empirical support to hypotheses 9 and 11 in Table 2.2. As Table 5.4 shows, both DACONMEM and DACMEM decrease regional institutionalization, whether designed or implemented. In three out of four models the parameter estimates are significant at a 99 percent level of confidence. This result remains intact after controlling for several alternative explanations. Substantively, the coefficients on these variables

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115 The sample mean on DEMOC is the very close to the middle point (zero) between democracy and autocracy.

116 More accurately, the level of autocracy decreased.
indicate that a decrease (increase) of one domestic armed conflict per member-state results in an increase (decrease) of one to two units in the level of regional institutionalization. In addition, a comparison of the four models suggests that the impact of regional armed conflict on the implementation of regional agreements (IMRI) is more pronounced than its impact on the designed level of institutionalization (DERI). Thus, it seems that states that experience domestic conflict have to invest material and political resources to address these problems on the expense of international institutions, and that some level of domestic stability is an important condition for international cooperation.

The results reported in Table 5.4 regarding the control variables are very similar to those presented in Table 5.3. Economic interdependence and duration continue to have positive, significant, and substantively sizable effects on the level of regional institutionalization in all four models. Likewise, the level of regional democraticness has a negative effect while the number of members has a positive effect on level of regional institutionalization. This time, however, greater standard errors render these variables statistically insignificant. The effects of regional concentration of power and the regional inequality are, again, statistically insignificant and inconsistent across the different models.
<table>
<thead>
<tr>
<th>Designed Institutionalization</th>
<th>Implemented Institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 5</td>
<td>Model 6</td>
</tr>
<tr>
<td>DCONMEM</td>
<td>-0.704 (-1.01)</td>
</tr>
<tr>
<td>CACMEM</td>
<td>-0.896*** (-3.22)</td>
</tr>
<tr>
<td>TSHARE</td>
<td>0.154* (1.86)</td>
</tr>
<tr>
<td>CONCEN</td>
<td>2.16 (.54)</td>
</tr>
<tr>
<td>DEMOC</td>
<td>-0.151 (-1.05)</td>
</tr>
<tr>
<td>DVLP_STD</td>
<td>0.001 (.50)</td>
</tr>
<tr>
<td>MEMBERS</td>
<td>0.380* (1.73)</td>
</tr>
<tr>
<td>DURATION</td>
<td>0.360*** (5.56)</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>6.62** (2.33)</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>.37</td>
</tr>
<tr>
<td>Wald-Chi^2</td>
<td>80.10***</td>
</tr>
<tr>
<td>NT</td>
<td>82</td>
</tr>
</tbody>
</table>

Note: *p<.1; **p<.05; ***p<.01 (two-tailed). Figures in parentheses are z statistics.

**Table 5.4**: A Random-Effects Model of The Determinants of regional institutionalization, 1982-1997: Domestic Armed Conflict
5.3 Conclusion

This chapter elaborated on a research design for a quantitative analysis of the effect of intramural violent conflict on regional institutionalization. Table 5.5 compares the theoretical expectations to the results generated by the statistical models. With respect to the primary hypotheses, my analysis corroborates hypotheses 7, 9, and 11. It does not support hypotheses 8 and 10. Taken as a whole, then, my findings indicate that greater levels of intramural violent conflict – whether domestic or international – should result in lower levels of regional institutionalization. All models indicate a negative effect of conflict on institutionalization, and six out of these eight models are statistically significant. Thus, it appears that regions which experience high levels of violent conflict will find it difficult to institutionalize their RIAs, even though such conflict may create demand for such institutionalization. In contrast, regions that enjoy intramural amity and domestic stability are in a better position to advance institutionalized regional cooperation. Such regions may also use such high levels of regional institutionalization as a signal of peace and stability in order to attract foreign direct investment.

A comparison of inter-state and domestic conflict indicates that the latter generates stronger statistical and substantive results. In view of the decidedly scant attention to the effect of domestic conflicts on international cooperation, this finding calls for further research on this issue. Scrutinizing the effect of regional conflict on alternative measurement of regional institutionalization does not yield any obvious conclusions. Whereas domestic conflict exerts stronger effect on the implemented regional
institutionalization, the inter-state conflict has stronger effect on the designed regional institutionalization. Finally, my findings with respect to the control variables indicate that that commercial interdependence and time are important determinants of regional institutionalization.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Expected Effect on Regional Institutionalization</th>
<th>Empirical Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>H7 Inter-State Violent Conflict</td>
<td>Decrease</td>
<td>Yes</td>
</tr>
<tr>
<td>H8 Inter-State Violent Conflict</td>
<td>Increase</td>
<td>No</td>
</tr>
<tr>
<td>H9 Domestic Violent Conflict</td>
<td>Decrease</td>
<td>Yes</td>
</tr>
<tr>
<td>H10 Domestic Violent Conflict</td>
<td>Increase</td>
<td>No</td>
</tr>
<tr>
<td>H11 Inter-State and Domestic Violent Conflict</td>
<td>Decrease</td>
<td>Yes</td>
</tr>
<tr>
<td>H21 Intra-Regional Trade</td>
<td>Increase</td>
<td>Yes</td>
</tr>
<tr>
<td>H22 Concentration Ratio</td>
<td>Increase</td>
<td>No</td>
</tr>
<tr>
<td>H23 Concentration Ratio</td>
<td>Decrease</td>
<td>No</td>
</tr>
<tr>
<td>H24 Regional Democraticness</td>
<td>Increase</td>
<td>No</td>
</tr>
<tr>
<td>H25 Inequality in Regional Development</td>
<td>Decrease</td>
<td>No</td>
</tr>
<tr>
<td>H26 Number of Members</td>
<td>Decrease</td>
<td>No</td>
</tr>
<tr>
<td>H27 Duration</td>
<td>Increase</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 5.5: Summary of Hypotheses and Results Regarding the Determinants of Regional Institutionalization
CHAPTER 6

VICIOUS AND VIRTUOUS CIRCLES IN SOUTHEAST ASIA

The quantitative analyses of previous chapters indicate that violent conflict tends to hamper regional institutionalization and that some institutional features reduce conflict while others do not. This chapter endeavors to complement the quantitative analysis with an in-depth case study. The next section discusses the main objectives of this qualitative analysis and establishes general criteria for case selection and for the type of evidence that may shed light on the relationship between the variables of interest. Next, given these criteria, I argue that the Association of Southeast Asian Nations (ASEAN)\textsuperscript{117} region is an appropriate case study. The fourth section provides a brief description of the history of regional institutionalization and violent conflict in Southeast Asia. It is followed by the main two sections, which provide an in-depth analysis of the experience of ASEAN in light of the observable implications generated from the hypotheses. The final sections discuss my findings and conclude.

\textsuperscript{117} ASEAN was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei joined in 1984, Vietnam joined in 1995, Myanmar (Burma) and Laos joined in 1997, and Cambodia joined in 1999. The term “ASEAN region” refers to the members of ASEAN before and after its formation.
6.1 The Case Study Method: Why and How

Considering the broader context of this study, this chapter endeavors to uncover evidence of the putative causal mechanisms offered in the theoretical chapter. Quantitative analysis can provide valuable insights with respect to the causal effect of one variable (or more) on another variable. It cannot shed light on the ways by which these variables are interrelated, however (Gerring, 2004). The case study method is particularly useful in this regard. This method allows one to trace the causal processes that presumably connect the variables of interests and to evaluate the hypothesized motivations of the relevant actors (Gerring, 2004:348-49; Russett, 1970:435). As a recent study points out, case studies “allow one to peer into the box of causality to the intermediate causes lying between some cause and its purported effect” (Gerring, 2004:348). To the extent that a case study establishes that a causal nexus between the independent and dependent variables exists, it comprises additional evidence for the plausibility of the theory (George, 1979; Russett, 1970:428-29). In addition, an in-depth historical account can provide a more nuanced analysis of the relationship between the variables of interest (Eckstein, [1975]1992; Russett, 1970:429). As such, it may allow me to refine my hypotheses and to further develop the theoretical framework.

Beyond the general utility of the case study method, an in-depth case study can alleviate some shortcomings of the quantitative analysis conducted in previous chapters. First, the hypothesis that regional institutionalization and violent conflict affect each other simultaneously is central to this study. Considering the nature of my data, the available statistical technique used to evaluate such reciprocal relationship, is of limited
utility.\textsuperscript{118} Thus, skeptics may still point to the possibility that only one variable drives the statistical results. In this respect, a case study can cast light on the ‘virtuous circle’ hypothesis. Second, the temporal domain of the statistical analysis reported in previous chapters is somewhat restricted, i.e. the 1980s and the 1990s. An examination of one region over a long period of time – which goes beyond the time period covered in the quantitative analysis – can provide us with an additional angle on the relationship between violent conflict and regional institutionalization. From this perspective, regions that have long experience with economic regionalism can provide us with more information and thus are the most appropriate for temporal scrutiny. Finally, an in-depth case study allows me to consider the effects of idiosyncratic events that are unique to particular regions, and thus difficult to incorporate into a general, cross-sectional model. While such idiosyncrasies may cancel out across a large number of cases,\textsuperscript{119} they may play important role within cases. As I discuss below in more detail, the 1997 Asian financial crisis exemplifies such idiosyncratic external shock.

When employing a case study method, it is important to spell out the observable implications of the different causal mechanisms, and to explicate what would constitute evidence in support of these observable implications. Tables 1 and 2 summarize the main hypotheses tested in the quantitative analysis and their observable implications with respect to the effect of regional institutionalization on violent conflict and the effect of violent conflict on regional institutionalization, respectively.\textsuperscript{120} The quantitative analyses

\textsuperscript{118} See discussion in Chapter 1.

\textsuperscript{119} This is why they don’t pose a major obstacle for the quantitative analysis.

\textsuperscript{120} Chapter 2 provides a more thorough discussion of these hypotheses.
conducted in previous chapters provide empirical support for the second and fourth hypotheses in Table 1 and the first, third, and fifth hypotheses in Table 2. In search for evidence for (or against) the different hypotheses, I rely mainly on accounts of area specialists. Such accounts commonly include academic books and articles as well as newspaper articles that describe and analyze unfolding events in the region. I also point to relevant public statements of policymakers, where they provide insights into the relationship between the different variables.\footnote{Such statements are, of course, a double-edged sword. On the one hand, they are the most direct reflection of actors’ motivations and intentions. On the other, policy-makers tend to make statements that serve political purposes, rather than historical accuracy. One should take such statements with a grain of salt, then.}
### Table 6.1: Hypotheses and Associated Observable Implications with Respect to the Effect of Regional Institutionalization on Violent Conflict

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Observable Implications</th>
</tr>
</thead>
</table>
| **H1** Trade liberalization reduces intramural interstate violent conflict | • Policymakers make public statements in which they express the belief that intra-regional trade is increasing, or will increase in the future  
• Policymakers make public statements in which they argue that violent conflict hampers intra-regional commerce  
• Area specialists argue that trade liberalization was instrumental in mitigating violent conflict  
• Trade liberalization increases actual commercial flows |
| **H2** Scope of economic activity reduces intramural interstate violent conflict | • Policymakers make public statements in which they maintain that wider scope, or future expectations thereof, increase the opportunity cost of member-states in terms of the benefits provided by the RIA  
• In times of political tensions, member-states’ leaders threaten to forgo the benefits accrued by the RIA as a signal of resolve (as such, the RIA serves as a surrogate for violent conflict)  
• Area specialists indicate that components of economic activity (other than trade liberalization) foster economic interdependence and increase the opportunity costs of violent conflict |
| **H3** Security Linkages reduce intramural interstate violent conflict | • The RIA includes security arrangements and the member-states utilize them to resolve intra-mural political tensions  
• Policymakers or area specialists make statements that point to the utility of security linkages in reducing bilateral tensions  
• Member-states do not resolve bilateral political disputes outside the RIA framework |
Table 6.1 continued

<table>
<thead>
<tr>
<th>H4</th>
<th>Decision making by high-level officials reduces intra-mural interstate violent conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Policymakers and area specialists maintain that regular meetings of high-level officials create inter-personal trust and improve communication between the region’s governments</td>
</tr>
<tr>
<td></td>
<td>• Policymakers discuss outstanding political disagreement in regional meetings either formally or informally</td>
</tr>
<tr>
<td></td>
<td>• Area specialists indicate that regular meetings of high-level officials facilitated the resolution of bilateral disputes and intramural amity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H5</th>
<th>Institutional Centralization reduces intramural interstate violent conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Low-level bureaucrats make public statements in which they express loyalty to the RIA and the region</td>
</tr>
<tr>
<td></td>
<td>• Area specialists argue that low-level bureaucrats promote the regional interest on the expense of national interests and that they developed a sense of corporate community</td>
</tr>
<tr>
<td></td>
<td>• Policymakers and area specialists suggest that economic disputes may lead to militarized disputes</td>
</tr>
<tr>
<td></td>
<td>• Mechanisms for the resolution of trade disputes actually resolve such economic conflicts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H6</th>
<th>The aggregate level of regional institutionalization reduces intramural interstate violent conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Policymakers make public statements in which they maintain that higher levels of regional institutionalization, or future expectations thereof, increase the opportunity cost of member-states in terms of the benefits provided by the RIA</td>
</tr>
<tr>
<td></td>
<td>• In times of political tensions, member-states’ leaders threaten to forgo the benefits accrued by the RIA as a signal of resolve (as such, the RIA serves as a surrogate for violent conflict)</td>
</tr>
<tr>
<td>Hypothesis (H)</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| H7            | Intramural interstate violent conflict decreases regional institutionalization | - Policymakers and area specialists argue that an RIA’s planned activities were postponed or canceled as a result of inter-state disputes  
- Policymakers and area specialists point to violent conflict as a factor that hinders the proposal and implementation of new initiatives in the framework of the RIA  
- Policymakers and area specialists argue that the lack of violent conflict is conducive to the formation and further institutionalization of RIAs. |
| H8            | Intramural interstate violent conflict increases regional institutionalization | - Policymakers make public statements in which they indicate that they advocate regional institutionalization in order to resolve bilateral tensions  
- Area specialists contend that RIAs were formed in order to facilitate conflict resolution  
- Area specialists indicate that member-states actually institutionalize their RIAs in order to mitigate existing conflict |
| H9            | Intramural intrastate violent conflict decreases regional institutionalization | - Policymakers in states that face domestic violent conflicts point to these conflicts as an obstacle to their participation in corporate initiatives  
- Area specialists maintain that member-states that experience domestic violence and instability are occupied with these matters and find it difficult to commit resources to regional institutionalization  
- Policymakers of neighboring states make public statements in which they express concerns regarding the possibility that RIAs may allow such conflict to spill over across borders. They express reluctance to further institutionalize the RIA for this reason. |

*Table 6.2: Hypotheses and Associated Observable Implications with Respect to the Effect of Violent Conflict on Regional Institutionalization*
<table>
<thead>
<tr>
<th>H10</th>
<th>Intramural intrastate violent conflict increases regional institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• RIAs include provisions for external assurances of the peaceful resolution of domestic disputes through mediation and intervention (e.g. peacekeeping forces) or for inter-governmental cooperation in the suppression of domestic violence (e.g. anti-terrorism)</td>
</tr>
<tr>
<td></td>
<td>• Policymakers and area specialists indicate that such provisions are a result of existing violence.</td>
</tr>
<tr>
<td></td>
<td>• Policymakers make public statements in which they argue that regional institutionalization can alleviate existing domestic grievances by fostering economic development, which in turn may reduce the incentive of underprivileged groups to resort to violence</td>
</tr>
<tr>
<td></td>
<td>• Area specialists argue that RIAs played a role in resolving or suppressing existing domestic violent conflicts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H11</th>
<th>Regional institutionalization serves as a costly signal of intra-mural peace in order to attract foreign direct investment (FDI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Policymakers and area specialists point to FDI as an important motivation for forming and institutionalizing the RIA</td>
</tr>
<tr>
<td></td>
<td>• Policymakers make public statements in which they express the belief that regional institutionalization reduces political risk in the eyes of foreign investors, and that the RIA helps attracting FDI</td>
</tr>
<tr>
<td></td>
<td>• Area specialists maintain that the RIA facilitated regional peace and stability, which in turn helped to attract FDI.</td>
</tr>
</tbody>
</table>
6.2 Case Selection

Considering the objectives of this study, an appropriate case should have a long history of economic regionalism. In addition, it should exhibit meaningful variation on the main variables of interest (King, Keohane, and Verba, 1994:141-42). The recent history of Southeast Asia corresponds to these criteria adequately. Attempts to form an indigenous RIA in the region can be traced back to the early 1960s. These initiatives were some of the earliest in the developing world. As such, the ASEAN region represents a lengthy experience in economic regionalism, compared to most other regions, and permits an effective temporal analysis. As I show below, this experience reflects a great deal of variation in terms of the level of institutionalization. In addition, states in the region experienced times of tensions and violent conflict as well as more peaceful times (discussed below). This characteristic allows me to evaluate the manner by which states in the region addressed these conflicts, and what role, if any, RIAs played in them.

An overview of other RIAs further reinforces the selection of ASEAN for an in-depth analysis. Many RIAs among developing countries still have low levels of regional institutionalization, and as such exhibit little variation on the related variables (e.g. CEPGL, ECO, LAIA and SAARC). Other RIAs faced a very small number of intra-mural conflicts in the post-War period, and thus have little variation on this variable (e.g. NAFTA, EFTA, and OECS). Several appropriate cases either have a shorter experience
in economic regionalism (GCC and Mercosur) or attract less attention in news media and academic literature (CACM, ANCOM, and WAEMU) compared to ASEAN.\textsuperscript{122}

The final case one has to consider is the European Union and its predecessors (ECSC, EEC, and EC). This case represents the oldest and probably the most important instance of economic regionalism and it exhibits a great deal of variation with respect to the level regional institutionalization. Although the generally peaceful environment in this region suggests that there is little variation in the number of violent conflicts, the alleged link between European integration and this long peace is often invoked by scholars and policymakers alike. Nonetheless, there are at least two good reasons not to select the European case.

First – as many observers point out and my own coding scheme confirms – the European Union and its predecessors are unique. In many ways – and the level of regional institutionalization is no exception – the European Union is in a “league of its own.” Thus, selecting ‘atypical’ case may not be the most useful case to clarify the relationship between conflict and regional institutionalization in the broader sample of RIAs. Second, most of the theories and many of the arguments concerning the relationship between economic regionalism and violent conflict were derived from the European experience. This is evident in early neo-functional and security community theories (Deutsch et al., 1957; Haas, 1964), as well as in more recent debates between realists and institutionalists (Mearsheimer, 1990; Wæver, 1998). Using a case that was

\textsuperscript{122} These five RIAs can serve as very useful additional case studies in future research.
used to develop a theory to test it is inappropriate, especially when considering the exceptional experience of Europe discussed above.

6.3 An Overview of Regional Institutionalization and Violent Conflict in Southeast Asia

This section describes the variation on the main variables of interest. This section aims to achieve main goals. First, it provides a necessary historical background for the subsequent causal analysis. Thus, to the extent possible, in this section I intentionally stay away from making causal statements with respect to the causes and effect of different events. In addition, I divide the history of the region into five periods. This division is consistent with the conventional wisdom (discussed below) and its main purpose is to facilitate a lucid and intelligible historical overview. Thus, while causal relationships may vary across these time-periods (discussed in the next section), this division, in and of itself, is not theory-driven and is not meant to imply any causal arguments.

Second, the historical overview aims to evaluate the face validity of the original measure of regional institutionalization discussed in Chapter 2. In order to assess this face validity, I coded the variables that pertain to regional institutionalization annually from 1960 to 2001 (compared to five-year intervals from 1982 to 1997 in the quantitative analysis). In what follows I compare my coding of regional institutionalization to area specialists’ assessments with respect to this variable.
6.3.1 Regional Institutionalization

Observers of Southeast Asian international relations divide the history of economic regionalism into five periods, depicted in Figure 6.1 (R. Irvine, 1982; Khong, 1997; Narine, 2001). Figure 6.1 and Figure 6.2 also present the evolution of regional institutionalization and several institutional features in Southeast Asia from 1960 to 2001, as captured by my original measure.\textsuperscript{123} As the brief historical overview discussed below makes clear, my measure of regional institutionalization largely corresponds to the conventional wisdom with respect to development of RIAs in the region.

\textsuperscript{123} I describe this measure and its various components in Chapter 3. In Figure 6.1, IMRI and DERI refer to the implemented and designed levels of regional institutionalization, respectively. IMSCOPE and DESCOPE refer to the levels of implemented and designed scope, respectively. In Figure 6.2, IMTRADE and DETRADE refer to the levels of implemented and designed trade liberalization, respectively; IMSECURITY and DESECURITY refer to the levels of implemented and designed security arrangements, respectively; and HILOF refers to regular meetings of high-level officials.
Figure 6.1: Regional Institutionalization and Scope in Southeast Asia, 1960 - 2001
Figure 6.2: Additional Institutional Features of Southeast Asian Regionalism, 1960-2001
6.3.1.1 1960 – 1967: ASA and Maphilindo

The first period begins with the formation of the Association of Southeast Asia (ASA)\(^{124}\) in 1961 and Maphilindo\(^{125}\) in 1963\(^{126}\) and ends with the dissolution of ASA in 1967. ASA and Maphilindo were the first indigenous attempts to form regional organizations in the region. Analysts agree that these organizations were abortive and largely failed to achieve their goals. Antolik’s assertion (1990:12) that “both associations represent the unsuccessful attempts of newly independent states to deal with the complexities of regional politics” reflects the conventional view on this period (see, e.g., Gordon, 1966: 165-83; R. Irvine, 1982:8-10; Jorgensen-Dahl, 1982:14-44).

My measure of regional institutionalization reflects this spirit. The very modest increase of regional institutionalization in the early 1960s captures the formation of these organizations. ASA was essentially an economic organization, which its main objectives were to promote the economic, social, and cultural progress of its members (Gordon, 1966; Solidum, 1974:28). It included a plan for a preferential trade agreement (which was not implemented) and sectoral cooperation in various areas such as agriculture, tourism, transportation, education, culture, health, etc. (Solidum, 1974:43-44). The foreign ministers were the highest authority, and were scheduled to meet annually. There were also a standing committee, expert committees for different issue-areas, and national secretariats (Solidum, 1974:132; Gordon, 1966:172-73). The institutional stop-and-go of

\(^{124}\) The members of ASA were Thailand, Malaya/Malaysia and the Philippines.

\(^{125}\) The members of Maphilindo were Indonesia, Malaya/Malaysia, and the Philippines.

\(^{126}\) On earlier attempts to form organizations that included states from outside the region, such as Southeast Asia Treaty Organization (SEATO) see, Jorgensen-Dahl (1982:9-10).
the mid 1960s reflects the fact that most of ASA’s meetings and activities were suspended from 1963 to 1965 and resumed in 1966.

Maphilindo intended to enhance the security of its members, and did not have economic components. Nevertheless, it is worthwhile to examine this organization because it represents an early attempt to address political conflict between its members (Fifield, 1979:4-5). The main purpose of the organization was to provide a forum for political consultation (Solidum, 1974:29). Beyond this, its intended substance remained unclear (Lyon, 1969:157). The organization collapsed in September 1963, only several weeks after its inception (Fifield, 1979:6; Leifer, 1989:19).

6.3.1.2 1967 – 1975: The Early Years of ASEAN

The next period begins with the formation of ASEAN in 1967. In its early years ASEAN obtained very few tangible accomplishments beyond its survival. Frost (1990:5), for example, suggests that “for the first eight years of its existence ASEAN made only modest progress towards developing substantive co-operation.” (also see, e.g., R. Irvine, 1982; Jorgensen-Dahl, 1982:48-49; Khong, 1997:326-35). Like ASA, ASEAN endeavored to promote economic, social, and cultural cooperation, as a means to achieve economic growth and regional peace.127 ASEAN also borrowed the institutional structure of ASA and many of its projects.128 The organization survived some difficulties in the

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127 The first article of the Bangkok Declaration states that the aims of ASEAN shall be “to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South East Asian nations” (cited in Davidson, 2002:171).

128 These projects pertained mainly to sectoral cooperation. For a list of such projects and their implementation see Solidum (1974:153-55). For a critical evaluation of these projects, see Indorf (1975:45-46).
late 1960s (discussed in detail below) and expanded its activities somewhat. Most notably, its members negotiated economic agreements with extra-regional actors such as the EEC and cooperated in multilateral forums such as the GATT, and UNCTAD (Jorgensen-Dahl, 1982:145-49). Figure 6.1 depicts this modest increase in the level of institutionalization, which is consistent with the conventional wisdom among area specialists (D. Irvine, 1982; Jorgensen-Dahl, 1982:48-49).

6.3.1.3 1976 – 1988: The Bali Summit and Vietnam’s Invasion to Cambodia

ASEAN Summit in Bali on 1976 marks the beginning of the third period. In the years that followed the Summit ASEAN was considered as a viable organization and an important player in regional politics. David Irvine (1982:68) contends that “the strength of both the internal commitments and the external recognition suggests that ASEAN by 1980 was proving to be one of the most successful experiments in regional cooperation amongst Third World countries” (for similar views see, e.g., Frost, 1990; Jorgensen-Dahl, 1982:51-52; Narine, 2002). The marked increase in the level of regional institutionalization is compatible with this widely-held view. From 1976 to 1980 ASEAN embarked on several new economic initiatives, most notably a preferential trade agreement, industrial cooperation, and a Swap Agreement (D. Irvine, 1982). The member-states also signed the Treaty of Amity and Cooperation. In this treaty they called for a peaceful resolution of intra-regional political conflicts and agreed to form a mechanism for the resolution of such disputes (Frost, 1990:9; D. Irvine, 1982: 45-46;

129 The 1971 declaration of Southeast Asia as a Zone Of Peace Freedom and Neutrality (ZOPFAN) is an oft-cited early attempt to address issues of regional security. This declaration did not have any practical implications and is not considered as a meaningful instance of cooperation (R. Irvine, 1982:27-29; Leifer, 1989:56-59).
Finally, ASEAN went through structural reorganization that enhanced its institutional centralization. Most notable was the formation of a small corporate secretariat.\(^{131}\)

This high visibility continued through the 1980s, when the ASEAN states joined forces to address the Vietnamese occupation of Cambodia (Antolik, 1990; Leifer, 1989). Despite intramural disagreements on how to approach this problem and despite very few tangible accomplishments,\(^{132}\) ASEAN was able to speak with one voice on this issue and to keep it on the agenda of the international community. According to many observers, these were the heydays of the organization. As Huxley (1996:211) points out, “ASEAN’s image as a successful regional organization benefited enormously from its leading role in opposing Vietnam’s subjugation of Cambodia.” This ongoing challenge also enhanced the informal mechanisms and habits of diplomatic consolation and coordination (Narine, 2002:58-59). At the same time, this shifting focus came at the expense of other activities. As Jorgensen-Dahl (1982:219) suggests, the preoccupation with the Vietnamese issue in the late 1970s “diverted much of the ASEAN governments’ attention and efforts away from the economic side of the organization.” Writing in the early 1980s, Indorf (1984:5) warned that “co-operation is relegated to peripheral concerns, and the central force for regional integration is gradually diminishing. A creeping disinterest is beginning to challenge the status quo from within.”

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\(^{130}\) As I discuss below, this mechanism – known as the High Council – was never implemented, however.


The measure of regional institutionalization remains largely flat during these years, and thus reflects this institutional stagnation. It does not capture, however, the growing habit of informal consolation and diplomatic coordination. While it is difficult to quantify such informal institutions across time and space, this matter points to one limitation of my measure, when applied to unique historical circumstances. Nonetheless, it seems that the measure of regional institutionalization picks up most of the developments in this period.

6.3.1.4 1989 – 1997: AFTA and the ARF

The end of the Vietnamese occupation of Cambodia in 1989 and the 1992 Singapore Summit are considered to be the next milestones in the evolution of ASEAN (Narine, 2002). In the eyes of most observers, the subsequent five years established ASEAN as a durable and successful organization (Collins, 2003:140; Khong, 1997:335-37). For example, Henderson (1999:9-10) asserts that “ASEAN emerged from the Cold War as that region’s pre-eminent institution. Despite doubts about the capacity of the child of the Cold War to adjust to new strategic circumstances, the early results were positive, even dramatic.” Indeed, during this time the members of ASEAN greatly expended their cooperation. The 1992 ASEAN Free Trade Area (AFTA) broke new ground in economic cooperation. Agreements on free movements of services and the ASEAN Investment AREA (AIA) were also signed in the next several years (Narine, 2002:128-31). In addition, several sub-regional “growth triangles” that have formed in
the early 1990s promoted market-oriented industrial cooperation.\textsuperscript{133} ASEAN upgraded its security linkages by forming the ASEAN Regional Forum (ARF), which endeavored to address post-Cold War security challenges (Acharya, 2001:172-79; Collins, 2003a:170-78; Narine, 2002:102-13). From an institutional perspective, ASEAN expanded the regional secretariat and its powers, formed a dispute settlement mechanism for economic disputes, and institutionalized the practice of annual summits (Davidson, 2003:21-27). This sharp increase in the level of regional institutionalization reflects the dynamism of the early post-Cold War era.

6.3.1.5 1997 – 2001: The Asian Financial Crisis and its Aftermath

Beginning in 1997, ASEAN faced several important difficult challenges, the most severe of which was the Asian financial crisis. Other problems included domestic instability in Indonesia, regional haze, and expansion of membership (Collins, 2003b; Narine, 2002:170-76). In contrast to the 1980s, the ASEAN states failed to develop a common position on and to respond adequately to these problems. The mishandling of these crises led many observers to discard the organization and declare its untimely death (Collins, 2003b; Rüland, 2003; Webber, 2003:135). For instance, Narine (2002:176) maintains that “ASEAN emerged from the Asian economic crisis as a seriously crippled institution. It went from projecting an international image of regional cohesion and effectiveness to one of impotence and irrelevance.”

\textsuperscript{133} These “Growth Triangles” are industrial zones established on inter-state borders and utilize resources from the neighboring states. For example, in the most successful initiative – the Singapore-Johor-Riau (SIJORI) triangle – Singapore contributes capital and infrastructure, and Indonesia and Malaysia provide labor and land. While these initiatives are outside the ASEAN formal framework, they are generally considered to be an important part of regional economic cooperation (Tongzon, 1998:84-96; Weatherbee, 1995).
Figure 6.1 shows that the level of regional institutionalization remains largely unchanged, and even slightly increase. This trend reflects the efforts to continue and even enhance intra-regional economic liberalization and cooperation, including an ASEAN Surveillance Process (ASP) that aims to avoid future financial disruptions (Mahani, 2002; Narine, 2002:161-64; Tay, 2001).\(^\text{134}\) In light of the mounting tribulations of the time, and even though ASEAN was not designed to tackle most of them, it seems that ASEAN did too little too late. In addition, the continuing crises greatly undermined the habit of informal consolation and policy coordination (Narine, 2002:166-69; Webber, 2003:136). It seems, then, that my measure of regional institutionalization only partly captures the dynamics of this period.

Considering the historical development of regional institutionalization in Southeast Asia since 1960, it is apparent that there is a great deal of variation on this variable. In addition, this variable largely corresponds to the conventional wisdom regarding the developments concerning economic regionalism in Southeast Asia.

6.3.2. Inter-State Violent Conflict

There is no shortage of bilateral tensions and political disagreements in Southeast Asia. Many of these tensions date back to the early post-colonial period, and most of them involve unresolved overlapping territorial claims. The most notable rivalries are between Malaysia and Singapore, Malaysia and the Philippines, Malaysia and Indonesia, Thailand and Myanmar, and the Philippines and Vietnam (Ganesan, 1999; Indorf,

\(^{134}\) The ASP and several other initiatives are yet to be implemented, however (Narine, 2002:163; Tay, 2001:244).
The level of political tensions between any such dyad is not constant, of course. I employ instances of militarized inter-state disputes (MIDs) to capture periods in which such tensions erupted into open and sometimes violent conflict (Ghosn, Palmer, and Bremer, 2004; Jones, Bremer, and Singer, 1996).135

Critics argue that the MIDs dataset does not always capture conflict adequately. In particular, they argue that some incidents do not reflect actual use of force or real crises that can potentially escalate into war (e.g., Gleditsch, 2002:76-78). At least with respect to Southeast Asia, however, this criticism is misplaced. Most of the recorded militarized disputes involved casualties and attracted the attention of policymakers at the highest levels and observers (Ganesan, 1999; Tan, 2000; Collins, 2003a). In addition, these incidents do not usually occur in isolation, and reflect serious bilateral discord. In some instances, potential escalation seemed a possible scenario (Tan, 2000:23).136

Figure 6.3 presents the number of ongoing intramural MIDs per state from 1960 to 2001. It also reports the average number of ongoing MIDs per state for each of the five periods discussed above. It is apparent that the region experienced high level of violent conflict in the mid 1960s. The most serious conflict of this period was the Konfrontasi (Confrontation) between Indonesia and Malaysia, which took place from September 1963 to 1965 and involved the use of force.

135 I added two incidents that are not recorded in the MIDs datasets. In the first incident, which occurred in 1995, a Malaysian navy vessel shot at Thai trawler, killing two fishermen (Tan 2000:41). In the second one, in 1998 a Burmese vessel attacked Thai navy vessel and killed two Thai naval officials. (Collins, 2003a:104-05).

136 There are, of course, exceptions to this generalization. For example, serious tensions between Malaysia and the Philippines with respect to Sabah resulted in severance of their diplomatic relations from 1963 to 1965, but did not result in a militarized dispute. On the other hand, that the Philippines increased patrol in the South China Sea in 1998 is coded as a militarized dispute between it and Vietnam (MID 4329).
to 1965 (Gordon, 1966; Jorgensen-Dahl, 1982). This is by far the most severe conflict to date between any of the ASEAN founding members. After a serious dispute between Malaysia and the Philippines in 1969 over the territory of Sabah (former British North Borneo) there is a marked decline in the level of conflict. With the exception of minor incidents between Malaysia and the Philippines, the 1970s and the 1980s were relatively peaceful. In the first half of the 1990s there was a moderate increase in the number of incidents. A more pronounced increase in the level of conflict is evident in the most recent period. The most severe disputes of this time involved border clashes between Myanmar and Thailand in 2001. They resulted in fifty to one hundred Burmese battle deaths (Collins, 2003a:100; Haacke, 2003:210-211).

137 All five MIDs in this period are related to this conflict. It resulted in about 700 battle deaths on both sides (Lyon, 1969:188).
Figure 6.3: Ongoing Intramural Militarized Inter-State Disputes in Southeast Asia, 1960-2001
6.3.3 Domestic Violent Conflict

Domestic unrest is common in Southeast Asia. Almost every state in the region experienced intra-state armed conflict in the last forty years. Figure 6.4 shows the number of ongoing domestic conflicts per state from 1960 to 2001 and the period-average as reported in the Uppsala Dataset on Armed Conflicts (Gleditsch et al., 2002). The region experienced only limited domestic violence in the 1960s, mainly in middle of the decade. This situation has changed in the 1970s, when minority groups began to fight for self determination in Indonesia and the Philippines and Communist parties carried out insurgencies against the Malaysian, Thai, and Philippine governments. The decline in domestic violence in the second half of the 1980s and early 1990s reflects the declining power of Communist parties in Malaysia and Thailand, and to a lesser extent in the Philippines (the violent struggle of separatist groups in Indonesia and the Philippines continued largely unabated). Renewed domestic violence in Indonesia and the Philippines and the ongoing strife in Myanmar accounts for the resurgence of domestic violence in the late 1990s.

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138 Singapore is an exception.
139 These are the Organization for Free Papua (OPM) and the Revolutionary Front for an Independent East Timor.
140 This was the Moro National Liberation Front, a Muslim separatist group that operated in the southern island of Mindanao.
141 The Philippine government continues to fight Muslim and Communist groups, and Indonesia faces resistance from the Free Aceh Movement. The ongoing conflict between the Burmese government and several tribes was “imported” into ASEAN in 1997, when the former became a member of the organization.
Figure 6.4: Ongoing Domestic Armed Conflict in Southeast Asia, 1960 - 2001
6.4 The Effect of Regional Institutionalization on Violent Conflict

This section evaluates the hypotheses laid out in Tables 6.1 above, in light of the historical experience of Southeast Asia in economic regionalism. It first examines the effect of regional institutionalization on inter-state violent conflict and then reverses the causal arrow to assess the effect of violent conflict and peace on regional institutionalization. As pointed out above, my evaluation of the various hypotheses relies on assessments of area experts and public statements of policymakers in the region. Table 6.3 below summarizes the empirical findings.

6.4.1 The Pre-ASEAN Period

The formation of Malaysia in the early 1960s resulted in two serious conflicts. The first conflict involved the Philippines’ claim for the territory of Sabah, which became a part of the Malaysian federation. The Philippines raised this thus far dormant issue in 1962 and pursued it vigorously in the following years. Malaysia rejected the Philippines claim single handedly.\(^{142}\) Although this conflict did not lead to a militarized incident, it resulted in the breakdown of diplomatic relationship between the two ASA members from 1963 to 1965 (Gordon, 1966:9-10; Solidum, 1974:148).

When assessing the effect of ASA on this conflict, one can eliminate H1, H3, and H5 in Table 6.1. ASA did not include a meaningful trade arrangement,\(^{143}\) security cooperation, and institutions such as a regional secretariat or a dispute settlement

\(^{142}\) For historical background and detailed accounts of this dispute, see Gordon (1966) and Jorgensen-Dahl, (1982).

\(^{143}\) In addition, policymakers had little future expectations in this regard. As Gordon (1966:150) points out, political leaders in the region resisted trade liberalization and were very skeptical of the prospects of intra-regional trade.
mechanism. The wider activity of the organization seemed to have limited restraining effect on the conflict. Although the organization did not provide many concrete benefits, leaders valued the organization and believed that it would confer benefits in the future (Gordon, 1966; Solidum, 1974). In this context, Gordon (1966:187) maintains that ASA “functioned as an instrument for absorbing some of the region’s conflicts.”

In particular, the contending parties used the organization as a signal of resolve that may have substituted the use of violence. As Jorgensen-Dahl (1982:195) explains, “[ASA] added to their bargaining strength in holding out a promise of benefits even though these did lie in the future. Both Malaya and the Philippines used their common membership in ASA as a lever, evidently in the hope that the other party’s commitment to the association was strong enough to make it change its position on the Sabah issue.” As H6 indicates, the low level of institutionalization, however, rendered this signaling tactic incredible. Jorgensen-Dahl (1982:196) further elaborates, “at the time of the Sabah crisis the level of functional specificity of ASA was low…The use of sanctions may have become synonymous with abandoning ASA because few or no sanctions were available which could be isolated and divorced from the activities, real and potential, of the association.” This observation demonstrates that, first, regional institutionalization can reduce violent conflict; and second, that its ability to do so depends on the level of institutionalization. As such, it corroborates H6 in Table 6.1.

In addition, ASA facilitated the establishment of channels of communications and understandings between the state leaders. In particular, it allowed Thailand to play a role
of an honest broker (Gordon, 1966:186). According to Gordon (1966:185, fn.63), the Thai foreign minister “believes that political relations between Malaya and the Philippines probably would have deteriorated much further had it not been for the existence of an organizational tie (ASA) between them.” Gordon further argues that “no doubt this is not what observers generally look for when evaluating international organizations for regional cooperation, nor was this ASA’s primary purpose. Yet, one of the functions of an organization is to provide – intentionally or not – a rubric for the settlement of disputes among its participants.” His observations corroborate H4, which states that meetings of high-levels officials foster better communication among them and that such meetings provide an arena for informal negotiations. It seems, however, that the organization played only a minor role in this respect, as meetings of high-level officials were not held from 1963 to 1966. The diplomatic deadlock ended after a newly-elected Philippine government decided to shelve this issue (for the time being, as we shall see). Overall, it appears that ASA facilitated intra-mural peace in manners consistent with H2 and H6 in Table 6.1. This role was limited due to the low level of regional institutionalization.

The second, and much more severe, conflict of the time was the Konfrontasi between Malaysia and Indonesia, which lasted from 1963 to 1965. These two states and the Philippines formed Maphilindo in 1963 in order to resolve this conflict as well as the Sabah conflict. As Solidum (1974:29) points out, “[Maphilindo] was designed to prevent

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144 Gordon points out that “no doubt this is not what observers generally look for when evaluating international organizations for regional cooperation, nor was this ASA’s primary purpose. Yet, one of the functions of an organization is to provide – intentionally or not – a rubric for the settlement of disputes among its participants.”
the worsening of the disputes between Malaysia on the one hand and Indonesia and the Philippines on the other.” The main activity of the organization was political consultation, labeled “Mushawarah Maphilindo” (Solidum, 1974:29). Maphilindo existed only several weeks, and thus had little opportunity to have any effect on these conflicts (Fifield, 1979:6; Leifer, 1989:19). This short lived organization represents an early attempt to create a formal mechanism for dispute resolution of bilateral disputes. Its breakdown is incompatible with H3, which expects security linkages to mitigate violent conflict.

6.4.2 ASEAN’s Early Years

The main conflict during ASEAN’s early years was the second Sabah dispute between the Philippines and Malaysia in 1968-69. Indications that the Philippines are training guerilla forces to infiltrate Sabah caused alarm in Malaysia. The latter’s demand that the Philippines will formally recognize the Malaysian sovereignty over Sabah, and the Philippines refusal to do so resulted in the suspension of diplomatic relations from April 1968 to December 1969 and a low level militarized dispute in 1968 (R. Irvine, 1982:19-20; Jorgensen-Dahl, 1982:197-212; Leifer, 1989:34-35).

When this conflict erupted, then, ASEAN was less than one year old. Like ASA, it did not involve agreements on trade liberalization and security linkages. As

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145 This incident is known as the Corregidor Affair.
146 In one incident, dated April 1968, two Malaysian gunboats and aircraft invaded Philippine territory (Brown, 1994:102).
147 Cooperation on these issues was proposed but rejected by the members of ASEAN. Indonesia promoted plans for military cooperation before the formation of ASEAN and during the early 1970s, for example
discussed above, it also had a very loose institutional structure. Thus, one cannot test H1, H3, and H5 in this period. ASEAN helped to mitigate the Sabah conflict in two ways. First, consistent with H4, ASEAN provided a forum for informal communication and mediation between the two parties. In ASEAN’s meeting of foreign ministers, the other members convinced Malaysia and the Philippines to tone down their rhetoric and accept a ‘cooling-off period’ (Acharya, 2001:50; Brown, 1994:109). President Suharto of Indonesia in particular played the role of a mediator (Tuan, 1996:69). These mediation efforts were only partly successful, however (Irvine, 1982:19-20; Leifer, 1989:34-35; but see Simon, 1982:38). In addition, Jorgensen-Dahl (1982:208) argues that in the second part of 1969 ASEAN “acted as an important face-saving device, especially to the Philippines, by serving as a channel through which relations between the two disputants could be gradually brought back to normal.”

Although ASEAN achieved very little by the time of this conflict, policymakers had high hopes. These expectations of future benefits had a moderating effect on the dispute. For example, Malaysia’s Prime Minister announced that “Malaysia and the Philippines had agreed to restore diplomatic relations without any preconditions, out of consideration for the need for regional co-operation.” A joint communiqué issued by the ministerial meeting recorded that “the restoration of diplomatic relations had been agreed “because of the great value which Malaysia and the Philippines placed on ASEAN”” (Leifer, 1989:35). While these statements do not refer to any specific issue-area, most of ASEAN’s actual and planned activities revolved around sectoral cooperation. It is thus

conceivable that these future benefits were expected from a range of activities pursued by the organization. Reflecting on these events, R. Irvine (1982:20) concludes that “some argued plausibly that the Association [of Southeast Asian Nations] had been a moderating influence that had prevented the Sabah dispute from escalating further.” These observations provide support to H4 and H6 in Table 6.1.

The Sabah dispute was followed by several years free of major bilateral tensions. Both disinterested observers and policymakers acknowledge the role that ASEAN played in this respect. They point to two particular manners by which ASEAN promoted peace. First, a UN report that examined ways by which ASEAN can best promote regional cooperation and made several specific recommendations, was submitted to the organization in 1972 (Jorgensen-Dahl, 1982:142-43). The adoption of this study and its gradual implementation largely expanded ASEAN’s scope of activity. Moreover, Jorgensen-Dahl (1982:177) points out that “the scope for bargaining or compromise became considerably wider once the perceptions of the political and economic leaders had accommodated or adjusted to the opportunities and potential for economic cooperation suggested by the UN study.” In turn, this increasing institutionalization increased the opportunity cost of conflict in the eyes of regional leaders. As Leifer, (1989:151) point out, “the cohesion and viability of ASEAN have come to constitute a hostage to worst case predatory intent.” These observations corroborate H4.

Second, and even more important, ASEAN served as a forum that fostered socialization and informal communication between high-level officials. For example, Acharya (2001:204) contends that “ASEAN did contribute to [intramural peace] by
fostering a climate of socialization and trust that might have suppressed Sukarno-like militant nationalist sentiments among the member states towards each other and led them to realize the benefits of cooperation over confrontation” (also see, Antolik, 1991:91; Indorf, 1984:85; Leifer, 1999:28; Sopiee, 1986:227). Policymakers expressed similar views. Malaysia’s Deputy Prime Minster, Tun Ismail, asserted that “the constant contact and communication between our officials has helped to develop a habit of co-operation and solidarity” (quoted in Irvine, 1982:22). The Annual Ministerial Meeting of Foreign Ministers (AMM) played a particularly important role in this respect. As one observer explains:

“The need to ensure a stable and friendly relationship among ASEAN members has been the primary political function of the AMM. That function has been carried out through a number of roles. Firstly, the AMM served as a useful vehicle by which ASEAN high officials become more acquainted with one another; recognize one another’s problems better, become more sensitive to one another’s interests, and promote mutual understanding. Secondly, the AMM constitutes a forum for the institutionalization of a habit of dialogues among member states. Thirdly, the AMM provides a venue for consultation and exchange of views over bilateral and regional problems whenever they arise. Fourthly, and more importantly, the AMM plays a central role as a forum for regional confidence-building measures in Southeast Asia. All these functions have, in turn, contributed greatly to the institution of a regional mechanism for conflict management and reduction among its member states” Soesastro (2001:282)

An important element of the socialization is the decisionmaking process – widely known as the “ASEAN Way” – that was developed during ASEAN’s early years. Two main principles guide decisionmaking at the highest levels: musjawarah (consultation) and mufakat (consensus). These principles represent the tendency to discuss disagreements in a relaxed manner, to arrive at an agreed upon solution through an informal dialogue, and to set aside outstanding differences (Acharya, 2000:63-72;
Golf games and singing sessions, for example, were instrumental in facilitating socialization and informal discussions (Indorf, 1975:26; Yew, 2000:331). This style of negotiations further promoted reconciliation and peace. Overall, practices in this period provide strong support to H4.

6.4.3 Shifting Attention to Indochina

ASEAN continued to consolidate in the late 1970s and the 1980s. The notable increase in regional institutionalization that followed the Bali Summit further reduced intramural disputes. This progress enhanced the value of ASEAN to its members and influenced, for example, the Philippines’ decision not pursue the Sabah claim (Jorgensen-Dahl, 1982:211-12; Simon, 1982:38). As Ferdinand Marcos, the Philippines President, announced in 1977, “[the Philippines] is…taking definite steps to eliminate one of the burdens of ASEAN, the claim of the Philippine Republic to Sabah. It is our hope that this will be a permanent contribution to the unity, the strength, and the prosperity of all ASEAN.”

The expanded scope and the tightening cordiality between high-level officials continued to play important roles in reducing intramural conflict. One cannot attribute

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148 Modern Southeast Asian leaders borrowed these two concepts from customs practiced in traditional Malay societies. Nonetheless, Jorgensen-Dhal’s (1982:167) assertion that “the claims to uniqueness occasionally made on behalf of musjawarah are largely exaggerated” is well taken.

149 Cited in Brown (1994:105). It turns out, however, that this statement did not lay to rest the Philippines’ claim to Sabah.

150 Lee Kuan Yew (2000:332-33), the Singaporean leader at the time, points to specific benefits from forming a unified bargaining position vis-à-vis developed states.

151 For example, Indorf (1984:30) argues that “the existence of ASEAN and the increasing rapport among government officials have led to the conclusion that “everything is negotiable” [with respect to territorial disputes].
the low level of conflict to security linkages as the 1976 Treaty of Amity and Cooperation and its provisions for dispute settlement were not (and yet to be) implemented.\textsuperscript{152} ASEAN embarked on a very limited trade liberalization program in 1977. It is widely agreed that this agreement had no effect on actual trade flows, however (Frost, 1990:11; Ravenhill, 1995:851). Although it is still possible that policy-makers developed expectations for future benefits, I did not find any direct evidence to this effect.\textsuperscript{153} The effect of trade liberalization on conflict may be at best weak, then. The very small and rather powerless regional secretariat established in 1976 does not seem to play any noticeable role with respect to intramural politics (Indorf, 1984:68; Irvine, 1982:56; Leifer, 1989:26-27). Thus, there is no compelling evidence in support of H1, H3, and H5.

The 1980s did not witness any major changes in regional institutionalization (Frost, 1990; Indorf, 1984), except for the increasing informal diplomatic consultation and coordination with respect to Vietnam’s occupation of Cambodia (discussed above). Despite important intramural divisions over this issue (Indorf, 1984:84; Leifer, 1989), it seems that this practice further enhanced intra-mural peace. Leifer (1989:139), for example, suggests that “paradoxically and in part because of the requirement of political co-operation over Kampuchea, some order has been realized but on an intra-mural scale.

\textsuperscript{152} Leifer (1995:135) comments that “the fact is that those dispute settlement provisions have laid dormant, not even on the table, but tucked away in a drawer. It would seem that the drawer has been locked and the key has been thrown away.” See also Collins (2003a:135); Davidson (2003:142-43); and Tan (2000:46).

\textsuperscript{153} The very restricted list of products cast doubt on this possibility, however. Ravenhill (1995:853) notes that “ASEAN members offered preferential tariffs on products that either were not produced or not traded in the region, the most notorious examples being the Philippines’ inclusion of snowplow equipment and Indonesia’s listing of nuclear power plants in their tariff offers.”
The established if imperfect habit of co-operation has helped to contain a number of intra-mural differences, giving rise to an embryonic security community.\textsuperscript{154}

Indeed, in the 1980s one observes a very limited number of disputes between the members of ASEAN. The conventional view held that “intra-mural disputes have become muted to the point of insignificance” (Huxley, 1993:11; also see, Acharya, 2001:130; Simon, 1982:39). One example of the effect of ASEAN on bilateral discord during these years is the 1986 Herzog affair. The visit of the Israeli president to Singapore resulted in mounting tensions between Malaysia and Singapore (Leifer, 1989:144-47; Tan, 2001:39-44). In this context, Suharto visited the two states in an attempt to mediate between them. Tan (2001:43-44) argues that his involvement “indicated the disquiet felt by Indonesia’s government over the deterioration in Singapore-Malaysia relations and its potentially negative consequences for ASEAN unity.” His visit, in turn, helped to highlight the importance of the organization and the opportunity costs involved and to restore the relationship between the two countries (Leifer, 1989:146; Tan, 2001:44). These events further substantiate H2, H4, and H6 in Table 6.1.

\textit{6.4.4 The Early Post-Cold War Period}

The ASEAN states faced increasing bilateral tensions in the first half of the 1990s. Territorial disputes that were dormant throughout the two preceding decades began to surface in these years (Ganesan, 1999:14-15).\textsuperscript{155} The most visible disputes were

\textsuperscript{154} Leifer does not elaborate on the concept of “security community” and what it means in the historical context he discusses.

\textsuperscript{155} The causes of these rising tensions are not well understood. Ganesan (1999:15) argues that the end of the Cold War and the Vietnamese decline prompted these developments. He does not spell out a
between Malaysia and Singapore, Malaysia and Indonesia, and Malaysia and Thailand (Ganesan, 1999; Tan, 2000). In most cases, however, the contending parties contained these tensions and prevented further escalation.

ASEAN restrained these tensions in at least two distinct ways. First, the ASEAN members valued the accomplishments of the organization and were worried that such conflicts would undermine them. Beyond international prestige, ASEAN provided a range of benefits that were derived from its substantive activities and their associated benefits. In other words, with the increasing regional institutionalization, the opportunity costs of conflict became high. As a Thai official noted in 1997, “ASEAN has matured to the point where we recognize our mutual benefits, and these outweigh bilateral problems” (Deutsche Presse Agentur, June 9 1997).

Although it is difficult to pin down the specific activities that contributed to peace, one feature that attracted the attention of policy-makers and scholars alike is the newly formed Growth-Triangles (GT). Consistent with H4, such industrial zones create economic interdependence in border areas that are sometimes subject of bilateral disagreements. Aggressive foreign policy in these areas can thus jeopardize these benefits.

convincing casual story that links the former to the latter, and it is difficult to see how these two phenomena are related. An alternative explanation emphasizes the principles that were adopted in the 1982 UN Conference on the Law of the Sea (UNCLOS) and the increased pressure on the dwindling maritime resources in the region. These developments resulted in a growing number of maritime territorial disputes (Acharya, 2001:130; Collins, 2003a: 192-93; Denoon and Colbert, 1999:506). An in-depth account of this question is beyond the scope of this study.

156 It is also noteworthy that an intensified arms race took place during these years (Collins, 2003a:95-97).

157 The crisis between Malaysia and the Philippines in 1992 over the island of Pedra Branca is an exception. This crisis, which indeed resulted in a MID, led the two parties to entertain the possibility of armed conflict. The two sides took immediate steps to defuse the situation, however (Tan, 2000:23).

158 Policy-makers are rarely explicit about such links.
In contrast to previous periods, the signing of AFTA provided a meaningful framework for intra-regional trade liberalization. The implementation of AFTA was accompanied with a modest increase of intra-regional trade. The share of intra-regional trade in the total trade increased from about 20 per cent in the early 1990s to 23 percent in the middle 1990s (Ganesan, 1994:462; Mahani, 2002:1266-67; Stubbs, 2000:313). In light of the gradual implementation of the AFTA provisions, member-states could also reasonably have expected future gains from trade. While I did not find any direct reference that links trade liberalization to intramural conflict, these observations point to the plausibility of H1 in this period.

One can eliminate the effect of security linkages on militarized inter-state disputes put forward in H3. A regional mechanism for conflict resolution remained elusive during this period. The ASEAN members preferred to tackle their disputes either bilaterally or through extra-regional bodies, such as the International Court of Justice (Ganesan, 1994:461; Leifer, 1999:26). Notably, after Indonesia and Malaysia failed to solve their territorial dispute with respect to the Sipadan and Ligitan islands, the former advocated the use of the intramural framework for dispute resolution. Malaysia refused, however, and the dispute was eventually submitted to the ICJ (The Straits Times, September 23, 1996; Acharya, 2001:132). The newly formed ASEAN Regional Forum (ARF) was another attempt to address emerging security issues. This body endeavors to facilitate confidence building measures (CBMs) between the ASEAN members and extra-regional actors, most notably China, as well as between the ASEAN members themselves. It was
meant to proceed in three stages: CBMs (i.e. transparency), preventive diplomacy, and conflict resolution. By 2001 only the first stage was partly implemented (Collins, 2003a:177; Tan, 2000:50). It is noteworthy that under Chinese pressure, the increasingly volatile tensions with respect to the Spratly Islands have been kept off the agenda of the ARF (Collins, 2003:195-97; Narine, 2002:106).

A second manner by which ASEAN facilitated intramural peace is the now established habit of formal and informal communication between high-level officials. For example, from 1992 to 1997 ASEAN held four Summits (compared to three in the previous twenty-five years). These increasing contacts and the growing awareness of each others’ problems and interests were instrumental in playing down intramural frictions. As Ganesan (1994:460) points out, the bilateral tensions of the early 1990s have been stabilized “by familiarity among the political and bureaucratic elite.” In addition, ASEAN meetings served as informal forums to mitigate bilateral tensions. One report notes that “border disputes which have arisen between Indonesia and Malaysia, and between Malaysia and Thailand, were quietly defused in the multilateral ASEAN context when to do so amidst bilateral formality might well have been much more difficult” (South China Morning Post, August 4 1991). These developments and the growing confidence of regional leaders in the so called ASEAN Way led some observers to argue that the organization represents a sort of security community, in which intramural
violence is no longer possible (Acharya, 1998:218-19; Tuan, 1996:71). These developments strengthen the empirical support for H4.

Throughout the 1990s ASEAN also expanded and deepened lower level institutions, such as the corporate secretariat and the economic dispute settlement mechanism (DSM). There is little evidence to suggest that any of these institutions facilitated intramural peace. The ASEAN DSM remained unused, and it is noteworthy that in 1995 Malaysia and Singapore submitted a trade dispute to the World Trade Organization (Ravenhill, 1995:861). While it is undeniable that regional interconnectedness sharply increased in the post-Cold War era, its effect on intramural conflict seems weak. As Acharya (2001:131) explains, “invocation of the ‘ASEAN spirit’ has been a factor in moderating and diffusing these controversies [i.e. bilateral disputes] but it has been effective only at the highest political level. At the grassroots, concerns about ‘ASEANness’ has mattered little.” These observations cast doubt on H5.

Overall, it seems that the increasing level of regional institutionalization was instrumental in mitigating the growing bilateral tensions of the early 1990s. Meetings and consultations of high-level officials and expanded scope played important role in this respect. Security cooperation and the higher level of institutional centralization did not seem to play such role, and the effect of trade liberalization on conflict is inconclusive.

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159 Even during these euphoric times other observers pointed out that ASEAN falls short of a security community (Ganesan, 1994; Huxley, 1993).
6.4.5 The Financial Crisis and its Aftermath

From 1997 to 2001 the ASEAN members experienced a sharp increase in the number of bilateral disputes (even after controlling for expanding membership). Border clashes between Thailand and Myanmar in 2001, which resulted in 50-100 battle deaths, represent the most severe incident since the Konfrontasi (Collins, 2003:100; Haacke, 2003:210-211). The growing intramural tensions are usually explained by the expansion of the organization to include conflict-prone states\textsuperscript{160} and the ramifications of the unforeseen 1997 financial crisis (Acharya, 2001:132-33; Narine, 2002:119-20).

The level of regional institutionalization was steady during these years and even slightly increased. Compatible with H4, meetings of high-level officials remained an important instrument of conflict reduction. The ASEAN leaders continued to meet annually and an “ASEAN foreign ministers’ retreat” was established in 1999. This new forum provided the foreign ministers with an opportunity to discuss regional problems informally (Collins, 2003b:141). In the aftermath of the first retreat, Singapore foreign minister stated that “whatever bilateral disputes there have been, the foreign ministers…have been able to keep up the cooperation” (Jakarta Post, July 23 1999).

At the same time, the expansion of ASEAN to include states that are very different from the original members in term of the recent historical experience, as well as economic and political development operated as to decrease intramural cohesion at the highest levels (Binh and Duong, 2001:196; Narine, 2002:1211). In addition, the resort to

\textsuperscript{160} All the five MIDs in this period involve either Vietnam or Myanmar. Militarized disputes between these states and the other ASEAN members occurred long before these years. Their admission into ASEAN meant that the organization ‘imported’ these conflicts and had to address them.
unilateral measures that resulted from the hardships of the financial crisis undermined the
tradition of mutual consultation. As discussed above, it is very difficult to measure the
decline in the level of these informal institutions and to evaluate their effect on conflict.
Nonetheless, it is safe to conclude that the effectiveness of the causal mechanisms
associated with H4 has declined after 1997. This observation resulted in calls to leave this
informal dimension of the ASEAN Way behind, and to promote an institutionalization of
more formal mechanisms (Acharya, 2001:156). Thus the evidence regarding H2 are
mixed.

Similar assessment can be made with respect to the activities of ASEAN. The
organization’s activities and plans remained largely on track and contained potential
intramural violence. Tan (2001:74) contends that “the greater institutionalization of
ASEAN can only serve to increase the room for developing the regional norms and
interdependence, not to mention the moral influence of a wider community, that could
improve confidence and reduce the incentives for conflict. A wider and more intrusive
ASEAN community could help to manage latent bilateral issues and tensions.” At the
same time, given the trials and tribulations of the time, the opportunity cost of violent
conflict may have been too low to prevent an increase in the number of militarized
disputes. Developments in this period, then, provide only partial support to H6.

Trade liberalization during this period suffered some setbacks but the AFTA
schedule was kept intact and even accelerated. As of 2001, AFTA has all but achieved its
stated goals (Mahani, 2002:1265). In addition, after a sharp decline in intra-regional trade
in 1998, it rebounded to the pre-1997 levels afterwards. Like in the early post-Cold years,
the extent to which trade liberalization affected conflict is an open question. Meaningful security linkages continued to be beyond ASEAN’s reach. Formal dispute resolution through the High Council or the ARF remained elusive. A new body that was composed of three foreign ministers – known as the Troika – was established in order to address security problems (Narine, 2002:164-65). As (Collins, 2003b:142) points out with respect to the 2001 incident between Thailand and Myanmar, however, “despite the significance of two ASEAN members using force against one another, it was evident that neither wished a third-party intervention and the Troika was not convened.” Like in earlier periods, these observations challenge H3.

Overall, it seems that the effect of regional institutionalization on conflict throughout this period is more complex than previous ones.\textsuperscript{161} To begin with, an external shock (the financial crisis) is the primary causal driver of the unfolding events. Its effect on regional institutionalization has repercussion for violent conflict. Put differently, the financial crisis affected conflict in both direct and indirect manners. As mentioned above, the crisis led to increasing bilateral tensions that could potentially escalate. At the same time, it stalled regional institutionalization and thus kept the opportunity cost of conflict in check. From this perspective, regional institutionalization operated as an intervening variable.

In addition, the high level of institutionalization achieved by the organization may have allowed ASEAN to absorb some of the tensions. In other words, considering the

\textsuperscript{161} Part of the problem emanates from the fact that analyses of this relationship for this recent period are few and far between.
acute challenges its members faced in this turbulent period, one could imagine a greater level of hostility (Leifer, 1999:37). On the other hand, that the number and severity of MIDs increased may indicate that ASEAN reached the sealing of its absorbing capacity. That is, the level of regional institutionalization obtained by the late 1990s was not high enough to effectively contain the growing bilateral tensions. Thus, developments in this period provide mixed support to H1, H2, H4, and H6, and no support to H3 and H5 in Table 6.1.

6.5 The Effect of Violent Conflict on Regional Institutionalization

This section considers the hypotheses presented in Tables 6.2 above, in light of the historical experience of Southeast Asia. It first assesses the effect of inter-state violent conflict and peace on regional institutionalization. It then examines the impact of domestic conflict on regional institutionalization. Finally, it considers the possibility that the members of ASEAN used this organization to attract FDI. Table 6.3 below summarizes the empirical findings.

6.5.1 Inter-State Conflict and Regional Institutionalization

The evident decline in regional institutionalization during the middle 1960s is directly related to the highly conflictual atmosphere of this period. Observers agree that the suspension of ASA’s activities resulted from the Sabah dispute between Malaysia and the Philippines and that the collapse of Maphilindo resulted from the Sabah dispute and the Konfrontasi (Jorgensen-Dahl, 1982; Solidum, 1974). The Sabah conflict stalled the progress of ASA. For example, in October 1962 the Malayan Government sent the Philippines a note that stated “in view of the fact that undue excitement has been aroused
in the Philippines over this matter [Sabah, that is], the Prime Minister of the Federation of Malaya does not consider it advisable for him personally to attend the ASA conference in which case the Federation of Malaya will be represented by another minister unless of course the excitement will have died down by then” (Leifer, 1968:34; see also, Jorgensen-Dahl, 1982:24). In another example, several months later, President Macapagal of the Philippines said to his foreign secretary, “you’ve got to go slow on this ASA thing; our foreign policy efforts has to focus on North Borneo [Sabah], and everything else must take a back seat” (Gordon, 1966:25-26; see also, Jorgensen-Dahl, 1982:196). Consistent with H7 in Table 6.2, the breakdown of diplomatic relations between the two parties and the erosion of mutual trust brought ASA to a halt later this year (Gordon, 1966:9).

The case of Maphilindo is interesting because its main purpose was to facilitate the resolution of these two disputes. It shows that, as liberals argue, conflict creates demand for institutions (Fifield, 1979:4-5; Solidum, 1974:29). These very disputes, however, led to its downfall (Fifield, 1979:6; Leifer, 1989:19). Solidum (1974:54) explains, “the experiences of Maphilindo showed that proposals for cooperation had little chance of success against a background of political problems such as the Philippine claim to Sabah, Indonesia’s objections to the existing military bases in Malaya, and the two countries’ objection to the transfer of the Borneo territories from British to Malaysian control without their having been a chance for self-determination.” Antolik (1990:14-15) summarizes this early experience as follows: “neither association, ASA or Maphilindo, was able to mute nationalistic interests, and both were destroyed by interstate rivalries
that involved irredentism, challenges to others’ legitimacy, interference in others’ internal affairs, and ultimately Sukarno’s war to crush Malaysia.”

In contrast, the cessation of hostilities in 1966 opened the door for renewed regional institutionalization, first with the revival of ASA, and then with the formation of ASEAN. As R. Irvine (1982:11) points out, “the resolution of most of the major disputes by the end of 1966 offered the opportunity to put those [regional cooperation] attempts on a much sounder basis through the establishment of a new and more broadly based grouping” (also see Leifer, 1999:26-27). One of the main goals of ASEAN was to prevent future bilateral hostilities between the members of the organization (Antolik, 1991:155; Leifer, 1989:2). Thus, it seems that peace preceded the formation of the organization, and the formation of ASEAN was meant to maintain the peace rather than to create it. These observations correspond to the causal logic underlying H7 and challenge H8.

The Sabah dispute of the late 1960s put ASEAN to its first test. Malaysia and the Philippines severed their diplomatic relations, and Malaysia insisted that ASEAN and the Sabah conflict are closely linked. In turn, it refused to participate in ASEAN meetings until the Philippines withdraw its claim to Sabah (Brown, 1994:109). The effect of this row was to bring ASEAN’s activities to a halt for more than a year. Jorgensen-Dahl (1982:208) argues that “but whilst ASEAN exercised some positive influence on the course of the dispute, the major flow of effects clearly went in the opposite direction. For eight months the organization was completely moribund and on several occasions its final
The conclusion of the Sabah conflict was followed by several years of reconciliation, which in turn paved the way for further regional institutionalization (Ganesan, 1995:212; D. Irvine, 1982:37-38). The lack of conflict during this period operated as a background condition, and cannot account for the timing of the notable increase in regional institutionalization, which began in 1976. Two proximate causes for the institutional surge were the UN report – which gave ASEAN a sense of direction – and the rise of economic protectionism across the globe (Irvine, 1982:38-39; Jorgensen-Dahl, 1982:112-13). The most important proximate cause (discussed in more detail below), however, was the unfolding events in Indochina.

Vietnam’s 1978 invasion to Cambodia, which endured through 1980s, preoccupied the members of ASEAN for the duration of this period. The rising Vietnamese power had two contradicting effects on ASEAN. On the one hand, as discussed above, the ASEAN members deepened their habit of informal coordination and created a diplomatic community (Leifer, 1989). On the other hand, conflicting views on how to tackle the Cambodian crisis drove a wedge between the members of ASEAN.  

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162 The Philippine Foreign Minster Ramos complained that “ASEAN is in great difficulty. Unless we do something quickly, ASEAN may fall apart. Certainly we are able to do nothing about things like an ASEAN common market until we settle these disputes” (cited in Brown, 1994:110). Similarly, political tensions between Indonesia and Singapore in the period led Lee Kuan Yew to comment, “First of all, let us demonstrate to each other that we mean well to each other. Once… I am convinced nobody wants to do me in, more important, Singapore is convinced that her neighbours, Indonesia, Malaysia, the Philippines, Thailand, eventually Burma, Cambodia, Laos mean us well, once we are convinced of that, then, we will really cooperate to mutual advantage” (cited in Jorgensen-Dahl, 1982:106).

163 Thailand – which faced the most immediate security threat – and Singapore advocated the containment of Vietnam through an informal alliance with China. Malaysia and Indonesia perceived China as a
While these differences did not lead to open disputes, they undermined the internal cohesion of ASEAN (Indorf, 1984:36; Leifer, 1989:138). Unrelated intramural bilateral tensions persisted, but had modest negative effect on institutional developments.\textsuperscript{164} In sum, and in contrast to both H7 and H8, it seems that during the 1980s interstate conflict played a secondary role with respect to regional institutionalization.

The growing number of disputes in the early 1990s did not have a noticeable impact on the development of ASEAN. In spite of these tensions, the level of regional institutionalization reached new heights. By the early 1990s ASEAN was robust enough to withstand these disputes, and bilateral tensions did not undermine the general trust between the members of ASEAN and the confidence they had in the organization itself (Ganesan, 1995:220). This observation points to the possibility that the effect of violent conflict on regional institutionalization – stated in H7 – is more pronounced when the level of the latter is low. At the same time, in contrast to H8, the increasing level of regional institutionalization is not a result of demand for conflict resolution. Other, largely extra-regional, factors account for the upsurge of ASEAN. Some of the most common explanations for these developments are the new wave of economic regionalism, globalization, and the rising economic and military Chinese power (Narine, 1998; Ravenhill, 1995:854-55).

\textsuperscript{164} Unresolved territorial disputes between the Philippines and Malaysia continued to hamper institutional progress. Leifer (1989:25) reports that “a third meeting [between the leaders of ASEAN] was long delayed partly because of continuing differences between Malaysia and the Philippines over Sabah.” The first and second summits held in 1976 and 1977, while the third one held in 1987 (also Antolik, 1990:145, 151).
The financial crisis and its ripples, as well as the expansion of membership, seem to be the main drivers of regional institutionalization after 1997. These events resulted in calls for the acceleration of the implementation of existing plans and for the development of new policies to address these challenges. At the same time, they undermined the cohesion of ASEAN and weakened its ability to move forward. Bilateral tensions did not play a major role in determining the level of regional institutionalization. There is no evidence, for example, that the 2001 armed conflict between Thailand and Myanmar affected ASEAN in a meaningful way. Nonetheless, the accumulating number of bilateral disputes – which, as discussed above, was largely a consequence of the same events – did create strains between the members of ASEAN. This issue was an important item on the agenda of the 1999 foreign ministers’ retreat, for example. After this meeting, Singapore foreign minister said that “within ASEAN, some of us have disputes or quarrels. On that we agreed just have we managed the differences in the past it should not impede ASEAN cooperation” (Jakarta Post, July 23 1999). This statement shows that so far bilateral disputes did not hold back regional institutionalization, but that they certainly have the potential to do so. Several observers believe that the continuation of these bilateral tensions – especially among ASEAN’s core states\textsuperscript{165} – if not addressed in a timely manner will eventually take its toll on regional cooperation (Ganesan, 1999; Tan, 2000). Thus, events in this period provide qualified support for H7. There is no evidence in support of the opposite argument, stated in H8.

\textsuperscript{165} These are the five founding states, especially Indonesia, Malaysia, and Singapore. It is possible that the conflict between Thailand and Myanmar did not register its effect on ASEAN because the latter is more peripheral to the organization.
6.5.2 Domestic Violence and Regional Institutionalization

Domestic strife did not figure prominently in the pre-ASEAN period. Contrary to both H9 and H10, there is little evidence to suggest that such conflicts either stimulated or hampered regional institutionalization. The formation of ASEAN, in contrast, had more to do with this issue. One goal of the new organization was to contain domestic strife in its member-states with a particular reference to Communist insurgency. While Communist movements were not very powerful in most of these countries at the time,\textsuperscript{166} concerns regarding this problem should be understood in the context of mounting Communist influence elsewhere in East Asia (Huxley, 1993:4).

ASEAN endeavored to promote domestic stability – which regional leaders labeled “national resilience” – in two ways. First, they believed that regional cooperation would facilitate economic development and in turn lessen the appeal of anti-government movements. Second, the ASEAN members turn the notion of regional integration on its head and espoused the principle of non-interference.\textsuperscript{167} This principle intended to ensure that neighboring states would not assist domestic resistance, and even help to suppress it (e.g., Acharya, 2001:59-60). As Leifer (1989:3) sums up, “an attendant ability to address problems of domestic political stability through the mechanisms of economic development was expected to produce corporate as well as individual benefits. External adventurism would be discouraged. The contagion of internal political disorder would be

\textsuperscript{166} That is not to say that Southeast Asian states did not face insurgency, they certainly did (Lyon, 1969:182-83). With few exceptions, these insurgences did not develop into sizable armed conflicts, as evident from the low level of domestic conflict through the 1960s.

\textsuperscript{167} Regional integration (at least in the European context) is thought to involve the relinquishment of national sovereignty. Non-interference, in contrast, reinforces national sovereignty.
prevented from spreading from an infected state to contaminate the body politic of regional partners” (also see, Collins, 2003a:128-30; Huxley, 1993; Narine, 1998).

It seems, then, that potential intra-state violence created demand for regional institutionalization. It is also apparent that ASEAN provided some assurances against domestic violence, mainly through the principle of non-interference, and to a lesser extent through economic development. These observations largely correspond to the observable implications associated with H10 in Table 6.2. ASEAN did not play a role in conflict resolution of domestic disputes, however.

At the same time, compatible with H9, there are some indications that domestic instability hindered further institutionalization in this period. Jorgensen-Dhal observes that domestic violence in Malaysia resulted in the postponement of the 1969 AMM. Nevertheless, he argues that “at present mostly weak and indirectly observable signs can be shown to exist of the link between internal instability caused by the minorities issues and participation in regional cooperation and integration” (Jorgensen-Dhal, 1982:217).\(^{168}\)

Overall, it seems that domestic conflict was conducive to regional institutionalization in this period. That is, on balance, the evidence provides greater support to H10 rather than to H9.

By the middle of the 1970s the problem of Communist insurgency has greatly intensified. The growing influence of Communist ideology in the region led to the rise of Communist movements that resorted to arms in Malaysia, the Philippines, and Thailand.

\(^{168}\) Nonetheless, he also argues that “what this incidence [i.e. the 1969 riots in Malaysia] suggests is a possibility of an intensified future competition between demands of internal integration and those of participation in regional cooperation and organization” (Jorgensen-Dhal, 1982:217).
The Communist victory in Vietnam and the unification of this country further intensified the alarm of the ASEAN government with respect to this problem.\textsuperscript{169} Indeed, the main reason for the accelerated pace of regional institutionalization that commenced in 1976 was the belief that economic development can undermine political support to local Communist insurgency (Frost, 1990:7-8). Lee Kuan Yew (2000:330), for example, recalls that “the fall of Saigon to the communists in April 1975 increased our sense of the danger from subversion and insurgency. ASEAN had to undertake economic development more effectively to reduce domestic discontent.” Thus, in agreement with H10, domestic violence and the possibility of an increasing violence clearly fostered regional institutionalization in the second half of the 1970s.

The apparent decline in domestic armed conflict that began in the early 1980s did not have a notable impact on ASEAN’s institutional development in either direction.\textsuperscript{170} The level of domestic conflict continued to decline in the early 1990s. Ganesan (1999:49) notes that “issues relating to insurgency and separatism are clearly on the wane. The disbandment of the CPM and the CPT [the Malaysian and Thai communist parties] has led to insurgency outlived it political utility.” There is little evidence to suggest that these developments had an effect on regional institutionalization. As discussed above, the

\textsuperscript{169} It is worth reemphasizing that the ASEAN states perceived the end of the (second) Vietnam War as an internal rather than external threat. The ASEAN governments feared from both growing self-confidence of and transfer of weapons from Vietnam to indigenous Communist movements (D. Irvine, 1982:39-45; Jorgensen-Dahl, 1982:83-86). Vietnam was perceived as an external threat only after it invaded Cambodia in 1978. Even than, ASEAN could do little to contain Vietnam militarily, as Vietnam was more powerful than all ASEAN members combined (Leifer, 1989:91).

\textsuperscript{170} Leifer (1989:143) points out that the ongoing crisis in the Philippines weakened its participation in ASEAN. The 1987 Manila Summit was an attempt to display regional support to the new Philippine government. The substantive achievements of this summit were very limited, however, and had little effect on the institutionalization of ASEAN (Frost, 1990:22-23).
primary factors that determined its level were mainly external to the region. It seems, then, that a third factor – the end of the cold war – plays an important role in the increase of regional institutionalization and the decrease of intra-state conflict (that is, the latter variable is spurious).\footnote{The weakening of Communist insurgency resulted from the withdrawal of Chinese support to Communist movements. The Chinese gesture was part of a rapprochement between it and ASEAN (Ganesan, 1995:216-17).}

For several reasons, the level of domestic conflict increased in the post-1997 period. First, ASEAN admitted four new members that suffered from domestic instability, the most notable of which are Myanmar and Cambodia (Haacke, 2003:165-66). Second, due to the financial crisis Indonesia experienced a far-reaching political transformation that brought the Suharto era to a close. Somewhat related was the ongoing crisis with respect to demand of East Timor for independence.\footnote{East Timor’s struggle for independence intensified in the middle 1990s. The new Indonesian president, B. J. Habibie, first offered an autonomy and than, after a growing international pressure, a referendum between autonomy and independence. The referendum itself and the overwhelming support for independence led to a burst of violence by Indonesian armed forces against the indigenous population.} The region-wide rise in domestic strife resulted in demand for new regional initiatives that will allow regional intervention in domestic crises. The Thai foreign minister’s call for “flexible engagement” was the most notable proposal.\footnote{This proposal called for a greater discussion of domestic problems in regional forums in order to respond to them (Haacke, 2003; Narine, 2002:168-69).} The Thai proposal challenged the principle of non-intervention, which is fundamental to the “ASEAN Way,” and faced fierce opposition from most of the other members of the organization. The idea of “flexible engagement” was rejected in favor of “enhanced interaction,” which approved of national (rather than corporate) policies that may affect the domestic affairs of other
member-states (Collins, 2003:142-46; Narine, 2002:168-69). It is also noteworthy that ASEAN rejected a proposal for a corporate peacekeeping force (Tan, 2000:51), and failed to formulate a unified policy with respect to the crisis in East Timor (Narine, 2002:172-74). Contrary to H10, it is safe to conclude that regional institutionalization did not meet the demand emanated from the increase in intra-state conflict.

Domestic strife in this period had a damaging effect on ASEAN. The troubles in Indonesia, the largest and probably most important member of ASEAN, reduced its ability to contribute to the organization and undermined its sustainability. As Webber (2003:136) points out, “this uncertainty and instability reduced the level of attention that the post-Suharto governments could give to regional affairs and thus undermined its capacity to fulfill its former leadership role in ASEAN, leaving the organization effectively leaderless” (see also Leifer, 1999:37). Thus, Indonesia’s political vulnerability since the late 1990s clearly weakened the organization. In addition, the open debate and quarrels regarding the manners in which ASEAN should respond to the unfolding domestic crises in the region further undermined its cohesion (Narine, 2002:174). Overall, as H9 expects, it seems that domestic conflict hampered regional institutionalization rather than fostered it. More precisely, it operated as an intervening variable between the financial crisis and the expansion of membership, on the one hand, and regional institutionalization on the other.

6.5.3 Regional Institutionalization as a Signal to Foreign Investors

There are indications that the nexus between peace, foreign direct investment (FDI), and regional institutionalization was present as early as the formation of ASEAN.
It played a particularly important role in the Indonesian motivation to form the organization. The Konfrontasi earned Indonesia a reputation of aggressive and reckless state. The new leadership in Jakarta was eager to demonstrate that it has abandoned the radical ideology and policies of the Sukarno era (Leifer, 1989:20). ASEAN was one important way for Indonesia to show that it is a friendly and responsible state. Despite being the most powerful state in the region, it consciously conceded to other members’ perspectives. As Lee Kuan Yew (2000:330) recalls, “Under Suharto, Indonesia did not act like a hegemon. It did not insist on its point of view but took into consideration the policies and interests of the other members.”

This policy had two goals. First, it meant to reassure Indonesia’s neighbors in Southeast Asia regarding its foreign policy intentions. Second, and consistent with H11, it intended to project an image of peace-loving state to extra-regional actors, amid uncertainty with respect to its foreign policy objectives. Although Indonesia did not have an export-led growth economy at the time, it was in great need for foreign assistance and capital. R. Irvine (1982:12) explains, “participation in ASEAN had for Indonesia the advantage of confirming its peaceful intentions and restoring its international responsibility at a time when it was in dire need of economic assistance from major Western countries and from international financial institutions” (also see, Leifer, 1989:153-54). One can thus interpret the Indonesian participation in ASEAN as an attempt to convince extra-regional actors that it is safe for economic activity.
As the ASEAN states abandoned import-substitution and embraced export-oriented policies in the 1970s and the 1980s, attracting FDI became an important goal of the organization (Huxley, 1996:213). It was also clear that violent conflict can render the region less attractive to foreign investors. Indorf (1984:91), for example, suggests that “Bilateral disputes within ASEAN, however justified they may be, impair the positive conception of the organization which otherwise stimulates confidence abroad…Solving bilateral problems of the member states must be considered an integral part of an international image-building process” (also see, Huxley, 1993:11). Thus, the regional stability embodied in the ASEAN framework has provided a low-risk economic environment conducive for foreign investment (Leifer, 1989:51; Narine, 1998:202; Wanandi, 2001:28).

Regional leaders grasped this relationship between ASEAN and FDI as well. The Malaysian Deputy Prime Minister, for example, asserted that “because of the respect ASEAN has earned, the confidence it has built, and the stability it has helped to ensure, the ASEAN area has become a magnet for foreign investment” (Hitam, 1987:11). A 1983 statement by Singapore’s Foreign Minister is even more telling and worth quoting in full:

“In my view the biggest contribution of ASEAN toward economic development has been the way we have presented to the rest of the world a picture of ASEAN co-operation and neighbourliness … this has created an image of ASEAN as an area of stability … we depend very much on foreign investments and foreign markets … supposing … countries in the regions would pursue their quarrels … investors … would get the impression that this part of the world was not safe for them to invest.”


175 An excerpt from an interview to the Bangkok Post (June 26, 1983), cited in Indorf, (1984:62). It is noteworthy, however, that Indorf casts doubt on the viability of this strategy without stronger commitment to regional institutionalization. He comments that “the clear impression emerges from this
Taken together, the observations of area specialists and statements from policymakers suggest that this hypothesized causal mechanism that links peace, regional institutionalization and foreign investment risk was at work through ASEAN’s first two decades. As one observer explains, “the international respect and the stature of ASEAN, the confidence it has engendered, and the amity it has facilitated have all combined to make the ASEAN region an attractive for foreign investment” (Kurus, 1993:828).

Turning to the 1990s, it is clear that attracting FDI became one of the most important goals of the organization. By this time, the members of ASEAN had come to depend on foreign investment for their economic growth. Moreover, they faced increasing competition for FDI from other developing countries, especially China (Narine, 2002:127; Stubbs, 2000:309). The formation of the ASEAN Investment Area (AIA) attests for the urgency the ASEAN members felt with respect to this issue. Nevertheless, there is little evidence to suggest that the ASEAN members thought of the organization as a signal of intramural peace.\(^\text{176}\) Although it is difficult to rule out this causal story, the shortage of references casts doubt on its explanatory power in these years. As discussed in the theoretical chapter, however, signaling is required when uncertainty regarding political stability is high. It maybe the case that the relative intramural peace of and the international reputation ASEAN has earned by the early

\(^{176}\) Ravenhill offers a somewhat different argument. He (1995:856) suggests that “AFTA was a signal both to domestic protectionist interests and to foreign investors of the new commitment to trade liberalization.”
1990s, rendered the need to signal this image unnecessary. Thus, the evidence are still largely consistent with the logic underlining H11.

The expansion of ASEAN to include less stable states and the growing number of conflicts have restored the need to use the organization as a signaling instrument in the second half of the 1990s. One of the main reasons Vietnam and the other new members joined ASEAN can be attributed to their efforts to further economic development through FDI (Binh and Duong, 2001; Goodman, 1996:594). Although these states liberalized their economies and opened their markets to foreign trade and investment (to varying degrees), the dismal record of wars and violence undercut their attempts to attract foreign capital. Thus, by joining ASEAN, these states were able to project an image of peaceful states in a stable region. As Binh and Duong (2001:189) argue with respect to Vietnam, “a driving force behind the decision [to join ASEAN] was the necessity to open the economy and attract foreign direct investment, which could be possible only if normal and friendly relations prevailed.” In other words, the high level of regional institutionalization allowed the new members to project an image of stable states in which investment risk is low (Goodman, 1996:595).

At the same time, this enlargement as well as the 1997 financial crisis, greatly tarnished the reputation of ASEAN as a peaceful and prosperous region and resulted in a massive outflow of foreign capital. The ensued increase in intra-state and inter-state violent incidents worsened this problem. Although it is not clear that these conflicts affected investment risk, Tan (2001:76) argues that “persistent and rising tensions [among the members of ASEAN] could eventually increase the political risk of investing
in the region.” From this perspective, the effort to further institutionalize ASEAN throughout this period can be understood as an attempt to restore the reputation of ASEAN as a vibrant and peaceful region. So far these efforts have met with only partial success, as sustainable regional peace and stability are not yet secured. It seems, then, that development in the 1990s provide further, albeit more qualified, support to H11.

6.6 Discussion

Table 6.3 outlines the empirical findings and provides a rough assessment\textsuperscript{177} of the hypotheses stated in tables 6.1 and 6.2 in light of the historical experience of the ASEAN region. My findings regarding the effect of regional institutionalization on conflict indicate that RIAs mitigate conflict, and that the more institutionalized they are, the greater this effect on conflict. In addition, I find evidence supporting only some hypothesized casual mechanisms. In particular, regular meetings among high-level officials, which facilitate socialization and communication, and the scope of economic activity seems to reduce conflict. I also find that greater institutionalization of these features and of the aggregate regional institutionalization is more effective in mitigating violent conflict. These findings indicate that such institutionalization increases the opportunity cost violent conflict, which may result in severing the benefits associated with it. On the other hand, trade liberalization, security linkages, and institutional centralization did not stand out in this respect. These findings largely correspond to the results of the quantitative analysis reported in Chapter 4.

\textsuperscript{177} Using my best judgment, I ascribed values of weak, intermediate, and strong for each hypothesis. In order to assign these values, I took into account both the number of time periods the hypothesized relationship were at work and their importance in determining the different outcomes (compared to other factors). Therefore, one should treat these values with caution.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Empirical Support</th>
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<tbody>
<tr>
<td>H1  Trade liberalization reduces intra-mural interstate violent conflict</td>
<td>Weak. No support before 1992, and inconclusive evidence after 1992</td>
</tr>
<tr>
<td>H2  Scope of economic activity reduces intra-mural interstate violent conflict</td>
<td>Strong. Support throughout the history of ASEAN. Notable issue-areas are external relations and Growth Triangles</td>
</tr>
<tr>
<td>H3  Security linkages reduce intra-mural interstate violent conflict</td>
<td>Weak. Security arrangements were largely unused. Bilateral disputes were resolved through other means</td>
</tr>
<tr>
<td>H4  Regular meetings of high-level officials reduces intra-mural interstate violent conflict</td>
<td>Strong. Meetings of high-level officials facilitated socialization and communication between regional leaders and served as a forum for informal diffusion of bilateral tension throughout</td>
</tr>
<tr>
<td>H5  Institutional Centralization reduces intra-mural interstate violent conflict</td>
<td>Weak. Low level of institutional centralization before 1992. Greater institutionalization in the 1990s did not seem to affect conflict</td>
</tr>
<tr>
<td>H6  Regional institutionalization intra-mural interstate violent conflict</td>
<td>Strong. Support throughout the history of ASEAN</td>
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**Table 6.3:** Evidence With Respect to the Effect of Regional Institutionalization on Violent Conflict in Southeast Asia, 1960 – 2001
<table>
<thead>
<tr>
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<th>Hypothesis</th>
<th>Description</th>
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<tr>
<td>H7</td>
<td>Intramural interstate violent conflict decreases regional institutionalization</td>
<td>Intermediate. Conflict hampered and peace served as an important condition for regional institutionalization in the 1960s, 1970s, and to a lesser extent in the late 1990s, but not in the 1980s and early 1990s</td>
</tr>
<tr>
<td>H8</td>
<td>Intramural interstate violent conflict increases regional institutionalization</td>
<td>Weak. Conflict created demand for regional institutionalization in the 1960s. Supply fell short of this demand</td>
</tr>
<tr>
<td>H9</td>
<td>Intramural intrastate violent conflict decreases regional institutionalization</td>
<td>Weak. Domestic conflict did not interrupt regional institutionalization until the late 1990s, when it became a consideration</td>
</tr>
<tr>
<td>H10</td>
<td>Intra-mural intrastate violent conflict increases regional institutionalization</td>
<td>Intermediate. Domestic conflict was an important driver of regional institutionalization in the 1970s, but not in other periods</td>
</tr>
<tr>
<td>H11</td>
<td>Regional institutionalization serves as a costly signal of intra-mural peace in order to attract foreign direct investment (FDI)</td>
<td>Strong. Regional institutionalization served as signal of regional peace in order to attract FDI from the 1960s to the 1980s, and to a lesser extent in the second half of the 1990s</td>
</tr>
</tbody>
</table>

**Table 6.4:** Evidence With Respect to the Effect of Violent Conflict on Regional Institutionalization in Southeast Asia, 1960 – 2001
The findings about the effect of violent conflict on regional institutionalization depict a more complex picture, as there are some notable disparities across different time periods. Inter-state conflict had a meaningful effect on regional institutionalization mainly in earlier time-periods. It is clear that during these times it operated as a constraint on rather than an incentive for regional institutionalization. Moreover, although such conflict created demand for regional institutionalization, mutual animosity and distrust undermined potential cooperation. Peace and reconciliation, on the other hand, served as a fertile ground for regional institutionalization. Domestic violence exerted only limited effect on regional institutionalization in Southeast Asia. It fostered regional institutionalization in the second half of the 1970s and hampered it in the second half of the 1990s. Finally, I find considerable support for the notion that the ASEAN member-states utilized their organization to signal regional peace and stability to foreign investors.

Taken as a whole, the empirical analysis demonstrates the dynamics of virtuous and vicious circles between conflict and regional institutionalization. The pre-ASEAN period exemplifies a vicious circle in which intense bilateral tensions create hostility and distrust, which undermine attempts to promote regional cooperation. In turn, existing international organizations can do little to defuse these tensions. In contrast, regional reconciliation in the second half of the 1960s provides a window of opportunities to form a meaningful RIA and to gradually institutionalize it. Intramural peace and stability in the subsequent two decades operated as an important condition for further institutional progress. Remarkably, in the early 1990s the now highly institutionalized ASEAN defuses a growing number of intra-mural differences, which in turn allows still higher
levels of regional institutionalization. The external shock of the 1997 financial crisis (along with several other developments) breaks down this circle and sets in motion more vicious dynamics.\textsuperscript{178} It remains to be seen if ASEAN is resilient enough to withstand the intensifying intramural bilateral tensions and domestic strife of recent years.

Overall, the ASEAN case study provides considerable support for the theoretical framework laid out in previous chapters. At the same time, my analysis offers insights into the complex relationship between violent conflict and regional institutionalization and points to several directions of future research. The circular dynamics between the two variables suggest that the effect of violent conflict on regional institutionalization depends on the level of the latter (and vise versa). That is, the effects of similar levels of conflict differ across varying levels of regional institutionalization. For example, it seems that the Sabah dispute between the Philippines and Malaysia in the 1960s was not more severe than bilateral tensions in the 1990s (the 1992 dispute between Malaysia and Singapore, for example). Yet, the effect of the former on regional institutionalization was much more pronounced. Thus, the assumption of linearity made in the quantitative analysis may be too simplistic.

The circular dynamics described above draw attention to the question of change, or in other words, how one moves from a vicious circle to a virtuous one, and vise versa. This is an important issue because it may point to steps that policymakers and other interested parties can take in order to improve the prospects of peace and prosperity in

\textsuperscript{178} In this period both conflict and regional institutionalization operated as intervening variables that amplified the effect of the financial crisis on the values of each of them.
their regions. Unfortunately, my empirical analysis defies any simple generalization. The more recent breakdown of the virtuous circle can be attributed to the unforeseen 1997 financial crisis, about which regional leaders could do little. The shift from a vicious to a virtuous circle in the second half of the 1960s can be traced, at least partly, to changes in domestic political leadership. In particular, “backlash” ruling coalitions in Indonesia and the Philippines were replaced by more “internationalist” governments (employing Etel Solingen’s (1999) terms). These changes brought the aggressive foreign policies to an end and fostered the convergence of political objectives among regional leaders around a more outward-looking and cooperative orientation (Irvine, 1982:14; Solingen, 1999). Solingen (1999) also suggests that a rebound of internationalist coalitions in the post-1997 period may bring ASEAN back on track. While this assessment seems overly optimistic, it points out one fruitful direction for future research.

In spite of the general support for my theoretical framework, it is apparent that the direction and strength of relationship between regional institutionalization and conflict varies across the different periods. While this variation is not a problem in and of itself, it provides clues into the conditions under which different causal mechanisms operate. My analysis indicates that not all members are equally important in determining the relationship between the variables of interest. For example, domestic instability in Indonesia or tensions between Malaysia and Singapore seem to have affected regional institutionalization, while more severe conflicts in Cambodia and between Thailand and

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179 This variation is more notable with respect to the effect of conflict on regional institutionalization.
180 My hypotheses are probabilistic rather than deterministic.
Myanmar did not. Also, Indonesia’s desire to project a more peaceful and responsible image in the second half of the 1960s was an important driving force behind ASEAN. It is reasonable to assume that similar motivations in Myanmar or Laos would not produce similar outcomes. Thus, future research would benefit from considering the comparative role of different member-states in the RIA, as well as domestic political developments in and foreign policy orientation of the most prominent members.

6.7 Conclusion

This chapter serves several objectives. First, it elaborates on the goals of conducting an in-depth case study in the context of the broader project and justifies the selection of the ASEAN region for this purpose. Although this case study can neither confirm nor refute the hypothesized causal effects stated in Chapter 2, the extensive and fluctuating experience of the ASEAN region in both violent conflict and regional institutionalization offers valuable insights into the causal mechanisms that link these two variables. It also points to ways by which one can refine the current hypotheses and advance this research agenda.

This chapter also describes the history of conflict and regional institutionalization in Southeast Asia in the last four decades. Beyond providing necessary background for the causal investigation, this narrative evaluates the face validity of the measures used in the quantitative analyses conducted in previous chapters. My discussion shows that the measure of regional institutionalization is largely consistent with conventional views held by area specialist and that it captures a great deal of the variation in the level of regional cooperation. My measure does not capture informal institutions, which have played
important role in ASEAN’s *modus operandi*. This oversight may create inferential difficulties during periods in which the levels of formal and informal levels of institutionalization diverge, as was the case in the 1980s and the late 1990s.\(^{181}\) To a certain extent, however, my measure is designed to capture a general phenomenon across time and space, and as such, it is unreasonable to expect that it will capture regional peculiarities such as this. At the same time, this issue points to the need to consider more systematically informal cooperation and norms, and their relationship with more formal forms of regional institutionalization.

The third and main goal of this chapter was to delve into the causal relationship between violent conflict and regional institutionalization. The experience of ASEAN and its predecessors largely substantiates the theoretical framework and corresponds to the results of the quantitative analyses. My historical analysis shows that regional institutionalization had a noticeable pacifying effect in Southeast Asia. These findings defy the conventional realist view, which dismisses the idea that international organizations can play such a role. That only some institutional features facilitated intramural peace indicates that liberals should pay greater attention to the casual mechanisms underlying their arguments, however. In other words, they should ask how, not only if, international organizations mitigate conflict. From a more practical perspective, my analysis suggests that policymakers who design RIAs should promote

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\(^{181}\) Granted, informal institutions are no less important than formal ones and may be of great scholarly interest. Nonetheless, the latter are more amenable to identification, measurement, and comparison. Thus, to the extent that the levels of the types of institutions are highly correlated, formal institutions provide a good indicator of the overall level of institutionalization.
regular meetings of high-level officials and cooperation on a wide range of activities (rather than on the traditional focus on trade liberalization).

These conclusions have some implications for the debate regarding the link between ASEAN and Southeast Asian security. In recent years this debate revolved around the possibility that ASEAN represents a security community, in the sense that intramural war became very unlikely (Acharya, 2001). Policymakers in the region and scholars closer to the liberal camp advanced this proposition, and emphasized the pacifying effect of the ASEAN Way (Tuan, 1996; Acharya, 1998). Scholars identified with more realist views rejected such claims. Their critique highlights the fact that formal security linkages did not contribute to regional order in Southeast Asia (Ganesan, 1995; Leifer, 1999). My analysis corroborates the latter perspective, as it clearly shows that violent conflict is not only a possibility in Southeast Asia but also a reality. Nonetheless, it seems that this debate sidestepped an equally important question: given that the possibility of violent conflicts in Southeast Asia is a fact of life, in what ways have ASEAN reduced the probability and severity of such conflicts? Specifying the alternative causal mechanisms by which regional institutionalization mitigates conflict and differentiating between them make clear that the contending scholarly camps simply pay attention to different institutional features. From this perspective, this study shows that the two competing views are not as far apart as it may initially seem.

The causal analysis also shows that conflict and peace affect regional institutionalization. As discussed above, violent conflict operated as a constraint on and intramural peace provided an important condition for regional cooperation in Southeast
Asia. Moreover, in times of uncertainty with respect to the prospects of regional order, states in the region utilized ASEAN as a signal of peace and stability in order to attract foreign capital. These findings underscore the need to take notice of this largely overlooked relationship when studying the international relations of Southeast Asia and beyond. My study also identifies several interesting links between intra-state violence and regional cooperation. It does not permit obvious generalizations regarding this overlooked nexus, however. Further research is needed to cast light on this question. Finally, this chapter vividly demonstrates that the relationship between conflict and regional institutionalization is dynamic and reciprocal. As such it supports the notion that these two variables produce vicious and virtuous circles that are difficult, but not impossible, to break.
CHAPTER 7

CONCLUSION

The new wave of economic regionalism is central to the contemporary global economy. Today, most industrial and less developed states in the world are members of at least one Regional Integration Arrangement (RIA). This dissertation provides an in-depth investigation of the relationship between variation in this type of international organization and intramural violent conflict. Specifically, it asks three related sets of questions. First, does institutional variation across RIAs have implications for questions of intramural conflict and peace, and to the extent that it does, what are the specific mechanisms by which such organizations may inhibit violent conflict? Second, what is the effect of violent conflict on regional institutionalization? Finally, are the relationship between violent conflict and regional institutionalization is reciprocal? That is, do violent conflict and regional institutionalization produce virtuous and vicious circles?

My findings indicate that variation across RIAs is significant both in terms of institutional design and its implementation, and that this variation has important implications for questions of intramural violence and peace. They suggest that the realist skepticism with respect to international institutions is misplaced, but that institutionalists
should pay closer attention to the alternative causal mechanisms by which international institutions mitigate conflict and their observable implications. I also find that violent conflict operates as a powerful constraint rather than an incentive to regional institutionalization. This result suggests that the ability and willingness of states to cooperate appear to be conditioned by matters of high-politics. At the same time, it shows that under conditions of peaceful coexistence, international institutions can produce otherwise unrealized benefits to their members. Taken as a whole, my findings indicate that violent conflict and regional institutionalization create virtuous and vicious circles. This mutually reinforcing spiral suggests that once a region experiences a virtuous or a vicious circle, states will find it difficult – but not impossible – to reverse this dynamic.

In this chapter I elaborate on these conclusions by integrating the results of the previous chapters and by discussing the theoretical and practical implications of my findings. I also identify ways to expand and advance the study of these issues in future research.

The theoretical chapter contrasts the realist and institutionalist perspectives with respect to the link between violent conflict and regional institutionalization, develops several causal stories with respect to the effect of different institutional features on violent conflict, and with respect to the effect of violent conflict – both domestic and international – on regional institutionalization, and derives testable hypotheses. This chapter highlights the need to take into account institutional variation and institutional design when considering the relationship between regional institutionalization and conflict. In addition, the theoretical discussion highlights the dynamic and reciprocal relationship between the main variables of interest. That is, it points to a virtuous circle
between peace and high levels of regional institutionalization, on the one hand, and a vicious circle between violent conflict and low levels of regional institutionalization, on the other.

In Chapter 3, I highlight several shortcomings of existing scholarly works that attempt to empirically evaluate variation across RIAs. I then offer a definition, an operationalization, and a measurement of regional institutionalization, describes an original data set constructed for this dissertation, and demonstrates that considerable variation exists with respect to the variables that pertain to this concept. This chapter also reveals a sizable gap between institutional design and implementation thereof. It shows, for example, that several RIAs – especially in the developing world – embarked on ambitious regional projects, but their actual achievements were much more limited. At the same time, my measure draws attention to the substantial variation in the implementation of RIAs among developing countries. Finally, comparison with other assessments of existing RIAs grants my measure considerable face validity.

An in-depth description of the Association of Southeast Asian Nations (ASEAN), conducted in Chapter 6, provides my original measure with additional face validity. This comparison indicates that my measure closely corresponds to judgments made by area experts. This comparison also calls attention to a potential limitation of my original measure, however. My historical account shows that occasionally formal and informal regional institutionalization in Southeast Asia diverged. In such instances my measure – which emphasizes formal institutionalization – misses some noteworthy intramural activities. Further in-depth study of additional RIAs may ascertain if this discrepancy is
peculiar to ASEAN or if it is more widespread. To the extent that such investigation sustains the latter, informal institutionalization should be incorporated more systematically into measures that attempt to tap into variation across international institutions.

Chapters 4 and 5 report the results of the statistical analyses with respect to the main questions of this dissertation. In these chapters, I expand on extant work by employing a regional level of analysis.\textsuperscript{182} That the statistical results with respect to several variables largely correspond to findings obtained from analyses in alternative levels of analysis is encouraging in this respect.\textsuperscript{183} The causal analysis reported in Chapter 6 complements the statistical analysis of the two previous chapters. In it, I employ a process tracing method to assess the validity of the causal mechanisms that underlie the various hypotheses and to further refine them. With this in mind, I now turn to the main empirical findings.

7.1 The Effect of Regional Institutionalization on Violent Conflict

Chapters 4 and 6 report the results of the quantitative and qualitative analyses, respectively, regarding the effect of regional institutionalization on violent conflict. Table 7.1 compares the findings of these two chapters. An overview of this table demonstrates that the results of the two analyses are largely in agreement with each other. This compatibility fosters my confidence in the validity of these findings, as it reduces the risk

\textsuperscript{182} In Chapter 4 I point out the advantages of the regional level of analysis, compared to the dyadic one. I also describe the estimation technique employed to analyze the data, and explain why I am not employing a simultaneous equations technique.

\textsuperscript{183} See Chapters 4 and 5 for details.
that my results are an artifact of research method and design. Below I discuss each hypothesis in turn.

Scholars associated with the institutionalist worldview believe that commercial interdependence increases the opportunity cost of violent conflict and thus decreases its likelihood (Haas, 1964; Nye, 1971). This line of reasoning was an important driving force behind the formation of the European Economic Communities (EEC). In recent years, several scholars argued that trade liberalization in an institutional context further inhibits conflict (Mansfield, 2003; Mansfield and Pevehouse, 2000). My findings with respect to trade liberalization, whether designed or implemented, are largely inconsistent with these arguments. The variables that capture trade liberalization are not significant in any of the statistical models reported in Chapter 4. The analysis of ASEAN shows that intramural trade liberalization began in the late 1970s in a measured pace and then expanded in the 1990s. There is little evidence to suggest, however, that these programs directly mitigated violent conflict.
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<tbody>
<tr>
<td>H1</td>
<td>Trade liberalization reduces intramural inter-state violent conflict</td>
<td>No</td>
<td>Weak</td>
<td>Realist</td>
</tr>
<tr>
<td>H2a</td>
<td>Designed scope of economic activity reduces intramural inter-state violent conflict</td>
<td>No</td>
<td>Weak</td>
<td>Realist</td>
</tr>
<tr>
<td>H2b</td>
<td>Implemented scope of economic activity reduces intramural inter-state violent conflict</td>
<td>Yes</td>
<td>Strong</td>
<td>Institutionalist</td>
</tr>
<tr>
<td>H3</td>
<td>Security linkages reduce intramural inter-state violent conflict</td>
<td>No</td>
<td>Weak</td>
<td>Realist</td>
</tr>
<tr>
<td>H4</td>
<td>Regular meetings of high-level officials reduces intramural inter-state violent conflict</td>
<td>Yes</td>
<td>Strong</td>
<td>Institutionalist</td>
</tr>
<tr>
<td>H5</td>
<td>Institutional Centralization reduces intramural inter-state violent conflict</td>
<td>No</td>
<td>Weak</td>
<td>Realist</td>
</tr>
<tr>
<td>H6a</td>
<td>Designed regional institutionalization intramural inter-state violent conflict</td>
<td>No</td>
<td>Weak</td>
<td>Realist</td>
</tr>
<tr>
<td>H6b</td>
<td>Implemented regional institutionalization intramural inter-state violent conflict</td>
<td>Comes Close</td>
<td>Strong</td>
<td>Institutionalist</td>
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Table 7.1: Summary of Quantitative and Qualitative Analyses with Respect to the Effect of Regional Institutionalization on Violent Conflict
Two possible explanations may account for this surprising finding. First, in many RIAs, the economic conditions are not conducive for high level of intra-regional trade, regardless of the level of trade barriers. In particular, many developing countries rely on trade with the industrialized world rather than with their immediate neighbors (de la Torre and Kelly, 1992; Pomfret, 1997). As we saw in Chapter 6, for example, trade flows in ASEAN did not follow trade liberalization through the 1980s and the early 1990s. Thus, to the extent that trade liberalization does not produce actual trade flows, the causal mechanism offered by many institutionalists may not be at work. This observation can only partly explain this finding, however. Some RIAs do facilitate the expansion of intra-regional trade, as ASEAN did in the 1990s and early 2000s (Foroutan, 1998; Frankel, 1997; Mahani, 2002). In addition, some scholars suggest that trade liberalization may produce expectations for future trade, irrespective of the existing level of actual commerce (Copeland, 1996; Mansfield and Pevehouse, 2000; Mansfield, 2003). To the extent that violent conflict put such future gains at risk, policymakers’ expectations of the later should increase the opportunity costs of the former. That states sign and devote a great deal of attention to intramural trade liberalization agreements indicate that they expect them to yield future benefits.

Thus, a second problem may be related to the effect of commercial interdependence itself on violent conflict. The institutionalist logic is grounded in the idea that breaking up commercial relations will be very costly to involved states. That is, states are assumed to be vulnerable – rather than sensitive – to the disruption of trade, in
the sense that they will find it very difficult to substitute it. As several recent works point out, the sheer size of commercial flows may not capture this vulnerability in a convincing manner (Mansfield and Pollins, 2001; Ripsman and Blanchard, 1996/97; Simmons, 2003). In addition, the interruption of trade flows usually damages private actors, such as economic firms and consumers, rather than the state itself. Institutionalists have yet to convincingly demonstrate how the former influences the latter with respect to matters of “high politics” (Bearce, 2003; Mansfield and Pollins, 2001; Simmons, 2003). In other words, it is not clear that economic losses of societal groups will constrain governments’ conflict behavior. Finally, several empirical studies cast doubt on the empirical validity of the institutionalist argument regarding the effect of trade interdependence on peace (Barbieri, 2002; Bearce, 2003; Keshk, Pollins, and Reuveny, 2004). My statistical analysis reports no significant effect of intra-regional trade on violent conflict as well. These theoretical and empirical problems challenge the validity of H1 and suggest that trade liberalization may not be the best way to mitigate violent conflict.

Contrary to trade liberalization, both the quantitative and the qualitative analyses support the hypothesis that the broader scope of economic activity, when implemented, inhibits violent conflict. Although the argument with respect to the scope of activity relies on the same logic of the argument with respect to trade liberalization – that is, conflict jeopardizes mutually beneficial ties that emanate from the RIA – there are several notable

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184 I rely on the well-known distinction between sensitivity interdependence and vulnerability interdependence (Keohane and Nye, 1977).

185 As Simmons (2003) points out, a more explicit theory of state-society relationship is needed to answer this question.
differences. First, the scope of economic activity includes integration and cooperation in several issue-areas that may leave states vulnerable to their disruption. This is largely because many of these activities are contingent upon the geographical proximity of the RIA members. While it is certainly true that this factor is an important determinant of international trade, low transportation costs permit trade between distant states as well. A number of other issue-areas are much more dependent on the members’ contiguity. This dependence indicates that states will find it more difficult to find satisfactory substitutes to such activities, which in turn reflects greater vulnerability interdependence. For example, several observers of ASEAN point to the cross-border Growth Triangles as a valuable enterprise that mitigated violent conflict (Acharya, 2001; Dosch, 2003). It is of course difficult to imagine such projects among states that do not share common borders. Another example is agreements to establish an intramural framework for FDI vis-à-vis extra regional investors. Such agreements provide a common ground for neighboring states that essentially compete for the same sources of capital. As such, they may prevent a “race to the bottom” for this capital between the member-states. Thus, a defection of one member from this agreement may leave all the member-states worse off.

Second, cooperation and integration in some of the issue-areas subsumed by the scope of economic activity provide benefits to the governments themselves (in addition to private actors). For example, a monetary union has important implications for the stability of the currency and for monetary reserves. Thus, to the extent that a regional monetary union is jeopardized by intramural violence, governments may lose monetary assets as well as damage the credibility of their monetary policy (Cohen, 1997). A second
example is the enhanced bargaining power that RIAs may provide for their members. Although governments commonly conduct economic negotiations on behalf of domestic private interests, they also enhance the prestige of the governments themselves. The success of ASEAN in this regard and the importance that ASEAN leaders ascribe to this issues (see Chapter 6) nicely illustrates this argument.

A third difference between trade liberalization and the scope of economic activity is related to the notion that integration and cooperation on more issue-areas that take place within one institutional framework allow issue-linkages and side-payments. In turn, these mechanisms increase the overall cooperation and diffuse intramural conflicts (Martin, 1992; Kahler, 1995). Thus, while future research may benefit from a closer look at the various institutional features that compose the scope of economic activity and their separate effect on conflict, the institutionalist arguments with respect to issue-linkages and side-payments indicate that it is worthwhile to examine the broader scope of activity as well. In summary, then, my findings with respect to the scope of economic activity support institutionalist worldview with respect to its effect on conflict. As institutionalists expect, a more institutionalized scope of economic activity mitigates violence and increases the prospects of intramural peace. In addition, that I find support for H2b but not for H2a highlights the importance of implementation. Finally, they second recent calls to expand the definition and measurement of economic interdependence beyond trade (Mansfield and Pollins, 2001). Several issue-areas subsumed by my measure of scope seem to be a promising avenue of future research in this respect.
The quantitative results do not support H3, which asserts that security linkages mitigate violent conflict. This is surprising because these mechanisms are oftentimes designed to directly inhibit violent conflict. As I pointed out in Chapter 2, these linkages can presumably increase transparency with respect to military preparedness and motivation (Bearce, 2003; Morrow, 1994), facilitate the suppression of cross-border crime and terrorism, provide for mechanisms for the resolution of bilateral political disputes (Russett and Oneal, 2001), and pool military resources that may reduce the risk of preemptive war (Sangiovanni and Verdier, 2004). One explanation for these results may point to the possibility that regions which experience bilateral tensions in the present may anticipate conflict in the future. Thus, states may form security linkages in order to contain future violence (Gartzke, Li, and Boehmer, 2001:409). Insofar far as these expectations materialize, one should observe a positive correlation between security linkages and violent disputes, which may offset their pacifying effect.

It is also possible, however, that at least some of these security linkages do not function as institutionalist theory expects. First, although security linkages may provide information on military capabilities, they may not be informative with respect to intentions concerning future military action. In addition, many of these linkages are limited in scope and may reveal only partial and unimportant information. The ASEAN Regional Forum (ARF) illustrates this point all too well (Collins, 2003a:177). Similarly, only few RIAs, if any, provide effective mechanisms for the resolution of bilateral disputes. Second, with the possible exception of the EU (Sangiovanni and Verdier, 2004), security linkages do not provide for pooling of consequential military resources. As such,
they may not be capable of alleviating the problem of credible commitment to peace in
the future. Actually, security linkages may be dominated by more powerful members and
exacerbate intramural tensions rather then containing them.\textsuperscript{186} Therefore, it seems that
when security linkages are concerned, member-states are overly cautious to delegate
power to the RIA. As we saw in the previous chapter, ASEAN rejected ideas to form
tight security relations because its governments felt that such arrangements will
undermine the cohesion of the RIA and will not provide it with greater security.

In summary, it appears that security arrangements, whether designed or
implemented, may not be the most efficient way to reduce the number of militarized
disputes among regional partners. This finding challenges several recent studies that
emphasize such security linkages as a useful instrument to mitigate violent conflict
(Bearce, 2003; Boehmer, Gartzke, and Nordstrom, forthcoming; Powers, 2001; Russett
and Oneal, 2001; Sangiovanni, and Verdier, 2004). Nonetheless, a cursory survey of
existing RIAs reveals a great deal of disparity in the types and scope of security linkages
that are nested within them. This variation calls for a more fine-grained analysis of
different types of security linkages, their goals, and their functions. Such analysis may
shed light on the types of linkages that are more likely to succeed in reducing violent
conflict.

The theoretical chapter points out several ways by which regular meetings of
high-level officials may mitigate violent conflict. First, they allow senior policymakers
the opportunity to discuss outstanding issues directly and openly. Second, such meetings

\textsuperscript{186} ECOWAS, SADC, and the GCC are cases in point (see Chapter 4).
provide a forum for heads of state and foreign ministers to socialize, and in turn foster inter-personal trust and enhance mutual confidence. Third, such fora provide members that are not directly involved in such conflict with an opportunity to provide a role of third-party mediators or honest brokers (Bearce, 2003; Russett and Oneal, 2001). The quantitative analysis strongly supports H4 and indicates that, indeed, regular meetings of high-level officials inhibit intramural violent conflict.

Skeptics may counter by arguing that peace permits such regular meetings, rather than the other way around. The ASEAN case study alleviates such concerns as it provides ample evidence that supports the causal mechanisms offered in the theoretical chapter. In particular, it demonstrates that meetings of foreign ministers and heads of state were instrumental in diffusing bilateral tensions and in fostering better communication and socialization of these officials. Thus, the evidence regarding this hypothesis strongly supports the institutionalist view. From this perspective, it is noteworthy that the recent literature on the link between international institutions and conflict largely overlooks the psychological and social dimensions of the former (Bearce, 2003). My findings draw attention to this under-explored link and indicate that this research agenda may benefit from the incorporation of insights from political psychology and social constructivism.\(^{187}\) It is also notable that this variable sidesteps the critique leveled against the effect of

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\(^{187}\) Social constructivists may argue that such meetings may foster a sense of common identity. That is, states may define their interest in corporate, rather than national, terms (Adler and Barnett, 1998). While observers of ASEAN, for example, remain unconvinced with respect to this possibility (Narine, 2002:196), testing psychological and constructivist arguments in this context is a promising avenue of future research.
economic interdependence on conflict. That is, it emphasizes interaction of officials at the highest levels rather than benefits to private societal actors.

According to institutionalists, a corporate secretariat, a dispute settlement mechanism of economic disputes (DSM), and cross-border domestic linkages may further inhibit conflict (Mansfield and Pevehouse, 2000; Russett and Oneal, 2001; Wæver, 1998). My quantitative analysis does not provide empirical support to H5, which is concerned with the effect of these institutional features – aggregated under the label “institutional centralization” – on violent conflict. The qualitative analysis points in the same direction. Although ASEAN benefits from extensive domestic linkages, has a secretariat, and of late formed an economic DSM, there is little evidence to suggest that these institutions affected violent conflict in a discernable manner. This result casts doubt on the idea that matters of “low politics” and cross-border interaction of private actors directly influence issues of national security.

The final hypothesis pertains to the effect of the aggregate level of regional institutionalization on violent conflict. Since institutionalist expectations with respect to the different institutional features thus far discussed point in the same direction, one may expect that the aggregate level of institutionalization would decrease conflict as well. In addition, similar to the scope of economic activity, one may expect that more institutionalized RIAs will foster greater issue-linkages, spillover, and side-payments (Kahler, 1995; Martin, 1992). My study largely supports this institutionalist hypothesis, when one considers implemented, but not designed, regional institutionalization. The
qualitative analysis highlights several examples in which observers point to the broader institutional framework of ASEAN as an instrument that fostered peace and stability.

In the statistical analysis, the implemented level of regional institutionalization is in the expected direction and comes close to statistical significance. An explanation of this result becomes obvious from a consideration of the discussion so far. Keeping in mind that only some institutionalist hypotheses obtained empirical support, it seems that the institutional features that do not affect conflict, e.g. security linkages and institutional centralization, add “noise” to those features that mitigate conflict in meaningful ways. As such, they obscure the pacifying effect of the latter. From this viewpoint, this result reinforces the call to consider different institutional features and variation thereof in isolation (Bearce, 2003; Boehmer, Gartzke, and Nordstrom, forthcoming; Mansfield and Milner, 1999). My findings emphasize the need to take into account variation across RIAs, in particular, and international institutions, in general.

Taken as a whole, my findings indicate that some institutional features are more useful than others in reducing intramural disputes. In particular, they highlight the pacifying role of scope of economic activity and regular meetings of high-level officials. Trade liberalization, security linkages, and institutional centralization, on the other hand, do not appear to mitigate violent conflict. While these institutional features are associated with more than one causal mechanism and the various causal mechanisms are commonly associated with more than one institutional feature,¹⁸⁸ my findings offer several tentative conclusions regarding the validity of the different causal mechanisms associated with the

¹⁸⁸ See Table 2.1 and table 2.2 in Chapter 2.
institutionalist arguments. They highlight the pacifying role of issue-linkages, which provides a wider range of non-violent bargaining strategies (Kahler, 1995; Keohane, 1984; Martin, 1992), and socialization and informal negations at the highest levels of policymaking (Bearce, 2003). On the other hand, my findings cast doubt on the pacifying effect of formal dispute resolution (either political or economic), exchange of information, and commitment mechanisms.

These results have important theoretical implications. They indicate that the realist outright dismissal of the potential pacifying effect of international institutions on violent conflict is unfounded (Mearsheimer, 1990; Waltz, 1979). Put differently, my analysis indicates that RIAs are not mere reflections of preexisting power relationship, and that they can promote regional peace and stability. At the same time, they point to some limitations of the institutionalist research program. Extant institutionalist work offers myriad arguments as to why international institutions mitigate conflict, but stops short of laying out the causal mechanisms that underlie these arguments, of teasing out their observable implications, and of empirically testing them.\textsuperscript{189}

In particular, my results indicate that a theoretical “catch all” approach may not be the most fruitful way to proceed. In order to advance this research agenda, institutionalists ought to pay greater theoretical and empirical attention to variation in institutional design and to the causal mechanisms underlying their arguments (Koremenos, Lipson, and Snidal. 2001). From this perspective, it is noteworthy that some

\textsuperscript{189} This state of affairs can be contrasted with the democratic-peace literature, which exhibits a great deal of progress on these counts.
of the hypotheses supported by my findings are associated with a rationalist perspective, e.g. the scope of economic activity, others emanate from psychological and constructivist theories, e.g. regular meetings of high-level officials. These findings show that the complexities of world politics do not fit neatly into one theoretical tradition and that the empirical study of important problems in international politics can benefit from the consideration of different, and sometimes competing, schools of thought (Finnemore and Sikkink, 1998).

My analysis also underscores the need to account for the substantial variation in the institutionalization – both designed and implemented – of international institutions when considering their implications for questions of war and peace. As pointed out in previous chapters, the results of extant studies on this issue, which assume that international organization are homogenous, are mixed. While some studies find that RIAs and IGOs reduce conflict (Mansfield, Pevehouse, and Bearce, 1999/2000; Russett and Oneal, 2001; Russett, Oneal, and Davis, 1998), others do not. Mansfield and Pevehouse (2000, 2003) find that RIAs mitigate conflict only when they interact this variable with trade flows. Similarly, several studies find that shared membership in IGOs does not affect violent conflict (Mansfield and Pevehouse, 2000; Boehmer, Gartzke, and Nordstrom, forthcoming), or is associated with higher levels of conflict (Gartzke, Li, and Boehmer, 2001; Sweeney, 2003). From this perspective, my results indicate that less institutionalized organizations may obscure the pacifying effect of the highly institutionalized ones and underscore the need to conduct finer-grained analysis. They also highlight the important role of implementation, which most empirical studies
overlook (Martin, 2000) Thus, further empirical analysis that takes into account institutional variation and implementation may go a long way to reconcile the inconsistent findings across the different empirical studies mentioned above.

From a practical perspective, to the extent that states form RIAs as vehicles to promote regional peace and stability, policymakers should pay attention to institutional design and to the specific institutional features that may facilitate the attainment of their stated goals. From this viewpoint, the recent wave of regionalism – which broadens the agendas of many RIAs to include a wide array of economic and functional issues – appears to be a step in the right direction. In addition, considering the oftentimes wide gap between institutional design and implementation, if policymakers hope to promote intramural peace through international institutions, it seems, they ought to better match rhetoric and practice and avoid embarking on ambitious but unattainable projects.

7.2 The Effect of Violent Conflict on Regional Institutionalization

In contrast to the extensive literature about the effect of international institutions on conflict, the effect of conflict on international institutions and variation thereof attracted only scant scholarly attention. My dissertation provides one of the first theoretical and empirical systematic investigations of these questions. Chapters 5 and 6 present the findings of the quantitative and qualitative analyses, respectively, regarding the effect of violent conflict on regional institutionalization. Table 7.2 put the findings of these chapters side by side. An overview of this table indicates the results of the two chapters are mutually compatible with respect to some hypotheses but diverge with respect to others. In particular, my results regarding inter-state conflict appear to be more
consistent than those regarding intra-state conflict. In addition, the ASEAN case study provides strong support to the notion that member-states use RIAs as a signal of peace and stability in order to attract foreign direct investment (FDI). In this section I elaborate on these findings and discuss their implications.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Quantitative Analysis: Empirical Support</th>
<th>Qualitative Analysis: Empirical Support</th>
<th>Worldview(s) Supported by Empirical Analyses</th>
</tr>
</thead>
<tbody>
<tr>
<td>H7 Intramural inter-state violent conflict decreases regional institutionalization</td>
<td>Yes</td>
<td>Intermediate</td>
<td>Realist/ Neo-Liberal Institutionalist</td>
</tr>
<tr>
<td>H8 Intramural inter-state violent conflict increases regional institutionalization</td>
<td>No</td>
<td>Weak</td>
<td>Realist/ Neo-Liberal Institutionalist</td>
</tr>
<tr>
<td>H9 Intramural intra-state violent conflict decreases regional institutionalization</td>
<td>Yes</td>
<td>Weak</td>
<td>--</td>
</tr>
<tr>
<td>H10 Intramural intra-state violent conflict increases regional institutionalization</td>
<td>No</td>
<td>Intermediate</td>
<td>--</td>
</tr>
<tr>
<td>H11 Regional institutionalization serves as a costly signal of intramural peace to attract FDI</td>
<td>Yes (Indirect)</td>
<td>Strong</td>
<td>Institutionalist</td>
</tr>
</tbody>
</table>

**Table 7.2**: Summary of Quantitative and Qualitative Analyses with Respect to the Effect of Violent Conflict on Regional Institutionalization

Building on the logic of relative gains (Grieco, 1988, 1993, 1997) and empirical work regarding the effect of conflict on international trade (Gowa, 1994; Pollins, 1989), in Chapter 2 I argued that intramural enmity and violence are detrimental, while peace and amity are conducive to the institutionalization of RIAs. My empirical analyses provide initial support for this argument, encapsulated in H7. The statistical results indicate that, controlling for a host of alternative explanations, regions that face high
levels of militarized inter-state disputes are likely to experience institutional weakness and decline. From this perspective, my study suggests that investing valuable resources in the creation of regional institutions in violent-torn regions is unlikely to be rewarding. Thus, regions that experience inter-state violence should devote their scarce resources to the resolution of such tribulations before they embark on ambitious regional projects. On the other hand, intramural peace seems to be conducive to regional institutionalization. Hence, regions that enjoy intramural amity and domestic stability are in a better position to advance institutionalized regional cooperation.

The ASEAN case study points to several time-periods in which the causal mechanism underlying H7 was at work. The damaging effect of inter-state disputes on regional institutionalization was especially noticeable in the 1960s, when political tensions in its first half shackled regional institutionalization. In contrast, the end of hostilities in the second half of this decade paved the way to the formation and institutionalization of a meaningful RIA (ASEAN, that is). At the same time, this case study suggests that the effect of violent conflict on regional institutionalization may be more conditional than the relationship hypothesized in H7. First, the ASEAN case study shows that one needs to consider the states that are involved in the disputes. For example, the negative repercussions of a conflict between Malaysia and Singapore, which are at the core of ASAEN, were more serious than a similarly severe dispute between Thailand and Myanmar.

In addition, the historical record indicates that the effect of conflict was contingent upon the level of regional institutionalization. That is, I found that conflict had
the most negative effect in times when regional institutionalization was low, but this effect was minor when the level of regional institutionalization was high. Although this finding is consistent with the logic of a virtuous circle (see below), H7 does not capture this non-linear relationship. These observations call for further refinement of the hypothesis regarding the effect of violent conflict on regional institutionalization.

An alternative, institutionalist, causal story begins with the idea that an underlying conflict of interests creates demand for international institutions, which are expected to commit rivals to a peaceful resolution of disputes (Lake, 1999; Ikenberry, 2001). One implication of this logic is that to the extent that RIAs can mitigate violent conflict – and my analysis above indicates that they indeed can – policymakers will promote regional institutionalization where they are most needed, that is, when and where conflict and violence run rampant (Lake, 1999; Sangiovanni and Verdier, 2004). My empirical investigation does not provide support for this causal story, formally expressed in H8. The statistical analysis does not corroborate H8 (as it supports the opposite hypothesis).

The ASEAN case study validates part of the argument, but highlights its primary shortcoming. My analysis points to some instances in which violent conflict did produce demand for regional institutionalization. Nonetheless, governments remained suspicious of each other and of their RIA, and moreover, tried to use it as a vehicle to promote their own interests on the expense of their counterparts (Gordon, 1966; Jorgensen-Dahl, 1982). Thus, these attempts proved abortive for the very reasons

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190 This was most visible in the attempts to form Maphilindo in 1963 in order to bring the Konfrontasi to an end.
associated with H7. From this viewpoint, it is possible that adversaries do not view regional institutionalization as a mechanism that is powerful enough to credibly commit their partners to a peaceful resolution of existing conflicts. To the extent that even in the most institutionalized RIAs important aspects of sovereignty remain in the hands of their members, there is no reason for states to have faith in the ability of such institutions to prevent opportunistic behavior (Schweller, 2001).

Taken together, my findings with respect to H7 and H8 indicate that violent conflict operates as a powerful constraint on rather than an incentive to regional institutionalization. These findings are consistent with the realist emphasis on relative gains (Grieco, 1988, 1993). At the same time, my study indicates that the utility of the realist perspective should not be overstated. It is apparent that the assumption – which most realists take for granted – that under conditions of anarchy relative gains always matter – is unwarranted. The ability and willingness of states to cooperate appear to be contingent upon their prior relationships (Keohane and Martin, 1995:44). My findings are also consistent with several empirical studies identified with the liberal perspective, which argue that conflict hampers cooperation through international organizations (e.g., Russett and Oneal, 2001). That this result is consistent with a realist viewpoint indicates that this literature should pay greater attention to the theoretical foundations of their empirical findings.

My dissertation provides a first cut into the under-explored effects of domestic conflict on regional institutionalization. In Chapter 2, I offered several ways by which domestic conflict might inhibit such institutionalized international cooperation In
particular, I suggested that states which experience domestic instability and civil wars may devote a great deal of resources to these hostilities on the expense of the institutionalization of their RIAs, that domestic violence may have devastating economic effects that strain the resources available to the state even further, and that to the extent that regional institutionalization entails delegation of national autonomy, governments whose authority is challenged at home may be more jealous of their sovereignty, and thus less willing to entrust international institutions with political independence. In addition, I argued that regional partners of states that suffer from domestic strife may give a cold shoulder to the later as they may fear from the internationalization of such domestic conflict.

My findings with respect to the effect of domestic conflict on regional institutionalization are somewhat inconsistent across the quantitative and qualitative analyses. The former provides strong statistical and substantive support to H9, which expects such violence to hamper the institutionalization of RIAs. This result suggests that domestic violence and instability are not conducive to regional institutionalization and that states that experience such conflicts ought to resolve them before they join comprehensive regional projects. While there was no shortage of domestic conflict in the ASEAN region, this study provides only limited support to H9. I found some support to the causal mechanisms that pertain to the negative effect of domestic strife on the ability
of member-states to devote human and financial resources, as well as leadership, to the RIA.\textsuperscript{191}

On the other hand, I did not find support for the causal mechanisms that are grounded in the notion that regional institutionalization involves greater integration, more porous borders, and the delegation of political authority to the RIAs. As I explained in Chapter 6, the founders of ASEAN sanctified the principle of non-interference in domestic affairs, which ensured that neighboring member-states would not assist domestic resistance, and even help to suppress it (Acharya, 2001; Leifer, 1989). While in recent years both policymakers and observers questioned the sustainability of this principle, it still serves as an important part of the “ASEAN Way” (Narine, 2002). From this perspective, ASEAN may be an exception to the rule, which in turn may explain the discrepancy between the quantitative and qualitative results.

The alternative hypothesis (H10) conjectures that violent conflict is conducive to regional institutionalization. In the theoretical chapter I suggested that violent conflict may create demand for regional institutions, which may provide external assurances for the peaceful resolution of domestic disputes through mediation and intervention. It is also possible, however, that states will join an RIA in order to secure non-intervention in their domestic affairs, as discussed above. In addition, I argued that to the extent that economic grievances are important sources of domestic strife, and to the extent that regional institutionalization fosters economic growth and improves the well-being of

\textsuperscript{191} This link was most apparent in the effect of domestic instability in Indonesia’s post-Suharto era on its role within ASEAN (see Chapter 6). That it is difficult to point out similar instances suggests that future research may benefit from paying greater attention to different types of domestic instability and to the position of different states within the RIA.
underprivileged groups, governments may attempt to institutionalize their RIAs in face of exiting domestic violence.

The statistical analysis does not substantiate H10. As such, it indicates that domestic conflict is not conducive to regional institutionalization. Like with respect to inter-state conflict, this result suggests that while domestic conflict may create demand for regional institutionalization, supply will fall short of such demand due to the damaging consequences of domestic instability. In contrast, the ASEAN case study provides support for this hypothesis. Rising domestic violence in the middle of the 1970s in ASEAN and its immediate neighbors (associated mainly with increasing Communist insurgency) created demand and supply for regional institutionalization. The rhetoric of ASEAN leaders emphasized the causal mechanism that links regional institutionalization, economic development, and the alleviation of domestic grievances. Although ASEAN may have conferred its member-states with economic benefits, it is difficult to identify specific mechanisms that ensured the distribution of these benefits to unprivileged groups or even to the general population. Therefore, one should treat this rhetoric and the validity of this argument in the context of ASEAN with caution. ASEAN also did not create corporate mechanisms that intended to intervene in domestic conflicts. As pointed out above, the opposite was true. That is, ASEAN reinforced the principle of non-interference in the domestic affairs of its members.

Considering my findings with respect to H9 and H10 in tandem, it appears that the quantitative analysis provides strong support to H9, and that the ASEAN case study provides only limited support to H9 and intermediate support to H10. As I suggested
above, ASEAN may be exceptional in the manners by which it addresses domestic conflict, and that this may explain the discrepancy in my results. At the same time, Southeast Asia is probably not the only region in which states attach great importance to their borders and to their sovereignty, and its uniqueness should not be exaggerated. Thus, this discrepancy calls for more theoretical and empirical research on the unexplored link between domestic violent conflict and regional institutionalization. In particular, future research should tease out the observable implications of the different causal mechanisms and empirically evaluate them. Future research will also benefit from specifying the conditions under which domestic violence may either hamper or foster regional institutionalization.

The final hypothesis (H11) emanates from a theoretical argument that is original to this dissertation. In Chapter 2 I argued that member-states can use high levels of regional institutionalization as a signal of intramural (both domestic and inter-state) peace and stability in order to attract FDI. Regions that experience violent conflict, on the other hand, will find regional institutionalization too costly. One implication of this argument is that violent conflict should be associated with low levels and that peace should be associated high levels of regional institutionalization. The quantitative analysis provides initial support for this causal story as it indicates negative correlation between domestic and inter-state violent conflict, on the one hand, and regional institutionalization, on the other. At the same time, this result does not allow one to distinguish between the causal mechanisms associated with H7 and H9 and the causal mechanism associated with H11.
The ASEAN case study provided an opportunity to examine policymakers’ public statements, and thus to assess the plausibility of this causal mechanism. In Chapter 6 I showed that the founders of ASEAN believed that the organization projects an image of a peaceful region to the rest of the world, and as such it is instrumental in attracting capital into the region. In particular, Indonesia’s desire to portray a more friendly and trustworthy image in the second half of the 1960s was an important driving force behind the institutionalization of ASEAN. These findings indicate that under conditions of peaceful coexistence, states can enjoy from the gains that institutions confer and that international institutions can produce otherwise unrealized benefits for their members (Jervis, 1999). From a theoretical perspective, these findings corroborate the institutionalist perspective, which asserts that international institutions matter. They also reinforce recent calls to pay closer attention to the manners by which they matter (Martin and Simmons, 1998). The empirical support that the quantitative and qualitative chapters provide to H11 is very encouraging, and calls for more research on this questions. More evidence on the effect of regional institutionalization on indicators of investment risk, and on decisions of foreign investors to actually invest in some regions but not in others, will allow a more complete evaluation of this causal mechanism.

7.3 A Virtuous Circle

An important goal of this dissertation was to examine the notion that the link between violent conflict and regional institutionalization is dynamic and reciprocal. That is, initial reconciliation is conducive to high levels of regional institutionalization, which in turn facilitate further peace and prosperity. Hence the virtuous circle. Violent conflict,
on the other hand, impedes a meaningful institutionalization of the RIA, which in turn can do little to moderate intramural aggression. Hence the vicious circle. This hypothesized dynamic relationship is consistent with the institutionalist hypotheses (H1-H6), which expect regional institutionalization to mitigate violent conflict. They are also consistent with the hypotheses that expect violent conflict to inhibit regional institutionalization (H7, H9) and peace to foster regional institutionalization (H11).

In tandem, the two quantitative analyses provide initial support for this causal story. The statistical support to H7, H9, and H11 suggests that peace is an important condition for the institutionalization of RIAs. The statistical support to some of hypotheses put forward by institutionalists (H2, H4, and H6) indicates that high levels of regional institutionalization can be more effective in dampening conflict, compared to lower ones. These results also indicate, however, that only some institutional features produce this pacifying effect. As discussed above, my findings indicate that instituting regular meetings among high-level officials and designing an RIA with a wide and implemented scope of activity are instrumental in this respect. In addition, the lack of empirical support to H8 and H10 suggests that regions which experience high levels of intramural political tensions and violence are unlikely to benefit from forming an RIA. Instead, it appears that an initial level of amity and goodwill is required to institutionalize such an organization. From this perspective, my findings suggest that RIAs may be instrumental in maintaining a previously existing peace rather than creating it.

While the statistical analyses conducted in chapters 4 and 5 provide a useful first cut into the reciprocal causality between regional institutionalization and violent conflict,
their static nature cannot account for the potentially simultaneous relationship between these two variables. As pointed out in Chapter 4, difficult technical problems impede a productive application of simultaneous statistical techniques on this question by this and other studies (Mansfield and Pevehouse, 2000; Russett and Oneal, 2001). In order to provide a more complete understanding of the link between conflict and regional institutionalization, future research should continue to explore ways to overcome these obstacles. One important goal of the in-depth qualitative analysis conducted in Chapter 6 was to alleviate this methodological shortcoming.

Indeed, the ASEAN case-study offers ample evidence for the reciprocal relationship between violent conflict and regional institutionalization. The pre-ASEAN period exemplifies a vicious circle in which intense bilateral tensions undermined attempts to form and institutionalize RIAs in the region. In turn, these RIAs did little to alleviate these tensions. In contrast, regional reconciliation in the second half of the 1960s opened the door for the establishment and gradual institutionalization of ASEAN. Intramural peace and stability in the subsequent two decades operated as an important condition for further institutional progress. By the early 1990s, the now highly institutionalized ASEAN defused a growing number of intramural disputes, which in turn allowed still higher levels of regional institutionalization. The 1997 financial crisis (along with several other developments) interrupted this circle and set in motion more vicious dynamics in which increasing levels of domestic and inter-state disputes hampered further institutionalization of ASEAN.
In sum, then, it appears that both the quantitative and the qualitative analyses provide empirical support for the “virtuous circle” thesis offered in this dissertation. That two different (and complementary) research methods point to similar conclusions is reassuring in this respect. This mutually reinforcing spiral suggests that once a region experiences a virtuous or vicious circle, states will find it difficult to reverse this dynamic. This “stickiness” is consistent with the unmistakable division between zones of peace and prosperity, on the hand, and zones of conflict and poverty, on the other (Gleditsch, 2002; Singer and Wildavski, 1996). My findings have very encouraging implications for existing zones of peace, such as Western Europe, and North and South America. Their rather institutionalized RIAs seem to reinforce present peaceful coexistence in these regions. The current eastward expansion of the EU and the future formation and institutionalization of the Free Trade Area of the Americas (FTAA) may further expand these zones of peace.

My findings also give hope to current violent-prone regions, such as several parts of Africa, South and Central Asia, and the Middle East. The ASEAN case study illustrated that vicious circles are difficult but not impossible to break. Thus, states in these parts of the world should, first, devote their resources to defuse bilateral tensions and bring domestic and international stability to such region. To the extent that they obtain such conditions, policymakers would do well by promoting regional institutionalization as a way to perpetuate them. The setback that the ASEAN region suffered in recent years serves as a reminder that virtuous circles are not invulnerable. The ongoing and partly successful efforts to reinvigorate the organization and to put it
back on track show, however, that governments in such troubled regions can take the fate of their regions in their own hands.

These observations draw attention to the broader issue of change and to the manners by which states may be able to escape from a reality of a vicious circle. While my empirical analysis defies any simple generalizations, it offers some tentative answers to this question. First, it appears that important events beyond the control of most states, such as the end of the Cold War or the Asian financial crisis, operate as external shocks that provide a window of opportunity for change. These external shocks can determine the direction and magnitude of such change only to an extent, however. The rest seems to depend on the ability of policymakers to make the most from these changes and move their regions in new directions. Second, another catalyst of change may come from below. As pointed out in the previous chapter, the shift from a vicious to a virtuous circle in Southeast Asian can be traced, at least partly, to changes in domestic political leadership the second half of the 1960s. Likewise, the transformation of South African domestic politics in the early 1990s had been very conducive for both intramural peace and cooperation in Southern Africa. Also, the sizable and significant effect of domestic armed conflict on inter-state violent conflict suggests that domestic political dynamics, especially in important regional powers, can have important implications for regional peace, stability, and institutionalized regional cooperation. Further investigation of these, and other, determinates of change is a promising avenue of future research.
ABBIBIOGRAPHY


