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# Regional Intergovernmental Organizations, Globalization, and Economic Development

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*This study analyzes the effects of regional intergovernmental organizations (RIGOs), e.g., the African Union (AU), European Union (EU), or Association of Southeast Asian Nations (ASEAN), on the economic development of member states in an age of globalization. The study is based on seventeen major RIGOs chosen from each of the continents/subcontinents in the world. In general, regionalism pursued by countries via their RIGOs (and regional free trade agreements) was found to have no independent and direct effect on economic development. The RIGOs instead were found to indirectly affect economic development via globalization, which has a strong positive effect on economic development. Based on the effect of collective RIGOs on the economic development of individual member states, the following four patterns were found: facilitating, impeding, suppressing (hidden), and noneffective. Collective RIGOs composed of developed member states were generally found facilitating economic growth, while those composed of less developed, or a hybrid of developed and developing, member states were not. Instead, the latter were found impeding, suppressing, or being noneffective in the economic development of member states. Globalization is multidimensional. A collective RIGO should help an individual member state enhance each of the multidimensional aspects of globalization, which turn out to be the true engine of economic development.*

## Introduction

The purpose of this paper is to assess the effect of regional intergovernmental organizations (RIGOs) on the economic development of the member states in an age of globalization. Many RIGOs, such as the European Union (EU), African Union (AU), and Association of Southeast Asian Nations (ASEAN), pursue the economic development of their respective member states. What might the differences be in economic development between the ASEAN member states and non-ASEAN member states, for example? What are the differences in economic development between EU and non-EU members? Can RIGO membership itself independently affect economic growth, regardless of other economic variables, such as investment, trade, and economic globalization?

Regionalism in international relations can be defined in diverse ways. Nye (1968) defined an international region as "a limited number of states linked by a geographical relationship as well as by a degree of mutual interdependence." He defined regionalism as "the formation of interstate associations or groupings on the basis of regions." Hurrell (1995) viewed regionalism as "identity or shared perception of being part of a definable region." A general definition for regionalism in international relations is "the expression of a common sense of identity and purpose (e.g., economic, security, political, etc.) combined with the creation and implementation of regional institutions or organizations" (Regionalism).

The definition of regionalism is still heavily debated, but a general consensus includes the following three criteria (Karns and Mingst 2010). First, regionalism is viewed as the process by regional intergovernmental organizations in which regions are significant economic/political units. These units serve as the basis for cooperation, identity, and integration (Explain 2016).

Second, regionalism via the *collective* RIGO is realized by diverse, independent, *individual* sovereign member states. Third, this individual vs. collective dichotomy raises the question as to whether or not RIGOs can facilitate the economic growth of individual sovereign member states. ASEAN, for example, has a strong regional presence, but that *collective* institution lacks the ability to force its *individual* member states to coordinate policy and cooperate with each other. ASEAN is a collective institution built on the principles of unanimity and volunteerism. Yet ASEAN member states, despite their regionalism, focus more on competing with each other for foreign direct investment (FDI).

The study of the effect of RIGOs on economic development has been critical since regionalism and globalization are closely associated. Regionalism via RIGOs is inevitably linked with globalization. Globalization is the increased interdependence of states worldwide, and regionalism allows this interdependence. For example, the EU, a supranational organization, gives member states the foundation for free trade and, therefore, a transition to reaching globalization. In light of the developments of growing regionalism and globalization, what might be the relationship between RIGOs and globalization in their respective effects on the economic development of individual sovereign member states? Can RIGOs have an independent and direct effect on the economic growth of their member states regardless of globalization? Similarly, can globalization have a significant effect on the economic growth of independent sovereign member states regardless of RIGOs?

Globalization is not unidimensional but multidimensional; it includes economic, political, cultural, technological, institutional dimensions, and more. In assessing the effect of RIGOs on the economic development of member states in the context of globalization, globalization should be understood as multidimensional rather than unidimensional.

This study of cross-comparative analysis of RIGOs covers all continents and subcontinents in the world: Europe, Africa, Southeast Asia, south Asia, the Pacific Rim, central Asia, North and South America, and the Middle East. The choice of RIGOs is based on the major organization(s) on each of the continents. For example, the EU in Europe, the AU in Africa, ASEAN in Southeast Asia, the South Asian Association for Regional Cooperation (SAARC) in south Asia, the Shanghai Cooperation Organization (SCO) in central Asia, and the North American Free Trade Agreement (NAFTA), a free trade agreement between the U.S., Canada, and Mexico in North America. NAFTA was chosen because it is a regional, intergovernmental arrangement for free trade and for that reason is treated as an organization as well. That is, NAFTA is a trade bloc, which is a type of intergovernmental agreement. For that reason, NAFTA is also treated as a RIGO.<sup>1</sup>

Each of these RIGOs from different continents is unique in terms of its purpose (e.g., economic, military, political, etc.) or in terms of its structure of organization: supranational, such as the EU, or intergovernmental, such as ASEAN, for example. Yet this paper solely aims to assess what difference RIGO or non-RIGO membership makes in the economic development of member and nonmember states.

### Many Theories of Economic Development

Globalization is one of the variables assumed to affect economic development and growth. There are many definitions of globalization, yet the KOF Globalization Index is most widely used. The index is based on economic globalization, political globalization, and social globalization. Regardless of the type of globalization, the commonality that cuts across them is the interconnectedness and interdependence of international and transnational actors, including nations and peoples.<sup>2</sup>

The effect of economic globalization on economic development (economic growth and quality of life) has been controversial. It has both positive and negative effects. Globalization has negative effects on the less developed countries as it deepens inequality between the wealthy and the poor (Stiglitz 2003). Yet the positive side of economic globalization indicates that free trade and foreign direct investment (FDI), both of which are vital ingredients of economic globalization, have a positive effect on the economic growth of developing countries (Goklany 2007). Multinational corporations (MNCs) are undeniably important actors in globalization. Yet the role of MNCs in less developed host countries where they are doing their business has been controversial as well. It has both positive and negative roles (Nunnenkamp and Spatz 2003). Many actors are involved in globalization. Individual nation states and “collective” RIGOs play an important role in the process of globalization.

Each country has different reasons for joining international organizations. First, some countries are motivated to be members of RIGOs because the collective organization can bring them efficiency. That is, integration as realized by the collective international organization, be it economic, security based, or political, can bring about economies of scale (Abbott and Snidal 1998; Karns and Mingst 2010, 6). Second, global governance is the reason for states to join international organizations. Global governance is defined as “cooperative problem-solving arrangements” (Weiss 2000). Problem solving by collective international organizations benefits each member state. Third, international organizations serve as agents of social construction and constructivism. International organizations can constructively implement cooperation and interaction between nations regionally and internationally (Finnemor and Sikkink 2001).

Export-led economic growth is based on trade (export and import). The essential part of export-led economic growth is the terms of trade, which is measured by the ratio of exports to imports. Favorable terms of trade (greater exports than imports) enhances economic growth, while unfavorable terms of trade (greater imports than exports) has negative effects on economic growth.

Economic development is affected by political development. Differences in economic development are associated with whether a country’s political system is democratic or authoritarian. Democracy, with its higher degree of political freedom, as well as a free market economic system, was found to enhance economic development, while authoritarian and totalitarian political systems turned out not to be conducive to economic development (Russett 2005).

Yet this dichotomous pattern of economic development based on political systems has also been challenged. It is not necessarily political freedom and democratic political systems that enhance economic growth and development. Brazil, Russia, India, China, and South Africa (BRICS), all of which are still economically classified as developing nations despite their political clout in world politics, were documented as having rather successful economic growth in recent decades. They are also successful transitional economies despite their still authoritarian political systems (except probably India). The “Asian Four Dragons” (South Korea, Taiwan, Hong Kong, and Singapore) were documented as very successful economies during recent decades while they were still politically authoritarian. It has been argued that the stronger role of government in authoritarian political systems can be conducive to an equality of income distribution for disadvantaged groups related to ethnicity, gender, or geographic region. A stronger government, albeit authoritarian, can still protect those vulnerable groups of people (Clemens 2007).

The effect of defense spending on economic growth, quality of life, and domestic investment is inconclusive. Sivard (1991) argues that if defense spending is excessive disproportionate to economic capacity it can hurt economic growth and quality of life. Klare (1987) found tradeoffs between defense spending and domestic investment, indicating that defense spending reduces domestic investment, which could have contributed to economic growth. Yet Benoit (1978) argues that there is empirical evidence of a positive effect of defense spending on economic growth in developing countries. Regardless of the time period (Cold War or post-Cold War), Kim (1996) found that excessive defense spending

1. North American Free Trade Agreement (NAFTA). Retrieved from [www.boundless.com/business/textbooks/boundless-business-textbook/international-business-4/international-trade-agreements-and-organizations-39/the-north-american-free-trade-agreement-nafta-198-778/](http://www.boundless.com/business/textbooks/boundless-business-textbook/international-business-4/international-trade-agreements-and-organizations-39/the-north-american-free-trade-agreement-nafta-198-778/)

2. The KOF Index is based on three dimensions: economic globalization, social globalization, and political globalization. An overall index of globalization is based on the following five indicators: 1. actual economic flows; 2. economic restrictions; 3. data on information flows; 4. data on personal contact; 5. data on cultural proximity. The index is annually released by the KOF Economic Institute (Dreher, Gaston, and Martens). See KOF Index of Globalization, <http://globalization.kof.ethz.ch/>

has a negative effect on quality of life. Across the Cold War and post-Cold War periods, the negative effect remains unchanged regardless of population growth, urbanization, and ethnic diversity.

Ethnic composition (heterogeneous or homogeneous), urbanization, and population growth were found to have a significant effect on quality of life. Ethnic heterogeneity has a negative effect on quality of life (Collier 1999, 2007; Alesina et al. 2003). Both urbanization and population growth turn out to have a negative effect on quality of life as well (McNicoll 1995; Todaro and Stephen 2015, 330–44).

Which is more important in determining economic growth, human knowledge or natural resources? A knowledge economy is based on innovation, creativity, and ideas, which are important ingredients of economic development. Tocan (2012) argues that in economic growth via productivity and competitive sustainability, a capitalization on advanced knowledge is vitally important. Resource-led economic growth is based on the utilization of natural resources. Oil is one prime example of a resource that an economy could be based on.

Savings-led economic growth is based on the notion that savings have a positive effect on economic growth. The savings are for future consumption—to be used to fix damage or impairment to the capital goods, which are important factors of production. Therefore, capital formation in preparation for “rainy days” is vitally important, and the savings are for capital formation.<sup>3</sup> Corruption, which is also defined as a lack of transparency, distorts free-market systems. As a corollary, corruption increases the cost of business. Corruption is a major impediment to sustainable development as well (CleanGovBiz/OECD 2016, 2). Corruption is clearly detrimental to the global competitiveness of countries, which is an important determinant of economic development. Global competitiveness is measured by the Global Competitiveness Index (GCI),<sup>4</sup> which measures the competitiveness and ability of domestic institutions and policies, which are important ingredients in determining economic development. Globalization has provided an opportunity to focus global attention on previously neglected issues, such as corruption and lack of transparency, as well as the global competitiveness of countries.

The review of literature thus far indicates that economic development is affected by many variables: globalization, regionalism and RIGOs, knowledge variables (knowledge economic index and knowledge index), corruption, global competitiveness (GCI), foreign direct investment (FDI), political freedom, economic freedom, savings, terms of trade, defense spending, and oil resources. The review indicates the following issues this study aims to solve: First, all the approaches to the theory of economic development reviewed so far indicate that the cause of economic development coalesces around a single variable (e.g., regionalism, globalization, oil, defense spending, knowledge economy, etc.). Based on these single-variable approaches, there is no way to identify a genuine independent effect of many individual single variables, including globalization or regionalism, on economic development. The review also indicates that there is no causal linkage among the diverse variables in analyzing their independent effect on economic development. This study aims to compensate for the weakness of the single-variable approaches. It is based on a multivariate analysis, in which many theories and variables are used simultaneously. It will identify a genuine independent effect of regionalism (RIGOs) on economic development, and it will assess how regionalism and globalization are causally associated in their respective effects on economic development.

3. The Harrod-Domar model explains the effect of savings on economic growth. The model is named after two economists: Roy Harrod (English economist) in 1939 and Evesey Dormar (U.S. economist) in 1946 separately developed their respective models but concurrently developed a variant of it in the 1950s, which is called “The Harrod-Domar model.”

4. Global competitiveness/Global Competitiveness Index (GCI): measures a set of domestic institutions and policies for their respective global competitiveness: The index indicates a national/domestic competitiveness worldwide.

## Methodology

### A. Dependent Variable (DV): Economic Development

Economic development, which is treated as a dependent variable (DV), incorporates both quantitative (economic growth) and qualitative (quality of life, standard of living, human development) dimensions of development. Economic development was measured by Per Capita GDP Purchasing Power Parity (PPP). In cross-national comparative analysis, Per Capita GDP based on purchasing power parity is widely used.

### B. Independent Variable (IV): Regional Intergovernmental Organizations (RIGOs)/Regionalism

[Note: As previously indicated, regionalism is defined as the process by RIGOs in which “geographical regions become significant political and/or economic units, serving as the basis for cooperation, . . . identity,” and possibly integration (Explain 2016).]

RIGOs/regionalism is treated as an independent variable, which is hypothesized to affect economic development (dependent variable). Countries affiliated with a regional intergovernmental organization (RIGO) are coded as 1 while unaffiliated countries are coded as 0. Regionalism as measured by the dichotomous variable (1 or 0) is a dummy (nominal) variable. The following is a list of RIGOs, each one is listed with their respective number of member countries, as well as the name of the geographical region of each RIGO.

- Andean Community of Nations (ANDEAN): four countries, South American region
- Asia-Pacific Economic Cooperation (APEC): twenty-one countries, Asia-Pacific region
- Association of Southeast Asian Nations (ASEAN): ten countries, Southeast Asia region
- ASEAN plus Three: China, Japan, and South Korea (ASEAN+3)
- African Union (AU): fifty-four countries, African region (note: South Sudan became the African Union’s fifty-fourth member on 28 July 2011. Its data was not included in this analysis.)
- Caribbean Community (CARICOM): fifteen countries and dependencies
- Common Southern Market (MERCOSUR): five countries
- Economic Community of West African States (ECOWAS): five countries
- European Union (EU): twenty-seven countries, European region
- Free Trade Agreement of the Asia-Pacific (FTAAP): thirty-three countries (APEC plus TPP, proposed by China 2014)
- League of Arab States (LAS): twenty-two countries, Arab region (Middle East)
- North American Free Trade Agreement (NAFTA): 3 countries, North American region
- Organization of American States (OAS): thirty-five countries
- Pacific Community (PC): seventeen countries and territories, Pacific region
- South Asian Association for Regional Cooperation (SAARC): eight countries, South Asian region
- Shanghai Cooperation Organization (SCO): six countries, Central Asian region
- Trans-Pacific Partnership (TPP): twelve countries, Asia-Pacific region (ongoing: still waiting for ratifications by each of the twelve countries as of June 2016)

### Variables Measured

- 1) Globalization—Globalization is multidimensional: there is economic, social, and political globalization. It is measured by the KOF Index of Globalization.<sup>5</sup>
- 2) Global Competitiveness/Global Competitiveness Index (GCI)—Measures a set of domestic institutions and policies for their respective global competitiveness: The index indicates a national (domestic) competitiveness worldwide.

5. See Note 2 for the detailed measures of globalization.

Table 1. Factor Analysis: A Multidimensionality of Globalization

	Factor 1	Factor 2	Factor 3
	<i>Globalization-based</i>	<i>Savings-based</i>	<i>Oil-based</i>
(Economic growth variables)			
KEI (5)	.950	(ns)	(ns)
KI(4)	.926	(ns)	(ns)
Corruption (3)	.919	(ns)	(ns)
Globalization (1)	.910	(ns)	(ns)
Global competitiveness (GCI) (2)	.870	(ns)	(ns)
Economic freedom (8)	.789	(ns)	(ns)
Urbanization (6)	.724v	(ns)	(ns)
FDI (9)	.713	(ns)	(ns)
Political freedom (7)	.562	(ns)	(ns)
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Savings (13)	(ns)	.916	(ns)
Terms of trade (10)	(ns)	.750	(ns)
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Military expenditure (11)	(ns)	(ns)	.864
Oil (12)	(ns)	(ns)	.820
<i>Eigenvalue (%)</i>	(48.4)	(19.2)	(7.7)

Note: Each of the nine (9) variables, loaded under Factor 1 with their respective factor loadings, is measured as follows according to their respective corresponding number in parenthesis.  
(ns): nonsignificant

- 3) Corruption—Corruption is measured by the Corruption Perception Index (CPI); CPI ranges from 100 (very clean/transparent) to 0 (highly corrupt/nontransparent).
- 4) Knowledge Index (KI)—Measured by “education and human resource systems, the innovation system [as well as] information and communication technology (ICT)” (Knowledge Economic Index 2016).
- 5) Knowledge Economic Index (KEI)—The index is based on “economic incentive and institutional regime, education and human resources, the innovation system [as well as information and communication technology (ICT)]” (Knowledge Economic Index 2016). It is highly correlated with KI as well.
- 6) Urbanization (percentage)—Measures population size of urban areas
- 7) Types of political systems are classified by their respective degrees of political freedom—Not free, or highly authoritarian, is coded as 1; partly free, or authoritarian, is coded as 2; free, or democratic, is coded as 3.
- 8) Economic freedom—Based on economic freedom index indicating freedom in trade, business, investment, etc.
- 9) Foreign Direct Investment (FDI)—Indicates FDI inflow and is based on net inflows, which is measured by new investment inflows minus disinvestment in reporting country.
- 10) Terms of Trade—Calculated by dividing the value of exports by the value of imports, then multiplying the result by one hundred.
- 11) Military Expenditure/Defense Spending—Military expenditure as a percentage of the GDP.
- 12) Oil (proven oil reserves/crude oil)—Based on countries with proven oil reserves.
- 13) Savings/Gross Savings—Measured by percentage of the GDP.

[Sources appear in References.]

### C. Control Variable (CV)

Globalization is a control variable to see how RIGOs/regionalism (independent variable) affects economic development (dependent variable) when the effect of globalization is controlled for. Globalization is also treated as an intervening variable between regionalism and economic development. The control variable is to see how the original bivariate “causal” relationships between the regionalism (independent variable) and the economic development (dependent variable) are changed/unchanged by the effect of globalization.

Table 1 shows factor loadings produced by the Statistical Package for the Social Sciences (SPSS). Only the factor loading highest across the three factors (Factor 1: globalization [multidimensional] based; Factor 2: savings based; Factor 3: oil based) is listed. For example, the KEI variable (0.95) is listed under Factor 1; the savings variable (0.916) under Factor 2, and the oil variable (0.82) under Factor 3. Under Factor 1, nine variables, including the KOF globalization index variable, were found to be the highest across their respective rows. The non-highest in each variable is shown as “ns” (non-significant). The highest variables are significantly correlated with each other under Factor 1. That is, the KOF index of globalization variable is significantly correlated with each of the other following eight variables loaded under Factor 1.

- Knowledge Economic Index (KEI)
- Knowledge Index (KI)
- Corruption/Corruption Perceptions Index (CPI)
- Global Competitiveness Index (GCI)
- Urbanization (percentage)
- Economic freedom
- Foreign direct investment (FDI)
- Political freedom

Factor 1 is labeled a “multidimensionality of globalization,” encompassing all of the nine variables, including the KOF index of globalization variable. The following are aspects of multidimensionality that are highly correlated with the KOF index of globalization:

- 1) Economic—Foreign Direct Investment (FDI) is highly correlated with the KOF Index of Globalization.
- 2) Knowledge-Technological—The knowledge-technological variables (Knowledge Economic Index [KEI] and Knowledge Index [KI]) are an integral part of globalization.
- 3) Global Competitiveness and Political Development—The KOF Index of Globalization is also highly correlated with the Global Competitiveness Index (GCI), which measures institutional, policy, and administrative competitiveness of a country at a global level. A higher competitiveness is also indicative of higher political development of a country at the global level.
- 4) Corruption Index—Lower corruption means higher transparency of political and administrative/institutional systems. Globalization incorporates transparency of political and administrative systems with lower corruption.
- 5) Urbanization—This is indicative of industrialization, as well as aggregates of the economy of a country that are highly associated with globalization.
- 6) Political and Economic Freedoms—Democracy, as realized by the political freedom and market-oriented economy, realized by economic freedoms, are correlated with globalization. Globalization means a high degree of these two freedoms as well.

*Eigenvalue* (percentage) at the bottom indicates the percent of total variance accounted for by each factor. Factor 1, with the largest percentage (48.4 percent), indicates the most dominant factor/pattern of all in economic growth, followed by Factor 2 (19.2%), and Factor 3 (7.7%), respectively. Factor 1 (F1), indicating that multidimensionality of globalization is independent of F2 (savings-based pattern/saving and terms of trade variables) and F3 (oil-based pattern/oil and military expenditure variables).

The 222 countries in this analysis are classified as member or non-member states of the seventeen RIGOs. This study is a cross-national comparative analysis of the 222 countries. Although it covers the 2005–15 period, the period is solely determined by the availability of data for each of the countries. Both bivariate and path analyses used in this paper are based on hypothetical causal relations between dependent (economic development), independent (regionalism) and control (globalization) variables.

**Models**

Based on the independent variable (IV/regionalism/RIGOs), dependent variable (DV/economic development), and control variable (CV/globalization), the following four hypothetical causal models will be tested.

[Note: As previously indicated, regionalism is defined as the process by RIGOs in which “geographical regions become significant political and/or economic units, serving as the basis for cooperation, . . . identity,” and possibly integration (Explain 2016).]

- A. Model 1: Facilitating Regionalism.
  - Regionalism (IV) has, directly and/or indirectly, via globalization (CV), a positive effect on economic development (DV).
- B. Model 2: Impeding Regionalism.
  - Regionalism (IV) has, directly and/or indirectly, via globalization (CV), a negative effect on economic development (DV).
- C. Model 3: Suppressed/Hidden Regionalism.
  - Regionalism (IV) has been hidden/suppressed by the effect of globalization (CV) in its effect on economic development (DV).
- D. Model 4: Noneffective Regionalism.
  - Regionalism (IV) has, directly and/or indirectly, via globalization (CV), no effect on economic development (DV).

**Results**

**FIGURE 1: Facilitating Regionalism (Model 1)**

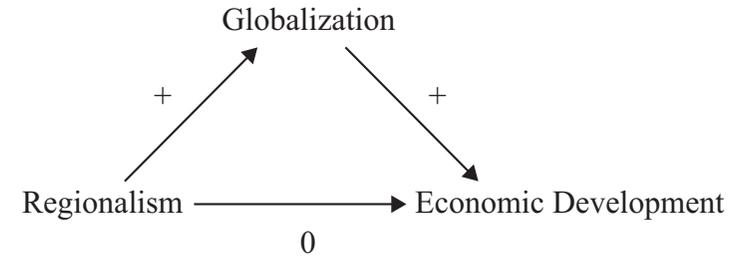
*A. Bivariate vs. Path Analysis*

[Bivariate Analysis]



[Regionalism (IV) has positive (+) effect on economic development (DV)]

[Path Analysis]



[Regionalism (IV) has no effect (0) on economic development, but has indirectly via globalization (CV) positive (+) effect on economic development (DV)]

*B. Individual Cases: Facilitating Regionalism*

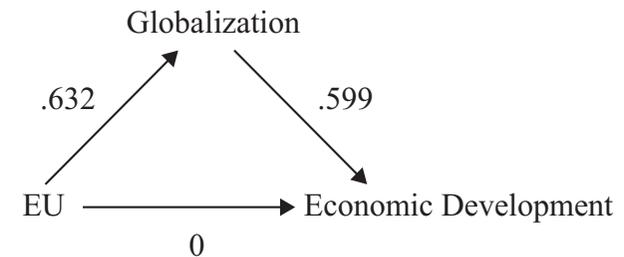
[Note: Path coefficients used below are based on beta weight (standardized regression coefficients) produced by regression (simple and multiple) analyses via SPSS. The path coefficient indicates the magnitude of relations between the variables; (+) means positive, (-) negative relations.]

- EU (European Union)

[Bivariate Analysis]



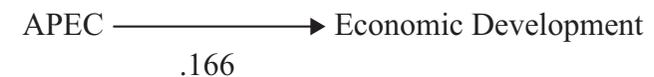
[Path Analysis]



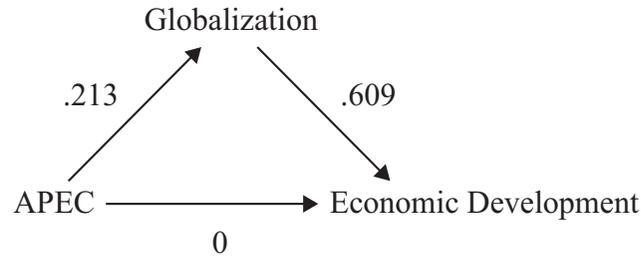
TOTAL effect:  $(.632 \times .599) + (0) = .379$

- APEC (Asia Pacific Economic Cooperation)

[Bivariate Analysis]



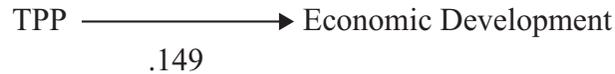
[Path Analysis]



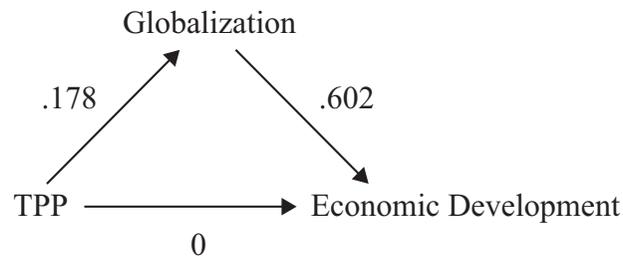
TOTAL effect:  $(.213 \times .609) + (0) = .129$

• TPP (Trans-Pacific Partnership)

[Bivariate Analysis]



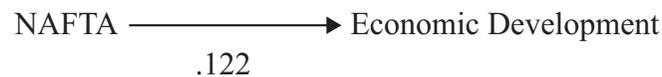
[Path Analysis]



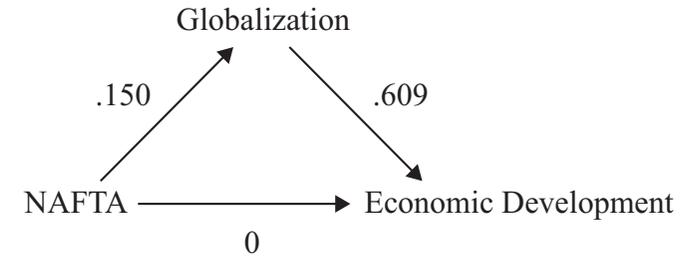
TOTAL effect:  $(.178 \times .602) + (0) = .107$

• NAFTA

[Bivariate Analysis]



[Path Analysis]



TOTAL effect:  $(.150 \times .609) + (0) = .091$

**Pattern 1: Facilitating Regionalism**

The causal analysis in Figure 1 (A) above is based on bilateral bivariate as well as multi-lateral path analyses. These two causal diagrams are based on the following two assumptions: 1) regionalism has a direct effect on economic development (bivariate analysis), and 2) regionalism has an indirect effect on economic development via globalization (path analysis). Figure 1 (A) portrays a “facilitating regionalism.” In bivariate analysis, regionalism has a direct and positive effect on economic development. Yet when the effect of globalization is controlled for, as can be seen from path analysis, the original direct positive effect of the regionalism, which appears significant in bivariate analysis, becomes insignificant. Instead, the effect of regionalism on economic development was found to be indirect via the intervening effect of globalization. The collective regionalism (collective institutional design) has positive effect on the multidimensionality of globalization of individual member state. The globalization, in turn, has a positive effect on economic development as well.

This pattern of regionalism was found to have a positive effect on economic development, but the effect of regionalism on economic development is indirect, via globalization. No direct independent effect of regionalism was found. Regionalism was found to affect economic development via globalization, on which it has positive effect. And the globalization positively affected by the regionalism was also found to have a strong and positive effect on economic development. Regionalism/RIGOs increase globalization, which in turn has a strong effect on economic development. Regionalism was found to have no direct effect on economic development.

The causal analysis in Figure 1 (B): Individual Cases section above indicates that EU, APEC, TPP, and NAFTA are classified as facilitating regionalism. It turns out that each of these four regionalisms has a positive effect on economic development via the intervening effect of globalization. Regionalism has a positive effect on globalization, which in turn has a positive effect on economic development as well. Their original significant effects on economic development, as shown in their respective bivariate analyses, were reduced to zero (insignificant) when they were controlled by the effect of globalization, as shown in the path analyses. This indicates that each of the four regionalisms/RIGOs have positive effects on economic development via the intervening effect of globalization. Their indirect effect via globalization on economic development as shown in their respective “TOTAL effect” are: EU (.399), APEC (.129), TPP (.107), and NAFTA (.091). And the path coefficients indicate that the EU has the strongest positive effect (.399) on economic development, while NAFTA the least, yet still significant (.107). Their respective direct and significant positive effects on economic development as originally shown in their respective bivariate analyses were due to the intervening effect of globalization, on which each of the four regionalisms has a positive effect. And the globalization positively affected by the regionalism has a significant positive

effect on economic development as well. This means regionalisms have no direct independent effect on economic development, but only via the intervening effect of globalization. These four regionalisms can be labeled as “facilitating regionalism,” as they have a positive effect on economic development/growth via globalization on which each of these four collective regional intergovernmental organizations have positive effects as well.

**FIGURE 2. Impeding Regionalism (Model 2): TYPE 1 and TYPE 2**

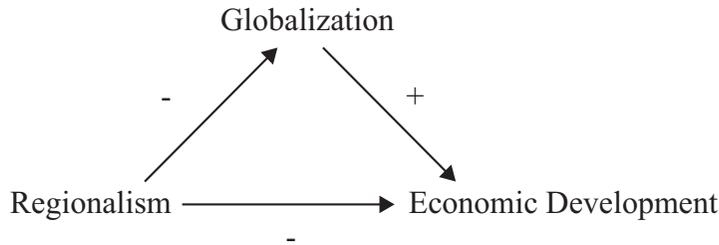
*A. TYPE 1*

[Bivariate Analysis]



[Regionalism (IV) has negative (-) effect on economic development (DV).]

[Path Analysis]



[Regionalism (IV) has negative effect (-) on economic development (DV) directly or indirectly regardless of globalization (CV).]

**Individual Cases: Impeding Regionalism**

[Note: Path coefficients used below (Types 1 and 2) are based on beta weight (standardized regression coefficients) produced by regression (simple and multiple) analyses via SPSS. The path coefficient indicates the magnitude of relations between the variables; (+) means positive, (-) negative relations. (0) means no relations.]

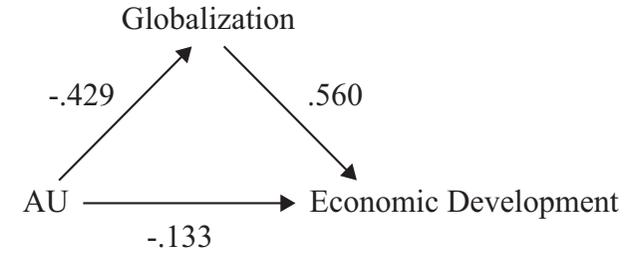
*A. Type 1*

- AU (African Union)

[Bivariate Analysis]



[Path Analysis]



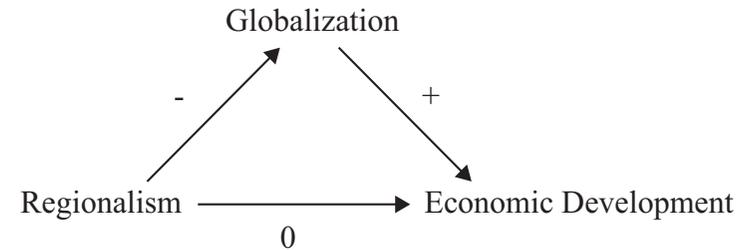
TOTAL effect:  $(-.429 \times .560) + (-.133) = -.373$

*B. Type 2*

[Bivariate Analysis]



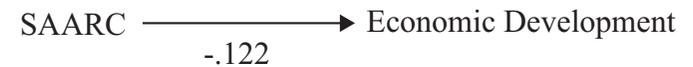
[Path Analysis]



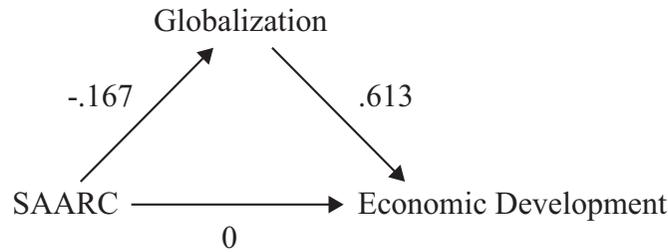
Individual Cases/Type 2

- SAARC (The South Asian Association for Regional Cooperation)

[Bivariate]



[Path Analysis]



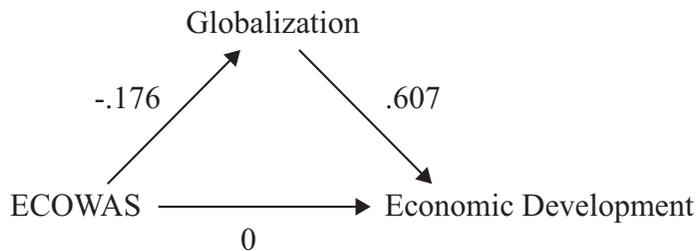
TOTAL effect:  $(-.167 \times .613) + (0) = -.102$

• ECOWAS (Economic Community of West African States)

[Bivariate]



[Path Analysis]



TOTAL effect:  $(-.176 \times .607) + (0) = -.107$

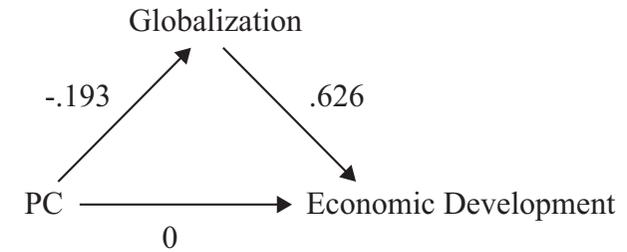
Individual cases/Type 2

• PC (Pacific Community)

[Bivariate Analysis]



[Path Analysis]



TOTAL effect:  $(-.193 \times .626) + (0) = -.121$

**Pattern 2: Impeding Regionalism**

As seen in Figure 2 (Type 1 and Type 2), AU, SAARC, ECOWAS, and PC were classified as “impeding regionalism.” In both bivariate and path analyses, this pattern of regionalism was found to have a negative effect on economic development. In path analysis, regionalism was found to have a negative effect on globalization, which in turn is strongly and positively associated with economic development: the lower the globalization, the lower the economic development. The impeding regionalism in Figure 2 is again classified into the following two types: Type 1 and Type 2.

AU is the “Type 1 impeding regionalism” (see Figure 2/Type 1), while others are the “Type 2 impeding regionalism” (see Figure 2/Type 2). The Type 1 features the original negative effect of regionalism on economic development in bivariate analysis still remains negative in path analysis with the globalization variable. This means regardless of globalization, AU regionalism still remains to have a negative independent effect on economic development.

AU was found in Type 1 regionalism. It was found uniquely to have a direct negative effect (-.369) on economic development, as can be seen in bivariate analysis/figure 2. In path analysis, AU was found still to have a negative direct effect (-.133) on economic development regardless of globalization. AU was also found in path analysis to have a strong negative effect (-.429) on globalization; the globalization negatively affected by the AU regionalism has a negative effect on economic development as well. AU regionalism was found to have a positive effect neither on economic development nor on globalization. The “collectivities” shown by this pattern of regionalism realized by AU turn out not to be conducive to the economic development of individual member states. Regionalism by AU itself impedes globalization, which otherwise would have a positive effect on economic development. It was found that this pattern of regionalism is rather closed and parochial, incapable of increasing/enhancing a multidimensionality of globalization, which turns out to be a strong engine for economic growth.

As seen from bivariate analyses in Type 2/figure 2, SAARC, ECOWAS, and PC were found to have direct and negative effects (-.122, -.154, and -.107 respectively) on economic development as well. Yet, unlike AU/Type 1, their respective significant direct and negative effects on economic development disappear when the intervening effect of globalization is exercised as seen in path analyses. Instead, the three regionalisms have significant negative effects on globalization, which has a strong and positive effect on economic development. This means the three regionalisms have a negative effect on economic development even via globalization.

There are commonalities and differences between the two types of impeding regionalism. As to the commonalities, both Type 1(AU) and Type 2 (SAARC, ECOWAS, and PC) have negative effects on globalization, which in turn has a strong and positive effect on economic

development. The only difference between the two types is that Type 1 still has a significant negative effect on economic development regardless of globalization, while Type 2 does not.

**FIGURE 3: Suppressed Regionalism (Model 3)**

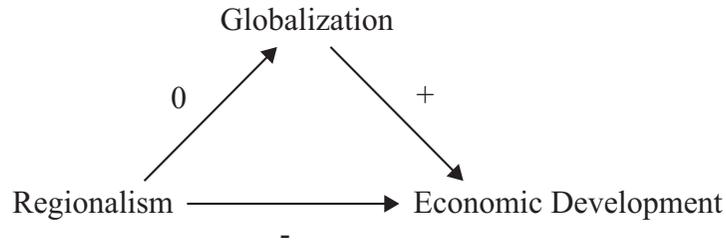
A. Bivariate vs. Path Analysis

[Bivariate]



[Direct effect of regionalism (IV) on economic growth (DV) is “insignificant” zero (0). There is no significant direct effect of regionalism on economic development (DV).]

[Path Analysis]



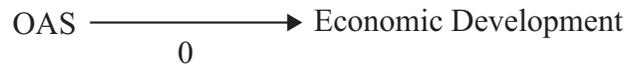
[When controlled by globalization (CV), regionalism (IV) has a significant, albeit negative (-), effect on economic development (DV).]

B. Individual Case: Suppressed Regionalism

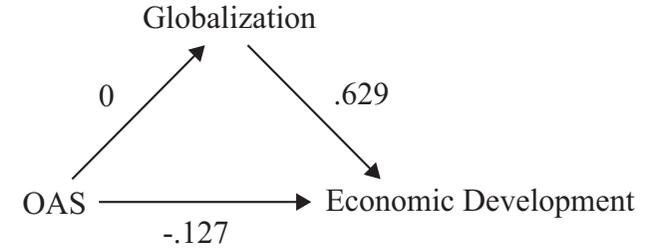
[Note: Path coefficients used below are based on beta weight (standardized regression coefficients) produced by regression (simple and multiple) analyses via SPSS. The path coefficient indicates the magnitude of relations between the variables; (+) means positive, (-) negative relations. (0) means no relations.]

• OAS (Organization of American States)

[Bivariate]



[Path Analysis]



TOTAL effect:  $(0 \times .629) + (-.127) = -.127$

**Pattern 3: Suppressed Regionalism**

The bivariate analysis in Figure 3 indicates that OAS has no significant direct effect on economic development. Yet in path analysis, once the effect of globalization is controlled, the effect of OAS regionalism on economic development now appears significant (-.127), albeit negative. The change from insignificant to significant effect indicates the original insignificant effect of the regionalism on economic development shown in bivariate analysis was due to a suppression effect of globalization. That is, globalization was found to suppress (conceal) the true relationship to “zero” between OAS regionalism and economic development. The true relationship now indicates a significant, rather than insignificant, effect of OAS regionalism on economic development. The original insignificant relations shown in the bivariate analysis were found due to the suppressed effect of globalization. Globalization has suppressed the true negative relationship to zero between OAS regionalism and economic development. This pattern of regionalism is labeled as a “suppressed regionalism.”

**FIGURE 4: Non-Affective Regionalism (Model 4)**

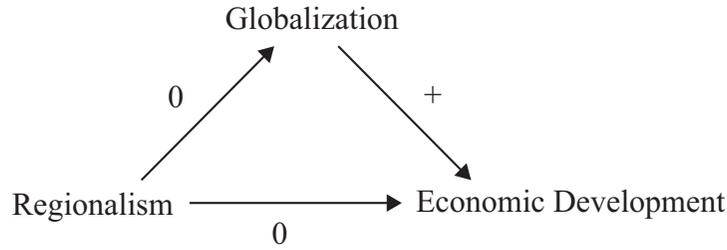
A. Bivariate vs. Path Analysis

[Bivariate Analysis]



[Regionalism (IV) has no direct effect (0) on economic development (DV).]

[Path Analysis]



[Regardless of globalization (CV), regionalism (IV) still remains zero (0) in its effect on economic development (DV).]

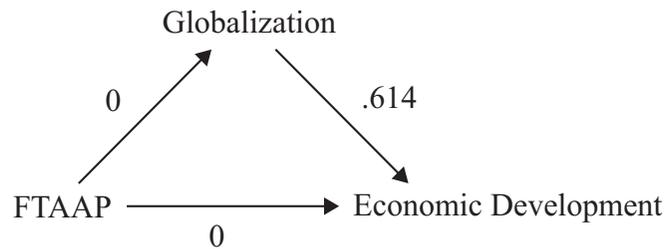
*B. Individual Cases: Non-Effective Regionalism*

1. Bivariate Analysis: The bivariate relationship between each of the eight “non-effective regionalisms” (FTAAP, ASEAN, ASEAN 3, MERCOSUR, ANDEAN, SCO, LAS, and CARICOM) and economic development all appears insignificant (0). For that matter, their respective bivariate relations were not individually diagramed here. Only the multivariate path analyses are portrayed below in “Section 2 Path Analysis.”

2. Path Analysis

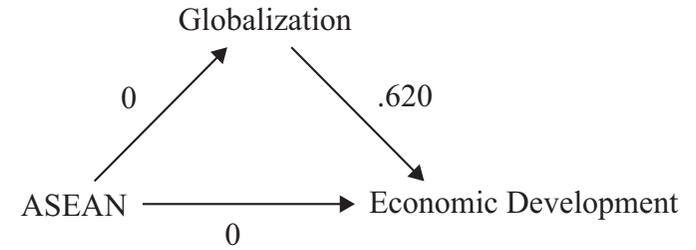
[Note: Path coefficients used below are based on beta weight (standardized regression coefficients) produced by regression (simple and multiple) analyses via SPSS. The path coefficient indicates the magnitude of relations between the variables; (+) means positive, (-) negative relations.]

- FTAAP (Free Trade Agreement in Asia-Pacific)



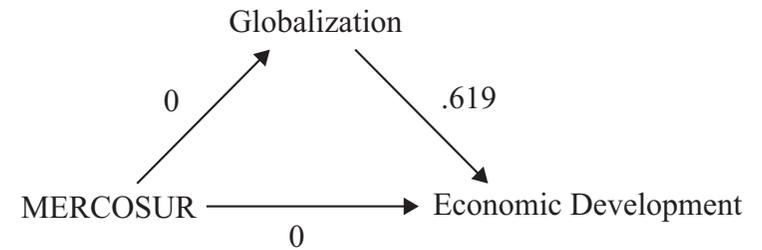
TOTAL effect:  $(0 \times .614) + (0) = 0$

- ASEAN (Association of Southeast Asian Nations)



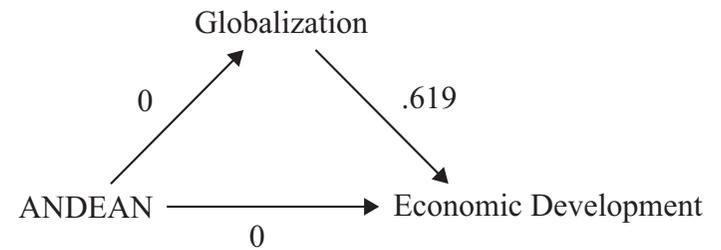
TOTAL effect:  $(0 \times .620) + (0) = 0$

- MERCOSUR (Common Southern Market)



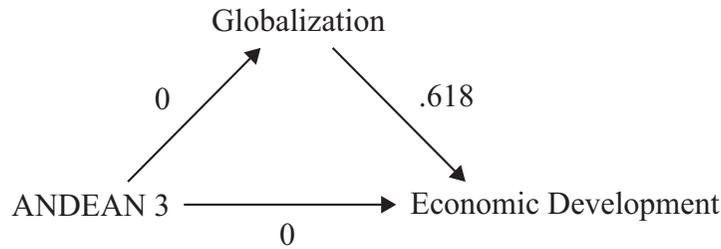
TOTAL effect:  $(0 \times .619) + (0) = 0$

- ANDEAN (Andean Community of Nations)



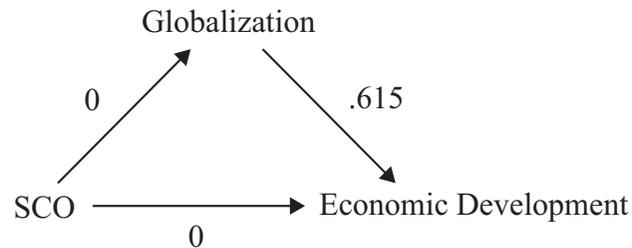
TOTAL effect:  $(0 \times .619) + (0) = 0$

- ASEAN 3 (ASEAN Plus China, South Korea, Japan)



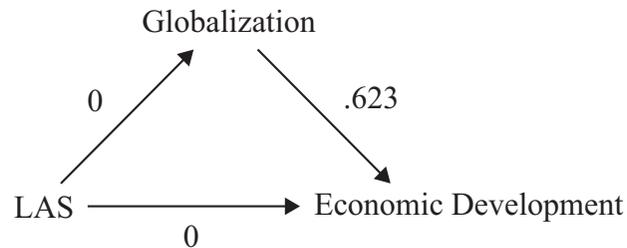
TOTAL effect:  $(0 \times .618) + (0) = 0$

- SCO (Shanghai Cooperation Organization)



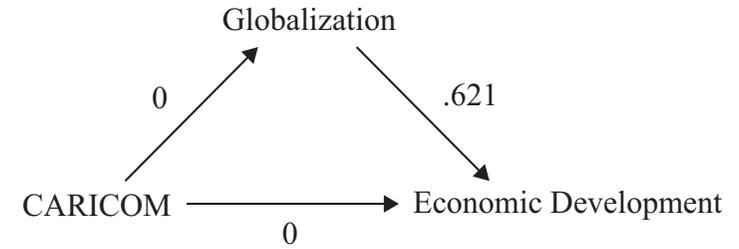
TOTAL effect:  $(0 \times .615) + (0) = 0$

- LAS (League of Arab States)



TOTAL effect:  $(0 \times .623) + (0) = 0$

- CARICOM (Caribbean Community)



TOTAL effect:  $(0 \times .621) + (0) = 0$

**Pattern 4: Noneffective Regionalism**

As seen from Figure 4, ASEAN, ASEAN+3, SCO, LAS, MERCOSUR, ANDEAN, CARICOM, and FTAAP (proposed) are classified as a pattern of “noneffective regionalism.” They have no effect, whether directly, or indirectly via globalization, on economic development. These RIGOs/regionalisms were found to have no significant effect on economic development. Nor were they found to have any significant effect on globalization, which was found solidly and positively associated with economic development. These RIGOs share in commonality that their respective members are less developed countries (LDCs) and/or a hybrid of LDCs and developed economies.

**Conclusion**

Based on the four patterns of regionalism identified, except the pattern of facilitating regionalism, the other three patterns (impeding, suppressed, and noneffective) were found to be insignificant, suppressed, or negative in affecting economic development. A multidimensionality of globalization has been found to positively affect economic development. This is regardless of regionalism by RIGOs. Regionalism that can enhance globalization turns out to enhance economic development as well. Yet, regional collective intergovernmental designs pursued/realized by RIGOs, except in the facilitating regionalism, do not necessarily enhance globalization, which turns out to be a steadfast and strong engine of economic development/growth.

It turns out that RIGOs do not necessarily serve as a transition to globalization. Even facilitating regionalism was found to have no direct and independent effect on economic development. It was found to facilitate economic development via the intervening effect of the multidimensionality of globalization, on which it has positive effect. EU, APEC, TPP, and NAFTA were found to facilitate economic development of member states via globalization, on which they have positive effect. A majority of the member states of each of these four RIGOs are composed of developed member states. A collective institutional design/arrangement via RIGOs based on the membership of predominantly developed countries was found capable of facilitating economic development. RIGOs composed of primarily less-developed countries (LDCs) were found impeding, suppressing, or having no significant effect on economic development. AU, SAARC, ECOWAS, and PC, composed of primarily LDCs, were found to be impeding regionalisms. They were found to have negative or no effects on globalization, which turns out to be a strong and steadfast engine of economic growth.

RIGOs/regionalism, which is also highly heterogeneous/mixed in its composition of both developing and developed member states, such as FTAAP, ASEAN, ASEAN+3, Mercosur, and CARICOM, were found insignificant in affecting economic growth directly or indirectly

via globalization. Even OAS (thirty-five member states), highly heterogeneous in its membership (developing and developed) in the continents of both North and South America, was found to be suppressed to zero by the effect of globalization. OAS was found to have no significant positive effect on globalization either. Regional collective designs arranged by the heterogeneous member states are not instrumental and nor effective in facilitating economic growth of each individual member state.

Regionalism based on regional intergovernmental organizations (RIGOs) should enhance globalization of an individual sovereign member state for economic development. A collective regional intergovernmental organization via its designs/arrangements should help an individual member state enhance each of the multidimensional ingredients/components of globalization, which turns out to be a steadfast and strong engine of economic development.

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# Separation amidst Integration: The Redefining Influence of the European Union on Secessionist Party Policy

David Eichert

*Despite the European Union's hesitancy to support secessionist movements, European integration has inadvertently produced a novel opportunity for these ethno-regionalist political parties to strengthen their causes. Secessionist parties have realized that integration has created a reality where the costs of independence are much lower while the potential benefits of being sovereign in an integrated Europe are greater. In response to this change in structure, secessionist parties in Europe have become much more accepting of Europe than they were previously. This paper looks at the secessionist movements in Catalonia, Scotland, and Bavaria for evidence of pro-European responses to these new incentives.*

## Introduction

The process of European integration has been perhaps naively heralded by some as the end of national borders. According to this philosophy, statehood is less important and less desirable, and political goals can be accomplished at the European level without independent status. Economic and social policy are not wholly determined by states, EU law increasingly trumps state law, and there are ways for regional parties to achieve their political goals without complete independence. Some have even gone so far as to suggest that the European Union would evolve into a "post-sovereign" utopia of cooperating nations (Laible 2008, 1–2).

Despite this, however, many ethno-regionalist parties in Europe continue to seek to become independent states within the European system. Why do these separatist groups still want statehood given the various non-secession options available for change? Why, if the European Union is supposedly championing a post-sovereign mentality that discourages the creation of new states, are these ethno-regionalist movements directing their efforts towards winning over the European community? True demands for independence would seem to necessarily occur outside of the EU system, especially given the "democratic deficit" of the EU and the relative weakness of European state sovereignty today (De Winter 2001, 4).

I argue that European institutions have unintentionally offered separatist movements a unique opportunity to appeal for sovereignty at the European level. This happens because integration has lowered the cost of secession and increased the potential benefits of statehood. I further argue that European secessionist parties have identified this reality and have responded by changing their policies to be more supportive of European integration.

To test this idea, I used a historical analysis to ask two questions. First, have secessionist parties actually changed their policies over time to become more favorable to European integration? If so, were these changes the result of party leaders recognizing the benefits of European integration?

My analysis looks at the main separatist parties in three separatist regions: Catalonia, Scotland, and Bavaria beginning in 1967 (the year the Merger Treaty united the ECSC, Euratom, and the EEC) and continuing to the present day (2016). I chose these political parties because they once represented the full spectrum of opinion about European integration. While