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India and Germany on the way to regional integration?

First Dr Dagmar Graefin Bernstorff Commemoration Lecture

Organized by the Federation of Indo-German Societies in India and the Friedrich Naumann Foundation for Freedom, delivered at the Indian International Centre (IIC) in New Delhi on 29 April 2019 (revised, 23 October 2019)

Your Excellencies, Ladies and Gentlemen, Friends,

I feel honoured and privileged to have been invited by the Federation of Indo-German Societies in India and the Friedrich Naumann Foundation for Freedom to deliver the First Dr Dagmar Graefin Bernstorff Lecture at the Indian International Centre, where I once was introduced by Ajneya (Vatsayan), the great poet, to a person no less than Khushwant Singh. It was here, where I often met Dr Dagmar Graefin Bernstorff, a dear colleague and friend, who passed away last year at the blessed age of 89. I am grateful to the organizers to have been asked to commemorate her and talk about her home countries, India and Germany,¹ and a favourite topic of hers, i.e. regional integration.²

She described herself as follows: ‘I taught political science with reference to South Asia at the Universities of Freiburg i.B, [*sic*] Munich, Heidelberg in Germany. My publications relate to Indian Foreign Policy, Political Sociology, Elections in South Asia, Elite Formation etc. I also work on Tibetans in Exile worldwide.’³ There she also listed her major publications⁴ and translations.⁵

I met her first after joining the South Asia Institute of Heidelberg in 1971. By that time she already was a well known person, not just as a political scientist. She was famous for having gone to India on a motor scooter in the 1950s. When I asked her, whether that was true, she replied: Yes, but not as a driver, only on the back seat. Later I heard that she travelled on by ship to the United States coast to coast and managed even to get back to Germany on a freight liner, together with the scooter. Just fascinating.

Born in 1929 in the Weimar Republic, she was a teenager when World War II ended. In those days,

¹ Dagmar BERNSTORFF: Die Deutschen und Indien. In: Deutschland. Porträt einer Nation. Band 10: Deutschland, Europa und die Welt. Gütersloh: Bertelsmann Lexikothek. 1986. pp. 275-286.

² Dagmar BERNSTORFF, Dieter BRAUN (eds.): Political transition in South Asia. Regional cooperation, ethnic conflict, political participation. Beiträge zur Südasiensforschung 137. Stuttgart: Franz Steiner. 1991. – Dagmar BERNSTORFF: SAARC wird flügge. In: Pakistan: Destabilisierung durch Kontinuität? Wuppertal: Südasiensbüro. 1989. pp. 72-73.

³ Dagmar Bernstorff at LinkedIn:

https://www.linkedin.com/search/results/all/?keywords=dagmar%20bernstorff&origin=GLOBAL_SEARCH_HEADER (accessed 27.4.2019)

⁴ Dagmar BERNSTORFF: Indiens Rolle in der Weltpolitik. Baden-Baden: Nomos, 1965. – Dagmar BERNSTORFF (Hrsg.): Wahlkampf in Indien. Düsseldorf: Bertelsmann, 1971. – Dagmar BERNSTORFF, Hugh GRAY: The Kingmakers, Politicians and Politics in Andhra Pradesh, New Delhi: Har Anand, 1998; Telugu Edition: Hyderabad, 2015. – Dagmar BERNSTORFF, Hubertus VON WELCK (Hrsg.): Tibet im Exil. Baden-Baden: Nomos, 2002; English Edition: Exile as Challenge. The Tibetan Diaspora. New Delhi: Orient Longman, 2003.

⁵ Yeshe Choedon/Dawa Norbu: Tibet, German Edition, New Delhi: Roli, 1997; English Edition: Tibet. London: Tiger Books International, 1997. – Pushpesh Pant: Buddhismus, New Delhi: Roli, 1997; English Edition: Buddhism. New Delhi: Roli, 1997.

finishing gymnasium (*Abitur*), going to university, study and get a PhD was rather exceptional. The more for girls. She hailed from a well known German-Danish aristocratic family. An uncle had been Minister of Foreign Affairs in Denmark. Their castle is located on the border of Schleswig-Holstein and Mecklenburg. A nephew is a well known politician of the Green Party.

In those days, nobility was well represented at the universities. Germany had shed the monarchy in 1918, although in a peaceful fashion. Titles remained, although now only part of the name and without any privileges. Many lost their lands after the Treaty of Versailles and their money in the inflation of 1923. More lands were lost after 1945 and money went with the *Währungsreform* (currency reform) in 1948. She would always introduce herself just as Dagmar Bernstorff.

Different from World War I, where the fighting took place outside Germany, and suffering at home meant hunger, an important factor that led to the revolution of 1918, the Second World War brought bombardment and later fighting in Germany itself, while food problems only started after the war. That changed when the Cold War began while the Nuremberg Trials still went on. Economic restrictions were softened and financial aid was granted via the Marshal Plan. The *Wirtschaftswunder* (economic miracle) already was a byword for German reconstruction in the 1950s. Soon the production of pre-war level was reached.⁶

For a time we thought that the experience of Germany's reconstruction would be of some value for post-colonial economies like India. But whereas Germany could re-build what had been destroyed, India, once the leading economic power in the world,⁷ had to build up, after having been plundered and held back for centuries by the colonial power. Independent India had to integrate hundreds of princely states and various special (tribal) areas, while Germany had to integrate the new federal states (*Neue Bundesländer*) of the erstwhile German Democratic Republic (GDR). Similarly, regional integration means something different in South Asia and Europe.

By the time when Dagmar Bernstorff finished school, Germany had become the paria of Europe. Especially the United States set great hopes in the young generation who were too young to have been involved in German atrocities during the Third Reich. When Germany was asked to take up its share to assist what was becoming the developing world, there were neither institutions nor qualified personnel to take up such endeavours. Scores of professors and scientists had been driven out of Germany, been muzzled and killed.⁸ However, an even larger number had been denazified as *Mitläufer*, fellow travellers, and reinstated. In Germany, the 'student revolution' of the 1960s was a revolt of a younger generation that demanded an open discussion of the Nazi past and no longer wanted to be collectively responsible for actions of their fathers. They wanted to be exculpated.

⁶ However, as Henry C. WALLICH in his seminal book, brought out, this was less of a miracle than we believed. Because, much of industry and infrastructure that was destroyed during the war, was reconstructed during the war, so that the production capacity during the war was higher than at its beginning. And production began in half-destroyed buildings with damaged, but still functional, production means. Henry C. WALLICH : Mainsprings of German revival. Yale studies in economics 5. New Haven: Yale UP, 1955. – John Kenneth GALBRAITH, the economist who served as US ambassador to India, emphasized that destruction of homes, cinemas and theatres had the unexpected effect of driving people into production rather than demoralizing them, as had been hoped for. John Kenneth GALBRAITH: Economics, peace and laughter. A contemporary guide. Harmondsworth: Penguin. 1979 (1971), pp. 230-241.

⁷ Angus MADDISON: The world economy. Volume 1: A millennial perspective. Volume 2: Historical statistics. Paris: OECD. 2006.

⁸ Among them Heinrich Zimmer, professor of Indology at Heidelberg University..

Freiburg, where Dagmar Bernstorff was studying was one of the first places where International Studies were established. Arnold Bergstraesser became her supervisor. After his death in 1964, the *Arbeitsstelle für kulturwissenschaftliche Forschung* (AKF – Institute for Cultural Science Research) was upgraded and named in his honour.⁹ In 1967, after her PhD thesis on ‘India’s role in world politics’ (1965) she went with Professor Gottfried Kindermann to Munich University and later to Heidelberg, where in 1962 the South Asia Institute had been founded. There she worked in the Department of Political Science, headed by Professor Manuel Sarkisyanz, well known, but unfortunately not so much for his academic merits but for establishing himself as a warrior for the freedom of academia, at least as he understood it. Finally she could wrench herself out of this dilemma, changed over to the main Department of Political Science and started her own institute.

She was politically active in the Free Democratic Party (FDP), a liberal party in the European sense of the term, and stood for a seat in the elections to the European Parliament that she almost won. I still remember being greeted by her picture from every lamppost on my way to the Institute. She represented the Friedrich Naumann Stiftung for Freedom in India twice, first as head of office and later as deputy. German unification brought financial relief, as she inherited some property in the East. After reaching retirement age, she chose to remain in India, working on and with refugees from Tibet, a topic especially important to her heart since her student days. With her rich experience she became an active editor.

She always had been helpful. Motherly she looked after students, especially from India and Bangladesh, academically as well as personally. She would not tolerate any nonsense and liked to engage students in meaningful discussion.

She was moved by the deep ‘cultural affinity’ of India and Germany.¹⁰ Indo-German relations were close to her heart. In her Heidelberg times she had co-founded Heidelberg’s *Deutsch-Indische Gesellschaft* (DIG – Indo German Society) and headed it until she left. As a political scientist she had her focus on election systems. She analysed general elections as well as state elections, most of all those in Andhra Pradesh. And then there was regional cooperation, especially in Europe, but also in South Asia. Which brings me to the topic of my talk, i.e. India and Germany in the regional context.

Regional integration

What today is discussed under ‘integration’, traditionally has been discussed under ‘cooperation’. But it is not the same. Cooperation requires joint action, doing things together. To integrate means ‘to become fully part of something’.¹¹ Whereas cooperation allows developing something new together, integration implies that there already is some kind of cooperation into which one is expected to integrate.

But only India is member of a regional cooperation, that calls itself like that, i.e. the South Association for Regional Cooperation (SAARC),¹² whereas Germany is member of a far more

⁹ Dieter OBERNDÖRFER: Zur Geschichte des Arnold-Bergstraesser-Instituts. Eine Dokumentation und persönliche Erinnerung. Freiburg: Arnold-Bergstraesser-Institut. 2011.

¹⁰ Dagmar BERNSTORFF: Indiens Rolle in der Weltpolitik. Eine Untersuchung über das außenpolitische Selbstverständnis indischer Führungskräfte. Baden-Baden: Nomos. 1965, p. 114.

¹¹ Vide: Oxford Advanced Lerner’s Dictionary.

¹² Wolfgang-Peter ZINGEL: South Asian Cooperation for Regional Development (SAARC). In: Julia Leininger et al. (eds.): Handbook of International Organization. Berlin: de Gruyter (forthcoming).

integrated supra-national union.

The two regional associations have different histories and aim at different goals. Nevertheless, both pursue important tasks. During the last weeks European integration made headlines also in India. Therefore, I shall take up Brexit, not so much for the macabre spectacle that we are witnessing, but for the concepts and perceptions behind it. European cooperation and integration has a history of at least a hundred years. Maybe some lessons can be drawn also for South Asia.

The United Kingdom joined the European Communities in 1971, together with Ireland and Denmark, the so-called North Enlargement. They already had voiced the intention to join in 1961/62. However, they could not as President de Gaulle of France had vetoed their accession.¹³

Like in any club, joining meant agreeing to established rules and regulations. The European Communities (EC) already existed since 1951. Communities, because originally there were three of them: The European Coal and Steel Community (ECSC, in German also: *Montanunion*),¹⁴ the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). All three had the same six members, namely Belgium, France, the Federal Republic of Germany (FRG, then only West Germany), Italy, Luxemburg, and the Netherlands.

To some extent the European Communities were an outcrop of the Cold War. A major objective was to engage and control Germany. With Communism encroaching Central Europe, including East Germany, the Balkans, and after the 'loss of China', politicians were haunted by the fear that one country after the other would fall to the Communists, like domino stones. Not to forget the Greek Civil War (1946-1949) while the Communist parties were the largest ones in France and Italy.¹⁵ Reconstruction, development and a quick and visible economic and social uplift was seen as the best remedy against socialism and revolution.

This, however, is not the only narrative. There had been attempts at improving relations between 'arch enemies' Germany and France already after World War I and again after World War II. But I doubt that the European Communities could have developed without persuasion, encouragement and help from outside, namely by the USA.

We should also remember, that Germany was still under control of the Allies and divided in military zones. Already in 1951 NATO was founded.¹⁶ Only in 1955 the Federal Republic of Germany was granted sovereignty and the German army was recreated as *Bundeswehr* (Federal Army).

For a better understanding the ensuing challenges for European integration, I should go a bit into the technicalities: Germany's basic/heavy industry was an integral part of re-armament, but to be controlled by the Coal and Steel Community. The Economic Community had a much wider agenda. Since the days of the Great Depression, national economies were protected by substantial

¹³ Norwegians rejected joining in a referendum.

¹⁴ The Treaty establishing the European Coal and Steel Community (ECSC) was signed on 18 April 1951 between France, West Germany, Italy, Belgium, Luxembourg, and the Netherlands. It subsequently became part of the European Union. 'The treaty came into force on 23 July 1952 and expired on 23 July 2002, exactly fifty years after it came into effect.' Cf. Wikipedia: Treaty of Paris (1951).
https://en.wikipedia.org/wiki/Treaty_of_Paris_%281951%29 (accessed 28.4.2019)

¹⁵ If Communists and Socialists taken together.

¹⁶ The North Atlantic Treaty, signed at Washington D.C. on 4 April 1949.

tariff and non-tariff trade barriers. These were different in nature, especially in the case of agriculture. The war had led to price control of food items that remained intact after the war in order to avoid imports and loss of foreign exchange. Creating a customs union and a free flow of trade turned out to be a complicated issue, requiring uniform rules and standards, what became known as harmonization.

Member countries had been following different policies of market and price intervention. Whereas food supply had been the main objective during the war and the first post-war years, lifting agricultural income became the major objective later. Germany decided for guaranteeing high producer prices, France for generous social benefits (health, pensions). In order not to hurt agriculturists of any country, the EEC agreed on a common agricultural policy with market interventions on the level of the highest agricultural prices, i.e. fixing prices on the German level. Politically, it had the welcome effect that unruly French farmers benefited most. To the surprise of politicians, but less of economists, farmers reacted to higher prices with an expansion of production in an unprecedented way. Surplus became so much that we talked of butter and grain mountains, at the loss of the tax payer. Germany, the major net paymaster of the community, benefited from rising industrial exports to member countries.

The problem that arose for Britain was that it had traditionally followed a free trade policy, importing much of its food items in order to keep food prices and, more important, industrial wages down with the final objective of increasing competitiveness and exports. In other words: While agricultural policy on the continent was pro-farmers, it was in Britain pro-consumers. Joining the EEC meant higher food prices in Britain, always unpopular, and the basis for large scale concessions for Britain. Famous is Margaret Thatcher's demand. 'I want my money back'.¹⁷ In reaction to the Single Market Act¹⁸ she made her position clear in her famous 'Bruges Speech': 'I want to see us work more closely on the things we can do better together than alone. [...] We have not successfully rolled back the frontier of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels'. However, with good reason she rallied against a wasteful Common Agricultural Policy: The 'CAP has become unwieldy, inefficient and grossly expensive. Production of unwanted surpluses safeguards neither the income nor the future of farmers themselves.'¹⁹ In the end her own party was much more Europe friendly and she had to resign in 1990.

Those were the days of Germany's re-unification. Margaret Thatcher feared that Helmut Kohl might trade in Germany's national unity for neutrality. NATO's usefulness seemed to be at disposal, having outlived its major purpose to 'keep the Russians out, the Americans in and the Germans down', as Lord Ismay, NATO's first secretary, famously quipped 'in rather less diplomatic terms'.²⁰

It is not the time and place to go deeper in the history of the European Union, but we see, why the

¹⁷ James KIRKUP: Margaret Thatcher: Conflict over Europe led to final battle. In: The Telegraph. 8 April, 2013. <https://www.telegraph.co.uk/news/politics/margaret-thatcher/9980360/Margaret-Thatcher-Conflict-over-Europe-led-to-final-battle.html> (accessed 14.4.2019)

¹⁸ Single European Act, signed by the 12 members of the EC on 17 February 1986 in Luxembourg and on 28 February 1986 in The Hague, with effect of 1 July 1987.

¹⁹ Margaret THATCHER: Speech to the College of Europe ("The Bruges Speech"). Text: <https://www.margaretthatcher.org/document/107332> (accessed 14.4.2019)

²⁰ Michael FALLON: NATO, coming home? Speech, delivered on 3 September 2014. <https://www.gov.uk/government/speeches/nato-coming-home> (accessed 14.4.2019)

European project always has been less popular in Britain. The United Kingdom joined the EEC when it was suffering from substantial structural problems that lasted for all the 1970s. And it was not in a position to re-negotiate the Treaty of Rome,²¹ but had to ‘integrate’ into a club with little power to negotiate accession terms. The main goals were a free movement of goods, services, capital and persons, known as the ‘four freedoms’.

The demise of the Soviet Union

The demise of the Soviet Union started when Hungary and the Czech Republic no longer hindered East Germans on their way to the West. The fall of the Berlin Wall on 9 November 1989 stood at the beginning of German re-unification on 3 October 1990. It was made possible mainly by Presidents Mikhail Gorbachev and George Herbert Bush, while President Mitterand and Prime Minister Thatcher feared that a united Germany could become too strong again. In 1991 the Soviet Union was dissolved. Three of its republics, i.e. Estonia, Latvia and Lithuania, sought membership in NATO and the EC, along with former Warsaw Pact and Comecon members Poland, Czechoslovakia, Hungary, Romania and Bulgaria.

These developments opened the window of opportunity for change. What was required was a guarantee of freedom for and economic and financial assistance to the newly independent states, but also control of a re-united Germany. The Treaty on European Union, was signed by the twelve member countries of the EC (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and the United Kingdom) in Maastricht on 7 February 1992. It ‘marked a new step in the process of creating an “ever-closer union among the peoples of Europe” ... It had a single institutional structure, consisting of the Council, the European Parliament, the European Commission, the Court of Justice and the Court of Auditors. [...] The Treaty established an Economic and Social Committee and a Committee of the Regions, which both had advisory powers. A European System of Central Banks and a European Central Bank were set up under the provisions of the Treaty in addition to the existing financial institutions in the EIB group, namely the European Investment Bank and the European Investment Fund.’²²

The three ‘pillars’ of the Maastricht order were (1) the European Community; (2) the common foreign and security policy (CFSP); and (3) cooperation in the fields of justice and home affairs.²³

‘Resolving to mark a new stage in the process of European integration [...] designed to deepen the solidarity between their peoples’,²⁴ Maastricht laid the foundations for a single currency, the Euro, and significantly expanded cooperation between European countries in a number of new areas:

European citizenship was created, allowing citizens to reside in and move freely between member states; a common foreign and security policy was established; and closer cooperation between police and the judiciary in criminal matters was agreed.

²¹ Treaties signed in Rome in 1957: Treaty establishing the European Economic Community, signed on 25 March 1957, and Treaty establishing the European Atomic Energy Community, signed on 17 April 1957.

²² Ina SOKOLSKA: The first treaties. Fact Sheets of the European Union. Strassbourg: European Parliament. 2019. http://www.europarl.europa.eu/ftu/pdf/en/FTU_1.1.1.pdf (accessed 21.4.2019)

²³ Ina SOKOLSKA: The Maastricht and Amsterdam treaties. Fact Sheets of the European Union. Strassbourg: European Parliament. 2019. http://www.europarl.europa.eu/ftu/pdf/en/FTU_1.1.3.pdf (accessed 21.4.2019)

²⁴ Treaty on European Union, as signed in Maastricht on 7 February 1992. https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_on_european_union_en.pdf (accessed 27.4.2019)

The Maastricht Treaty came into force on 1 November 1993 and was amended by the treaties of Amsterdam (1999); Nice (2003); and Lisbon (2009).²⁵ The powers of the European Court of Justice were strengthened: ‘It shall ensure that in the interpretation and application of the Treaties the law is observed. Member States shall provide remedies sufficient to ensure effective legal protection in the fields covered by Union law.’²⁶ As Roberta Panizza writes: ‘The Lisbon Treaty considerably strengthened the principle of subsidiarity by involving the national parliaments in the decision making process’.²⁷

With or without Great Britain, the European Union comes in many shapes: The EU presently has 28 members, i.e. all of western and central Europe, part of Scandinavia (Sweden, Denmark and Finland), the Baltic and much of the Balkan (not: Serbia, Montenegro, Albania, Kosovo, North Macedonia). Great Britain and Ireland are not members of the Schengen area (but non-members Norway and Switzerland). Besides Great Britain, Denmark, Sweden (but Finland), the Czech Republic (but Slovakia); Hungary, Romania and Bulgaria are not yet members of Euroland. As far as the Euro is concerned: It was highly unpopular in Germany. Most people would have rather kept the Deutsche Mark.

India and SAARC and other regional organizations

Different from Europe, there is a maze of regional associations in Asia with overlapping membership. In 1965, Pakistan together with Iran and Turkey had formed the Regional Economic Cooperation (RCD) that became defunct when Iran left it after the Islamic revolution in 1979. RCD was reformed as Economic Cooperation Organization (ECO) in 1984/85. It was extended in 1992 by Afghanistan and six former republics of the USSR, i.e. Azerbaijan, Kazakhstan, Turkmenistan, Kyrgyzstan, Tajikistan and Uzbekistan. India founded the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) together with Bangladesh, Sri Lanka and Thailand; later joined by Myanmar and Bhutan. There is also the South Asian Growth Quadrangle (SAGQ) and the Bangladesh, Bhutan, (eastern) India and Nepal Initiative (BBIN), established in 1996/97 in order to solve regional transport problems. In 2017 India and Pakistan joined the China led Shanghai Organization for Cooperation (SOC), Afghanistan has Observer status, Nepal is a Dialogue Partner.

The South Asian Association for Regional Cooperation (SAARC) was founded in 1985. The idea, however, was much older.²⁸ Afghanistan joined later. By now SAARC has granted observer status to Australia, China, the European Union, Iran, Japan, Mauritius, Myanmar, South Korea and the United States. Myanmar is reported to have expressed interest in upgrading its status from an observer to a full member of SAARC. Russia and Turkey applied for observer status. South Africa has participated in meetings.

SAARC is a much looser co-operation than the European Union. Attempts to improve political relations via easing trade were countered repeatedly by bilateral problems. The old idea of

²⁵ Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed 17 December 2007; entry into force on 1 December 2009 (Panizza 2019).

²⁶ Treaty of Lisbon, Article 9 F (1).

²⁷ Roberta PANIZZA: The Treaty of Lisbon. Fact Sheets of the European Union. Strasbourg: European Parliament. 2019. http://www.europarl.europa.eu/ftu/pdf/en/FTU_1.1.5.pdf (accessed 21.4.2019)

²⁸ Wolfgang-Peter ZINGEL: Südasiens auf dem Wege zu einer wirtschaftlichen Kooperation? Wirtschaftspolitik auf dem Subkontinent seit Mitte der siebziger Jahre. In: Aus Politik und Zeitgeschehen. Beilage zur Wochenzeitschrift Das Parlament. B 26/83 vom 2. Juli 1983. pp. 14-27.

grouping countries into regional co-operations had already been given up with the creation of the World Trade Organization (WTO). In a truly free trade set-up there is little need for regional co-operation. Now, after the same super power that had been instrumental in setting up regional co-operations and then managed to create a global trade order, has returned to blatant bilateralism. We have a cobweb of regional organizations with overlapping membership, not really allowing any country to fully integrate into any of them. Jagdish Bhagwati, a trade theorist, is highly sceptical of (regional) preferential trade agreements (PTAs) and decries ‘countries jumping into several beds in a fit of preferential promiscuity.’²⁹

Conclusion

Are there any lessons to be learnt from European integration? There are hundreds of international organizations and dozens of regional co-operations. They are all different and this especially applies to the European Union and the various regional co-operations in South Asia. Any ease of the exchange of goods, services, finance, ideas and people, might be a win-win situation on a national level, but it creates winners and losers on the sub-national level. Losers expect to be compensated either by the winners, the state or a supra-state organisation. And certainly, co-operation impairs national sovereignty. It is important to make people aware of the benefits, like easier travel und trade. Trying to ‘socialize the losses’, blaming relatively powerless supra-national institutions and shunning responsibilities are a sure way to weaken those very organizations that had been created for the benefit of member countries.

The many rounds of enlargement of the EU meant ‘integration’ of new members. Looking back, a more flexible approach might have been beneficial: Britain’s accession to the EEC would have been an opportunity to revise European Agricultural Policy earlier; letting Greece join the Euro was a disservice to that country; refusing membership alienated Turkey; the chance to cooperate with the Russian Federation was not used.

Finally, there are the problems that arise with a changing world order: Regional cooperation and integration is more than free trade of merchandise goods. And even here things have become more difficult: With free movement of goods, services, capital, ideas and people within a community, control of the outer borders becomes a moral hazard problem, especially of countries situated at the outer borders. For example, immigration is less a problem for countries that know that migrants will not stay and head on elsewhere. Collecting custom duties is less attractive if the money is not going to the national exchequer, but to a supra-national budget. Corporate tax becomes a beggar-thy-neighbour game and a mad race to the bottom.

Trans-border flows of natural resources are a matter of utmost importance, especially in South Asia where major rivers cross borders and more and more water is utilized upstream less is arriving downstream. Fish in coastal waters is another contested flow resource. Similarly pollution of water and air affects neighbouring countries. Rising sea levels increase the population pressure in border areas with the demand of a right to migration.

More than ever it would be worthwhile to study attempts at regional cooperation and integration as they evolve in the spirit of Dr Dagmar Graefin Bernstorff.

²⁹ Jagdish BHAGWATI: *Termites in the trading system. How preferential agreements undermine free trade.* New York: Oxford UP. 2008, p.32.