Neofunctionalist Spillover Theory and Endogenous OCA Analysis: Lessons from Europe for Asia

Nancy Srisorn† and Thomas Willett∗

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This paper has two major purposes. One is to draw lessons from the European experience for Asian economic and monetary cooperation. In order to do this we begin with the exploration of a second, highly related issue – the interrelationships among the political science literature on neofunctionalist integration theory and its emphasis on spillovers with the economic literature on endogenous optimal currency area (OCA) theory.

Apart from the close theoretical connection between important aspects of these two approaches we argue that both have tended to suffer from insufficient attention to the micro analytic political economy foundations on which their major propositions must rest. Partially as a result both literature have tended to exaggerate the degree to which initial actions on the economic and monetary front are likely to induce further actions that promote further integration, or in the case of endogenous OCA analysis, induce actions that will improve the operation of a currency area. As a consequence, while offering valuable perspectives, when used to exaggerate the magnitude and automaticity of responses they can be highly dangerous.

Contrary to the suggestions of some that the European experience shows that once substantial economic integration is initiated, the resulting dynamic will almost inevitably

† Claremont Graduate University
‡ Claremont Graduate University and Claremont McKenna College
lead to eventual monetary union, we argue that the endogeneities are highly contingent and in many other regions are likely to stop well short of monetary union. The conditions that led to monetary union in Europe are unlikely to be found in most other regions. We also conclude that both political economy analysis and the European experience to date cast serious doubts on recent suggestions that Asian countries need not worry about the traditional OCA criteria in deciding whether to create a common Asian currency since the creation of the common currency will generate responses that will make the currency area optimal ex post.

2. Neofunctionalism and Endogenous OCA Theory Compared

While endogenous OCA analysis was developed by economists quite independently of the neofunctionalist literature, both approaches share the view that economic integration is a dynamic process. Traditional OCA analysis pioneered by Robert Mundell focuses on the conditions that influence the costs and benefits of fixed versus flexible exchange rates. The biggest cost of adopting fixed exchange rates in any form including the adoption of a common currency is the loss of the ability to pursue an independent monetary policy. These costs will be higher, the less flexible is the economy, i.e. the stickier are wages and prices and the lower is labor mobility, the greater are the shocks that require adjustment, and the less similar are business cycle conditions across the members of the fixed rate area, i.e. the greater would be the difference in national optimal monetary policies. In turn the benefits would be higher the greater is international trade and investment among the members of the area.

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1 For recent discussions of OCA analysis and references to the literature see De Grauwe and Mongelli (2005), Goodhart (1998), and Willett (2003).
A. Endogenous OCA Analysis

The original contribution to formal endogenous OCA analysis was by Frankel and Rose [1998]. They correctly stressed that what was relevant for OCA analysis was not the levels of trade integration and business cycle synchronization under flexible exchange rates but rather what would occur ex post under fixed rates. While there were conflicting theories about the likely effects on business cycle synchronizations, it was unambiguously expected that the level of trade integration would increase among countries adopting a common currency, the only question was by how much.

The cogently of this analysis has been widely accepted among economists. What is controversial were the further contributions to endogenous OCA literature that argued that since the adoption of fixed exchange rates would increase the costs of rigidities, economic efficiency considerations would force increase in labor and product market flexibility.\[2\] Using the language of neofunctionalist theory, the initial act of integration would generate spillovers that would induce further responses. Similarly, since the costs of widely different fiscal policies would increase, it could be argued that greater fiscal policy coordination would be generated.

These arguments have strong merit from an economic efficiency perspective, but face the formidable challenge that if aggregate economic efficiency considerations were dominant there would be much less labor and product rigidity and uncoordinated fiscal policies to begin with. Rent seeking and other political economy considerations are important explanations of the existence of these insufficiencies in the first place and

\[2\] See, for example, the analysis and references in Willett, Permpoon, and Wihlborg (2008).
likewise can provide strong limitations on the extent of reforms that would be induced by the adoption of a common currency.\footnote{See Willett, Permpoon, and Wihlborg (2008).}

It is useful to distinguish two different theories about how induced responses would come about. The first and more optimistic one is based on rational expectations ideas and assumes that forward looking actors will anticipate the implications of the adoption of a common currency and hence rather quickly adopt the needed reforms.

A second theory is less forward looking and suggests that initial reforms will not be sufficient to avoid crises. In this view, it is only under the pressure of the latter that major reforms will be undertaken. Of course there is also a third, even more pessimistic view, that when the crisis comes the policy responses it generates will tend to be protectionist ones that reduce integration and economic efficiency.

B. Neofunctionalism and Spillovers

The neofunctionalist approach is much older than endogenous OCA analysis and thus not surprisingly contains a much broader range of contributions. As with OCA analysis, the professional interest that it has generated has waxed and waned and waxed again. Here we cannot hope to survey the richness of its many strands, but rather will focus on several conceptual aspects that are especially relevant for the purposes of this paper. The initial contributions to the functionalist and neofunctionalist literature tended more toward vision statements about the possibilities of integration dynamics to than closely reasoned micro analytic analysis of the mechanisms through which these processes might operate. Over time, however, greater structure was added to these
approaches and no little intellectual jousting has been stimulated among those holding contending theoretical perspectives.

We cannot claim full understanding of all the intricacies of these debates, but believe that we can provide a useful perspective on some of the key issues. For our purposes, the concept of spillover is key. We should begin by noting that the use of spillover in the neofunctionalist literature is somewhat different from its standard usage in economics. In the latter literature it is synonymous with externality or third party effects at the microeconomic level. In open economy macroeconomics, it refers to the effects of policies or developments in one economy on other economies, and overlaps strongly with economic interdependence.

In the neofunctionalist literature spillovers are often generated by such economic spillovers, but carry the broader connotations that they lead to further actions of coordination or integration. Thus for example, increased economic integration could increase the economic efficiency costs of divergent national tax policies. This would be a spillover to economists. As we understand it, in much of the neofunctionalist literature, this would not become a true spillover unless policy actions were taken to coordinate or harmonize tax policies.

This would be an example of a functionalist spillover, where integration in one area generates a need or pressures for more coordination or integration in another area. In much of the neofunctionalist literature the emphasis is on unintended consequences and some even seem to identify spillovers only with unintended effects. An example given of this is the European Coal and Steel Community (ECSC), which was seen as being created by trial and error and through the actions of elites. Haas argues that “...the irony of [EEC
developments in the 1960s]... is that they had not all been planned or approved by
governments in 1958." (p.xxi) Therefore, once decisions are made they take on
unintended consequences and become the force of integration. We have no doubts that
there are often important unintended consequences, but it seems to us much to be too
narrow a definition of spillovers to limit them to unintended effects. This narrow
definition also raises the thorny question of intended by whom. For many advocates of
integration it is the “unintended” consequences of many policy actions that may be
viewed as most important.

A closely related issue is that of predictability. In some cases it can be fairly clear
to analysts that taking particular policy steps will generate an at least partially predictable
dynamic. For example, the adoption of heavily managed exchange rates in a world of
high capital mobility will generate a need to either coordinate monetary policy or adopt
controls if crises are to be avoided. There may be a good deal of uncertainty about timing,
but not about the options. There is likely much less certainty about which type of
response will occur, however. Expectations about the latter would of course heavily
influence whether an advocate of greater integration would recommend that exchange
rates be pegged.

The second major type of spillover is called political and refers to change patterns
of identities, loyalties, trust, and willingness to cooperate across countries. For our
purposes, it is important to distinguish between changing identities and loyalties which
we would model as giving greater weight to those in other nations in our utility function
and trust and understanding of others that would facilitate developing shared analysis of
common problems and trust that agents from other nations would not renege on
agreements. Experience suggests that it is sometimes possible to make considerable progress on the second front even in the absence of major increases in international or regional identities. There are many instances of increased international and regional cooperation among central banks and finance ministries to illustrate this point.

Neofunctionalism was used to explain European integration as well as predict its course of progress. Much of this predictive quality stems from the idea of spillover. In his early work, Haas stated that “The superiority of step-by-step economic decisions over crucial political choices is assumed to be permanent; the determinism implicit in the picture of the European social and economic structure is almost absolute. Given all these conditions, we said, the progression from a politically inspired common market to an economic union, and finally to a political union among states, are automatic.” (p.xxiii) He believed that integration would be self-sustaining. Leon Lindberg also used a definition of spillover that infers that spillovers would occur automatically. He states that spillover “refers to a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth.” (p.237)

It is quite easy to see how critics could dispute the idea of spillovers being automatic and that integration would occur endogenously. A clear example was that during the De Gaulle years, when integration didn’t occur as expected and expansionary tasks were actually halted. De Gaulle rejected the Commission as well as took on a nationalist attitude, with concern only for the greatness and prestige of France. Critics like Andrew Moravscik argued that neofunctionalism was weak because it attempted to predict without explaining how political choices were made. Moravscik rejected the idea
that spillovers were automatic, arguing that “Haas’s claim that further integration would follow automatically from previous decisions – could only be an indeterminate conjecture rather than a precise prediction.” (p.356)

Haas eventually stated that integration is most nearly automatic when there is a convergence of objectives by statesmen and elites. The more difficult choices there are, the likelihood of the propensity of conflict increases. He added that in order for spillover dynamics to occur, there has to be a set of tasks that are under supranational control. Schmitter (2004) has refined the theory and dismissed the notion of automaticity. He does believe that there is a high probability that spillover would occur when elites move towards regional integration, but that this does not occur endogenously. He argues that spillovers would only be automatic when “there is a conflict between national actors (and) it will be resolved by expanding the scope or level of central institutions. While there is no guarantee that it will always be successful, manipulation of such crises by regional actors lie at the core of the integrative dynamic.” (p.163)

It is now generally accepted that such spillovers are not automatic and do not always proceed in a linear fashion. Two steps forward and a long wait or even a step back are frequently observed. With these caveats, however, there appears to still be considerable divergence of opinion among scholars of Europe about how strong these broad spillover dynamics tend to be and about the relative importance of different potential channels of spillover. Not frequently scholars writing on European integration have appeared to have strong normative biases that have colored their positive analysis. Especially problematic has been the not infrequent tendency to assume that whatever acts
of coordination and integration that occurred later in time were caused by spillovers without careful exclusion of other possible causes.

There are several examples of spillovers identified in the neofunctionalist literature but often times they do not account for alternative causes. One often mentioned example of spillover is that the European Economic Community (EEC) was a result of the European Coal and Steel Community (ECSC). Haas believed that the deepening of the coal and steel sectors would create pressures for further integration in other sectors as well as a need for a European authority. How strong the direct spillover effects were a matter of dispute. Moravscik (2005), for instance, argues that exogenous factors played a much bigger role. He states, “The empirical evidence is far more supportive of the claim that the EEC was founded in response to the epochal post-war shift in trade patterns from North-South commodity trade to North-North intra-industry trade… Overall the evidence is overwhelming that European integration in this period deepened not because of economic spillover from prior integration, but on the basis of a convergence of interest, led in the initial period by enduring liberal interests in Germany and the Netherlands.” (p.36)

Another example of perceived spillover is the case of the Single European Act (SEA). Some authors would argue that the SEA was viewed incomplete without a monetary union. Growing interdependence among member countries led to the desire to remove restrictions among members and harmonize the internal market. The SEA led to greater interest in the harmonization of the market and a new momentum for integration, which is why many believed that this was a spillover. Again, there are other ways to explain the SEA. For instance, it can be seen as a result of intergovernmental bargaining.
Rather than pure unintended consequence, it was the heads of national governments who were actually who were the chief players in the bargaining process of the SEA. The Thatcher government, for instance, pushed for deregulation of the national markets. Germany agreed, and so did France, along with the other Benelux countries. Ireland and the Southern European countries, on the other hand were more skeptical but received structural funds for their underdeveloped regions and eventually supported the notion. It can be argued that the SEA was not just a spillover, but actually coordination among governments to reap benefits from the Act.

Not entirely surprisingly there has also been a fairly strong tendency for interpretations of the European integration experience to emphasize evidence consistent with the author’s particular theoretical emphasis on the causes of integration, be it liberal intergovernmentalism or the role of economic interest groups, etc. Thus it is not easy to get a clear picture of what the experience of Europe tells us about theories of integration and this in turn makes it much more difficult to draw with great confidence numerous lessons from Europe for Asian economic and monetary cooperation. Still we believe that some useful generalizations can be made to which we will turn to in the following section.

3. Some Lessons for Asia

In our judgment one of the strongest conclusions that can be drawn from the literature on European integration is that spillovers are heavily influenced by institutional frameworks, both domestic and regional ones. The relative importance of elites, economic interest groups, and the general public on various integration issues has been
heavily influenced by the institutional setting. For example, had the creation of the euro required an affirmative vote by the German public, we are rather confident that the deutschmark would still be in circulation.

An important thrust of much of the recent literature on European integration has been on the importance of supranational institutions, especially the European Commission, in increasing the frequency with which economic spillovers lead to integration spillovers. Many of the traditions in Asia are quite different from those in Europe so its path toward greater integration will undoubtedly be different, as likely will be its final destination, but we see no reason to question the importance of developing stronger regional institutions in Asia. On this score despite the traditional weakness of Asia’s regional institutional framework, there are considerable signs for optimism.

A second lesson from Europe is to be very careful about the choice of policies selected to promote greater integration and coordination. While it is arguable that there was no alternative to the adoption of the common agricultural policy as a way to gain sufficient interest groups support for the integration process, the continuing economic costs of the CAP have been enormous.

A related consideration is to be alert to the danger of overly optimistic estimates of how much reform and/or increased cooperation can be forced by adopting measures that increase the costs of non-reform or non-cooperation. Particularly relevant for Asian monetary cooperation is the hypothesis that by raising the cost of uncoordinated monetary policies, the adoption of exchange rate arrangements with limited scope for exchange rate flexibility such as the Exchange Rate Arrangements ERM of the European Monetary System would promote substantially greater monetary and fiscal policy
coordination. We are highly skeptical of the optimistic interpretation of the ERM experience on this score.

The Exchange Rate Mechanism (ERM) was used in part as a monetary stabilization mechanism. The member currencies of the ERM were pegged against each other within a narrow band of fluctuation based on a central European Currency Unit (ECU) rate, but floating against non-member countries. Jeffry Frieden (1993) discusses the early case of the exchange rate mechanism of the EMS. He argues that while a broad consensus for regional integration among interest groups in Italy and France, there were differing opinions among these groups on monetary integration and participation in the exchange rate mechanism (ERM). However, linking the issue of exchange rate to regional integration more generally made joining the ERM necessary to be included in the European community. French and Italian governments were able to bring their inflation levels down in order to be within the Community average. Linking these two issues made integration move forward because those who did not join in the EMS were considered second tier countries.

While a number of economists such as Junggun Oh (2005) have advocated an Asian exchange rate mechanism similar to the European ERM for Asia (ARM) in the medium term and an Asian Monetary Union (AMU) for the long run, we are not optimistic that an ARM would prove to be a stable intermediate regime. We agree more with Yung Chul Park (2005), who argues that “the role of the ECU in EU monetary unification makes it clear that simply creating the AMU will not strengthen exchange rate policy coordination in East Asia.” (p.262)
The ERM did have some successes in terms of increased discipline and policy coordination – France under Mitterrand is an important example, see Andrews and Willett (1997) but many advocates of an ERM approach to Asian monetary cooperation appear to have overlooked the series of currency crises that hit ERM countries in the early 1990s. In general we suggest that such exchange rate pegging strategies under favorable conditions can promote mild increases in policy cooperation but not enough to handle large shocks.4 (It was the financial consequences of German reunification that generated the collapse of the moderate band ERM.)5

We believe that a similar conclusion holds with respect to the endogenous policy responses to currency area formation. The experience from the first decade of the euro suggests that endogenous trade expansion does occur as expected, although the magnitudes have been a good bit lower than had been predicted by some6 but the increases in fiscal policy coordination and labor and product market flexibility have not been great for most member countries.7 Indeed, it generally appears that much more reform was undertaken in the run up to entry than after the adoption of the euro. Since then reform fatigue appears to have strongly limited further progress. Thus contrary to recent proposals that Asia reverse the European sequencing of trade integration before monetary integration and started with monetary unification [see for example Boyer (2005)], our reading of the European experience suggests that this would be an extremely

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4 See Willett, Permpoon, and Srisorn (2008).  
5 Technically the ERM was not abandoned but the margin of permissible exchange rate fluctuations were widened to +/- 15%.  
6 Business cycle synchronization also increased, but not by significantly more than the synchronization with non euro Western European economies so it’s hard to evaluate the effects of the euro per se on these issues see the analysis and references in Willett, Wihlborg, and Permpoon (2008).  
7 See the analysis and references in ECB (2008), and Willett, Wihlborg and Permpoon (2008).
high risk strategy unless the key OCA preconditions are already met reasonably well – which in our judgment they currently are not. [See Willett et al (2008)]

A third major lesson that we draw from the European experience is that the objectives underlying actors support for integration and the mental models that accompany them can have a tremendous influence on the path of integration and should be carefully considered in the design of integration strategies. While some have tended to interpret the European experience as suggesting that monetary integration almost inevitably follows trade integration, we have argued that the creation of the euro was a rather low probability event and that if the euro were not already in existence, it is unlikely that an agreement could be reached today to create it. (See Willett, Permpoon, and Srisorn (2008)) This is not to say that we think it is likely that the euro zone will fall apart. In our judgment there are powerful path dependent forces at work to sustain the euro, even if the endogenous responses are insufficient to convert the euro zone into a fully optimal currency area.

While we disagree with Boyer about the desirability of putting monetary integration before trade integration, we strongly agree with him that “During the early years of the European project, economics was a means and political integration the objective.” (p.98) Nor was this limited just to the early years. In our view the overwhelming motivation for European integration was geopolitical, the desire to tie Germany so strongly to the rest of Western Europe that future wars within Western Europe would become unthinkable. This was an objective supported by German leaders as well and is the primary reason why the German government was willing to give up its much loved DM. Today Germany has a new generation of political leaders who do not
share this mental model nearly as strongly as the preceding generations and hence are much less willing to make sacrifices for the European project.

Of course this is not to say that this geopolitical motivation was the only source of the continued pushes for European integration. The economic interests of multinational banks and corporations undoubtedly played a role for example and on monetary integration changing macroeconomic views on the importance of containing inflation were also important, but without the strength of the underlying geopolitical motivations, we believe there was relatively little chance that the European project would have moved from economic to monetary integration.

The geopolitical situation in Asia is quite different of course. Influenced in part by differences in US policy toward Europe and Asia in the post war period, Asia has made much less progress than Europe in healing the wounds from WWII. Thus desires for political integration are unlikely to carry much weight as motivations for Asian integration. Indeed it has often been commented that the integration process in Asia has been almost the complete reverse of that in Europe. While the Europe process has been heavily state led, with deliberate government policies being responsible for much of the increase in European trade, in Asia integration has been much more market led with pressures from increases in trade and FDI forcing governments into policy responses.⁸ This process has changed substantially over the past decade, however, with governments taking in much stronger interest in regional integration issues. In our judgment this is due primarily to two major factors – the Asian currency and financial crises in 1997-1998 and

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the economic rise of China. The general increase in globalization undoubtedly also played some role.

One of the greatest challenges facing the world today is how to make China’s rise as peaceful as possible. This could provide a powerful geopolitical motivation for progress on Asian regional integration as well as reforms of our global economic institutions based on considerations somewhat analogous to the successful European efforts to bind Germany peacefully to Europe. In terms of peaceful integration into the world economy, Japan’s transformation has also been quite successful, but mistrust is still much greater today between China and Japan than between France and Germany. Carefully managed regional and global economic integration holds out a plausible hope that coming decades can make more progress on this score.

A final lesson that we would draw from the European experience is that progress is made in fits and starts. While long range visions can be powerful, detailed long rate blueprints are of quite limited value. There is good reason, however, for those of us who are interested in increased international and regional cooperation to analyze issues and institutional mechanisms well ahead of their likely short-run political feasibility so that when crises or other developments present targets of opportunity for rapid political movement, we are ready. Thus, for example, while we are pessimistic about the prospects for substantial increases in Asian monetary policy coordination in the next few years, we strongly believe in the value of continuing research of such issues. And while a good argument can be made that the Chiang Mai regional financial agreements have been of only quite limited practical value so far, we see great benefits from the substantial increase in communication across borders by Asian economic and monetary officials in

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9 See, for example, Eichengreen (1996) and Hefeker and Nabor (2005).
recent years. It is time for these steps to be complemented by the development of much stronger regional secretariats.

4. Concluding Comments

An interesting suggestion for a major cause of the increased interest in regional initiatives has been made by Boyer (2005). He argues that “regional integration is to be seen as an alternative to globalization.” (p.127) He suggests that “for the majority of countries, the national government has become too small to be governed according to a pure inward looking strategy. On the other hand, the world is too heterogeneous and the conflicts of interest are too acute to endogenously develop efficient global governance. This is precisely the merit of regional integration.” (p.128) We believe that there is undoubtedly some merit in this perspective, but believe that more nuanced versions need to be developed that pay careful attention to the particular patterns of regional and global interdependence across different issue areas in different regions. The domains of public goods and spillovers are likely to show quite variable patterns. For example, a purely regional approach is likely to make little progress on the problems of global warming, while on water pollution or some types of fishery issues it might be quite effective. Likewise, for many countries trade patterns tend to be much more regionally focused than financial interdependence. For example in Asia trade interdependence has been high and growing, but a considerable degree of the financial interdependence among Asian economies occurs indirectly through linkages with outside markets such as the United States, rather than directly.¹⁰

¹⁰ See Keil, Rajan, and Willett (2008) and references cited there.
From this federalism perspective, regional cooperation is seen more as a complement to globalization than a substitute. We believe that this fits well with the generally open regionalism that has been dominant in Asia so far. It’s clear that dissatisfactions with developments at the global level for some times played an important role in the development of Asian regional initiatives. The dissatisfaction with the IMF resulting from the Asian crisis is an important example.\textsuperscript{11} However, even in this case many of the regional financial initiatives have evolved into being as much or more a complement rather than a substitute for global approaches.

While our tone has been rather negative concerning what can currently be learned about lessons from the European experience from the European integration literature we are please to be able to say that the analysis of European integration is an ongoing enterprise and one which is developing stronger micro analytic foundations. There are some signs of increasing recognition of the advantages of cross regional studies of integration. Thus there is reason to hope that as Asian integration processes there will be considerable useful information generated from the further study of European and other regional integration experiences.

\textsuperscript{11} See for example, De Brouwer (2002), Bird and Rajan (2000), and Bowles (2002).
Appendix:

Some Descriptions of Spillover:

Ben Rosamond states “within early neofunctionalism, spillover is to be treated as an empirical phenomenon that is found (probably) only in the European Communities…” (p.245)

Sandholtz and Sweet identifies “spillover is achieved when supranational authority is extended to new, but related functional domains as it becomes evident that initial policy objectives can not be adequately attained without such an extension.” (p.7)

Charles Pentland criticizes the concept of spillover by describing it as “merely an organizing concept or hypothesis about the likelihood of integration when certain specified conditions are met.” (p.119)

Caporaso states that “Spillover is commonly thought of as a process whereby integrative activity in one societal sector leads to integrative activity in other related sectors… we may mean the expansion of integrative habits from one sector to another, e.g., industry to agriculture [sectoral spillover], or we may mean the transference of integrative habits from the economic to the political sphere within the same sector [boundary spillover].” (p.365)

Dimitris Chyrssochoou [Theorizing European Integration] argues that “successive spillovers would bring together previously unconnected policy arenas and demand a change in both the behavioral and operation attitudes of relevant elites.” In addition, “The Commission ... [occupies] the major role in European policy change. It was assigned the task of acting as the motor of the integration process, the source of integrative initiatives, and the centre of technical expertise for launching joint projects of a supranational character.” (p.56)
Schmitter describes spillover as a “process whereby members of an integration scheme—agreed on some collective goals for a variety of motives but unequally satisfied with their attainment of these goals—attempt to resolve their dissatisfaction either by resorting to collaboration in another, related sector (expanding the scope of the mutual commitment) or by intensifying their commitment to the original sector (increasing the level of mutual commitment) or both.” (1969:162) He also says, “(it) tends to involve more national actors in an expanding variety of policy areas and in an increasing degree of joint decision-making.” (1969:165)

Arne Niemann discusses how neofunctionalists identified spillover in two ways. “First, it was used as shorthand for the occurrence of (further) integration. Second, the term ‘spillover’ described a driving force and inherent logic of functional economic integration.” (p.17)

Stephen George, on the other hand, identifies functional spillover differently. He states that once member states are integrated in one sector of their economy, technical pressures will push them to integrate in other sectors “because modern industrial economies were made up of interconnected parts, it was not possible to isolate one sector from the rest. The regional integration of one sector would therefore only work if other sectors were also integrated.” (p.36)

Mehmet Ugur states, “spillover ... [is] non-linear process shaped by the extent to which convergent developments internal to the member states tend to emerge as a result of
societal assertiveness and, therefore, call for convergence management at the European level.” (p.499)

Jeppe Tranholm-Mikkelsen argues “...integration within one sector will tend to beget its own impetus and spread to other sectors. The establishment of supranational institutions designed to deal with functionally specific tasks will set in motion economic, social and political processes which generate pressures towards further integration.” (p.4)

Keohane and Hoffman argue that “...spillover [is] an ambiguous term. It can simply be used as an enlargement of “an authoritative and legitimate international task.” (p.19)

Joseph Nye defines spillover as referring to a situation where “imbalances created by the functional interdependence or inherent linkages of tasks can press political actors to redefine their common tasks.”
Preliminary References:


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