

EVOLUTION OF ECONOMIC INTEGRATION

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ABSTRACT: The genesis of regionalism can be traced from ancient times but in modern times the seeds of integration or regionalism were sown during the Second World War. The whole world was integrated into two blocs on the basis of ideology. The determinant factors for this integration were political and strategic concerns. Both the blocs concluded political and defense pact in counter of each other. The major concern for this integration was security factor. This can be treated as the beginning of integration in modern times. The 1950s is characterized by another way of integration. The European Economic Community was constituted with an objective of common and institutionalized market of European nations. This is considered as New Regionalism or Economic Regionalism and finally it was culminated in form of European Union. The demise of Soviet Union and socialist ideology brought new era in international politics. The tension between the two blocs came to an end and due to this factor the political and strategic concerns got irrelevant and economic issues came on forefront as the determinant factor for new international economic order. The structural changes in post cold war period brought the world in to a village. The process of globalization inspired the nations to integrate their economies with global economy.

KEYWORDS: Globalization, RTAs, FTAs, Regionalism, Regionalization, Integration, ASEAN, NAFTA, LAFTA.

INTRODUCTION: The concept of regionalism can traced from early periods. The regionalism in early period is defined as the cooperation and conflict among some countries of a specific geographical area. Primarily the cooperation and conflict was based on defense and strategically important issues. Initially studies on regionalism was vague and therefore, it has been called treated as an 'elusive' concept. Slowly the concept of regionalism got broadened and area of cooperation among nations widened and socio-economic issues came on forefront for cooperation. A contemporary development in this concept is inter-regional regionalism which means now cooperation among nations is not limited to specific geographical area but the economic cooperation may be extended to beyond one geographical

entity to another geographical unit. Now the studies on regionalism specifically economic regionalism are more specific and intensive. Now focus is on the studies of regional cooperation, regional organization, regionalization, regional integration and inter-regional regionalization.

The concept of economic regionalism can be defined as economic interdependence among the nations and to extend their economic activities to strengthen economic health of respective countries and this extension may be limited to one specific geographical unit or it may be extend beyond one geographical entity to another geographical unit and that is called as inter-regional regionalization. The economic regionalism is primarily economic cooperation among the governments and this cooperation is ensured through the government treaties and dialogues and removes the obstacles which may be hurdles for economic cooperation i.e. reducing the tariffs, opening of markets for free flow of products and to make congenial atmosphere for extension of economic activities with other nations. The economic regionalism leads to economic integration of geographical unit or beyond a geographical entity. The economic integration of a region took place through various state sponsored economic activities and these state sponsored activities are created and implemented by countries are the most concrete manifestation of it. These state-led activities are mostly economic integration in nature. The economic integration consists of removal of obstacles to the mutual exchange of goods, services, capital and persons by countries. So nations frame their economic policies to integrate their economic activities with supranational level.

So economic regionalism can be defined as economic cooperation among the nations through governmental policies and executions of these policies strategically and at organizational level to extend and strengthen economic activities among adjoining or inter-regional level. The objective of economic regionalism is economic interdependence among the nations or regions and to fulfill the economic needs of nations through mutual economic understanding at governmental level. The contemporary world has shrunk into a global village and in this changed scenario this mutual economic cooperation has been gaining momentum. No nation can afford to live in isolation specifically in economic arena. In post cold war period the prime determinant factor is economic relations. After the demise of Soviet Union or communist ideology the politico-strategic relations are no more prime factors in world politics. Now in contemporary world relations are revolving around economic sphere. From this point of view, it is acknowledged that the existence of economic interdependence is well recognized by means of global co-operation or coordination between adjoining countries or inter-regional level. This economic interdependence involves a complex economic

performance, harmonization and compromise of national politico- economic interests among countries, which is followed by an adjustment of regional interstate relations.

The concept of traditional regionalism requires certain traits i.e. historical legacy, cultural identity, common perceptions, emotional belongingness, geographical identities and a perception of regional awareness and belongings. The politico-strategic idea played a vital role in the concept of traditional regionalism. Nations of same geographical region or unit came for an understanding to achieve political and defense objectives and they shared certain commonalities in terms of history, geography, culture, values and legacies. These were certain prerequisites for traditional form of regionalism, specifically during cold war and even before cold war period. This can be treated as the most authentic historically and culturally deep-rooted definition of regionalism in pre-post cold war period which signifies the uniqueness of each individual region and explains the characteristics of each and giving little space for a dialogue between different regionalism experiences.

The evolution of the concept of new regionalism or economic regionalism is quite different from traditional regionalism. The new regionalism is integration of economies of the world on the basis of growing economic interdependence among the nations. This new concept is not confined only to history, culture or a geographical unit. The driving and determinant force for this integration is economic interdependence. In post cold war period there left no place for ideology and whole world has shrunk into a region. Now the politico-strategic relationship is replaced by economic relationship, specifically in post cold war period. New regionalism or economic regionalism has no geographical boundaries. The cooperation among the nations depends on their economic wants rather common history, geography, culture or shared values. This new evolution is also termed as inter-regional economic cooperation or inter-regional economic regionalism. It also signifies a practice and process of norm creation. The role of national governments has changed in this new arrangement. The governments have to ensure the commitment for regional cooperative enterprises and the credibility of cooperation. The government has to work as entrepreneurs which will fulfill the obligations which are essential to construct cognitive frames for regional norms. They will have to develop new norms which should be consistent with the norm entrepreneur's ideational commitment.

After Second World War whole world was divided on two blocs on the basis of ideology. This can be treated as the beginning of integration of the world on economic basis. The whole world was integrated in two blocs, one was capitalistic world where the model of

growth was capitalism and other was socialist bloc with socialistic mode of development. It was the first time when nations came to integrate across their regions. Although the driven force was political and strategic partnership but economic integration on the basis of ideology was one of the factor. The whole capitalistic world across the regions came closer and on the other hand developing and under developed economies got integrated under socialistic umbrella for economic development. The process of the evolution of new regionalism or economic regionalism can be traced with the eight successive rounds of negotiations under the General Agreement on Tariffs and Trade (GATT) and this process accelerated the orientation of the economic integration in every corner of the world. This can be called as 'first wave' of new regionalism but big setback to this wave was Regional Trade Agreements (RTAs) which were concluded among many developing countries during 1950's and 1960s. RTAs couldn't stop longer this wave of new or economic regionalism. The process of formation of European Economic Community has began in 1957 and it's institutions were constituted during 1960s and this can be considered as real beginning of integration of world economies and it laid the foundation for European Union (EU). The most significant witness in regional economic integration has been the transformation of the European Common Market into the European Union (EU). The advent of EU has revolutionary transformed whole international economic scenario by pursuing regionalism aggressively as a means of encouraging investment and competition and to bring multi-polarity in the international economic system. This new economic arrangement was different from the old regionalism which was more complex in nature because it confined economic regionalism to specific geographical regions and preferred Regional Trade Agreements rather economic integration of the entire international order. The formation of EEC and its conversion into EU encouraged the entire world to integrate their economies with global economy and could be only materialized with the demise of Soviet Union and its parent ideology. The end of cold war brought economic factor as the determinant factor or driven force for future international relations which laid the foundation of new international economic order based on economic interdependence and economic integration.

The commencement of European Union brought a new era of economic integration with common market, free flow of capital and goods, free movements of labour, trade reforms and movement of members beyond custom unions. It brought the concept of common currency, common visa and common political institutions in form European Union Parliament. So the Europeans are achieving full economic or deep integration, or an economic union.

Before the emergence of the EU the nature of regional integration was based on political orders specifically during the Second World War as made by both Nazi Germany and Japan either before or during the war. Three types regional integration can be identified during cold war period. First type of regional integration was in form of integration of institutions i.e. Americas, Commonwealth, the League of Arab States (LAS), the Organization of American States (OAS) and this integration was multipurpose in nature because integration was multilayered. It was conglomeration of various factors. The second type of integration was basically for security purposes. Cold war period is characterized by a tense situation between the two blocs which led strategic integration of the blocs. The capitalist bloc headed by USA concluded NATO treaty and it was integration of the forces of capitalist bloc and to counter NATO, Soviet Union with its socialist allies concluded WARSAW pact. In addition to these two grand integrations some other strategic integration were concluded i.e. the Rio Pact, SEATO, CENTO, and ANZUS were established in 1950s. The third and the contemporary integration is integration of economic institutions with a principally economic focus have to promote regional economic integration. The seeds of this integration were sown in multilateral regulations in form of GATT. This arrangement led to economic integration of institutions of Europe by creating of European Community (EC) in 1958, proliferated in the 1960s in such a way that the world was 'filled with proposals for NAFTA, PAFTA, LAFTA.

The economic integration in developing countries is bit different from European lines because the prime focus of these nations is security which is major hurdle of integration of institutions among these nations. So the integration is primarily sub-regional or sub-continental in nature. The creation of EC couldn't inspire the developing nations to integrate across the regions due to underlying security reasons. It was mostly regional in scope. The more familiar examples of this second regional wave are the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), the South African Development Community (SADC), the Caribbean Community (CARICOM), and the South Asian Association for Regional Cooperation (SAARC), the Arab Maghreb Union (AMU) and Gulf Cooperation Council (GCC).

The regionalism in post cold war period is a structural and paradigm shift from the regionalism of cold war period. The new regionalism is more complex and diverse than previous one. The integration or regionalism during cold war period revolved around two blocs and security was major concern. The political and strategic issues were the determinant and driving factors for integration and regionalism. The end of cold war brought certain structural changes in international politics. The demise of a specific ideology brought to an

end the tension between the two blocs and laid the foundation for integration of world in terms of globalization. Now the politico-strategic issues were no more relevant due to the end of ideology and replaced by economic concerns of the world. The integration of Europe inspired many regions and nations for common markets and to create multilateral institutions for economic integration. The structural changes in post cold war period have shrunk the world in to a village which inspired the nations to integrate their economies with world economy. On the other, the end of cold war also changed the parameters of the security domain making regional security more vulnerable and accessible to local actors.

The regionalism of the post cold war period brought institutional shifts based on decentralization of the international system and the removal of superpower politics. The end of the cold war era is characterized with human considerations of livelihood and prosperity. It brought many possibilities and potentialities to explore and make the world more humane and beautiful. It can be treated as renaissance of ideas about the possibilities of universal institutions and projects and the fostering of global peace.

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