Our Heritage

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Regional integration among developing countries

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Abstract:

Regional integration has been defined as the process through which independent national states "voluntarily mingle, merge and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts among themselves." De Lombaerde and Van Langenhove describe it as a worldwide phenomenon of territorial systems that increases the interactions between their components and creates new forms of organization, co-existing with traditional forms of state-led organization at the national level. Some scholars see regional integration simply as the process by which states within a particular region increase their level interaction with regard to economic, security, political, or social and cultural issues. In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty. The deep integration that focuses on regulating the business environment in a more general sense is faced with many difficulties.In this paper , tha main concern is on if the regional integration organizations, schemes etc. successful in developing nations as the developing nations faces various problems which dependant on various factors.

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Introduction:

Regional Integration is a process in which neighboring states enter into an agreement in order to upgrade cooperation through common institutions and rules. The objectives of the agreement could range from economic to political to environmental, although it has typically taken the form of a political economy initiative where commercial interests are the focus for achieving broader socio-political and security objectives, as defined by national governments. Regional integration has been organized either via supranational institutional structures or through intergovernmental decision-making, or a combination of both. Past efforts at regional integration have often focused on removing barriers to free trade in the region, increasing the free movement of people, labour, goods, and capital across national borders, reducing the possibility of regional armed conflict (for example, through Confidence and Security-Building Measures), and adopting cohesive regional stances on policy issues, such as the environment, climate change and migration. Intra-regional trade refers to trade which focuses on economic exchange primarily between countries of the same region or economic zone. In recent years countries within economic-trade regimes such as ASEAN in Southeast Asia for example have increased the level of trade and commodity exchange between themselves which reduces the inflation and tariff barriers associated with foreign markets resulting in growing prosperity.

Regional integration initiatives, according to Van Langenhove, should fulfill at least eight important functions:

- The strengthening of trade integration in the region

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- The creation of an appropriate enabling environment for private sector development
- The development of infrastructure programmes in support of economic growth and regional integration
- The development of strong public sector institutions and good governance;
- The reduction of social exclusion and the development of an inclusive civil society
- contribution to peace and security in the region
- The building of environment programmes at the regional level
- The strengthening of the region's interaction with other regions of the world.

The crisis of the post-war order led to the emergence of a new global political structure. This new global political structure made obsolete the classical Westphalian concept of a system of sovereign states to conceptualize world politics. The concept of sovereignty became looser and the old legal definitions of the ultimate and fully autonomous power of a nation-state are no longer meaningful. Sovereignty, which gained meaning as an affirmation of cultural identity, has lost meaning as power over the economy. All regional integration projects during the Cold War were built on the Westphalian state system and were designed to serve economic growth as well as security motives in their assistance to state building goals. Regional integration and globalization are two phenomena that have challenged the pre-existing global order based upon sovereign states since the beginning of the twenty-first century. The two processes deeply affect

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the stability of the Westphalian state system, thus contributing to both disorder and a new global order

Moves towards "Regional Integration"

In recent years, moves towards regional integration have been more and more active, with countries seeking to strengthen their ties with other countries. In Europe, when the Treaty on the European Union (the Maastricht Treaty) took effect in November, 1993, the European Union (EU) was created, which enlarged and built upon the European Community(EC). The enlargement of the EU took place on January 1, 1995 by accession of three new countries, Austria, Sweden and Finland, which were former members of the European Free Trade Association (EFTA). Meanwhile, the September, 1993 signing of the side agreements to the North American Free Trade Agreement (NAFTA) launched the free trade arrangement in North America in January, 1994. Elsewhere, AFTA (the ASEAN Tree Trade Area) began reducing tariffs among its members in January, 1993. It has continued to expand its range of items covered, and has agreed to make efforts toward the acceleration of the integration process with a view to implementing the AFTA free trade agreement by 2003, and to begin negotiations on access to services area. On the other hand, in the Americas, certain countriesin Latin America initiated the Southern Common Market Treaty (MERCOSUR) in January, 1995.

There are four main types of regional economic integration.

- Free trade area. This is the most basic form of economic cooperation. ...

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- Customs union. This type provides for economic cooperation as in a free-trade zone. ...
- Common market
- Economic union.

Regional integration agreements

Regional integration agreements (RIAs) have led to major developments in international relations between and among many countries, specifically increases in international trade and investment and in the formation of regional trading blocs. As fundamental to the multi-faceted process of globalization, regional integration has been a major development in the international relations of recent years. As such, Regional Integration Agreements has gained high importance. Not only are almost all the industrial nations part of such agreements, but also a huge number of developing nations too are a part of at least one, and in cases, more than one such agreement.

The amount of trade that takes place within the scope of such agreements is about 35%, which accounts to more than one-third of the trade in the world. The main objective of these agreements is to reduce trade barriers among those nations concerned, but the structure may vary from one agreement to another. The removal of the trade barriers or liberalization of many economies has had multiple impacts, in some cases increasing Gross domestic product (GDP), but also resulting in greater global inequality, concentration of wealth and an increasing frequency and intensity of economic crises. The number of agreements agreed under the rules of the GATT and the WTO and signed in each year has dramatically increased since

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the 1990s. There were 194 agreements ratified in 1999 and it contained 94 agreements form the early 1990s.The last few years have experienced huge qualitative as well as quantitative changes in the agreements related to the Regional Integration Scheme. The top three major changes were the following:

- Deep Integration Recognition
- Closed regionalism to open model
- Advent of trade blocs

Regionalism and The Impact to The Nation-State

It is stated in Maurice W. Schiff's book about Regional Integration and Development there are some reasons why a country making agreement with other country in a region.

1. Governments' wish to bind themselves to better policies, including democracy and to signal such bindings to domestic and foreign investors.

2. A desire to obtain more secure access to major markets.

3. The pressures of globalization, forcing firms and countries to seek efficiency through larger markets, increased competition, and access to foreign technologies and investment.

4. Governments' desire to maintain sovereignty by pooling it with others in areas of economic management where most nation-states are too small to act alone.

Conclusion:

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Regional integration helps countries overcome divisions that impede the flow of goods, services, capital, people and ideas. These divisions are a constraint to economic growth, especially in developing countries. The World Bank Group helps its client countries to promote regional integration through common physical and institutional infrastructure. Divisions between countries created by geography, poor infrastructure and inefficient policies are an impediment to economic growth. Regional integration allows countries to overcome these costly divisions integrating goods, services and factors' markets, thus facilitating the flow of trade, capital, energy, people and ideas. Regional integration can be promoted through common physical and institutional infrastructure.