

Globalization and Regionalization: The Counteracting Forces

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Introduction

Since the mid-1980s, the international business environment has changed tremendously owing primarily to strong push and pull forces of internationalization (Mucchielli, Buckley and Cordell, 1998). Whereas pull forces derive from trade policies of countries and new FDI (foreign direct investment), push forces are generated from rapid technological advancement and its subsequent adoption by firms. As a result, the world has witnessed rapid growth in globalization as well as regionalization in recent years. Globalization is characterized by economies opening up their local markets for international firms, which then creates a global market ideally open to all countries and firms. On the other hand, through regionalization countries seek to form economic blocks primarily to create preferential treatment for their firms as regards access to each other's market as well as resources. In essence, globalization and regionalization are forces that act in opposite directions. This paper will demonstrate that the origins and purposes of regionalization are too varied and distinct to be classified as parallel to the process of globalization.

Globalization and regionalization: forces in conflict

In the contemporary world, various world economies have been pursuing a number of market approaches in an effort to promote their economic growth (for less developed countries) or economic stability (for industrialized countries). Regionalization, or formation of regional trading blocks, has been among the major approaches aggressively pursued by countries across the world. The European Union, North Atlantic Free Trade Area (NAFTA) and Association of East Asia Nations (ASEAN) are classic examples of regional trade blocks. As noted earlier,

regionalization process gives more focus on certain regions rather than the global economy in general.

Regional blocs tend to minimize interactions between different parts of the world, particularly in terms of trade. They in effect tend to threaten the process of globalization. Countries within a regional trade block apply a number of mechanisms to effect preferential treatment of their fellow members, thus giving them a competitive edge over non-members. One of the most used mechanisms is discriminative tariffs. Others are government subsidies, and import quotas, technical assistance (Mucchielli, Buckley and Cordell, 1998).

Regional trade blocs are among the most popular the regional integrations developments that have and continue to characterize the modern world economy. Many countries have joined one or more regional blocks. In furthering their course, members of a regional trade block may go as far as taking such drastic measures as removing both tariff and non-trade barriers between the member states and thus offer complete and unrestricted access to each other's market and productive resources (Kacowicz, 1998). Since regional blocks are more inclined towards implementation of policies that protects the state members from global competition, it tends to obstruct global trade liberalization. As a result, trade between members of a regional trade block and non-member states suffers significantly. This evidently discourages the process of globalization. Since globalization process is characterized by the move towards free trade and increased interdependence among different economies despite of regional differences, regionalization effectively becomes a powerful force that tend to move opposite to the direction of globalization (Mucchielli, Buckley and Cordell, 1998).

When punitive tariffs are imposed on imports from non-member states, the imported goods automatically become more expensive compared to similar goods from a trade partner

within the regional trade block. As a result, the imports will become less competitive, and since people are expected to behave rationally, they will refrain from buying goods imported from the target country. By discouraging global imports, discriminative tariffs counter global trade liberalization. This is in total contrast to neo-liberals' (proponents of globalization) belief, that for greater achievement of socioeconomic development as well as to promote security around the world, domestic economies should be encouraged to compete in the larger world market as opposed to smaller, protected regional markets (Guraziu, 2008).

Another barrier or block that has been widely used in most regions is trade quotas (Frankel 1998). Trade quota is a form of trade barrier where exports of a particular country to specific region are restricted to a certain amount. Through regionalization, the member states are given a favorable or even unlimited amount of exports to the member states. Such a practice is biased against the non-member states and it will therefore tend to discourage trade between them. Consequently, this will discourage economic, political and other forms of interconnections that characterize the process of globalization.

Regionalization can also lead to a less pluralistic world characterized by diverse patterns of socioeconomic organizations that are only accountable to their respective countries (Canavero, Pizzetti and Milan, 2000). Through regionalization, the member states come up with social, economic and political agreements that affect their respective regions. Therefore, there usually is only little chance of developing a universal culture that promotes easy integration among various parts of the world.

Regionalization is not a negative and undesired trend altogether. In spite of the fact that regional blocks discourage interaction of their members with the rest of the world, they promote greater interaction and cohesion within their respective regions (Guraziu, 2008). The members

are free to conduct trade among themselves with minimum barriers to trade and even cooperate politically, economically among in any many other issues that affect their region.

Although regionalization is widely considered as counteractive to the globalization process, both are convergent in certain aspects. Through regionalization, temporal as well as special aspects of social relations are compacted (Kacowicz 1998). From this perspective, regionalization actually forms a significant component of the globalization process. For instance, regionalization unifies the member states in a certain regional block. This reduces the economic, cultural, and political differences between the member states, can be viewed as ‘globalization’ at the regional level. Since the states within a certain regional block become considerably harmonized, it becomes a lot easier to merge different regional blocks than individual states (Frankel, 1998). However, it requires a lot more effort to advance the interconnection among independent regional blocks to realize globalization than it requires achieving the same when regional blocks are out of the picture (Kacowicz, 1998).

Conclusion

The discussion above has clearly revealed that although the relationship between regionalization or formation of regional trade blocs and the process of globalization is considerably complex, both processes tend to oppose each other. Through regionalization, trade liberalization across the world to form a global hypermarket has been threatened. Trade liberalization is one of the main factors that have promoted the process of globalization. However, the process regionalization has led to imposition of trade barriers, which has discouraged free interactions between different parts of the world. Regionalization has significantly halted the speed with which interactions between the different parts of the world is

tacking place, despite the fact that it has contributed to a significant integration among the member states.

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