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What is the New Regionalism?

What is new

Why do countries form regions? How do these affect their members, those excluded, and the international system? In the last decade, new developments in trade and in the institutional structure of international economic relations have brought these questions back on to the international policy and research agenda. The multilateral trading system has been extended to new subjects and strengthened, with the completion of the Uruguay Round of trade negotiations and the implementation of the World Trade Organization (WTO) in January 1995. National governments have changed how they intervene and regulate. Between these, at the regional level:

• in some regions, the share of intra-regional trade has increased strongly;
• the number of formal regional organizations has increased at an unprecedented rate, with new groups emerging and old ones reviving;
• many have shown a commitment to other forms of cooperation in parallel with the extension of the coverage of ‘trade’ seen at the GATT/WTO level;
• the European Union already acts as a single unit in some cases rather than as a group of members with some common interests, although the members still act separately in other circumstances. Other regional groups are now following its example. The multilateral organizations and non-members of regions are having to adapt to new links among their members and to new counterparts: to a more diverse international structure, with a mix of countries and groups at various stages or degrees of integration.
The most conspicuous new trading area is the North American Free Trade Area (NAFTA), consisting of the United States, Canada, and Mexico. The most conspicuous adaptation is the EU’s membership of the WTO, although the member states also remain members in their own right. If the new bodies prove to be more than expressions of regional goodwill or temporary cooperation, and particularly if they follow the example of the EU in deepening their structures, then countries may face a new environment in which to develop and the international organizations may face a new type of member, which is not simply a larger country. All will need to operate in a new system, dealing with a variety of levels of cooperation and with conflicts of responsibility within and between them.

Some of the administrative and regulatory issues which this raises are similar to those raised in the context of federal countries or multinational firms, where there are conflicts or overlaps of responsibilities. This may suggest one type of solution, that the international organisations should have a strong regulatory role in supervising the regional groups. Three basic questions are: whether the new system is, on balance, favourable or unfavourable for individual countries and for development; whether there is a need for stronger international regulation of regions; and whether the new structure will in fact be very different from the old which was never simple – there have always been entities which would not fit a simple model of ‘country’ and ‘the rest of the world’. In the past, almost all groups have failed; a few have moved forward to become more like nations than groups of countries.

Although there has always been some concern for the external effects of regions, the current revival of interest can be dated to the beginning of the European Community’s move towards a Single European Market, and then European Union (EU). This started in 1985: the SEM was formally completed on 1 January 1993; the moves to monetary union and coordinated foreign relations are reinforcing it. At the same time, there has been growing discussion about the appropriate trading policies for individual developing countries and how to improve their trading opportunities. Improving access to neighbours has been a traditional step.

During the Uruguay Round, the question was raised of whether regionalization was or should be an alternative to the international system, especially at points when the Round seemed on the point of failure. But it continued to develop even after the Round’s successful conclusion. We must now ask: not whether regionalization or multilateralism, but how to reconcile and balance the two trends. Are they complementary or in conflict? Does their simultaneous emergence create problems or