

# Globalisation and regionalisation

## *Globalizace a regionalizace*

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**Abstract:** What regards the vision of the future relationship of the global and regional liberalisation, two variants are offered. According to the first, multilateralism will go on perpetually around the present trajectory and gradually will, supported by the processes of internationalisation and interdependence, accelerated by the condensing net of trans-national corporations and their activities, suppress regionalism. According to the second, regionalism will, closely connected to multilateralism, spread territorially into the shape of several macro-regions as a transitive stage to the unified liberalised world economy. In both cases, it regards of course the visions of a system and not matter-of-fact type. In the frame of each region, there will further exist different comparative advantages, which will influence the volumes and structure of production and trade, as well as certain specific fields of economic policy. However, that changes nothing of the fact, that namely multilateralism contributes to a considerable extent to reaching a higher equilibrium, adaptability and coherence of the world economy as a whole, even if reaching of this state is connected with considerable, mostly, however, short-time, costs. The contribution characterises globalisation and regionalisation: its contents, types and dimensions, TNC, inequality of the globalised economic development.

**Key words:** globalisation, regionalisation, world economy, TNC

**Abstrakt:** Pokud jde o vizi budoucího vztahu globální a regionální liberalizace nabízejí se dvě varianty. Podle první bude multilateralismus postupovat trvale po stávající trajektorii a podporován procesy internacionalizace a interdependence, urychlovanými houstnoucí sítí transnacionálních korporací a jejich aktivit, takto regionalismus postupně potlačovat. Podle druhé se bude regionalismus v úzkém spojení s multilateralismem teritoriálně rozšiřovat do podoby několika makroregionů jako přechodného stádia k unifikovaně liberalizované světové ekonomice. V obou případech jde samozřejmě o vize systémového a nikoliv věcného typu. V rámci každého regionu se budou nadále vyskytovat odlišné komparativní výhody, které budou ovlivňovat objemy a struktury výroby a obchodu i určité specifické oblasti hospodářské politiky. To však nic nemění na skutečnosti, že především multilateralismus přispívá rozhodující měrou k dosažení větší rovnováhy, adaptability i soudržnosti světové ekonomiky jako celku, i když dosažení tohoto stavu je spojeno s nemalými, většinou však krátkodobými, náklady.

**Klíčová slova:** globalizace, regionalismus, světová ekonomika, TNC

## INTRODUCTION

The present time is characterised in the world economy by two contradictory, sometimes perhaps contra-productive, at another time mutually supplementary trends: globalisation and fragmenting. The influence of globalisation is not limited at the economy only, but it penetrates the whole structure of the society. On the macro-economic level, there grows the importance of the trans-national corporations, the still more powerful and more dense net of which forms even now a certain structure in the dimension parallel to the one formed by the system formed by the national states. The independence of the international economic relations individual subjects is increasing rapidly. The fragmentation takes into consid-

eration regional differences and reflects the polycentric character of the world economy. On the micro-economic level, the similar trend means sustaining or eventually even strengthening of the competitiveness of smaller firms with a flexible innovation potential in some sectors of the economy.

## REGIONALISATION AS A CATEGORY

Among the most important processes influencing at present both world civilisation as a whole as well as the individual states, there belongs globalisation, resp. internationalisation and multilateralism, but also fragmenting, resp. regionalisation and integration.

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The categories of “internalisation” and “multilateralism” are often regarded as the synonyms of globalisation. Let us issue from the presupposition, that internalisation and globalisation are not identical processes – globalisation is, in the sense of P. Dicken’s definition, a more developed and more complex form of internalisation, which includes also the functional integration of the internationally dispersed activities, and multilateralism can be, in agreement with the opinion of L.A. Winters, understood as a characteristics of the world economy, which is reflected in the behaviour of individual countries, and that in the same level, in which the countries behave “multilaterally”.

Against the process of globalisation (multilateralism), which leads to the universalisation of the world economy, respectively against it, there functions the process of fragmenting (differentiation), resulting in its division into smaller economic entities. The regional reflection of the world economy fragmenting is the process, which is labelled as regionalism (regionalisation). Regionalism is, as well as globalisation, understood in different ways.

According to the L.A. Winters, it means any policy aimed at decreasing the trade barriers among countries, without regard to the fact, whether they are neighbouring countries or any near countries. According to R.E. Baldwin, it is necessary to understand regionalism from the viewpoint of integration (which is, however, also a certain type of economic policy), which, from the global point of view, leads to interconnecting and growth of the individual parts of the world economy coherence, but which, from the regional point of view, contributes also to the forming of closer relations among several national states. Also CH. Oman regards regionalism as a movement of two or more economies, resp. two and more companies towards a higher mutual integration.

The notion of economic integration itself was only rarely used until the mid-50ies and its definition was not clear. Only later, its characteristics emerged as a name for the situations starting from the economic approximation, through co-operation and solidarity, up to the connecting, merging, unifying. The formulation and contents of economic integration were influenced by the approach of the neo-classical theory of international economic relationships, where international economic integration reflects more narrow and more intensive ties among the individual parts of the world economy. As the basic forms of economic integration, there is regarded free, or relatively free, trade which in itself means integration, even if in its lowest form. Free trade also is, according to the neo-classics, the main reason of the economic integration realisation. At the same time, the neo-classics do not regard the after-war integration as a specific one, but only as one of the three integration waves, starting by forming of the national states, through the free trade growth up to the end of the 19. century and the interceding disintegration phase in the 30ies connected with the international economic relationships crisis, ending with the third integration wave after the WW II.

## DIMENSIONS OF REGIONALISM

The basis of regionalisation is the region representing a regional unit with specific economic, social, cultural and political features. If we take into consideration only the international level, then regions can have the form of:

- macro-region: a spatial structure which is formed as centred around a developed nucleus and which puts individual economies into the functional interrelationships, i.e. into the interdependence;
- region: a space developing on the base of a special type in international agreements among countries, which can, however, also have the frame of informal (non-formalised) integration;
- sub-region: a regional developing zone (the “triangle of growth”, an “over-the-border growth zone”).

The present world economy is, notwithstanding its globalisation stage, a multi-regional structure, which is often labeled as a polycentric structure. Of key importance, there are three macro-regions (resp. centers): the U.S.A. (with the external economic background in Canada, Mexico and the Latin America countries), the European Union (with the background of EFTA and the associated and other CEECs) and Japan (with the background of the Asia development center), which are together called “the Triad”. Besides the Triad, there exists a series of other world regions (macro-regions), which show specific characteristics, even if they are sometimes too loosely defined (for example Russia, China).

## REGIONALISM TYPES

Regions are developing based on a special type of international agreements having the form of international groupings of different integration level – starting from the reference areas, where a gradual decrease of the common trade barriers – custom tariffs and quantitative limits – occurs, through a free trade zone (a total removing of tariffs and quantitative limits in the trade of member countries), a customs union (countries give up the right to set autonomous tariffs towards the third countries and set common tariffs), a common market (with unlimited flows of not only goods and services, but also of people and capital), economic and monetary union ( a considerable unification of the economies on macro-economic level, introduction of a common structural policy and a common currency) up to the political union (extension of the common policies also into the area of external relations and security, harmonisation of legislation regarding internal matters of the national state and practically origin of a federation, resp. confederation). In this connection, there originated a notion of the regional integration.

Baldwin distinguishes a shallow and deep regionalism. The first type of integration regards namely accepting common border regulations, the second type includes restrictions going much further and influencing policies, which are otherwise of a purely national interest in many

countries. The most obvious example of “deep” integration is the European Union.

## REGIONALISATION AND GLOBALISATION

An antipode of the globalisation, resp. globally-integrationalisation processes, regionalisation or fragmenting reflecting in the regional integration efforts, is closely connected not only with the polycentric character of the world economy, having its gravity nucleus in the interdependence triangle, but also with the complexities of international relationships, formed on the background of the international policy ambitions of the existing as well as forming super-powers. It reflects the mosaic structure of the world of many different cultures (civilisations) with a wide range of different interests and visions and with a streaming to push them through and realise them not only on a competition basis, but eventually also on the confrontation basis. The regionalisation process not only gives an answer to the homogenisation processes of the economic, social and cultural globalisation, but it also represents their inseparable part, resp. forms a dialectic unity with them.

The regional liberalisation wave, which started on the break of the 80ies and 90ies, reflected the dragging multilateral GATT negotiations in the frame of the Uruguay Round, reacted at the negative experiences of the protectionist trade policies in the recession period and also took into consideration certain political aspects (the EU, EEA, NAFTA, MERCOSUR, APEC, CEFTA etc.).

By far the most developed are the integration processes of the west of the European continent in the frame of the EU. Their qualitative as well as quantitative dimensions still offer a considerable development potential. The NAFTA can be regarded, from a certain viewpoint, namely as a reaction of the U.S.A. on the development of the European space consolidation and as an effort of balancing the economic power of the North American centre. The ambitious APEC will have to wait some time for its more objective evaluation (Table 1).

Table 1. Mutual trade of the selected integration groupings

Integration grouping	The rate of mutual export to the total export (in %, rounded up)					
	1980	1985	1990	1995	1997	1998
APEC	55	66	66	68	68	66
EU	31	59	66	63	60	62
NAFTA	34	44	41	46	49	52
LAIA	13	8	11	17	17	16.7
MERCOSUR	12	5.5	9	20	25	25
COMESA	6	4.7	6.6	6.6	7.3	7
ECOWAS	10	5	8	9	9	11
ASEAN	17	19	19	25	24	20

Source: UNCTAD Handbook of Statistics, UN New York and Geneva 2000

## UNEQUALITY OF THE GLOBALISED ECONOMIC DEVELOPMENT

The profound changes germinating during the 80ies and consequently also gradually realising by their end diminished the impact of the social-economic differences in the world, but partially only because the still increasing differentiation regarding the economic level had already reached enormous dimensions and had thus become still more important than the above mentioned differences.

The reason of the still more opening economic performance scissors among countries and whole territories have to be looked for in the character of the present world economy. The scientific-technological development presupposes a developed international division of labour deepening the international economic interdependence. A wider extent and depth of interconnection among the subjects of international economic relations and the connected processes lead in their consequence to an easier and quicker starting of the global market economy, their influence has, however, also its negative sides reflecting in the high inequality of the income distribution between the more developed, successful and thus also richer countries, and their weaker, poorer and technologically more dependent antipodes.

This situation is not of advantage to the economic or political stability in the world. International co-operation intensification, both on the informal and even more so on the formal, institutional level, is quite necessary. To pay more concentrated efforts and means to the success of such negotiations should be regarded as of advantage to all subjects interested in the international economic relationships, because, in the opposite case, the tension between the rich and the poor, the Global North and the Global South, could escalate and to turn into confrontation.

The polarisation of incomes and wealth in the world, connected with the growth of absolute poverty as well as with growing unemployment, represents more than an economic problem only, since their impacts are still wider.

Globalisation, the manifestation of which is namely the exchange of material and spiritual values, shows, besides the prevailing positive contributions, also not to be overlooked negative aspects. It enables then a much easier spreading-out of economic failures (financial crises, inflation flows, export of unemployment, structural crises) or negative environmental impacts.

It shows, namely starting from the 90ies, that a high capital mobility and extensive trade with goods and services causes, that institutional measures and decisions and economic policy applied by one state can have important consequences for shock transmission into another states. It happens through several channels: directly through trade flows and changes in the prices of assets, and, in a longer time horizon, through changes in the world wealth structure (Ghosh, Mason 1994). There, the self-healing market mechanism cannot be relied upon any more. It is necessary to create conditions for inter-

national negotiations and co-operation, as well as for co-ordination in the individual segments of economic policy. The efforts towards minimisation of the globalisation controversy consequences are thus sometimes reflected in the increased integration endeavours, in creating of regional blocks.

In the same way, the accelerated scientific and technological development exerts an intensified pressure on multiplying and deepening interactions among the global economy entities, it leads to deepening of the already started integration processes, to the development of new and eventually also revitalisation of the former not very successful integration efforts, it is the cause of the deepening interdependence of the globalising world economy individual segments. The accelerating technological changes are commonly regarded as the main cause of the ongoing globalisation processes. Globalisation of technologies is reflected in the market of goods and services, capital, labour, technologies and information.

According to Freeman (1987), technological changes can be divided into four categories. The lowest class is represented by increment innovations, consisting of the progressive modification of products and processes in a small measure. To the higher level, there answer radical innovations, which already represent a discontinuity, which can change the present products and processes drastically, but the usually isolated occurrence of which has not a long-reaching consequences for the economic system. An exception is represented by their clusters leading to the origin of new sectors of industry and ser-

vices (for example synthetic materials or semi-conductors). Still more important level are the changes in the technological system, which not only influence many parts of the economy, but are simultaneously able to generate entirely new branches. For the present, There are symptomatic information technologies, biotechnologies, material, energetic and space technologies. The four and highest category, the really revolutionary changes on a large scale, are the changes in technological-economic paradigm, which bring, as a consequence, a change in the style of production (structure of costs and production conditions), distribution and management (organisation) throughout the whole system. It regards the creative storm of destruction, the heart of the long waves theory of J.A. Schumpeter.

The notion, that the global economic development realises in the long waves lasting approximately fifty years, is, however, generally connected with the work of the Russian economist N.D. Kondratev from the 20ies of the 20.century, even if the original idea does not come from him. There were identified four finished K-waves. Each wave, which can be diversified into four stages – prosperity, recession, depression and recovering – is usually connected wit some especially important technological changes - the main technological revolutions. In the case of K1, it were namely the steam engine, textile industry (namely that of cotton) and iron production. In the following K2 wave, there dominated railway transport together with the production of iron and steel. The prosperity of the K3 wave is most often connected with

Table 2. Comparison of the 15 biggest trans-national companies with selected countries, 1998

Company*	Country of origin	Turnover (bill.USD)		TNI**	Country	GDP (bill.USD)***
		foreign	total			
General Electric	USA	28.7	100.5	75	Switzerland	263
General Motors	USA	49.9	155.5	85	Belgium	251
Royal Dutch/ Shell Group	The Netherlands/ Great Britain	50	94	45	Sweden	226
Ford Motor Company	USA	43.8	144.4	76	Denmark	174
Exxon Corporation	USA	92.7	115.4	19	Norway	145
Toyota	Japan	55.2	101	60	Finland	125
IBM	USA	46.4	81.7	54	Portugal	108
BP AMOCO	Great Britain	48.6	68.3	21	Czech Republic	55
Daimler Chrysler	Germany	125.4	154.4	59	Hungary	48
Nestlé AS	Switzerland	51.2	52	3	Slovakia	21
Volkswagen Group	Germany	39.4	80.2	51	....	....
Unilever	The Netherlands/ Great Britain	39.4	44.9	7	....	....
Suez Lyonnaise Des Eaux	France	12.9	44.9	7	....	....
Wall-Mart Store	USA	19.4	137.6	73	....	....
ABB	Switzerland	23.1	27.7	8	....	....

Source: World Investment Report 2000

Note: \* countries are in sequence with regard to the volume of foreign assets

\*\* TNI (Trans-nationality index) is computed as the average of the rates of foreign and total assets, foreign and total sales and the rate of foreign and total workers

\*\*\* in market prices

the development of energy production and the chemical and car industry. The core of K4 wave has to be seen, in the first place, in the field of electronic, synthetic materials and oil-chemistry. Around the especially important technological changes, new innovations are clustering – in the field of production, distribution and organisation – what extends in the end into the whole economy. Such a diffusion of technology stimulates economic growth and employment. Technologies in itself are not a sufficient cause of economic growth, also the positive demographic, social, industrial, financial and other conditions are necessary. All of the K-waves has its own specific geography. The technological leadership in K1 belonged to the Great Britain, France and Belgium, which were joined by Germany and the United States in K2. In the following K3 wave, the two mentioned countries were on the top of the countries represented by the former leaders together with Switzerland and the Netherlands. In K4, the leading group was formed by Japan, Sweden and other industrial countries. Today, we are on the threshold of a new development stage of the world economy, of the fifth wave of the global economic development (Freeman 1987).

With the deepening international division of labour, the process of not only economic integration is deepening, in the interest of the macro-economic processes better management or co-ordination and of strengthening or at least sustaining of competitiveness and the position in the dynamically developing and changing world economy. It develops generally on two levels, worldwide and regional ones.

The world integration can be, in a simplified way, characterised by two terms: interdependency and cohesion. The world economy segments are still more interconnected. Intensification of the mutual ties leads to a deepening interdependence of the individual subjects of international economic relationships, which implies necessarily the growth of their coherence, while the relationships between the developed market economies and developing economies, and also between the developed market economies and transition economies show the features of asymmetrical interdependence with the weight in the technological and often also capital, as well as trade dependency.

While the international co-ordination and integration reflects through creating prerequisites for the international trade development and is represented namely by multilateral liberalisation in the frame of the world trade system of the WTO, global integration represents a qualitatively higher stage connected to the rapidly growing international movement of the mobile production factors, capital and the scientific and technological knowledge. Protagonists of the most dynamic and decisive global integration processes are the trans-national corporations.

What should not be forgotten, however, is the perpetually developing and changing economic and political map of the world. Namely the position of Japan is complicated, because it has not got a chance at present the role of the regional power, which China already plays now, what excludes fulfilling of the higher ambitions. However, the reached economic and technological level followed by a clever and effective foreign policy, can give Japan a chance to realise its goals from the international power positions. The example of Japan shows clearly the fact, that the global economic system is very important, but it is only one of the subsystems, from which the position, strength and power of the complex world system individual entities, otherwise the position of individual states in the international community, is derived. It is therefore necessary to count further with other relevant actors on the international scene, at least with the vast area of Russia with its nuclear arsenal, with the South Asia giant of India and namely with the awakening China.

The complicated structure and multidimensional face of the present world imply also the answer for the challenges of globalisation, which has to be really complex. Into searching for the interim solutions, there have to be included all the subjects of international legal subjectivity, both original and derivative, i.e. subjects of politics, economics and finances including international institutions like the MMF and WB, WTO and finally also the U.N.O. However, the globalisation processes are not, to the basic extent, going on a purely international level. Neither can private subjects stand aside, surely not the entities of the trans-national character (Figure 1).

The prerequisite of stability in the global economic system is, without doubt, an orderly state, that is eco-

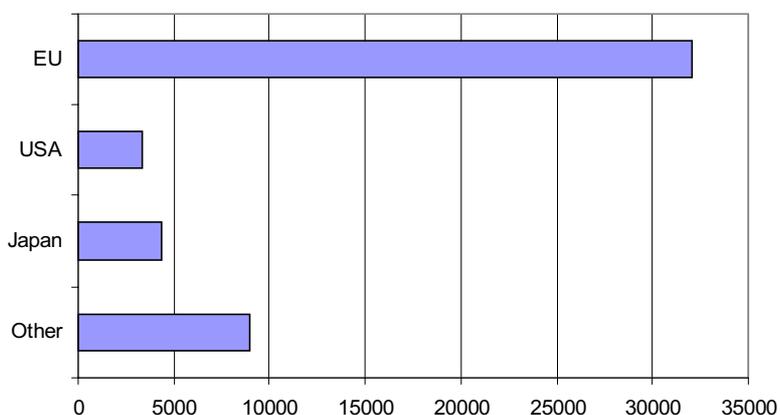


Figure 1. Number of the mother TNC in the selected countries, 1997–1999

Source: World Investment Report 2000: Cross-border Mergers and Acquisitions and Development, UN New York, 2000

conomic stability and prosperity of the economically strongest countries. The conditions of the world system stability in the complex understanding are rather more problematic and complicated, however.

The deepening differentiation in the global system can be imagined only with difficulty, when analysed from the conflicting perspective, without a growing importance of consequences in the social, economic, political and also military-strategic area. The increasing divergence between the socio-cultural convergence immanent for globalisation, and, on the other hand, the economic convergence diverse to its substance, cannot be left without a correction, or at least without moderation. At least, it is necessary to look for a general international legal frame and amendment of the international economic relations and the capital and financial flows relevant to the present stage of the world development, which would not be perceived by the world majority, that is by developing countries (the Global South), as a unacceptable unequal, what is a sine qua non of the world stability. The more distant future development then cannot be connected only with the international legal system, but it is also necessary to support forming of the supra-national entities and finally also of the really trans-national, global institutions, closely tied to the global constitutional order.

## CONCLUSIONS

The decisive integration process in the world economy is becoming the process of trans-nationalisation, which reflects the growing share of trans-national corporations in the world gross product and world trade. It represents a new global division of labour. This non-institutionalised, functional form of integration includes both the internalised relationships inside the individual trans-national corporations and the complex hierarchic nets of the externalised co-operation relationships, in which the connected trans-national corporations usually dominate.

The core of the global economic system with the decisive share in the world gross product and world trade with the highest technological level and level of living is represented by the so-called triad of the world economy, also called the interdependence triad, resp. interdependence triangle.

Gradually, there have constituted the following three decisive centres (mega-regions): the West European (weakened by two global conflicts), the North American (with a homogeneous position after the WW II, minimally up to the end of 50ies) and the Asia-Pacific one, eventually East Asian, resp. newly even Australian-Asian one (constituted only during the after-war period). In the more narrow sense, that means the European Union, the U.S.A. and Japan.

Regionalism can, with its group closeness and discrimination effects, act transitionally in the direction of the fragmentation of the multilaterally liberalising world trade. From the results of the GATT Uruguay Round, it is obvious, however, that the global liberalisations begins to eliminate some of the expected contributions from the still non-finished regional liberalisations, or that it offers the same contributions also to all the other members of the world economy.

What regards the vision of the future relationship of the global and regional liberalisation, two variants are offered. According to the first, multilateralism will go on perpetually around the present trajectory and gradually will, supported by the processes of internationalisation and interdependence, accelerated by the condensing net of trans-national corporations and their activities, suppress regionalism. According to the second, regionalism will, closely connected to multilateralism, spread territorially into the shape of several macro-regions as a transitive stage to the unified liberalised world economy. In both cases, it regards of course the visions of a system and not matter-of-fact type. In the frame of each region, there will further exist different comparative advantages, which will influence the volumes and structure of production and trade, as well as certain specific fields of economic policy. However, that changes nothing of the fact, that namely multilateralism contributes to a considerable extent to reaching a higher equilibrium, adaptability and coherence of the world economy as a whole, even if reaching of this state is connected with considerable, mostly, however, short-time, costs.

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