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The Necessity of Regional Economic Cooperation in light of a Globalized World Economic Order

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First: The main features of the developments in the global economy

Since the end of the Cold War, the world has been witnessing fundamental economic and political changes for many reasons, most important of which are:

- The phenomenon of multi-polarity in the world order

The economic and financial crises are increasing in number and importance, where such crises are threatening the collapse of nation states and wiping off others from the world map.

- Growing tendencies towards international and regional groupings based on common interests.

What happened after the Cold War?

After 1990, the breakup of the Soviet Union and the end of the Cold War, a uni-polar world order, led by the US, emerged with capitalism as its economic order.

Then, globalization has dramatically risen as a world order imposed on the world countries. Globalization has been a logical response to the wishes of the uni-polar world in terms of the dissemination of values, policies and teachings as well as the entrenchment of concepts in an attempt to globally adopt and propagate them.

Of the most important matters brought about by globalization are:

- Approximation of global trends towards the liberalization of trade markets and capital.

- Increased production, and creation of opportunities for economic growth at the local and international levels.
- Increasing world trade, thus leading to a global economic boom.

- Increasing capital in the world through the best use of highly productive workers.

It is through globalization that communications and information technology revolution coupled with enormous development in the global capital market have emerged. Forms of regional cooperation and grouping were further established due to the challenges brought about by globalization, particularly the fierce economic competition among countries.

Second: The most important developments in the world economic order during the past three decades:

1 - Transition of world economy to market system:

Most of the developing countries have adopted the market system, its laws and the requirements of international competitiveness and privatization of public sector companies and firms.

2 - Integration of world economies:

There has been deep and fast integration of global economies, especially in the industrialized countries, where interdependence has increased, thus making the economies of these countries closely interrelated, in terms of speed of change in economic variables such as prices and economic and financial crises.

It is interesting to note that the developing countries have become more integrated into the economies of the industrialized countries due to globalization, while economic integration among them is still weak. The global economic integration has resulted in countries competing to adopt economic policies to open up their markets out of desire to attract
foreign investment, and in implementation of the WTO agreement calling for the opening and integration of markets.

3 – Wide-ranging activity to form various regional economic blocs
- Bilateral, sub-regional or regional blocs.
- Non-regional groupings involving a group of like-minded States within one geographical region, where there is a growing trend towards the formation of economic groupings.

The key motivation for this activity is the strong belief on the part of decision-makers in these countries that the challenges and problems they experience are complex and facing all countries. These challenges include civil wars, economic hegemony, administrative and financial corruption, money laundering, foreign interventions, energy and climate crisis and environmental pollution. Consequently, countries have come to realize that they cannot individually face such challenges without coordination and cooperation with other countries.

4 - General tendency towards cooperation and regional groupings:

During the past decades, countries have also realized the importance of cooperation and regional blocs. Some countries, including Russia, China and Southeast Asian countries, tended to form nationalist grouping, while other countries tended to set up ideological groupings as is the case in the Middle East.

5 - Struggle for hegemony
There has been fierce competition between rising regional entities and major international powers over economic hegemony.

6 - Pursuit of interrelatedness among major powers and groupings

The phenomenon of forming economic groupings has emerged between big countries. These groupings are inclusive of but not limited to the New Asian-European partnership (ASEM). This partnership reflects the European interest in the emerging economic powers in Asia, the gross domestic production of which exceeds 14 trillion dollars.

The United States of America has shown interest in forging cooperation with Asian countries through free trade agreements concluded with some Asian and African countries, as well as its links to the economic cooperation forum of the Asia-Pacific countries (APEC). Economic alliances have become necessary for all countries and blocs with far-sightedness and desire to achieve sustainable development.

7 - International trend towards new regionalism.

Second: The world from traditional regionalism to new global regionalism

Definition of new regionalism:

The traditional global regionalism, which was prevalent during the sixth and seventh decade of the last century, can be defined as involving political, military and commercial implications.

The political motives for this kind of regionalism were to dominate these groupings, while the economic and commercial objectives were either secondary or necessary to ensure the continuity of the groupings such as
the Socialist bloc and the capitalist bloc, with the exception of the European Union.

The new regionalism is defined as being of new regional economic and commercial objectives that govern the relationships, interactions, and cooperation among the countries involved. The new regionalism was a response to global developments, and not just an extension of regional interests.

**The basic Features of the new regionalism:**

The traditional regionalism is characterized by large economic disparity among member countries. There was no economic homogeneity among these countries, which could not reach advanced levels of economic integration, with the exception of the European Union.

There is no long-term clear economic vision that controls the traditional blocs. For example, it is not necessary to unify the investment and monetary policy, and there were no agenda or future economic programs.

- Market economy is the prevailing system in the new regional blocs.
- Most countries in the new regional blocs tend to adopt processes of economic reforms.
- Most countries have liberalized their economies and joined the WTO as part of the process of macroeconomic reform.
- The modern regional blocs have various economic and political objectives, as the economic objectives are the prevailing ones. The strategic goal is to achieve the economic integration.
- Most of countries are members of several regional blocs.
- Most of the world countries have certain attempts to join one of the regional blocs in the world.
- Most of the new regional blocs have achieved a great success in the economic cooperation.
- The new regionalism adopt the externally oriented strategy as a means to accomplish the real growth and sustainable development.
- The new regionalism seek to get benefit of:
  - Gains of economies of scale.
  - Diversity of products.
  - Increase of efficiency.
  - Attracting foreign investments.
  - Scientific, technological and environmental cooperation.

Although the progress that has been made through globalization, especially in the economic field, the last recent years have witnessed financial crises that led to confusion of the world financial and economic order. These crises include the economic crisis in Mexico (1994), the Asian crisis (1997), the crisis in Brazil and Russia (1998) and finally, the mortgage crisis in the United States. They prompted developing countries to take into account the issue of integration into the global economy and to accelerate the pace towards globalized economies. This compelled such countries to take appropriate procedures and policies to protect their economies. For example, Malaysia imposed restrictions on the monetary and fiscal policies.

Third: Circumstances that govern regional action:
- Political will
- Interests and goals
- Regional and political motives
- National security
- Availability of natural resources such as water and oil
- Trade and markets. The size of regional markets in term of purchasing power and the size of that markets.
- Food security

Why is the regional cooperation?

➢ The world economy has become relevant to economic and trade agreements and charters entered into by different countries whether developing or developed countries.
The absence of regional cooperation creates regional trends. For example, Europe, which was a scene for two world wars in the past (that claimed the lives of millions of innocent people), is now an area of cooperation and integration among its countries.

These countries have become aware that:

- The language of interests is the best link for their nations.
- Existence of international regulations is not sufficient in itself to prevent clashes among countries.
- Economic and social development among regional countries.
- Working together to address common challenges in many areas such as environment, public health and combat of organized crime.
- Intensification of the economic and trade exchange in order to realize common development.
- Attraction of foreign investments and establishment of joint projects

The direct foreign investment is considered to be the predominant method through which the integration of different economies can be achieved.

Studies point out that there is a strong integration between trade and foreign direct investment, as well as experiences and statistics indicate that there is direct relationship between the imports of country and the flows of foreign direct investment outflows from them. For example, if the company was able to produce a certain commodity in another country and exports it to the market of the mother country and the price was cheaper than if it was produced locally, this brings benefit to both the company and the national economy.

- Support the investors and private sectors leads to success of different investment projects.
- Removal of the obstacles and difficulties that the business sectors are suffering from in the countries.
- Signing agreements to encourage and protect the investment among the countries of the region.
- Development of communication mechanisms among business community of the region’s countries.
- Activation of the institutionalized framework of investment relations with regional countries.
- Establishment of a common area of investments in these countries.
- Many of regional countries, particularly the Gulf Cooperation Council’s States (GCC), achieved a great economic growth during the past three decades that contributed to raise the living standard in comparison with economic situation that was before this period. Despite this economic growth, these countries are still developing and facing a lot of challenges and social and development problems that hinder its success to realize the sustainable development.

- The main problems that most of regional countries are suffering from:
  - Weakness of industrial production base.
  - The inability to export.
  - The small size of the local market.
  - The challenges resulting from foreign economic blocs that lead to the increase of production costs and weak competitiveness.