A Historical Perspective on Regionalism

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23 February 2010
Aim and Hypothesis

• The aim of the presentation is to stage a brief introduction on the definitions of Regionalism, its history, and its emergence.

• Furthermore, the presentation will follow up on the important aspects of multilateral regionalism in the 21st century.

• Also, it will concentrate on the role and the development of multilateralizing regionalism in trade theory “The Spaghetti bowl”.
Outline

• Introduction
• Definitions and illustrations
• The History of Regionalism
• The Evolution of Multilateral Regionalism
• Conclusions
Introduction

**First Warwick Commission (2007).**

*Main reasons for governments’ involvement in regionalism:*
  1) Enhancement for market access.
  2) Furthering foreign policy objectives.
  3) Influencing domestic policies of trading partners.

*Moreover:*
  a) Short-term publicity. (CNN effect)
  b) Experimentation with trade liberalization or international rule-making. (Laboratory motive)
Definitions

• **Regionalism**: Any trade agreement that involves two or more countries but fewer than all members. (WTO)

• **Multilateralism**: multiple countries working in concert on a given issue under certain international relation agreements.

• **Economic Integration**: trade unification between different states by the partial or full abolishing of customs tariffs on trade taking place within the borders of each state.
Variety of Trade Governance

- **Unilateral**: Trade Policy of some Asian countries
- **Bilateral**: US-Canada Auto pact\(^1\) or US-Japan VER’s \(^2\)
- **Minilateral**: EU, MERCOSOR, NAFTA\(^1\) or PTA\(^2\): Protocol Trade Agreement
- **Multilateral**: GATT and WTO

1. geographically concentrated
2. geographically dispersed

Data Adapted from Baldwin R, et al, Multilateralizing Regionalism, p:15
History of Regionalism: Early Stages

• Early European Regionalism:
  – European Economic Community and the treaty of Rome (1958): GATT’s support
  – EFTA (1968): The failure of the UK’s hopes in the preservation of its sovereignty over trade policy.

• Early Regionalism among Developing Countries:
  – Tripartite agreement between Egypt, India, Former Yugoslavia: ideological motives
History of Regionalism: Early Stages

• Early Latin American Regionalism:
  – 1960s and 1970s witnessed policies of industrialization behind high tariffs and the engagement in active development approach
  – ALALC (1960) and ALADI (1980): establishment of a Latin American free trade area and common market

• Early Developments 1980s:
  – The Expansion of the EC
  – The debt Crisis in Latin America
History of Regionalism: Mid-Stages

• NAFTA: Mexico Joins the US and Canada
• CUSFTA: United States and Canada
• Important differences from the early stage:
  – Transformation of the US position
  – Planned deepening of integration in W. Europe
History of Regionalism: Late Stages

• Concentrated in deepening or widening existing agreements.
  – Involvement of more European countries after the collapse of the Soviet bloc.
  – The unilateral Power of The United States.
  – MFN tariffs imposed on the least favored nations.

• Australia – US agreement
Evolution of Regionalism

• Factors:
  1) The emergence of new nations (Africa and former soviet bloc)
  2) Growth of international Trade
  3) The development of the Multilateral System
Importance of Multilateral Regionalism

• The Most favored Nation Tariff:
  – the EU and NAFTA, which have lowered or eliminated tariffs among the members while maintaining tariffs between them and the rest of the world.
  – Trade agreements usually allow for exceptions to allow for regional economic integration
Conclusion

• Growth in regionalism goes hand in hand with developments in multilateralism.
• Expansion of the multilateralism