

REGIONAL ECONOMIC ORGANISATIONS

THEORIES

- Sociological liberal like Karl Deutsch propounded the principle of regional economic integration. Functionalist also support the principle of regional economic integration. David Mitraney said that economic integration occurs in incremental way.
- The scholars belonging to federal school support regional integration.

• **TYPES OF REGIONAL ORGANISATIONS**

- **Strategic regional organisation are result of cold war power politics like NATO, WARSAW, CEATO, SENTO were created for maintaining balance of power and strategic balance.**
- **After disintegration of Soviet Union economic organisations were strengthened and formed. European Union, NAFTA are better example of economic integration.**
- **Therefore, regional organisations are not new but their economic emergence is new.**

EUROPEAN UNION

- EU is the richest and most developed form of economic integration. It is comprised of **27 countries** with 444 million population. Europe is most industrialised and developed region in the world. The European Union GDP was estimated to be **18.8 trillion** dollar representing about **22%** of global economy in **2018**.

ECONOMIC INTEGRATION

- Seed of EU is founded way back in 1952 in form of European Coal and Steel Union. It was consisted of West Germany, France, Italy, Belgium, Luxembourg and Holand.
- By Treaty of Rome in 1958, European Economic Community and European Atomic Energy Community is created. Treaty of Rome founded European Economic Community which is known as **Common Market** too.
- European Single Act in 1987 paved the way for monetary integration. A common currency Euro is implemented due to application of European Single Act.
- Euro is applied in the union in year 1999 and Maastricht treaty of 1993 laid the foundation of three pillars of European Union.

- (1) **EUROPEAN ECONOMIC UNION**
- (2) **COMMON SECURITY AND FOREIGN POLICY**
- (3) **DOMESTIC LEGAL AND HOME AFFAIRS**
- 19 Members of EU adopted Euro as a common currency. Members adopted Euro is known “**Euro Zone**”. It is regulated by European Central Bank located in **Frankfurt**.
- European central bank propounded following criteria for inclusion of member states in Euro Zone:
 - (1) Government deficit must not exceed 3% of GDP.
 - (2) Gross government debt must not exceed 60% of GDP.
 - (3) The member state must have achieved exchange-rate stability for at least two years according to the rules of European exchange-rate mechanism.
 - (4) The normal long-term interest rates of applicant nations must not have exceeded by more than 2% the average of the interest rates in the three member states with the best record on price stability.

LARGEST TRADING PARTNERS OF EU

EU-27 trade after Brexit (2019 in billion euros)					
Rank 	Country/district	Exports	Imports	Total trade	Trade balance
1	<u>United States</u>	384	231	615	152
2	<u>China</u>	198	361	559	-163
3	<u>United Kingdom</u>	318	193	511	124
4	<u>Switzerland</u>	146	110	256	36
5	<u>Russia</u>	87	143	230	-55
6	<u>Turkey</u>	68	69	137	-1
7	<u>Japan</u>	61	62	123	-1
8	<u>Norway</u>	51	54	105	-2
9	<u>South Korea</u>	43	47	90	-4
10	<u>India</u>	38	39	77	-1

POLITICAL INTEGRATION

- European Union is founded in form of European Steel Coal Union by 6 members. 3 new members namely Denmark, Ireland and UK were included on 1st January 1973. Greece became the member of EU in 1981.
- On 1st January 1986 Portugal and Spain became members of EU. Finland and Sweden became the member of EU in 1995.
- Nice (France) treaty of 2001 expanded the membership of EU.
- 10 new members joined the EU in year 2004 namely, Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. Bulgaria and Romania joined the EU in 2007.
- Croatia is the latest member to join EU in 2013.

- **(1) EXPANSION OF DEMOCRACY AND HUMAN RIGHTS**
- EU stand for liberal political democracy. It promoted market economy. Democracy, human rights, liberty are the core values which is propounded and promoted by EU.
- Copenhagen(Denmark) Criteria (1993). Membership of EU requires stability of institutions guaranteeing democracy, rule of law, human rights, protection and respect of minorities.
- Existence of functioning market economy as well as the capacity to cope with competitive pressures and market forces.

- **(2) INTER-GOVERNMENTAL ORGANISATIONS**

- EU is the only regional economic organisation which keeps inter-governmental organisation or supranational actors comprise of following institutions:
- **(a) The European Council:** It defines the general political direction and priorities of the EU. It is comprised of head of government of each member of EU.
- **(b) The European Parliament:** Directly-elected EU body with legislative, supervisory and budgetary responsibilities. Elected by the people and the representation of state is ensured according to the population of nation. 705 is total members of the European Parliament.
- **(c) The Council of the European Union:** Voice of EU member governments, adopting EU laws and coordinating EU policies. Its members are government ministers from each EU country.
- **(d) The European Commission:** It promotes the general interest of the EU by proposing and enforcing legislation as well as by implementing policies and the EU budget. Its members are a team or 'college' of commissioners, 1 from each EU country.
- **(e) The Court of Justice:** Ensuring EU law is interpreted and applied the same in every EU country; ensuring countries and EU institutions abide by EU law. Its members are 1 judge from each EU country, plus 11 advocates general and 2 judges from each EU country.

COMMON FOREIGN POLICY

- Maastricht(Netherland) treaty (1992) came into force in 1993, which laid the foundation stone of common security and foreign policy. Lisbon treaty of 2007 which came into force in year 2009 created an office of high representative of EU who shall represent union in all international forums.
- Lisbon treaty also created an office of permanent president of EU, who shall hold his office for two and a half years.
- Germany and France want to develop an autonomous security mechanism for EU.
- The EU has 10 **strategic partnerships** with the following countries: Brazil, Canada, China, India, Mexico, Japan, the Republic of Korea (South Korea), Russia, South Africa, and the US.
- Union is still struggling to make a common foreign policy because 21 members of EU are members of NATO. Some nations still believe that maintaining security is the responsibility of nation-state itself.

SOCIAL INTEGRATION

- EU is the perfect model of free flow of goods, services and finances which is a feature of globalisation. EU is the best example of diversity and pluralism because almost every state having their own languages.
- Schengen(Luxumberg) treaty signed in 1985 and it implemented in 1995 where 7 Schengen members France, Germany, Luxumberg, Netherland, Portugal and Spain decided to abolish their internal border checks.
- Now Schengen area include Austria, Denmark, Estonia, Czech Republic, Finland, Greece, Hungary, Iceland, Italy, Latvia, Lithuania.
- All members of EU now included in Schengen area except Ireland and Cyprus.
- It is worth noting that there are four European state which are part of Schengen area they are not members of EU. Switzerland, Iceland, Liechtenstein and Norway are the members of Schengen area without being member of EU.

CHALLENGES FOR EU

- BREXIT is one of the major challenges for the union and it is result of growing sentiment of nationalism and protectionism in Europe.
- America First Policy further aggravate the rising tendency of nationalism which is harmful for regional economic integration.
- **Democratic deficit** is also a growing challenge for EU.
- Union is still awaiting recovery from economic crisis of 2008 and COVID-19 intensified the economic challenges of EU.
- Rise of China, resurgent Russia and furthering of ethnic conflict between Armenia and Azerbaijan is new threat for the values of democracy, human rights, and for rule based world order.

ASEAN

FORM AGAINST COMMUNISM

- It is set up in 1967. Indonesia, Malaysia, Singapore, Thailand and Philippines were the founding members of ASEAN.
- Now ASEAN is comprised of all 10 members of South East Asia Brunei joined ASEAN in 1984. Vietnam became member of ASEAN in 1995. Laos and Myanmar joined ASEAN in 1997. Cambodia became the latest member of ASEAN in 1999.

REASON BEHIND SUCCESS OF ASEAN

- **(1) Role of strong leaders:** President Suharto of Indonesia. PM Lee kuan of Singapore. Mahatir Mohammad of Malaysia were strong leaders who founded ASEAN.
- **(2) Geo-political advantage:** During cold war ASEAN receives economic assistance from USA. Japan played an important role for the development of ASEAN. Rise of China positively impacted economic development of ASEAN.
- **(3) Market oriented economy:** ASEAN members adopted market economy for the development of ASEAN. Therefore, after disintegration of Soviet Union they got the maximum advantage from the liberalised economy.

- **(4) ASEAN based regional network:** Members of ASEAN emphasized over connectivity for economic development and it is well connected with road, air services and with sea.
- **A MODEL OF ECONOMIC DEVELOPMENT**
- ASEAN is comprised of 650 million people with combined GDP of 2.8 trillion dollar. ASEAN free trade area is created in 1992. Intra ASEAN trade is almost 23% of entire trade of ASEAN.
- ASEAN members are also party of 6 non-ASEAN members with free trade agreement includes Australia, New Zealand, China, India, Japan, South Korea and Hong Kong.
- ASEAN established a common market in 2015 which permit the movement of goods and services investment and skilled labour freely.

REGIONAL SECURITY

- ASEAN regional forum launched in 1993 comprising of 27 members including India, which work over the issues of common security. Treaty of Amity Corporation in ASEAN in 1976.
- South east Asia nuclear free zone treaty entered in force in 1997. thus, ASEAN is away from the goal of nuclear arm race

ASEAN+3

- ASEAN face the economic crisis in 1997 which led to the establishment of ASEAN+3 includes China, Japan and South Korea. They provided economic assistance for the members of ASEAN.

ASEAN COMMUNITY

- In 9th ASEAN summit of 2003, ASEAN leaders resolve to form an ASEAN Community. The ASEAN vision 2020 was adopted in same summit. ASEAN community is comprised of three pillars:
 - (a) Political Security Community
 - (b) Economic Community
 - (c) Social Cultural Community

ASEAN AND GREAT POWERS

ASEAN AND EU:

- The European Union is the world's most successful regional organization, and ASEAN is the second-most successful one. Their strengths are complementary, and an alliance between them would unleash many synergies that would benefit both enormously.
- The EU is ASEAN's **third largest trading partner**, while ASEAN is the EU's **5th largest trading partner**. Total **trade** in 2011 in goods and services amounted to \$265 billion. ASEAN had a surplus of \$25 billion in its **trade** with the EU. The EU is the biggest provider of Foreign Direct Investment into ASEAN, 24% of the total.

ASEAN AND CHINA:

- The history of the ASEAN-China relationship can also be divided into three phases: an initial phase of hostility, a second phase of “falling in love”, and a third and current phase of uncertainty.
- ASEAN became China’s largest trading partner in the first three months of 2020, surpassing both the EU and the United States. China's total imports and exports with the 10 member countries of the Association of Southeast Asian Nations increased 2% on the year to **\$297.8 billion**. The bloc accounted for 14.7% of China's overall trade for the period, up from 14% in 2019.

ASEAN AND INDIA:

- **India's relationship** with ASEAN has emerged as a key cornerstone of our foreign policy. The **relationship** has evolved from the 'Look East Policy' enunciated in early 1990s which led **India** to become a Sectoral Partner of **ASEAN** in 1992, a Dialogue Partner in 1996 and a Summit-level Partner in 2002.
- India hosted the latest ASEAN-India Commemorative Summit in New Delhi on 26 January 2018. In the financial year 2017-18, Indo-ASEAN bilateral trade grew by almost 14% to reach **US\$81.3 billion**. India's imports from ASEAN were valued at **US\$47.13 billion** while its **exports** to ASEAN stood at **US\$34.2 billion**.

ASEAN AND JAPAN:

- ASEAN Member States and Japan have become increasingly important business partners to each other over the years. In Japan, the total two-way trade value between the 10 ASEAN Member States and Japan expanded to over 25 trillion yen in 2018, accounting for around 15% of Japan's overall trade figures. Conversely, trade with Japan accounts for 8% of the ASEAN Member States' total trade figures in the same year, which makes Japan the second largest trading partner of the ASEAN following China, EU, and the USA.

WEAKNESS OF ASEAN

- No member of ASEAN is willing to lead ASEAN. Therefore, lack of custodian is problematic for ASEAN.
- ASEAN is becoming prosperous by each passing day but lack of strong democratic government is a major obstacle of ASEAN.
- Cold war political conflict no longer exist in ASEAN but economic divide is still visible within ASEAN. Cambodia, Laos and Vietnam are considered the backward among the members of ASEAN.

NAFTA

- **ORIGIN**
- NAFTA founded in January 1st 1994 which visualised the vision of Pan-Americana. NAFTA is created due to rising influence of EU. Globalisation liberalisation was an additional factor behind the formation of NAFTA.
- **COOPERATION BETWEEN NORTH AND SOUTH**
- NAFTA is comprised of USA, Canada and Mexico. USA and Canada has already signed free trade agreement but inclusion of Mexico is most important feature of NAFTA.
- Mexico is a developing country hence belong to the group of South free trade agreement between USA and Mexico visualizes new age of economic cooperation between North and South. Therefore, strict division between north and south appears paradoxical.