

Regionalism across the North/South Divide

State Strategies and Globalization

Edited by

Jean Grugel, and Wil Hout



Regionalism Across the North-South Divide

Regionalism Across the North-South Divide charts the increasingly important trend of regional cooperation between the developed 'North' and the developing countries of the 'South'. It focuses on the responses and reactions of developing countries to the current wave of globalization and explores the state strategies adopted to create this 'new regionalism'. Introductory chapters introduce a theoretical framework, locating the semi-periphery in the context of globalization. Subsequent chapters then present in-depth case studies of the following countries and regions:

- Brazil and MERCOSUR
- South East Asia
- Eurasia and Turkey
- Sub-Saharan Africa
- Chile and the Americas
- North Africa
- China and East Asia
- Australia and Asia-Pacific

This study is invaluable for making sense of what regionalism means for the South and its insights contribute to a wider understanding of international relations, the relationship between globalization and regionalism and the possibility of cooperation within the developing world.

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Series editor's preface

The post-war development of inter-state relations can be divided into different episodes. First, the establishment of a bi-polar world with two hegemons (the Soviet Union and the United States) which dominated the world system and the interactions between nation-states. The key concept was military security, which produced an often uneasy type of stability. Second, the emergence of a large number of new states due to decolonisation and of divisions between these states due to the competition between the two hegemons, forming the 'first' and 'second' worlds. In addition to these 'first' and 'second' worlds, a 'third' world came into existence, which was by and large dependent either on the richer capitalist countries or on the established communist states. Political adherence of third-world countries implied their economic dependence on one or other of the more developed 'worlds'. Third, in the wake of the OPEC crisis and the subsequent worldwide economic stagflation, international economic relations changed dramatically and affected all three 'worlds' in one way or another. The longer-term effects of these changes in relations can be observed in various ways: the disintegration of the Communist bloc or 'second world', the moves towards a more unified Europe, and the growing divisions of the third world in the 1980s. All these developments have been conducive to a re-ordering and re-orientation of the components that make up the complexion of the aforementioned three worlds. In other words, the existing world order was slowly reconstructed into a politically multi-polar world in which long-standing coalitions between blocks of states fell apart. This phenomenon is particularly visible in states with developing economies—the 'South'—and has, more often than not, been conducive to the formation of new coalitions between states that cut across the former 'worlds'. According to the editors of *Regionalism Across the North-South Divide*, this makes it imperative that international political economy be approached from a fresh perspective.

This perspective needs to take into account a two-tier development: the emergence of globalisation of the economy with more actors than nation-states alone on the one hand, and the emergence of regionalisation and concurrent regional cooperation between nation-states on the other hand. Such a perspective also implies that international economic relations are not only becoming more complex but also lead to new 'vulnerabilities' of national economies in the wake of a post-Fordist division of labour across the world economy.

In this volume, the contributors aim to shed light on these recent developments by investigating the emergence of regions, the strategic importance of regionalisation and the growing variation in the development of economies in the 'South' of this increasingly globalised society. To this end, the book is divided into two analytical parts. In Part I, the so-called semi-peripheral regions are studied by looking at the actions of the stronger economies of the South that are still dependent economically on the core of the capitalist world (i.e., the OECD-world) and how their strategies may enhance the political

economic development of those regions. Part II examines those regions which must be regarded as underdeveloped and are most vulnerable within the world economy.

In essence, there are three factors which appear to direct the economic development of states within the emerging regionalisation of this globalising world economy: elite behaviour within and between nation-states, integration and co-operation within (geographic) areas, and the resulting position of states and regions within the global world market and related political economic hierarchy. These developments, which can be considered as the reconstruction of the world economy at this time, imply not merely a reconfiguration of international relations *per se* but foremost a repositioning of national economies and concurrent state strategies to cope with a globalising economy. This volume addresses these questions thoroughly and comes up with new answers based on evidence drawn from various parts of the world. The overall results are certainly challenging existing knowledge, making this book an important contribution to the study of international political economy.

Hans Keman
Weesp June 1998

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Part I

Theoretical framework

1

Regions, regionalism and the South

Jean Grugel and Wil Hout

This book examines the trend towards regionalism in the contemporary world order. Until quite recently, studies of regionalism tended to focus on developments in the industrialized areas and/or on the so-called Third World. However, the term 'Third World' has ceased to have much analytical significance and scholars have moved on to examining instead the political economy of an increasingly interconnected global order. As one leading scholar of international political economy has phrased it, a 'main source of academic uncertainty and confusion...has been the collapse of the Third World coalition of less developed countries' (Strange 1995:162). Consequently, the focus of regionalist studies must also change. The concept of the Third World, pictured as a group of countries sharing important developmental features and similar linkages with the international system, needs to be reconfigured on the basis of their links (or absence of) with the industrialized world.

At the same time, the nature of regionalism itself has changed dramatically. The form the 'new regionalism' assumes has tremendous implications for international relations and for development studies. This book makes its contribution to the understanding of new regionalism by analysing regionalist developments and projects in the South. It examines the emergence of regionalism at the North-South interface, the semi-periphery, and within three distinct regions which group together peripheral countries. It tries to make sense of what regionalism means for the South and thereby to contribute to a deeper understanding of international relations, the relationship between the processes of globalization, regionalization and regionalism, the place of the state in international exchanges and the possibility of cooperation within the developing world.

Developments in the 1990s have meant that region-building projects, as well as sometimes grouping together countries of roughly similar levels of economic development, also emerged between countries from either side of the 'North-South divide'. The form and content regionalism assumes in the South has undergone a radical transformation as economic and political elites, and in some cases sectors of civil society, responded to their changing position in the global order and to the weakening of state capacities in the South by seeking new partners outside the state. Contemporary regionalism in the developing world is therefore very different from regionalist attempts in the 1950s and 1960s, when it was overwhelmingly political both in its aspirations and its forms. In contrast to that earlier period, 'new regionalism' is principally a defensive response to the economic marginalization of much of the South in the 1980s, its political reconfiguration during the political and economic turmoil at the end of the Cold War, and a fear of, or reaction to, the trend towards a globalized economy. States are the main

actors in new regionalist blocs, sometimes responding to demands generated within society, sometimes in response to external pressures, and sometimes as a result of a particular regionalist vision of relatively autonomous state elites.

The book is organized in three sections. Part I provides some background to the changing position in the global order of the South and examines the competing theoretical perspectives on regionalism. This introductory chapter seeks to clarify some of the organizing themes around which the later chapters are constructed. Broadly speaking these are: the impact of globalization on the South; our conceptualization of the South, which we divide into the semi-periphery and the periphery, inspired by a world-system analytical framework; the terms 'region', 'regionalization' and 'regionalism'; and the term 'state strategy', which is used to explain certain regionalist trajectories. Part II looks at politics within some semi-peripheral states and the role they play in building new regions. Part III discusses regional associations within three developing areas, where the *region* is taking on a 'middle position' between the North and South.

Globalization and the South

Over the last decade, scholars of international relations, international political economy, North-South relations and development studies have noted a transformation of international economic relations taking place. The 'stretching' of social, political and economic activities across national frontiers and the 'deepening' of the density of patterns of global interconnectedness are generally referred to as globalization (McGrew 1997:7). It is unnecessary for our purposes to enter into the debate whether this constitutes a radical break with past forms of global interaction or merely the intensification of certain trends which have long been present within the global political economy. What is not in dispute is that the contemporary forms of economic interconnectedness impinge on the relationship between the state and capital. The global patterns of trade, investment and production, and hence the choices state elites can make and the range of developmental options available, are being reshaped by: the liberalization of financial markets; the spread of information services and the concomitant mobility of service industries; and the shift from a fordist to a post-fordist system of corporate and industrial organization, resulting in the desire of the producers to locate close to the suppliers and their customers.

Globalization theories, though they draw on a variety of different and sometimes contradictory theoretical perspectives, all start from an awareness that knowledge, production and even diplomacy are no longer the exclusive preserve of the inter-state system. The significance of this lies in the fact that, until recently, the state was seen as the only, or at least the key, political actor in the international system. Many authors now seem to agree that, whereas the state remains an important unit of analysis in the study of the international political economy, it no longer can be the sole unit. Apart from the state, so-called inter-governmental, non-governmental and transnational actors merit attention (Strange 1995:161). Within analyses which attempt to track the consequences of global structural changes, the tendency is to suggest that transnationalized production is leading to changes in the hierarchy of states and the dissolution of borders between states, in so

far as they affect production, distribution and economic exchanges generally. New production techniques also contribute to the processes through which new cores and peripheries emerge which do not map directly onto the old state system. Cores and peripheries can now be regions within states or areas that cross state boundaries. Some scholars have mapped these new developments through identifying 'growth triangles', such as the SiJoRi triangle in South East Asia, which spans Singapore, Johore Province in Malaysia and the Riau Archipelago of Indonesia.

The tendency towards globalization is undermining the independent policy-making capacity of the state. But it does not affect the policy-making capacity of all states to the same extent. Globalization is an uneven process (Holm and Sørensen 1995:4–7). It is to be expected that 'weak states' (Migdal 1988) have less means to hold globalization at bay, whereas 'strong states' may be more able to mitigate the effects of globalization. We agree with Hurrell and Woods (1995:469) that

globalization will not lead to the progressive global enmeshment heralded by liberal analysts. Existing inequalities make it more likely that globalization will lead to an increasingly sharp division between 'core' states, which share in the values and benefits of a global world economy and polity, and 'marginalized' states, some of which are already branded 'failed' states.

Thus, it is to be expected that the impact of globalization is greater on less developed countries than on the developed ones. In fact, it has a number of extremely broad-ranging consequences for developing areas. First, it has introduced a strong element of competition between developing countries for investment, the more so as developing states have chosen (or, as some would argue, have been pushed) to adopt neo-liberal, market-friendly macroeconomic and external policies. The 'competition state', identified by Cerny (1990), emerges in developing countries as well as in industrialized ones. Second, globalization may lead to a recomposition of, and renegotiation between, the interests the state represents. Third, the new globalizing tendencies almost certainly add more actors to the policy process, and, it could be argued, increase the power of 'external' actors over state policy. Apart from the state itself, and local groups, pressure may be brought to bear from, *inter alia*, foreign firms, foreign states and multinational agencies. The result may be a reduction in the 'autonomy' of the state and the range of policy instruments it commands. To use Peter Evans' (1995) term, the 'embeddedness' of the state may be reduced as a consequence of the increasing influence of external actors and this may result in a reduction of the developmental role the state is able to play. And fourth, the process of globalization brings into question the extent to which the rigid divisions between North and South, developed and underdeveloped, can be maintained in the face of an emerging global economy. It points to a separation within the South between those states which can adapt to the new global agenda and those which are unable to do so.

Globalization, therefore, would seem to presage a reconfiguration of the South, as the term was understood in the 1970s, and to pave the way for a reconstitution of a new international order in which some of the larger, more advanced states, the semi-periphery, those with an already established productive base, play a key role. According to Hettne

(1995a), 'a rather selective group of countries are going to make the transition' to the new rules of the game. It is our contention that one way that semi-peripheral states try to make this transition, and thereby participate within the production structures of the global economy, is through adopting new forms of regional networks which bring in other states and which also lock in multinational producers within the alliance. Peripheral states may also try to participate in new regionalist associations as a way to avoid marginalization. Furthermore, it could be argued that, in an era of increasing globalization in which the international political economy is more dependent on government-firm and firm-firm diplomacy (Stopford and Strange 1991:19–23), the states in the South will experience a further erosion of their negotiating power *vis-à-vis* transnationally active firms. In this light, the contemporary resurgence of regionalism might be seen as a reaction to the reduced leverage of states in the South. It should also be noted that it is the transformation of the international political economy which has made this new form of regionalism an option, by making it also attractive to some developed states in 'the North'.

The semi-periphery and the periphery

At the original European Consortium for Political Research (ECPR) workshop in 1995 from which this project emerged, a number of international relations and area studies experts posed the question of how the South is responding to the new global agenda of liberalized trade and globalized forms of production. The question was also raised whether the growing tendency towards globalization means that the state in developing countries has completely lost its power to shape national economic policies. While the answers seem to be complex, and to vary from country to country, and region to region, a common theme emerged for several of the states of the South, especially, though not exclusively, for the more industrialized ones: elites within some developing states and areas are trying to develop strategies for cooperation and integration and are seeking participation in some kind of new regional association or cooperation, with trade and investment links at its centre.

Clearly, then, in most developing countries at least, the state has some policy choices to make. To argue this is not to abandon the notions of inequality, stratification and subordination which are, in our view, at the heart of international exchanges and North-South relations. Rather we thought it important to probe how these regionalist strategies, which are seen as options for development, emerge in some Southern states and intersect with structured inequalities and historical patterns of subordination. We decided that it would make sense to focus more deeply on politics and development within some of these states in order to assess their potential as development strategies. In some cases, it made more sense to focus on the *region*, rather than the state, as the unit of analysis, and in these cases we tried to identify the inter-state and social alliances out of which regionalism is emerging.

Chapters 3 to 7 focus on the semi-periphery. It is important to note that we are using this term in a significantly looser way than its original formulation by Wallerstein (1974:350; 1979:23). In Wallerstein's world-system theory, the capitalist world economy

is composed of a dominant developed core, a subordinate poor periphery and a political and economic 'buffer', called the semi-periphery. He argues that an international division of labour has gradually developed in which some units have come to produce predominantly primary products (agricultural produce and raw materials) while others have been able to develop technologically more sophisticated production processes. Over the last few decades, a 'new international division of labour' has come into being in which the traditional dichotomy between primary production and manufacturing has become blurred and parts of typical core production processes have been transferred to peripheral and semi-peripheral areas. Post-fordist production techniques and the growing importance of knowledge over labour intensify the tendency towards an ever more spatially diffused production.

Wallerstein's original analysis grew out of the study of the rise of the modern capitalist world economy during the 'long sixteenth century'. The semi-periphery was seen as a 'transmission belt' through which flowed the surplus that was syphoned off from the periphery to the core. In this era, the world system was largely undifferentiated. Apart from the European core and semi-peripheral states, a large 'external' area existed, which was only gradually integrated into the world economy. However, as a result of the changes in global production techniques and the dispersal of knowledge, the boundaries within the world system are blurring. Empirical analyses of the world system and its hierarchy have showed that the expectation of a simple trichotomy is not borne out (for example, Smith and White 1992). At the same time, the size of the semi-periphery appears to be growing.

Chase-Dunn (1989:212) has attempted to overcome these problems by distinguishing analytically between two kinds of semi-peripheries: 'those states in which there is a balanced mix of core and peripheral activities' and 'those areas or states in which there is a predominance of activities which are at intermediate levels with regard to the current world-system distribution of capital-intensive/labour-intensive production'. This is an acknowledgement of the need to encompass analytically the increasing differentiation in the global economy. Quantitative-empirical researchers, such as Smith and White (1992), have, on their part, made a further empirical distinction of the semi-periphery and the periphery into 'strong' and 'weak' parts. The 'strong' semi-periphery is made up of mainly Western countries such as Denmark, Australia, Spain, Ireland and Norway, while the 'weak' semi-periphery is composed of countries such as Brazil, Korea, Thailand and Malaysia, alongside Greece, Portugal and Turkey. The 'strong' semi-periphery corresponds broadly to Chase-Dunn's first category, in which core and peripheral economic activities co-exist, and the 'weak' with his second, in which intermediate levels of capital-intensive/labour-intensive production predominate. Most of the chapters in this book deal with what Smith and White would call the 'weak' semi-periphery.

The level of analysis within the world-system approach remains steadfastly *global*. Phrased differently, the semi-periphery is analysed from the perspective of the *world system*, which remains the focal point and the unit of analysis. The role of the state in the semi-periphery, according to Wallerstein, is that of providing the capitalist world system with the means to function through the creation of a 'buffer zone'. This assumption makes it difficult—or, in some cases, even outright impossible—to understand the political and economic strategies adopted by semi-peripheral states in their own right. We

do not deny that semi-peripheral countries may well play the role outlined by Wallerstein, but to make this role the defining characteristic of the state in the semi-periphery is to collapse all activity inside semi-peripheral states into one functionalist category and to deny the state any degree of agency.

So, rather than mechanically applying world-system theory, we have tried to retain some aspects of this theory which are most useful, without going so far with it that it operates as a theoretical straitjacket. As a result, we cast the semi-periphery in less functionalist terms. Our aim is to make the term less theoretically rigid. We use it to describe those states in which manufacturing, industrial or capital-intensive production occurs alongside the production of primary or semi-processed goods and in which there is domestic capital accumulation as well as foreign investment. As a result, the semi-peripheral state is, typically, far more complex in its functions and in the interests it represents than peripheral states, but the range of development choices, and the policy instruments at its disposal, are more constrained and limited than those of core states.

Chapters 8, 9 and 10 deal with smaller states than those in Part II. They have different levels of development and occupy a range of different functions within the world economy. They include the impoverished states of sub-Saharan Africa, the Maghreb states and the South East Asian region, where some states, for example Singapore, are relatively advanced. However, because of their size, their global position and/or their dependence on economic linkages within their region, it makes more sense to analyse the regional level, rather than the level of the state, in order to explain new regionalist outcomes. In the cases of the Maghreb and South East Asia, a focus on the region, rather than the state, allowed the authors to draw attention to the importance of actors from outside the region, whether state or non-state actors, in contributing to the shape of regionalism as it is emerging in the contemporary order. In the case of sub-Saharan Africa, this focus makes possible a discussion of region-building where the state is actually diminishing in significance and can no longer fulfil even the basic functions identified by Weber in the nineteenth century. Hence we might conclude that one of the outstanding characteristics of the periphery, as opposed to the semi-periphery, is the more limited range of resources the state has at its disposal in building external relationships. New regionalism is certainly taking shape; but of the three variables which we identify below as determining regionalist outcomes—the world system, state-society interactions and the policies of other states/regions—the first two, and indeed especially the first, the position in the world system, chiefly accounts for political outcomes.

Regions, regionalism and regionalization

Although territoriality is a *sine qua non* of regions—they cannot exist without having a physical reality—they are not naturally constituted geographical units nor the straightforward ‘common-sense’ expressions of shared identities. Regions are made and re-made, and their membership and frontiers are decided through political and ideological struggle and the conscious strategies of states and social actors. Like Anderson’s (1991) nations, they are above all ‘imagined communities’, brought into existence by human agency. It follows that their boundaries are not fixed and immutable; who is ‘inside’ and