

Q. Discuss the way in which Globalization could promote regionalization as an adoption.

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## 1- Introduction

Countries continue to become more interconnected and interdependent of each other with advancement of technology.

The world has seen a rise in two fundamental concepts; regionalism and globalization. After the second world war and during cold war, new types of economic policies were being adopted to encourage trade and commerce in the form of regionalism.

International organizations can be global in their focus, such as "Organization of American states" or "World Bank", or they can be regional in nature, such as "Organization of American states" or "African Union". Global connections and economic integration can be seen within a few specific regions of the world: Europe, North America, and East Asia.

## 2 Globalization: a distinct process appeared after World War II

Globalization seen after the second world war, when

internationalization of world

a rift created between developed and developing countries. Interdependencies generated by : the need for food, energy and minerals, the possibilities of distortion of ecologic balance, the hope to reduce differences between rich and poor countries.

### (b) A new political world order

It appeared through the creation of "organization of United Nations" which was supposed to provide the legal and institutional frame for the international peace and security and to solve international problems with an economic, social, intellectual or humanitarian aspect.

### (c) process of decolonization

The process of decolonization led to the formation of new states in the regions of sub-Saharan Africa, Northern Africa and middle East, South East Asia and the Pacific.

The cold war divided the world under several aspects (Economic, social, cultural) but also united to form Global military order.

### 3. Regionalization: a tool to encourage trade and business

Regionalism is an arrangement between countries within some geographical area to facilitate the free flow of goods and services.

It strengthens the microeconomic forces that drives globalisation by stimulating internal competition, enlarging the regional markets, weakening the power of special-interest groups and establishing policy sovereignty among internal and global markets.

#### (a) First wave beginning with 50s

There were numerous attempts to create some free trade areas or common markets in Europe, Africa, Latin America and Asia. Except Europe, regional integration of first wave was failed. (GATT - General Agreement on Tariffs and Trade)

#### (b) Second wave: a phenomenon of 90s

It is faster than first wave and it may have been provoked by increasing interdependencies in field of communication. It includes attempts to

create regional trade agreements,  
custom associations, custom unions and  
common markets.

The ASEAN, the Caribbean Community  
(CARICOM), The Asia-Pacific Economic Cooperation  
(APEC), NAFTA were all created around  
this time.

#### 4. Globalization and Regional Success

The newest initiative is the  
regional domain is represented by  
the Commission of Communication from  
July 2003 which refers to create a  
new instrument of promoting economic  
and social development.

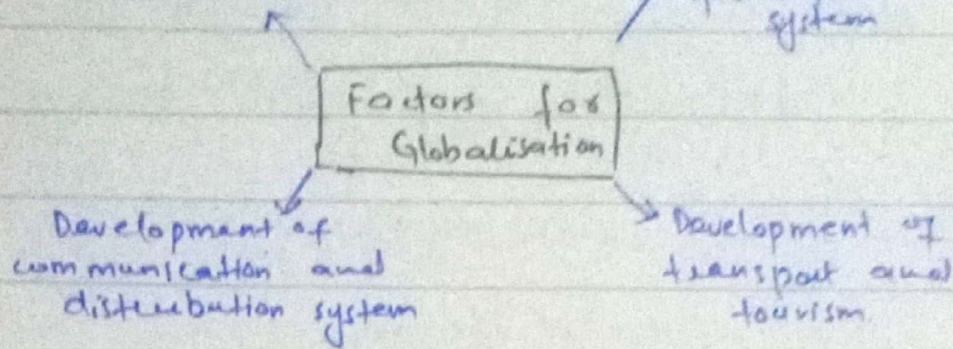
This can contribute towards  
stability and prosperity inside and  
outside the union borders. regions.

#### The Objective are:

- (a) promoting economic and social  
development in the border region
- (b) cooperation in common needs,  
environment protection, public health etc.
- (c) Assurance of safe and efficient  
borders

opening of borders  
and trade  
liberalisation

The development of  
technical and  
informational  
system



## (Fig) Intensification factors of Globalisation

There are many other factors that strengthen the regions as functional regions. These are historical factors, geographical, Adequate dimensions of growth, and some market factors like cost to competition.

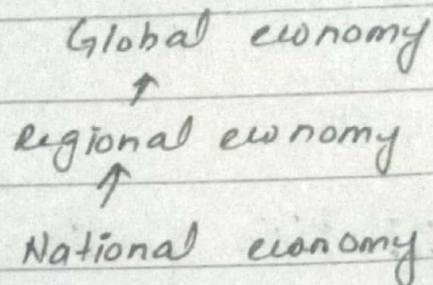
## 5- Regionalism: building block of Globalization

### (a) Regionalism as an economic strategy

It could help speedup the domestic economy and help generate steady growth and country ability to deal with challenges of world economy.

The Governmental structure of the state

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should be aware of the fact that national economy is rooted in the regional economy which on the other hand facilitates the Global economy.



### (b) Regional Trade agreements

These are the first step towards a gradual global free trade as it gives the countries a chance to slowly increase their level of competition and influence in the Global world.

### (c) Regional organizations

They also promote peace & security and economic development that is beyond the scope of states.

in European Union

Its function is that of Global influences maintaining the peace and security to the world's superpowers.

It pools economic and trade resources to enforce foreign policy.

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(b) World Bank, WTO, IMF

These organizations aim to create a competitive and steady global economy, but globalization is an ongoing process and an umbrella under which international organizations and countries interact with each other through various policies.

### (d) Regionalization as cooperative approach

Its objectives of collective economy, can be considered a building block under the current circumstances. The interdependence and interconnectedness that comes with the globalization, can be facilitated by regionalization to maintain a balance of economic power between regions.

"The international system is moving toward regional world, meaning that globalization process is a substance rather than a nature"

In globalized world, the regional policies become an integral part

to contribute to a more equitable integration among the countries.

## 6. Conclusion

Complexity is the primary feature in globalization. Regionalism takes place where there is cooperation between countries. Regional agreements are the starting point for the next wave of globalization. The current phenomenon of globalization that affect all countries equally in the sense of cross-cultural interactions and regionalism could help countries with similar issues collaborate and combat global issues together.



Q. Russian-Ukraine war has threatened regional political economic global integration. What policy options are available for IMF and WTO.

## 1. Introduction

Russian-Ukraine conflict is a major blow to the global economy that will hurt growth and raise prices. Beyond the suffering and humanitarian crisis from Russia's invasion of Ukraine the entire global economy felt the effects of slower growth and faster inflation.

Russia and Ukraine are major commodities producers almost 30% of global economy. Not only has the war threatened the stability of Europe but it also impacted food and energy security globally including middle east and Africa.

## 2. Implications of Russian-Ukraine War

### A) Fear in Europe: Who is next to be attacked?

Since the Putin has resumed the power, there is an increasing resurgence of Russia:

(i) Attack on Georgia (2007-2008)  
Russia attacked Georgia as it was growing its relation with NATO.  
Russia controlled the Georgia within 3 days. Whole country was under the

control of Russian troops

(ii) Attack on Crimea On 2014 Russia annexed Crimea. US brought a resolution against Russia but Russia vetoed that.

(iii) Attack on Syria (2015) Russia supported the government of Bashar al-Assad, defeated the non-state actors and also strengthened its military base in Aleppo.

(iv) Attack on Ukraine (2022) attacked from different sides and controlled majority of the areas of Eastern and South eastern Ukraine near the black sea, and declared a war against Ukraine.

There is increasing fear in Europe that who would be next target of Russia.

There are clear examples of Russian expansion, a threat specially to Baltic and Nordic Nations. Once Russia consolidates Ukraine, then they will be next target.

**(b) Chances of this war could be Nuclear war**

Revival of NATO :- Ukraine has applied for membership of NATO but it is holded due to Ukraine's engagement in war.

with Russia. On the other hand, Ukraine is receiving weaponry and financial support from series of NATO countries like US, UK and France.

If NATO provide weapon to Ukraine, this would lead towards nuclear war.

### (c) loss to Ukraine

First, there was infrastructural loss. Secondly, loss to agriculture because Ukraine is world's fourth largest producer of grain. The overall estimated financial loss by the end of 2023 is more than 600 billion dollars.

Ukraine has faced huge social cost. More than three million people are refugees in Eastern Europe in Poland. Hundreds and thousands of people have been injured and killed.

### (d) International Commodity Super cycle

The world is facing the highest ever prices in last 4 decades.

(i) Fuel prices jumped from 23\$ per barrel in 2020 to 127\$ per barrel in 2022. The price hike of oil had

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direct effect on the price hike of gas and coal. Hydrocarbon is the major commodity that greatly influences the prices of general commodities.

(ii) Transportation cost has exponentially increased. Globally, more than 40% of the electricity is produced by hydrocarbons. Which directly affected the socioeconomic life of common consumers and world economies.

(iii) threat of default. Multiple countries are facing the threat of default, Sri Lanka already defaulted and Pakistan is on verge of default. Banking sector itself is facing crisis.

### (d) Sanctions on Russia

The first and major cut was made by the Eastern European countries, central and western European countries. Specially France, UK, and Germany.

Russia being the world's largest gas producer and exporter, second largest producer and exporter of oil.

On contrary OPEC decided to cut the production of hydrocarbons. Resultantly the prices of hydrocarbons skyrocketed. That is the major reason for inflation in world and in Europe particularly.

### (c) Global shocks

The consequences of Russia's war on Ukraine have already shaken not just those nations but also the region and the world.

## 3. Available policies of IMF and WTO

At the highest level, international organizations have the convening power and diplomatic tools to advocate the peace and development goals.

### (a) WTO: guardian of multilateral trading system

WTO has served as guardian of multilateral trading system and thereby has helped to lift hundreds of millions out of poverty. It can play an important part in cushioning the effects of war on other countries and rebuilding a global economy.

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## (b) WTO role in monitoring and providing transparency

The crisis in Ukraine is jeopardizing the food supply to some of the most vulnerable parts of world, threatening the food security for millions of people. Food prices are already increasing and projections by FAO and WTO suggest that further increase can be expected.

WTO trade monitoring Exercise is important in times of crisis when negative effects are likely to be large.

WTO's Trade Facilitation Agreement has helped to simplify customs procedures and to increase trade efficiency world-wide.

WTO can play important role in negotiations by informing the negotiators and policy makers on the need of accelerating the process such as those in Agriculture.

## (c) Role of IMF

IMF also known as "lender of last resort" In light of significant

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balance of payments needs arising for  
ways, the authorities requested a 48-  
month extended arrangement under  
the Extended Fund Facility (EFF)  
in March 2023, which is almost  
\$15 billion dollars total financing  
package for Ukraine.

#### (i) Program Summary

Authorities program for 2023-27,  
supported by EFF, aims to help secure  
macroeconomic and financial stability,  
catalyze external financing and  
provide a framework for structural  
policies.

(ii) First time, IMF is lending to a  
country in active conflict

This is just to help support country's  
facing exceptionally high levels of  
uncertainty to resolve their balance  
of payment problems.

#### 4. Conclusion

The consequences of Russia's  
war on Ukraine have already shaken  
the regions and the world. Dynamic

of global integration got changed. Continued dialogue on trade policy will be crucial in order to restore peace. International organizations like WTO and IMF can help to identify the ways to bring down the trade costs. International cooperation is necessary to solve the global common problem all countries are facing due to this conflict.

"We live in a more shock-prone world, and we need the strength of the collective to deal with shocks to come"

(IMF managing director  
Kristalina Georgieva)