Globalization, regionalization and regionalism: A survey of contemporary literature

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Literatuur

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Introduction

The concepts of globalization, regionalization and regionalism appear to be the principal 'buzz words' in international studies at the end of the twentieth century. If the programme of the 1996 annual convention of the International Studies Association can be taken as an indicator of scholars' activities and interests, globalization, regionalization and regionalism must rank high among contemporary research topics in international relations and international political economy. Another indication of the centrality of the two aforementioned issues in the discipline is the fact that the editors of two new scholarly journals have explicitly mentioned their interest in issues deriving from globalization, regionalization and regionalism. According to Appelbaum and Henderson (1995: 4-5), in their editorial introduction to *Competition and Change*, '[t]he global economy today [...] fosters both integration and fragmentation. [...] In a global economy, space matters; industries continue to produce economic regions, even as regions help to shape industrial competitiveness.' The editors of *New Political Economy* (Gamble et al. 1996: 5) have phrased their agenda in remarkably similar terms: they argue that 'a new stage in the development of the world economic and political system has commenced, a new kind of world order, which is characterised both by unprecedented unity and unprecedented fragmentation'.

The frequent use of the concepts of globalization, regionalization and regionalism, however, masks that the terms show a striking lack of conceptual and empirical clarity. In this review article, I will try to delineate the meaning of globalization, regionalization and regionalism on the basis of the contemporary literature in international relations (IR) and international political economy (IPE). I will also point out that there exist different, partly competing explanations of these phenomena. These competing explanations disguise the fact that, in many cases, globalization and regionalization are not the opposites they are usually understood to be, but are, instead, complementary phenomena. Moreover, in some cases, regionalism is the cause of regionalization, whereas it is its consequence in other cases. Finally, I will try to devise a framework that clarifies the distinctions and linkages

among globalization, regionalization and regionalism, and that suggests that there are at least two 'logics' involved in the interrelationships among these three phenomena. In trying to accomplish these tasks, I will limit myself to discussing some of the contemporary theoretical literature on globalization, regionalization and regionalism. This means that various empirical questions, however important these may be in their own right, will receive only scant attention in this essay.

Globalization

Most authors who write about globalization stress that this is a process in which political boundaries lose much or most of their importance. A generic definition is offered by Holm and Sørensen (1995: 1): 'Globalization is, briefly, the intensification of economic, political, social, and cultural relations across borders.' Those who write about *cultural* globalization contend that cultural differences among societies become less distinct and that it is even possible, in some respects, to theorize about the development of a more or less homogenous, 'global' culture. In this context, examples are usually drawn from the mass media (especially television and film) and music; then, it is the 'pop culture' that is assumed to have global traits (cf. Waters 1995: 139-45; Naisbitt 1994: 32-3). *Social* globalization is reflected in the diminishing importance of borders as a determinant of contact among people. The increased frequency of international travel and the revolution in communications technology (telephones, faxes, and electronic means of communication such as e-mail and links to the Internet) are usually mentioned as examples of this form of globalization (cf. Waters 1995: 145-56)[2]. However interesting and influential these forms of globalization may be, this article will focus only on the political-economic expression of the purported process of globalization.

In the literature on globalization, at least two main perspectives can be discerned. The first, and apparently most influential, one interprets globalization as a phenomenon with predominantly 'macro-features'. The second perspective stresses the 'micro-foundations' of globalization. This distinction between a macro- and a micro-perspective does not just reflect the difference between two levels of analysis, but can be related to the existence of two separate scholarly communities. The macro-perspective can be found, predominantly, in the writings of scholars working in the IPE/IR tradition, irrespective of their previous training as political scientists, sociologists, or economists. The micro-perspective is shared, mainly, by scholars with a background in business administration and managerial economics.

A macro-perspective on globalization

A striking feature of the modern writing on political-economic globalization from a macro-perspective is the resurfacing of functionalist thought (Mitrany 1933, 1944). The main thought guiding the classical functionalists was the presumption that the management of all kinds of (technical) issues on a national basis would become increasingly more difficult because of the escalating complexity of these issues. It was believed that the nation-state, the prime form of political organization, would eventually succumb to the pressure resulting from this complexity. In order to make problems more manageable, the functionalists argued, politicians should hand over their power to functionalist, international bodies.[3]

The modern variant of functionalism in the context of globalization produces a slightly different, but not necessarily more refined, way of reasoning. The functionalist argument runs, roughly, as follows. In every political system, a number of functions have to be performed. Under the influence of (for instance, technological, organizational, or financial) developments external to the political system, the national political authorities will experience more difficulty in the transmission of their decisions into an effective 'allocation of values'. As a result of this loss of policy-making capability, some of the government's functions will be eroded and assumed by actors that operate on a transnational or an international level. Consequently, the nation-state as a political organization loses much of its importance.

This straightfoward description of globalization and the connection between economic and political processes is taken over by popularizing authors, such as Kenichi Ohmae. According to Ohmae's (1995: 2-5) liberal-functionalist interpretation, the mobility and increasingly global orientation of 'the four "I's" ' – investment, industry, information technologies and individual consumers – results in a reduction of the role of the nation-state:

> Taken together, the mobility of these four I's makes it possible for viable economic units in any part of the world to pull in whatever is needed for development. They need not look for assistance only to pools of resources close to home. Nor need they rely on the formal efforts of governments to attract resources from elsewhere and funnel them to the ultimate users. This makes the traditional 'middleman' function of nation states – and of their governments – largely unnecessary. (Ohmae 1995:4)

A major drawback of approaches such as Ohmae's is that they very specifically address contemporary developments. Globalization, as understood by Ohmae, is a consequence of the temporal conjuncture of several processes (the 'four "I's" ') that are working towards the withering of the nation-state as we have known it for several centuries. His analysis of the organization that is most likely to take its place – the 'region state' (Ohmae 1995: 79-100) – is as much a policy prescription for the end of the twentieth century as it is

a prediction. For instance, with respect to Southeast Asia, Ohmae writes: 'If, however, these nation states do not try to do everything themselves but allow, literally, the creation of 20 additional Hong Kongs – that is, if they support and encourage the development of region states within and across their borders – the US $2 trillion goal [i.e, the income needed to close the gap between the Asian economies and NAFTA or the EU, W.H.] is well within reach.' (Ohmae 1995: 88)

Philip Cerny has presented a more analytic interpretation of political-economic globalization. His way of thinking about globalization is a good example of the understanding of the phenomenon in the critical (or 'new') IPE as it has developed in Great Britain over the last decade. Globalization is seen as a long-term development, the significance of which is not necessarily limited to the end of the twentieth century. As Cerny (1995: 602-8) has indicated, the origins of globalization can easily be dated back to the second industrial revolution, at the end of the nineteenth century, and should be linked to the structural differentiation of modern societies. Because Cerny's interpretation does not depend on changes such as the 'four "I's" ', but relates to the 'modernization' of society as analysed by classical sociologists, his discussion of globalization is more interesting and less time-bound than, for instance, Ohmae's.

Cerny's description of the phenomenon combines structural and processual elements and is among the most encompassing ones that can be found in the literature to date. A drawback of Cerny's attempt to present a broad-ranging interpretation of the phenomenon is that his formulations are sometimes rather arcane. According to Cerny (1995: 596), globalization is 'a set of economic and political structures and processes deriving from the changing character of the goods and assets that comprise the base of the international political economy – in particular, the increasing structural differentiation of those goods and assets.' In Cerny's view,

> the more that the scale of goods and assets produced, exchanged, and/or used in a particular economic sector or activity diverges from the structural scale of the national state – both from above (the global scale) and from below (the local scale) – and the more that those divergences feed back into each other in complex ways, then the more that the authority, legitimacy, policymaking capacity, and policy-implementing effectiveness of states will be challenged from both without and within. (Cerny 1995: 597)

Cerny does not picture the state as a completely defenceless actor that can do nothing else but surrender to the demands of international business. In his view, however, the role of the state is increasingly limited to promoting 'a relatively favorable investment climate for transnational capital – i.e., by providing an increasingly circumscribed range of goods that retain a national-scale (or subnational-scale) public character or of a particular type of still-specific assets described as immobile factors of capital' (Cerny 1995: 611).

Many, if not most, interpretations of globalization share the belief that states all over the world are increasingly subjected to identical pressures and that the community of states should be pictured as an increasingly homogeneous group. Holm and Sørensen, however, have taken issue with this widely held belief:

> The process of globalization is uneven both in intensity and in geographical scope and depth. Furthermore, unevenness entails the possibility of fragmentation. Globalization has meant increased integration for the Organization for Economic Cooperation and Development (OECD) countries, yet this process has also involved increasing marginalization of a number of Third World countries or parts of countries. Integration in the core and fragmentation of large parts of the periphery have gone hand in hand. [...] In sum, uneven globalization is best conceived as a dialectical process, stimulating integration as well as fragmentation, universalism as well as particularism, and cultural differentiation as well as homogenization. (Holm and Sørensen 1995: 6)

Holm and Sørensen's conception of globalization as an inherently uneven process is also important in that it forges a link between globalization theories and ideas that are widely accepted among scholars of comparative politics, namely, on state strength and state-society relations (cf. Migdal 1988; Evans 1995). In the same vein, Hurrell and Woods (1995:469) have recently come to the conclusion 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, who share in the values and benefits of a global world economy and polity, and "marginalised" states, some of which are already branded "failed" states'.

It might be expected that stronger states or, alternatively, states which are more embedded in society[4] will be more successful in keeping the consequences of globalization at bay and in using globalization as a means to enhance the level of development. The argument that Peter Evans has used with respect to several newly industrializing 'developmental states' might, after all, have a more general application: 'In a globalized economy where most value is added at several removes from natural resources, the global division of labor presents itself as an opportunity for agency, not just an exogenous constraint.' (Evans 1995: 8)

A shortcoming of many interpretations of political-economic globalization is that they start the conceptualization of the phenomenon with the alleged erosion of power of the national state. It is remarkable, and in many cases disappointing, that authors often do not problematize the role of the state as a prime force in the process of globalization. As it will be argued below, much

of today's globalization is a direct and conscious result of government policy. Office-holders have consciously surrendered part of the state's control over the economy and society to actors whom they can only hope to influence. This determinate action must be part of the *explanandum* of globalization and cannot be assumed to be a matter of course, nor can it be an unproblematic *explanans*.

A micro-perspective on globalization

The micro-perspective on globalization places emphasis on the effects of the interaction among developments in the organizational principles of the firm (so-called post-Fordism), changes in the business environment, and overall firm strategies. A main force in the business environment has been the worldwide liberalization of markets, resulting in an increased mobility of capital (Went 1996: 52-58). The removal of impediments to capital mobility has produced a 'global financial revolution' (Walter 1993: 195 ff.). While total world trade in 1994 amounted to around $4,300 billion (World Trade Organization 1995), the world-wide freeing of capital markets has resulted in financial flows of well over $1 trillion *per day* (*Economist* 1995: 4, 10).

The spread of information technologies is also generally perceived as a force of globalization. Stopford and Strange (1991: ch. 1) have indicated that technological changes have had at least three consequences. The first consequence concerns changes in the organization of production. Transport and communication have become much cheaper, quicker and easier, resulting in a change of the balance between trade and foreign investment. The second consequence of the spread of information technologies is that the costs of labour as part of the total costs of production have decreased considerably. The third consequence is that it has become possible to relocate not only production plants, but increasingly also service industries.

According to Charles Oman (1994: 85), the 'force driving globalisation today, is microeconomic. It is the coming-of-age and international diffusion of the post-fordist, or "flexible", system of corporate and inter-firm organisation'. 'Flexible' production implies that, different from the situation in the fordist organization of production, thinking and doing is integrated at all levels of operation within organizations. Central features of flexible production are, among others, the integration of design and manufacture of a product; continuous, incremental innovation, involving all workers of a firm in so-called 'quality circles'; an emphasis on team work and on the necessity for workers to have multiple skills; just-in-time production, thereby eliminating the need for having large stocks of products; and integration of the supply chain, requiring the physical proximity of producers, their suppliers and customers.

According to John Naisbitt (1994), the process of globalization is full of 'paradoxes'. Two of these paradoxes are relevant to the micro-perspective on globalization: 'As the global economy gets larger, the component parts get smaller' and 'We are making business units smaller and smaller so we can more efficiently globalize our economies' (Naisbitt 1994: 21). Naisbitt, among others, draws our attention to the fact that social forces are working to reorganize production structures and to create networks of production – consisting of separate, and often independent, businesses, with each of these businesses bringing in its 'comparative advantage', be it cheap labour, capital goods, or innovative technological capabilities – instead of hierarchically organized firms. Several authors have argued that it is the transition from a 'fordist' to a 'post-fordist' organization of production that has paved the way for the setting up of such networks (Bernard 1994; cf. Ruigrok and Van Tulder 1995: 25-32).

While authors such as Naisbitt (1994: 273) are heralding the benefits that the creation of production networks might have, critical scholars as Bernard and Ravenhill (1995) have pointed at the possibly deleterious effects of the formation of such networks. In particular, they have argued that the creation of production networks may enhance the hierarchy and dependency that characterizethe existing international division of labour. Bernard and Ravenhill have pointed out that the formation of production networks by Japanese companies in the countries of East and Southeast Asia does not result in the sharing of technology, as postulated in the 'flying geese' image, but, instead, leads to a continuing dependence of producers – even in the most advanced NICs of the region – on technology and capital from Japan. Although the respective analytical focuses show considerable differences, the results of the Bernard and Ravenhill study, which is an example of the micro-perspective on globalization, are fully compatible with those of Holm and Sørensen's (1995: 198-201) macro-analysis of uneven globalization.

Regionalization and regionalism

The phenomenon of regional integration has been mainly studied, in international relations, as a problem related to developed countries. Regional integration involving developing countries has often been dismissed as a mere distant possibility, one that could be attained only when developing countries would succeed in achieving a higher level of social differentiation. Moreover, a rather rigid distinction has grown between the study of the political and economic aspects of regional integration.

Both aspects of the studies on regional integration are unfortunate in the light of recent developments. First of all, recent attempts to foster regional integration increasingly involve countries of differing levels of development.

Examples are: the inclusion of Mexico in the NAFTA agreement together with the United States and Canada; the possible future expansion of the European Union into Central and Eastern Europe and the formalization of its relations with Turkey by means of the recently finalized customs union; and the expansion of ASEAN – and its free trade area, AFTA – towards Indochina (Vietnam has become a member in 1995, Cambodia and Laos will probably enter the association before 2000, and Myanmar (Burma) is scheduled to enter in the first decade of the 21st century).

Another drawback of studies of regionalism is that they either focus on the political aspects of the process, and tend to neglect the underlying economic forces that condition the process, or zoom in on the purely economic features of integration (e.g. Langhammer and Hiemenz 1990; Palmer 1991). Many regionalist projects are 'market-induced'. Often, political institutionalization is the ex post-ratification of changes in the international division of labour and production relations. This can be seen most clearly in the cases of AFTA and NAFTA, which were negotiated after substantial changes in the regional division of labour had taken place. The treaty on AFTA was signed in 1992 by the six ASEAN member states and followed on immense changes in production in the 1970s and 1980s. The treaty on NAFTA was signed after decades of what might be termed the 'maquiladorization' [5] of the Mexican economy.

The 'European experiment' has been, for many scholars, the archetype of regional integration. The relative rapidity and success of the process of European integration has led to a distinct 'Eurocentric' bias in the study of regionalism and regionalization. Often, other regionalist projects are judged by standards that have been derived, explicitly or implicitly, from the history of the European integration process. Andrew Hurrell (1996: 1-2) has recently reiterated that, both in Europe and elsewhere, political and economic considerations have always been closely linked in regionalist projects. This awareness seems to have been lost with the growth of 'tribal jealousies' (Hurrell 1996: 6) between IPE and 'mainstream' IR – the former has mainly paid attention to the influence of politics on economics and the latter has focused predominantly on problems of security.

Economists have traditionally been less parochial in their selection of cases of regionalism and regionalization. Unfortunately, however, most economists, especially those working in a neoclassical framework, have tended to study economic changes (in particular, changes in production, trade and investment) as a *consequence* of previous political arrangements or as purely market-induced phenomena (e.g. De Melo and Panagariya 1992, 1993; De la Torre and Kelly 1992). These studies generally amount to tracing the *sensitivity* of certain economic parameters over time.

At first sight, regionalization and regionalism appear to be the natural opposites of globalization. Whereas globalization is often understood to result in a diminishing influence of state boundaries, regionalization and regionalism are usually seen as processes that reinforce distinctions at the regional level. Oman (1994: 33-4) has aptly characterized globalization as a *centrifugal* force, since it is a process of spreading economic activities across politically defined boundaries. Likewise, regionalization and regionalism can be seen as *centripetal* forces, because they result in an increase of the level of integration among separate units. As it has been stressed above and will again be argued below, regionalism and regionalization are partly the opposite, yet also partly the corollary, of globalization.

At the outset, regionalization and regionalism should be distinguished as two processes that need not necessarily run parallel. Wyatt-Walter (1995: 77) has made a clear distinction between the two processes. He has defined economic regionalism as 'a *conscious policy* of states or sub-state regions to co-ordinate activities and arrangements in a greater region' and economic regionalization as 'the *outcome* of such policies or of "natural" economic forces'. Charles Oman (1994: 16) has distinguished between *de jure* and *de facto* regionalization. His use of the terms *de facto* and *de jure* expresses from another angle the distinction between regionalism as the institutionalization of political relations in a region (which is not an entity that is defined in a purely geographical way but something that has to be defined politically, and can, therefore, engender quite some political struggle) and regionalization as the process in which relations among (economic) actors tend to get a more regional emphasis. In the same vein, Payne and Gamble (1996: 250) have recently argued that processes of regionalization, as well as those of globalization, are not 'state projects but combinations of historical and emergent structures – a complex articulation of established institutions and rules and distinctive new patterns of social interaction between non-state actors'.

The distinction between regionalism and regionalization, however, is important not only for semantic reasons. More significantly, the forces driving regionalism and regionalization are notably different. In an attempt to characterize the basic changes in contemporary international political economy, Stopford and Strange (1991: 2, 19-23) have introduced the term 'triangular diplomacy' to account for the new realities in the relations between states and firms. In their view, states no longer just negotiate among themselves. In addition to inter-state negotiations, which are still an important feature of international relations, states negotiate with foreign firms and firms negotiate among themselves for the creation of corporate alliances that serve to increase the firms' shares of the world market.

Formal schemes of *regionalism* form part of the first side of the Stopford/Strange 'triangle' (state-state relations). In particular, these schemes can be interpreted as attempts of the political authorities to control increasingly globalized economic processes. Seen in this light, regionalism is the opposite tendency of globalization, since it involves the joint effort of several governments to recapture their 'sovereignty' over economic policy, which has been eroded substantially by the globalization of business, production and finance. The intention of these governments is to separate off one part of the world market, in order to increase their influence over the rules and procedures governing economic relations in this realm.

Processes of *regionalization*, on the other hand, are part of the second and third sides of the 'triangle', which have to do with state-firm and firm-firm relations. These processes are a corollary of globalization and are often the cause and sometimes the consequence of formal regionalism. The practice of flexible production, which has been mentioned earlier, has resulted in the setting up of lines of production near local markets. This can involve an increase of intra-regional foreign direct investment and intra-regional trade. Such increased flows of trade and investment may call for the creation of formal schemes of regionalism. The attempt to broaden ASEAN into the economic sphere and the creation of APEC can be seen as examples of 'market-induced' regionalism.

Informal regionalization, in its turn, can also be a *result* of the creation of formal schemes of regionalism. For instance, the signing of the Single European Act in 1986 led to a boost of foreign investment and an increase of the number of mergers and take-overs of EC firms, because non-EC firms feared that a 'Fortress Europe' was in the making and that it would become much more difficult to penetrate the European market once the 'internal market' would have been completed (De la Torre and Kelly 1992: 24). Another non-formal result of formal regionalism can be the increase of intra-regional trade. In the economic theory of regional integration this effect has been analysed as the outcome of the opposite tendencies of *trade creation* and *trade diversion*. Trade creation implies that the quantity of goods traded between two or more states will increase as a result of the removal of trade barriers between these states. Trade diversion implies that the quantity of goods traded between two or more states will increase to the detriment of trade with states that do not form part of the free trade area.

Above, I have distinguished between state-induced globalization, which is usually the consequence of deregulation and the liberalization of markets, and globalization as a result of micro-economic motivations. A similar distinction can be made between regionalization and regionalism. Regionalization is usually a 'market-induced' process, whereas regionalism is predominantly a 'state project' (cf. Gamble and Payne 1996). Regionalization – if it takes the form of, for instance, the creation of regional production networks by multinational companies – is compatible with globalization. Regionalism can imply two contradictory tendencies. On the one hand, regionalist projects can be started by those in control of state power because they fear that their influence over the economy will wane as a result of intensified globalization. In this case, regionalism will most probably involve 'like-minded' countries, such as a specific group of developing countries that try to enhance their influence over commodity markets, or a group of newly industrializing countries that are faced with entrance barriers to markets in the industrialized world. On the other hand, regionalist projects can be implemented to try and 'lock in' the advantages of a regional division of labour – for instance, increased intra-regional trade and investment, resulting in the creation or maintenance of jobs – instead of allowing firms to transfer part of their production (and, increasingly, also services) abroad (Hufbauer and Schott 1993). Considerations such as these appear to be at the root of the extension of the Canada-US Free Trade Agreement (CUSTA) to Mexico and the creaton of NAFTA, as well of the attempts of Central and Eastern European countries, Turkey and countries in the Maghreb to attain more or less formal links with the European Union.

Globalization, regionalization and regionalism: Two 'logics'

The preceding discussion of the literature about globalization, regionalization and regionalism has made it clear that the roles of states and firms are crucial to the understanding of the distinctions and interrelationships among the three phenomena. I have made an attempt, in table 1, to make a classification of the processes of globalization, regionalization and regionalism. For a good understanding of the partly complementary and partly contradictory nature of these processes it is necessary, at the outset, to distinguish between inducements and outcomes. Inducements can be divided, broadly, into state and firm policies.[6] These policies reflect supposedly different motivations: firm policies are assumed to serve the interests of the firm (or, at least, the interests as interpreted by the firm's executives), while state policies can derive from all kinds of different sources. The motivation for state policies can be situated somewhere on a continuum that ranges between the entirely unselfish wish of politicians to achieve a higher level of development for their country (as in the 'developmental state', Evans 1995: 45-7) and the fundamentally egoistic attempt of politicians to achieve more wealth for themselves at the expense of their country (as in the 'predatory state', Evans 1995: 48-50).

Table 1 A classification of globalization, regionalization and regionalism

	outcome		
inducement	**globalization**	**regionalization**	**regionalism**
state policy	'financial revolution', worldwide mergers and alliances of companies	mergers and alliances with 'intra-regional' firms, trade and investment diversion	establishment of a free trade area, customs union, common market or economic union
firm policy	'global sourcing', assemblage in low wage countries, relocation of service industries	creation of regional production networks, location of production close to the consumer market	attempt to create a regional, protectionist 'fortress'

The most straightforward case in table 1 is the one in the upper right-hand cell. This situation, which has been one of the central concerns of the 'traditional' study of international relations, reflects the desire of politicians to create formal regional arrangements with other states. The outcome may vary from the establishment of a free trade area, in which all quantitative restrictions and tariffs on trade have been abolished, to the creation of an economic union, in which economic policies are harmonized (Balassa 1962). Although it is difficult to find examples that fit into the lower right-hand cell, attempts by firms to create an internally liberalized, but externally protectionist regional arrangement might be interpreted as firm-induced types of formal regionalism. The so-called European Round Table of Industrialists was a powerful force supporting the 'internal market' project. On the one hand, this project aimed to eradicate the final barriers to the free flow of goods, capital and people by harmonizing product standards, technical specifications and the like. On the other hand, however, the internal market can also be interpreted as an attempt to give European firms a competitive advantage in the large internal market vis-à-vis competitors from outside of the European Community/Union (cf. Cox 1995).

Globalization can be the result either of state policy or firm behaviour, or a combination of both. Where state activities are concerned, globalization has been stimulated by the policies of deregulation, liberalization and privatization that swept the industrialized countries in the 1980s. Supply-side policies such as 'Thatcherism' in Great Britain and 'Reaganomics' in the United States were directed at restoring the primacy of the market as the mechanism of allocation and distribution under capitalism. State regulations, governmental restrictions and state monopolies were considered anathema. The 'financial revolution' was the major consequence of the deregulation of capital markets, and the most visible manifestation of globalization. Worldwide mergers and alliances, for instance among airline companies and among banks and other financial institutions, were the principal result of the removal of restrictions to market entrance and the privatization of previously state-owned enterprises. Many developing countries, especially those that were suffering from piling debts during the 1980s and turned to the World Bank and the International Monetary Fund for relief, were forced to deregulate and liberalize their economies as part of so-called structural adjustment programmes. This made it easier for multinational companies from the industrialized countries to transfer part of their activities to developing countries.

State policies were not, of course, the only, or even the major, inducement toward globalization. Technological changes and innovations in the organization of production made state boundaries less significant to firms. Increasing competition from Japanese producers, and, later, from producers in the East Asian NICs, resulted in a greater awareness of production costs among American and European enterprises. Global sourcing – i.e., the procurement of elements of the production process at the cheapest location –, increased subcontracting, assemblage of products in low wage countries and the transfer of specific services, such as the entry of large quantities of data for subsequent use by computer systems, are among the most visible elements of globalization deriving from company policies.

The relocation of production and service activities is not merely a force of globalization. Relocation is hardly ever truly 'global', and that is why this element of globalization is intimately tied to regionalization. Thus, while the significance of national boundaries may decrease in economic terms, the immediate region may become more important as an entity in the production process because of the creation of regional production networks. Firms attempt to become more flexibile in order to enhance their competitiveness; the reorganization of the industrial complex and the formation of such networks might assist them in achieving their aim. Ruigrok and Van Tulder (1995: 155) have analysed this change as a transformation of 'concepts of control': 'Fordism' has been challenged by 'Toyotism', which produces 'large core firms that are in control of distribution but which are also at the apex of a supply network which handles most of the production'. A related firm-internal inducement to regionalization is the circumstance that transnationally active companies increasingly appear to appreciate the benefits of producing close to their markets. Such a strategy enables these firms to respond to differences among separate markets – for instance, it allows them to tailor their products to regionally specific consumer preferences – , and it reduces the costs of maintaining stocks because they can introduce the so-called 'zero buffer' principle.

In those cases where regionalization is induced by state policies firms typically react to or try to take advantage of regional arrangements among states. Usually such regional arrangements involve the (bi- or multilateral) coordination of state policies. For the present argument it not important whether this coordination is the result of an ad-hoc agreement or of the decision-making process in a formal organization. Important examples of this type of regionalization are mergers and alliances between firms from a specific region and 'extra-regional' firms that want to obtain access to that region. The latter firms may fear that the states in the region will favour their 'national champions' and erect barriers for foreign firms for purely political reasons. Above, it has been pointed out that the *hausse* of mergers and alliances in the European Community between the agreement on the Single European Act in 1986 and the official completion of the internal market at the end of 1992 can be ascribed to the fear of 'Fortress Europe' (George 1996). Less drastic examples of this form of regionalization can be found in the increasingly regional orientation of trade and investment in several parts of the world as a result of the granting of privileges or, conversely, the erection of barriers to firms in certain sectors. In most of these cases, regionalization is related to more or less formal regional arrangements among states.

From the arguments presented in this section, two different 'logics' connecting the processes of globalization, regionalization and regionalism can be inferred. The first 'logic' links state- and firm-induced globalization to firm-induced regionalization. It has been argued above that firm-induced globalization, resulting in 'global sourcing' and the transfer of service industries and parts of the production process, has been reinforced by state policies aimed at deregulation, liberalization of markets and privatization. Likewise, it has been argued that the creation of regional production networks has been a 'natural' corollary of the globalization of firm activity. The second 'logic' concerns the association between regionalism and state-induced regionalization. The state-induced process of economic regionalization does not have a direct link to the creation of more flexible firms and, thus, to the enhancement of these firms' competitiveness. Rather, it can be seen as the attempt of firms to obtain part of the 'rents' that are available in a region where barriers to market entrance remain significant and competition is restricted. Despite their resemblance, the dynamics underlying the two forms of regionalization appear to be quite different.

At first sight, the former of the two 'logics' appears to be predominant in the process of economic regionalization that is taking shape in East Asia. In this part of the world, regionalization is chiefly market-led; government attempts to initiate a process of formal regionalism (such as ASEAN or AFTA) have remained quite ineffective to date. Although government intervention has, in some cases (such as Korea and Taiwan, and certainly Singapore), been quite extensive, governments have tended to expose their 'national champions' to the influence of international markets in order to reduce their self-indulgence and enhance their competitiveness (cf. Evans 1995: 111-2 on Korea).

Both 'logics' appear to be present in the European Union and the countries of NAFTA. In a recent analysis of corporate support and resistance of NAFTA and the Caribbean Basin Initiative, Cox (1995: 14) has distinguished between two types of firms: 'multilateralists' and 'regionalists'. The first group consists of firms involved in retailing, banking and services, pharmaceutics, and agricultural exports that are heavily dependent on international transactions and are highly competitive in global markets. These firms are the representatives of the first 'logic': they support regionalist initiatives as a stepping stone toward the rebuilding of the open, multilateral trading system, and they are regionalizing their activities in order to become more competitive. The second group, made up of auto and electronics firms, has been less successful in the face of increasing international competition. The position of these firms is the expression of the second 'logic', in that they support regionalism basically as an instrument to maintain their advantage over foreign competitors.[7] These foreign competitors, on their part, have been pressurized to relocate part of their production to the regions concerned – e.g. Japanese automobile manufacturers that have transferred the production of certain cars to Europe and North America – in order to maintain their market shares.

Recapitulation

In this review article, I have tried to shed some light on the distinctions and interrelationships among globalization, regionalization and regionalism. The literature about these three phenomena remains quite segmented, reflecting the academic 'division of labour' that has developed over the last few decades and that has created separate communities of political science, economics, business administration and international political economy. By drawing on – a necessarily very limited quantity of – writings from each of these disciplines, I have attempted to indicate that much is to be gained if disciplinary boundaries are not taken too seriously. Fortunately, many scholars have started to trespass into other disciplines, for some of the most promising approaches that have been discussed in this article are exactly the products of such transdisciplinary activity.

Above, it was argued that there are at least two main approaches to globalization, respectively stressing the macro-features and the micro-foundations of this phenomenon. These two approaches are more or less complementary, as was seen in a later section of the article where the relation among globalization, regionalization and regionalism was discussed.

Although regionalism and regionalization appear to be closely linked, a

primary distinction has been made as to the 'formal', state-led character of the former, and the 'informal', market-induced nature of the latter process. It was argued that regionalization can, in some cases, be a manifestation of globalization. Also, regionalism and regionalization proved to be related in the sense that one can be the result of the other. It is difficult to predict the causal order between the two processes in advance.

Finally, I have made an effort to distinguish between two 'logics' involving globalization, regionalization and regionalism. The recent tendency toward regionalization in East Asia is an expression of the first 'logic' – to an important extent, it is a market-led process. Developments in the European Union and the North American Free Trade Area seem to exhibit a combination of the two 'logics'; some internationally competitive firms support the globalizing impact of supply-side policies, while other firms appreciate the protection that is offered by the creation of regional arrangements.

Notes

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2. Waters (1995: 124-57) has subsumed both forms of globalization under the category of cultural globalization. In order to present a clearer argument, I have made a distinction between social and cultural globalization.

3. For the modern reader, the wording of Mitrany's four lectures, delivered at Yale University during the Great Depression (Mitrany 1933), bears a striking resemblance to some of the contemporary globalization literature. In the third lecture ('The Communal Organization of World Affairs'), Mitrany argues that '[t]he nations have developed a personality which claims a right to self-expression and scorns the drabness of cosmopolitan life. At the same time, their material interdependence has grown to the point where it turns their formal separation into a myth. The latter is utterly outstripped by the innumerable international links which private groups and interests are forced to create, in the absence of more systematic public arrangements.' (100-1) Further on in the same lecture, Mitrany writes: 'Instead of continuing the old, irritating and barren attempt to achieve a subjective division of sovereignty and power, we could with a little insight and boldness distribute rather the objects upon which that sovereignty is exercised, in accordance with the practical requirements of every such function and object. Once we accept the idea of the functional organization of government, those instances will become self-evident in which the regional or global extension of the service and of the attendant power would be claimed by the obvious needs of the case, and could not be refused, on grounds of political separation, without doing deliberate violence to the needs of the governed and to the very meaning of government.' (128)

4. Evans (1995: 59) has formulated the ideal case of the developmental state in terms of

'embedded autonomy': 'It is an autonomy embedded in a concrete set of social ties that bind the state to society and provide institutionalized channels for the continual negotiation and renegotiation of goals and policies.'

5. The maquiladoras are 'tariff-free export processing zones established in some cases as long ago as the mid-1960s. Maquiladora plants have traditionally been viewed as offering Mexico little in development terms, except jobs in the border area where they are primarily located.' (Grugel 1996: 140-1).

6. Ruigrok and Van Tulder (1995: 7-8) have argued that it is necessary to make a further distinction within the category of firm policies in order to understand specific processes, such as international restructuring. For the present purpose, I feel, however, that the rough distinction between state and firm policies is sufficiently clear.

7. Cox' (1995) argument is based on the history of the creation of NAFTA. The same argument applies to the European Community, where a pressure group of corporate executives – the European Round Table of Industrialists, the main spokesmen of which were, among others, Philips' Wisse Dekker and Volvo's Per Gyllenhammer – has strongly supported the completion of the internal market in the mid-1980s. See Ruigrok and Van Tulder (1995: 290) and George (1996: 26-7).

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