



ORF ISSUE BRIEF

MARCH 2015

ISSUE BRIEF # 89

The Changing Contours of Regionalism and Multilateralism in a Globalised World

H.H.S. Viswanathan

Introduction

In today's globalised and interdependent world, problems have become more complex and broad-based. The burning issues of the day impact everyone. No nation can honestly claim that it is not affected by problems relating to terrorism, food or energy security, water, the environment, trade liberalisation, cyberspace or peace and security. At the same time, no nation can by itself effectively tackle these issues. They require regional or global solutions and hence the importance of both regionalism and multilateralism.

This paper attempts to look at what regionalism and multilateralism mean, their importance and evolution. With globalisation, their traditional roles are also changing. This paper re-examines the age-old question of whether regionalism helps or hinders multilateralism. It touches upon the increasing number of plurilateral groups, as well as new concepts like multi-stakeholderism. The discourse, naturally, also takes into account the Indian perspective.

Regionalism

Regionalism is loosely defined as any policy designed to reduce trade barriers between a sub-set of countries, regardless of whether the countries are actually contiguous or close to one another.¹ This definition would include new groupings like BRICS* and IBSA, as well as traditional regional organisations like the EU, AU, ASEAN and SAARC which have territorial contiguity as the main pillar. There are various arguments for regionalisation: achieving sufficient size and economies of scale,

This is an expanded version of a presentation made by the author at the Second Annual CAF-LSE Conference in London on January 16, 2015.

*Please see list of abbreviations on pp. 7-8.

Observer Research Foundation is a public policy think tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

creating a viable economic unit or a more credible entity, a means of acquiring greater strength via collective bargaining on the international scene, a means of better resource management, such as water and ecology, greater peace and avoidance of conflicts and better overall development.² Regionalisation can result due to economic factors or political and strategic factors. Normally, one feeds into the other but not always so.

The best example of regionalism is perhaps the EU which started off as the EEC and evolved. This was a great and successful experiment which ended conflicts in Western Europe, but only after two World Wars. The EU model was largely based on 'institutional' regionalism where integration was achieved by endowing specific institutions with far-reaching decision-making powers to shape the behaviour of member-states. In contrast, in region-building processes in most other parts of the world, the emphasis has been on an open-ended networked regionalism.³

Hence, the EU model cannot be blindly applied to all regions. One of the principal reasons for the success of the EEC and later EU was the presence of a common external enemy—namely, the USSR—which encouraged integration. Other factors that helped were the leveraging of US security protection, cultural unity and robust institutions. These factors may not prevail in other regions of the world.

The oft-repeated question on regional integration is: which comes first – political and security issues or economic issues. Western Europe was lucky to settle the former soon after the Second World War and get on with the latter. To some extent, this applies even to ASEAN. But in other regions such as South Asia, political and security issues have not been settled. There is a view that greater economic integration, perhaps, can act as a catalyst for settling political and security problems. This view is, however, debatable.

India's own experience with regional integration has been disappointing. There was very little regional integration in South Asia in the first four decades after India's independence. When Bangladesh proposed the concept of SAARC in 1985, India was actually sceptical for fear of being encircled by small states with the usual grievances against a big neighbour. It is also true that in the first two decades after independence India concentrated more on the global multilateral aspect of diplomacy. Indian officials were busy drafting ambitious resolutions in Geneva and New York along with other Third World countries but did little to promote trade with neighbouring countries in South Asia.⁴ This was the result of two important factors:

- (i) Cold War dynamics and India's desire to create a vibrant non-aligned forum.
- (ii) Any active Indian initiative for integration in South Asia would have been viewed with suspicion by the smaller neighbours and, certainly, opposed by Pakistan.

In the last decade, however, cooperation within SAARC has expanded, particularly on the connectivity front. The stumbling block for SAARC to achieve its true potential is Pakistan's opposition to any major regional initiative, for fear of dominance by India. The result is that after three

decades of existence, SAARC has precious little to show as achievements compared to other regional organisations. Not surprisingly, at the last SAARC Summit in Kathmandu in November 2014, the Indian Prime Minister along with some other leaders decided to go ahead with specific sub-regional initiatives which would benefit two or three of the SAARC countries, not all. These included the creation of a three-member sub-regional alliance for development and connectivity. Under this initiative, a Joint Working group of Bangladesh, Bhutan, India and Nepal (BBIN) was formed. The idea of using geographical proximity to create sub-regional platforms was first mooted in 2013 but got a fillip at the SAARC Summit of 2014. A similar group is also being envisaged for Sri Lanka and the Maldives.

Multilateralism

There are various definitions of multilateralism but the simplest one notes: “It is multiple countries working together on a given issue.” Both regionalism and multilateralism can succeed only if all the member-countries feel these are useful fora where their national interest can be promoted. Therefore, the core principle of multilateralism is to generally avoid “all or nothing” positions.⁵

The number of multilateral organisations in the world has increased considerably in the last five decades. But how effective they have been in tackling global issues is debatable.

India has been a staunch supporter of multilateralism ever since it became an independent nation. This position was prompted not only by idealism but also practical and geo-political considerations. Some of these were:

- 1) In a world dominated by powerful countries, multilateralism provided an option for protecting and projecting national interests.
- 2) Multilateral, rule-based international regimes limit, though they do not fully constrain, the resort to unilateralism which is the hallmark of great power behaviour.
- 3) Multilateral financial and technological assistance has a lower political price to be paid than bilateral assistance.⁶

There is a growing feeling among many analysts that multilateralism is losing ground and becoming weaker. This weakness has been accentuated by the process of globalisation which is further enunciated in this paper. One of the main paradoxes, as Ramesh Thakur and Luke van Langenhove observe, is that “the policy authority for tackling global problems still belong to the states, while the sources of the problems and potential solutions are situated at trans-national, regional or global levels.”⁷ When rule-based multilateral frameworks are found wanting, countries resort to other mechanisms. This is exemplified by the proliferation of Free Trade Agreements (FTAs) between countries and regions—the direct consequence of the failure of WTO to arrive at a viable multilateral framework. The problem was aptly summed up by former Indian Prime Minister Manmohan Singh when he remarked, “Non-workability of the existing structures has led to greater reliance on plurilateral groupings.”⁸

Globalisation

In the last two decades, globalisation has deeply affected both regionalism and multilateralism. Even though there have been globalisation processes in the past, the most recent one is of a qualitatively different variety. Globalisation has been defined as a vision of a borderless world organised mainly through the market principle. It is also said that globalisation is the strengthening of the functional dimension of development and weakening of the territorial dimension of development.⁹

The last 100 years have been witness to three distinct periods or waves of strong globalisation. The first period was the 50 years or so that preceded World War I. The second was during the 1950s and 1960s and the third period was with the onset of the 1990s soon after the end of the Cold War. During all the three periods, the world's output, trade and investments grew; while there were innovations in technology and communications, inequalities within and between countries grew.¹⁰

The first phase witnessed huge migrations. This did not take place in the subsequent two phases. The second phase of globalisation in the 1950s and 60s saw the movement towards regionalisation in Europe and South East Asia. The current wave of globalisation is characterised by the deep penetration of the functional market into national economies. The world has never been so interdependent. It is difficult today to identify a product as being from any specific country. It is designed in country A, assembled in country B with parts coming from countries C, D and E and sold to the whole world from a headquarters in country F with the company's majority shares held by a citizen of country G and listed on a stock exchange in country H. Manufacturing, services and investment have become closely interlinked. That is why the discourse today is not about products but about value chains. One problem with the new globalisation is that whereas capital, goods and services are global, labour is not. The effect of all these factors has been to change the contours of both regionalism and multilateralism from what they were in the past. Some scholars have even coined phrases like Regionalism 2.0 and Multilateralism 2.0. What do they actually mean? Björn Hettne identifies five differences between Regionalism 1.0 and Regionalism 2.0:

- (i) The old one was in the bipolar world and the new one is in the multi-polar world.
- (ii) The old one had a top-down approach while the new one has a bottom-up approach.
- (iii) The old one was inward looking and protectionist while the new one at least tries to be open and compatible with an interdependent global economy.
- (iv) The old had separate objectives in spheres like economy, security, etc., whereas the new one is a more comprehensive and multi-dimensional process.
- (v) The old one was concerned only with nation-states while the new one includes non-state actors, institutions and movements.¹¹

Similarly, Multilateralism 2.0 has many new features. Two major developments are currently transforming the multilateral system: one is the trend towards multi-polarity—rising numbers of new players—and the way the new players are changing the nature of the multi-polar world. Under Multilateralism 2.0, state sovereignty is being diluted in significant ways. Regional organisations, sub-

national entities and supra-national institutions are playing an increasing role. For example, since 1974, EU has been an observer at the UN General Assembly (UNGA). On May 3, 2011 UNGA upgraded EU's status by giving it speaking rights. Will this lead to opening the doors to other regional and sub-regional organisations? If that happens, what happens to the sacred principle of one country-one vote?

So far, only sovereign states have been full members of the UN. But Chapter VIII of the UN Charter mentions possibilities of cooperation with regional organisations. Article 52 states, “Nothing in the present Charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action”.¹² Certainly, this does not amount to full membership for regional organisations but with their increasing role, who knows how events will unfold?

What is the relationship between regionalism and multilateralism? Does the former encourage the latter or does it act as an impediment? Dr. Jagdish Bhagwati asked the question in 1991, “Are regional organisations building blocks or stumbling blocks for multilateralism?” In an ideal world, common sense would tell us that countries cooperate on a regional basis and regional organisations, in turn, form multilateral bodies. But, unfortunately the world is not ideal. In most regions, there are internal contradictions and individual states prefer to play both the regional and multilateral cards simultaneously. What is the effect of regionalism on a multilateral approach? On the positive side, regional organisations enable participating countries to move closer to having free trade in goods and services and thus a better understanding of one another. The regional organisations then act as 'laboratories' for multilateral negotiations. Regionalism also forces countries to take a more open view of sovereignty. Thus, regional organisations act as conduits on the road to multilateralism.

But there are also the negative aspects. Regionalism usually results in inward-looking, discriminatory and protectionist tendencies. In the field of trade, regionalism has often led to trade diversion rather than trade creation. A strictly regional approach may also stand in the way of a global and a multilateral vision.¹³ This must have been in the minds of the founders of the UN when they decided the composition of the UNSC. The permanent members were decided on the assumption that they have a global role to play and not on a regional basis.

When regional organisations speak with one voice, they have influenced multilateral decisions. One example is the UNSC Resolution 1973 on Libya which had explicit reference to the views of AU, Arab League and the OIC. Similarly, on the crisis in Côte d'Ivoire and Mali, UNSC Resolutions have taken into account the views of ECOWAS and AU. The problem arises when regions do not speak with one voice and this has been more the norm than the exception.

Plurilateralism

Some analysts have called plurilateralism “mini-multilateralism”. Plurilateral groups are formed on the basis of some common identity. This could be regional (EU, AU, ASEAN and SAARC), ideological

(OECD), ethnic (Arab League), religious (OIC), lingual (Commonwealth, Francophone), commodity (OPEC, Coffee exporters club), technology (NSG, MTCR) or size of the economy (G20). In the last decade, groups based on special common interests like BRICS, IBSA, and BASIC, have been formed under the last category. Though these “alphabet soups” may be confusing, they do serve the special purpose of addressing some specific issues. In a way, they are also a reflection of the fact that the rule-based multilateral system is not functioning as effectively as it should. Among these groups, there is a flexibility of allegiance and they resemble a series of Venn diagrams with overlapping memberships. In today's complex globalised world, this is a favourable trend and could lead to innovative ways of cooperation.

Mention should also be made of the new concept called multi-stakeholderism. This is a direct fall-out of Multilateralism 2.0. It puts the spotlight on non-state actors like the private sector, civil society groups and NGOs as equal partners in negotiations. Previously, each country would consult these non-state actors, take their inputs and participate in negotiations as a State Party. Later, on issues like WTO and climate talks, parallel meetings would be held and parallel declarations issued. The latest trend is to involve the non-state actors directly in negotiations. This was tried out at the cyber conference “Net Mundial” in Brazil in 2014 where sovereign government representatives participated along with cyber and internet experts, private sectors companies and interested NGOs and civil society groups. In such meetings, taking binding decisions becomes difficult because ultimately the implementation has to be carried out by the sovereign states. Such platforms also raise the question of legitimacy of the non-state participants and problems of access for the real stakeholders who may not have the financial resources or the clout to be invited for the meetings. The issue is: can genuine stakeholders who do not have the financial or political backing ensure their participation in the discussions?

Conclusion

In conclusion, the author would like to flag the most fundamental aspects of regionalism and multilateralism and pose the question whether in today's context these are being addressed. Both regionalism and multilateralism are not ends in themselves. They are vehicles to address issues of global governance. The rules and institutions for dealing with these fora were created 70 years ago under a different set of circumstances. The question arises as to whether, after the process of globalisation and the rise of many emergent powers combined with the decline of many of the erstwhile important powers, the time has come for an honest reassessment. Like in other aspects of life, the only constant seems to be change and if institutions and regulations do not change with changing circumstances, they could become ineffective and eventually irrelevant. It is in this context that the clamour for reforms in multilateral organisations and global governance structures becomes relevant. Some experts, unfortunately, reduce this debate to a simplistic “West versus the Rest” paradigm. The reality of today's world, however, is “the West needs the Rest”. When one talks of global governance, all the three components—values, norms and rules—are important, have to be addressed and in the right order. Then comes the role of the institutions which implement these rules.

The question of greater burden sharing by emerging powers is also relevant. But can there be meaningful burden sharing without commensurate leadership sharing? This is the question that emerging powers ask. Ideally, as Langenhove says, “In all global institutions there must be three balances, namely balance of power, balance of responsibilities and balance of representation.”¹⁴ The year 2015 will be a very important year for India for its multilateral/plurilateral engagements. There are five major meetings ahead.

- 1) The 7th BRICS Summit in Ufa (Russia) where new initiatives have to be taken to keep up the momentum of this high profile group.
- 2) The UNGA Session in September to mark the 70th anniversary of the world body where the post-2015 agenda will be finalised.
- 3) The G20 Summit in Antalya (Turkey) in November where the host country wishes to include energy and climate change issues in the agenda.
- 4) The much awaited 21st Conference of Parties to the UN Framework Convention for Climate Change (UNFCCC) in Paris in December.
- 5) The long overdue IBSA Summit which was to take place in 2013.¹⁵ The decisions and the initiatives at this summit will decide whether the three countries (India, Brazil, South Africa) can keep the group relevant and move ahead.

India, in keeping with its emerging power status, is a member of most of the multilateral and plurilateral groups. Very soon, it may also become a full-fledged member of the Shanghai Cooperation Organisation (SCO) and the Asia-Pacific Economic Cooperation (APEC). Indian diplomacy has to be prepared to manage regional and multilateral fora deftly, given the continuous changes in the relationship between the respective groups.

List of Abbreviations

APEC	-	Asia-Pacific Economic Cooperation
ASEAN	-	Association for South East Asian Nations
AU	-	African Union
BASIC	-	Brazil-South Africa-India-China
BBIN	-	Bangladesh-Bhutan-India-Nepal
BRICS	-	Brazil-Russia-India-China-South Africa
CAF	-	Development Bank of Latin America
ECOWAS	-	Economic Community of West African States
EEC	-	European Economic Community
EU	-	European Union
FTA	-	Free Trade Agreement
G20	-	Group of 20
IBSA	-	India-Brazil-South Africa
MTCR	-	Missile Technology Control Regime
NGO	-	Non-Governmental Organisation
NSG	-	Nuclear Suppliers Group
OIC	-	Organisation of Islamic Cooperation

OECD	-	Organisation for Economic Cooperation and Development
OPEC	-	Organisation of Petroleum Exporting Countries
SAARC	-	South Asian Association for Regional Cooperation
SCO	-	Shanghai Cooperation Organisation
UN	-	United Nations
UNFCCC	-	UN Framework Convention for Climate Change
UNGA	-	United Nations General Assembly
UNSC	-	United Nations Security Council
WTO	-	World Trade Organisation

ABOUT THE AUTHOR

H.H.S. Viswanathan is a Distinguished Fellow at Observer Research Foundation, New Delhi.

Endnotes:

1. L. Alan Winters, "Regionalism versus Multilateralism" Policy Research Working Paper 1687, *World Bank*, November 1999, <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-1687>.
2. Björn Hettne, "The new regionalism: Security and Development," in *Regional Integration and Multilateral Cooperation in the Global Economy*, ed. Jan Joost Teunissen (The Hague: FONDAD, 1998): 199-220.
3. Lay Hwee Yeo, "Institutional Regionalism versus net-worked Regionalism: Europe Asia compared," *International Politics* 47 (May/July 2010): 324-337.
4. C. Raja Mohan, "The changing dynamics of India's Multilateralism," in *Shaping the Emerging World: India and Multilateral Order*, eds. W.P.S. Sidhu, P.B. Mehta and Bruce Jones (Washington: Brookings, 2013): 25-42.
5. C. Raja Mohan, "Changing dynamics."
6. Shyam Saran, "India and Multilateralism: A Practitioner's Perspective," in *Shaping the Emerging World: India and Multilateral Order*, eds. W.P.S. Sidhu, P.B. Mehta and Bruce Jones (Washington: Brookings, 2013): 43-56.
7. Ramesh Thakur and Luke Van Langenhove, "Enhancing Global Governance Through Regional Integration," *Global Governance: A review of multilateralism and International Organisations* 12, no. 3 (July 2006): 233-240.
8. Dr. Manmohan Singh in his speech before the G8+G5 Summit in L'Aquila in Italy, 2009.
9. Hettne, "The new regionalism."
10. Charles P. Oman, "The Policy Challenges of Regionalisation and Globalisation," in *Regional Integration and Multilateral Cooperation in the Global Economy*, ed. Jan Joost Teunissen (The Hague: FONDAD, 1998): 221-229.
11. Hettne, "The new regionalism."
12. United Nations Charter, 1945.
13. Mala Mashayek and Taisuke Ito, eds., *Multilateralism and Regionalism: The New Interface* (New York, Geneva: UNCTAD, 2005).
14. Luke Van Langenhove, "Multilateralism 2.0: The transformation of international relations," *United Nations University*, May 31, 20011, <http://unu.edu/publications/articles/multilateralism-2-0-the-transformation-of-international-relations.html>.
15. W.P.S. Sidhu, "India's year of working multilateralism," *Live-Mint*, January 4, 2015, <http://www.livemint.com/Opinion/7KFVE49bBJ0iaPEsevbMsN/Indias-year-of-working-multilateralism.html>



Observer Research Foundation,
 20, Rouse Avenue, New Delhi-110 002
 Phone: +91-11-43520020 Fax: +91-11-43520003
www.orfonline.org email: orf@orfonline.org