

**“New Regionalism and the Construction  
of Global Order”**

Manuela Spindler

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## **New Regionalism and the Construction of Global Order**

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### **Abstract**

The paper introduces a framework for understanding the novelty of regionalism (*new regionalism*) by relating it to processes of structural change *led by agency*, acting according to new concepts and ideas. It uncovers the phenomenon as part of *change in the relationship between political authority and the logic of the market*, that is at the heart of the global political economy. It will be argued that with new regionalism, the predominant concept and thus logic and content of the old regionalism found in 'embedded liberalism' is in the process of undergoing a fundamental change. This is to a great deal due to the activities of global business actors as *globalising forces*: they 'infuse' the logic of the market into traditional, old style regionalism. The argument is put forward that global business not only is 'the master of the market', meaning that it creates regionalised and globalised patterns of economic transactions due to economic firm strategies. As a powerful actor, global business increasingly creates and promotes new *concepts of the political framework* wherein their activities should be embedded. These are concepts that envision a regionalised world that sharply contrasts to the one we used to live in so far. Two cases will support the argument: the role global business actors - acting via the European Round Table of Industrialists – play with regard to the European Single Market and similar activities of global players within the APEC process. At the end, the paper will discuss a trend new regionalism might take: towards a world in which regions converge on the model of the *competition region*.

Keywords: New Regionalism, Old Regionalism, World Order, Global Business, European Single Market, APEC, ERT, ABAC, PBEC, PECC

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## I. Introduction<sup>1</sup>

The world we are living in is a regionalised world. With the European internal market, the North American Free Trade Area (NAFTA), Asia Pacific Economic Cooperation (APEC), or the Southern Common Market (MERCOSUR) - just to mention a few - the global political economy is divided into *regions*. As manifestations of what came to be called *new regionalism* they are attracting the attention and interest of a broad academic community since the early 1990, leading to an increasing amount of studies in fields as diverse as economics, geography, International Relations and International Political Economy as well as studies of identity and culture. This is against the background that until then regionalism was not a very fashionable subject, having declined from a rather prominent position in the 1950s and 1960s.

The question this paper asks is: What is new about regionalism? Is it best conceived of a revival of an older idea to be grasped with the 'traditional' analytical instruments of older integration theory, ready and waiting to be applied to more or less the same phenomenon under different circumstances? Or is there something deeper to the novelty of the phenomenon, requiring innovative theoretical approaches ?

The argument put forward in this paper is that most accounts of the phenomenon of new regionalism are too static and fail to grasp the novelty of regionalism as part of a fundamental *structural transformation and change* in the global political economy. New regionalism is not only *new* in the sense of a revival or renaissance of regionalist tendencies in terms of the fashionable creation of regional institutions, heralding the return of an old and well known *form* of the phenomenon since the mid-1980s. More important, it is the *purpose* and *content*, or the underlying *logic* of regionalism that is changing and in the process of undergoing a fundamental transformation. *Old regionalism* has usually been associated with the *protectionist provisions* of the so called embedded liberalism that characterised the post-war world. Still, the phenomenon of new regionalism is seen as a protectionist measure *while at the same time being associated with openness* (open regionalism). This indicates a rather contradictory or even paradoxical nature of new regionalism and is linked to the question often asked about the relation between new regionalism and globalisation. It is answered in

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<sup>1</sup> For a substantially revised version of this paper which links the discussion on new regionalism to the

many ways: from regionalism being a ‘stepping stone’ to regionalism being a ‘stumbling block’ with regard to globalisation. Studies come to the (rather inconclusive) conclusion that new regionalism may "represent globalisation" or attempt to ride on it, to regulate it or to resist it (Hveem 2000: 71).<sup>2</sup>

At the basis of this paper is the conviction that new regionalism indeed carries all of this. The tendencies are not mutually exclusive but rather coexist: as competing conceptions of a range of actors engaged in regionalism. It proposes a way to split up the phenomenon, to separate the competing tendencies inherent in new regionalism and to assess their relative strength.

The paper introduces a framework for understanding the novelty of regionalism by relating it to processes of structural change led by agency, acting according to new concepts and ideas. It uncovers the phenomenon as part of change in the *relationship between political authority and the logic of the market*, that is at the heart of the global political economy - using Polanyi's work as a framework of understanding. New Regionalism is regarded as a conceptual entry into the problem of world order. It argues that with *new* regionalism, the predominant concept of regionalism inherent in the social order of ‘embedded liberalism’ is changing. With a regionalised world basically prevailing, it is the logic and content underlying this regionalised world that is changing. This re-definition is a cognitive part of the process whereby the interrelation between the market and (global) political order is restructured.

It is shaped and designed by agency. Based on an understanding of regionalism as a complex and in itself contradictory and paradoxical phenomenon brought about by competing tendencies and concepts attached to the activities of a range of actors, the paper will make an argument about the ‘*share*’ of *globalising forces*. Global business actors are regarded as potentially transformative agents. It is those globalising forces that ‘infuse’ the logic of the market into ‘traditional’ regionalism. Thus, the argument is put forward that global business does not only act as ‘the master of the market’, i.e. creates regionalised and globalised patterns of economic transactions due to economic firm strategies. As a powerful actor, global

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convergence – divergence debate see Spindler (2002)

<sup>2</sup> For the ‘stumbling block’ view see inter alia Lloyd (1992), Hart (1992), and Hirst and Thompson (1999). For the ‘stepping stone’ or ‘building block’ view see inter alia Anderson and Blackhurst (1993), Dicken (1998), Gamble and Payne (1991), Mittelman (1999), and Hanson (1998).

business increasingly creates and carries forward new concepts of the political framework in which their activities should be embedded. These frameworks envision a regionalised world that sharply contrasts to the role so far played by regions.

To develop the argument, the paper proceeds as follows:

In the next step (**part two**) the phenomenon of regionalism will be approached by providing the guiding definitions and understandings. Adopting a social constructivist ontology, regionalism will be introduced as a world view and political discourse.

The **third part** inquires about the logic of *old regionalism* as the predominant view of a regionalised world in the post-war international order of embedded liberalism. It starts off with the question how the global economy is organised politically, i.e. the question of the form and content of social order in which the market is embedded. It is answered by drawing on Polanyi who identifies two sets of forces or logics as the driving forces of a political economy: the logic of market expansion and the need for political control (protectionism). The specific relationship of these two logics inherent in what Ruggie called the post war order of embedded liberalism will be discussed. It basically was an international order based on the logic of the welfare state that prescribed an interventionist, protectionist role of the state, thus constraining market forces. The argument will be brought forward that the logic of regions in such an order was the logic of the protectionist region.

**Part four** then raises the question of transformation and change. Is there a *new* regionalised order in the making? It starts with an acknowledgement of the growing importance of global business as a non-state actor in governing the global political economy. It argues that global business actors increasingly interact ‘outside the market’, in social settings of clubs and forums where they meet at the highest level of Chief Executive Officers (CEOs) and Chairmen of global operating multinational firms. These meetings are considered to be sites where new concepts and ideas about the kind of political-economic global order preferred by business are created. The section suggests a social constructivist approach to investigate into those concepts. Arguing that global business contributes to a globalisation and marketisation of the former protectionist regionalism, two case studies will be introduced. The first is discussing the role of the European Round Table of Industrialists (ERT) with regard to the

European internal market, the second the role of business in fora such as the APEC Business Advisory Council (ABAC) with regard to Asia Pacific Economic Cooperation.

The paper concludes (**part five**) by envisioning the trend regionalism takes: towards a regionalised world as a *world of competition regions*.

## **II. Regionalism: Images of a Regionalised World in Discourse**

At this point, some clarification is needed as to what exactly we mean when talking about regionalism. Unfortunately, most of the studies rather contribute to a confusion of the definitional issue. What is striking is that quite often the terms *regionalism* and *regionalisation* are used interchangeably. There are only a few studies that explicitly point out a difference between regionalism and regionalisation. It will be shown that to distinguish between both is not only crucial for the argument put forward in the paper but in general for the purpose of analytical coherence. The confusion in definitions to a great deal contributed to obscure the phenomenon of new regionalism.

**Regionalisation** "refers to the growth of societal integration within a region and the often undirected processes of social and economic interaction" (Hurrell 1995: 334). At the economic side, regionalisation means almost autonomous, spontaneous empirical processes (processes of the market such as private trade and capital flows, strategies of firms such as mergers and acquisitions, the development of firm networks and strategic alliances) which within a specific geographical area lead to increasing regional economic interdependence and regionalised patterns of economic transactions. To put it concisely: regionalisation refers to those processes that actually build *concrete patterns of economic transactions* within an identified geographical space (Hveem 2000: 72).<sup>3</sup> They indicate rising economic interdependence and can be measured. However, to say that regionalisation proceeds autonomous and spontaneous does not mean that it is totally detached from politics. It might be but not necessarily has to be the result of regionalism.

There is empirical evidence *in terms of economic data* that the world economy has become increasingly *regionalised*: the experience of the 1990s has been one of increasing regional

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<sup>3</sup> An example is the rise of production networks in Asia.

concentrations of trade flows (intra-regional trade), meaning the percentage of countries' exports and imports going to and from other countries within the region has grown (Tussie and Woods 2000: 68).

However, economic data also provide evidence that this coincides with increasing processes of the globalisation of trade and capital flows: regionalisation obviously is not at the expense of the globalisation of economic activity (Ruigrok 2000: 320). The world economy at the same time becomes globalised AND regionalised.

A study of *regionalisation* would imply investigations into the role of business in a specific geographical area such as firm strategies that regionalise the flows of goods and capital, or investment decisions in a specific geographical area called region. Multinational enterprises have played a crucial role in increasing transborder transactions: on both the regional and global level (Ruigrok 2000: 320). They are important driving forces behind *policies* of deregulation and liberalisation of the global economy to facilitate their strategies. This leads us to the second definition: regionalism.

For Hveem, **regionalism** is "the body of *ideas* promoting an identified geographical or social space as the regional project. Or it is the presence or the conscious construction of an identity that represents *one specific* region. It is usually associated with a policy program (goals to be achieved) and strategy (means and mechanisms by which goals should be reached), and it normally leads to institution building" (Hveem 2000: 72, emphasis in the original).

With regard to definition, Hveem's view reflects three issues common to most approaches on regionalism: a focus on a *particular geographical area* (region), a *particular regional project* attached to it and its institutionalisation through the negotiation of free trade areas or common markets as regional arrangements: "The wide variety of regional organizations formed from the mid-1980s onward belong to what has been termed the 'new regionalism'." (Stubbs 2000: 232) Basically, in most studies regionalism is associated with *state-led projects* leading to formal regional institutional arrangements.

The definition adopted in the paper goes beyond the focus on particular regional spaces and their regional projects and in the first step approaches the phenomenon from a more abstract, *cognitive* angle:

"**Regionalism** is a set of *cognitive practices* shaped by language and political discourse, which through the *creation of concepts, metaphors, analogies*, determine how the region is defined." (Jayasuriya 1994: 411, emphasis M.S.)

Those concepts, models, metaphors are understood as "prescriptions or as moral positions or a doctrine of *how international relations ought to be organized*" (Hurrell 1995: 334, emphasis M.S.).

This view basically establishes regionalism as a cognitive construct: *a normative view of the world as a regionalised world*. A regionalised world can be further specified with regard to the logic, content or purpose regions take within such a world. Thus, different 'versions' of what is basically a regionalised world are imaginable. Therefore, regionalism is not only defined as a world view but in the second step is understood as *political discourse* within which *different concepts of regionalism* (regionalisms) are created and compete.

Going back to the traditional definition provided above, regional arrangements then are mere *manifestations* of a broader underlying ordering principle.

Both parts of the definition of regionalism reflect the *ontological point of view* taken in the paper: It basically adopts a social constructivist perspective that grants explanatory power to non-material factors such as world views, concepts or ideas. However, these world views, concepts or ideas are not floating freely but are bound to actors.

To sum it up,

*Regionalism is a world view, carrying at the core the idea of the world as a regionalised world. As such it is one out of a range of possible concepts of world order.*

*According to content and logic attached to regions in a regionalised world, there are different views of a regionalised world that can be identified. They are bound to actors and are created and compete in regionalism as political discourse.*



*As a world view and dominating concept in regionalism as discourse we could think of different regionalisms in particular (historical) periods of time, with emphasis on particular spaces and carried forward by particular groups of actors.*

The aim of the broader study on which the paper is based is:

First, to investigate into the ‘nature’ of regionalism as a concept of world order. Second, to uncover the discursive processes of creating concepts of a regionalised world and to identify the competing conceptions and their carriers, that is to ask for the normative content of those concepts and to reveal their instrumental dimension (the rationality of action inherent in those concepts). Third, to assess their relative strength. However, as indicated the paper only deals with the concepts of a one specific type of actors: global business.

The following section is an investigation into the content of ‘old regionalism’ as the predominant view of a regionalised world in the post-war international political economy of ‘embedded liberalism’.

### **III. The Regionalised World of Embedded Liberalism**

#### **III.1. The Politics and Economics of World Order: A Polanyian Understanding**

There is a consensus about what conventionally constitutes the fundamental concern of (international) political economy: the interaction of the state and the market, or, in different terms, politics and economics. This view is widely compatible with differing theoretical perspectives or paradigms (Gilpin 1987, Strange 1988, Gill and Law 1988, Hettne 1995).

One of the core questions International Political Economy (IPE) asks is *how the world economy is organised politically*. Reading Polanyi’s work (1944) offers a promising starting point to answer this question and to investigate how the economy is being embedded in broader politically constituted, social and legal institutional frameworks within which political and economic activities take place (Ruggie 1998: 23, Cox 1995: 32). It is based on the assumption that in order to function, a market and particularly a global market, presupposes some kind of social order.

In critical IPE, this question is presented as a concern of *world order*. According to Hettne, in IPE theory world order is usually defined as an "arrangement which provides the necessary framework for sustained transactions in the world economy" (1999: 19-20). There are *specific solutions* to the problem of world order at a particular point in time: world orders are historical.

Polanyi's work is inspiring for thinking about how those solutions could look. His analysis of capitalism in the nineteenth and twentieth centuries provides a view of the modern society as the result of basically two forces or logics: the logic of market expansion and of attempts for self-protection by society against the disruptive and destabilising effects of the market, in effect creating a specific balance between economics and politics, or laissez-faire and protectionism. This has to be understood as a 'dialectical process' of capitalism, called 'double movement'. The 'first movement' are attempts to impose the utopia of the self-regulating market (i.e. to disembed the economy from society so as to allow the market to function without social or political constraints). The second movement is the reaction of society to bring the market under social and political control (such as introducing factory legislation, social insurance etc., culminating in the welfare state) (Polanyi 1944). Thus, it is a mutual relationship between politics and economics, the state and the market, protectionism and laissez-faire, or political authority and the market.<sup>4</sup>

In this paper, the Polanyian understanding is picked up and the term political economy is used to describe the (changing) relationship between the market economy and forms of political authority in which the market is embedded. Political interaction then is "the means by which economic structures, in particular the structures of the market, are established and in turn transformed" (Underhill 2000: 4). It implies an understanding of the market and political authority as part of the same "integrated ensemble of governance" (Underhill 2000: 4), not as separate entities or principles of social organisation.

Order is reflecting a particular balance of both as a persistent pattern over time. How this relation looks like for the political economy of embedded liberalism and what position regions hold therein will be provided in the next section.

### III.2. Regions in Embedded Liberalism

Basically, it is the global regimes for money, finance, and trade that constitute the framework of the international political economy. They build the institutional skeleton of the particular 'type' of international order developed after World War II that tried to reconcile an open world economy with an active role of the state in the domestic realm. Ruggie called it "embedded liberalism" (1982). As a social order, embedded liberalism purposefully has been created with the intention to constrain "orthodox liberalism": "In the organisation of a liberal order, pride of place is given to market rationality." Here, "...authority relations are constructed in such a way as to give maximum scope to market forces rather than to constrain them" (Ruggie 1998: 78, 63-64). As a *domestic and international order*, the model of the embedded economy is characterised by setting limits to the freedom of market forces through political intervention (such as restrictions of short-term capital flows in the Bretton Woods systems, social provisions to secure incomes etc.) This special balance between economics and politics has been institutionalised in the international system of economic multilateralism. It is predicated on *domestic* intervention: "Keynes at home and Smith abroad", as Gilpin puts it (1987: 363). The "generative grammar" of politics or (international) political authority inherent in this 'compromise' represents a "fusion of power with legitimate social purpose" (Ruggie 1998: 64). With the shared purpose prescribing the domestic social and economic role of the state as the Keynesian or social democratic *welfare state* of the post-war era (Ruggie 1998: 84; Lacher 1999b: 356).

With regard to the world trading system, for a number of decades trade was shaped by a particular combination of liberalisation and protection. The GATT made obligatory the most-favoured-nation (MFN) rule, but an exception from the cardinal principle of MFN was allowed for areas such as the regulation of commodity markets, restrictive business practices and international investments to protect a variety of domestic social policies, i.e. to serve Ruggie's 'legitimate social purpose' (Curzon and Curzon 1976, Gardner 1980). Furthermore, it explicitly allows for regional trade arrangements (customs unions and free trade areas) under article XXIV of the GATT (and its updated version in the WTO), under part IV of the GATT, relating to economic development adopted in 1965 and under the enabling clause of the Tokyo Round in 1979 (exempting developing countries from many GATT obligations and allowing them to engage in preferential trade among themselves and to receive preferential

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<sup>4</sup> As representations of the same logic, these 'pairs' are used interchangeably throughout the paper.

treatment by developed countries) (WTO 1995: 7). It is here where embedded liberalism is manifest in regionalism. However, it is not a blanket exception that is given with regard to MFN but is bound to certain criteria that have to be met by customs unions and free trade areas to qualify under the provisions of article XXIV of the GATT: "substantially all trade" among members of a customs union and a free trade area must be free and post-union or post-free trade area barriers on trade with non-members are not allowed to be more restrictive than those applied by members before their forming a customs union or free trade area (WTO 1995: 8-9). Any regional arrangement is required to be notified to the GATT and subject to examination by a working party. Interestingly, out of ninety-eight agreements notified under article XXIV between 1947 to 1994 only six were considered to be compatible with GATT rules of which only two are still existing (Srinivasan 1998: 331).

The very fact of exemption provisions for regional agreements under article XXIV of the GATT and the PRACTICE of regionalism are reflecting the embedded liberalism of the post war order. Regionalism basically was associated with protectionism, i.e. the closing up of regions to their international surrounding, the keeping of tariff and the new creation of non-tariff barriers to non-members for purposes such as the protection of vulnerable industries.<sup>5</sup> The purpose of protectionism thus basically was to contend with the social externalities of the global market. The 'logic' of the welfare or protectionist state is understood as the *dominating type of political authority* under embedded liberalism. It had a *regional dimension* (Hettne 1997: 225; 1999: 7).<sup>6</sup>

In sum, the ***regionalised order of embedded liberalism was an introverted, protectionist form of regulating the global market economy*** at the level of state and region. The region of embedded liberalism is a ***protectionist region***. It is a manifestation of the victory of the interventionist, or welfare logic of the state over the pure market economy.

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<sup>5</sup> For Third World integration schemes regionalism basically was a strategy of collective self-reliance, typically leading to policies of import-substitution industrialisation with goods formerly imported then produced locally. See inter alia Amin (1999).

<sup>6</sup> The idea of the welfare state as the dominating 'type' of political authority is inspired by reading Palan (2000: 140). However, he is using it in a different sense. For Hettne, the logic of the state was *applied* to the region (Hettne 1997: 225). The position in this paper is that it rather *necessarily reflects* that logic. This is because regions and states in *substance* are part of the same "integrated ensemble of governance" of political authority and the market (Underhill 2000a: 4). They only take different (geographical) *forms* but reflect the same 'type' of political authority.

## IV. New Regionalism: A New Regionalised Order in the Making?

### IV.1. Business Actors and the Retreat of the State

With reference to the work of Polanyi, in critical theory globalisation is seen as a return to the ‘market utopia’ or the ‘disembedding of the market’, transforming the relationship between political authority and the market by strengthening the position of the latter (Lacher 1999a,b). This involves a re-definition of the role or ‘logic’ of the state due to a change in the balance between the market and political authority, moving from the welfare or protectionist state to the competition state (or neoliberal state) (Cerny 2000: 120). The ‘logic of the competition state’ with regard to the domestic dimension is to pursue "...*increased* marketisation in order to make economic activities located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational terms" (Cerny 2000: 122-123, emphasis in the original). Compared to the role of the state under embedded liberalism this is actually a ‘retreat of the state’ from the market (Strange 1996), or a ‘withering away of the state’ (Ohmae 1990).<sup>7</sup> Here, *market forces* increasingly become important *sources of authority* in the global political economy, both in the domestic, regional, and global realm (Higgott et al 2000b; Cutler et al 1999c; Hewson and Sinclair 1999).<sup>8</sup>

This is striking with regard to the role *global business actors* play. The term ‘global business actor’ here is applied to private sector corporate actors that control operations or income-generating assets in more than one country, i.e. multinationals (Jones 1996: 4). Their importance since the second half of the 1980s has increased dramatically, manifest in the increase in their foreign direct investment activities, and their control of a growing share of international trade flows (partly through intra-firm trade) both of which are more and more beyond control by governments (Ruigrok 2000).<sup>9</sup>

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<sup>7</sup> However, as Cerny (2000: 120) notes, it is not the state as an institutional structure per se that is withering away. It is the logic inherent in the state as a form of political authority that is changing.

<sup>8</sup> More generally, a wide range of *non-state actors* increasingly possesses capabilities to structure and govern the global political economy. There are basically two types: private sector corporate actors (MNCs and TNCs) and NGOs (Higgott et al 2000: 1). The term ‘market forces’ is applied to private sector corporate actors throughout this paper.

<sup>9</sup> Since the early 1990s, there is a vast amount of literature on the phenomenon of the multinational corporate form (mainly in the field of industrial organisation as a subfield of economics focussing on market structures, factors that drive investment decisions, competition, business organisation such as intra-firm restructuring, building of strategic alliances etc.). There are only a few studies that integrate political aspects (Stopford and Strange 1991, Eden and Potter 1993, Strange 1997, Dunning 1993). This is against the background that since 1970s interdependence analysis and marxist studies there was rather ‘silence’ with regard to analysing the role of MNCs.

Recent studies acknowledge the important political role those global business actors play in the global economy (Cutler et al 1999c). The *political infrastructure* advocated by those market forces is intended to support and promote further moves towards globalisation. Indeed, it is *frameworks of governance for international economic transactions* that are increasingly created by private sector actors (and NOT by states or international institutions): the setting up of private sector regimes that create areas of rule-making, standards-setting and organisation of industrial sectors.<sup>10</sup> Here, it is individual firms that are establishing international frameworks for their economic activities, now captured with the concept of "*international private authority*", as a *market-oriented source of authority* (Cutler et al 1999a: 4-5).

Apart from that, firm strategies such as the increasing number of strategic alliances and joint ventures of firms as well as the evolution of firm networks, constitute sources of governance (Portnoy 2000).<sup>11</sup>

This is accompanied by an increase in business lobbying activities at the international level, mainly done by business associations, representing their members to decisionmakers on issues of importance to industry (Cutler et al 1999a: 12).<sup>12</sup> Furthermore, there are more and more 'official positions' of firms and business associations within domestic political structures (such as industry advisory panels) or within international institutions (such as the APEC Business Advisory Council or the EU Competitiveness Advisory Group).

With regard to the multilateral trading system, private sector actors played a key role in promoting policies that stood for a more and more liberal trading order with new political-legal (or what Gill calls "constitutional") arrangements put in place (Gill 1995: 72; Underhill

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<sup>10</sup> See the collection of essays in Cutler et al 1999c, especially the contributions of Sinclair on bond-rating agencies that have an unprecedented influence over fiscal policy and are increasingly relied upon in international bank regulation, Sell on multinationals and the globalisation of intellectual property rights in the Uruguay Round, Spar on private rules of online commerce that govern the activities of internet participants, and Salter on the regime for communication and information technologies.

<sup>11</sup> See also the discussion on multinational companies and the establishment of international rules and on international restructuring of production in Higgott et al (2000b), part II and III.

<sup>12</sup> Examples being inter alia the International Chamber of Commerce, the American Business Council, or UNICE.

2000: 113), the process being *underpinned* by strategic decisions of firms that led to patterns of increasing international interdependence (regionally and globally).<sup>13</sup>

*In their activities, firm leaders increasingly interact outside of the market, in a social setting. A consequence of the evolution of multinationals is the gradual emergence of an internationalised managerial élite and their meetings in informal clubs, mainly at the level of CEOs of the most globalised and strongest transnational corporate players. These meetings could be seen as sites for the discussion and creation of new concepts and ideas, concerned with the kind of global political-economic order preferred for the conduct of their economic transactions.*

Examples where such discussions take place are the Mont Pèlerin Society, the Trilateral Commission, the Bilderberg Meetings, or the Evian Group.<sup>14</sup>

Increasingly, a need of "formulating, *philosophically and pragmatically, a fundamental set of beliefs as the foundation of the economic order for the century ahead*" (Evian Group 2001: 1, emphasis M.S.) is articulated. Leaders of multinational firms do not only have 'visions' of the organisation of its home base and its foreign activities, or the role of external actors such as banks, trade unions and most importantly governments with regard to the creation of value added (Ruigrok 2000: 324), but also *political visions*. It is an omission to consider them as actors basically being engaged in economic transactions, as 'masters of the market'. The political framework needed in order to make a global market function is a matter of intense discussions in those circles. In that the role of business goes beyond the realm of strategic firm decisions that lead to changing patterns of economic transaction on a global and regional basis or the establishment of private economic regimes in specific sectors.

Their concepts and ideas are important given the view that the liberal trading order is a market phenomenon AND result of state decision making: a site where state and market

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<sup>13</sup> For example, see Sell (1999, 2000) on the role of the Intellectual Property Committee (twelve business representatives of the most globally competitive industries such as General Electric, Pfizer, and IBM) in bringing about the TRIPs agreement and private sector actors' role with regard to the GATS.

<sup>14</sup> Membership is not exclusively on business level. See van der Pijl (1995) and Gill (1991) for the Mont Pèlerin Society, the Trilateral Commission and the Bilderberg Meetings. The aim of the Evian Group (established 1995 as basically a 'club of free traders') is to "provide intellectual ammunition for the strengthening of the open

actors are engaged in a governance dialogue (Underhill 2000: 115). This is both at the global level of multilateralism as well as at the regional level. This dialogue potentially is a process wherein world views involving *structural change* are articulated (Gill 1997: 7).

The following section argues that the normative view of regionalism expressed by business articulates structural change. Business circles envision and advocate a regionalised world that starkly contrasts with the ‘old regionalism’ of embedded liberalism.

#### **IV.2. The Regionalised World of Global Business (A Research Project)**

With the 1995 updated version of GATT and the new GATS under the WTO almost nothing with regard to the provisions for regions has changed. They continue to reflect the tension between discrimination as a feature of regional schemes and the principle of non-discrimination that caused the (agreed) protectionist flavour of regionalism under the embedded liberalism compromise (Srinivasan 1998: 333). However, the welfare state is gone and thus the ‘legitimate underlying social purpose’ (as Ruggie called it) that has been manifest in the protectionist logic of political authority at the domestic and regional level.

The argument is that regionalism is part of the move towards the competition state with market actors infusing old regionalism with a new logic, thus *globalising* and *marketising regionalism*. Business operating globally acts as a transformative agent, advocating a *new* regionalised world.

"In attempting to adapt to a range of complex changes in cultural, institutional and market structures, both political and market actors are increasingly seeking, directly or indirectly, wittingly or unwittingly, *to reinvent political structures* and institutions in a wider global context." (Cerny 2000: 117, emphasis M.S.)

As a political-economic actor global business has been absent from analyses of regionalism processes which is largely due to the fact that global business (as firms with large scale multinational production) basically rose to prominence in the 1970s when the ‘first wave’ of

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international economic order and the enhancement of the liberal international economy" (Evian Group webpage).



regionalism had already come to an end (Ruigrok and van Tulder 1995: 128-130).<sup>15</sup> Since then, globally competitive firms in almost every region of the world are emerging (Smith 1999: 7-8). However, business actors, for whom the regional option is the only option to reach out to external markets (such as small and medium-sized firms), naturally were in favour of old style regionalism, seeking protectionism against competition from international players (Milner 1988). This also applies to European firms that internationalised some five to ten years later than US firms. The majority of European firms only started large scale multinational production through the 1970s. Until about the mid-1980s, they focused more on the European continent, creating a regional division of labour and lobbying for a European regionalism with a protectionist outlook (Ruigrok and van Tulder 1995: 128-130).

Against this background, the increasing interest *global business players* show with regard to regionalism since the mid- late 1980s is a new phenomenon and - given the traditional understanding of regionalism - a paradox: why should globally operating business as the most consistent protagonist of globalisation and a multilateral trading system be in favour of arrangements that in fact constitute exemptions from the rules guiding the *liberalising* trading order?

At the level of CEOs, over the last couple of years global business players unfold a range of activities directed towards regional projects. This happens in fora such as the European Round Table of Industrialist (ERT), directed at the European internal market, the Pacific Basin Economic Council (PBEC) or the APEC CEO Summits with regard to the APEC forum, or the Business Network for Hemispheric Integration (BNHI) promoting a Free Trade Area of the Americas (FTAA). The CEOs involved are leading industrialists of global operating firms such as Unilever, TotalFinaElf, ThyssenKrupp, Nestlé, Philips, ICI, Royal Dutch/Shell, Bayer, or Siemens in the European case (ERT webpage). Citigroup, TotalFinaElf, General Motors, Shell, HSBC, Mitsubishi Corp. AIG, Hyundai, Samsung, Fujitsu, Goldman Sachs, Allianz, or McDonalds are active in the Asia Pacific (APEC CEO summit 2000: 2000a).

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<sup>15</sup>However, some European companies (Royal Dutch/Shell, BP, Philips and Unilever) had multinational operations before the Second World War (Ruigrok and van Tulder 1995: 128-130).

The influence those actors had for the launching of the *particular* regional projects has been shown above all with regard to the European internal market (Cowles 1995, van Apeldoorn 2000).

Here, their activities are discussed as a matter of *global order* with the particular projects only being case studies to support a more general argument. Global order has been introduced in this paper as a question of how the world economy is organised politically, i.e. as a matter of the political frameworks within which the economic activities of the market are embedded and market forces thus constrained. Forces of the market and political authority have been understood as part of the same 'integrated ensemble of governance', governing the global economy. A specific pattern of their relationship is manifest in the structural features of the political frameworks, both with regard to material matters and the *prevailing concepts or ideas* (as embedded in structures) (Cox 1987). As Ruggie noted for the postwar order of embedded liberalism, it was more than standards of behaviour and rules of conduct. It also established *intersubjective frameworks of meaning of what these regimes were intended to accomplish* (Ruggie 1998: 21). This meaning is undergoing a fundamental change with the 'logic of the competition state' taking over. As part of this, the prevailing meaning of regionalism as a world view is undergoing a transformation. The argument is that business actors' view of a new regionalised world *contributes* to this change.

An understanding of change in global order as partly caused by the creation of new concepts and ideas requires a *social constructivist approach* (Neufeld 1995: 88-91). In particular, it is a constitutive and methodological collectivistic/holistic mode of explanation - focussing on the reciprocal relationship of actors and structures - that is adopted in order to be able to explain transformation and change.<sup>16</sup>

"Constitutive reasoning involves asking how features of the social world are constituted, that is to say how, for example, ideas constitute the meaning of material forces, and social structures constitute actors with identities and interests." (Smith 2000: 157)

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<sup>16</sup> In contrast, a causal and methodological individualistic approach - assuming that facts about social relations and about social phenomena can be explained in terms of facts about individuals - won't tell much about the creation and competition of world views. In such a mode of explanation actors strategically construct the world according to their interests (assuming identities and interests of actors to be exogeneously given) (Wendt 1999).

The ideas or world views held by business actors are understood as collective representations or collective ideas with an autonomous explanatory power (in the tradition of the sociology of knowledge). The explanatory power differs from methodological individualist approaches in that collective representations are not reducible to knowledge and the ideas of single individuals (in contrast to 'common knowledge'). While 'common knowledge' is useful to explain concrete action, collective knowledge is useful to explain *systemic tendencies* (Wendt 1999: 159-164, emphasis M.S.).

The paper shares the social constructivist conviction, that - as collective representations - "intellectual constructions (...) help to shape the course of the trend" (Scholte 1995: 49).

So what is the 'course of the trend' that regionalism follows? Change thus does not mean the immediate replacement of one order by another but rather is brought about by agents acting according to new concepts and ideas over time. Thus, new structures in terms of concepts arise within existing dominant structures, displacing formerly dominant structures, retaining some of their features and transforming other features (Cox 1995: 35).

Of interest therefore is the relationship between new concepts and the 'real world', i.e. the existing dominant structures, and thus the *possibility of change*: some future conceivable world.

Concepts, world views or ideas are only accessible at the level of *representation*, expressed by language in text or speech.<sup>17</sup> It is argued, that the *content of business' image of a 'regionalised world'* basically is a *collective representation of free market logic*. Ideas of *competitiveness* and *openness* are at the core of this view.<sup>18</sup>

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<sup>17</sup> An example for a concept of global order at the level of representation are the ideas on a New International Economic Order that have been discussed in the North-South Dialogue throughout the 1970s. They expressed a Third World preference for authoritative as opposed to market-oriented modes of allocation, implying a redistributive order similar a national welfare state model (see Krasner 1985).

<sup>18</sup> At the core of the empirical part of the research project is an investigation into the world views held by CEOs of multinationals engaged in activities in the regional business circles targeted on the regional projects of APEC and the European internal market (i.e. PBEC, ABAC, ERT and the CAG). On the methodological side this involves content analysis of their publications (policy reports and papers), statements and speeches, questionnaires and expert interviews to a) assess their views at the level of representations, b) to assess their self-perception and the perception of business' role by other actors, and c) to get an idea of the 'organisational dimension', i.e. of the discourse fora (global and regional) where their concepts and ideas are created and compete with alternative ones. Interpretation and discourse analysis are useful to grasp constitutive relations. However, at this point only some basic lines to think about the role of global business should be indicated.

This is clearly to be seen in the role the ERT plays with regard to the European internal market.<sup>19</sup> The ERT has been identified as the major policy actor behind the single market initiative (Cowles 1995; Holman 1992; Apeldoorn and Holman 1994) and a crucial force setting a *trend towards openness* that European regionalism within the single market follows since then. The initial purpose of the group was to develop projects which should promote an internal market, and to provide an "alternative form of job and wealth creation" to that offered by member states, which were seen as too costly for their corporate operations in the face of international competition (Cowles 1995: 505). The creation of a unified European market was advocated because it would allow European firms to become more powerful competitors in world markets, based on the idea of economic renewal through economies of scale. It reflects the shared belief in the new supply-side and privatisation orthodoxy.<sup>20</sup> While in its first years the ERT was been dominated by import-competing firms for the European market, demanding a strong European home base (protected by import-quota or other forms of interventionism, i.e. *the old protectionist model of regionalism of embedded liberalism*), there has been a change since the late 1980s towards a "globalist" orientation, leaving the old "Europrotectionist" trend behind (van Apeldoorn and Holman 1994).<sup>21</sup>

Since then, *competition, free market integration and neoliberal deregulation* are at the core of ERT's view of internal market regionalism: "Industry wants a strong Europe in a growing world economy, which cannot be achieved by building a fortress closed against our neighbors. The largest companies of the European Round Table operate on a global scale and can clearly identify the causes of declining competitiveness. (...) Industry ... expects more open access to world markets, in return for giving our competitors better access to the Single Market in Europe." (ERT 1993: 10, 14)

Or in other words:

"We [European Business, M.S.] ask for a level playing field with our competitors. They already enjoy more flexible operating conditions and a more positive climate for innovation

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<sup>19</sup> The ERT was founded in 1983 under the chairmanship of Pehr Gyllenhammar, Chief Executive Officer of Volvo. ERT members are leading industrialists - Chairmen and CEOs of large multinational companies with significant manufacturing and technological presence worldwide. For the members see <http://www.ert.be>.

<sup>20</sup> See the ERT vision of an open European market in their report *Changing Scales* (ERT 1985).

<sup>21</sup> For van Apeldoorn and Holman, the new globalist orientation is related to the merger with the Groupe des Prèsidents des Grandes Entreprises Européennes in 1988, resulting in an expansion of ERT membership now

outside the Union. *This means less regulation for us, because it cannot mean more regulation for them.*" (ERT 2000b, emphasis in the original).

*Competitiveness* has been the key word from the start of ERT. Stressing that most ERT members operate on a global scale, the ERT constantly passes on proposals for reform of EU competition policy to EU institutions and governments, such as more recently in their message to the Stockholm European Council in March 2001 (ERT 2001) or in their proposals presented to Commissioner Monti in December 2000 (ERT 2000a). It urges the Commission to define the world market as the "relevant geographical market" and to examine barriers from a worldwide perspective rather than sticking to the old narrow definition of EU markets as this constrains business' ability to invest and compete in global markets. (ERT 2000a, 2001). Furthermore, they stress the need of an "economics-based" interpretation of competition law. (ERT 2000a).

The Competitiveness Advisory Group (CAG) that was set up in February 1995 is often seen as an example of the "institutionalisation" of ERT access to EU decision-making structures with the reports published by the CAG closely reflecting ERT's views on competitiveness (Balanyá et al 2000: 33).<sup>22</sup>

The ERT can be seen as a driving force of what principally is a neoliberal restructuring of the European economy. With the previous paradigm being based on the old consensus on the role of protectionism and intervention (i.e. governmental responsibility for full employment and a welfare net), the new paradigm started to undercut the old consensus on the welfare state, questioning former economic redistributive and social economic policies in the EU economic regime (Wallace 1996: 20).<sup>23</sup>

ERT members present and promote their views actively not only at the regional level but in a range of more global or what could be called inter-regional fora such as the Evian Group, the

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including a huge number of global oriented firms, producing for the world market (van Apeldoorn and Holman 1994: 15).

<sup>22</sup> Such a body, called European Competitiveness Council, has been recommended to European governments in its 1993 report (ERT 1993). Among the original thirteen members were four ERT members: the CEOs of Unilever, Asea Brown Boveri, BP, and Nokia, in the second CAG three ERT members (the CEOs of BP, Pirelli, and Repsol). See Balanyá et al (2000: 33-35). The reports of the CAG are printed in Jaquemin and Pench (1997).

Transatlantic Business Dialogue (TABD) and the TransAtlantic Policy Network (TPN), the EU-Japan Industrialists Round Table, and the ASEAN-EU Industrialists Round Table.<sup>24</sup> These fora basically promote a liberalising world economy.

However, as recently expressed by ERT Chairman Morris Tabaksblat at a meeting of the Evian Group: the call by business' for trade liberalisation is not a plea for uncontrolled free world markets. What is needed, is the creation of an "appropriate regulatory framework" (Tabaksblat 2001: 3). With this regard he calls for a "better alternative to the current tendency towards regionalism, which if not managed well may sow the seeds of protectionism." (Tabaksblat 2001: 3): "...(R)egional agreements should be built as stepping stones towards multilateral liberalisation" (Tabaksblat 2001: 6).

The 'European case' of ERT closely resembles the role business takes in the context of APEC.<sup>25</sup> However, the path towards regionalism pursued within the APEC Forum was one of *open regionalism* and *market-led integration* from the very beginning. The idea of open regionalism taken with APEC implies the view of a process of regional economic cooperation whose outcome is not only the actual reduction of internal (intra-regional) barriers, but also the actual reduction of external barriers to economies that are not part of the agreement. To pursue open regionalism, four key policies have been proposed as a guide to regional cooperation: First, APEC members should unilaterally reduce trade and investment barriers to the maximum extent possible. Second, while they liberalise internal trade and investment barriers on a most favoured nation basis, they should also continue to reduce barriers to non-member countries. Third, APEC members should extend the benefits of regional liberalisation to non-members on a mutually reciprocal basis, and fourth, individual members should be allowed to extend the benefits of their own APEC liberalisation to non-members on either a conditional or unconditional MFN basis (APEC 1994).<sup>26</sup>

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<sup>23</sup> For the EU as a 'neoliberal project' see also Wallace and Young (1997), van Apeldoorn and Holman (1994).

<sup>24</sup> The EU-Japan Industrialists Round Table was first held in 1995, the ASEAN-EU Industrialists Round Table in 1997. See MITI 1998.

<sup>25</sup> Created in 1989, the most distinguished achievement that has been reached by APEC was the agreement to the long-term goal of free and open trade and investment in the Asia Pacific by the year 2020. See APEC Economic Leaders (1994).

<sup>26</sup> The combination of the four key policies is seen as providing an operational definition of the concept of open regionalism. See APEC (1994: 30). For the concept of open regionalism see further Maull et al (1998: chapter three), Pomfret (1998) and Drysdale et al (1998). For market-led integration in Asia see also Katzenstein (1997).

This road is further taken with the two track procedure of Individual and Collective Action Plans as agreed in 1996. Individual Action Plans are unilateral measures that are taken domestically by each member according to its individual timetable. They include traditional market access issues such as the reduction and removal of tariffs and the elimination of WTO inconsistent non-tariff measures (Adlan 1998; Drysdale et al 1998). APEC's Collective Action Plans are dealing with trade facilitation covering a wide range of issues from customs and standards to government procurement and intellectual property rights. They are jointly pursued by all members according to the same timetable (Adlan 1998).

The idea of open regionalism is rooted in the view that Asia's economic boom has come about without the formation of a trading bloc or any other arrangements which grant special economic benefits to members and discriminate against non-members. In that, Asia Pacific has no tradition or experience with 'old style regionalism', i.e. protectionist or 'political' regionalism.<sup>27</sup>

Similar to the case of the internal market, the initiative for APEC came from outside governments. The APEC Forum as such can be seen as the result of the networking and agenda setting activities through 'economic elites' active in groups such as the Pacific Basin Economic Council (PBEC) and the Pacific Economic Cooperation Council (PECC) (Harris 1994).<sup>28</sup> It was here where the idea of open regionalism and market-led integration has been generated. In the late 1980s it came to be accepted in those circles that opening up an economy to import competition, even unilaterally, makes the economy more competitive internationally and supports exports. The consensus on open regionalism is part of a general strong commitment of business in Asia Pacific to GATT/WTO principles (Harris 1994: 389). It became the very principle on which APEC rests due to the close and mutual recognised relationships between business and APEC (Woods 1995: 815).<sup>29</sup>

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<sup>27</sup> But it has an experience with *regionalisation*, i.e. the development of regional patterns of economic transactions such as production networks and growth triangles.

<sup>28</sup> PBEC is a business organisation, initiated as early as 1967 by business leaders from Japan, Australia, New Zealand, Canada and the US. It operates as a network of senior corporate executives and fee-paying firms who meet regularly to exchange views on economic conditions within the Asia Pacific region. Its activities are policy oriented with the frequent publication of reports and recommendations of business to APEC Leaders (Woods, L. 1995). PECC brings academic and business sectors into contact with government officials in an unofficial setting (Higgott 1995; Harris 1994).

<sup>29</sup> For Higgott (1992), at the core of PECC, PBEC and PAFTAD there was is an 'epistemic-like community' with access to the policy making process as consultants, members of agencies, ministerial staff, or representatives of government delegations, committees, commissions, and advisory bodies.

At the Osaka Summit in 1995, APEC's relationship with business has been institutionalised through the creation of the APEC Business Advisory Council (ABAC) whose task is to provide advice on the implementation of the APEC agenda (ABAC 1998). ABAC is now considered to be the private sector arm of APEC and the official voice of the private sector in the region. It has direct access to the highest levels and its advice is carefully considered.<sup>30</sup>

In its reports to APEC Leaders, ABAC constantly calls on APEC for maintaining the momentum on market opening in the Asia Pacific, pointing to the significance of globalisation lying in its recognition that both market liberalisation and the capacity to participate effectively in the global economy are inextricably linked (ABAC 2000). "...(O)penness to trade and investment are critical for growth and development in the region." (ABAC 2000b).<sup>31</sup> ABAC is constantly pointing to the top priority of getting a new WTO round started (APEC CEO Summit 2000: 2000).

In a similar way, PBEC provides comprehensive private sector views of what business views as crucial for a market-driven regulatory framework through APEC (PBEC 1998).<sup>32</sup>

Increasingly important is the interchange of ideas and views at the APEC CEO Summits taking place before APEC Leaders meet annually. Here, CEOs and Chairmen of global players such as Citigroup, TotalFinaElf, General Motors, Shell, HSBC, Mitsubishi Corp., AIG, Hyundai, Samsung, Fujitsu, Goldman Sachs, Allianz, McDonalds meet and discuss intensively the political-economic conditions found for their businesses in the Asia Pacific region (APEC CEO summit 2000: 2000a).

As Drache notes, "...what these mega-projects have in common is a vision of markets as the driving forces of well-being and wealth creation." (Drache 2000: 185).

## **V. Conclusion: New Regionalism: A New World of Competition Regions ?**

The world was, is, and obviously will continue to be a regionalised one. However, the argument has been advanced in this paper, that the content and the underlying logic of

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<sup>30</sup> ABAC was preceded by the Pacific Business Forum (PBF). ABAC work covers areas such as cross-border flows, finance and investment, infrastructure etc.. ABAC reports to APEC and meets with APEC Ministers on a regular basis. Together with PBEC, it is responsible for organising APEC Business Summits. See APEC (1997).

<sup>31</sup> Similar to ERT reports, ABAC Reports are presented to all APEC Leaders in advance of their annual APEC summit and are discussed when APEC Leaders meet with ABAC members during the Business Dialogue.



regionalism is changing: old regionalism is in the process of being transformed into new regionalism. This occurs as part and parcel of a fundamental restructuring of the relation between political authority and the market that is one of the core questions of International Political Economy. The paper suggested a way to account for this change by looking at business actors creating new concepts and ideas of world order. The argument has been brought forward that global business circles act as advocates of a specific type of a regionalised world (while at the same time promoting a transnationalised, globalising economic system). In this process, regionalism becomes infused with the logic of the market inherent in the concepts and ideas of globalising forces. As increasingly important non-state actors in the global political economy they are able to 'shape the course of the trend' leading to a '*marketisation*' of the region. In regionalism as discourse, these 'market concepts' of regionalism 'fight' and compete and in the long run might transform prevailing older protectionist concepts inherent in old style regionalism. In that sense, regionalism (as a world view) is part of *globalism*.<sup>33</sup>

This is subject to further investigation by a broader social constructivist research programme from which the basic ideas inherent in this paper have been drawn. However, some possible lines of thinking about the novelty of the phenomenon of new regionalism have been articulated.

The market logic in new regionalism is in essence a matter of competitiveness and openness, promoting the imperatives of deregulation, privatisation and restriction of public intervention in economic processes. At the regional level, it reflects basically a fundamental change in the logic of the state or political authority. Under embedded liberalism the logic of the state was the welfare state, at the regional level expressed in the protectionist purpose and logic of regions. If the logic of the welfare state under embedded liberalism was manifest in regionalism, then the new logic of the competition state (a retreat of the state) as the successor of the welfare state might be found at the level of regions again: The regionalised world advocated by global business at the core is a *world of competition regions*. Hence a

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<sup>32</sup> PBEC has observer status within APEC (Adlan 1998).

<sup>33</sup> Globalism, according to Beck, is "the view that the world market eliminates or supplants political action - that is, the ideology of rule by the world market, the ideology of neoliberalism" (Beck 2000: 9).

marketised, globalised idea of region, and a retreat of the protectionist state logic as the mode of economic organisation and regulation at a regional level.

Thus, competing with actors carrying old concepts of regionalism, business as a powerful globalising force contributes a great deal to the paradoxical and contradictory character of the phenomenon of regionalism at the beginning of this century. This paper suggested one way to uncover those contradictions by trying to picking out and discover just one piece of a jigsaw: the 'share' of globalising business forces.

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