

SALIENCE OF REGIONAL INTEGRATION IN GLOBAL ECONOMY

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Abstract

Regional Integration is bonding of sovereign states located in a particular geographical region for Political or economic issues and benefits. The cultural and identity factors may spill over the bonding in any region. Regional integration emerged as response to world economic system after cold war in response to meet challenges of globalization. However the different challenges were posed to developed and developing countries. The successes and dilemmas of integration followed accordingly. The success of European regional integration has inspired the other regions; however, the South East Asia has provided a model of Asian architect for regional integration. The researcher has delved into the conceptual and evolutionary precepts of Regionalism and regional integration. It focuses in the first part the regionalism in response to globalization. In second part focus goes towards success of European and South East Asian regional integration. The second part also analysis the potential of cooperation in South Asia.

Key words: *Regional Integration, European Integration, South East Asia, South Asia, World Economy.*

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1. Introduction

The world economy has changed over the period of time and it has developed into the global era in the post-Cold War period. It was the beginning of regionalism in the world economy. The historical study of regions shows that the idea of region for a long period of time remained very geography-centric. There were regions that were very powerful. Regions in the form of empires, spheres of influence, and powerful states with their allies have dominated in different international systems. The European region in the nineteenth century emerged, not only as powerful but as world leader (Fawcett 2005, 27). Some scholars believe that it is a pre-Westphalian idea, the idea of the region. The recent popularity of regions comes with the use of US administration and they have used region as a geographic-centric understanding, mainly for administrative convenience. They have divided the world into different regions. Therefore the regions underwent different connotations, but most conveniently we use geography. However, another conceptual understanding of region is regional integration. The region is something which is integrated. It can be economic integration, political integration, and social spaces and may not be limited to a particular geography. Despite the primacy of geography definition of region for a student of regional integration has moved beyond that point and it is taken in terms of integration. Interestingly in this, common economic cooperation remains at the forefront of political integration, however several scholars witnessed that regions in terms of regional integration give primacy to economy as far integration is concerned. This is the reason why regional integration, for an extended period, was linked to trade, commerce and cross border cooperation in a region (Vayrynen 2003). The regional economic cooperation succeeded in a way the cooperation in economic field enhanced cooperation in the political field as well. The idea comes from a German Customs Union, the Zollverein that was established in 1834. It was a custom union between different principalities of Germany at that point of time. It started as a custom union but helped in the political integration of Germany. So the idea remains that if you start cooperation in the economic field it might spill over into the political arena.

In the contemporary context, it must be duly noted that European integration is enshrined in the concept of the liberal economic system whereby free trade

was assumed to open the prospect for sustainable and peaceful relation between the states. After the end of the Second World War Europe was in ruins, there was this need to integrate so that they can establish peace between them. It is believed that the idea of economic linkages in that period of Europe helped in the political integration of Europe as well. The rational comes from the strong view prevalent in international relations that accepting free trade also leads to peace in the world (Weede 1995).

2. Regional Cooperation: Then and Now

Economic significance of regional cooperation was established after the success of Zollverein, but the political and the security relevance of regions comes with the establishment of League of Nations. League of Nations endorses the usefulness of regional groups in Article 21. Likewise the United Nations, after consistent demands from the member states, recognized the role of regional groupings (primarily for security reasons) and this is in Chapter VIII Article 52 of UN that recognizes the relevance of region (Fawcett 2005).

In the post-World War II era, the foremost concern of the international community was security and stability. The immediate concern of the international community was to have a secure world order. Therefore the deliberations as how to ensure a peaceful world order and in that the relevance of regions are highlighted and accepted. In the post-World War II phase another turn in international politics brought new challenges and it was primarily linked to the independence of several colonies throughout the world. The newly independent countries gaining political and economic autonomy started working on nation building but realized that there are financial constraints. After winning freedom from the control of colonial powers, there was a hesitation in the newly independent countries to join the post-Cold War political blocs that were there at that point of time. So entering either the socialist or capitalist block would have been a compromise of their sovereignty. Some of these states to negate the block politics of the Cold War taken of regional groups like Asian regionalism, Asia-Africa cooperation, etc. The Non-Alignment Movement was the ultimate outcome of the political desire of the newly independent states to retain their sovereignty in the charged and a divided world order. This phase in the global south is defined by Amitav Acharya as a sovereignty-centric regionalism (Acharya 2002).

The third world was willing to cooperate with other countries, the urge of unfiltered sovereignty was the rightful passionate manifestation of nationalism by the countries of global south that achieved freedom after a long struggle against their colonizers. Still they were forced to confront the new realities and it was this limitation regarding economic resources. While at the political level there was willingness not to compromise with the sovereignty but there were economic constraint and how to get out of that economic constraint was a question. Ultimately the countries in the control of the wealth have their own political and economic preferences and they were willing to assist others, not without conditions. The rich and powerful countries have their own conditions. Knowing well the political objectives of international bilateral donors, leaders from the newly independent countries knocked at the door of UN and it resulted in regional, economic and social commissions that were included in the list of the United Nations activities (Fawcett 2005). UN also accepted that along with the political, regional relevance. It was during this period that the definition of region changed without ignoring the geographic understanding of the region. The scope is widened to include economics and politics into it. The outcome was to view regions as spaces sharing common political and economic viewpoints. The refined and the broader definition of region opened the way to conceptualize region more in terms of commonality. This was a definite break from the old perspective where economic and political neutrality was not the term of condition for recognizing region. It was primarily the geography. In the new variant, it was deemed essential that the region should be determined on the basis of common cause. Therefore, the commonality issue becomes relevant. The North Atlantic Treaty organization in a way is a trans-regional or a regional organisation. Because there is a common security concern of Euro and Atlantic region and the organization is based on certain common understanding of security and world view. This is because the idea of commonality started gaining a lot of relevance. Expanding the argument, and if you expanded from NATO, G-22 and Non-Alignment Movement fulfil the necessary criteria to be viewed as a region. This was a radical turn in the study of region as it added a long list of regions in the world and converted it into what interesting subject. From a geographic centric point of view, there are very few regions. But from a commonality point of view, region in terms of integration, shows that different countries share in terms of

commonality and it can be a security issue as well, the notion becomes vast. NATO can be viewed as a regional organization also because it shares a common security concern. With the rise of number of regions the acceptability for regional integration increased and the state started showing an inclination to be a part of a regional system. Of course regions become very important international politics with the acceptance of the idea of commonality. Every state has started looking for regional integration and this is the reason that many regional organization therefore emerged between 1960s-1990s including Southeast Asian nations and SAARC. The most important features of the emergence of new region during the Cold War were security and economics. Both were the drivers of the region-making during the Cold War. But security would be kept at the top in case we need a list of order of preference. During the Cold War many regions emerge including SEATO and CENTO from a security point of view. Besides economy a part of that, security was large issue. Geography to a security commonality was the part of the region making. But the fall of the Berlin Wall in 1989 and subsequently the collapse of the Soviet Union was a watershed event in the history of world politics. This division of the world based on the political-economy system becomes redundant. Analysts pronounced that the disintegration of the Soviet Union was the “End of History” with democracy and capitalism emerged as the finished ideology (Fukuyama 1992). With the end of the Cold War nation state accepted the liberal economic order although there remained a few exceptions like North Korea and Cuba. The liberalism is further overtaken by neo-liberalism with echoing the call of redundancy of the nation state. The neo-liberals believe that nation state is not required and we need to give a free hand to the market. The world was imagined as a global village in the new liberal world order and globalization as a future fuel of the international economic engine. The world was declared as flat by Thomas Friedman (Friedman 2007).

This shift from the divided to the united world was a progressive turn, but it was not without problems. The globalization brought minimalist consensus on political and economic orientations of the international community but the international power centres remain intact. So the powerful countries that were there during the Cold War somehow, that change had not taken place in the

post Cold War phase. This led to the situation where developing countries were left with fewer options to articulate their economic positions. The realization was that it is not easy to alter the national economic system as quickly as desired by the international organization and the powerful capitalist countries. There was a lot of pressure on the developing countries to immediately change the economic system and many of these developing countries were not oriented their economy on the liberal model. It was not that easy as demanded by some of these big capitalist countries of the world. For example, after the initial years of enthusiasm even international economic organization and developed rich countries started acknowledging the nature of the problem faced by the developing countries. In brief, while there was an endorsement for supporting and partnering with globalization but not in a one go.

3. Regionalism: Political Will

Globalization left with a fewer choices for the developing countries but domestic economic and political constraints chained them to move fast on the track of the liberal reforms. In these complex circumstances regionalism emerged as a policy solution at the time of rise of globalization. It is also the period when regionalism started getting relevance. In the given political and economic complications the question was whether regionalism is a compulsion or a choice for a state. As discussed above the New World order left very few options for the international community but to accept globalization. While there was a least resistance to globalization, some countries also exhibited the benefit of getting linked to the international system. The examples of growing East Asian economies and the wonders of Chinese growth stories were very attractive for the developing countries. Along with these stunning successes, there was sign of caution and the weariness of the developing countries heightened after the East Asian Tigers gripped into the financial crisis. There was a mixed emotions or a mixed response for globalization on the one hand there was the success stories and the developing countries wanted to be a part of that, on the other hand, there were really cautious of the fact that the financial crisis in 1997 in East Asian countries has created a lot of trouble. How to go about it? For the first time post-1991 it was a reality check, 1997 the financial crisis of East Asian

countries, was a reality check that not everything affiliated with globalization is gold. Nation state should remain careful while getting highly dependent on the international system. This also entails that we need some safeguard if possible at the national level but desirably at the regional level to check the negative influences of globalization. Robert Gilpin, the realist political economist, who emphasized that regionalism, shall be taken as a response to globalization to defend the national interest by joining the hand at the regional level (Gilpin 2001). As a realist Robert Gilpin favored the centrality of the nation state over the global actors. Globalization not only helped the state actors and the second part, one is we need regionalism because we are not sure of these global forces will act and sometimes we need certain safeguards. Second point, globalization has not only helped the state actors to expand their horizons but bring the international community on one table but it has also given wings to non-state actors. There is an increasing the activities of non-state actors and that is a disturbing side effect of the globalization and that has added to the cost of the nation state. In these circumstances a regional approach is of great help. This occurs via regional integration, a process of complex social transformation in the interaction between the neighboring states. This can be particularly useful when states are facing the same problems such as, for instance, cross-border illegal activities (Langenhove and Scaramagli 2011, 192).

It is very difficult to deal by one state or by two states with the non-state actors. Therefore, it was desired that there has to be regional responses to these illegal activities. The regionalism also emerged as one of the favorite thing in that regard. How to deal with the different facets of globalization is a valid question for the developing countries is also agreed by international organization that it is not easy for the developing countries to accommodate every feature of globalization. Analyzing the nature of the problem, consensus emerged in favor of the staggered globalization giving space and a freedom to the developing countries to join globalization using the route of regionalism. Some of the biggest proponents of globalization like the World Bank and the World Trade Organization realizing the compulsions of developing country admitted the role of regionalism in promoting globalization. The much needed support for regionalism enthused new life to the idea of region. Notably the

exception given by the WTO was a relief to the regional organization and to the different regional trading systems that emerged quickly after the end of the Cold War. A known fact is that WTO is to promote world trade abolishing barriers then why allowing member state to discriminate by making custom unions and other regional trade and commercial agreement.

In Article 24 of GATT, it says and it acknowledges the relevance of custom union. One can really think that when WTO is there to actually support international trade without any discrimination, why is it giving some kind of concession to the regional groupings? Because it realizes that the nation state, particularly the developing countries and other countries cannot go for globalization in one go. There are several other benefits of integration highlighted by other scholars of international relations. WTO elaborates;

“Recognizing that customs Unions and free trade areas have greatly increased in number and importance since the establishment of GATT 1947 and today cover a significant proportion of world trade; recognizing the contribution to the expansion of world trade that may be made by closer integration between the economies of the parties to such agreements” (World Trade Organization 2018).

It is argued that nation states’ apprehension with globalization could be addressed at the regional level. Compromising with the sovereignty by giving more access to the international players and pooling sovereignty at a regional level are two different things. In the first developing countries may lack confidence and they are entitled to view as getting surrounded by the by forces of globalization. In the case of regionalism it offers much space to the nation state due to their knowledge of the regional political economic settings. State once agreed to give up a part of sovereignty at a regional level could be more relaxed to open its market and economy for the international players. Thus regionalism is also defended as a facilitator of globalization and in short the regions are not barriers but an enabler of globalization. There is another school of thought that expresses anguish with regional settings and takes it as significant road blocks to the process of globalization. Therefore everyone is not happy with regionalism. There are scholars who believe that regions are problems. Regions are blamed as dragging the advancement of globalisation

that only got the fullest opportunity after the end of the Cold War and who are these scholars? Jagdish Bhagwati, a globalization enthusiast, did not have a high opinion of regional trade arrangements helping globalization and he has academically expressed his opposition to regionalism and he believes that these are barriers to globalization (Bhagwati 1993). While there are different perspectives on regions which we had discussed, but there is one consensus that it promotes trade and further the business prospects.

4. Regionalism: What it offers!

While for some states regionalism is a kind of a compulsion but considering the economic benefit it is mostly preferred by nation states. Regional integration provides definite advantages and beyond. There is a general consensus that regions help in promoting trade and business, it helps in globalization process it makes the state more relaxed to give up part of their sovereignty at a regional level. The majority accept the benefit of a trade and commercial activities for the development of a state and citizens. It is believed that they need more trade. The welfare of the people is a primary objective of government and this is the reason why promoting is the first agenda of every government. Regionalism consolidate the commercial activities, it has had more developing and developed regions like Europe and Southeast Asia. Regionalism has laudable economic advantages of regions. Integrated regions is a base for economies of scale. It reduces the cost of production and expands the market for the consumer items crossing the barriers of the nation state. Regionalism in this sense regarded as a good proposition for entrepreneurs, had them to grow big and strong. Regional integration on the one hand increases the size of regional industries at the same time led to an interdependence between countries. No wonder more than 50 percent of the world trade is now regional. According to the functionalist school of thought, regional integration will promote regional peace and political stability through different means. Political calmness, an absence of conflict in a rule based order is conducive for business and all these are supported by the regional integration (Haas 1964). While spread of economic web across the region will create its own set of beneficiaries in different states of a region the direct receivers of regional integration will develop an interest in the regional economic arrangements and will oppose the politics of confrontation. It is one

of the points that is presented by the neo functionalist. So it is believed that if the economy will start getting benefited by the regional integration. So those who are opposing the idea of regionalism will start losing attraction in the domestic political arena. Integrated regions are lucrative for industrialists. It offers regional market and regional work force without addition cost and thus preferred by big firms. Regional economic arrangements link states with a rule based system and that is not easy to break. In a way, regional integration also lock in reforms and reduces the possibility of dissent. Such clarity of rules are desirable for long term growth of a state and also keep a check on the domestic political pressure. The reform process could be defended and promoted linking it with the regional integration process (Schiff and Winters 2003). The regional integration give some profit to the regional capitalist class and some of these new earning could be used for research and development purposes. In this respect, it is highly beneficial for the growth of the whole region, particularly for the developing region of the world. Over the period, it has been realized that if you integrate then there are number of economic benefits that one is going to reap. The new regionalist along with economic and politics also include the identity issue and they believe that while we share economics and politics at the same time our identities is start getting really close and we start sharing some commonality in terms of identity (Slocum and Langenhove 2005).

It from that identity point of view a region started integrating in terms of the economy led to number of political independence and now there is a convergence off identities as well(Hettne and Soderbaum 2002). It is going to be a very peaceful region. That is what we have seen in the case of European Union. It is not that everyone is happy, as I said that there are few who believe that regions are not very good for globalization. There is also a Marxist school of thought which believes that these regional integration have only had the capitalist class and regions in a way have not done anything beyond what the state had done. Regional integration for a Marxist school of thought, is an extension of state function (Cocks 1980). One can take it and one can discuss it but in the case of Europe we have seen that there is number of advantages that come from regional integration.

5. Relevance of Regionalism: Asian and European experience

The role of regionalism is important in the world politics and regions play as important actors there. In this regard two very important successful ideas of regions that is Europe and Southeast Asia found an important space in this study. South Asia as one of important regions in Asia with different dimensions and challenges has also been part of discussion. These all were referred in the last part of the section with a broad understanding of what is region in the world economy. First is to study and understand the model of European Union. After Europe, we will discuss Asian Miracle - that is commonly used to discuss about the growth of Southeast Asian countries. Asian miracle is again attributed to the regional integration associated with the establishment and expansion of Association of Southeast Asian nation. And lastly we will present the argument in support of regional integration for South Asia explaining its criticality for growth of the region.

6. Success of European Union

The European integration changed the fate of the region that was devastated by the Second World War. Europe is the most successful model of regions in the world economy. Much of Europe was in ruins after the end of the World War 2 except for the United Kingdom. The major European powers like Germany, France, and Italy were defeated and destroyed during the war. Europe was the power center of the world before the starting of the war. But after the end of the World War II, she had lost her economic and political weight in the world. The two superpowers emerged after the end of the World War II that is the United States of America and the Union of Soviet Socialist Republic (USSR) (Tripathi 2019). While the USA was ideologically closer to the Western European states in terms of economic and political system, the USSR with its control on Eastern Europe was opposed to the idea of market economy and liberal democracy. This was among the most difficult times for Europe. That was a strategically weak, was under the challenge from USSR and relied on the US for support and facing the daunting task of reconstruction. there was a consensus that Europeans have to unite. But there was a lack of clarity on the process as how to unite. There were two different theoretical propositions that came up at this point - both advocating regional integration supporting the idea of interdependence between the states. The

first idea was federalism and the second idea was functionalism (Spinelli and Rossi 2013). The federalist school of thought of European integration believe that the nation-state with the position of absolute sovereignty is a part of the problem and they said that, well, sovereignty is a kind of evil, if we have to integrate. They were of the view to control the sovereignty by having a supranational organization with the power to intervene. In brief, federalist favoured the idea of a federal Europe. Federalist position was also received support from a powerful leader of the UK that is Winston Churchill and he in one of his speeches at Zurich on 19 September 1946 promoted the idea of United States of Europe on the lines of United States of America (Watts 2008, 29). The conceptual and theoretical level this was a strong position but not practically endorsable for the nation state. It is unimaginable to think that in the post-war Europe the state will accept the position of its own annihilation. The other position was of the functionalism that supported the idea of co-operation in functional areas a piecemeal approach by bringing the state together. It was David Mitrany the functionalist scholar who proposed that a state should cooperate in pragmatic, technical and flexible areas that should deliberately blur the distinction between national, international, public, private, political and non-political (Mitrany 1966). So the functionalist approach was much appreciated by the states due to its flexible prescriptions without asking much on compromising with sovereignty. One of the chief architects of European integration Jean Monnet was in support of functionalism and picked Coal and Steel for bringing Germany and France together. This is how the Europe got into the first post-war regional organization named European Coal and Steel Community in 1952. The agreement was signed by six countries Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The founding members of ECSC at times are also termed as original six. In his memoirs, Jean Monnet later recalled why his fertile mind really focused on coal and steel and he said that coal and steel were at once the key to economic power and a raw material for forging the weapons of war. This double role gives them immense symbolic significance now largely forgotten. To pull them across frontiers would reduce their prestige and turned them instead into a guarantee of a peace (Watts 2008, 13).

He thought that coal and steel are the functional area of cooperation. With the success in one area, soon there will be a spill-over in other areas building on coal and steel. The next big push to the European integration came in 1957 when original 6 signed two important treaties. That is a treaty of establishing European Atomic Energy Community and treaty of establishing European Economic Community. In the first five years and look what had happened after establishing the EEC- the Europe that was devastated after the end of the Second World War in the first five years the GNP of the community rose to 27 percent as compared with 15 percent for the USA and 14 percent for Britain. That means EEC- the six countries that started developing at a greater pace. This was a sign of a success story of Europe that was facing the economic crisis after the end of the Second World War (Watts 2008). The achievement paved the way for further integration. Finally a treaty of merger was signed in 1967 bringing the ECSC that is European Coal and Steel Community, EURATOM and European Economic Community in one single structure making it European Communities. We all are aware of what happened afterwards and Europe is standing as one of the most united regions with regionally connected and a structured economy. The Europeans with its integration both at the political and economic level, leave fewer space for discord between states. Thus from a war zone Europe transformed into a zone of peace and stability that is a favourable condition for economic growth. Today Europe is a very strong economy and some of the figures help us to understand that what European economy mean in the world economy. In terms of the total value of all goods and services it is bigger than the US economy. EU GDP in 2017 was 15.3 trillion Euros. And look at the importance of the relevance of regional integration that over 64 percent of EU countries total trade is done within the countries in the bloc. The third very important point is that with just 6.9 percent of the world population, EU trade with the rest of the world account for some fifteen point six percent of the global import and export¹.

Together with the United States and China the EU is the third largest global power in the international trade. The twenty eight EU countries had second

¹ Sources taken from European Union Website

<http://europe/eu/european-union/about-eu/figures/economy> 11th January 2019

largest share of the global import and exports of goods in 2016. So it means that the region that was devastated, that was in ruins, that has lost its economic and political weight has now become an important international political and economic power. The European example proves that how regions can transform itself with the willingness of nation states to cooperate with others. In this regard, one should also note the European integration process was only strengthened in the post-Cold War phase with integration of Central and East European countries although there are some issues at present like Brexit and the rise of populism. Nevertheless it is still one of the most prosperous stable and peaceful regions of the world. From this excellent example of region emerging as a powerful player in the world economy and politics, we will discuss the South-East Asia regional integration.

7. South East Asian Regional Integration

South East Asia is a way of Asian regional transformation. After Europe the next big example of region getting transformed positively giving a push to economic growth is Southeast Asia. This is an important example also because it is close to our region that is South Asia and there are some similarities between South Asia and Southeast Asia.

In a way Southeast Asia gives us an opportunity to learn from their view of success. Unlike Europe there are different issues in Southeast Asia. It was not at the centre of international economics and politics and were in control of different colonial powers. Europe has a very different history whereas Southeast Asian countries have a very different history in terms of they were under the rule of colonial powers. It was in 1967 when five countries of the region that is Indonesia, Malaysia, Singapore, Philippines, Thailand signed Bangkok Declaration to establish ASEAN. There were several factors which acted as a catalyst in the formation of this regional grouping (Severino 2008). To mention a few was that disturbance in Indochina, the desire to enhance economic power and to keep a check on the growing influence of external powers in the region. ASEAN set seven objectives for regional integration as it was mentioned in the Bangkok Declaration (Severino 2008). The objectives of this declaration are:

First was economic growth social progress and cultural development. second, regional peace and stability, third: economic, social, cultural and technical, scientific and administrative collaboration, fourth: mutual assistance and training and research, fifth: collaboration in agriculture and industry, trade transportation and communication and improvement of living standards of the region, sixth: Promotion of Southeast Asian Studies and Seventh cooperation with the regional and international organization.

In all seven, one can know that better economic growth and a social progress and a culture development was the top priority for the ASEAN followed by attaining regional peace and stability. What are the important features of ASEAN was that it was a developing region that came together for the regional integration. There was a region of developed countries which was destroyed in the Second World War and they came for regional integration, whereas East Asia is a developing region a post-colonial region, coming up together for regional integration. As a post-colonial region, what are the main issues was how to retain sovereignty while cooperating in a supranational regional set up. Defending the sovereignty was one of the main concerns of not only the Southeast Asian post-colonial countries but it was equally true for the rest of the third world. This is the reason why ASEAN opted for a policy of non-interference in the internal affairs of the member states. Some of these approaches to regional integration was different from the European Union where regional organisation was given enough power. In Southeast Asia, this has to be based on principle of respecting the sovereign rights of the member states. These unique features of the Southeast Asian integration was also termed as Asian ways & the sensitive policy of ASEAN help it to grow from 5 to 10 countries and today ASEAN is a organization of 10 countries (Acharya 2004). Academically engaging with ASEAN, Kishore Mahbubani and Jeffrey Sng underline five factors of integration and they said, the fear of communism: the Vietnam War and lot of other things going on in Southeast Asia. Therefore was a fear of communism like spreading in the whole of the region. The role of the strong leaders, geopolitically they were lucky because number of international things were happening. Most of these were small countries and the power symmetry was not like that. There was it is a in a way it is a geopolitically lucky region. Market oriented economic policies and

ASEAN based regional networks are others factors mentioned by Mahbubani and Jeffery.

ASEAN learnt best practices of economic development from leading East Asian economies, especially Japan and four tigers that is South Korea, Taiwan, Hong Kong, and Singapore. This has held ASEAN nation from 1980s to 1990s, the weighted average growth of ASEAN five economies was 6.1 percent Singapore at seven point six per cent and Thailand at seven point seven per. It means that this started from 1967 onwards and by 1990s the growth figure it started proving the relevance of regional integration in this region. While there has been a dominant narrative about economic growth of the South-East Asian link with the success there are few critical issues that were highlighted by scholars. Scholars like Jones and Smith are of the view that despite the claim of Asian way, the ASEAN integration is also inspired by political-economic factors and they believe that there are certain similarities as far as the regional integration is concerned. There was a word of caution by Jones and Smith not to get over persuaded by the conceptualization of Asian ways. For Jones and Smith, the 1997 economic crisis was a test case and it exposed some of the weaknesses in the ASEAN integration. While there are issues and contestation but one has to look at the gradual development of ASEAN and in 2015 it turned into a deeper economic integration with the establishment of ASEAN Economic Community. ASEAN Economic Community has placed the market of the region and is now become two point six trillion USD with the consumer base of 622 million. In 2014 the ASEAN economic community was collectively the third largest economy in Asia and the seventh largest in the world (ASEAN 2018). These rare economic achievements are unthinkable for a small state in Southeast Asia without regional integration process and again I will give you some figures to prove the point that how integration has had the Southeast Asian countries. So far about twenty five years from 1970 to 1995 ASEAN GDP grew with an average annual rate of 7 percent. This is a very high growth rate for a very long period of time. Over the years ASEAN overall trade grew from U.S. dollars 10 billion in 1967 to 14 billion in 1970s to 134 billion in 1980 to 302 billion USD in 1990 to 650 billion in 1995. When it started integration it was a 10 billion USD trade. Now at the end of the 1995, the overall trade of the

region was 650 billion USD with the combined trade value ASEAN is the fourth largest trading entity in the world after European Union, United States and Japan. East Asian central banks again a success story of regional integration. East Asian central banks now hold close to 45 percent of the world foreign reserves. It explained like how a region that was a post-colonial region with its inherent problems of a developing country got transformed from that scenario to a very developed, prosperous region of the world. But overall it has exhibited a very strong trend of economic growth.

8. South Asia: Potentials of Integration

After discussing the successful example of Europe and then again a very excellent example of Southeast Asia, we come to South Asia and here it is a story of hope and struggle. Among the three reasons that are discussed in this section the integration process in South Asia is started late that is in 1985. Interestingly, in the socio-cultural terms, one can reach to the conclusion that it is one of the most integrated regions of the world. In the socio-political terms, South Asia is one of the most integrated regions of the world. South Asia shares a common cultural historical heritage. This positive picture of a region immediately gets shaded when one looks at the economic and political indicators of regional integration in South Asia. South Asia has a dismal record of regional integration to an extent that it is regarded as one of the least integrated regions of the world. While European intra- regional trade is more than 60 percent, Southeast Asian is around 25 percent, in South Asia it is only 5 percent. So unfortunately even SAARC has just struggled to give a real push to the regional integration process in South Asia (Muni and Jetly 2008). In fact the low economic integration is also a reflection of political divides in the region. The modern South Asia is a recent construct of what was often termed as Indian subcontinent. Ashish Nandi, a famous scholar from the region has contested this idea of South Asia and he says that it is a much imposed concept and in one of his articles he says that it is a response to other more successful regional groupings like Southeast Asia and European Union (Nandy 2005). South Asia is more of a neutral term because Indian subcontinent was at times viewed as India-centric definition of the region (Bose and Jalal 1998). If people have problem with India-centric understanding of the region, let's call it as South Asia. This helps to

understand what type of contestation are there on the concept of the region itself. This helps us to understand the kind of issues that grips the political discourse in the region and all of these ultimately impacted the regional integration and economic integration of the region. There are different colors in the picture of South Asian integration giving both positive and negative impressions. At the cultural part, identity part and social part this is a really integrated region. But at the political-economic part one gets immediately disappointed. The relevance of regions in the world economy with reference to India should focus on social-cultural and political-economic part of South Asia. But we will only focus on political-economic part of South Asia. While there are poor performances on South Asia in regional integration terms, it has recently acquired credibility as one of the fastest growing regions of the world that largely remain unaffected even by the economic recession. This economic growth has had the region to make some changes in terms of improving people's life and large part of that is witnessed in India particularly in the post economic reform phase. Still going by the records of economic miseries in the region, the growth rate is just not enough to address all of the people's demand of this. There are scholars who are of the view that further economic growth of the region is linked to the regional integration. While there is an effort from national government throughout South Asia to work with the forces of globalization the same sincerity is missing when it comes to the regional economic integration (Ahmed and Ghani 2007). If we are not integrating we are losing on the number of important economic issues. According to a report of the World Bank and what we are what we are losing if we are not integrating and I'm quoting from a report of the World Bank that there are potential of 300 per cent increase in a Bangladesh export to India if we really look at the potentials of regional integration and trade between India and Pakistan can surge from 3 billion to 20 billion (World Bank 2016). South Asia has to unite as there is a need to meet number of challenges faced by the region and why we need integration. So let me put some of the figures which will make it more interesting like why we should integrate. South Asia is the region of 40 percent of the world poor- more than 200 people in this region is still lives in slums. Despite excellent growth rate in last couple of decades that there are other realities of this region and 500 million people go without electricity. South Asia is also facing a non-conventional security threat in

terms of climate change and can lead to what Professor Sanjay Chaturvedi call as climate refugees. Some of these challenges could be addressed by regional integration and some of the following figures will ascertain why South Asia as a region has enormous potential. While there are number of struggles in terms of South Asian integration but there are a number of potentials consolidation integration and the region can work on those potential areas. South Asia is one of the most dynamic regions of the world with the population of 1.67 billion people, with economic growth of 7.1 percent over last decade. So this region has achieved excellent economic growth in last one decade that is seven point one percent. Another very important point is that it is relatively a young region where one fifth of the population of South Asia is between the age of 15 to 24 and according to the World Bank, this is the largest number of young people ever to transition into adulthood in South Asia and in the world as a whole. This means that the region has a lot. The youngest population in the world, young means more demand, more consumable thing, more demand for employment, more demand for education. This means that if the region really integrates, this is a real time for us to start reaping a number of benefits. Now the important question is like how to initiate the process of regional integration in South Asia but how to start it like in Europe, they started with coal and steel, in Southeast Asia, of course, there was a number of challenges that the region was facing at that time. What are the real issues from where the region can really pick up; how to really initiate integration process here. The answer is we should look at two functional areas of cooperation in South Asia and remember I have mentioned about David Mitrany's ideal functionalism and I have also mentioned like in the European Union discussion that there was two prominent idea one was federalist, and the second one was functional. The functionalist as I mentioned in the European Union discussion were more flexible. The South Asian integration in terms of functionalist regional integration process, the answer should be look at two functions area of cooperation in South Asia. One is the higher education and second is cooperation in the energy sector particularly electricity. In a higher education, according to the estimate, South Asia requires almost 200 new universities with 50000 faculty members. And I said that this is a growing region with a lot of young people. And if we can really

collaborate on higher education front we can cater the demand of young population in this region (British Council, 2014).

The second very important area of cooperation is electricity. The region's 500 million people are without electricity. This region has a lot of potential to really produce electricity. Some very good example of cooperation in this area is India-Bhutan electricity cooperation –that can be really extending it to regional level. The people of region lighten up homes through regional cooperation may hardly of breaking those cooperation. It is their fore incipient for regional cooperation in terms of functional cooperation in higher education and electricity.

9. Conclusion

To conclude, today a majority of the states are a part of the regional blocs and organizations authenticating the relevance of region in the world economy. While globalization in the contemporary phase is losing its shine, regionalism despite some recent setbacks in Europe is attractive for the states. The relevance of region in the international system can't be ignored, particularly for the world economy. It is expected that developing countries will remain the enthusiast of regional integration process for the above elaborated reason. It is imperative to mention that developing countries like India and China are exhibiting great eagerness to promote regionalism in this, in their respective regions. India is looking towards the east and in the last few years remain quite active in supporting regional arrangement. While the change in the international political system, the emergence of new power centres, the increasing urge for more trade will keep the focus of academics on regionalism. The discussion on three concrete examples of region: two are successful and one with the potential and is still looking for a proper road map - that is South Asia. In the concluding remarks, with a number of issues going on in the world politics, it is becoming more difficult for one nation to take some firm position in the world politics. There are a number of reasons we have to make friends and allies.

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