

REGIONALISM OR MULTILATERALISM: WHICH PATH GENERATES MORE BENEFITS TO THE INTERNATIONAL TRADING SYSTEM?

Konsep Yang Lebih Menguntungkan Bagi Sistem Perdagangan Internasional: Regional atau Multilateral

Ronny Walean, PhD

ABSTRAK

Konsepsi regional dan multi multilateral sebenarnya telah lama lahir bersamaan dengan munculnya organisasi-organisasi perdagangan, baik dalam lingkup region tertentu maupun lingkup internasional. Akan tetapi kedua konsep yang telah tumbuh dan berkembang ini, dipengaruhi oleh sistem internasional yang telah mengalami beberapa pergeseran. Periode setelah berakhirnya Perang Dunia II (1945-1989) merupakan kurun waktu yang cukup panjang dan banyak mempengaruhi sistem perdagangan internasional pada masa itu. Namun, fokus dari dunia internasional lebih condong pada masalah-masalah ideologi, politik dan militer.

Dewasa ini, fokus internasional telah beralih dari masalah-masalah ideologi politik, militer ke masalah ekonomi dimana konsep regional dan multilateral menjadi pembicaraan hangat di dunia Internasional. Perdebatan di kalangan para ahli tentang bentuk yang lebih menguntungkan: antara regional dan multilateral bagi negara-negara di dunia dalam perdagangan internasional merupakan topik yang sangat penting untuk dikaji dan dianalisis.

Kata kunci : Regional, multilateral, perdagangan, perdebatan, keuntungan.

INTRODUCTION

Today, there is a tendency in the international trade, which is free trade zones, global market, customs, or even economic union are becoming the big issues. It can be argued that this situation has created the big networks in the world economy and it has become an important issue both in the Developed countries and Developing countries as well.

Historically, actually this phenomenon has been occurred since the end of the World War Two, 1945 prior to 1989. In 1947, there was a multilateral trade organization, which had been established alongside the International Monetary Fund (IMF) and the World Bank namely The General Agreement on

Tariffs and Trade (GATT). In one side and there were a formation of regional trade organization in other side (Pass, 1995).

During this period, the world has been divided into two blocks in terms of power and hegemony. The International system has been moved to bipolarism system which has been countries, in one side USSR within East Block. This situation has much more been influenced the international economics as well. It can be seen that at the time the idea to divided world in blocks in terms of hegemony and power have been influenced the emergence of the trading blocks organizations, such as European

Communities (which supported the West Block), North America which consisted of USA and Canada (which belongs to the alliances of the West Block) COMECON, (which belongs to the alliances of the East Block).

Even though, there was a lot of trading blocs in the past, but it cannot be denied that the tendency of pro and contra of the two blocs was very clear. It can be argued that this situation has been influenced the forming of the trading blocks in the world.

In 1989, the international system in term of power and hegemony had been removed from bipolarism system to multipolarism system which had been labelled of the collapsed if the East Block, such as the unity of West and East German and fall down of the Communist Regime in the USSR and in most of the Eastern European region. It had been followed of the emphasize of the economy issue rather than political issue it also had been followed by the forming of the trade organization such as, APEC (1989), NAFTA (1991), AFTA (1991), MERCOSUR (1991), European Union (1993), and much more. On the parallel of this situation, the trend of the globalisation has emerged as an interesting issue in the international community especially regarding to the international trade.

It can be argued that the globalisation has been initiative again the revival of the multilateral organization especially in terms of international trade. Although, it is not a new idea but at least it has influenced the growing of the multilateral trading organization.

Nowdays, there is a debatable between proponent and opponent of multilateral organization. Some experts argued that, the multilateral trading or multilateralism are the best in the world however some experts also argued that,

the regionalism is the best in world as well. So if the questions are "which path of the world is moving towards and which path more generates benefits?" the answer could be both of these models. Why? Because, it can be seen that both of these concept have an advantages and disadvantages as well. The expert argued that the regionalism was a initiative of the forming of the multilateralism (Michalak, 1997).

This article is aimed at discussing of the advantages or the benefits of the regionalism and the multilateral and also discussing of the disadvantages or the weaknesses of the regionalism and the multilateralism.

RESEARCH METHOD

The method that has been used in regards of the research, as followed:

1. The Library Research
The author has tried to found the new and actual references at least in the last five years. This research has done at the Wollongong University Library, NSW, Australia.
2. Second Data Collection
The data has been gathered from both regional and multilateral organization websites, such as APEC and WTO. They also have collected from International Journal Economics and International Magazine, such as Far Eastern Economic Review, Time and etceteras.

Furthermore all the data that have gotten from both ways have to analysed using a description analysis method.

RESULT AND DISCUSSION

As mentioned above that there are pro and contra argument about the best

concept whether “Regionalism” or “Multilateralism” which suitable to implement the international trading system.

According to Sajal Lahiri, “the Regionalism can be defined as a tendency towards some form of preferential trading arrangements between a number of countries belonging possibly to particular region “ (Lahiri, 1998). For example AFTA (ASIAN (Association of South East Asia Nation) Free Trade Agreements, which its members only consisted of the South East Asia Region. European Union (EU), which consisted of the European Country even. APEC (Asia Pacific Economy Cooperation), which well known as an “Open Regionalism” (Bergsten, 1997), and etceteras.

APEC is one of example of the “Open Regionalism Organization”. The APEC was established in 1989 included the three largest economies in the world, namely the United States, Japan and China (Bergsten, 1998) APEC account for about one half of world output and world trade. When its summit held in Bogor, Indonesia in November 1994, it decided to achieve “free and open trade and investment in the region by 2010 for its industrialized members or the developed countries and by 2020 for the rest members which most consisted for the developing countries (Bergsten, 1998).

According to Fred Bergsten, there are at least five definitons of “open regionalism follows: First, it is open membership in the regional. If means that any country which interested and can accept the rules of the organizations would welcome to join the organizations, second, “open regionalism is unconditional most-favoured-nation (MFN) treatment. The APEC would not created the new preferences or

discrimination, third, the conditional most favoured nation (MFN) widespread or extension of APEC liberalization. It would offer to all non members that approved to follow the same ways or steps , fourth open regionalism for the APE members to cleary continue decreased the barriers on global market while lobbying their regional goals, and finally the open regionalism is a liberalization of such barriers would force the member countries to decide how to treat non members” (Bergsten, 1996b).

Bergstan (1996a and 1996b) pointed out that the open regionalism has promote free trade in at least two senses,” first that trade creation has generally exceeded trade diversion and that countries or region has contribute to internal and external dynamics that increase rather than decrease or reduce the prospects for global liberalization” (Bergsten, 1998).

The APEC or the Open Regionalism has “important demonstration effects” and the proponents of the regionalism argued that it as “a positive political effects” (Bergsten, 1998).

Apart from the concept of open regionalism, Michalak (1998) also pointed out that the regionalism has an important element to support and afflicted the world economy since the modern international trade was established and it also an important key to keep the international trading system stable.

Despite the advantages as mentioned above, there are at least three weaknesses or disadvantages of the regionalism trading system has been pointed out by Wleslaw Michalak (1998); firstly, the trading blocs or the regionalism trade can bring the global market into exclusive and potentially high competition though protectionism policies; secondly, it can not be avoid the discrimination trade, because the regionalism organization has

only emphasized or focus to its region; thirdly, regionalism can lead to the trade war and to the open conflict (Baldwin, 1998).

However, the "Multilateral Trading System or Multilateralism can be defined as a cooperative arrangement among governments that is designed to eliminate the inefficient trade restrictions that are associated with government's ability to Manipulate the terms of trade" (Bagwell, 1998).

It is far more, Bagwell (1998) argued that there are at least three characteristics of the multilateralism, which has labelled the international trading, system: First, it is reciprocity. According to the multilateral trading can bring advantages or benefits for those countries, which are the members of the international trading system, such as WTO (The World Trade Organization); formerly, it was GATT (General Agreement on Tariffs and Trade). It can be seen that the international trade covers the switch of goods and services among countries through exports and imports (Pass, 1995).

Moreover, the international trade or the multilateral trade can increase the production and consumption of the member country. It also can give chance for those countries to be able to purchase some products (goods) or services in low price by importing them (Pass, 1995).

Furthermore, it can be seen that the international trade can achieve some unavailable domestic resources or domestic product from different countries such as raw materials or high technology product (Pass, 1995).

Secondly, according to the theory of the international trading system, that the multilateral can create a non-discrimination trade in the world. Because its members do not limited in

certain region, but every countries in the world can be able to join the world trade.

Thirdly, it is enforcement mechanism. As mentioned above, one of the aims of the multilateral trade is trying to eliminate the trade restriction or in other words, it is trying to reduce the tariff or barriers of products or goods among the member's country. So, it can be argued that the multilateral system has been trying to enforce the "Free Trade Agreement".

Apart from the theory mentioned above, it also could be argued that the other aim of the multilateral trade is other aim of the multilateral trade is creating the global market for the products. According to Robert Cox in the Globalisation of the World Politics (ed. Baylis, 1998) "the characteristic of the globalisation trend include the internationalisation of production." While Baylis (1998) pointed out that the aspects for the globalisation, are organization and production. It can be seen that though these aspects, it can create a larger network trade organization in the world and it also can create a global market of those products in the world. From the definition above, it can be argued that the world has become the larger shopping mall in which it can find the same product in the different place in the world or in other words those products which are available everywhere at the same time (Kenter, 1995 in Baylis, 1998).

In addition, the multilateral trade also can reduce the conflict between two countries and it can increase the stability of international relations. Because if the two countries formerly had any problems regarding to the trade competition in those production for instance, when they come to the trade cooperation under the multilateral trade system, possibly, it can reduce the tension between those countries.

Despite the benefits of the multilateral trade, it can be argued that the multilateral trade to some extent has created the disadvantages. For example, it can be seen that the reciprocity theory only can be implemented if the union or the multilateral members have similar political preferences (Bagwell, 1998). It is clear that it is very difficult to find the similar preferences between two countries in the world, because each country in the world has its own characteristics.

Bagwell (1998) also pointed out that the reciprocity could not assist to impose an efficient agreement in the existence of the "Free Trade Area". For example, the country formerly has been gained a lot of benefit though the improving products tariff, when it has joined the multilateral trade that country has enforced to implement the mechanism of the multilateral trade such as reducing the tariff or no tariff at all, it can be seen that to some extent this theory cannot valid.

It also can be argued that it might be that country can still gains benefit from the Free Trade Area but it is less than its expectation. It possible to argue that to some extent the developed countries still has dominated the developing countries in term of trade.

CONCLUSION

Having discussing at the benefits or advantages and disadvantages or weaknesses of both the multilateralism and the regionalism concepts, it can be argued that even though the multilateralism to some extent can increased the exports and gains the import product with the lower price, but it can nor be denied that two some extent, it possible not effective in terms of reciprocity. Because it can be seen that

some country has earned more benefit and those countries has only gained less benefit.

It can be argued that in general, the regionalism trade has more an individual benefits than the multilateralism trade. Because it can achieve a lot of benefits from the high tariff of the import products. And it also can earn money from the domestic product protectionism.

However, it can be seen that the multilateralism has shown the implementation of the globalization, such as WTO (the World Trade Organization) which had replaced the GATT (The General Agreement on Tariffs and Trade) was a great success and proof or evidence that has shown that the multilateralism was "alive well" and it has also mediating a global free trading system.

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