

The Impact of Regional Economic Cooperation on States from a Global Perspective

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Abstract: With the deepening of economic globalization and the constant changes in the international political pattern, regional economic cooperation has become an important means for major countries to seek economic development, maintain economic stability, and protect the domestic market, but at the same time, it also has some impact on the market of some weaker countries. Despite the controversy, regional economic cooperation has become one of the mainstream trends of world economic development with a strong momentum. Based on the relationship between the local and the whole, this study explores the positive and negative impacts of regional economic cooperation while looking forward to the prospects of world economic development, uses the literature survey method to outline the current situation and development framework of regional economic cooperation, and explores how major countries use regional economic cooperation to seek their own interests. At the same time, it can also be found that the weak countries can better integrate into regional economic cooperation and development while maintaining the domestic market. The study found that regional economic cooperation has become an effective means for most countries to boost their economies and maintain stability, but the world's powerful countries have more benefits than other countries, and big countries should have a long-term vision while other countries should insist on economic independence.

Keywords: regional economic cooperation, political cooperation, global vision

1. Introduction

Since the end of World War II, ideological confrontation and economic development have become the mainstream situation in the world. Regional economic cooperation organizations such as the Marshall Economic Aid Plan led by the United States, the Committee for Economic Mutual Assistance led by the Soviet Union, and the European Union jointly led by France and Germany have contributed a lot to the development of the world economy, such as promoting economic cooperation and realizing economic complementarity between countries. In the area of tariffs, for example, the average tariff in industrialized countries after World War II fell from about 40 percent in 1946 to about 5 percent in the late 1990s, while total real exports in 1997 were about 14 times higher than in 1950, and total real economic activity was only six times higher in 1997 [1].

In the 21st century, with the deepening of economic globalization and the constant changes in international political structure, regional economic cooperation has become an important means for

major countries to seek economic cooperation, maintain economic stability and protect the market. However, with the continuous development of regional economic cooperation, many conflicts and gaps have emerged among various regional economic organizations. There is even a tendency to set aside international economic organizations. Data collected by the World Trade Organization (WTO) secretariat from 1986 to 2010 confirm the extent of the phenomenon of regionalism since the beginning of the 21st century: an average of 20 free trade agreements were announced each year, compared with fewer than three during the General Agreement on Tariffs and Trade (GATT) period (1947-1994). The same data confirm the growing trend towards free trade agreements rather than mutual agreements and the inexorable prevalence of bilateral arrangements [2]. Moreover, a few big countries in regional economic organizations also control the majority of the right to speak in the organization, so the interests of other member countries cannot be adequately protected, and the market of many weak countries suffers from shocks and challenges. It can be said that on the one hand, regional economic cooperation maintains small-scale economic cooperation and development, but on the other hand, it also affects the economic globalization and the economic independence of each country.

This paper uses the literature research method to explore the current situation of regional economic cooperation, positive and negative impacts, and then predicts the development prospects and solutions, hoping to put forward effective suggestions for the future development of the world economy.

2. Literature Review

The idea of regional economic cooperation can be traced back to the protective trade theory proposed by German economist Liszt in the 19th century, and later derived from federalism, functionalism, customs union theory, and other theories. After the 1980s, the influence of regional economic cooperation began to be paid more attention by scholars. At present, there are two main aspects of research on the impact of regional economic cooperation. One is direct derivation by the theoretical model. Baldwin used a political and economic model of trade protection to study the relationship between regional trade blocs and the world free trade order. He pointed out that the emergence of regional trade blocs will promote non-member countries to join existing regional trade blocs, and the expansion of the scale of regional trade blocs will improve the market status of the group. Non-bloc members generally prefer to join a trading bloc to improve their position in the world market. Therefore, the expansion of trade blocs has a “domino effect” [3]. Yi used a Cournot cooperative game model to study the impact of the welfare maximization customs union on world free trade. His model shows that the formation of a customs union raises the welfare of members, but lowers the welfare of non-members. At the same time, when Customs Union opens up its membership, the customs union will promote world free trade. Conversely, when the customs union applies the principle of “unanimity” to the application of non-member states to join, the customs union will hinder world free trade [4]. Second, from the perspective of empirical research, Ma Chunlin and Wu Bao put forward the interactive index of national economy used to measure the degree of economic globalization, and conducted an empirical analysis of the degree of economic globalization based on it. The analysis found that regional economic integration gradually improved and became an obvious development trend in the process of economic globalization. The gradual weakening of economic links between various regions has led to a weakening of global economic integration [5].

3. Impact of Regional Economic Cooperation on Countries

3.1. Positive Impact

First of all, regional economic cooperation promotes economic exchanges among member countries and strengthens the voice of member countries in foreign trade. The European Union (EU) is in a prime position when it comes to global trade. The openness of our trade regime has meant that the EU is the biggest player on the global trading scene and remains a reliable partner to do business with. According to the data on the official website of the European Commission, in recent years, as the EU continues to admit new member states, the trade between the original member states and the new member states has increased by more than three times, and the trade between the new member states has increased by five times [6]. The new member states have also ushered in rare investment opportunities due to the EU's monetary integration and other measures, especially the rapid development of the real estate industry. Citizenship by investment in a new member state has also become a convenient way to obtain an EU passport. Due to the impact of the Russia-Ukraine war, since the winter of 2022, the EU has ushered in a serious energy crisis. Starting from June 2023, the EU has exerted its advantages of collective procurement, maintained energy security through group purchase of natural gas, and used joint market power to negotiate with international suppliers to obtain more favorable prices, enhancing the anti-risk ability of member states to deal with energy crises.

Secondly, regional economic cooperation also promotes political cooperation and national security cooperation among member countries dominated by major countries. Although the main focus of regional economic cooperation is economic issues, in most cases economic cooperation is a subsidiary of political relations and national security, such as the establishment of the Committee for Mutual Economic Assistance in 1949 by the Soviet Union during the Cold War, followed by the Warsaw Pact Organization in 1955, both of which included most of the socialist countries in the world at the time. In contrast, the United States and other capitalist countries established the North Atlantic Treaty Organization (NATO) in 1949, while France, Germany, and other countries established the European Economic Community in 1957, both of which included most of the world's advanced capitalist countries. Since the 21st century, the Shanghai Economic Cooperation Organization led by China has included China, Russia, and Iran, three countries that are politically opposed to the Western world. It can be said that regional economic cooperation organizations have not only promoted the economic development of major countries but also become a symbol of the politics and spheres of influence of major countries.

3.2. Negative Impact

First, regional economic cooperation reduces the economic autonomy of weaker member states, to the detriment of some people. In May 2022, in order to support Ukraine's fight against Russia, the European Commission established the "Solidarity channel" and temporarily canceled all tariffs and quotas on Ukrainian agricultural exports, which affected the prices and sales of local agricultural products in Central and Eastern European countries, leading to frequent farmer demonstrations in Eastern Europe recently. The governments of Poland and Hungary decided to ban imports of grain and other food products from Ukraine to protect the local agricultural sector, while a spokesman for the European Commission said trade policy was the exclusive competence of the EU and unilateral action was unacceptable [7].

Secondly, regional economic cooperation also provides opportunities for commodity dumping, endangering the market security of vulnerable countries. Although the EU has made a lot of profits from trade with China, Chinese goods have also occupied part of the market of EU countries by

virtue of their high quality and low price, among which Italy has suffered especially huge losses. Many of Italy's handicraft industries (textiles, leather, footwear) have long been dominated by small, family-owned businesses, and they lack the scale to compete with factories from the country of 1.4 billion people [8]. However, because of the free circulation of the market within the EU, Italy has been suffering from group pressure for a long time. So the EU had to implement anti-dumping measures to protect the sale of Italian products, saving 100,000 jobs.

4. Discussion

Regional economic organizations are increasingly replacing countries and participating in international trade as individuals, which may reconstruct the existing pattern of economic globalization. As the most famous economic and political community in the world, the European Union has grown from 6 founding member states in 1991 to the current 27 member States, and five countries such as Turkey and Serbia are about to join the European Union, and the common foreign trade policy of the European Union has also had a profound impact on world trade. The Shanghai Economic Cooperation Organization (SCO), an economic cooperation organization initiated by China to strengthen ties between China and neighboring countries, has grown from six members to nine members, three observer states and nine dialogue partners, and has become a close economic and political bridge to strengthen ties between China, Russia, and Iran. As an important forum for economic cooperation in the Asia-Pacific region and the highest-level inter-governmental economic cooperation mechanism in the region, APEC has expanded from 12 founding members in 1989 to 21 full members and three observer states. Its total population reaches 2.6 billion, accounting for 40% of the world's population, and its combined GDP exceeds 19 trillion US dollars. That's about 56% of the world.

In terms of solution strategies, on the one hand, countries that play a major role in economic cooperation organizations, such as China in the Shanghai Cooperation Organization, need to take into account the interests of other countries while satisfying their own interests. At the economic level, while strengthening economic cooperation among member countries, the market of weaker member countries should be protected and dumping should be prevented. Emerging fields such as artificial intelligence can be used as economic growth points and economic power points. At the political level, it is necessary to establish a more efficient regional dialogue mechanism, respect the political independence of member states, be vigilant against hegemonism while exerting influence, and pay attention to political risks and international influence while achieving economic complementarity. It should also maintain a pluralistic and open attitude towards non-members, so as to attract more countries to join. The economy cannot be separated from politics, and people cannot be lost just for the sake of economic interests. Only by paying attention to the vulnerable groups in economic organizations can smaller countries be encouraged to participate in the organization, thus strengthening themselves. On the other hand, the weak countries in the organization should not give up their economic independence. The country belongs to the people, and a weak government externally will not really win the support and support of the people. From the political level, it should be neither humble nor arrogant, maintain political independence from other major powers while relying on the economic organization, and seek opportunities to expand the country in the unpredictable international situation. And avoid risk. For example, during the Russia-Ukraine conflict, Poland absorbed a large number of highly qualified Ukrainian refugees, and at the same time, thanks to favorable economic policies and the opportunity of a large outflow of French and German enterprises, it achieved substantial economic growth [9]. At the economic level, it is necessary to protect the security of the domestic market, provide policy subsidies to affected industries, and eliminate and upgrade industries that do not adapt to the trend of economic cooperation. At the cultural level, it is necessary to maintain a sense of national cultural identity and

guard against cultural penetration or even peaceful evolution along with economic cooperation. However, things aren't always done by the organization, for example, when it comes to the cure economic interest of the US, the US might sideline partnerships or trade agreements with the Common Market of the South (MERCOSUR), the ASEAN Economic Community, and the African Economic Community in favor of direct deals with the likes of Chile, Colombia, Peru, Singapore, and Morocco [10].

5. Conclusion

From the above research, it can be seen that regional economic cooperation has become an effective means for most countries to boost their economies. It not only makes trade between member states more frequent, enhances the member states' right to speak on trade with countries outside the organization, but also promotes regional political and military stability and balance, and becomes an important means to consolidate political alliance and show multilateral friendship. However, it is not difficult to see that in most cases, China, the United States, Germany, and other world powers play a leading role in these regional economic organizations. Their international influence, economic strength, and military strength are incomparable to other countries, while other countries are subject to others in many cases, and many policies that are not conducive to their own countries will be implemented under the coercion of big countries. Its domestic market would also be hit by the dumping of cheap goods, both benefiting from the organization's dividends and undermining some of its economic independence. In general, big countries should take a long-term view while other countries should insist on economic independence, so that economic organizations can more closely participate in global economic activities as a single entity. This study is based on current news and existing literature. Although it is firmly objective and neutral, it is difficult to avoid the one-sidedness of public opinion propaganda and the political orientation of information sources and channels. In addition, due to limited conditions, the data support of this study is not enough and needs to be developed and improved in the future. Thus, the influence and development prospects of regional economic cooperation can be discussed more accurately.

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