

REALISM AND GLOBALIZATION—  
REGIONALISM TENSION

Realism or mercantilism believes that processes in the IPE are determined ultimately by the structures of the international political system and the policies of the great powers in that system.<sup>52</sup> Primary concerns in an anarchic world are security and power. From this perspective realists would describe regional unit formation as arising for more political and security reasons than purely economic reasons.<sup>53</sup> The issues of power politics, security arrangements, alliance structures and the influence of the regional hegemon, and or the IPE hegemon shape integrationist tendencies.<sup>54</sup> This approach to regionalism attaches little importance to the transnational actors that functionalists or liberals would highlight.<sup>55</sup>

According to this theory there are two factors that are likely to bear on the political economy of regionalism. First, realists feel that the uneven distribution of gains from exchange between the member states of a region will inhibit international cooperation.<sup>56</sup> States benefiting less from these arrangements will be incentivized to cheat or promote their own interests at the expense of the group. This will impact the political—military integrity of the states in question and of the regional group as a whole. The most expedient solution will therefore be political tradeoffs and ‘trading’ of interests between states to ensure the integrity of the regional unit. Political concerns will override purely economic motives.<sup>57</sup> Second, alliance politics will shape the patterns of international trade. States will liberalise their trade with those states that are political-military allies rather than with those that are current or future adversaries. Therefore regional trade agreements to promote intra-regional trade can depend heavily upon the political—military relations among the members. This would put an important limitation and parameter on any regional organisation.<sup>58</sup>

In assessing such regional formations realists believe that power projection is the vital concern that drives forward regional club formation. As long as the states in question are not current or potential

adversaries, or political rivals competing for power, then more open trade can promote not only trade benefits for both parties but also political benefits as allies gain commercially.<sup>59</sup> Realists believe in the stability of the regional unit not through autonomous market forces but rather operating through the policies of the major powers composing the IPE and the regional unit.<sup>60</sup> Cohesion in the regional unit is certainly possible either through the power of a regional hegemon or of a sustained convergence of interests and incentives between the member states. The formation of the EU and NAFTA can be partially explained using such concepts.

These political considerations are according to realist theory extremely important in the formation of regional blocs since they are political responses to domestic pressures. Due to pressures exerted by firms with an interest in expanding their market base and power, political leaders will sometimes view regionalism as appealing.<sup>61</sup> Within economic sectors that are imperfectly competitive firms have incentives to expand the market they serve. This could lead them to press for liberalised economic reform. Politicians are compelled to accommodate these special interests by receiving sector specific political donations and agreeing thereby to selectively allow the liberalisation of certain sectors whilst protecting others.<sup>62</sup> The shape therefore of the regional agreement will be formed by a rational political response to domestic special interests.

Perhaps for realists the most important aspect of regionalism is that it can be seen as a strategy in the game of mercantilist competition. It can be used in bargaining with other actors within the IPE to compel these units to deal with the region favourably on military, economic and trade issues. It can also be viewed from the position of weaker states as a means of protecting their domestic economic interests within a stronger, larger group, in a world of stronger states or units.<sup>63</sup> State self-interest promotes the practical and political reason to join or form a regional unit. Whether the regional unit will subscribe to and support the globalization process will depend entirely upon the motives and self-interest of the regional group and the major powers and states that comprise it, and what benefits the global division of

labour and market can offer to the region and its major nation state constituents.

### STRENGTHS OF REALISM OR MERCANTILISM

Its foremost strength of realism and mercantilism is the focus on the state as the primary actor in the IPE and as a tool of economic development.<sup>64</sup> The system of nation states is currently expanding and these states are busy creating strong structures that are capable of competing in a world of states. Although other actors are multiplying as well, and are influential in the IPE, the economic and military organisations of states make them the dominant actors.<sup>65</sup> Every economic and market system must rest on a secure political base, and this secure political base is currently the nation state organisation. Without a world government with legitimate authority international relations occur in an anarchic world.<sup>66</sup>

The second strength of mercantilism is the stress on the importance of security and political concerns in the IPE.<sup>67</sup> The security of any state, whilst not always at all times the dominant concern of the state is nevertheless a precondition for its economic and political survival in an anarchic state system.<sup>68</sup> Whatever the objectives of the society, in an anarchic world, the effects of economic activities on political independence and security always rank high among its concerns.<sup>69</sup> This gives rise to the balance of power argument, which is both normative and empirical. Maintaining the balance of power is a legitimate goal of the state and upholds the basic values of peace and security.<sup>70</sup>

A third strength of realism and mercantilism is the recognition that markets must function in a framework of competitive states. The political relations among the different political actors affect the operation of markets just as markets affect political relations. In fact the international political system is one of the great constraints on markets as well as being one of the most important determinants on market development. In this regard international covenants and liberalised trade must be sacrificed for the values of national security, order and stability both domestically and internationally regarding