



International Journal of Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
IJRFM 2024; 7(1): 368-374
www.allfinancejournal.com
Received: 08-04-2024
Accepted: 14-05-2024

Eman Mohammed Abdullah Al Baaj
University of Al-Qadisiyah,
College of Administration and
Economics, Iraq

Munaf Marza Naema
University of Al-Qadisiyah,
College of Administration and
Economics, Iraq

Economic integration and new regionalism: A systematic approach for economic integration

Eman Mohammed Abdullah Al Baaj and Munaf Marza Naema

DOI: <https://doi.org/10.33545/26175754.2024.v7.i1d.318>

Abstract

The research aims to examine the role of economic integration and regionalism and their impact on economic integration, a theoretical study. Merger generally means a union of interests between two or more enterprises. This union may take place through the complete merging of the two enterprises for the emergence of a new entity. This entity is usually stronger than the two enterprises before the merger. The success of the merger operations depends on the availability of some basic components and conditions, as the matter requires the availability of favorable elements for the merger and the arrangement of the merger and integration transaction on the basis of conditions guaranteeing the achievement of mutual and equal benefits for the parties, and finally the availability of the political structure and truly effective executive management for each of the merger parties. Regardless of the difficulty of predicting the results of regionalism on the global economy, it is necessary to know how to reach mechanisms that can transform the problems and negatives likely to be produced by regional blocs into regional elements that integrate with the multilateral framework and enhance the liberalization of global trade. The process of integration or integration between two or more parties requires the presence of qualitative symmetry and proportionality. An acceptable quantity between the elements of surpluses and the elements of shortcomings of the parties to the economic merger, as it is necessary to find balances and parity between the acts of taking and the acts of giving that are exchanged in values between the parties involved in the merger process because each party seeks to achieve its self-interest within the scope of the collective interest.

Keywords: Transformational leadership, self-efficacy, creativity, performance, salespersons, logistics

Introduction

Regional integration agreements had an impact in determining which industries could be established and where they would be located. Therefore, they included many controls and restrictions on economic activity, and thus modest economic results were obtained, in addition to the fact that the degree of hosting was usually low due to disagreement over the locations of industries and other things. Therefore, success was not achieved for most of them. These agreements, therefore, the new regionalism in its simplest sense is represented by the modern wave of regional economic and commercial integration relations and organizations that began to crystallize in the mid-eighties in the form of major regional economic and trade blocs.

Research problem

The underdevelopment of the economic production structures of developing countries and their dependence on advanced industrial countries constitutes a major obstacle that limits their ability to integrate and integrate. Some countries suffer from problems that affect their ability to integrate, such as internal divisions, external pressures, or the occupation of parts of their lands. These problems may be linked to the institutional and regulatory framework for integration that relates to the necessary institutions to establish and follow up the process of integration, which is a necessary and insufficient condition for the establishment of integration, as the capabilities must be available that enable these institutions to perform their role to the fullest extent.

Correspondence
Eman Mohammed Abdullah Al Baaj
University of Al-Qadisiyah,
College of Administration and
Economics, Iraq

Research Significance

The significance of the research is represented in the role played by the integration processes through the availability of some basic components and conditions, as it requires the necessity of the availability of favorable components for economic integration or economic integration, regardless of the difficulty of predicting regional results on the global economy and transforming the problems and negatives that are likely to be produced by the regional blocs into positive elements. It integrates with the multilateral framework and promotes global trade liberalization.

Research Aims

The research aims to achieve the following main objective: It is an explanation of the role of integration, what the new regionalism is, and what are the following conditions that must be met, the most important of which are:

1. Identify the most important effects on economic integration.
2. Pointing out the most important obstacles facing economic regionalism and their impact on the economic integration.

Research Hypotheses

The first hypothesis: Economic integration achieves a set of economic effects, such as expanding the capital base and increasing competitiveness.

The second hypothesis: Despite the significant progress that the GCC countries have achieved towards integration and integration among themselves, they face some obstacles and challenges that affect the achievement of this desired goal.

The third hypothesis: Globalization is not a new phenomenon and aims to create integration and interconnection between the economies of countries around the world. It also affects cultural, political and social concepts, especially in developing countries.

First: The contemporary approach to economic integration (new regionalism)

The nature of the new regionalism

The theory of economic integration initially appeared in regional guise, that is, it chose as a starting point a group of countries belonging to a specific economic region, and then began examining the effects of liberalizing intra-trade for member states and imposing a unified customs fence on non-member states. However, technological progress starting from the beginning of the seventies of the twentieth century and the spread of the phenomenon of globalization starting from the beginning of the nineties of the same century, the movement of economic integration in its regional context moved to a continental scale.

Here, economic blocs extend to the point that the concept of territory includes an entire continent. The territory is defined by certain natural geographical boundaries in addition to location, such as seas and oceans... However, at present, economic blocs have become whose member states belong to more than one region, such as the Asia-Pacific Economic Cooperation Forum (APEC) and the Americas bloc. The new regionalism has taken on three main terms:

The first concept

Open regionalism encourages the joining of new members and allows the continued expansion of the establishment of more extensive preferential trade areas. This is based on the fact that reducing external customs tariffs leads to the establishment of multilateral global trade, and this trend results in the possibility of achieving global free trade. Through the merger of blocs, if these blocs reduce their external tariffs, and at the same time work to eliminate the internal tariffs of each bloc.

The proponents of this trend believe that several conditions must be met, namely

1. **Membership must be open:** This means that any non-member country that desires membership has the right to join the bloc, provided that it meets the conditions for membership.
2. **Non-prevention condition:** It means that the regional trade agreement automatically expands to any member state of the bloc by liberalizing its trade, extending the gains of the regional bloc to non-member states.
3. **Selective liberalization and open gains:** In which member states can liberalize their trade according to the most favored principle with respect to those sectors in which they enjoy a comparative advantage compared to the rest of the world's countries, and therefore they do not need a preferential trade agreement vis-à-vis member states with regard to those sectors.

The second concept: that the continental economic blocs focus their regional dimension on the idea of the transfer of the economic territory within a single continent or within a single geographical region to its continental scope, meaning that we are witnessing an entire continent evaluating a set of economic arrangements with another continent, with the aim of liberalizing foreign trade between two or more continents. It is a very important economic transformation. In this case, the unity of the economic region here becomes an entire continent, such that the economic region consists of two or more continents, and the possibility of similar economic, social and political characteristics is far-fetched, as attempts at continental economic integration have been content at the present time with one rung of the ladder of economic integration, which is the degree The free trade area is the minimum that can be established between two or more of the six continents of the world. The third concept: supra-continental regionalism (major economic journals). This term was given because these blocs showed a trend that goes beyond the continents, that is, beyond the oceans, such as OPEC. According to Ali Al-Qazwini, we can divide the regional economic blocs based on the fact that the unity of the region has extended over wide areas into four levels.

- **The lower semi- or sub-regional level:** The region or sub-region includes neighboring countries that include a limited number of the most close and similar geographically, such as the Arab Maghreb, the Arabian Gulf... This mini-region forms the basis for establishing semi- or sub-regional groupings.
- **The intermediate regional level:** This is the region in the precise or well-known sense and includes an entire geographical region, a vital part of a specific continent such as Central America, part of Europe, East Asia,

- Africa, the region may expand in this sense to include a wider region, for example East and South Asia, the Arab countries in Asia and Africa, the Middle East and North Africa.
- **The upper level is supra-regional (continental):** It includes the framework of supra-regional blocs that include entire continents, the African Union, the European Union, the NAFTA bloc, etc.
- **The supra-continental level:** In the broader sense, the economic blocs include broader supra-continental spaces, including the American-American space, the Euro-Mediterranean space...etc.

The features of the modern wave differed from the old wave in the following

First: Integrative arrangements have become more complex and intertwined, both in terms of their structures and geographical scope, and deeper in terms of the degree of economic integration between member states, as these agreements involve a significant reduction of trade restrictions and coordination of economic, monetary and financial policies. Small countries have also pledged reform policies for their economies, which were She suffers from many problems in order to fulfill her obligations that keep those agreements.

Secondly: The new regional blocs reflect liberal ideas and the market economy, and interdependence has increased in the global economy, as a result of the rapid spread of technology and the liberalization of trade in most countries.

Third: Regional blocs have become a multi-faceted and multi-sectoral process, giving a wide range of economic and political goals that can be described as strategic and not just commercial.

Fourth: The new regional economic blocs take the strategy of external orientation as their approach, and adopt the external view of the bloc as a source of growth. It also represents for some countries as a first step to the possibility of benefiting from the processes of globalization.

Fifth: Regionalism represents attempts to benefit from the gains of economies of scale or product diversification and the gains of increased efficiency and policy coordination that new regional blocs highlight.

Sixth: The new regional economic blocs depend on new areas such as investment, labor market, competition policies, monetary and financial integration, scientific, technological, environmental, security and humanitarian

cooperation, in addition to political goals.

Seventh: The new regional economic blocs emphasize the importance of foreign investment for the blocs as a primary driver towards trade liberalization. The new regional arrangements are considered a means of attracting foreign investment and achieving global competition in trade.

Eighth: Reducing protection rates on the one hand, and striving to raise export rates to global markets without discrimination on the other hand. Therefore, the developing countries' acceptance of the participation of developed countries in their groupings is due primarily to the developing countries' efforts to enhance their export capabilities, and in return, the desire of the developed countries to ensure the absorption of Developing country markets for more industrial and service exports.

Ninth: The majority of countries belong to one or several blocs at the same time, and more than a third of global trade now takes place through these blocs that have spread throughout the world.

Tenth: It takes place quickly and simultaneously in various parts of the world.

Eleventh: Most of the regional economic blocs are between neighboring regions.

The basic differences between new regionalism and classical regionalism

The international economic environment has witnessed many transformations, including technological progress and development, the emergence of economic and financial globalization, and other transformations. Therefore, economic integration has taken on a continental dimension, which makes countries connected in more than one region, not linked by social factors or geographic proximity. The world has witnessed widespread activity in the formation of regional economic blocs and groupings, whether in a bilateral or semi-regional framework, and this falls within the traditional pattern of regionalism, or groupings that do not acquire a direct regional character, but rather bring together a group of countries, which are called major economic areas, with the growing trend towards... Forming blocs that bring together countries with different levels of development. The new regionalism is considered an alternative proposal to the traditional concept of regional integration. Below we will explain the most important aspects of the difference or basic differences between traditional and modern regionalism.

Table 1: Comparison between the Traditional Regional and New Regional Formulas

Properties	Traditional Regional	New regionalism
Geographic scope	A region that includes neighboring countries	Two or more neighboring regions
Regional characteristics (leadership)	Homogeneity and convergence of economic levels, government intervention	Leadership of the most developed countries with a discrepancy in private sector leadership
Social and cultural characteristics	Emphasize convergence to enable unity as the ultimate goal	Allowing privacy and mutual understanding among members with different cultures
Political motives	Achieving security and peace and stopping wars	Supporting political stability and curbing fundamentalism
Trade liberalization	Preferential agreements, then a free trade area, then a	Free zones in which the period during which different

	customs union	countries complete their components varies
No requirement of reciprocity	It is approved for the benefit of the most developed countries	Not permitted with compensation for less developed countries
Trade range	Industrial products with the aim of replacing imports at the regional level	Goods and services with a focus on export promotion
Factors of production (capital)	Liberalize it gradually while providing conditions for monetary integration	From the beginning, it imposes a movement from the most advanced members to the least advanced
Factors of production (work)	It is postponed to an intermediate stage and completed at union	Not available to citizens of developing countries
Policy coordination	Gradual expansion of the powers of a supranational authority in which members participate equally	Giving more weight to multinational companies and more advanced members
Directing person	Official authorities of member states	Business sector and trans continentals
the final level	Economic unity in the hope that it will lead to political unity	The basis of a single stage limited to trade liberalization and capital movement
Strategic dimension (economic system)	Free or planned allocation of resources and restrictions on the movement of foreign direct investment, with barriers	Commitment to freedom of market forces and granting freedom of entry to direct investment

From the previous comparison between the characteristics of modern and traditional regionalism, we find that the new trends of regional integration agreements are concerned with expansion and supporting global trade, unlike traditional agreements that are restricted by severe barriers to foreign

trade. From the above, we can conclude the various arrangements related to the new regionalism and compare them with the traditional regional arrangements, which we summarize in the following table:

Table 2: Regional arrangements between traditional and new ones.

Traditional Regional Arrangements	New regional arrangements
▪ Import substitution policy	▪ Export development policy
▪ Closure or withdrawal from the global economy	▪ Integration into the global economy
▪ Allocating resources and relying on planning	▪ Allocate resources based on
▪ And political decisions	▪ Market forces
▪ Propelled by government efforts	▪ Paid by the private sector
▪ It mainly includes integration into industrial products	▪ Includes integration in goods, services and investment
▪ It provided preferential treatment to the least developed countries	▪ Applying equal rules to all countries while allowing time periods for adaptation

Motives for the establishment of the new regionalism

The reasons for establishing new regional blocs are numerous and vary between underlying, economic and non-economic motives as follows:

First: The delay and length of the GATT negotiations

The delay in the GATT negotiations to announce the World Trade Organization was accompanied by regional arrangements at the regional and non-regional levels, including the European Union, which is of a regional nature, and NAFTA is characterized by being a bloc between developed and developing countries, which required the GATT to take into account These arrangements are included in the articles through which the continuation of these arrangements is arranged without ignoring the laws stipulated by the World Trade Organization within the articles that concern the regional blocs, including Article 24.

Second: The influence of the European Union:

The success of these blocs gave the opportunity to many countries to establish blocs and at least try to do so, and those that did not have the opportunity are on their way to trans-continental regional arrangements, but some others want new members other than the main bloc for several reasons. The European bloc has gone through the following stages.

The first stage: July 1 - December 31, 1993, aims to coordinate monetary policies, liberalize the movement of

capital between member states, increase cooperation between public bodies, and greater congruence in economic policy.

The second stage: July 1, 1994 - December 31, 1998, in which the procedures related to the ratification of the European Union are completed by all member states, while evaluating the performance of the member states' economies and ensuring their readiness to enter the third stage after achieving some conditions.

The third stage: January 1, 1999 to 2002, and it aimed to establish the European Central Bank, which would issue the unified currency, formulate monetary policy, and stabilize the circulation of the euro in a rapid phase.

Third: The shift in the policy of the United States of America, a policy of opposing regional blocs, to a policy of encouraging and participating in them, especially after it announced the formation of a free trade area between it and Canada in 1989, which later turned into the North American Free Trade Area (NAFTA) with the accession of Mexico 1994.

Fourth: The debt crisis and the economic reform adopted by developing countries. Most of the economies of developing countries suffer from weakness, especially most of them that are newly independent, which has led to their setback and suffering from indebtedness “due to the steady

increase in external debt, where they found themselves in a situation where they are unable to continue servicing their debts. This crisis began when developing countries excessively borrowed externally at the beginning of the fifties until the beginning of the eighties. This crisis still plays a role in directing the economies of developing countries, which required the intervention of international organizations to reform their economic policies. This is among the reasons for choosing regional arrangements to assist them in development and economic reform. And improve its economic position vis-à-vis other countries.

Fifth: The majority of developing countries have abandoned the policy of import substitution and followed policies that are more externally oriented, due to the failure of their regional economic blocs, which is due to the following reasons

- A. The dependency and interconnection of the economies of most developing countries with developed countries.
- B. The absence of real will, the rigidity of laws and differences in economic systems.
- C. Variation in the level of customs protection.
- D. The nature of exports is most often single product, and the nature of imports is consumer goods
- E. Developing countries are not homogeneous. Some of them apply economic principles in the Western capitalist way and others apply socialist principles.
- F. The conflict of interests between Third World countries and the fragility of the economic relationship between them.
- G. Administrative and financial corruption.
- H. The problem of underdevelopment and development problems.
- I. Political instability and frequent armed conflicts.

It is sufficient to confirm the characteristic of the increase in economic blocs and new regional arrangements that one of the studies conducted by the International Monetary Fund in 1995 indicates that there are around 45 economic integration systems in the world, and then economic integration in its various forms and stages, including 75% of countries. The world, about 80% of the world's population, and control of 85% of global trade. In 2007, according to the UNCTAD report, the number of agreements reached 159 agreements.

Second: Conditions for the success of regional economic integration

There is no doubt that the phenomenon of countries engaging in collective blocs often occurs as a result of many motives and incentives, economic and non-economic, but various experiences across the world show that there are several aspects that play a prominent and decisive role in urging countries to engage in integration processes.

The success of the merger operations depends on the availability of some basic components and conditions, as it requires the availability of favorable components for the merger and the arrangement of the merger and integration transaction on the basis of conditions that guarantee the achievement of mutual and equal benefits for the parties, and finally the availability of a truly effective political structure and executive management for each of the merger parties.

The economic conditions that must be met for the success of any economic merger can be viewed from two basic perspectives

1. The static effect perspective, which focuses on whether the current impact of economic integration or regional economic integration on global prosperity is negative or positive.
2. The dynamic impact perspective: which raises the question of whether the existing blocs will be determined at a later stage to form a global free trade area, or whether they will remain dispersed and subject the opportunities for global prosperity to the possibilities of competition and bloc protectionism.

Its Conditions

Regardless of the difficulty of predicting the results of regionalism on the global economy, it is necessary to know how to reach mechanisms that can transform the problems and negatives likely to be produced by regional blocs into positive elements that integrate with the multilateral framework and enhance the liberalization of global trade. It is also necessary to know the guidance that will enable developing countries to join the regional arrangements.

The basic element of the necessary components of economic integration is the element of knowing the need and shortcomings that exist in one or more of the national economic entities of the countries, whether in their production structures, in their development resources, or in their marketing potential. The process of integration or merger between two or more parties requires the presence of qualitative symmetry and acceptable quantitative proportionality between the elements of surpluses and elements of shortcomings of the parties to the economic merger. It is necessary to find balances and parity between the acts of taking and the acts of giving exchanged between the parties involved in the merger process, because each party seeks to achieve His self-interest is within the scope of the collective interest.

Economic Conditions Economic blocs and mergers require appropriate and encouraging economic conditions, including

- Availability of appropriate infrastructure to enable the transfer of external savings and economies of scale
- And economic progress through the availability of an appropriate transportation and communications network within the field
- Regional.
- The availability of trained manpower, which allows member states to exploit their productive resources in a way
- Effectively and continuously achieve an increase in its total production, raise the standard of living and strengthen cooperation
- Economy among bloc countries.
- Allocating productive projects on a regional basis, which makes the economies of countries integrated
- They depend on each other directly and increase trade exchanges between them.
- Distribution of the conglomerate's gains and advantages generated by the regional market merger. Therefore, it is desirable to prepare

- A common policy to take a number of corrective measures to avoid the withdrawal of factors of production.
- Efficiency on the part of the most developed countries is thus harmful to the country's most in need of funds of investment.
- Harmony of economic policies, i.e. coordination between the economic policies of member states, in particular between monetary and tax trade customs policies as well as coordinating investment policies to secure balanced regional economic development where national and regional interests can be harmonized for the integrated countries.
- Specialization and division of labor: Economic integration is based on achieving returns for the merging countries
- Specialization and division of labor that allows economies of scale and production based on advantage
- The proportionality enjoyed by each of the merging countries, ensuring that everyone benefits from integration. Availability of natural resources: The sufficient availability of natural resources in some countries leads to their integration, depending on what the merger achieves in terms of the abundance of natural resources they have as a group.

Political conditions with regard to political conditions, the following can be mentioned

- The presence of similar decision-making structures in both parties or parties of multiple integration and reaching a state of common acceptance to achieve consensus and harmony according to the requirements of need. It also imposes the necessity of sensitivity and the ability to respond to the political and economic goals of the partners, and the existence of common political hypotheses or at least compatible viewpoints on the dimensions of Political interventions that regulate local government interventions affecting trade in goods and services and other financial transactions, as well as the forms and patterns of these policies and their regulatory frameworks.
- The importance of the political factor appears in the fact that the real key to investment is public policy in some areas, such as the policy of moderately large economies, the preservation of property rights, and efficient financing sectors.
- One of the basic political conditions is the presence of political will among the group of countries that wanted integration among themselves, as its absence is considered one of the most important reasons for the failure of integration or economic integration. Therefore, governments that negotiate to enter into commitments that will ultimately lead to the creation of institutions for regional integration must be aware from the beginning. These obligations entail setting agreed limits to the freedom of national action, and these limits are not accepted by a country unless it is certain that it is necessary, or at least economically beneficial, to join a regional economic bloc in order to accelerate the development process of economy.

Dimensions of the new economic regionalism

The geographical dimension: The new regionalism did not make the geographical dimension a strong focal element within the process of rapprochement or divergence, but this element cannot be neglected, since the neighborhood between two countries or between regions reduces transportation costs and thus encourages trade, because the effectiveness of regional integration that... The new regionalism views it within this dimension. It is supposed to achieve gains as a result of the free movement of capital and labor, and contribute to the transfer of technology, as the latter is reflected in the means of transportation and means of communication and leads to their development.

The strategic dimension: The new regionalism is established within this dimension to establish free trade zones between developed countries and developing countries that sometimes rely on historical ties such as the European Union and the Mediterranean countries, but with a vision with a strategic dimension.

The rapid economic transformations produced by the new global economy depend on industrial expansion that is managed and controlled by international companies within a precise, partial regional strategy and game theory. The latter relies on potential strategies and proves that it is possible to form economic entities or partial regions without resulting in harm to non-member countries. In these entities.

References

1. Abdel Hamid AM. The New World Economic Order and its Future Prospects after the Events of September 11. Cairo: Arab Nile Group; c2003.
2. Mohsen AM. The New Regionalism: The Contemporary Approach to Regional Economic Integration. Al-Bahath J, Casimira Ouargla Univ; c2009-2010, (7).
3. Abu Sharar AA. International Economics Theories and Policies. Amman: Dar Al-Maysara; c2007.
4. Al-Qazwini A. International and Regional Economic Integration in the Shadow of Globalization. Tripoli: Academy of Graduate Studies; c2004.
5. Al-Noori BSM. The effect of the reader's background on reading comprehension performance. Adv Lang Lit Stud. 2014;5(6):194-203.
6. Al-Noori BSM. A Postmodernist Reading of Kurt Vonnegut's Slaughterhouse-Five. Route Educ. Soc. Sci. J. 2023 Jan;10(1):1-14.
7. Al-Noori BSM. The Relationship between EFL College Students' Listening Strategies and Comprehension. Int. J Multidiscip Curr Res; c2015, 3.
8. From the Havana Conference in 1947 until the announcement of the World Trade Organization in 1995, the GATT negotiations passed through eight stages.
9. Abdel Rahim I. Future Challenges of the Arab Economic Bloc: Globalization and Alternative Regional Blocs. Cairo: Arab Printing and Publishing; c2000.
10. Al-Arabi I. Agglomeration and Economic Integration among Developed Countries. 2nd ed. Algeria: National Publishing and Distribution Company; c1974.
11. Al-Majdoub O. Globalization and Regionalism: The Future of the Arab World in International Trade 2.

- Cairo: Egyptian Lebanese House; c2001.
12. Abu Harb O. International Economics. Jordan: Dar Al-Osama; c2008. p. 201.
 13. Rahman R, Lamin L. Continental Economic Integration. New Reg J Econ Notebooks; c2010, 2(4).
 14. Hatem SA. Modern Trends in International Economy and International Trade: Economic Blocs between Theory and Application. Part 2. Cairo: Egyptian Lebanese House; c2005.
 15. Hatem SA. Modern Trends in International Economy and International Trade: Economic Blocs between Theory and Practice.