various fields of Economics, Political Economy, Management and Business, Sociology and other disciplines, even on his return to India after nearly two decades of teaching and research in foreign countries. He is respected by his old students, professional colleagues and those who remain in touch with him in one context or the other. He is a rare example of self-made person who travelled across the globe to attain educational excellence and distribute the same but keeps a low profile along with his very high moral and ethical values of life. I pray to God Almighty for his good health, happiness, long life and many more professional books and papers and achievements in the times to come. In view of some of the observations listed above, which are based on my first hand information and long association with Professor B.N. Ghosh as his student and co-author, it can be concluded in one line that he is a 'man par excellence'. Whatever he taught theoretically as a Professor of Economics was also actually practiced by him. I have found in him a symbiosis of theory and practice in the true sense. Finally, Professor B.N. Ghosh has been associated with many research organizations, academic societies and teaching institutions and has created a wide network of academic interactions with his own students, and scholars from India and abroad.

Immanuel Kant, the celebrated German philosopher once remarked that there are three worthwhile things in this universe and none of them can be defined in a compelling way. They are: truth, beauty and justice. My academic association with Professor Ghosh for a long time has given me the impression that he has had a beautiful and creative mind that is always engrossed in genuine academic activities including learning, teaching and research, and he leads a life full of charity, kindness, faith and hope.

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CHAPTER 3

Economic Crisis and Reintegration: The Emerging Regional Variants

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Introduction

What is happening to 'globalisation'? The current multi-faceted crisis is transformational, driving deep structural changes. As Ghosh has pointed out, the growth of regionalism is one key outcome of the "contradictory dynamics of globalisation" (Ghosh and Guven, 2006). By this antithetical process, the post-war, US dominated economic order is being steadily replaced by a multipolar system with distinct trading norms, currencies and forms of integration. What will this new system look like?

Regional trade and economic groupings have been idealised as forms of 'open regionalism', embraced as measures of pragmatic accommodation or conceived as anti-imperial and developmental projects. The modellers have often focussed on regionalism's 'diversion' from the multilateral system's theoretical trade benefits; but this is short sighted. Whatever the relative trade volumes, deep institutional changes are taking place which will affect the terms of engagement. As Baldwin points out, "regionalism is here to stay ...[we] require detailed knowledge of exactly what sort of deep integration is going on at the RTAs" (Baldwin 2008, s.6). This chapter focuses on the emerging characteristics of the main regional groupings. Making use of an institutional method, it argues that the elements of four major trading blocs – North American European, East Asian and Latin American – have already emerged and can be identified through existing interests, claims and agreements. These regional models can be characterised by their distinct approaches to investment and property rights, commodity trade, social protection, agriculture, cooperation and integration. The models are both driven by and shaping particular regional responses to crisis.

This chapter considers the nature of the current, complex 'meta-crisis', reviews some critical turning points for the US-dominated order, and studies distinct emphases of the emerging regional integration processes. It attempts a characterisation of these main regional variants.

Metacrisis

The complex set of crises we face today might best be called a 'metacrisis', because it is complex, interlinked and implies transformational change, in particular the displacement of the dominant role of the 'hegemon' of the past half century. The US-centred model of globalisation has been challenged by both long and short term developments, not least the vulnerabilities of the US economy. A three decade long and widening trade deficit (see BEA, 2005) has been joined by substantial foreign capital dependence (see IMF, 2008; Table 3.1.) and huge budget deficits. These weaknesses, aggravated by the recent financial crisis, have led to a 'diversification' process away from holdings of US dollar reserves such that, by late 2009, the US dollar represented only 37% of new reserves, compared to a 63% average over the previous decade (Xie and Worrachate, 2009). The likely result is substantial depreciation of the de facto world currency and, with it, the privilege the US has long enjoyed in global investment and general economic capacity.

The systemic, genuinely global crises we face should tell us the current period is not a simple cycle of 'crash and recovery', which can be measured by GDP and trade fluctuations. Nor is the current structural change only a matter of resolving financial disequilibria, as important as this may be. The compound food, energy, climate, financial, governance and ideological crises carry deeper challenges, and, while they do not seem capable of resolution individually, nor does there seem to exist institutional means nor political will to resolve them globally.

This suggests a period of delinking and regional consolidation, with limited multilateral coordination and distinct emerging regional features, some of which are already apparent. For the purpose of this discussion I use the term 'delinking' in reference to the broad regulation of economic relations - a regional re-conditioning of the terms of commercial engagement - and not simply concerning trade price and volume (e.g. Kim and Lee, 2008). A debate persists around trade diversion and delinking, and whether regionalism is a 'building block' or a

'stumbling block' to idealised, open multilateral trade relations. One line of study has suggested that regional trade agreements can complement the multilateral process (Estevadeordal, Freund and Ornelas, 2008; Baldwin and Segnezza, 2007); another that emerging Asia is not 'decoupling' because of its persistent and strong global trade links (Pula and Peltonen, 2009). However wider perspectives, which look at the fluctuations in investment and output, observe the co-existence of global linkages and an increase in 'group-specific factors' (Kose, Otrok and Prasad, 2008). This chapter observes that the US financial crisis, and the subsequent weakening of the US economy and the US dollar, followed and reinforced (rather than caused) the breakdown in the multilateral processes, and the further development of regional agreements, including trading currency 'diversification'. Nevertheless, the US financial crisis is important to these regional trends because it forms a milestone in a longer restructuring process, and serves to compound the challenges of concurrent food, energy and environmental crises.

A meta-crisis might be distinguished from a more simple crisis - for example of regional finance, or political restructuring - by its catalysing a hegemonic or imperial transition as well as wider scale economic restructuring. Yet in line with accumulation theories (Baran, 1957; O'Connor, 1984), though without adopting the more deterministic notions on resistance, this chapter maintains that the compound crisis poses challenges to systems of production and consumption, as well as to power relations. Comparing the crises of the 1930s and 1970s, Gouverneur spoke of the difference between a 'conjunctural' and a 'structural' crisis. The former was a overproduction crisis, followed by a recession; the latter had the additional requirement of more far reaching changes including development of "a new type of accumulation" (Gouverneur, 1983: 192). Marxist writers (e.g. Aglietta, 1979) have since argued that new regulatory regimes involve states acting to resolve the particular accumulation problems of private investors. It has also, more recently, been argued that the integration of Chinese production into global capitalism since the 1980s has only given a medium term respite to the productivity problems that confronted the wealthy countries in the 1970s and 1980s (Li, 2009).

What would a new system of accumulation look like, after two decades of the 'China stimulus', with the limits to the planet's fossil fuels in sight and with catastrophic climate change linked to past production and consumption patterns? The European-US global economic management regimes (including the WTO, the IMF and the now-expanded G8) are under strain; so too is their 'cooperation' in strategic intervention. Samir Amin wrote:

"The solidarity between the dominant sections of transnational capital and the members of the Triad (US-EU-Japan) is real, and it explains their rallying to global neoliberalism ... [but] Washington hardly intends to 'share fairly' the profits of its leadership. On the contrary, it seeks to make its allies into vassals, and is only ready to make minor concessions to junior allies"

—AMIN, 2004

We can see this most clearly in the allocation of energy and infrastructure contracts in the invaded middle eastern countries. But the wider significance of Amin's comments are that this marriage of convenience exists only so long as the US maintains its dominant role. Despite its unilateralism, the US has not managed to secure what has always been the imperial prerogative - privileged access to strategic resources. Latin America has asserted significant autonomy; the Europeans are seeking escape from the disastrous middle east wars; Russia is again seen as competitive; and China is gaining access to Middle East and African energy reserves.

The failure of US-dominated global management can be seen in the retreat of the main international financial institutions, the World Bank and the IMF; the failure of APEC and the discrediting of NAFTA (see e.g. Bello, 2008); as also the drawn-out collapse of talks at the World Trade Organisation. On the one hand there has been a crisis of legitimacy, affecting all these agencies; on the other, there has been a failure in the Washington-led 'consensus' that seemed on the ascendant in the 1980s and 1990s. Finally, while the weight of productive power and the strongest currency now reside in Europe, financial and manufacturing power is ascendant in East Asia.

What about the compound crises, and their apparent intractability? The food crisis was a long time coming but, with its links to the energy crisis, has settled in strongly. The immediate cause of the 'undernourished' in the world rising from 873 million in 2004-06 (16 per cent) to 1.02 billion (19 per cent) in 2009 was the steep rises in food prices and increased poverty due to the economic crisis (FAO, 2009). However for longer term causes we must turn to the linkages. Rising fuel prices affected fertiliser and transport costs, derivative markets for commodities further inflated prices, pressure on arable lands came from rising populations and those seeking richer diets, while trade liberalisation decimated small farmers in the face of corporate agribusiness. Hunger has affected much of the planet, including in the rich countries (the USA), the big grain exporters (Thailand) and the champion export economies (China).

The crisis of climate change has led to little agreement, a fair bit of jealousy (over who will be disadvantaged by reducing their carbon emissions first) and dubious experiments in virtual privatisation of the atmosphere, known as carbon or

emissions trading. Climate change is linked to but distinct from the energy crisis, as whatever the success or failure of climate change mitigation, we still face the fossil fuel limits. The energy crisis (including 'peak oil') was widely discussed in the 1970s, but little was done about it. Dependence on fossil fuels and combustion engines has not decreased, least of all in the wealthy countries, and the clean energy alternatives (solar, wind, water) still see limited development. Despite the apparently strong growth in sustainable energy investment, between 2002 and 2008 renewable power grew from 2.9% to just 4.4% of global capacity (UNEP, 2009).

The US-centred financial crisis had its proximate origins in US housing loans, but its deeper roots were in the wide derivative markets that traded bad debt as though it were a commodity. Many of these same financial companies then cried 'too big to fail' and were rescued with hundreds of billions in public dollars. The depreciation of the US dollar after this crash has been slower and more awkward, given its special status, but is now underway (Xie and Worrachate, 2009). The US financial crash can be seen to have brought to a head a crisis of confidence in US governance and 'open market' ideology, which had been fraying since the IMF programs of the 1980s and 1990s and the collapse of the WTO round of talks between 2003 and 2006.

Table 3.1. Multiple, Linked, Systematic Crisis

	Immediate features	Linkages
Food	Permanently higher food prices; expanded malnutrition, starvation	Energy/oil/biofuels; derivative markets; agricultural trade; limits to arable land; richer diets; rising populations
Climate Change	Rising atmospheric carbon, higher temperatures, desertification, severe storms, ecological transformation	Deforestation, fossil fuels, coal energy, combustion engines
Energy	Higher price energy, limited energy availability	Limited fossil fuels, failure to develop 'clean energy', wasteful consumption
Financial	Banking collapse and bailouts, economic recession, unemployment	High risk, speculative derivative markets, privileged 'deregulation' of banking
Governance & Ideology	Collapse of WTO talks, rejection of FTAA, IMF reform debate	Resentment at privileged treatment for the big powers, 'rigged rules'

Given the deeper roots and inter-linkages of each of these crisis, it is apparent why multilateral solutions have not been developed. The dominant economies have been committed to high levels of private accumulation and mass consumption with minimal social planning. They have made a virtue of enforcing whatever competitive advantage they may have had on the rest of the global community, generating great resentment in the process. This has been a poor climate for global solutions.

In the shorter term, pressure on the hegemonic power seems unlikely to lift soon. Unresolved, systematic aspects of the US-centred economic crisis include the high levels of financial sector debt, general excess capacity, and the 'one off' nature of large economic stimulus packages. UNCTAD, amongst others, poured cold water on the 'green shoots' theories that signs of recovery could be seen by mid 2009. Reliance on exports for recovery was misplaced, as the recession was global, and the 2009 "upturn in financial indicators is more likely to signal a temporary rebound from abnormally low levels of prices of financial assets .. [showing] a restored 'risk appetite' among financial agents" (UNCTAD, 2009: ii-iii).

Despite the multiple crises, the global community remains focussed on the possible benefits of economic integration – but on what terms? To consider this, let's turn to the beginnings of some recent 'delinking' processes, before the present financial crisis.

Delinking and The Terms of Integration

Two important events over 2003-2005 marked turning points in 'delinking'. The assertion of the G21 against the big powers at the Word Trade Organisation's 2003 Cancun Summit (a 'mid term review' for the WTO's 'Doha Round') was followed by the Latin American rejection of the US plan for a 'Free Trade Area of the Americas' (FTAA), a counter-movement which included the strengthening of the Rio Group (the Organisation of American States without the USA) and the creation of UNASUR and the ALBA. The FTAA was modelled on the North American Free Trade Agreement (NAFTA) and, of course, reflected US claims at the WTO, including the strong foreign investment privileges built into NAFTA. The G21 and the emerging Latin American bloc have created important new alliances and new voices in the integration debates.

At the Cancun summit the G21 (comprising China, India, Indonesia, Thailand, Pakistan, The Philippines, most of Latin America, South Africa, Nigeria and Egypt) reacted most strongly to the WTO proposals on agriculture and investment (Elliot and Denny, 2003). China's incorporation into this group was significant, just two years after its accession to the WTO, as the champion East Asian exporter was strongly committed to merchandise trade liberalisation. The G21 presented a forceful voice alongside other developing country groups that were expressing a range of concerns over agriculture, e.g. over special products and safeguard mechanisms.

At the root of concerns over the WTO's Agreement on Agriculture (AOA) were the asymmetrical rules which allowed the fully-funded domestic subsidies which only wealthy countries could afford, yet wound back the tariffs and special

protections that most suited the developing countries. The huge agricultural subsidies of the US and the EU (and Australia and Canada) were 'quarantined' from WTO regulation by being placed in the AOA's 'green box', and thus deemed to be 'not trade distorting'. The G21 sidelined the Australian-led 'Cairns Group' on agriculture and restored a genuine developing country voice in the WTO's 'development round'.

Developing country concerns over asymmetries in the agricultural rules not only related to trade disadvantage, but to food security. Countries that had been urged to specialise in export crops could find that they had give up some agricultural subsistence capacity to promote a cash crop whose 'market access' was then blocked. (These concerns were later reinforced by the sharp food price rises of 2007-08.) For example, a number of African countries had gone to Cancun looking for a decision to end the multi-billion dollar US and EU cotton subsides. They got nothing. The WTO's draft declaration offered, at best, to cap those subsides at their current average levels. Senegal President Abdoulaye Wade said the WTO's approach to liberalising agriculture had "completely failed" his continent (Mutume, 2003). President Wade was referring to the massive subsidies allowed by the AOA's 'green box', subsidies thus immune from regulatory control. The other face of these subsidies is the brute monopoly power of agribusiness companies. As Ambrose (2003) points out, a handful of companies - like the US giants Monsanto and Cargill - dominate world food commodities, and are the major beneficiaries of US agricultural subsidies.

Alongside the rejection of the terms of the agricultural liberalisation agenda went rejection of a new raft of investor privilege claims, under the heading of the 'Singapore Issues'. They carried this name because, having failed to gain support in the Uruguay Round of the GATT, the US and some of its European partners had placed them back before the WTO at its first meeting in Singapore, in 1996. The claims included 'national treatment' for foreign investors (meaning that they would be treated the same as domestic private or public investors) and effective privatisation requirements, mainly under the heading of 'competition policy' rules (see e.g. Woolcock, 2003).

There was frustration amongst many developing countries that the US and the EU wished to push these new investment claims, when their own concerns from existing agreements (e.g. the AOA and TRIPS) were not being addressed. The ACP (Africa, Caribbean and Pacific) developing country group, for example, said it was not prepared to start discussion over the 'Singapore issues' while their concerns were unaddressed. Brazil had already expressed its concerns about the impact of TRIPS on essential medicines and public health (Oh, 2003). The strong IPR laws required of WTO members had made the new ARVT medicines for HIV/AIDS prohibitively expensive. This was a new technology that was not being properly distributed by 'normal' commercial mechanisms.

Raju (2004) blamed the EU for the Cancun failure, by pushing the 'Singapore issues'. Perhaps he saw the EU as failing in its role as the 'moderate' partner of the US. Nevertheless, existing concerns over agriculture and TRIPS helped built up momentum to the formation of the G21. China certainly had its own concerns about agriculture, as its rural sector was undermined by a big influx to the industrialising cities, and as the huge country joined the ranks of food grain importers. Deep worries over agriculture certainly help explain Latin American unity (e.g. bringing the US-aligned states of Mexico and Colombia together with socialist Cuba and Venezuela) within the G21. However, further discussion of the Latin American departure from the 'North American Model' might best be held off until the next section.

Finally, another reaction to the North American model might be observed in UNESCO's 'Convention on the protection and promotion of the diversity of cultural expressions', an agreement passed overwhelmingly in October 2005, with 148 votes for, 2 against (the USA and Israel), and four abstentions (Australia, Nicaragua, Honduras, Liberia). This treaty was prepared and ratified as the WTO floundered, including over proposals under its service agreement (GATS) to break down barriers to trade and investment in cultural and media industries. The UNESCO agreement, to the contrary, reaffirms the sovereign right of states to elaborate cultural policies "to protect and promote the diversity of cultural expressions" and "to create the conditions for cultures to flourish and to freely interact". It also guarantees that measures aimed at protecting cultural expressions do not hinder respect for human rights (UNESCO, 2005). This counter-movement demonstrated the isolation of the US in its ambitions to extend the reach of its already huge television and film networks, beyond the bounds of national content rules and other forms of cultural protection. In Latin America a regional television station, TeleSur, was set up in 2005, specifically to counter domination by the US television networks.

Table 3.2. Key WTO Conflict Points

	WTO model	Developing Country objections
Agriculture	Commodification of agriculture; allow expensive subsidies, but ban tariffs	Food security concerns; asymmetry of regulation
Investment claims	Removal of foreign investment rules; privatisation and competitive tendering	Anti-privatisation, especially of infrastructure and essential services
Intellectual Property Rights	Existing TRIPS model – strong IPR monopoly rights in medicines, seeds, IT	Access to essential medicines; inequity in technological adaptation
Merchandise trade	Full liberalisation of trade in goods	Strategic concerns over industrial development
Cultural protection	Export of cultural and media industries, e.g. under GATS (services agreement)	Cultural protection, maintain local voices in mass media

Both the EU and the US blamed the G21 for the failure to reach agreement at Cancun (Elliot and Denny, 2003), and then blamed each other when the round finally collapsed in 2006. However Brazilian Foreign Minister Celso Amorim said:

> *"I am convinced that Cancun will be remembered as the conference that signalled the emergence of a less autocratic multilateral trading system. Developing countries will not be reduced to the role of supporting actors in discussions that affect their future development prospects"*
>
> —IN MUTUME, 2003

Cancun showed important fracture lines in the supposed 'consensus' on globalisation, disagreements that had already been working their way into the parallel regional agreements. The Latin American, East Asian and even the European models of integration already showed aspects of these differences over agriculture, investment, intellectual property and cultural protection. Let's now turn to the main features of the regional approaches.

Regional Integration

It is tempting to imagine what new forms of integration might look like, or to pore over the latest diplomatic statements. Nevertheless, I suggest a more direct institutional method provides ideas that have greater certainty. By combining the key elements of disagreement at the WTO with the established elements of regional agreements we can begin to trace future regional themes. In this section I will characterise the North American model – formerly the 'global' model - and distinguish some aspects of the European model before moving to the two other emerging blocs – the East Asian and the Latin American. It might be possible in future to consider other models – for example South Asian, Middle Eastern, African and Oceania models. Here I will just try to characterise those four large blocs. In each case it seems useful to consider their respective positions in the 'trade' debates, their regional currencies and the depth of their political integration.

The North American model has used the 'free trade' slogan in a way that most took to heart the 'factor substitution' ideas of the early neoclassicals (Heckscher and Ohlin, 1991). That is, trade in commodities might be regarded as a 'substitute' for the immobility of other factors, in particular labour. This has more than a little to do with the immigration problems of the USA, persistent trade conflicts between the NAFTA partners and a lack of economic convergence within that bloc. Here we see a clear difference between the North American 'FTA' model and the European 'union' model.

Beyond trade, the North American model can be characterised as one claiming strong investor 'rights' (NAFTA 2009: Chapter 11), strong intellectual property rights (NAFTA, 2009: Chapter 17) and with an imperial stance over cultural and media industries. Each of these positions is backed by powerful cartels which, despite their multinational character, maintain considerable advantage by being identified as 'American' corporations. The Europeans, for similar reasons, have also backed investor claims and, to a fair extent, the IPR regime; but they have taken a different position on cultural and media industries. This of course reflects an acceptance of one important theme in European history, that no major national group was able to dominate the others.

The European model – so far the most successful model of regional integration – has with its slow but steady institutional development, eclipsed in size and scope the North America model; the more so since the 2005 failure of the Free Trade Area of the Americas (FTAA) proposal. The EU's political origins began with the integration of the coal and steel industries of the original six countries, in a cold war attempt to consolidate NATO and avert internal conflict. A common market with shared tariffs in the 1960s was followed by integration measures in the 1990s, in particular cross subsidies and the free movement of peoples (Europa, 2009). The open labour migration regime may in the short term appear to undermine Europe's national social security systems (Freeman, 1986) but in the longer term should contribute to economic convergence. Europe's most recent achievement was the 2002 adoption of the Euro, so far drawing in sixteen countries.

The European model can therefore be characterised as shadowing the North American model in trade and investment, but with substantial differences in economic integration and convergence, an open labour market and stronger cultural and social protection. It is worth adding that the European model has less

capacity than the North American to impose an imperial will on other states and regions, due to its pluripolar political structure.

The East Asian model is the least institutionally developed of these four, but has enjoyed substantial, de facto trade integration. And as Hooi Lean and Ghosh (2009) have pointed out of Malaysia, while global integration proceeds, regional integration is "becoming more deterministic", with benefits in stability and resilience. The 1997 Asian Financial Crisis gave an extra impetus to talks on regional integration (including the yet to be realised proposals for an Asian Monetary Fund and an Asian Currency Unit) and the growth and extent of East Asian intra-regional trade in recent decades has surpassed that of the North American and South American trade blocs (Kawai, 2008: Table 3.3). The Chiang Mai Initiative of 2000 was important, not just in developing regional currency swap and financing arrangements, "to supplement the existing international facilities" (Yu, 2004: 106) but in beginning wider institutional processes which included exchanges on research and training.

Table 3.3. Intra-Regional Trade as % Total Trade

	1980	2000	2007
ASEAN+3 (incl. Hong Kong, Taiwan)	36.8	52.1	53.8
NAFTA (3)	33.8	48.8	43.0
MERCOSUR	11.1	20.3	15.2
New EU (27)	61.5	66.3	67.2

Source: IMF data adapted from Kawai, 2008: p.3

Trade has not so much been East Asia's problem as institutional development. In this respect a common question in recent years has been, 'what can East Asia learn from the European experience?' Attention usually turns to the idea of a regional currency, though economic convergence is also recognised. The optimists, it is said, consider that if exchange rate fluctuations and income inequalities can be overcome, "today's Europe can be the future of East Asia" (Kim, 2009: 296). Gill and Kharas (2009: 203) regard the income distribution a great source of tension and "the greatest challenge" in integration for East Asian governments, while the staged, cautious approach to building the Euro has been well studied in Japan, when discussing the possible Asian Currency Unit (ACU) (Watanabe and Ogura, 2006).

The regional currency discussions, however, were spurred on in 2008 by the perception of great risk in US dollar holdings, after the US financial crisis. The more theoretical discussions of 'optimal currency areas' (se e.g. Chey, 2009) have been overtaken by pragmatic concerns. China, a major creditor to the US, had been playing a cautious role, calling for international financial stability, not least to protect its own very large reserves. However, from late 2008 onwards, China began an internationalisation strategy for its own currency, the Renminbi (RMB). Most notable have been China's large bilateral currency swaps over 2008-2009 with South Korea, Hong Kong, Malaysia, Byelorussia, Indonesia and Argentina (Zhang, 2009: 24-25). China does not disclose details of its reserve holdings but, internationally, new reserve holdings have included Euros and Yen as much as US dollars (Xie and Worrachate, 2009). A steady depreciation of the US dollar is in train and those with big reserves (while not wanting precipitous change) will want to either find or create their own refuges.

As the Association of South East Asian Nations (ASEAN) represents the most coherent regional political group – especially since its partnerships with Japan, China and Korea – the themes of its agreements, and how they may differ from those of the WTO, are instructive. The ASEAN approach to trade has been more selective. For example, in agriculture, food security is noted before trade, and the need for conservation of natural resources is incorporated (ASEAN, 2009a) in a way not seen in the WTO's more compartmentalised Agreement on Agriculture. In investment there has been a similar model to that of the WTO's framework trade in services agreement (GATS), with a listing process and temporary exclusion lists (ASEAN, 2009b). Nevertheless, fairly careful control of FDI has been a notable feature of both Japanese and Chinese models of investment (see e.g. Sun and Tipton, 1998; Yoshitomi and Graham, 1996). While the ASEAN services agreements are said to be following a 'GATS-plus' principle, they have not so far really opened up areas of European and US ambition, such as infrastructure, water and essential services. The agreements have focused on finance and transport (pre-GATS areas of service liberalisation) and recognition of professional qualifications through 'Mutual Recognition Agreements' (MRAs) (ASEAN, 2009c). Similarly, in intellectual property rights (IPRs) there are working groups on harmonisation (ASEAN, 2009d), but a more flexible approach to IPRs (with associated copying and then adaptation and improvement of technologies) in the process of industrialisation has been a notable feature of East Asian development.

In short ASEAN has taken a more selective approach to the listing of traded commodities and areas for foreign investment. Combined with China's joint venture model for foreign investment and the dominance of national capital in Japan, a distinct East Asian emphasis can be discerned.

Latin American has an overlapping a mixture of integration bodies, but they have been revitalised in recent years. While the Andean group has little cohesion and Mercosur persists as a less effective trade bloc, it is the new political-economic groups – the ALBA and the Brazilian-led UNASUR – that are generating momentum.

The Bolivarian Alternative for the Americas (ALBA - since 2009 'Alliance' has replaced 'Alternative') was a proposal of Venezuelan President Hugo Chavez in late 2001, an attempt to develop principles in opposition to the US plan for a Free Trade Area of the Americas (FTAA) (Altmann, 2008: 3-4). This might be seen as an exercise in 'south south survival strategy' (see e.g. Fugazza and Vanzetti 2008), following the rejection of an imperial model. With the participation of Cuba ALBA became a reality in agreements signed in Havana in December 2004. An initial charter of principles plus trade and integration agreements between the two countries saw them rapidly generate large scale barter swaps (e.g. health services for energy development), facilitate public, regional and joint venture investment (a reversal of North American privatisation claims), engage in large scale training exchanges and 'national treatment' of transport, sports and other facilities (Elizalde and Baez, 2005). In this context, 'national treatment' meant the sharing of public facilities, not the US-EU notion of scrapping foreign investment rules. The ALBA stressed south-south cooperation and solidarity and cooperation between members, while the public investment elements underlined its socialist character. Both Cuba and Venezuela have stressed the reconstruction of national basic food production, in recent years, in response to the volatility of agricultural trade and the recent food crisis. The third ALBA member, Bolivia, added the idea of 'Peoples' Trade Agreements' (TCP, in the Spanish) so that the group's formal acronym became ALBA-TCP. By 2009 ALBA had nine members, as well as several associates and observers.

UNASUR was a Brazilian proposal which had stalled but was picked up by President Ignacio 'Lula' da Silva in December 2004 (Altmann, 2008: 5), at the same time as the Cuba-Venezuela ALBA accords. In a reference to ALBA, Bossi asserts that, without the impetus of Latin America's "progressive and revolutionary forces", UNASUR would not exist. "UNASUR, ALBA and the revitalisation of the Rio Group are consequences of this new constellation of forces" (Bossi, 2009). The Rio Group is effectively the Organisation of American States (OAS) without the US and Canada; its future status is yet to be clarified. Nevertheless, UNASUR and integration ideas remain popular across the political spectrum, as all Latin American countries share a common colonial history, anti-colonial struggles and Bolivar's dream of a united Latin America.

The impact of ALBA and UNASUR is wider than their membership. UNASUR has spawned BANCOSUR, a public regional bank linked to Venezuela's energy integration plans, and TELESUR, a continental public television station, specifically to counter the US-dominated television networks. Both bodies have members outside South America. Non-ALBA members like Argentina have engaged in ALBA like trade swaps (ship building services for discount

Venezuelan oil). Several Caribbean and Central American countries, despite their strong ties to the USA, have been drawn in to the ALBA and into Venezuela's Petrocaribe. The cutting edge of this process has been Cuba's remarkable health and education cooperation programs and Venezuela's energy assistance. Solidarity, in short, is helping drive Latin American and Caribbean integration.

From 2008 the ALBA proposed a regional currency, the Sucre, which is now used as a virtual currency for the barter swaps and is under study for use in general exchange (ALBA, 2009; Chavez, 2009). It is significant that Ecuador, which adopted the US dollar in the late 1990s, was central to the move for a new regional currency. Noting the privilege that attaches to minting the currency of international exchange, Ecuadorian President Rafael Correa observed "the one that creates the medium of exchange appropriates part of the wealth .. [the USA] is capturing part of our production .. [it is] income by seigniorage" (Telesur, 2009). A regional currency, for the ALBA group, is thus not merely a matter of mutual advantage but linked to Latin America's strong anti-imperial traditions.

Unity combines with solidarity as a driver of integration in Latin America. Cuban President Raúl Castro observed: "None of our countries have the slightest possibility of changing the world economic system, but if we unite, we can change our system, a new system of solidarity, justice and integration which breaks the old imperial chains which still hold us down" (America XXI, 2009). President Correa acknowledges the political nature of this process: "Of course this is a political act. The ALBA is a socialist project ... it is energy, political and territorial integration" on a basis of "fraternal relations" (America XXI, 2009). The ideas and processes here have clearly moved beyond those of a simple trade bloc.

Table 3.4. Regional Trade and Integration Emphases

	Commodity trade	Agric. Protection	Foreign investor privileges	Cultural industries	IPRs	Distinct features
Nth American	Liberal	Subsidies	Strong	Imperial	Very strong	Hegemonic, investor driven
European (EU)	Liberal	Subsidies, safeguards	Strong	Cultural protection	Strong	Investor driven, socially inclusive
East Asia (ASEAN+3)	Selectively liberal	Tariffs, subsidies, safeguards	Controlled	Cultural protection	Lax, selective	Developmental state, pragmatism
LatAm (ALBA)	Selectively liberal	Tariffs, subsidies, safeguards	Regional & public	Cultural protection	Lax, selective	South-south, anti-imperial, socialist

To sum up, we can chart several distinct regional emphases against themes of contention at the WTO (Table 3.4). First, we can note the more selective approach to commodity trade liberalisation, in the East Asian and Latin American regions. Second, the different approaches to agricultural protection (tariffs versus up-front subsidies) reflect differences in state capacity, while concern over the need for special safeguard mechanisms reflect widespread anxieties over food security. Third, the US and EU advocacy of investor privileges at the WTO has been met with widespread resistance and, in the case of Latin America, some formulations of regional preference. Fourth, without rejecting international input, most countries endorse the need for protection of cultural and media industries. Fifth, while many countries have IPR interests, concerns over essential medicines and basic seeds have dampened any enthusiasm for strong IPRs to be embedded in trade agreements. Finally, each mode has some distinct features, which could be summed up as follows: hegemonic and investor driven (North American), investor driven but socially inclusive (European), pragmatic and making use of a 'developmental state' (East Asian) and stressing 'south-south' cooperation, with anti-imperial and socialist elements (Latin American). The European model and the emerging Latin American model indicate that processes of social inclusion and welfare do influence the nature of integration. Citizenship is linked to trade and finance, in these processes of integration.

Conclusion – The Terms of Integration

The current transformations are not a simply matter of 'retreat' into regional groupings or 'advancing' with globalisation. There have been important debates over the terms of integration, and the food, energy, climate, financial and governance crises have added impetus to regional changes. The transformational 'metacrisis' might encourage some wider perspectives on the models that emerge in coming years. I am speaking here of the sustainability of systems of production and consumption, of cleaner energy sources and technologies and of the cooperative (and not just competitive) possibilities within regional integration.

Walden Bello recently quoted John Maynard Keynes, who had observed that developing new ideas is not as hard as "escaping from old ones" (Bello, 2009). In our present context the old mindset has included notions that regional consolidation will create barriers to processes of global exchange. Economic modellers have expressed concern about regionalism's possible 'diversion' of some trade dollars. However, while there may be trade-offs from stronger regional agreements, the 'zero-sum-game' notion of competition between the regional and the global is a curiously non-liberal and limited approach. There are exciting new possibilities in regional integration and, while the new blocs may redefine the terms of international exchange, that exchange is hardly going to disappear.

It seems clear we are moving towards a more complex regulatory order in which elements of the old 'global' model survive alongside new and distinct regional themes. In this context, 'delinking' is not so much a matter of trade volumes as of the new terms of integration, conditioned by strong regional concerns and regional institutions. Yet there are uncertainties that stand in the way of predicting those new regional characteristics with any precision. Open questions include: to what extent will the IMF will be reformed, or sidelined by regional bodies? what will be the future of the disputed WTO agreements, such as agriculture and IPRs? and what depth of political integration will we see within the new regional bodies, especially in East Asia?

Notwithstanding these uncertainties - and as has been noted by Ghosh and Guven (2006) - we are seeing the persistence of the global alongside a stronger articulation of the regional. The US will remain an important regional power and international actor but, despite ambitions for a 'New American Century' (Kristol et al, 2008), the decline in US influence will be one of the key changes in the present cycle. Regional currencies, formal and de facto, have already emerged in Europe, Latin America and East Asia; they are certain to grow. The regional groupings seem likely, albeit to varying degrees, to consolidate their domestic agriculture at the heart of their food security policies. Distinct investment and intellectual property regimes may emerge. In particular, we are likely to see moves away from externally driven privatisation imperatives and greater acceptance of public and joint venture investments, as is already the norm in parts of East Asia and Latin America. These differences may make for a more complex and at times ambiguous regulatory environment.

Nevertheless the new regional systems should also provide new opportunities in trade, cooperation and development. They will most likely demand a healthier mutual respect, in the way that the Europeans have been forced to live with each other. Regional organisations may develop with greater maturity as they are able to express their own characteristics. Innovation in new technologies to confront the global crises may be spurred on by the diversity of multipolar initiatives. South-south cooperation, between developing countries, should help remove historical anomalies from the colonial period, artificial constructions that have kept neighbours apart. In short, we should see considerable promise in redefining the terms of integration, through the distinct regional contributions.

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CHAPTER 4

Multivariate Modelling of Country Risk: A New Approach*

PARVESH K. CHOPRA [1,2]

Rationale

In the measurement of country risk, four distinct problems must be faced, viz., first, identifying the whole range of critical country risk factors that are likely to impinge on profits and profitability of overseas investment and values of assets in a country. Second, by using causal reasoning, discovering the causal mechanisms (web of relations) underlying the complex phenomenon of country risk, thus developing an understanding of casual connections or pathways among different dimensions of country risk where all causes are interconnected. Third is to

[1] This paper is dedicated to my friend, philosopher and co-author Professor Gopal K. Kanji who sadly passed away on 28th of June, 2010.

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