Globalization and regionalization

Globalization and Regionalization International business transactions are starting to become more prevalent and ever easier to conduct due to advancement in information technology and improving inter-country relations. Globalization and its lead in stepping stone regionalization are paving the way for increased free trade agreements and comparative advantages in various goods between different countries and nations.

The addition of the World Bank and the World Trade Organization (WTO) as tools in financial assistance and implementation of policies to in-need and involved trading countries aids that existing framework for global economic success. Globalization is the “ process of interaction and integration among the people, companies and governments of different nations” (Levin Institute, 2010). International trade of goods and international investing both illustrate the concept and provide an outlet for comparative advantage through free trade of those goods.

With countries producing what they are able to most efficiently (could be multiple countries producing the same good to utilize available resources) and trading with other countries for different goods, free trade emerges and globalization is promoted. Productivity and innovation for any good that is globally manufactured and traded tends to increase, and prices are held relatively constant, allowing all involved greater profits and a better quality of life (Ligi, 2008). Governments can get involved to suppress or even derail the free trade attempts with specific trade barriers, taxes or embargos.

Political agendas and small native businesses are usually the causal reasons for those restrictions. Small businesses that do not have the opportunity, adequate capital or appropriate networking ability to advance beyond their own country’s borders can fall victim to the dark side of globalization and fail. Attempted prevention of that exact result could be accomplished with simple regionalization. Regionalization is the “ harmonization of trade policies” and “ increased homogeneity with regard to a number of dimensions, the most important being culture, security, economic policies and political regimes” (Hettne, 1996).

The region in question could be an industry, states, nations or geographical areas crossing nationally established borders (European Union is a great example of that) banding together for support, influence and power. National interests of the country tend to overshadow those of regions and trade barriers in general, but the affect on free trade and productivity through pure comparative advantages within the region can still be significant. Increased security and goods development are high points with the use of regionalization.

They lead to more complex coordination and cooperation within a region resulting in successful use of the comparative advantage for goods and more stable cross-border relations. This, in turn, can lead to economic productivity, political calmness throughout the region and established structures to assist smaller and weaker elements of the industry. Regionalization is truly seen as a stepping stone for implementation of effective and prosperous globalization. The World Bank has a similar positive stimulus in effective globalization.

It is an organization that is made up of 186 countries (shareholder members) and simply focuses on goals of poverty elimination and sustained development (The World Bank Group, 2010). They help developing countries financially in attempt to " strengthen their governments and educate their government officials, implement legal and judicial systems that encourage business, protect individual and property rights and honor contracts, while developing financial systems robust enough to support endeavors from micro credit to financing larger corporate ventures" (The World Bank Group, 2010).

The World Bank offers interest-free loans and grant assistances to countries for use in energizing economic and social development projects. It is an attempt to initiate the entrance of poorer countries into the world economic arena, effectively including them in trek towards economic globalization. The money offered by the World Bank essentially comes from many different countries through the sale of bonds (The World Bank Group, 2010). It becomes a foreign investment of money by wealthy countries in the success of less prosperous countries and their economic and political environments.

Invested countries' governments then offer trade barrier reductions and establishment of free trade regulations and policies with the help of the WTO for incentive for those developing countries to prosper, in turn allowing for an acceptable return on investment and further movement towards globalization. The WTO works specifically with the trade policies and rules between nations and is the only official " global international organization" that deals with those issues (World Trade Organization, 2010).

It, at its basic structure, is the primary organization that promotes economic globalization in oversight and policy creation with the multilateral trading system (centrally made up of WTO agreements). The WTO agreements are " negotiated and signed by a large majority of the world's trading nations, and ratified in their parliaments" (WTO, 2010). The agreements ensure that all countries involved keep trade barriers, taxes or restrictions within the agreed upon levels and prevent one country from destroying another economically or one country holding an unfair advantage over another.

It is also a third party platform for trade disputes and other problems focusing on settling the problem rather than judging the participants. The reliance on mutually agreed upon rules, regulations and dispute settlements encourage the continuation of economic globalization resulting in increased economic growth and uncorrupted governments with regards to international trade. Ultimately, effective economic globalization is created through many different avenues and not just with the responsibility of one group or nation.

As with many other ambitious ventures, the concept of globalization depends on the cooperation of all parties (countries, " regions," other governments, or the World Bank) involved. Balanced free trade is a goal of the World Trade Organization and should be a focus of all countries involved in producing goods that have a comparative advantage for it results in profits and improvements encouraging a more stable global market. Only by continued support of these international organizations acting as a third party platform supporting wealthy and poor countries alike, can successful economic globalization truly benefit all.

References Hettne, B. (1996, September 2-4). Globalization, The New Regionalism and East Asia. United Nations University Global Seminar ’96 Shonan Session. Session conducted by United Nations University in Hayama, Japan. Retrieved from http://www. unu. edu/unupress/globalism. html Levin Institute. (2010). What is Globalization? Globalization 101. org. Retrieved June 17, 2010 from http://www. globalization101. org Ligi, A. (2008, April 28). The Pros and Cons of Globalization. Associated Content by Yahoo!

Retrieved from http://www. associatedcontent. com/article/29797/the_pros_and_cons_of_globalization. html? cat= 3 Shujiro U. (2003, October). Economic Regionalization in East Asia. Retrieved from http://kyotoreview. cseas. kyoto-u. ac. jp/issue/issue3/article_289. html The World Bank Group. (2010). The World Bank—IBRD & IDA: Working for a World Free of Poverty. Retrieved from http://www. worldbank. org/ World Trade Organization (WTO). (2010). World Trade Organization. Retrieved from http://www. wto. org/