



**BLOCK 4**

**INTERNATIONAL ORGANISATIONS**

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## BLOCK 4 INTERNATIONAL ORGANISATIONS

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Block 4 titled International Organizations has three units. **Unit 12** highlights the role and functions of the United Nations. The UN may not have achieved all of its objectives since its formation in 1945 but it has also not allowed the outbreak of a third world war. **Unit 13** on International Economic Organizations discusses Bretton Woods institutions of International Monetary Fund (IMF) and the World Bank. It also highlights the European Union and major economic crises that have struck the world. **Unit 14** is about regionalism and new regionalism. International economic relations are a dominant feature of the post-Cold War international relations. Free trade agreements, preferential trade agreements and other types of trade and economic arrangements are being conceived and designed among countries which are located in distant geographical regions



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## **UNIT 12 ROLE AND FUNCTIONS OF THE UNITED NATIONS\***

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### **Structure**

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Objectives, Principles and Organs of the United Nations
- 12.3 Role of the UN System in Achieving Peace and Socio-economic Development
- 12.4 Achievements and Failures of the United Nations
- 12.5 Reforming or Restructuring the UN System
- 12.6 Let Us Sum Up
- 12.7 References
- 12.8 Answers to Check Your Progress Exercises

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### **12.0 OBJECTIVES**

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In this Unit, you will be studying about the United Nations. This Unit would enable you to understand:

- The objectives/ purposes, principles and the principal organs of the UN
- Role of the UN in international politics
- Its major achievements and failures
- Need for democratization of UN System through reforms and
- Future prospects of the UN

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### **12.1 INTRODUCTION**

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The United Nations (UN) was established on 24 October 1945. It is the only truly universal and global intergovernmental organization created to date. It was founded with 51 nations; UN now consists of 193 states as its members. The UN continues to be the only global international organization and actor that has an agenda encompassing the broadest range of governance issues. As the world's only truly global organization, the UN has become the foremost forum to address issues that transcend national boundaries; and, which cannot be resolved by any one country acting alone – no matter, how mighty. It is a complex system that serves as the central site for multilateral diplomacy, with the UN's General Assembly as the center stage. Three weeks of general debate at the opening of each annual session of General Assembly in the month of September draws foreign ministers and heads of state and government from small and large states to take advantage of the opportunity to address the nations of the world and to engage in intensive diplomacy. All these years, the UN has played a significant role in world affairs. Without it, the world we live in today would have been totally different. It has prevented breakout of another major war after the 2<sup>nd</sup> World War.

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Its role may not be highly satisfactory to every person in maintaining international peace and security, but its active role succeeded in cooling off tensions between Super Powers and other major Powers in the world, particularly during the period of Cold War. However, its role in creating human rights norms, undertaking humanitarian activities and tackling refugee problems, to name only few, are laudatory. It is not like a world government expected to solve all major problems in the world, and with power to enforce its orders. However, it does provide the means to help resolve international conflicts and formulate policies on matters affecting humanity. The UN is a forum where all countries meet to discuss, elaborate and extend international law in areas such as human rights, international trade, freedom of navigation and uses of the seas, and the fight against terrorism.

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## 12.2 OBJECTIVES, PRINCIPLES, AND ORGANS OF THE UNITED NATIONS

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As set forth in its Charter, the UN has four purposes:

- To maintain international peace and security
- To develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples
- To cooperate in solving international economic, social, cultural and humanitarian problems and in promoting respect for human rights and fundamental freedoms and
- To be a centre for harmonizing the actions of nations in attaining these common ends

In other words, the UN is mandated to safeguard peace and security; “to save succeeding generations from the scourge of war”; to reaffirm faith in fundamental human rights; to uphold respect for international law; and to promote social progress and better standards of life. UN’s original vision was built on four pillars; the first three – peace, development and human rights – have become increasingly intertwined and support a consistent and integrated framework of national and international priorities. The UN’s fourth founding pillar – sovereign independence – although largely achieved during the UN’s first two decades through decolonization, is now under scrutiny because of a concern for ‘reasonable limits’ on state sovereignty. The United Nations acts, to pursue its objectives, in accordance with the following principles.

- It is based on the sovereign equality of all its members
- All members are to fulfill in good faith their Charter obligations
- They are to settle their international disputes by peaceful means and without endangering international peace and security and justice
- They are to refrain from the threat or use of force against any other state
- Neither they nor any member or the UN should interfere in domestic matters of any State

To enable the UN to achieve its stated purposes and objectives the organization has been equipped with following six main organs.

### 12.2.1 General Assembly

The General Assembly, perhaps the closest approximation of a world parliament, is the main deliberative and legislative body. It is designed to utilize the time-honoured technique of resolving problems by free and frank discussions and as per the provisions of the customary international law. It is to function as the world's permanent forum and a meeting place. It is created on the assumption that "war of words" is better than war fought with bombs and weapons. All the UN Members are represented in it; and each has one vote on the basis of sovereign equality. Decisions on ordinary matters are taken by simple majority. Important questions require two third of the votes. The Assembly has the right to discuss and make recommendations on all matters within the scope of the UN Charter. Its decisions are not binding on member States, but they carry the weight of law, ethics and world public opinion. Thus, it does not legislate like national parliament. But in the meeting rooms and corridors of the UN, representatives of almost all countries of the world – large and small, rich and poor, from diverse political and social systems – have a voice and vote in shaping the policies of the international community.

### 12.2.2 Security Council

The Security Council is the organ to which the Charter gives primary responsibility for maintaining international peace and security. It can be convened at any time, even at midnight when peace is threatened. Member States are obligated to carry out its decisions. It has 15 members. Five of these – China, France, the Russian Federation, the UK, and the US – are permanent members, known as P5; they are also the nuclear weapons states. The other 10 are elected by the Assembly for a two year term. A decision cannot be taken if there is "no" or negative vote by a permanent member (known as "veto") on substantive questions. In common parlance, veto is known in the UN Charter as "Great Power unanimity" rule. When a threat to *peace* is brought before the Council, it usually first asks the parties to reach agreement by peaceful means. The Council may undertake mediation or set forth principles for settlement. It may request the Secretary General to investigate and report on a situation. If fighting breaks out, the Council tries to secure a ceasefire. It may send peace-keeping units (observers or troops) to troubled areas, with the consent of the parties involved, to reduce tension and keep opposing forces apart. Unlike the General Assembly resolutions, its decisions are binding and it has the power to enforce its decisions by imposing economic sanctions and by ordering military action under the principle of "collective security".

### 12.2.3 Economic and Social Council

Absence or prevention of war does not automatically ensure a peaceful international system. To diminish the underlying causes of future conflicts that might lead to such threats to the peace or breach of peace, the founding fathers of the UN also provided mechanisms for economic and social progress and development and to promote higher standards of living. This job has been assigned to the Economic and Social Council (ECOSOC) - third main organ of UN. The ECOSOC has 54 members. It usually holds two-month long session each year. It coordinates the economic and social work of the UN and other specialized agencies and institutions – together known as the UN Family or simply as the

UN System. It recommends and directs activities aimed at, among others, promoting economic growth of developing countries, administering development and humanitarian assistance projects, promoting the observance of human rights, ending discrimination against minorities, spreading the benefits of science and technology, and fostering world cooperation in areas such as better housing, family planning and crime prevention.

Let us elaborate what constitutes the UN System. It consists of the UN, its 15 Specialized Agencies, and its various programmes. Following Specialized Agencies are part of the UN System: ILO (International Labour Organization), FAO (Food and Agriculture Organization), UNESCO (United Nations Educational, Scientific and Cultural Organization,) WHO (World Health Organization), IBRD (International Bank Reconstruction and Development – the World Bank), IMF (International Monetary Fund), ICAO (International Civil Aviation Organization), IMO (International Maritime Organization), ITU (International Telecommunication Union), UPU (Universal Postal Union)WMO (World Meteorological Organization), WIPO (World Intellectual Property Organization), IFAD (International Fundfor Agricultural Development), UNIDO (United Nations Industrial Development Organization), UNWTO (World Tourism Organization).

UN Programmes and Funds include, UNCTAD (United Nations Conference on Trade and Development), ITC (International Trade Centre), UNDP (United Nations Development Programme), UNCDF (United Nations Capital Development Fund), UNV (United Nations Volunteers), UNEP (United Nations Environment Programme), UNFPA (United Nations Population Fund) UN-HABITAT (United Nations Human Settlements Programme), UNHCR (Office of the United Nations High Commissioner for Refugees), UNICEF (United Nations Children’s Fund), UNODC (United Nations Office on Drugs and Crime), UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East) UN-Women (United Nations Entity for Gender Equality, and the Empowerment of Women), and WFP World Food Programme.

It must be noted that the Specialized Agencies and UN Programmes and Funds work under ECOSOC and report to it.

#### **12.2.4 The Trusteeship Council**

The Trusteeship Council was created to supervise the administration of 11 Trust Territories and to ensure that Governments responsible for their administration take adequate steps to prepare them for self-government and independence. It is gratifying to note that all these territories had attained independence by the end of 1994 and now this body has little work.

#### **12.2.5 The International Court of Justice**

The International Court of Justice consists of 15 judges who are elected concurrently by the General Assembly and the Security Council. It resolves legal issues and interprets international treaties.

#### **12.2.6 The Secretariat**

The Secretariat is the sixth main organ of the UN. It consists of a Secretary-General and other staff and personnel who run the UN administration and carry

out day-to-day work of the UN. Staff members are drawn from 193 members of UN. As international civil servants, they work for the UN as a whole, and pledge not to take or seek instructions from any government or outside authority. Calling upon some 41,000 staff members worldwide, the Secretariat services the other principal organs of the UN and administers the programmes and policies established by them. At its head is the Secretary-General, who is appointed by the General Assembly on the recommendation of the Security Council. Till now the office of the Secretary-General has been occupied by nine incumbents: Trygve Lie (Norway), Dag Hammarskjold (Sweden), U. Thant (Myanmar), Kurt Waldheim (Austria), Javier Perez de Cuellar (Peru), Boutros Boutros Ghali (Egypt), Kofi Annan (Ghana), Ban Ki-moon (Republic of Korea) and Antonio Guterres (Greece).

### Check Your Progress Exercise 1

**Note:** i) Use the space given below for your answer.

ii) See the end of the unit for tips for your answer.

- 1) Why the United Nations has been established by the international community?

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## 12.3 ROLE OF THE UN SYSTEM IN ACHIEVING PEACE AND SOCIO-ECONOMIC DEVELOPMENT

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In spite of the careful framing of the UN Charter, the UN was unable to solve many problems of the world due to the Cold War between the US and the former USSR. On the other hand, it played an important role in a number of international crises by arranging ceasefires and negotiations, and by providing peacekeeping forces. Its successes in non-political work care of refugees, protection of human rights, economic planning and attempts to deal with problems of world health, population and famine have been enormous. The Security Council of the UN is its principal organ to maintain international peace and security. The Council works on the principle of “collective security”. This concept treats the aggression of one state against the other States as an attack on all member States of the UN. It allows the Security Council to take action against the aggressor only when five of its permanent members (which are great Powers) the US, USSR, France, China and Britain are unanimous on such action. Any negative vote (veto) will prevent such action. Any veto will kill the concept of collective security. The Council was paralyzed many times by use of veto during the Cold War (1945-1991). In order to secure some action in case of a veto by one of the P5 countries, the General Assembly (GA) (at the time of the Korean War in 1950) introduced the “Uniting for Peace” Resolution. This resolution stated that if the Security Council’s proposals were vetoed, the GA could meet within 24 hours and decide

what action to take, even military intervention if necessary. In cases like this, a decision by the Assembly would only need a two-thirds majority. Again this new rule was not incorporated in the UN Charter, and the USSR, which exercised more vetoes than any P5 states, always maintained that a Security Council veto should take precedence over a GA decision. Nevertheless, the Assembly acted in this way many times, ignoring Russian protests.

How successful has been the UN as a peacekeeping organization? Although it has had mixed success, it is probably fair to say that the UN has been more successful than the League of Nations in its peacekeeping efforts, especially in crises which did not directly involve the interests of the great powers, such as the civil war in the Congo (1960-64). On the other hand, it has often been ineffective like the League in situations where the interests of one of the great powers – were involved (e.g., the 1956 Hungarian crisis and the 1968 Czech crisis). The best way to illustrate the UN's varying degrees of success is to examine some of the major disputes (both during the Cold War and post-Cold War) in which it has been involved.

**A) Palestine (1947 – Till Present):** The dispute between Jews and the Arabs in Palestine was brought before the UN in 1947. After an investigation, the UN decided to divide Palestine, setting up the Jewish state of Israel. This was one of the most controversial UN decisions, and it was not accepted by the Arab states. The UN was unable to prevent three Arab-Israeli wars (1948-49, 1967 and 1973) over the question of Palestine. However, it did useful work arranging ceasefires and providing supervisory forces, and caring for the Arab refugees. Due to strong US support to Israel and the disunity among Arab states, the UN has not been able to resolve the Palestine issue till date.

**B) The Korean War (1950-53):** This was the only occasion on which the UN was able to take decisive action in a crisis directly involving the interests of one of the superpowers. When South Korea was invaded by communist North Korea in June 1950, the Security Council immediately passed a resolution condemning North Korea, and called on UN members to send help to South Korea. However, this was possible because the USSR was boycotting UNSC meeting in protest at the failure of allow PRC to join the UN. Although the Russian delegates returned soon (to cast its veto), it was too late for them to prevent action going ahead. Troops of 16 countries were able to repel the invasion and preserve the borders between the two Koreas along the 38<sup>th</sup> parallel. Though this was claimed by the West as a great success, it was in fact very much the American operation – the vast majority of troops and the Commander-in-Chief, General MacArthur, were American, and the US government had already decided to intervene with force the day before the Security Council vote was taken. Only the absence of the Russians enabled the USA to turn it into a UN operation. When the USSR started vetoing further resolutions against North Korea, the General Assembly passed its famous resolution, “Uniting for Peace”, as discussed above.

**C) The Suez Crisis (1956):** On the sudden nationalization of Suez Canal by President Nasser of Egypt in 1956, Egypt was attacked by Britain and France (which owned shares in Suez Canal Company) and Israel. When the Security Council resolution condemning use of force by Britain and France was vetoed, the General Assembly under “Uniting for Peace” resolution not

only condemned the invasion (by majority of 64 to 5) but also called for a withdrawal of troops. In view of the weight of opinion against them, the aggressors agreed to withdraw, provided the UN ensured a reasonable settlement over the Canal and kept away the Arabs and Israelis from slaughtering each other. The UN General Assembly sent UN Peace Keeping forces (5000 peacekeeping soldiers) to Egypt to supervise ceasefire agreement. The Canadian diplomat, Lester Pearson, had invented the idea of Peacekeeping. He received Nobel Peace Prize later for his contribution to world peace. The UN was quite successful in maintaining peace in the region, though Russian and American pressure was also important in bringing about ceasefire. However, the UN was not so successful in the 1967 Arab-Israeli conflict.

- D) The Iran-Iraq War (1980-88):** The UN was successful in bringing an end to the long-drawn-out war between Iran and Iraq. After years of attempting to mediate, the UN at last negotiated a ceasefire, though admittedly they were helped by the fact that both sides were close to exhaustion.
- E) The 1991 Gulf War:** UN action on the war was impressive. When Saddam Hussain of Iraq sent his troops to invade and capture the tiny, but extremely rich, neighbouring state of Kuwait (August 1990), the UNSC wanted him to withdraw or face the consequences. When he refused, a large UN force was sent to Kuwait. In a short decisive campaign, Iraqi troops were driven out, suffering heavy losses, and Kuwait was liberated. However, the critics of the UN complained that Kuwait had received help only because the West needed her oil supplies. Other small states, like East Timor (which was taken over by Indonesia in 1975) did not receive help.

Why the UN is not so successful in enforcing peace in the world? There are five reasons, given below.

- The lack of a permanent UN army
- Lack of unanimity among P5
- Veto power of P5
- Shortage of funds and
- Non-cooperation of member states

### **Economic and Social Development**

Although most people associate the United Nations with the issues of peace and security, the vast majority of the organization's resources are in fact devoted to advancing the Charter's pledge to "promote higher standards of living, full employment, and conditions of economic and social progress and development". United Nations development efforts have profoundly affected the lives and well-being of millions of people throughout the world. Guiding the UN endeavours is the conviction that lasting international peace and security are possible only if the economic and social well-being of people everywhere is assured. Many of the economic and social transformations that have taken place globally since 1945 have been significantly affected in their direction and shape by the work of the United Nations. As the global centre for consensus-building, the UN has set priorities and goals for international cooperation to assist countries in their development efforts and to foster a supportive global economic environment.

The UN has provided a platform for formulating and promoting key new developmental objectives on the international agenda through a series of global conferences. It has articulated the need for incorporating issues such as the advancement of women, human rights, sustainable development, environmental protection and good governance into the development paradigm. Over the years, the world view of development has changed. Today, countries agree that ‘sustainable development’ – development that promotes prosperity and economic opportunity, greater social wellbeing, and protection of environment – offers the best path forward for improving the lives of people everywhere.

At their Millennium Summit in 2000, member states adopted the *Millennium Declaration*, which contained a set of wide-ranging goals for the future course of the UN. The *Declaration* was translated into a roadmap that included eight time-bound and measurable goals to be reached by 2015, known as the Millennium Development Goals (MDGs). The MDGs aim to eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and the empowerment of women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. In September 2015, world leaders adopted the 17 Sustainable Development Goals (SDGs) of the ‘2030 Agenda for Sustainable Development’. The 2030 Agenda officially came into force on 1 January 2016, marking a new course for the UN towards ending poverty, protecting the planet and ensuring prosperity for all by 2030. Three other accords adopted in 2015 play critical roles in the global development agenda: the Addis Ababa Action Agenda on financing for development, the Paris Agreement on climate change and the Sendai Framework on disaster risk reduction.

**Check Your Progress Exercise 2**

**Note:** i) Use the space given below for your answer.

ii) See the end of the unit for tips for your answer.

1) Why the UN has been less successful in promoting international peace?

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## 12.4 ACHIEVEMENTS AND FAILURES OF THE UN

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The United Nations was created to save succeeding generations from the scourge of war, protect human rights, maintain international peace and security, and uphold international law. Its history is marked with many successes, but also disappointments. We need to look at both sides so that we can make the UN more effective in the future. This section lists some of its achievements and failures.

### 12.4.1 Achievements of the UN

- A) One of the greatest achievements of the UN is its role in the field of decolonization. It gave inspiration to millions of Africans and Asians, who were under colonial rule, to claim the right of self-determination and independence. When the UN was founded in 1945, 80 of the present UN members were colonies. The UN helped many of them, having 750 million people, to achieve independence. With this development the International Relations have been democratized.
- B) The UN has an impressive record of resolving many international conflicts. U.N. peacekeepers have, since 1945, undertaken over 60 field missions and negotiated 172 peaceful settlements that ended regional conflicts. Right now, peacekeepers are in 20 hot spots around the world trying to save lives and avert wars.
- C) One of the most significant achievements of the UN is the creation of a comprehensive body of human rights law – a universal and internationally protected code to which all nations can subscribe and all people aspire. It has defined a broad range of internationally accepted rights, including civil, political, economic, cultural and social rights. It has International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, 1948, and the two International Covenants on civil and political, economic, social and cultural rights, 1966). Besides the International Bill of Rights, it has adopted nearly 80 human rights treaties or declarations. It has also established mechanisms to promote and protect these rights and to assist states in carrying out their responsibilities.
- D) More international law has been created through the UN in last seven decades than in the entire previous history of humankind. It has made major contributions towards expanding the rule of law among nations through the codification of international law.
- E) Today the UN provides food and assistance to 80 million people in 80 countries, supplies vaccine to millions of children and helps save 3 million lives a year, and assists and protects 67.7 million people fleeing war, famine and persecution. It fights extreme poverty, helping improve the lives of more than one billion people. It supports maternal health, helping over 1 million women a month overcome pregnancy risks.
- F) It works with 195 nations to keep the global temperature rise below 2°C/ 3.6 F.
- G) UN keeps peace with 104, 000 peacekeepers in 14 operations around the world.
- H) It tackles the global water crisis affecting over 2 billion people worldwide.
- I) It coordinates US \$24.7 billion appeal for the humanitarian needs of 145 million people.
- J) It uses diplomacy to prevent conflict; assists some 50 countries a year with their elections.
- K) UN's success can be gauged from the fact that 12 Nobel Peace Prize have been awarded to it, its specialized agencies, programmes and staff. This

included an award in 1988 to the UN Peacekeeping Forces in 2001 to the UN and its secretary-general, Kofi Annan. In 2020, Nobel Peace Prize was awarded to World Food Program, a UN special agency that fights hunger around the world.

- L) The UN has made progress with its eight Millennium Development Goals, which has been followed by 17 Sustainable Development Goals to enhance social, environmental and economic progress by 2030.
- M) Along similar lines, the UN's International Court of Justice has resolved major international disputes, but the UN's veto powers have limited its effectiveness at critical times.

#### 12.4.2 Shortcomings of the UN

The UN is not without shortcomings. Following UN failures should be noted.

- A) In 1970, when the Nuclear Non-Proliferation Treaty (NPT) was signed by 190 nations, all five superpowers owned nuclear weapons. Later, despite the NPT and Partial Test Ban Treaty, several countries – North Korea, Israel, Pakistan, and India – developed nuclear weapons. This revealed the UN's inability to enforce regulations on offending nations as well as promote the goal of universal nuclear disarmament.
- B) The International Criminal Court, established in 2002, has prosecuted several war criminals – but it has been criticized for prosecuting only African leaders while Western powers too have committed war crimes.
- C) Dag Hammarskjold, Secretary-General from 1953-1961, said that the “UN was not created to take mankind to heaven, but to save humanity from hell.” The UN has solved many violent conflicts, prevented wars, and saved millions of lives but it also faced disappointments.
- D) In Rwanda, over 800,000 were massacred in 100 days. In 1995, Bosnian Serb forces overran the “safe zone” of Srebrenica and massacred 8,000 Muslim men and boys. In Darfur, an estimated 300,000 Sudanese civilians were killed. In Nigeria, Boko Haram has killed over 13,000 people.
- E) A recent report by “Body Count” revealed that “in addition to one million deaths in Iraq, an estimated 220,000 people have been killed in Afghanistan and 80,000 in Pakistan as a result of US foreign policy”.
- F) In recent years, Israel attacked homes, schools, hospitals, and U.N. shelters in Gaza killing 2,200 Palestinians. Condemning that action, Navi Pillay, former UN High Commissioner for Human Rights, said that “Israel was deliberately defying international law in its military offensive in Gaza and that world powers should hold it accountable for possible war crimes.” The UN Security Council (SC) has failed as the United States vetoes any action against Israel.
- G) The Arab Spring in the Middle East caused thousands of deaths and regime changes in Tunisia, Egypt, Libya and Yemen. Libya is devastated with over 40,000 deaths, and the civil war in Syria has killed over 220,000 people. These wars have displaced over 50 million people. Now, ISIS has infiltrated

these countries causing gruesome killings, human rights abuses, and war crimes, at an unprecedented rate. These catastrophic events might have been prevented if the Member States of the UN had the ability to resolutely act in a timely manner. But the UN is not a world government, and it does not have a standing army of peace-keepers ready for deployment. And, it is the Member States that make decisions at the UN. These setbacks clearly reflect the shortcomings of the UN Security Council, and its veto powers that allow some members' own interests to be placed ahead of the need to end a raging conflict. Navi Pillay, addressing the Security Council, said that "short-term geopolitical considerations and national interest, narrowly defined, have repeatedly taken precedence over intolerable human suffering and grave breaches of – and long-term threats to – international peace and security."

- H) During the last 75 years, geopolitics has changed drastically that call for reform of the UN – to meet global needs and challenges of the 21st century.
- I) Member States accuse the Security Council of being arrogant, secretive and undemocratic but the veto powers resist change. Meanwhile, violations of the UN Charter by powerful countries continue to erode the effectiveness of the United Nations.

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## **12.5 REFORMING OR RESTRUCTURING THE UN SYSTEM**

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Since the meeting of the Heads of Government of the Security Council on 31 January 1992, a global debate on the restructuring of the UN System has begun. Many proposals have been made in this regard. The main objective of such reform proposals is to make the UN, specially its Security Council, more democratic, efficient and adaptable to the changing international milieu. Since the UN responsibilities and concerns are world-wide and are now expanding to virtually every conceivable area of human activity, it is imperative to re-design the UN structure so that it can meet the challenges of the 21<sup>st</sup> century. One of the suggestions included that the Security Council should be expanded from 15 to 23 or 25, out of which 5 should be additional permanent members – two industrialized countries (Japan and Germany), and three large developing countries (Brazil, India and Nigeria). Names of South Africa, Egypt are also discussed for permanent membership of the Council. More than 25 years have passed since the debate of expanding Security Council began but no consensus has emerged among P5 nations to come to any conclusion. However, some administrative reforms were carried out by trimming the Secretariat during the tenures of Kofi Annan and Ban Ki-moon.

It has been argued that the UN Security Council should be reformed so that it becomes truly democratic. At the moment, only five veto power countries decide the matters related to world politics. These five countries have their own differences due to which they are not able to decide important matters. If the UNSC has to be democratic, there should be more members in it from different parts of the world. The UNSC reflects the reality of 1940s geopolitics when the Second World War was being fought. The UNSC should reflect the contemporary geopolitics in which new powers like India, Japan and Germany have risen and play an important part in international relations. India is part of the G-4 grouping along with Japan, Germany and Brazil which support each other as permanent

members of the UNSC. This group seeks UNSC reform to make it more democratic and representative. India’s claim to the permanent membership of the UNSC is based on following.

- Ancient Civilization with the philosophy of Vasudhaiva Kutumbakam (Whole World is a Family)
- Pluralist Democracy
- Status Quoist power
- Responsible nuclear power
- Economic Strength
- One fifth of world’s population lives in India. To make the UNSC truly democratic, India cannot be kept out of global decision making institutions.

**Check Your Progress Exercise 3**

**Note:** i) Use the space given below for your answer.

ii) See the end of the unit for tips for your answer.

1) List some important achievements of the the UN.

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**12.6 LET US SUM UP**

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History has proved that the UN has become an irreplaceable part of international relations and international community. It has been playing a significant, sometimes historic, role in world politics. Its modest achievements listed in the Unit are testimony to it. It is a fact that, as mandated by its Charter, the UN has prevented another World War. The UN has made impressive and unprecedented progress in all aspects of human development, bringing great benefits to millions of people around the world. Our convoluted world needs the UN. The Security Council must be reformed and strengthened to enable the UN as a whole to confront and resolve complex challenges of our world. Former US President Obama has said, the UN is imperfect, but it is also indispensable. UN’s contribution to ideas, analysis, and policy making in the economic and social arena is one of its most important achievements. UN’s thinking and ideas in these arenas have had a major positive impact in many countries. Success and failures of the UN reflect the strengths and weaknesses of commitment and support from both the member states of the UN and the staff members. Let us conclude our discussion by quoting Jussi M Hanhimaki (*The United Nations: A Very Short Introduction*) who wrote: In the end, the UN cannot and should not be expected to offer solutions to all of the world’s ills. It does much good humanitarian work and often provides ways of easing tension and solving crises. It often enables people stuck in poverty to improve their lot. The UN is hardly perfect. But it remains an indispensable organization even as its behavior and effectiveness – much like that of individual countries – is in constant need of improvement.

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## 12.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress Exercise 1

- 1) Your answer should highlight the following points

## International Organisations

- The UN has prevented another World War
- Active role in cooling off tensions between Super Powers and other major Powers
- Exemplary role in creating human rights norms, undertaking humanitarian activities and tackling refugee problems
- The UN is a forum where all countries meet to discuss issues important for the world

### Check Your Progress Exercise 2

- 1) Your answer should highlight the following points
  - The lack of a permanent UN army
  - Lack of unanimity among P5
  - Veto power of P5
  - Shortage of funds and
  - Non-cooperation of member states

### Check Your Progress Exercise 3

- 1) Highlight the following
  - UN's role in decolonization
  - Peacekeeping efforts and mission
  - Creation of Human Rights Law
  - Role in fighting hunger and poverty

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# UNIT 13 INTERNATIONAL ECONOMIC ORGANIZATIONS\*

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## Structure

- 13.0 Objectives
- 13.1 Introduction
- 13.2 International Monetary Fund
  - 13.2.1 Functions and Role of IMF
  - 13.2.2 Operations of IMF and Its Shortcomings
- 13.3 World Bank
  - 13.3.1 Organisation
  - 13.3.2 Role of IBRD
  - 13.3.3 Differences between IMF and World Bank
  - 13.3.4 World Bank Operations
  - 13.3.5 Globalization, World Bank and IMF
- 13.4 World Trade Organisation
  - 13.4.1 Working of WTO
- 13.5 European Union
  - 13.5.1 Organisational Setup
  - 13.5.2 Brexit and Impact on EU
- 13.6 India and International Economic Organisations
- 13.7 Major Economic Crises after the Second World War
- 13.8 Let Us Sum Up
- 13.9 References
- 13.10 Answers to Check Your Progress Exercises

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## 13.0 OBJECTIVES

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In this Unit, you will be reading about international economic organisations and financial institutions. After going through this Unit, you would be able to understand:

- Roles performed by IMF, World Bank and WTO in global financial, developmental and trade matters
- Importance of Regional Economic Organisations like the European Union and
- Major world economic crises and

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## 13.1 INTRODUCTION

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We begin with an easy question: What is economics? A simple answer is that economics is the study of the production and distribution of goods and wealth. How did the world organize itself in terms of finance? The earliest markets were

areas where people came together to simply exchange goods – primarily food or financial items. From roughly the fifteenth century, Europeans built upon inventions and developments elsewhere to move from decentralised system of agricultural production to state-centric and technologically enhanced forms of capitalist industrialisation. Centralising European states promoted capitalist arrangements that favoured the accumulation of wealth by a minority, whose decision making power shaped the choices of and resources available to the majority. Eventually, capitalist markets spread and extended worldwide. Capitalist industrialisation, starting late 18<sup>th</sup> century, generated an unprecedented abundance, but at considerable human and environmental cost.

Globalisation has been the buzzword for the past few decades. We know that globalisation is powerfully affecting how life is lived and work is done throughout the world. This becomes important to weigh how the world economy is organised? Who are the actual winners and losers in this game? And what are the long term consequences of this game? Immanuel Wallerstein had proposed the World System Analysis. According to this theory, a modern world is made up of countries in the ‘core’ (rich, developed nations of the north), the ‘periphery’ (underdeveloped countries of the Third World or global south and the ‘semi-periphery’. The ‘semi-periphery’ covered the communist bloc countries of Europe. Since 1970s, a fundamental shift took place, especially after the end of ideology and history thesis. With the end of the Cold War, the capitalist structure became victorious. The neoliberal theory argues for the international organisations to shape the world economy. Therefore, this Unit deliberates upon the leading financial international organisations which shape the world and frame the rules. It is imperative to study the different international organisations and their structures. It is equally important to see whether the changes brought by these financial institutions are in the larger interests of the world or not? What are the major shortcomings? What distinguish contemporary capitalism are its unprecedented global reach, and its ability to shape. The IMF, World Bank along with WTO shapes the contours of world economy and finance. These are made to facilitate the flow of goods smoothly and create a balanced system. But does it happen? These fundamental questions need to be explored.

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## 13.2 INTERNATIONAL MONETARY FUND

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In an effort to rebuild the international economic system in the wake of World War II, delegates from Allied nations established the International Monetary Fund (IMF) and World Bank with the Bretton Woods Agreement, in 1945. Some 730 delegates from all 44 Allied nations gathered at the Mount Washington Hotel in Bretton Woods, New Hampshire, to determine how to regulate the international monetary and financial order after World War II. The delegates at Bretton Woods largely subscribed to the idea proposed by the US President Woodrow Wilson back in 1918 that free trade promoted global prosperity and peace. They were convinced that the policies adopted to combat the Great Depression in the 1930s and early 1940s—high tariffs, currency devaluations, discriminatory trading blocs—resulted in a precarious international environment. The determination, then, was that economic cooperation was the only way to achieve peace and prosperity. The International Monetary Fund is a global organisation. Its primary aim is to help stabilise exchange rates and provide loans to countries in need. Nearly all members of the United Nations are members of the IMF with a few exceptions such as Cuba, Lichtenstein and Andorra.

### 13.2.1 Functions and Role of IMF

IMF performs the following functions.

- i) International monetary cooperation
- ii) To promote exchange rate stability
- iii) To help deal with balance of payments adjustment and
- iv) To help deal with economic crisis by providing international coordination – loans, plus advice.

In practice, IMF does the followings:

- i) **Economic surveillance and monitoring:** IMF produces reports on member countries' economies and suggests areas of weakness / possible danger e.g. unbalanced economies with large current account deficit/excess debt levels. The idea is to work on 'crisis prevention' by highlighting areas of economic imbalance.
- ii) **Loans to countries with a financial crisis:** The IMF has \$300 billion of loanable funds. This comes from member-countries who deposit a certain amount at the time of joining the Fund. In times of financial/economic crisis, the IMF may be willing to make available loans as part of a financial readjustment. The IMF has arranged more than US \$180 billion in 'bailout' packages since 1997.
- iii) **Conditional loans/structural adjustment:** When giving loans, the IMF usually insists on certain criteria to be met, these can include policies to reduce inflation (tightening of monetary policy). These are called 'conditionalities'.
- iv) **Technical assistance and economic training:** The IMF produces many reports and publications. They can also offer support for local economies.

### 13.2.2 Operations of IMF and Its Shortcomings

How is the IMF financed? The IMF is financed by member countries who contribute funds on joining. They can also increase this throughout their membership. The IMF can also ask its member countries for more money. IMF financial resources have risen from about \$50 billion in 1950 to nearly \$300 billion till 2018, sourced from contributions from its 183 members. This initial amount depends on the size of the country's economy, for ex, the US deposited the largest amount with the IMF. The US currently has 16 per cent of voting rights at the IMF, a reflection of its quotas deposited with IMF. The UK has 4 per cent of IMF voting rights. IMF has weighted voting system. What about IMF operations? The IMF has gone through two distinct phases in its history. During the first phase, ending in 1973, the IMF oversaw the adoption of general convertibility among the major currencies, supervised a system of fixed exchange rates tied to the value of gold, and provided short-term financing to countries in need of a quick infusion of foreign exchange to keep their currencies at par value or to adjust to changing economic circumstances. Difficulties encountered in maintaining a system of fixed exchange rates gave rise to unstable monetary and financial conditions throughout the world and led the international community to reconsider how the IMF could most effectively function in a regime of flexible

exchange rates. After five years of analysis and negotiation (1973-78), the IMF's second phase began with the amendment of its constitution in 1978, broadening its functions to enable it to grapple with the challenges that have arisen since the collapse of the par value system. These functions are three.

First, the IMF continues to urge its members to allow their national currencies to be exchanged without restriction for the currencies of other member countries. Second, in place of monitoring members' compliance with their obligations in a fixed exchange system, the IMF supervises economic policies that influence their balance of payments in the presently legalized flexible exchange rate environment. This supervision provides opportunities for an early warning of any exchange rate or balance of payments problem. In this, the IMF's role is principally advisory. Third, the IMF continues to provide short- and medium-term financial assistance to member nations that run into temporary balance of payments difficulties.

**Shortcomings of IMF:** Three shortcomings are notable.

- A) The Fund provides short term finance to its members to tackle Balance of Payments (BoP) disequilibrium. For this purpose, it adopted an adjustable peg system in the first phase of its life. But it failed to establish a stable exchange rate.
- B) Secondly, the Fund imposes conditions on the poor countries while sanctioning loans. Now, it is ignoring its central concern—exchange rate management and BoP problems. It is now championing the issue of 'market principle'. It suggests poor developing countries to cut expenditure-borrowing-subsidy, raise prices of state enterprises, privatisation of state-owned enterprises, etc. If such measures, most popularly known as structural adjustment programmes, are adopted only then IMF credit would follow. Most of these measures are anti-people in character. It is said that Third World debt crisis is due to the Fund's policies and working.
- C) Thirdly, the Fund has failed to eliminate foreign exchange restrictions imposed by its members that hamper the growth of trade.

### **Structural Adjustment Programme**

A key component of neoliberal globalisation is a reliance on Structural Adjustment Programme, the package of economic measures sponsored by the International Monetary Fund (IMF) and the World Bank to tackle the problem of poverty and underdevelopment in debt-stricken countries.. Typically, these measures consist of fiscal discipline and the tightening of monetary policy, combined with an expansion of trade liberalisation and privatisation of the domestic economy. Within the neoliberal framework, debt-relief is linked to Structural Adjustment Programmes: the greater the compliance, the greater the support from the international donor community. In practice, Structural Adjustment Programmes have invariably hurt the more vulnerable sections of the society as they reward those who have better capability to profit from opportunities presented by the market. The poor are on a weaker footing to compete, and hence more likely to suffer from welfare retrenchment, which is often the operational effect of Structural Adjustment Programmes.

### Check Your Progress Exercise 1

**Note:** i) Use the space given below for your answers.

ii) See the end of Unit for tips for your answer.

1) Explain in brief the role of IMF.

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## 13.3 WORLD BANK

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### 13.3.1 Organization

Founded in 1944, the World Bank Group works with international institutions, regional banks and national governments for developmental tasks. The organization covers a wide range of sectors, from poverty reduction, developmental finance and education to climate change. Over the past 70 years, it has helped people in more than 100 developing countries. The role of the World Bank is to address failures in international markets and end poverty. It offers grants, zero interest credits and low-interest loans or investments as well as advice and training. Currently, it has over 10,000 employees and is comprised of five institutions, including the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD). The organization has been involved in more than 12,000 development projects since its inception. Currently, its primary goal is to reduce the global extreme poverty rate by 2030. Another function of the World Bank is to promote environmental sustainability and green growth. Furthermore, its members sponsor and participate in conferences and other events that tackle the world's development challenges.

### 13.3.2 Role of IBRD

The World Bank offers loans, grants and other financial products through the International Bank of Reconstruction and Development (IBRD) and the International Development Association. The function of the IBRD is to promote financial growth in middle- and low-income countries. In addition to loans, this institution provides advisory services, risk management and technical support at each stage of a project. Middle-income countries, such as Thailand and Indonesia, have a lot of potential for growth and development. They attract foreign investment and receive a large share of exports. Yet, they're home to some of the world's poorest people. The role of the World Bank and the IBRD is to invest in these countries and provide them with the best global expertise so they can grow and overcome challenges.

### 13.3.3 Differences between IMF and the World Bank

The IMF is small (about 2,300 staff members) and, unlike the World Bank, has no affiliates or subsidiaries. Most of its staff members work at headquarters in

Washington, D.C., although three small offices are maintained in Paris, Geneva, and at the United Nations in New York. Its professional staff members are for the most part economists and financial experts. The structure of the Bank is somewhat more complex. The World Bank itself comprises of two major organizations: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Moreover, associated with, but legally and financially separate from the World Bank are the International Finance Corporation (IFC), which mobilizes funding for private enterprises in developing countries, the International Centre for Settlement of Investment Disputes, and the Multilateral Guarantee Agency. With over 7,000 staff members, the World Bank Group is about three times as large as the IMF, and maintains about 40 offices throughout the world, although 95 percent of their staff works at its Washington, D.C.

The World Bank mainly has a developmental function which aims to reduce poverty and increase prosperity in developing and least developed countries. The IMF monitors currencies and makes efforts to stabilize international monetary system.

### **13.3.4 World Bank Operations**

The World Bank exists to encourage poor countries to develop by providing them with technical assistance and funding for projects and policies that will realize the countries' economic potential. The Bank views development as a long-term, integrated endeavour. During the first two decades of its existence, two thirds of the assistance provided by the Bank went to electric power and transportation projects. Although these so-called infrastructure projects remain important, the Bank has diversified its activities in recent years as it has gained experience with and acquired new insights into the development process. The Bank gives particular attention to projects that can directly benefit the poorest people in developing countries. The direct involvement of the poorest in economic activity is being promoted through lending for agriculture and rural development, small-scale enterprises, and urban development. The Bank is helping the poor to be more productive and to gain access to such necessities as safe water and waste-disposal facilities, health care, family-planning assistance, nutrition, education, and housing. Within infrastructure projects there have also been changes. In transportation projects, greater attention is given to constructing farm-to-market roads. The Bank provides most of its financial and technical assistance to developing countries by supporting specific projects. Although IBRD loans and IDA credits are made on different financial terms, the two institutions use the same standards in assessing the soundness of projects. The decision whether a project will receive IBRD or IDA financing depends on the economic condition of the country and not on the characteristics of the project.

### **13.3.5 Globalization, World Bank and IMF**

Globalization—the process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies—is often viewed as an irreversible force, which is being imposed upon the world by some countries and institutions such as the IMF and the World Bank. However, that is not so: globalization represents a political choice in favour of international economic integration, which for the most part has gone hand-in-

hand with the consolidation of democracy. Precisely because it is a choice, it may be challenged, and even reversed – but only at great cost to humanity. The IMF believes that globalization has great potential to contribute to the growth that is essential to achieve a sustained reduction of global poverty. The Bretton Woods Institutions—the IMF and World Bank—have an important role to play in making globalization work better. They were created in 1944 to help restore and sustain the benefits of global integration, by promoting international economic cooperation. Today, they pursue, within their respective mandates, the common objective of broadly-shared prosperity. The World Bank concentrates on long-term investment projects, institution-building, and on social, environmental, and poverty issues. The IMF focuses on the functioning of the international monetary system, and on promoting sound macroeconomic policies as a precondition for sustained economic growth.

The greatest asset that the Bretton Woods Institutions have in fulfilling these objectives is their culture of consensus-building, which is based on trust and mutual respect among the more than 180 countries—and their governments—that make up their membership. However, both institutions also recognize the need for change and internal reform. The IMF has implemented many reforms in recent years, designed to strengthen its cooperative nature and improve its ability to serve its membership. Many countries are still in the earliest stages of integrating with the global economy. Even so, they must still shoulder the main responsibility for making globalization work to their advantage.

### Check Your Progress Exercise 2

**Note:** i) Use the space given below for answers.

ii) See the end of Unit for tips for your answer.

1) Explain the role of World Bank.

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## 13.4 WORLD TRADE ORGANISATION

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The World Trade Organization (WTO) came into being in 1995. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in 1947. The proposal of an International Trade Organization (ITO) to promote trade and reduce or eliminate trade barriers did not succeed in 1947. GATT was an interim agreement and it had several rounds of trade negotiations until the formation of WTO in 1995. So while the WTO is relatively young, the multilateral trading system that was originally set up under the GATT is over 70 years old. The negotiations did not end there. In 1997, an agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round. In the same year, 40 governments successfully concluded negotiations for tariff-

free trade in information technology products, and 70 members concluded a financial services deal covering more than 95 per cent of trade in banking, insurance, securities and financial information. In 2000, new talks started on agriculture and services. These were incorporated into a broader work programme, the Doha Development Agenda, launched at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001. At the 9th Ministerial Conference in Bali in 2013, WTO members struck the Agreement on Trade Facilitation, which aims to reduce border delays by slashing red tape. The World Trade Organization is a global organization made up of 164 member countries that deals with the rules of trade between nations. Its goal is to ensure that trade flows as smoothly and predictably as possible. As part of his broader attempts to renegotiate the United States' global trade deals, President Donald Trump has threatened to withdraw from the WTO, calling it a "disaster". If the US were to withdraw, trillions of dollars in global trade would be disrupted.

### 13.4.1 Working of WTO

Decisions are made by consensus, (though a majority vote may also rule). Based in Geneva, Switzerland, the Ministerial Committee, which holds meetings at least every two years, makes the top decisions. There is also a Goods Council, Services Council, and Intellectual Property Rights Council, which all report to the General Council of the WTO. Finally, there are many working groups and committees. If a trade dispute occurs, the WTO works to resolve it. If for example, a country erects a trade barrier in the form of a customs duty against a particular country or a particular good, the WTO may issue trade sanctions against the violating country. The WTO also works to resolve the conflict through negotiations. As most investment flows from the developed and economically powerful countries into the developing and less-influential economies, there is, however, a tendency for the system to give the investor an advantage. Regulations that facilitate the investment process are in the investor's interest because these regulations help foreign investors maintain an edge over local competition. In 2017, as several countries, including the United States strengthened their protectionist stance on trade, the future of the World Trade Organization remains complex. The Doha Round began in 2000. It focused on improving trade in agriculture and services and expanded to include emerging markets, including countries at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001.

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## 13.5 EUROPEAN UNION

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What is the European Union (EU)? European Union's purpose is to promote peace, and establish a unified economic and monetary system. Its mandate is also to promote inclusion and combat discrimination; break down of barriers to trade and borders; to encourage technological and scientific developments; champion environmental protection; and, among others, to promote goals like a competitive global market and social progress. So, put simply, the European Union is a coalition of 27 European countries, designed to tear down trade, economic and social barriers and promote prosperity and development in these areas. Established in 1993, the European Union's headquarters are currently located in Brussels, Belgium. In the post-World War II world, the European Union sought to bolster the individual and collective economic and social well-being of the countries involved, as well as establish a cohesive global marketplace that

promotes trade and other social values. Still, the European Union functions by a three-pronged governing system including a Council, a Parliament, and a Commission, and uses a common currency called the ‘Euro’.

Despite not being officially formed until 1993, the European Union’s foundations actually reach further back to 1957, when the European Economic Community was established. The EEC was formed out of a previous group called the European Coal and Steel Community - which had its own start in 1951. Among other things, the EEC was designed to help break down trade barriers between countries in Europe, protect from private trade agreements that could diminish competition, and establish common agricultural and trade agreements and standards. The countries that comprised the EEC included Ireland, the United Kingdom, Denmark, the Netherlands, Belgium, Luxembourg, France, West Germany (and later East), Italy, Portugal, Spain and Greece. However, it wasn’t until 1993 that the EEC morphed into the European Union following the new Maastricht Treaty (also known as the Treaty on European Union).

**European Union vs. Euro Zone:** Still, the European Union is not the same thing as Euro Zone which was created in 2005, is simply the collection of all the countries that use the Euro as a currency. But despite the common pledge of EU members to eventually switch over to using Euros, only 19 of the current 27 EU countries use the Euro.

### 13.5.1 Organisational Setup

As mentioned earlier, the European Union is governed by three main bodies - the EU Council, the EU Parliament and the EU Commission. The Council’s main job is to create and propose new policies and legislation for the European Union. It operates under a different EU president every six months. The Parliament then debates and passes the laws proposed by the Council, electing members once every five years. Finally, the Commission enforces and operates the laws for the European Union. Euro is reportedly the second most-used currency in the world. Once established, the Euro has replaced many of Europe’s leading currencies, including French and Italian currencies like the Franc and Lira, to name a few.

### 13.5.2 Brexit and Impact on EU

England has voted to exit from the European Union and leave it - infamously coining the term “Brexit” for the British exit from the EU. Although Brexit may prove to be more harmful to Britain than the European Union, there have still been rippling impacts on the EU in the post-Brexit world. Certain countries in the EU could face huge economic losses, including Ireland and Germany, who both could stand to lose over 10 per cent and 5 per cent of GDP, respectively.

#### Check Your Progress Exercise 3

**Note:** i) Use the space given below for your answers.

ii) See the end of Unit for tips for your answer.

1) Explain the role of European Union.

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## 13.6 INDIA AND INTERNATIONAL FINANCIAL ORGANISATIONS

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The first prime minister of India, Jawaharlal Nehru observed that the foreign policy is the outcome of economic policy. The background of Indian economy had a solid base. In the year 1700, India accounted for 32.9 percent of total world GDP. India's largest exports being cotton and textiles, spices, precious stones, rice and silk. India's decline after 1700 has been variously attributed to the waning of the Mughal Empire, India's de-industrialisation, British colonialism and the rise of the United States as an economic power. From the 1950s to the 1980s, GDP growth had averaged 4 per cent per year, which the noted economist Raj Krishna derided as the 'Hindu rate of growth'. Till 1991 India had a closed economy. In June, 1991 India had only limited foreign exchange reserves to pay for three more weeks of imports. Under the new government of Narasimha Rao, a stabilisation package led by then Finance Minister Manmohan Singh was introduced to increase competitiveness, efficiency and productivity in the Indian economy. Through the New Industrial Policy Statement of 1991, the government monopolies ended on power, oil, hydrocarbons, air transport and telecommunication. Licence requisition was abolished in the key 15 sectors. The Indian government's three year plan of structural reforms of fiscal, monetary, industrial and agricultural policies continued to gain ground in the early years of the post-Cold War. Having a market-led, globalising economy was projected by India's leaders as part of a new development paradigm, aimed at alleviating poverty, illiteracy and unemployment. Therefore, India joined the World Trade Organisation (WTO) on 1 January 1995 and became more active in the IMF (of which it was one of the original members in 1945). Global economic engagement has therefore become indispensable for Indian foreign policy in terms of the benefits of interaction, interdependence and synergy. Former Indian Prime Minister Manmohan Singh categorically said, "if we do not increase the pace of the country's economic growth it must certainly affect our national security." The focus of India was on trade diplomacy. India's trading power can be converted into political power via commercial diplomacy. In this regard, at the IMF, India now commands a 2.34 per cent share of the overall vote, while in the World Bank it is 2.91 per cent. Indian economist Kaushik Basu was also appointed as the World Bank's chief economist in October, 2012.

As far as India is concerned, it believes in centrality of WTO in global trade. There have been efforts to move towards regional trade blocs but India believes that WTO should remain the central platform for global trade. India also wants reform of World Bank and IMF so that voices of developing economies are reflected in their governance and management. The delay in their reforms was the main reason why India proposed setting up of the BRICS Bank. All the members in this bank have equal voting rights.

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## 13.7 MAJOR WORLD ECONOMIC CRISES AFTER THE SECOND WORLD WAR

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- A) The International Debt Crisis lasted from 1981 to 1989. It covered nearly 20 countries around the world encompassing 30 different episodes. The 3 major East European countries affected were Poland, Romania and Hungary and the 3 major Latin American countries affected were Brazil, Chile and

Mexico. Each one faced serious debt problems but each one had unique problems in origin and implications. Long-term growth in most heavily indebted countries required innovation and broader strategy. The Baker Plan was formulated to strengthen growth prospects of indebted countries and was followed by the Brady Plan in the 1980s. Structural Adjustment Programmes (SAPs) were introduced in Latin American countries with disastrous results. SAPs caused lots of social dislocation and loss of economic productive structures. By early 1990s, the economic development strategy had shifted from import substitution model of development to neoliberal economic growth strategy all over Latin America.

- B) A major economic crisis struck many East Asian economies in 1997. The East Asian economies, which were witnessing rapid growth and improvement in living standards, got embroiled in a severe financial crisis. The social costs of the IMF programmes in Indonesia, Thailand and Korea were severe. Sharp price rises were witnessed in all 3 countries as a result of large exchange rate depreciations and massive job losses were seen. Food prices went up by 35 percent. Unemployment levels reached 12 percent in Indonesia, 9 percent in Korea and 8 percent in Thailand.
- C) In the mid 1990s, Russia was coming out of post-Soviet period to a market economy. There was massive social dislocation, fall in living standards, inflation in excess of 300 percent. Many Russians did not have savings for basic necessities of life. Barter was prevalent in several parts of the economy and the concept of debt repayment or legal enforcement was yet to be established. The source of inflation lay in a lack of fiscal discipline – Government ran huge budget deficits financed by the Central Bank of Russia. There was large scale tax evasion and huge capital flight.
- D) In 2008 severe recession unfolded in the United States and Europe which was the deepest slump in the world economy since 1930 and first annual contraction since the post-War period. The financial crisis which erupted in 2007 with the US sub-prime crisis deepened and entered a tumultuous phase by 2008. The impact was felt across the global financial system including in emerging markets. The 2008 deterioration of global economic performance followed years of sustained expansion built on the increasing integration of emerging and developing economies into the global economy.

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## 13.8 LET US SUM UP

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The world economic institutions have not brought the desired results. Poverty remains a durable feature of world politics. Intergenerational economic inequality has only deepened further. It has many reasons. The major reasons are self dominated Western interests in running the institutions. The basic problem lies in neoliberal prescriptions under the guidance of the above-mentioned institutions. Now the politics along with economics have been changing. The Asia has become the epic centres of economic centre. The China and India are emerging powers. The natural resources are also found in Asia and Africa. The headquarters of all the multilateral economic and financial institutions of the world are located in the West. People working in higher echelons are also Americans or Europeans. The structures and policies need to be modified. The IMF believes that economic growth is the only way to improve living standards in developing countries, and that this is best achieved through globalization.

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## 13.10 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress Exercise 1

- 1) Your answer should highlight the following points
  - International monetary cooperation
  - to promote exchange rate stability
  - to help deal with balance of payments adjustment and
  - to help deal with economic crisis by providing international coordination – loans, plus advice

### Check Your Progress Exercise 2

- 1) Your answer should highlight the following points
  - Provides developmental assistance to poor countries
  - Sees development as a long-term, integrated endeavour

### Check Your Progress Exercise 3

- 1) Your answer should highlight the following points
  - In the post-World War II world, the European Union sought to bolster the individual and collective economic and social well-being of the countries involved, as well as establish a cohesive global market place that promotes trade and other social values
  - European Union functions by a three-pronged governing system including a Council, a Parliament, and a Commission, and uses a common currency called the ‘Euro’

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## UNIT 14 REGIONALISM AND NEW REGIONALISM\*

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### Structure

- 14.0 Objectives
- 14.1 Introduction
- 14.2 The Evolution of Regionalism
- 14.3 Factors Responsible for Regionalism
- 14.4 Features of Regionalism
- 14.5 New Regionalism
- 14.6 Critical Appraisal
- 14.7 Let Us Sum Up
- 14.8 References
- 14.9 Answers to Check Your Progress Exercises

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### 14.0 OBJECTIVES

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In this Unit, you will be reading about regionalism and new regionalism. After going through the Unit, you would be able to understand the following.

- The importance of regionalism in international relations
- The circumstances and factors responsible for its evolution
- Features of regional arrangements
- New regionalism and its altered context, content and contours and
- A critical appraisal of the regionalism and new regionalism and its relevance in today's international system

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### 14.1 INTRODUCTION

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The first important point to consider here is to delineate regionalism as a concept. Regionalism in world politics refers to an attempt by countries in a geographical region to seek greater cooperation and support in different areas of state activity such as military, political, economic, and social-cultural interactions. At times, the need for such cooperation gradually manifests itself in the form of demand for establishing regional organizations. This phenomenon is also known as regional integration. Thus, regionalism often leads to regional integration and cooperation among the states in a particular region. Almost all the regions in the world have experienced this phenomenon and its development has seen increased emphasis since the 1990s. The next important point to ponder in this context is whether regionalism is a 'process' or a 'condition'. In a way, regionalism denotes both a process and a condition. It is a *condition* in the realm of ideas and sentiments when countries belonging to a region share a sense of affinity and belonging on the basis of such shared attributes as historical experiences (such as colonialism in Asia and Africa), economic conditions (economic underdevelopment in Latin

America), geographical contiguity, cultural similitude (tribal or linguistic affinity) or shared perception of threat from a dominant power. These are some of the conditions that encourage regional affinity and sentiment leading to formation of a regional organization. Regionalism is also understood as a *process* when certain efforts in a region are driven at tapping and consolidating the latent affinities among the members to further the cause of closer cooperation and integration, the process of drawing up a blue print of regional organization. The import substitution industrialization (ISI) model of development followed in Latin America in the 1950s convinced all the countries to go for closer economic integration. Hence, regionalism as a phenomenon denotes both a *condition* and *process*, both leading to bonds of cooperation and belonging.

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## 14.2 EVOLUTION OF REGIONALISM

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It is interesting to note that regional cooperation based on a sentiment of *belonging* to the neighbourhood is not new. We see instances of regionalism ever since the formation of organized political life. However, its most prominent avatar has been visible only in the twentieth century, more importantly, after the end of the First World War.

Conceptually speaking, a blueprint for cooperation was presented by David Mitrany in his book, *A Working Peace System* published in 1943 in which he proposed cooperation in technical areas of interdependence (he calls them 'functional' areas) so as to encourage greater interaction and closer relations among member states. He believed that such interaction would eventually result in habits of cooperation and deeper understanding among participating states leading to a system interdependencies and linkages in other areas as well. This, he thought, would lay the foundation for a peaceful working of the state system. His approach to peace came to be known as **the functionalist approach**. It means that one of the main factors responsible for the evolution of regionalism and regional cooperation is the emergence and existence of growing interdependence in technical and trade related interactions among the states. Gradually, when member states find it beneficial to cooperate in some 'functional' areas, they extend it to other areas of cooperation. This is known as the *spillover* effect. The functionalist approach received most traction in Europe after the Second World War since the European continent was witnessing the challenge of post-War reconstruction and need for economic cooperation. What began as cooperation in functional areas gained greater subscription and utility within the region of Europe to transform into a regional organization. It started with the formation of European Coal and Steel Community culminating in the regional European Economic Community. During the 1960s, there was a vigorous attempt to mould the functionalist approach to the specific needs of Europe by weaving political cooperation into the economic and trade matrix. A cluster of regionalists led by Ernst B Haas articulated the revised programme of functional cooperation envisioned by Mitrany. Their approach came to be known as **neofunctionalism** that underscored the inevitability of political element in the regional scheme of cooperation if it were to result in regional integration.

Besides the functionalists and neofunctionalists, those subscribing to **federalist approach** too supported regionalism as a viable programme. The federalists attributed different reasons for their argument in favour of regionalism. To them, regionalism and regional cooperation fulfilled the twin need for integration and

decentralization. The European Federalists in particular talked of *pooled sovereignty* (investing a slice of sovereignty in building and sustaining the regional institutions) to pave the way for a larger federal entity and closer union modelled, again, on the European Economic Community. Therefore, regionalism as an idea and project received support and legitimacy from three important theoretical approaches of the era, namely, the functionalist, the neofunctionalist and the federalist approaches.

However, the European Economic Community (EEC) that gave wings to the idea of European regionalism, and later brought to life that idea in concrete terms, was largely limited to economic and trade issues for the first thirty years before embarking on a more ambitious journey towards single currency and harmonization of policies in such areas as travel and immigration (Schengen visa) accompanied by a change in nomenclature from EEC to European Union.

Alongside the process of economic and trade cooperation through EEC, another important development unfolded in Europe that had greater implications for regionalism. **The Council of Europe** as a regional organization for political cooperation was founded in 1949. It soon acquired status of being forerunner in establishing common rights and standards for people of Europe irrespective of their nationality. It was the first regional organization that established a regional human rights system by adopting the first legally binding European Convention on Human Rights in 1950 to protect civil and political rights of individuals in addition to The European Social Charter in 1961. Thus, Council of Europe directed its efforts towards upholding human rights, democracy and rule of law in Europe. Rising competition between the West and the East in the context of Cold War meant that the emergence of organizations for security cooperation was not far behind or a distant goal; they arrived in the form of NATO and Warsaw Pact. They remained the broad framework within which security cooperation and protection of Europe evolved. The developments in Europe in terms of regional organizations in economic, political and security areas provided the template for similar organizations representing oneness and common goals to mushroom in other regions of the world. However, the process of emulating European regional cooperation in other regions of the world has been very uneven both in terms of close (harmonizing policies and enacting commonly agreed enforceable laws) and broader (extending to large number of issues and areas) cooperation. There are many reasons responsible for this divergence. Regions other than Europe that do not share the same level of uniformity in economic development, ideological commitment or cultural and religious traditions have found it difficult to replicate Europe's level of success in regional cooperation and integration. Also, all regions in the world are not geographically small and compact like Europe. That is why we see sub-continental, sub-regional, smaller organizations in large continents like Asia, Africa and Latin America. However, leaving aside the unevenness and dissimilarity, there are regional organizations in every part of the world that have symbolized regional aspirations and upheld the shared goal of regionalism. Examples of cooperation can be ASEAN, SAARC, Arab League, GCC, NAFTA and APEC etc. This brief description evidently shows that while regionalism is prevalent in every part of the world in political, economic and strategic areas, it also differs in its extent and depth of cooperation from one region to another.

One more aspect related to the development of regionalism is that its ascendancy reached its zenith during the decade of 1960s and early 1970s. There was a period

of lull after that until about early 1990s when we witness a renewed emphasis on regional cooperation in economic and trade areas so much so that they are emerging in the form of trade blocs based on exclusive membership and preferential rules of trade. It is causing some concern and resentment among countries that are excluded from trade blocs. This type of regionalism is known as ‘new regionalism’. We will discuss more about this later.

**Check Your Progress Exercise 1**

**Note:** i) Use the space given below for your answer.

ii) See the end of the Unit for tips for your answer.

1) Trace the evolution of regionalism and regional organizations.

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**14.3 FACTORS RESPONSIBLE FOR REGIONALISM**

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The obvious question that arises in one’s mind is why regionalism? What prompts the emergence of regionalism as an inevitable development? Based on the above mentioned description of its evolution, we can now deduce reasons for the growth of regionalism and factors that encourage this development. If David Mitrany proposed a blueprint for cooperation in technical and functional areas, it is fairly obvious to infer that growing interdependence in technical and trade relations among member states has been a major driving force of regionalism. The evolution of public international unions in the 19<sup>th</sup> Century is a testimony to increasing interactions leading to common concerns and need for harmonious laws that needed to be addressed at the intergovernmental level. Examples of Universal Postal Union and International Bureau of Weights and Measures are relevant here. This process has been further galvanized by globalisation wherein it is impossible to conceive of member states as isolated, independent entities characterised by self-sufficiency. Secondly, regional level acts as an intermediary between national and global levels of economic and political activity. Oftentimes, issues of regional concern get lost in the melee of global problems and concerns. Universal intergovernmental organizations tend to be remote in terms of access and diffused in terms of focus and attention when dealing with specific problems of a region. Hence, regionalism fits the bill perfectly while dealing with transnational issues that are of particular relevance to a region and not of global concern. Thirdly, regional cooperation checks the authoritarian tendencies of a dominant, stronger actor within a region. It acts as a bulwark against oppressive, totalitarian behaviour towards smaller states by protecting their interest through collective endeavour as also by putting to rest their fears and anxieties. Fourthly, in a broader global context, regionalism provides visibility and voice to regional aspirations and common shared attributes such as language, culture, history, and orchestrated ideas based on those attributes. African Union has for long given voice to the idea of African nationalism and African brotherhood that encapsulated

the common history of colonialism and the need to shape a common destiny in future. It promotes regional solutions to problems of conflict by referring to regional challenges and the need to give cooperation a chance. After all, shared destiny is a reality that cannot be reversed by many states. Hence, regionalism helps in preventing conflicts through cooperation. Lastly, harmony and homogeneity of interests coupled with regional socio-cultural attributes galvanizes the creation of regional aspirations and their articulation. Scholars like Amitai Etzioni emphasize on the cultural and social aspects (non-political) of regionalism seen as *community* for its continued strength and relevance in the long run. Regionalism eventually leads to what Karl Deutsch called as *security community* wherein members of a regional organization are held together through enmesh of cooperation, interdependence and integration. He further believed that the level of integration in a region can be measured by looking at transactions among member states. Etzioni's non-political interactions leading to a community of people or Deutsch's *security community* or *spillover* effect of Ernst B Haas are pointers to the utility of regionalism for peace and stability of a region.

### Check Your Progress Exercise 2

**Note:** i) Use the space given below for your answer.

ii) See the end of the Unit for tips for your answer.

1) What are the factors responsible for regionalism?

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## 14.4 FEATURES OF REGIONALISM

Regionalism as a concept and as a process shares certain features which help us in identifying the trend. Firstly, regional organizations are not always exclusive in nature; they might be overlapping to let a country be part of multiple organizations or yet again, include a country that is geographically not part of a region. Andrew Heywood states that regional organizations may be continental, sub-continental or transcontinental in their membership. While Council of Europe represents continental organization, SAARC is an example of sub-continental entity and Asia-Pacific Economic Cooperation (APEC) or BRICS are transcontinental in nature. Mexico is a good example of a state having overlapping, multiple shared interests with the North American continent (member of NAFTA), with the Asia-Pacific region (member of APEC), and the linguistic, cultural and historical affinity with Latin America (member of LAIA). Therefore, **regions are often politically and socially constructed “imagined communities”**, they are ideas that are not always limited to one region. This reading of a region as an *idea* of a political, cultural or social construct makes it extremely fluid, open to myriad possibilities of configuration and/of cooperation. In fact, some have suggested that there are no ‘natural’ or ‘given’ regions. What appears as a ‘region’ in economic and cultural terms may not be appealing in political or security terms; e.g. SAARC. The political elites of a region are, therefore, required to

articulate regional political aspirations to align with its strides in economic cooperation.

Secondly, there are many dimensions of regionalism depending on the primary purpose and objective which determines its emergence. We can identify at least three main forms of regionalism, which are, economic, political, and strategic. Economic regionalism in the form of free trade area or common market is one of the earliest forms of cooperation that evolved in Europe in the immediate aftermath of the Second World War. Political regionalism seeks to protect and consolidate shared political values such as democratic government, individual freedom, liberal outlook, etc in order to develop a harmonious collective image and exert greater political influence both within and outside the region. Strategic cooperation gained recognition and ascendancy to address the needs of collective self-defence and protection from more powerful neighbours. This form of regionalism may also be driven by ideology and commitment to a certain political value system irrespective of geographical location of its members. North Atlantic Treaty Organization and Warsaw Pact are the most prominent examples of strategic (some call it military or security regionalism) regionalism.

Thirdly, regionalism in the traditional sense followed a familiar path of incremental progress in economic field from free trade area to common market to economic community to economic union. For a long time, this path of incremental progress witnessed in Europe seemed to be inevitable and was replicated in similar fashion elsewhere. Political and strategic communities/organizations formed separate, parallel projects. In the area of security regionalism, international organizations like UN largely determined tasks undertaken at the regional level. However, with the advent of new regionalism in recent decades, regional organizations have acquired a status of their own quite distinct from international organizations like the United Nations. They ‘have transformed from objects into subjects, making their relationship to the UN much more complex...’ (Hettne and Söderbaum: 2006, 228). The regional approach no longer strictly adheres to state-centric model of international organizations; rather, they have transcended the inevitable centrality of state apparatus to achieve regional goals.

**Check Your Progress Exercise 3**

**Note:** i) Use the space given below for your answer.

ii) See the end of the Unit for tips for your answer.

1) Briefly explain different forms of regionalism.

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**14.5 NEW REGIONALISM**

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The decade of 1990s witnessed resurgence of regionalism and mushrooming of several regional organizations “ a development that is considered as ‘the second coming’ (Andrew Heywood) of regionalism. After a relatively less active decade

from mid-1970s to mid-1980s, there has been a renewed interest in regional groupings. In this section, we look at the features and nature of new regionalism from the stand point of its changed **context, content and contours** as it has emerged in 1990s.

First and foremost, in terms of *context*, new regionalism is an offspring of globalization. Hence, there is an unmistakable emphasis on economic and trade issues at the regional and global level. Regional organizations became active agents rather than passive objects of international policy processes promoting neoliberalism. In this sense, new regionalism rejected over-determination of international organizations in world affairs. Until then, regional organizations were seen to be representing intermediary levels of cooperation. However, 'new regionalism' redefined the kernel of their identity to signify their emergence as 'potentially competing structures' (Hettne and Söderbaum: 2006, p. 227) in an increasingly globalized world. The underlining factor of changed context in the form of accelerated globalization led to rebooting their logics and functioning. It meant that new regionalism as a phenomenon was a result of twin processes – regions intersecting with economic globalization at the international level alongside creating protectionist trade blocs at the regional or sub-regional level “ that produced multiple, interlinking, complex relationships between regions and multilateral actors and within the regional groupings themselves. There was also tendency to develop several micro regions and trade blocs within a broad macro region. Thus, new regionalism is undoubtedly economic in character leading to formation of multiple trade blocs and complex web of relationships undercutting the old ones and forming new trajectories of cooperation. J N Bhagwati calls this complex web of relationships as '**spaghetti bowl**' system (cited in Heywood: 2014, 496) wherein it is difficult to trace clearly a particular state's path within the web of complex, multiple, overlapping, regional trade agreements.

New regionalism, insofar as its *content* is concerned, is associated with several structural transformations in international system such as: the end of Cold War; transition from bipolar to multipolar power structure; and post-Westphalian nation-state system where state has been relegated to a non-dominant position in regional and international affairs. Further, state has been to an extent replaced by transnational economic-social-political interdependencies unleashed by globalization leading to newer patterns of interactions between state and non-state actors. The decade of 1990s is also symptomatic of changed attitude towards economic development and political system in the developing countries as evidenced in weakening of Third World solidarity and Non-Aligned Movement in favour of neoliberal economic development. Hettne and Söderbaum refer to multipolar power structure of post-Cold War era as New International Division of Power (NIDP) and globalisation of 'finance, trade, production and technology' as New International Division of Labour (NIDL). Insofar as the sentiment of new regionalism is concerned, it is an extension of nationalism at a different, higher level; it supplements in areas where national states are incapable of protecting national interests in a globalised context. This is known as 'pooling sovereignty' (Andrew Heywood: 2014, p. 491; Hettne and Söderbaum: 1998, p. 4). Therefore, the resurgence of regionalism is here to stay but its *content and contours* have shifted dramatically in its second coming.

Regarding the *contours* of new regionalism, it needs to be mentioned here that the new regional organizations are comprehensive, multidimensional in their

structure as opposed to simple structures in the common market era. The multidimensionality of regional organizations is also reflected in the convergence of culture, economic interests, security arrangement and political regime that emerge spontaneously from within a region in the form of sub-regional aspirations to create trade blocs to protect economic/trade interests. Since we have defined regionalism as both a *condition* and a *process*, we must underscore here that 'new regionalism' is a complex process of change operating at such various levels, as global system's level. These processes display dynamic interactions at various levels to produce different forms of cooperation depending on their relative importance, which differs from one region to the other.

One intriguing contemporary debate has emerged surrounding the relationship between regionalism and globalization – is it complementary, supporting each other along the way or is it contradictory, giving rise to conflict and friction? In other words, whether regionalization is a building block or a stumbling block for globalization? One finds support for both these positions in academic writings. Arvind Panagariya, Louise Fawcett and Andrew Hurrell believe that globalization and 'new regionalism' share a symbiotic relationship reinforcing each other in the process. There are others (Hettne, Inatoi and Sunkel cited in Hettne and Söderbaum: 1998) who suggest that the relationship is not linear and smooth, rather, it is dialectic in nature occasioned by friction and tension until a rearrangement is negotiated among all the stakeholders.

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## 14.6 CRITICAL APPRAISAL

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Having discussed the features and nature of regionalism and new regionalism, it is now imperative to take stock of these concepts from a critical perspective. If regionalism has supporters among functionalists, neofunctionalists and federalists, does it mean that it is a panacea for all problems in international system? There have been claims and counter claims as to the desirability of regionalism. The universalists question the relevance and utility of regional organizations while placing their faith in global international organizations to address and solve problems of both regional and international nature.

Critics also contend that excessive emphasis on regionalism leads to inward-looking, closed organizations that foster greater domination by big powers within the region. Hence, the assumption that smaller states come together to protect themselves against bigger, dominant powers within or outside the region is an oversimplified assumption. The empirical evidence of regional groupings so far suggests that in security arena, bigger and stronger powers acquire an additional forum for influence and domination leading to greater concentration of power than ever before.

There are others who contend that regional organizations have failed to seize the initiative to resolve regional conflicts and restore peace owing to competing ambitions of regional powers to steer the peace process in a way as to determine its outcome to their advantage or to suit their national interests. For instance, the Chinese government did not allow external actors to broker peace in Cambodia fearing a dilution of its own role and strategic interest. Stronger powers in a region accept conflict resolution mechanisms mostly when the conflict has become intractable or strategically insignificant or still, financially burdensome without serving any diplomatic purpose.

Regionalism may foment inter-regional or ethno-national conflict leading to disintegration when cultural difference within a state receives outside support from groups with cultural affinity. It impacts intraregional dynamics on political questions. For example, India and Bangladesh share linguistic affinity or Sri Lanka and India have Tamil groups as common variable between them. This in itself could lead to tensions and strife within a state.

An economic argument against new regionalism has been deployed by those who support free trade and dismantling of trade barriers. It is alleged that regional trade blocs resort to protectionism and favour trade within the bloc to create a fortress and foreclose adverse impact of global competitiveness and volatile market on their economies. But, such protectionism undermines the principles of free trade and open borders envisaged in a globalised world. J N Bhagwati questioned the position of regional blocs on free trade as ‘building blocks’ or ‘stumbling blocks’ within the global system. Regional systems have been short of stumbling blocks but they have given rise to a tangle of regional trade agreements, “complex and overlapping bilateral and regional arrangements, each with conflicting and contradictory provisions....” (Heywood: 2014, p. 496)

In spite of the above criticisms, regionalism and new regionalism have found many takers who suggest that the criticisms and fears are overstated propositions. One aspect in favour of new regionalism arrangements is that they are rarely imposed from above; most such arrangements are a result of bottom-up approach orchestrated by a clutch of national and regional interest groups striving to protect their sectoral interests. Green political parties across Europe have sought to harmonize their respective positions to put forth a common agenda for the protection of their interests and insulate their communities and consumer interests from ill effects of unbridled globalization. Viewed from this perspective, regionalism and new regionalism are indeed ‘building blocks’ in protecting sectional, national, and regional interests.

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## 14.7 LET US SUM UP

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In this Unit we have looked at regionalism and new regionalism as important developments within the international system. Regionalism can be understood both as a *condition* and a *process*. Regionalism found many takers in the immediate aftermath of the Second World War owing to specific, unique circumstances prevailing in Europe. Most regional systems then emulated the pattern of European model moving from free trade area to common market to economic community to economic union. However, the results of such efforts have been uneven. Regionalism received conceptual support in functionalist, neofunctionalist and federalist thought. Features of old regionalism have been non-exclusive nature of membership based instead largely on shared attributes and values. As for the evolution of regionalism in Europe and elsewhere, it has manifested in three areas, namely, economic, political and strategic. Regionalism witnessed ascendancy from 1950s to mid- 1970s. After a period of relatively dormant action, it has seen renewed growth and acknowledgement in 1990s in the form of new regionalism.

New regionalism is a baby of globalization. Unquestionably, advent of globalization propelled regionalism to reinvent itself in a new avatar. We have discussed the context, content and contours of new regionalism to suggest its

features and differences with old regionalism. One distinguishing feature of new regionalism is the emergence of multiple trade blocs sometimes within the same region challenging the macro regional template. They have also been accused of resorting to protectionism and in the process disrupting the principles of free trade and open markets orchestrated as the mantra of globalization. Yet, it is also generally agreed that new regionalism has promoted communication and interrelationships among various interest groups across region resulting in meaningful cross breeding and convergence of policies and ideas.

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## 14.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress Exercise 1

- 1) Your answer should highlight following points
  - Concept of functional areas by David Mitrany
  - Spillover effect
  - Beginning of regional cooperation in Europe after the 2<sup>nd</sup> World War

### Check Your Progress Exercise 2

- 1) Your answer should highlight following points
  - Evolution of public international unions in the 19<sup>th</sup> Century
  - Regional cooperation checks the authoritarian tendencies
  - Provides visibility and voice to regional aspirations and common shared attributes
  - Harmony and homogeneity of interests coupled with regional socio-cultural attributes galvanizes the creation of regional aspirations and their articulation

### Check Your Progress Exercise 3.

- 1) Your answer should highlight following points
  - Your answer should highlight economic, political, and strategic features of regionalism

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## SUGGESTED READINGS

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