



# Unit 1

## Regional Economic Groupings

Asst. Prof. Dr. Punchaya Hiranrithikorn

# What Is Regional Economic Integration?

Regional economic integration has enabled countries to focus on issues that are relevant to their stage of development as well as encourage trade between neighbors.



# **The purpose of creating trading blocs**

The purpose of creating trading blocs is to reduce or eliminate unnecessary trade barriers between member states, and to allow the free movement of goods, services, labor and capital.

# Four main types of regional economic integration

- 1. Free trade area.** This is the most basic form of economic cooperation. Member countries remove all barriers to trade between themselves but are free to independently determine trade policies with nonmember nations. An example is the North American Free Trade Agreement (NAFTA).
- 2. Customs union.** This type provides for economic cooperation as in a free-trade zone. Barriers to trade are removed between member countries. The primary difference from the free trade area is that members agree to treat trade with nonmember countries in a similar manner.
- 3. Common market.** This type allows for the creation of economically integrated markets between member countries. Trade barriers are removed, as are any restrictions on the movement of labor and capital between member countries. Like customs unions, there is a common trade policy for trade with nonmember nations. The primary advantage to workers is that they no longer need a visa or work permit to work in another member country of a common market. An example is the Common Market for Eastern and Southern Africa (COMESA).
- 4. Economic union.** This type is created when countries enter into an economic agreement to remove barriers to trade and adopt common economic policies. An example is the European Union (EU).

# Pros and Cons of Regional Integration

## The advantages include:

- Less chance of conflict and war.
- Larger markets and customer base allows businesses within member countries to exploits economies of scale.
- Freedom of movement of goods and peoples.
- Increased global significance.
- Improving environmental and social conditions.
- The promotion of democracy and liberalization.
- Trade creation-the elimination of protectionism increases trade, leading to a more efficient allocation of member state resources.

# Pros and Cons of Regional Integration

- **The disadvantages include:**

- Loss of sovereignty, independence, and national identity.
- Loss of national power in favor of even bigger government.
- Increased competition leading to job losses in some domestic industries.
- Loss of border control and the increased risk of smuggled goods and people.
- Uniform laws don't account for cultural differences.
- Trade diversion - the elimination of trade barriers among the member states may divert trade away from more efficient non-member states that are disadvantaged by the protectionism they still face.

# Major Areas of Regional Economic Integration and Cooperation

There are more than one hundred regional trade agreements in place, a number that is continuously evolving as countries reconfigure their economic and political interests and priorities. Additionally, the expansion of the World Trade Organization (WTO) has caused smaller regional agreements to become obsolete. Some of the regional blocs also created side agreements with other regional groups leading to a web of trade agreements and understandings.

# North America: NAFTA



## NAFTA

*[ˈnɑf-tə]*

An agreement, in force from 1994 to 2020, implemented to promote trade between the U.S., Canada, and Mexico.

# A brief history of NAFTA

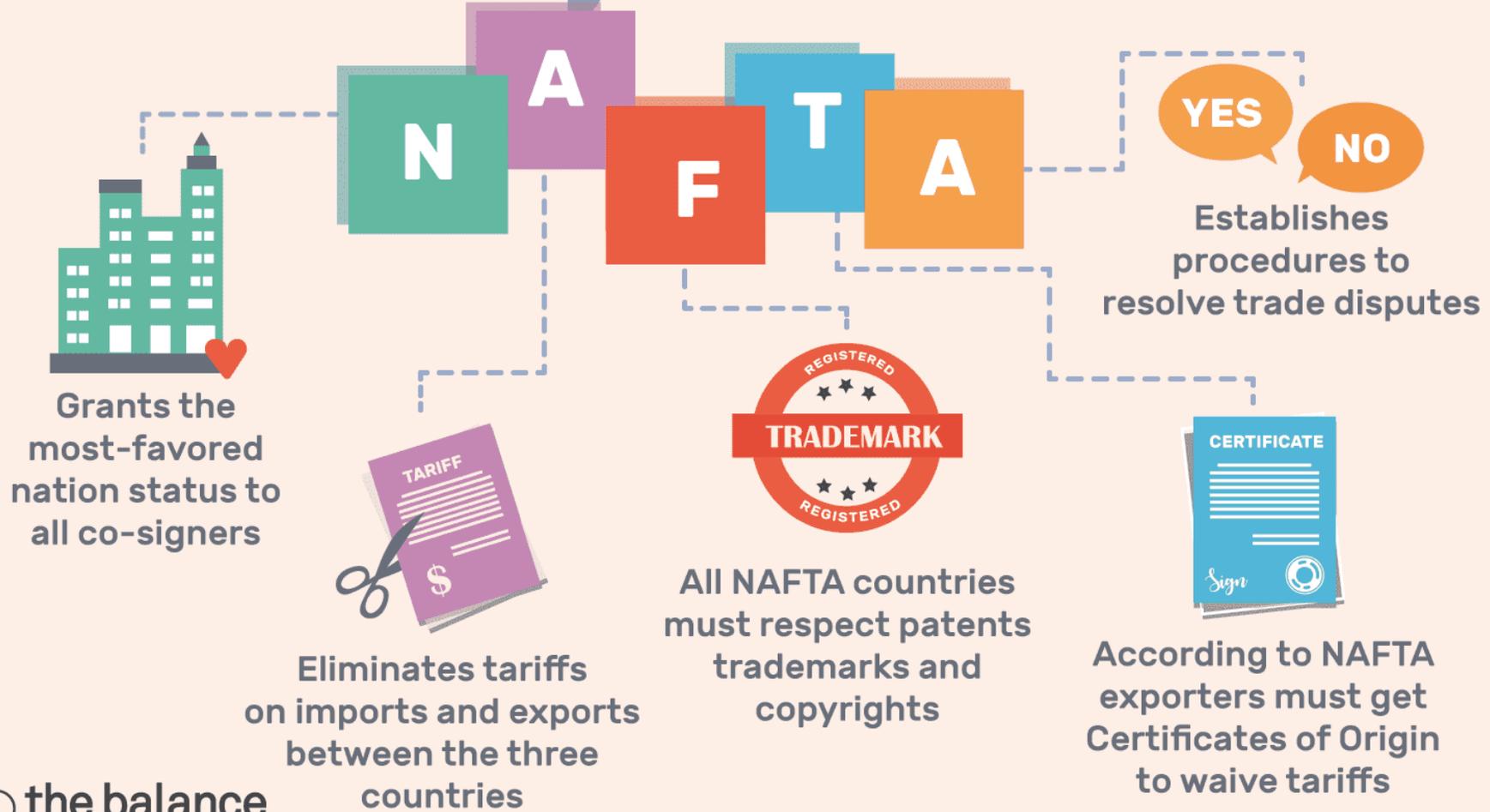


# The North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA), which was enacted in 1994 and created a free trade zone for Mexico, Canada, and the United States, is the most important feature in the U.S.-Mexico bilateral commercial relationship. As of January 1, 2008, all tariffs and quotas were eliminated on U.S. exports to Mexico and Canada under the North American Free Trade Agreement (NAFTA)

Mexico is the United States' third largest trading partner and second largest export market for U.S. products. In 2018, Mexico was our third-largest trading partner and second-largest export market.

# Things NAFTA Does



# NAFTA: Pros and Cons Explained



# Regional Economic Groupings in ASEAN

The Association of Southeast Asian Nations (ASEAN) is a regional grouping that aims to promote economic and security cooperation among its ten members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.



# Asian Economic Integration Report 2022

Another year into the COVID-19 pandemic, the Asia and Pacific region has made commendable efforts to contain the pandemic, protect people's lives and livelihoods, and minimize economic impact. Fragile and uneven economic recovery continues in the region on the back of increased vaccine rollouts and policy support. AEIR 2022 provides a comprehensive review of the region's cross-border activities and the progress of regional cooperation and integration in the areas of trade and global value chains, cross-border investment, finance, migration, and tourism. The report also features a theme chapter entitled "Advancing Digital Services Trade in Asia and the Pacific", which highlights how rapid digitalization spurs the growth of digital services trade and discusses various ways for Asian economies to capitalize on new opportunities through structural reforms and international cooperation.

# ASEAN Economic Community (AEC)



# The Asia-Pacific Economic Cooperation (APEC)

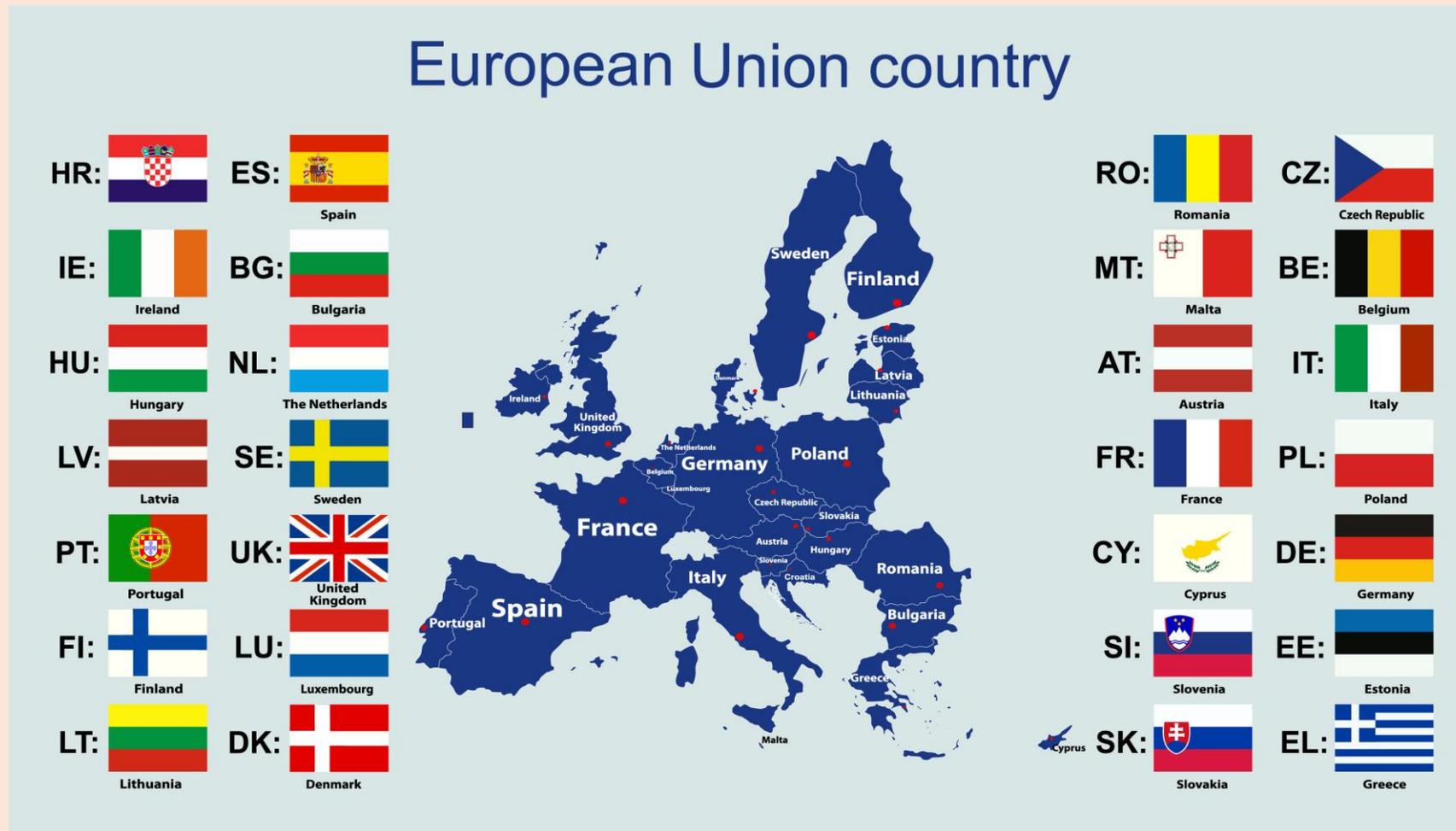
The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. APEC's 21 members aim to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration.



# About APEC



# Regional Economic Groupings in Europe



# European Union



# European Union



European Union (EU), international organization comprising 27 European countries and governing common economic, social, and security policies. Originally confined to western Europe, the EU undertook a robust expansion into central and eastern Europe in the early 21st century.

The EU was created by the **Maastricht Treaty**, which entered into force on November 1, 1993. The treaty was designed to enhance European political and economic integration by creating a single currency (the euro), a unified foreign and security policy, and common citizenship rights and by advancing cooperation in the areas of immigration, asylum, and judicial affairs. The EU was awarded the Nobel Prize for Peace in 2012, in recognition of the organization's efforts to promote peace and democracy in Europe.

# How does the EU work?



