



REGIONAL ECONOMIC INTEGRATION

Presented by:
AKASH SHARMA
MBA(Gen.)

INTRODUCTION

- Regional Economic Integration refers to agreement between groups of countries in geographic region to reduce and ultimately remove tariff and non tariff barriers to the free flow of goods, services and factors of production between each other countries.
- Regional trade agreement are design to promote free trade, but instead the word may be moving toward a situation in which a number of regional trade blocks compete against each other.

OBJECTIVES OF ECONOMIC INTEGRATION

- To pursue non-economic objectives such as strengthening political ties and managing migration flows.
- To ensure increased security of market access for smaller countries by forming regional trading blocks with larger countries.
- To improve members bargaining strength in multilateral trade negotiations or to protest against the slow trade of pace negotiations.
- To promote regional infant industries which cannot be viable without a protected regional market.

LEVELS OF INTEGRATION

FREE TRADE AREA

A free trade area is a grouping of countries to bring about free trade between them. The free trade area abolishes all restrictions on trade among the members but each member is left free to determine its own commercial policy with non-members.

CUSTOMERS UNION

It not only eliminates all restrictions on trade among members but also adopts a uniform commercial policy against the non members.

COMMON MARKET

It allows free movement of labor and capital within the common market, besides having the two characteristics of the customers union, namely, free trade among members and uniform tariff policy towards outsiders.

ECONOMIC UNION

The economic union achieves some degree of harmonization of national economic policies, through a common central bank, unified monetary and fiscal policy etc.

EUROPEAN UNION

It comprised six nations, namely, Belgium, France, Federal republic of Germany, Italy, Luxembourg and Netherland was brought into being on January 1, 1958 by the Treaty of Rome, 1957.

- Eliminate tariffs, quotas and other barriers on intra community trade.
- Devise a common internal tariff on imports from the rest of the world.
- Allow the free movement of factors of production within the community
- Harmonise their taxation and monetary policies and social security policies.

EUROPEAN UNION 1992

The community members of Customs union had taken some steps towards their economic policies including adoption of agricultural policy in 1962 and established the European monetary system in 1979.

The EC council promptly committed the EC to carry out the white paper's program named "completing the internal market" by 1992.

This program which envisaged the unification of the economies of member nations into a single market by removing all border barriers to trade and factor mobility.

- Border control
- Limitations on the movement of people and their right of establishment
- Differing internal taxation regimes
- Lack of common legal framework for business
- Controls on movement of capital
- Heavy and differing regulation of services
- Divergent product regulations and standards
- Protectionist public procurement policies.

INDO-EU TRADE

The EU, taken as a single unit, is India's largest partner. India's exports to EC grew from Rs 282 crore in 1970-71 to Rs 1447 crore in 1980-81. The corresponding figures of India's imports from the EC were Rs 320 crore, 2639 crore and 12,680 crore.

India's main exports to EU include textiles, jute, leather and leather manufactures, polished diamonds, engineering goods, chemicals, marine products etc.

Imports include edible oils, fertilizers, dairy products, steel, capital goods, optical instruments, aluminium and copper products, synthetic rubber and cinematographic goods.

India's export performance has been regarded as poor because of lack of lack of price, competitiveness, poor quality image, bad reputation in respect of delivery schedules, poor export marketing skills, protectionist policy pursued by the EU countries etc.

THE EURO

It is the common currency of European Union which was launched by 11 of the 15 members of the Union, on January 1, 1999.

MAASTRICHT TREATY

The Maastricht treaty undertaken to integrate Europe was signed on 7 February 1992 by the members of the European community in Maastricht, Netherlands.

The Maastricht treaty of 1991 which set the stage for monetary union, laid down certain eligibility criteria for member countries to join EMU such as maintaining budget deficit, public debt, inflation, long term interest rates and exchange rate within defined limits.

Euro currency will not come into circulation until 2002, although banking and trading transactions in Euro have commenced since January 1, 1999.

At the time of the launch of the Euro, there are two types of conversion ratio against other currencies:

INTERNAL CONVERSION: It is the rate at which participating currencies will be converted into the EURO during the transition period.

EXTERNAL CONVERSION: It is the exchange rate against currencies outside the euroland.

The monetary policy decisions for the Euro area are made by the European central Bank (ECB), which along with the National Central Banks (NCB) of all EU members comprise the European system of Central Banks (ESCBs).

The ECB is controlled by a Governing council consisting of an Executive board and the governors of the NCBs.

NORTH AMERICA FREE TRADE AGREEMENT (NAFTA)

The North American free trade Agreement (NAFTA) had its origin in the Canada-US free trade Agreement, which became effective on January 1, 1989.

Mexico became a member of it with effect from January 1, 1994.

NAFTA is a large trading bloc with a combined population and total GNP greater than the 15-member EU.

NAFTA is perceived to expand by pulling together North, central and South America.

NAFTA has achieved substantial trade liberalisation. The two way trading relationship between US and Canada is the largest in the world.

Mexico replaced Japan as the second-largest market for US exporters, while remaining as the third most important supplier to the US market after Canada and Japan.

- **MARKET ACCESS** – tariff and non tariff barriers, rules of origin, governmental procurement.
- **TRADE RULES** – safeguards, subsidies, countervailing and antidumping duties, health and safety standards.
- **SERVICES** – It provide for the same safeguards for trade in services that exist for trade in goods.
- **INVESTMENT** – It establishes investment rules governing minority interests, portfolio investment, real property and majority owned or controlled investments from the NAFTA countries
- **INTELLECTUAL PROPERTY** – US, Canada and Mexico, these three countries pledge to provide adequate and effective protection and enforcement of intellectual property rights.
- **DISPUTE SETTLEMENT** – It provides a Dispute settlement process that will be followed instead of countries taking unilateral action against an offending party.

FUNCTIONS OF NAFTA

- To eliminate barriers to trade in, and facilitate the cross border movement of, goods and services between the territories of the parties.
- Promote the conditions of fair competition in the free trade area.
- Increase substantially investment opportunities in their territories
- Provide adequate and effective protection and enforcement of intellectual property rights in each party's territory.
- Create effective procedures for the implementation and application of this agreement, and for its joint administration and the resolution of disputes
- It establish a framework for further trilateral, regional and

ECONOMIC INTEGRATION OF DEVELOPING COUNTRIES

It has been advocated to accelerate economic development and strengthen their trading and bargaining power.

UNCTAD (United Nations conference on Trade and development) believes that Regional economic groupings, integration should be promoted among developing countries as a means of expanding.

Regional trade agreements among developing countries include the Latin American free trade Association (LAFTA), the central American Common Market (CACM), the ANDEAN PACT, and the Caribbean Common Market (CARICOM) in Latin America.

It was an establishment of Latin America Common Market consisting of Brazil, Argentina, Chile, Uruguay and Paraguay. The southern Cone Common market (Mercado Comun del Sur- MERCOSUR) consisting of Argentina, Brazil, Paraguay and Uruguay was formed in 1991 .

The MERCOSUR, world's third largest customs union had decision to transform the bloc into a common market.

The MERCOSUR convergence plan has been dubbed a “ little Maastricht” because it resembles the European Union treaty which helped the formation of the European Union and the EURO.

ASSOCIATION OF SOUTH EAST ASEAN NATIONS (ASEAN)

ASEAN is formed by Bangkok Declaration by five countries, viz., Indonesia, Malaysia, The Philippines, Singapore and Thailand, to accelerate the economic progress.

The ASEAN constitutes a larger market for Japan than does the United States.

Economic growth rate of ASEAN which is richly endowed with natural resources has been very high. This region accounts for the lion's share of the world's natural rubber, palm oil and tin. It is also an important producer of sugar, coffee, timber, petroleum, nickel, bauxite, tungsten and coal.