**Webnote**

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# Syllabus reference: 3.4: Economic Integration-comment

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**Economic Integration[[1]](#footnote-1)**

**Globalization-to make worldwide in scope or application**

**Free Trade Areas-(FTA’S)-an agreement in which to or more countries reduce trade barriers and tariffs among themselves. The free trade area does not try to set uniform tariffs for non-members.**

**Customs Union- an agreement in which two or more countries abolish tariffs and trade restrictions among themselves and adopt uniform tariffs for non-member countries.**

**EU**

**The most successful example of regional cooperation in the world today is the European Union (EU). The EU started out as a customs union. In January 1993, the EU became the single largest COMMON MARKET- in terms of population and output- on the world, although the US has since caught up in GNP. The EU is a single market because there are no internal barriers regulating the flow of workers, financial capital, or goods and services. Current members are 25 and include the original 15- Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom- plus ten new members in 2004-Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Bulgaria, Romania, Turkey and Croatia are up for membership in 2006.**

**ASEAN-another regional cooperation group is the Associations for Southeast Asian Nations. It is a ten nation group working to promote regional peace and stability, accelerate economic growth, and liberalize trade policies in order to become a free-trade area by 2008.**

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| --- | --- |
| **Economic Integration-For** | **Economic Integration -Against** |
| **Evaluate:** | **Evaluate:** |
| 1. **Lower (no) tariffs**

**therefore lower costs of production**1. **Larger markets:**

**-lager firms with economies of scale****-lower costs (AC)****-lower prices****-higher profits****-consumer, producer and society surplus increase**1. **Eu model very successful with a policy of common economic policies euro currency and common monetary policy**
2. **Better access to economic aid and loan facilities e.g. Greek bailout**
3. **Possible diagrams to use:**
* **Supply and demand to show fall in costs for firms= bigger markets**
* **Tariff reduction impact on costs and resulting in bigger markets**
* **LRAC to show economies of scale**
* **Consumer\producer/ society surplus diagram to show stakeholders winning from larger markets due to economic integration.**
1. **Other?**
 | 1. **loss of sovereignty**
2. **nations lose control of macroeconomy management e.g.**

**-ability to protect domestic industry****-this may result in unemployment in the domestic economy****- lose control of monetary policy (EU)** 1. **Other**
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1. Adapted the Wilsonian era of Economic Thought [↑](#footnote-ref-1)