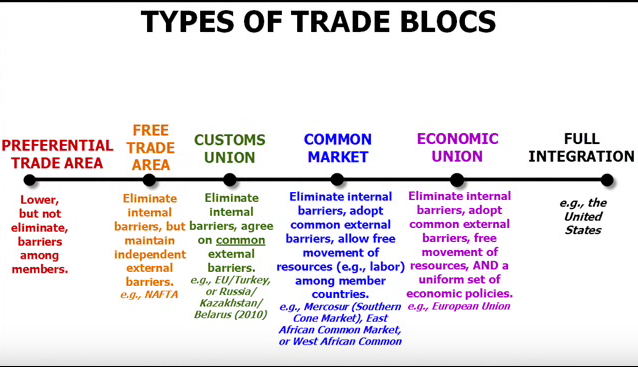
**Webnote**

**342**

# 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.**

|  |  |
| --- | --- |
| **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** |

1. Adapted the Wilsonian era of Economic Thought [↑](#footnote-ref-1)