

Section III

Globalizations and regional economic integrations.

3. Globalizations and regional economic integrations.

Economic integration occurs when two or more countries within a geographic region create a formal agreement to cooperate in ways that facilitate economic development and regional prosperity.

We see five levels of economic integration globally. These are as follows:

- 1. Free Trade Area
- 2. Customs Union
- 3. Common Market
- 4. Economic Union
- 5. Political Union

Free Trade Area:

- A free trade area represents an agreement between two or more countries to eliminate internal trade barriers. In a free trade area, goods and services can flow freely between the signatory countries duty-free. Free trade areas help expand markets for companies doing business within the area.
- Example of free trade area is NAFTA and ASEAN. NAFTA is an agreement among CANADA, MEXICO and the USA.

Customs Union:

- A Customs Union is an agreement among several nations to open a free trade area and a common policy on trade as it relates to nonmembers .
- Example of Customs Union are Andean Community consisting of five nations of northeast corner of South America.Mercosur (Southern Common Market) of Latin America. Which has four members.

Common Market:

A Common Market combines the advantages of a free trade area and customs union with a further agreement to eliminate barriers of the factors like labor , capital, technology across members' borders.

Example of common market is Mercosur which is the coalition of South American nations . The predecessor of current European Union was created as a common market.

Economic Union:

- An Economic union continues the move toward greater economic integration and less national autonomy by coordinating members economic policies such monetary policy, fiscal policy, taxation and social welfare policy. Most prominent example of economic union is the current European Union.

Political Union:

Members of a trading bloc can add a political dimension to their existing economic dimension by which they can form a political union. Which creates some form of international government, where members state subordinate national political interests and decision making to the will of a multistate political organization. European Union is the such political Union.