

# Examine the advantages of trading blocs economics essay



A trade bloc is a group of countries that have joined together and formulated agreements to promote trade amongst themselves often on preferential terms. They would remove tariffs and other barriers of trade to these “partners” who in turn reciprocate. One of the best known trade blocs is the EEC (European Economic Community) where the individual countries have no restrictions on trade between themselves, many of the countries have a common currency (the Euro) and labour can freely move from one country in the bloc to another.

Before highlighting and explaining the advantages of trading blocs one should know what the meaning of trade blocs is. A trade bloc is a group of different countries who join together for formulating agreements in order to promote trade between them.

One of the best called as trade blocs is the EEC which stands for European Economic Community, where individual countries are not restricted for trade between them. Most of the countries have common currency, the Euro, because of which the people or labours can move freely from one country in the bloc to the other.

## ADVANTAGES

Foreign Direct Investment - Trade blocs give results to a rise in foreign direct investment. This further is beneficial for the economies of the nations participating. Creation of large markets is been found which results in lower costs for manufacturing goods locally.

Economies of Scale - Markets which are larger and developed with the help of trade blocs permit or allows economies of scale. If too much production is allowed then the real average cost of production reduces at a greater extent.

Competition - Positive effect of trade blocs is that lot many manufacturers of different countries come together to work closely. Ofcourse, this result to high rate of competition between them. It is said that increased competition raise to greater efficiency within the firms.

Trade Effects -There is no inclusion of tariffs and so takes imports cost downward. Because of this, change of demand is been seen. The customers do purchases on the basis of low prices and allows the firms with a benefit in production to prosper.

Market Efficiency - An upward direction for consumption experienced with the demand changed further gives a combination of huge amount of goods being produced resulting into an efficient market.

Changes in the balance of world trade during the course of the 20th Century

The trade balance is the result of the difference between total values of exports and imports of products and services for that particular period of time. Also, trade surplus is the one when a nation's total annual exports is more than its total imports that is calculated annually.

The main reason for increasing trade is improvement in technologies.

Businesses and cusotmers, both have easy access to an product from different countries. Increase in technology also increases the competition among the industries dealing in that.

<https://assignbuster.com/examine-the-advantages-of-trading-blocs-economics-essay/>

Previously, the world trade was dominated by the trade of Europe and that is really true. Normally, after 1870 with rapid rise in industrialisation, the need for supply of products and services rised then it led its trade with other, world markets to move upward. I further broadened international economy as it brought too many states and countries into trade business this further reinforced the European domination. Thus during 1900 two thirds of Latin America´s trade went with the Europe and about 90 per cent of Africa and Oceana also were in the same track.

Examine how Economies of Scale has benefited specific industries

The concept that arises in the form of production of prodruct or service and such other movements taken by all kinds of organisation whether it is non-business or business related is known "Economies of scale" business or nonbusiness organization.

Economies of scale has benefited many industries who also participated in foreign trade. Normally, foreign trade is based on specialization, how each or different countries specialized in activities of production of products or services which furhter is a greater advantage. When one finds that there is negligle difference among countries related to the economic efficiency for production of products or services, then surely there are benefits for joining in specialization and foreign trade.

Other than pure economies of scale in production, there are "economies of scale" in learning are related to specialization in foreign context of trade.

Here, the average cost per unit falls as efficiencies of economy rises due to learning.

<https://assignbuster.com/examine-the-advantages-of-trading-blocs-economics-essay/>

In any organization where learning is plays an essential role in causing economies of scale, then there are benefits in one country specializing for that product's production. Also, further this can decrease average costs and retail prices to move down compared to those nations who attempt to be self-sufficient in the goods related to economies of scale in learning.

Economies of scale also leads to monopoly where in the market there is only one seller for the particular product. Here, when there is only one seller then it can engage in an unfair pricing policy due to lack of competition and the people always insist that monopolist's pricing should be regulated by the government. For example, the electric providing industry which is enjoying natural monopoly.

Propose reasons why globalisation has led to organisations finding cheaper resources

Globalization is a process which embodies an alteration of social relations and transactions in the spatial organisation, generating interregional flows and activity networks, interaction and power.

Factors contributing to globalization are huge migration and move of people, communications and transportation technologies and services, the international agreements which decreases business cost in other countries and so on. Globalization have given greater range of profits to countries and companies dealing with it however it is also complicated as it includes various cultures, values, expectation of people, governments and so on.

Globalization has both sides of coin, positive and negative. In case of job creation, it has not played so good role as was expected. Due to high competition in informal sector firm's survival rate is low, making jobs in these sectors insecure.

The other issue highlights is outsourcing which is the result of globalization. Here, the business processes that are outsourced are at lower level related to their skills and efficiency needs. The main concept of outsourcing is that if any firm is not specialized in certain role which it does not feel important then it will outsource the work with cheaper labour.

In the beginning outsourcing was limited to only peripheral services however now it has expanded even with the core functions like customer care, financial service, and technological service and so on.

Ways in which individuals and businesses can deploy culture to transform social and economic inequalities, and bring about social and economic change

Culture gives its meaning as human activity patterns with the symbols that provide significance to these activities.

For example, Indian curry, French cheese and so on have become more popular in other countries compared to its origin. The companies like McDonalds is the best example for globalisation which is operated in more than 31000 locations across the world.

The internet breaks down cultural boundaries across the world by enabling easy, near-instantaneous communication between people anywhere in a <https://assignbuster.com/examine-the-advantages-of-trading-blocs-economics-essay/>

variety of digital forms and media. Internet is related to cultural globalisation as it permits communication and interaction between different people staying in different countries, having different styles and cultures.

Globalization has generated significant international opposition over concerns that it has increased inequality and environmental degradation.

The effect of globalization on culture is been viewed by some people. With the economies and trade globalization, the culture is also been exported and imported. Sometimes the bigger countries may destroy the cultures of small countries by leading these values and customs towards negligibility.

Social - development of the system of non-governmental organisations as main agents of global public policy, including humanitarian aid and developmental efforts.

Propose ways in which a business can enter into new forms of relationship with diverse cultures to enhance cultural diversity and innovation

Culture is complicated and is manifested within the boundaries of the behaviour that is acceptable. Also, culture is not something that comes when we born however it is been "learned". The conscious awareness of cultural standards is very limited.

It is a questionable issue for most of the marketers as it is difficult to understand often. One mat disregard the cultural norms of another country even if have no information.

When we talk about the new innovation, they do not spread as fast as what we expect. Examples are many for this which includes cellular phones also, <https://assignbuster.com/examine-the-advantages-of-trading-blocs-economics-essay/>

as they existed for long duration before actually they were adopted on a wide range. Some characteristics play an important role for less or more spread of the products which are relative advantage, compatibility, complexity, trial ability, and so on.

Globalisation is of particular interest to employees of a major organisation

Normally, here corporate responsibility goes with the globalization. So as corporations carry growth through globalization, they have come upon with new challenges which imposes certain hinderances to the growth and the profits. There are several issues which causes lots of oney involved in it. Governement regulations, environmental restrictions and tariffs are includes in the issues.

It depends on different organisations how seriously they these issues. Some uses CSR ways in order to get support of people for their global market presence. The competition which is formed globally gives pressure on corporations who deals multinational products in to check the entire supply chain alon with the labor practices from CSR perspective.

Reasons why some believe that the current form of globalisation has brought poverty and hardship to millions of workers

As per Jagdish Bhagwati, the former adviser to U. N. on globalization, though there are some issues with the fast development, however this globalization also plays a positive role for taking out the people from poverty, to make countries out of poverty.



He says that developing countries workers have many choices for their earnings. Educated workers in developing countries now can compete with the global market and put effort to obtain high paid jobs. Production workers in developing countries now have a strong benefit with the whole industrial world.

Now, we can talk about disadvantages or other negative consequences that occurs in poorer countries. The main export of these countries is agricultural products which larger countries mostly subsidise their farmers which further reduce the market price for poor farmer's crops when compared to what it is in free trade.

The recent globalization form with its international rules and regulations has brought poverty and hardship to lot many like millions of workers especially in developing and poorer countries. Their working conditions, wages and job security, all are eaten away. Everyone knows that globalization creates issues for the workers. These issues do not respond to national solutions purely and therefore international response is required from trade union movement for protecting workers and the other social rights too.

For example, in India,

An important reason, is the trade and investment as to it gives the reason of progress been made in decreasing the poverty and global inequality. The other reasons are good national policies with sound institutions and domestic political stability. After these all progress, the situation of poverty remains the most challenging job for anyone or everyone. Poverty has not diminished

however some proportion of people living in poverty throughout the world  
<https://assignbuster.com/examine-the-advantages-of-trading-blocs-economics-essay/>

has decreased. The economic data would represent the difference in 1980s and 1990s.

It is not the question that India has to but it is India have to undertake five crucial areas where it have to work in order to achieve the goal. These areas are technological entrepreneurship, new business openings for small as well as medium enterprises, quality management importance, to deal with new prospects in rural regions and lastly financial institution's privatisation.