

# [Discuss the reasons for, and consequences of social and economic groupings of nat...](https://assignbuster.com/discuss-the-reasons-for-and-consequences-of-social-and-economic-groupings-of-nations/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

Discuss the reasons for, and consequences of social and economic groupings of nations. In this current generation exists a range of major trade blocks, for example: ASEAN – consisting of countries such as Laos, Malaysia and Singapore. However one of the most well known Trade blocs in the world today is the EU, which currently links together 27 countries.

The reason as to which countries want to form these alliances with other countries is as they want to stimulate their economic growth via various methods, such as: making trade between the countries easier, thus increasing profits, allowing the free movement of labour and capital, and sharing knowledge thus allowing all members of the group to develop. There are different types of alliances that countries can form, the first of which is free trade areas. These are when countries remove all tariffs and quotas on trade between themselves, but keep the taxes for when countries outside of the trade bloc want to import into the group (e. g.

NAFTA). The next type of alliance is common markets, which are like custom unions but also, allow the free movement of labour and capital – the EU once existed in this form. The final type are Economic unions in which members do all of the above but they also adopt common policies for the likes of agriculture, transport andpollution. The EU has currently adopted this format. Economic groupings do have a variety of advantages and disadvantages linked to them. Many humanitarians are in favour of social and economic groupings, as they believe due to an increased amount of international understanding, there is a greater chance of peace.

Also, as trade barriers are removed, the economy of a country is allowed to develop which ultimately will cause a spiral of growth therefore resulting in better living conditions. In my personal opinion, trade blocs are ideal for people who find it difficult to seek employment in their own country, as they have the legal right to travel into another member of the group and work there. This may cause conflict however as people in the country which is receiving migrants for work may believe that jobs they’re entitled to are being taken up, and for this reason, people may be against trade blocs.

These benefits were apparent after the formation of NAFTA (The North American Trade Agreement) between the USA, Canada and Mexico. The gradual eradication of trade tariffs allowed the amount of trade to triple between 1993 and 2007 ($306 billion to $930 billion), with an increase in employment in the USA’s manufacturing industry due its expansion. As a result of Mexico’s participation in NAFTA, it received an increased amount of foreign investment, and so higher wages were paid to workers and there were increased sales from the agricultural industry.

Similar benefits also applied to the European Union (EU). Trade has increased significantly between the European countries, which are part of grouping. In 1970 just over 12% of the UK’s GDP came from trade with European countries. After the UK joined the EU in 1973, this percentage rapidly increased: in 2002, around 23% of the UK’s GDP came from trade with EU countries. The EU also supports come industries; for example, it has the Common Agricultural Policy (CAP), which subsidises for EU farmers and adds import tariffs and quotas on agricultural policies outside the EU.

This gives farmers a reasonable standard of living, securesfoodsupplies and ensures a god price for consumers. There are other problems that social and economic groupings cause, and it is these problems that right-wing political parties such as the UK Independence Party (UKIP) will promote. These parties highly criticise groupings, as they believe they create a pressure on countries to adopt central legislation even though the country itself may not want to.

Also, they believe that the elite countries of the group will hold a disproportionate amount of power through voting systems and therefore there is a lack ofequality. Finally, it is believed that these groupings tend to cause a loss of sovereignty and for this reason; decisions are centralized by what some perceive to be as an undemocratic bureaucracy. Critics of NAFTA pointed out that some Canadian companies had to close down as a result of competition from lower-cost USA firms.

Furthermore, jobs were also lost in the USA as firms moved to Mexico – in my opinion, the main reason as to why companies moved to Mexico is becauseI believethey had the intention of exploiting the country due to its less stringent pollution laws. The EU, just like NAFTA has also had critics as it has had various negative impacts. For example, increasedimmigrationwithin the EU has resulted in a lack of skilled workers in some eastern European countries because so many have moved to Western Europe to seek better wages.

Furthermore, countries that are part of the EU have to share resources with each other – for example, countries joining the EU come under the Common Fisheries Policy, which means their fishing grounds become open to fishing by other member states. Overall it is clear to me that social and economic groupings are established in order to promote trade between its members thus allowing the development of the participating countries’ economies, and even though they do have their advantages, the groupings also has skeptics due to the drawbacks they create.