

# A research proposal on trading blocs today essay



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This research title has been structured this way because it is going to focus on the history and the growth of trading blocs today and its relationship to international business. The fact that the EU and ECOWAS are the blocs that are going to be the basis for comparison, this does not mean that issue affecting on other trade blocs around the world will not be raised.

The title will be structured this way because, it is precise and to the point, and also easy to understand not just to business students, but also to anyone who is aware of, or is involved, interested or affected by trading blocs today.

INTRODUCTION. What Is a Trading Bloc? Lots of definition have been giving on the subject, but it has been difficult for an agreement to be reached as to how a Trading Bloc should be defined. According to Sanoussi Bilal he defined it as follows; A Trade Bloc can be defined as a ‘ preferential trade agreement’ (PTA) between a subset of countries, designed to significantly reduce or remove trade barriers within member countries”. Over the years, countries throughout the world have formed many regional trading blocs, and there is no doubt that they play an important role in the world economy and trade. Since trading blocs came into being, there has been much discussion on their effects on globalization, which is the other important trend in the world economy development apart from regionalization.

There are over 150 regional trade agreements currently in force, with most countries in the world participating in at least one of them. Policymakers often regard this trade initiatives as a positive effect of a more globalised world. Within the economists profession, however, this remains significant

disagreement about the consequences of regionalism. The use of collaborative agreements has become an important phenomenon in international business. During the past 25 years, cooperative agreements have grown from the point of almost zero to the point where new ventures are announced on a nearly daily basis.

Academic research is just starting to come to grips with this significant change in international commerce. The last decade has seen a proliferation of regional preferential trading arrangements, of which the North American Free Trade Agreement is only the best known in the United States, and the European Union in Europe. This development represents a major deviation from the global trading arrangements based on the General Agreement on Tariffs and Trade (now World Trade Organization) built up over the past half-century.

Do these arrangements contribute to or detract from global trade liberalization, and from global economic welfare? In tackling these complex questions, this research proposal aims on concentrating on trading blocs and how they have effected developments in their different blocs in the regions around the world.

The EU (European Union), and ECOWAS (Economic Community Of West African States), this two Blocs have been chosen as an area for comparative analysis because, the EU represents one of the most successful Trading Bloc, in the developed world, and ECOWAS represents an up-coming Bloc in international trade.

Reason for choosing this topic. The assessment of interactions between trade and the environment is dominated by intensive ideological and scientific controversies. These controversies also influence the development of international rules for trade within these countries in the Bloc.

The majority of Trading Blocs to date are between similar countries, rather than between developed and developing countries. This research aims at pursuing the issues that have caused the massive increase in the formation of trade blocs in their different regions and how it helps effect development issues in their regions.

The main aim of the research paper will be to make a comparative analysis of the EU, and ECOWAS. These two blocs have been chosen for this research purpose because, it aims at looking at the developed world, (which the EU represents) and the developing world, (which ECOWAS represents) and how the formation of these blocs affects their international business practices. The paper also aims at looking into domestic issues concerning the Various Blocs and how they affect the countries within the Blocs, and the consequences that may come with the issues, be it positive or negative.

The research paper will also be looking at issues concerning growth, and the stages at which different countries are at, at the moment and if it is ideal for them to form these trading blocs. STATEMENTS OF THE RESEARCH PROBLEM. Looking at issues concerning Trading Blocs in their various regions, regionalism differs from globalization in the size and area of markets. From the perspective of developing countries sceptical of free

trade, regional trade blocs offer some form of protection against an aggressive global market.

Taken as a trend, regional trading blocs amount to a dangerous erosion of the system of multilateral trade on which global prosperity depends. bilateral deals impose so much paperwork and bureaucracy on trade that companies rarely make use of their provisions.

When bilateral agreements are attractive to companies, it is often for the wrong reasons. Many bilateral trade deals offer favourable treatment to a few companies from a particular country at the expense of all the rest from elsewhere in the world.

The companies that lose out may well be lower-cost producers, since such agreements are dictated more by politics than by economics. If so, the economy will suffer.

Even if such a deal is eventually superseded by a broader one, it may already have caused long-term damage by allowing less efficient firms to become entrenched. Economies that are too small to extract concessions from their bigger bilateral negotiating partners fare particularly badly. Then there is the complexity of the growing number of bilateral and regional deals.

Each has its own rules and administrative requirements, leading to a confusing spaghetti (or perhaps noodle soup) of preferential agreements, instead of the predictability that multilateralism promises. As such

agreements multiply, there is less chance that they create the wealth that their authors claim.

Adapted from The Economics, September 3rd 2009. LITERATURE REVIEW.

Formation of trading blocs and its implications toward the welfare of individual countries as well as that of the world economy is a burning issue today.

A literature search on this topic yields a number of edited volumes in recent years, some emphasize theory more than the institutional aspects and some do the opposite. I will be guided most generally by the interpretive perspective, and more specifically by the works of (Chase, 2008). He focuses mainly on the situational approach and this will be very useful because, trade blocs today is an on -going situation and his work will help in shedding some light on the perspective, and how to interpret it.

The interpretive perspective places the focus on interpreting the meanings and perspectives on trading Blocs and how the countries in the bloc are affected, either positively, or negatively. The situational approach directs me to choose one or a few specific interactions to explore in depth. Thus, an appropriate means of investigating the topic from this perspective. Since the realisation of trading Blocs in the early 1960s, lots of scholars have had a lot to say on the subject matter. Using the gravity model, we find evidence of three continental trading blocs: the Americas, Europe and Pacific Asia.

Intra-regional trade exceeds what can be explained by the proximity of a pair of countries, their sizes and GNP/capitas, and whether they share a common border or language. We then turn from the econometrics to the economic

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welfare implications. Krugman has supplied an argument against a three-bloc world, assuming no transport costs, and another argument in favour, assuming prohibitively high transportation costs between continents. We complete the model for the realistic case where intercontinental transport costs are neither prohibitive nor zero.

If transport costs are low, continental Free Trade Areas can reduce welfare. We call such blocs super-natural. Partial liberalization is better than full liberalization within regional Preferential Trading Arrangements, despite the GATT's Article 24. The super-natural zone occurs when the regionalization of trade policy exceeds what is justified by natural factors, (Frankel et al, 1993).

It is occasionally argued that the formation of trading blocs between geographically proximate countries should be encouraged because positive welfare effects are more likely to outweigh negative welfare effects.

But in an article published in 1997 in the journal of Economic Integration, they are of the view that Simulations show that, while the removal of trade barriers always improves world welfare, 'unnatural' bloc formation may, under some conditions, be welfare-superior to the formation of trading blocs along 'natural' lines. The concept of 'natural' trading blocs is therefore a misguided prescription. This research paper will also focus getting treaty agreement reports from both the EU and ECOWAS blocs, as well as looking into how this blocs have implemented change in international business, and also to draw examples and conclusion to statements of fact. For example: "The European Union is an example of regional integration that has drawn the most international attention and that has had the most clearly evident effect

effects both on its member states and on states doing business with the EU. But regional integration is very much a global affair, and there are similar experiments underway on every continent.

Levels of progress have been mixed, regional groupings do not always have the same level of ambition, and their integrative potential varies”.

McCormick, 2008. I also aim to look into the history of trading blocs, when it was first noticed and why it seems to have blown out of proportion.

McCormick, 2008 also give an insight to the first sighting of trading blocs: “ In as much in the past two decades, trading blocs have grown that the concept of regional integration has become popular in states and economies around the world, The first major voluntary regional integration initiatives appeared in the nineteenth century.

In 1882 for instance, Prussia established a custom union with Hesse-Darmstadt, followed also by the creation of more successful custom unions around Europe, and in later years, political and economic unions were achieved in some states.

Apparently, these integrations didn't last long because , the projects came to a stand-still and it has not been till recent times that they have come back to life”. Other scholars have also published books on trading blocs and regionalism what impact they have had on the blocs in their regions.

In the course those other scholars will be well looked in to. People like Professor Adebayo in his paper at the third meeting of the African Development Forum outlined five phases of integration process in Africa, and its effect on ECOWAS, Walter Mattli in his work The logic of Regional

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Integration: Europe and Beyond, that outlines not just activities in the EURO zone but as well as the rest of the world. METHODOLOGY.

Data, information Requirements. For my gathering of data for the research, I will be focused mainly on the quantitative and the qualitative aspects of the topic.

Qualitative research because, it is used to help us understand how people feel and why they feel as they do. It is concerned with collecting in-depth information asking questions such as why do you say that?. Samples tend to be smaller compared with quantitative projects that include much larger samples.

Depth interviews or group discussions are two common methods used for collecting qualitative information, but for the case of my research, I will be holding one on one interviews with different individuals that I will come across that are well versed in the subject matter.

Quantitative on the hand, is the gathering and analysis of data that can be expressed in numerical form. Quantitative research involves data that is measurable and can include statistical results, financial data, or demographic data. This will be used here because when looking at the history and development of trading blocs, it is all about the timeline of activities in the bloc, how it affects the bloc, at what time a bloc is ready to move forward to the next stage of integration, and to find out the positive and the negative effect on international trade in the region.

A comparison will be made on the timeline of imports and exports in the regions and to find out to what extent the blocs have affected The trade.

Methods for gathering information. A good research design works with natural human cognition and anticipates actual human stories and scenarios. It will be useful for my proposal in terms gathering information because i will like it to be insightful, useful and most importantly relevant. I shall rely on both primary and secondary means for gathering information.

Even though i will be using this to means for gathering data, the bulk of my work is mainly going to rest on the secondary aspect of gathering data.

Secondary in terms of electronic resources published in the subject area, that is going to be relevant to me research, and that is also a useful reliable and approve site. Secondly i shall focus a very large aspect of my research on textbooks, newspaper and journal article. This area of research will constitute most of my work because for them to have been published, they have to have a clears understanding of Trading Blocs and the effects it has, and might have on international businesses.

They use of primary data here is going to be very minimal because, it is almost no possible to get a lot of people who are versed in the topic, that will have time to sit in for interviews.

They might be busy at work or something else. But all the same, if a situation arises before i am able finish my research that i am able to have a one on one with an academic in international trade or , anybody who is recognized in the field, i shall include my findings. I will also make attempts

to try and get their input. The use of a questioner is also going to come in handy here.

The target audience here is going to be the college and the university students.

I am proposing this audience because, it is imperative that a research be done as to how aware young people are aware of trading Blocs in the society, and if they actually understand what it means. Data Analysis Method. Qualitative method is going to be used to process any data that i will get. In terms of the context of the work, and any statistical input will be represented with either histograms , or bar charts because they will be very easy for any reader to understand.

Also, proper referencing, and notes will be made to acknowledge those who have had a significant input in the research paper. Conclusion.

During the past decade, world trade has been characterised by the move towards the creation and strengthening of regional trade blocs and agreements. Trade blocs are groups of countries that have established special preferential trading conditions amongst member states. Although the preference given to fellow member states are often greater than those given to non-member states, the ultimate purpose of trading blocs is to encourage trade between member states.

An evolving trend in international economic activity is the formation of multinational trading blocs. These blocs are made up of a group of contiguous countries that decide to have common trading policies for the

rest of the world in terms of tariffs and market access but have preferential treatment for one another.

Organizational form varies among market regions, but the universal reason for the formation of such groups is to ensure the economic growth and benefit of the participating countries.