International business economics

Business

Regional Economic Integration Regional Economic Integration The scope of Regional economic integration entails an agreement achieved by countries in the same geographical area to engage in exchange of both goods and services freely through reduction and thereafter, absolute elimination of trade barriers. The aftermath of World War II was marked by radical changes characterized by global cooperation of countries. This at first was aimed at promoting worldwide peace but the ultimate achievement was creation of free trade zones. The regional economic integration became a success from the global treaties and agreements as neighboring countries overlooked there selfish restrictions and focused on a rather mutual beneficial ground in exchange of resources (Zhang, 2012).

Furthermore, regional economic integration draws its attention from global economic integration in that they both envision and harvest same benefits. They establish free trade areas where member countries engage in free exchange of resources between themselves. This promotes trade as goods within bloc regions are available and affordable. On the other hand, the member countries are independed to formulate trade policies with non member countries. Long term benefits of free trade areas are creation of customs union and establishment of a common market (Zhang, 2011).

A recent study reveals that regional economic integration has significantly improved economic status of developing countries. This is evident as removal of economic restrictions has not only expanded job opportunities within member countries due to free movement and exchange of labor but also created a flat ground where a common understanding between member countries has been established to promote political consensus.

According to Zhang (2011) regional economic integration has its advantages, just as it promotes trade; it leads to trade diversions as member countries trade more with each other than non member countries. In essence it means that trading will go on despite if the partner is expensive or inefficient just because they belong to the same economic bloc. It has resulted in creation of trade barriers between member states and non member states. Moreover, production process can shift to member countries with cheap labor and workers may migrate to gain access to good employment opportunities. These sudden shifts can result in increased taxation of resources of member countries.

Lastly with continuous discussions and agreements within the flat ground countries may feel that they are giving up more of their economic and political right just to promote a common understanding with less privileged countries (Zhang, 2012).

References

Zhang, W. B. (2011). Interregional Economic Growth with Transportation and Residential Distribution. The Annals of Regional Science, 46(1), 219-245. DOI: 10. 1007/s00168-009-0328-1

Zhang, W. B. (2012) International Trade and Global Growth with Capital Accumulation, Heterogeneous Households and Elastic Labor Supply. International Journal of Society Systems Science, 4(2), 129-149. DOI: 10. 1504/IJSSS. 2012. 046990