

Regional economic integration

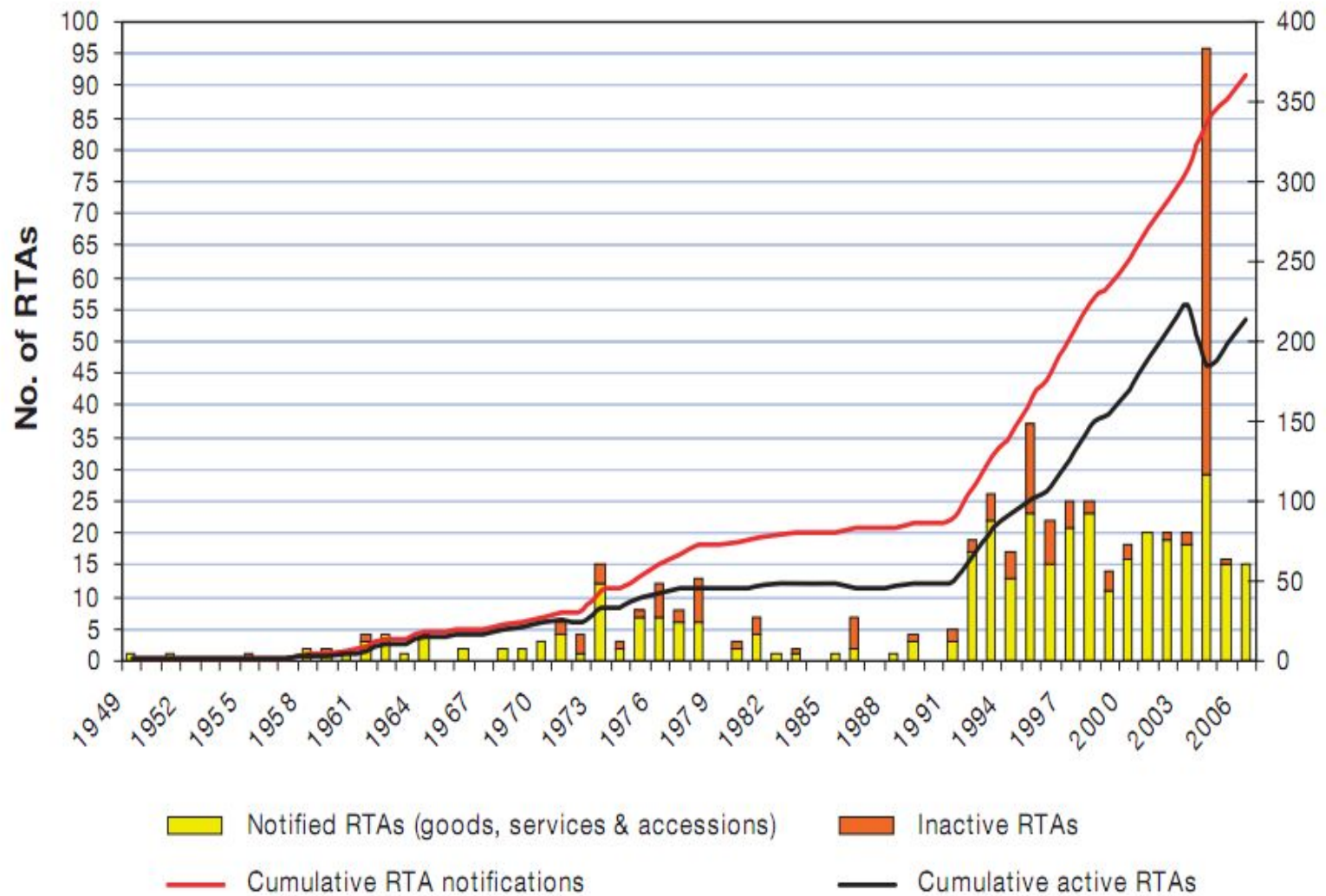
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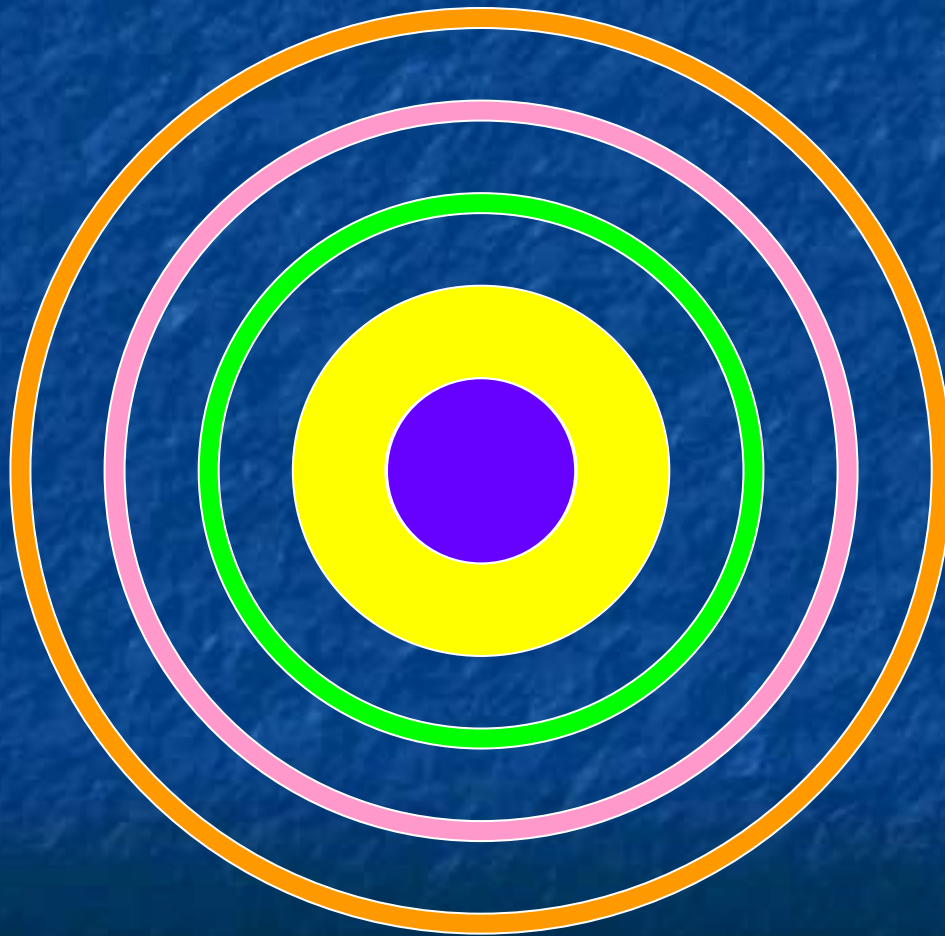
By **regional economic integration** we mean agreements between groups of countries in geographical region to reduce, and ultimately remove, tariff, and nontariff barriers to the free flow of goods, services, and factors of production between each other.

Chart 1

All RTAs notified to the GATT/WTO (1948-2006), by year of entry into force



Levels of economic integration



Free
trade
area
Com
union
Econ
mark
Polit
Econ
union

Summary

- Regional economic integration is an attempt to achieve economic gains from free flows of trade and investment
- Integration is not easily achieved or sustained
Concerns over national sovereignty often slow or stop integration attempts.
- Regional integration will not increase economic welfare if the trade creation effects in the free trade area *are outweighed* by the trade diversion effects.

Regional economic integration for the international business

- The creation of single markets means that many markets are now more open.
- The free movement of goods across borders make it possible for firm to realize potentially enormous cost economies by centralizing production
- The lowering of barriers to trade and investment between countries will probably be followed by increased price competition

Thank you for attention