4.3 Economic Integration & Globalization

Economic Integration

A process whereby countries coordinate, link and harmonize their economic policies.

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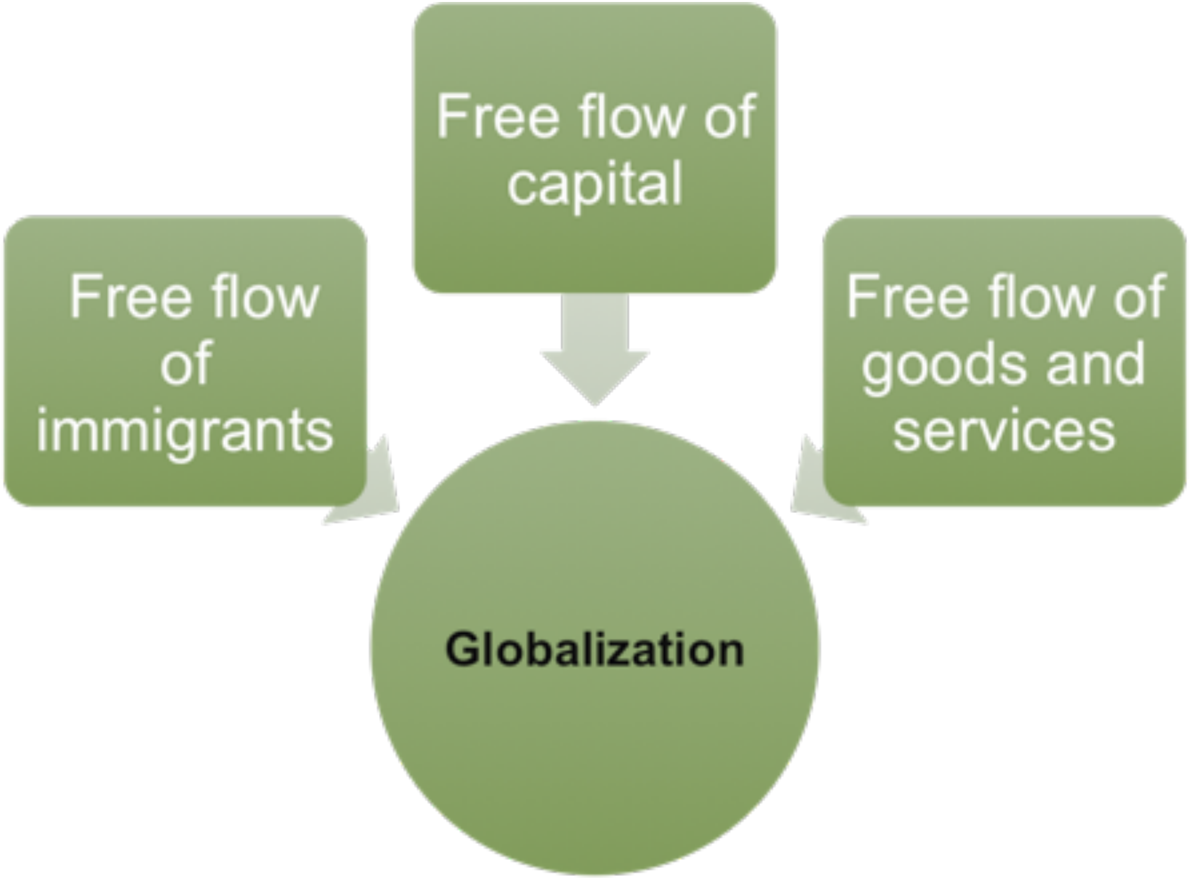
Globalization

The spread of economic, social & cultural ideas across the world, the result of increased economic integration through trade, investment and improving technology

Processes Fostering Globalization

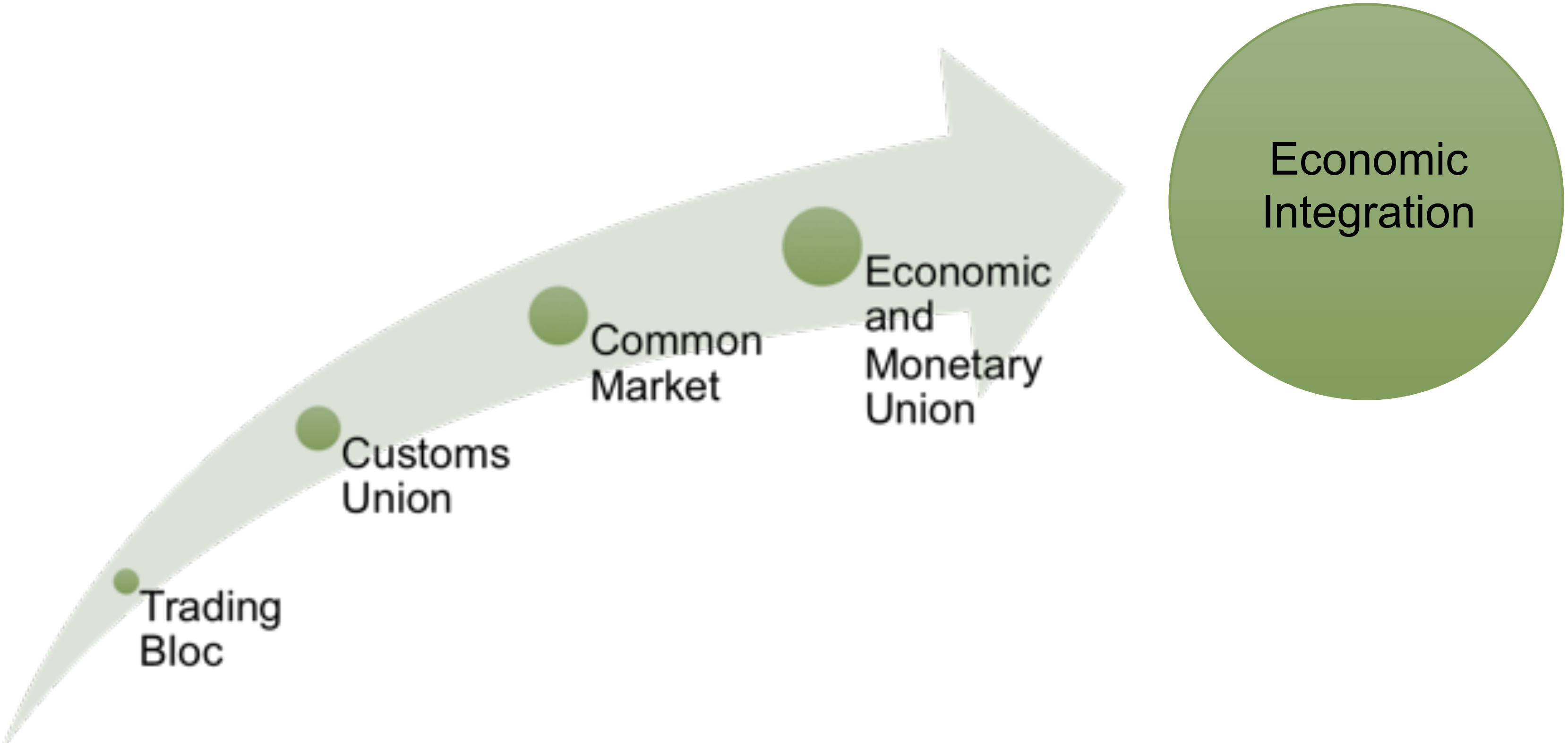


Pros and Cons of Globalization

Creates employment
Transfer & knowledge technology

Exploitation
Increased vulnerability
Job losses
Destruction of local communities
Race to the Bottom

Economic Integration



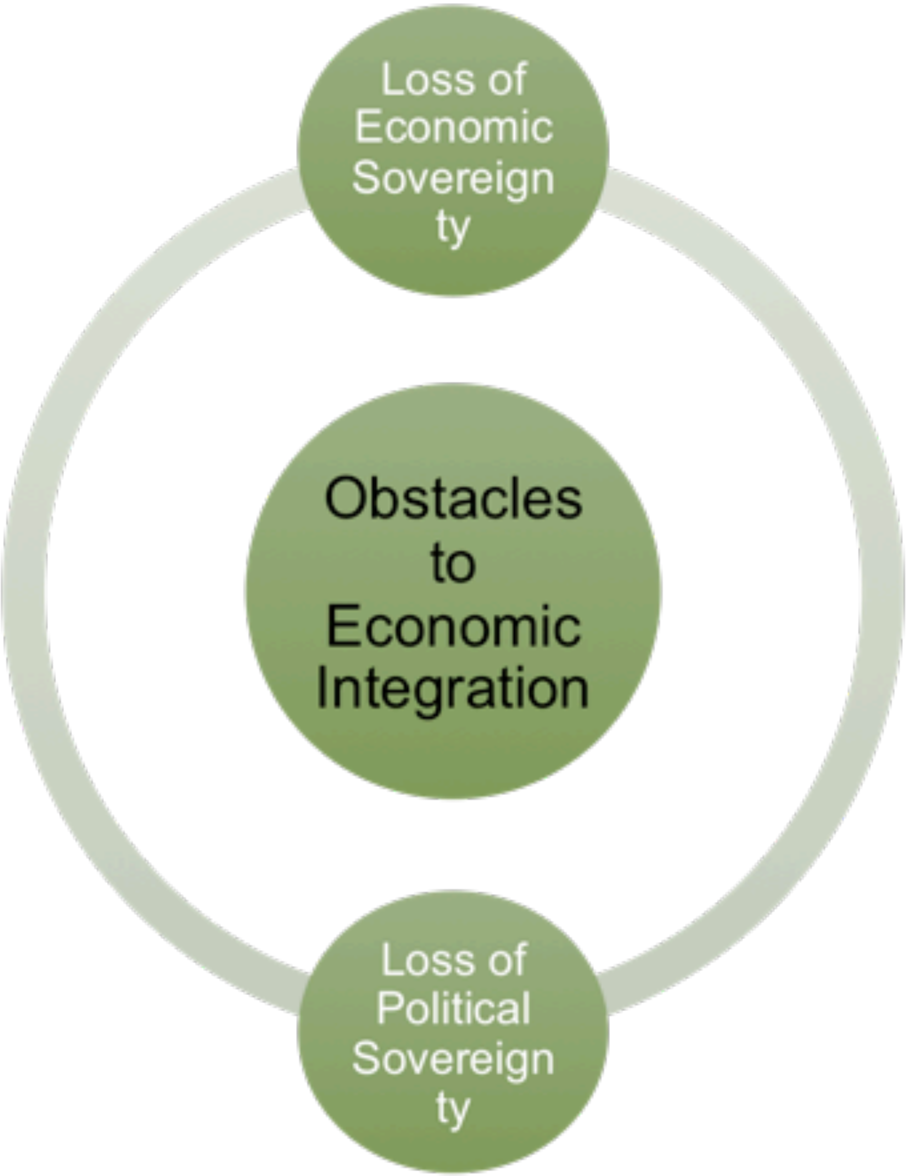
Economic Integration

Trading Block	Free Trade Area	Customs Union & Common Market	Economic and Monetary Union
• Countries agree to increase trade and cooperate. • Example: EU and ACP	• Countries remove trade barriers between themselves but trade in anyway with counties outside the group. • Example: NAFTA	• Countries adopt common trading policies. • Countries adopt common regulations policies and the free movement of goods and service, capital and labor to form a common market. • Example: EU	• Countries adopt a common market and currency. • Example: Eurozone

Trading Blocs: Pros and Cons

Larger market
More choice & lower prices
More investment
Greater political & economic stability & cooperation

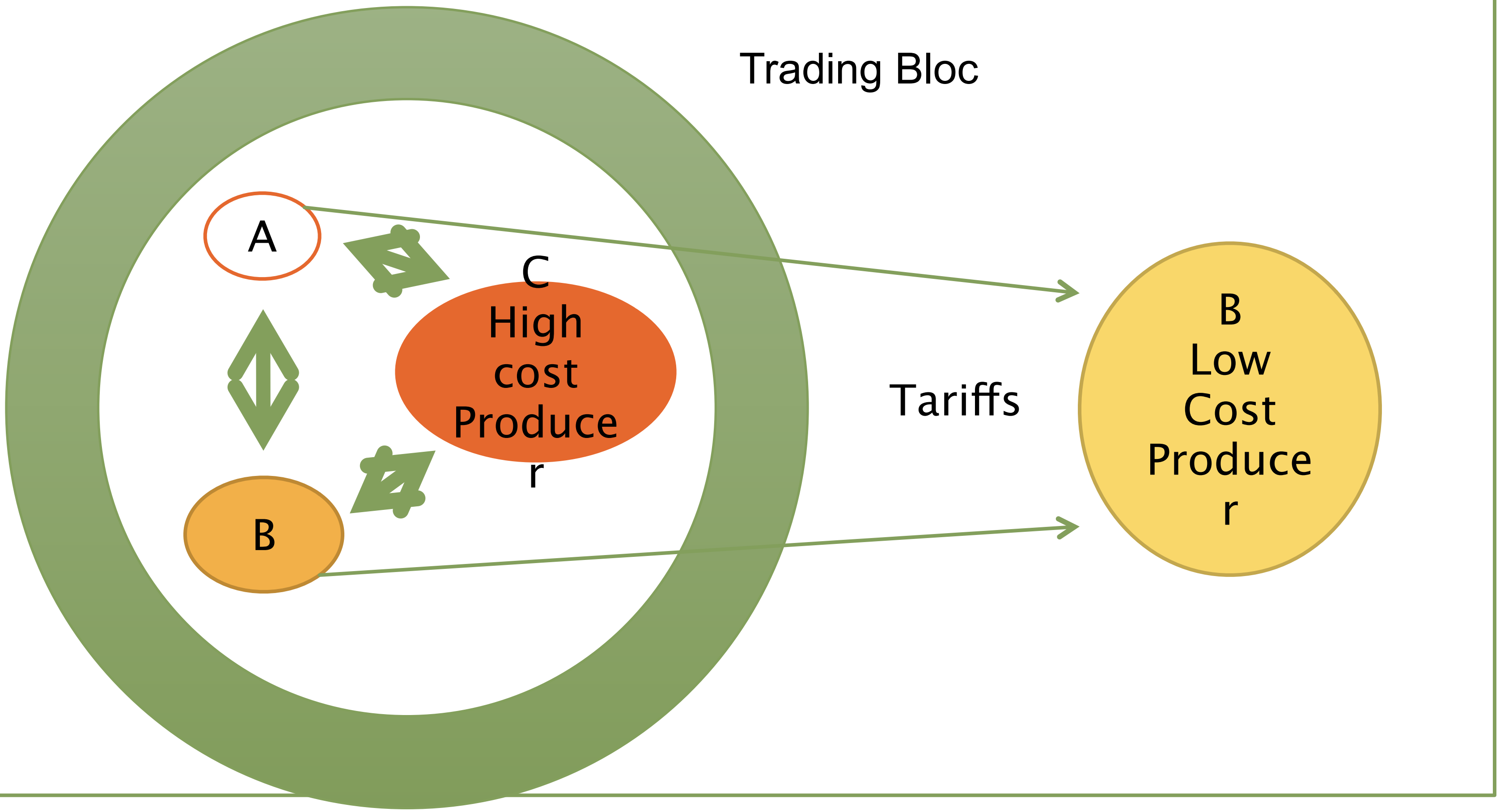
Discrimination against non-members
Undermines free trade
Small countries have little bargaining power


Loss of Economic Sovereign ty
Obstacles to Economic Integration
Loss of Political Sovereign ty

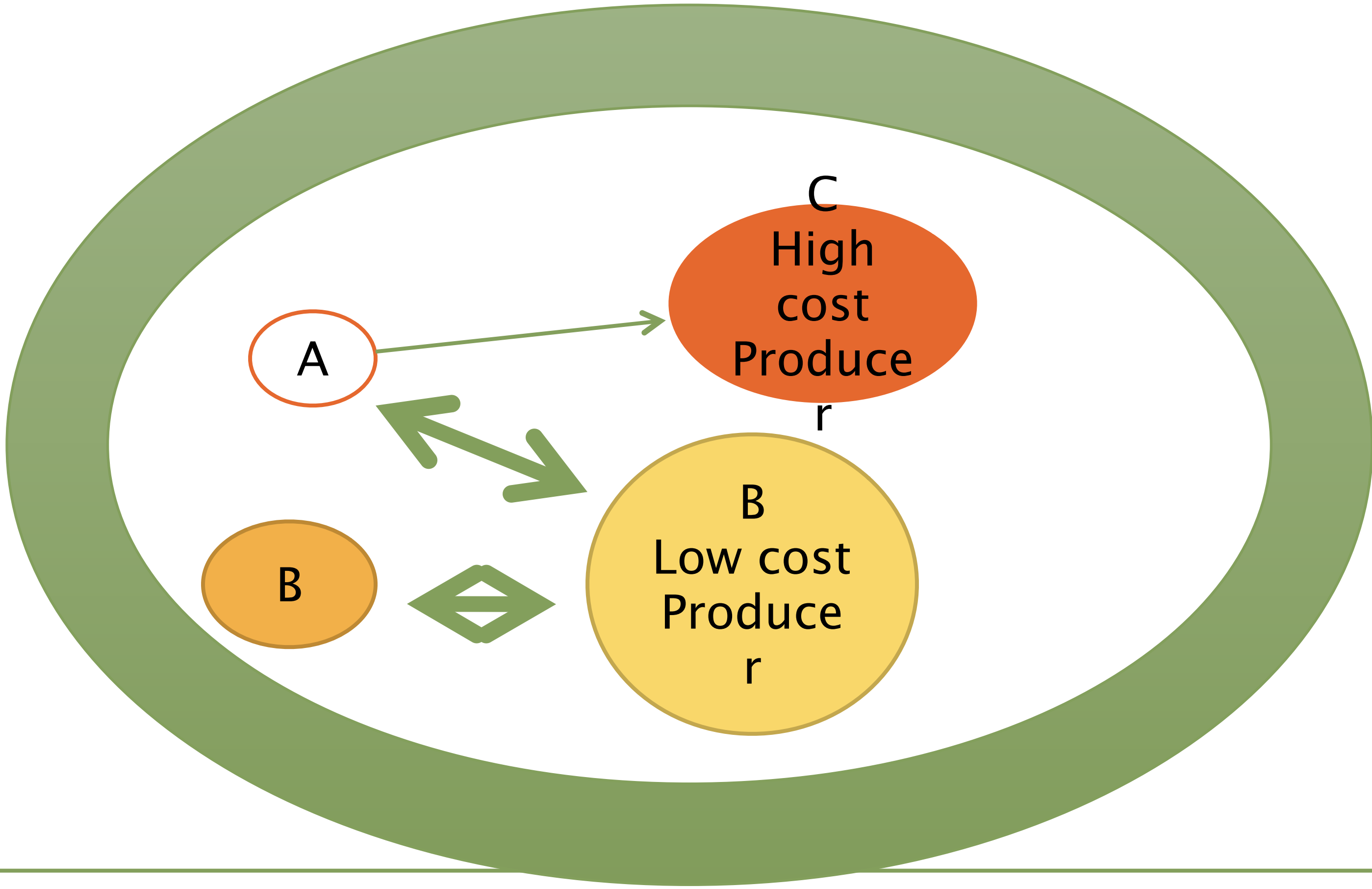
Trade Creation

- A benefit of greater economic integration
- Entry of country into a customs union leads to the transfer of production from a high cost producer to a low cost producer

Before Trade Creation



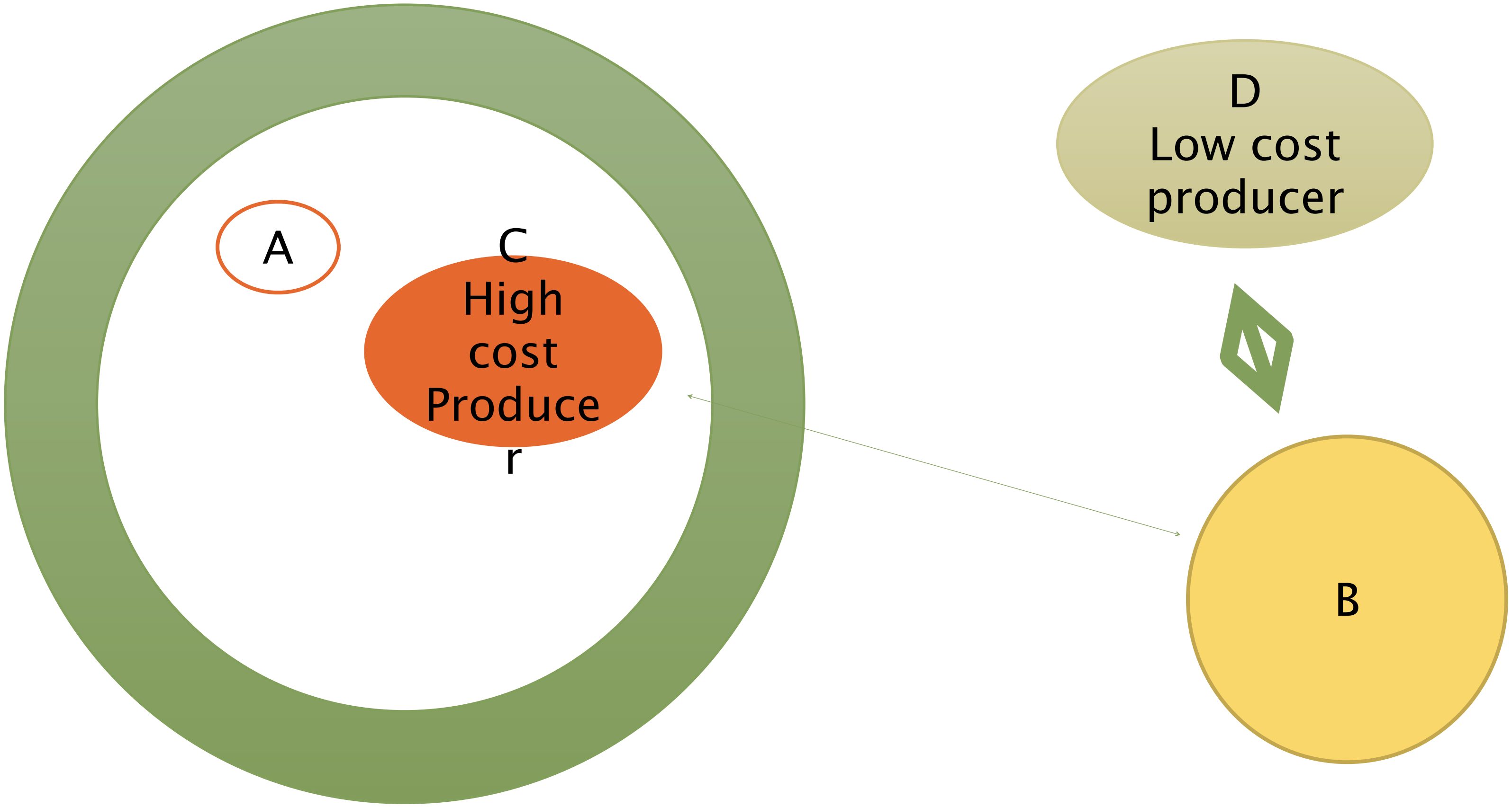
After Trade Creation



Trade Diversion

- A disadvantage of greater economic integration
- Entry of country into a customs union leads to the transfer of production from a low cost producer to a high cost producer

Before Diversion



After Trade Diversion