TYPES OF ECONOMIC UNIONS BETWEEN COUNTRIES !

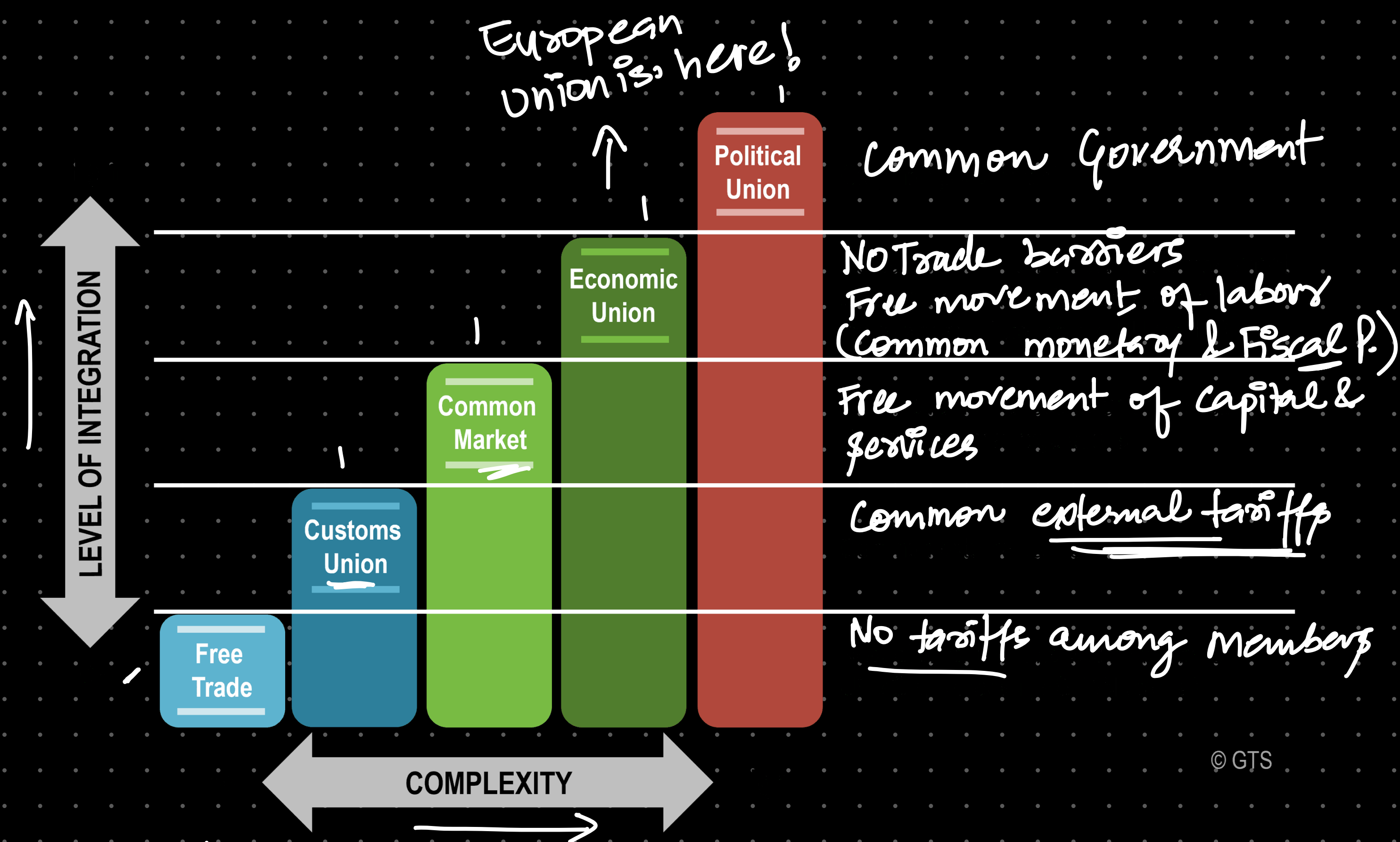
| Chapter – Post 1991 – External sector |

Why Economic unions exist?

Economic Integration =

- ✓ Trade ↑
- ✓ Investment ↑
- ✓ Economic stability ↑ → Inflation. ✓ Growth & Development.
- ✓ Bargaining Power ↑
- ✓ Powerful currency ↑ export | Trade

Value – Dd – export.



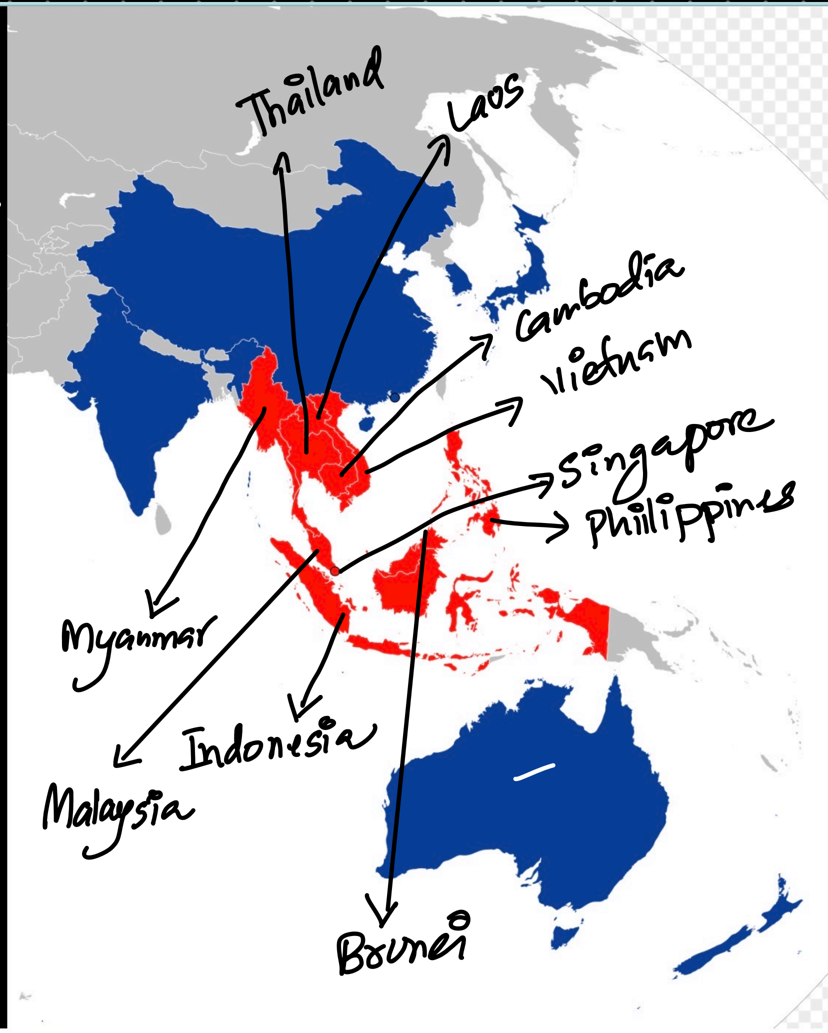
Free Trade Agreements lie here!

① Free Trade Area (FTA)

- Remove tariffs, quotas, trade barriers on export & Import of Goods and services
- ※ ② No restriction on Trade policies with non-member nations
- ASEAN Free Trade Area
- Advantage – Specialisation ✓
  More Efficient Production

Example –

- ASEAN → Community of 10 countries
- Under ASEAN, members can create agreements
  - → ASEAN FTA
  - → APEC
  - → EAS →
  - → RCEP →



ASEAN Countries with which ASEAN has free trade agreements

ASEAN FTA –

- Near zero tariffs on Import & Export
- Eliminate non-tariff barriers.
- Attract FDI to enhance Production
- Import tariffs on non-member countries

↓

Freedom to decide

↓

Unlike EU

↓

Economic & Political sovereignty in ASEAN

India's FTA with ASEAN → NONE ✓

- India is a part of regional Forum, called as EAST ASIA SUMMIT
- Opted out of RCEP in 2019, due to threat of heavy Imports from China.

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② CUSTOMS UNION-

Trade between Members → No trade barriers

+

Trade with non-members → common external tariffs and barriers → Members give up their "Economic sovereignty w.r.t Trade laws"

Example- Gulf Cooperation Council

↓

→ Political and Economic Union

* → Common market - (partial)

↳ easy movement of goods & services

↳ GCC citizens can work anywhere in Govt. & private sector, with social security.

★ ↳ single currency XX (not yet)

③ COMMON MARKET —

common mkt.

Customs Union + Free movement of Goods, services, money, labour among members

★ There is no active Group that is a pure common market today.
Customs unions have partial elements of common market.
Similarly, Economic unions used to be pure common markets.

④ ECONOMIC UNION —

Common Market + Harmonized "Monetary & Fiscal Policy"

MS

"Greeee"

↓

Giving up money sovereignty & policy sov.

→ 27 member states
→ Common legislation of Justice & home affairs
→ Common policies on Trade, Agriculture, Fisheries, Regional Development.
→ 20/27 states – Eurozone
↓
complete economic and monetary union – (euro currency))

The works of European Union are done through

European Parliament → Legislative body

European Commission → Executive body

⑤ POLITICAL UNION –

→ complete Economic & Political integration

→ Example – Former USSR