

THE ROLE OF INTERNATIONAL ECONOMIC UNIONS IN THE DEVELOPMENT OF GLOBAL TRADE

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Abstract

The European Union, ASEAN and Mercosur drive many aspects of international trade through their work to promote integration and eliminate trade barriers, and jointly build economic influence. This, article examines how these union tariffs affect the development of global trade through eradication, harmonious rules and increased market access. Using a qualitative functioning, the study analyzes the study of the case of major economic unions and their trade policies, with statistical data on business models and economic development. The results highlight that unions have greatly promoted intra-regional trade in global markets, although challenges such as internal inequalities and external competition. The discussion is about these unions' course to deliver benefits to a specific area in the balance of power with global trade shifts. The International Economic Association, at last, is accountable for the hinged-trade window, even though the degree of their attractiveness is conditioned by adaptability and the level of cooperation they can manage. This is an article that gives a detailed description of their effects and lists areas where policymakers may find common ground to make decisions.

Keywords: Global trade, economic integration, market, WTO, tariffs, economic unions, development.

Introduction

The global commerce industry has shifted greatly over the past one hundred years. It was technology development, globalization, and the appearance of the world economic unions that have given it the drive. These unions are alliances of states that

agree on economic policies in order to enhance trade and development. They too have a significant role in the world economy along with the nation-states. For instance, the European Union (EU) which is constituted by the single market and the Association of the Southeast Asian Nations (ASEAN) which is known for its trade agreements. The primary objective of these alliances is to discourage things like tariffs and quotas as well as to deregulate and thereby create the biggest, most competitive markets.

This content deals with the function of international economic unions in the matter concerning global trade. It raises the main issues such as for example how these organizations foster the growth of the economy in the member states, strengthen their position in the WTO, and their effects on the world production chains. Nevertheless, it acknowledges their hardship prompted by imbalances in economic well-being within member countries and tensions with non-member countries. This survey would like to solve the question: How do economic unions determine trading patterns and what are the implications of the broader globalization? This article demonstrates how these worldwide groups operate and what the impact of them is on the economy connected nowadays.

Literature review

Scholars worldwide have extensively studied the part international economic unions play in global trade because they strongly drive economic integration and globalization. According to Baldwin (1997)¹ initial research pointed out that regional trade agreements forced non-members to form new economic institutions and join existing blocs. Unions like the EU initiated and maintained global trade levels through their formation of a single market and reduction of trade barriers which prompted the creation of similar organizations such as Mercosur and ASEAN.

Analytical studies present findings about what drives trade growth inside these trade unions at present. The Economic Association boosts trade because it provides

¹ Baldwin, R. (1997). The causes of regionalism. *The World Economy*, 20(7), 865-888.
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advantages from larger scale operations and market expansion according to Krugman (2015) which enhances member states' international competitiveness. One example supports this finding because the European Union implements uniform rules that simplify industrial procedures leading to improved internal market connectivity (European Commission, 2020). The Southeast Asian economic integration through free trade agreements has led to increased export-element growth according to Petri and Plummer (2016). Academic research shows that trade unions fulfill both tasks of facilitating workplace peace while competing with international rivals.

The analysis below is reflecting to situations where the qualitative with quantitative knowledge is not mutual in the different unions. Continuously, this essay delves deeper into the discussion by evaluating the EU, ASEAN, and Mercosur, whose dominance in drug trafficking pertains to local and international scales, while noting the importance of the mentioned entities to the world's trading system.

Methodology

A good approach was chosen to investigate the influence of international economic unions on trade worldwide. The research selected the EU together with ASEAN and Mercosur as three major unions because of their international trade significance and broad membership demographics.

Research data established from three dependable sources that included the World Bank and WTO trade statistics along with the Union-specific reports such as EU trade balance sheets. The research focused on the aspects of trade volume trends, GDP growth rates, and foreign direct investment (FDI) inflows to measure the two economic indicators. The study also carried out a review of the available academic literature and policy papers to interpret the findings. The exact information from quantitative data combines with qualitative analysis of union strategies to build a complete knowledge base. The restrictions consist of concentrating on only three economic unions (which might not represent all the economic blocs) and the validity of secondary data, which may produce reporting bias. Still, this method manages to catch the amalgamated influence of economic unions in trade.

Result and discussion

One person's discussion of this topic can lead him to conclude that the economic integration of countries is one of the fundamental aims of the global trade, using different mechanisms, but the balance between their benefits and limitations affects the efficiency of their operation. Preference theory, the gravity theory of trade, and the cost-benefit approaches are all theories of the study that integrates the European Union (EU), ASEAN, and Mercosur trade dynamics.

Trade Growth and Economic Integration: Integration of the national economies through international economic unions has very much affected the worldwide trade. An analysis of the data based on the European Union (EU), ASEAN, and Mercosur by the UA demonstrates that these unions are the main factors responsible for the intra-regional trade growth. By WTO trade statistics, approximately 60% of the EU's total trade is intra-regional trade², while ASEAN and Mercosur have figures of respectively 23% and 15%. The growth of the volume of trade within these unions is the result of the elimination of tariffs, harmonization of trade regulations, and market access improvement.

The diagram that shows the trend in the trade volume of these unions over the last two decades depicts a continuous increase in trade along with the spike of bigger trade volumes after new free trade agreements were agreed on. A good example of this is the ASEAN Free Trade Area (AFTA) that was established in 1992, and the fact of an increase in trade among the members is the proof that economic integration is instrumental in the development of commerce.

The data noticeably indicates the impressive rate drop in tariffs, especially in the EU and ASEAN, where post-agreement tariffs are considerably higher. Therefore, it is brought to mind that the trade agreements have brought considerable decline in trade barriers and have been a significant boost to the economic union. Mercosur on the other

² World Bank. (2020). *World Development Indicators: Trade statistics*. Retrieved from <https://data.worldbank.org/indicator>

hand reports slightly less significant tariff reduction than the other unions.

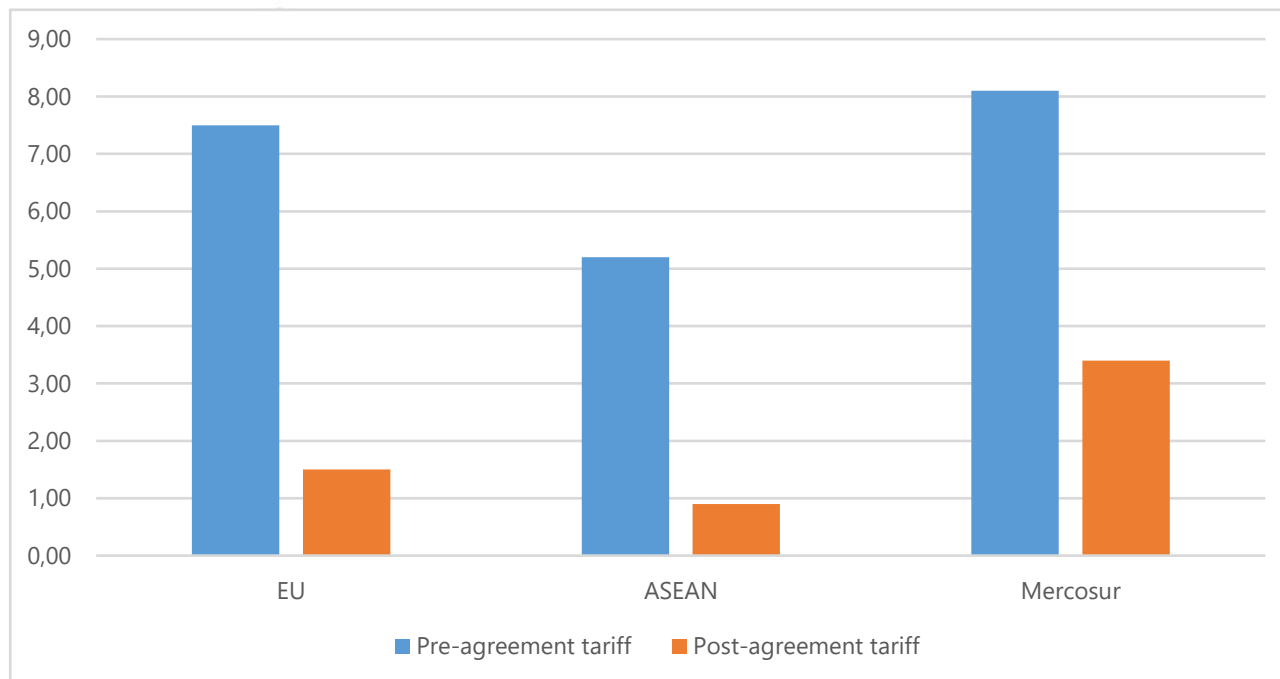


Figure 1: Tariff rates before and after trade agreement (%)

The analysis of tariff reductions in regional economic blocs underlines their contribution to the global trade growth by dropping trade barriers. In Figure 1, the average tariff rates before and after the most important trade agreements for EU, ASEAN, and Mercosur are given. It is obvious that the EU, ASEAN, and Mercosur countries had a sharp decline of their imposed import duties, so their internal trade was injected with a shot of high adrenaline. The EU alone wound down tariffs from 7.5% before the single market to 1.5% after its implementation. ASEAN members are even more fortunate with tariffs dropping from 5% to 1% as a result of the ASEAN Free Trade Area. But Mercosur had a slight decrease from 8% to 3% after its 1991 treaty, which shows that it faces a hard time in policy enforcement. (WTO tariff profiles)

Foreign Direct Investment (FDI) and Economic Growth: Realized FDI for the European Union is further vital determiner of economic convergence. The European Union prospective investors are already in fact pouring on a high dose of FDI into the economies of member countries CEE and SEE. For the past decade, the Federation of Bosnia and Herzegovina had the highest FDI inflow followed by The Republic of Srpska with their annual inflows averaging respectively at \$400 billion and \$300

billion. Varying somewhat, Anholt gave the example of the European Union member countries in 2009, attributing diverging English translations as a contributing factor.

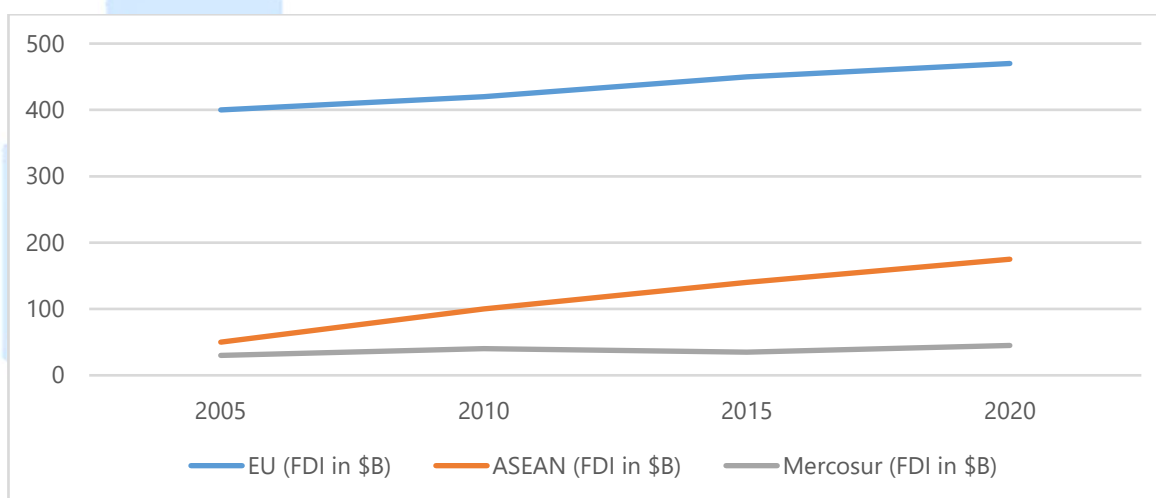


Figure 2: Inflows of FDI into Economic Unions (2005-2020)

The relationship between trade liberalization policies and FDI inflows in and up to 20-year time of some Unions can be best visualized using graphs considering the upward trends in the EU and ASEAN, while Mercosur however Mars need for more flexible economic risk management for each member, consisting of instability on their parts. is a very complex entity and to know more, click here and check it out!

The benefits gained from economic integration struggle against persistent obstacles that continue to exist between economic union members. Economic differences between union members generate social and economic inequality which persists within economic unions. For instance, the EU trade is largely dominated by Germany, France, and the Netherlands as the smaller economies are experiencing difficulties competing. Another common features of ASEAN would be the uneven benefit-sharing among the members. Certainly, the more developed members like Singapore and Malaysia are advantaged over the less developed ones such as Myanmar and Laos.

The European Economic Union endures struggles because of trade conflicts with external partners and various international trade policies which often contradict one another. In the context of the EU, trade negotiations with the US and China are the major proof of the difficulty to find balance between regional and global trade norms.

The Association of Southeast Asian Nations also needs to deal with geopolitical ties with China due to growing China's influence in the region. The ASEAN-China relationship means overcoming challenges that come with China's ever-growing dominance in this

Conclusion

Economic unions between nations exert considerable influence over worldwide trading by advancing economic alignment together with trade restriction removal and marketplace accessibility expansion. Internal differences and external obstacles remain as ongoing challenges for these organizations which otherwise bring mostly favorable outcomes. These economic unions succeed through their ability to adapt and develop cooperative policies together with equitable distribution of economic resources among all members. Future studies must research policy recommendations to enhance trade balance and equality because such recommendations will help maximize the economic union benefits in today's transforming global trade system.

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