



V-LRN

VIRTUAL LEARNING NETWORK



International Business Environment

Block-3 Unit-11

Regional Economic Grouping

Virtual Learning Network



Topics to be Covered

- Introduction
- Overview
- History
- Forms
- Rationale
- Regionalism v/s Multilateralism
- Impact
- Strategy
- Summary



Introduction

Regional Economic Groups are the associations of countries situated in a particular region whereby they come to a common understanding regarding rules and regulations to be followed while exporting and importing goods among them.

Overview

The main aim is :

- To accelerate the development process
- Improve the quality of life of the residents of the region

Economic significance of national political boundaries is completely lost.



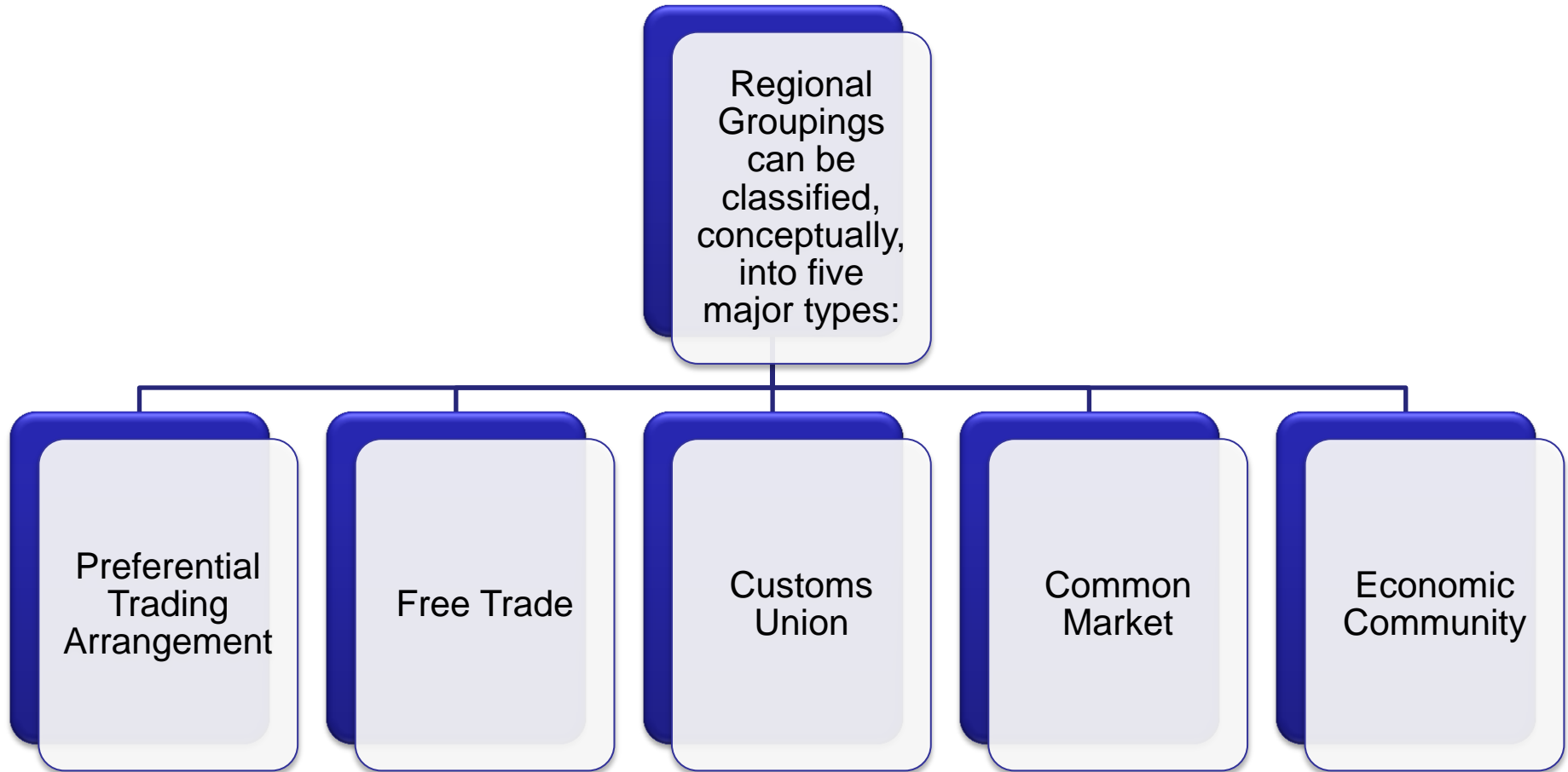
History

Two distinct waves of regional groupings appear to have swept the world since the end of the Second World War.

The first one surfaced during the 1950s with the formation of European Common Market(ECM) by the West Germany, France, Italy, Belgium, Luxemburg and the Netherlands on 1st January 1958

The second wave surfaced during the mid 1980s with the USA as a significant player. Thus, the Canada – US Free trade agreement was negotiated in 1989 and later, the North American Free Trade Area(NAFTA), with USA, Canada and Mexico as members , came into existence during 1992.

Forms





Regionalism V/S Multilateralism

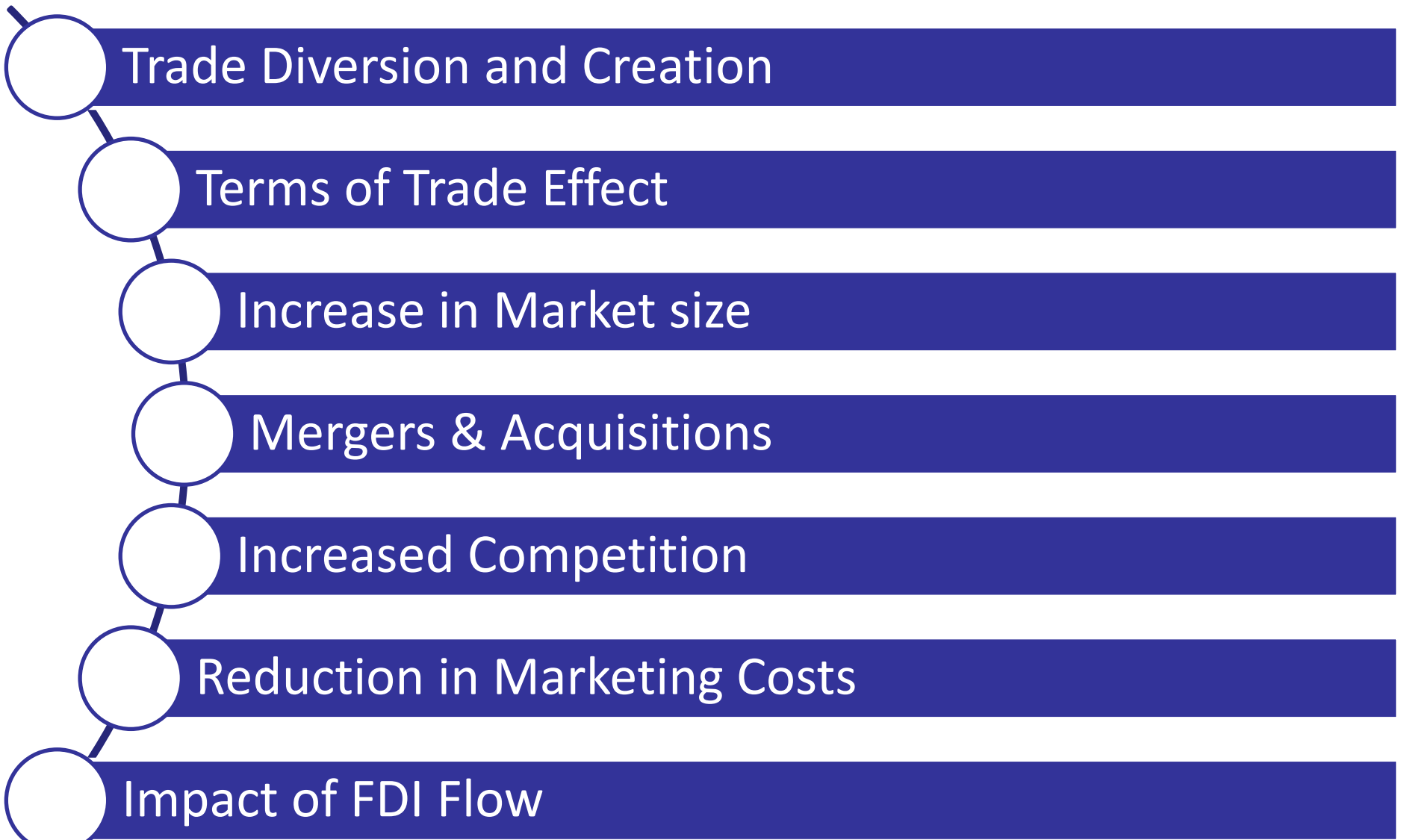
- **Multilateralism** is represented by the efforts on worldwide liberalization of international relations, which started in the field of trade in goods when General Agreement on Tariffs and Trade (GATT) was signed, and developed into broader fields of trade in services, investment, agricultural products, public procurement, and intellectual property rights with its more sophisticated successor – World Trade Organization (WTO).



Regionalism V/S Multilateralism(Contd.)

- **Regionalism** - parties to a regional trade agreement (RTA) offer each other more favourable treatment in trade matters than to the rest of the world (including WTO Members).
- The number of RTAs involving WTO Members has increased notably in the recent years. Free trade areas are more prevalent than customs unions. The purpose of a customs union or a free trade area should be to facilitate trade among the parties to the RTA and not to raise barriers to the trade with other WTO Members.

Impact



Strategy



Product Wise
strategy

Market Segmentation
Strategy

Entry Strategy

Strategic Alliances

FDI Strategy

Summary

- Formation of regional groupings has undoubtedly been one of the significant developments that has taken place in the global economic scenario since the end of the second world war.
- It is not easy to categorically maintain that either regional arrangements violate the legal obligations under WTO or regionalism has replaced free trade by discriminatory trade.

*Thank
You*