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Regional Economic Integration: How regional Integration influence the participant countries

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Abstract: This study is aim to discuss the backgrounds of the integration of one country that participates in Economic Union and one regional integration that your home-country participates in. critically analyze and how these regional integration affect or influence the participant countries with supporting statistics, evidence or arguments. Regional Economic Integration can best be defined as an agreement between groups of countries in a geographic region, to reduce and ultimately remove tariff and non-tariff barriers to the free flow of goods, services, and factors of production between each other. Come to the last part of the review, will discuss about voted to remain or leave the EU if eligible to vote on Brexit.

Keywords: Brexit, Regional Integration, Economic Union, non-tariff

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Introduction

Focus of the discussion of regional economic integration on the European Union and Association of Southeast Asian Nations.

France

France's economy is the fifth largest in the world and represents around one fifth of the Euro area gross domestic product (GDP). Currently, services are the main contributor to the country's economy, with over 70% of GDP stemming from this sector. In manufacturing, France is one of the global leaders in the automotive, aerospace and railway sectors as well as in cosmetics and luxury goods. Furthermore, France has a highly educated labor force and the highest number of science graduates per thousand workers in Europe. Since the 1980s, the government of France has favored capitalism and market-orientated policies. The government has either partially or fully privatized many national industries, including Air France, France Telecom and Renault, and today France's leaders remain committed to capitalism. However, the French government still plays a role in certain key national sectors, such as agriculture, and it will intervene in the market to moderate certain social economic inequalities. France is a member of the European Union (EU) and follows a trade policy similar to other member states with a common EU weighted average tariff rate. Furthermore, France and other EU member states have a number of bilateral and regional trade agreements and are members of the World Trade Organization (WTO). France is a relatively open economy however, some barriers to trade are present. Among goods, many agricultural products are protected at the European level, a policy that France advocated, and French farmers have historically been dependent on government subsidies. France receives large amounts of FDI and investment regulations are generally transparent, although many bureaucratic impediments persist. In contrast, the financial sector is relatively closed, with only a few foreign banks operating in the country.

Malaysia

Malaysia is the 3rd largest in Southeast Asia, and is the 35th largest economy in the world. Malaysian labour productivity is significantly higher than neighbouring Thailand, Indonesia, Philippines or Vietnam due to a high density of knowledge-based industries and adoption of cutting edge technology for manufacturing and digital economy. According to the Global Competitiveness Report 2018, the Malaysian economy is the 25th most competitive country in the world in the period of 2018–19. Malaysia's trade policy is its commitment to the rules-based multilateral trading system, regional economic integration through ASEAN, and strengthening of bilateral economic relationships. This trade policy is aligned with its industrial and investment policies. The industrial policy is driven by the need to continue to grow exports of both goods and services, expanding the export base and supporting the move up the value chain. Integral to its trade, industrial and investment policies are measures to enhance trade facilitation, reduce regulatory burden, and support productivity and innovation initiatives. The Gross Domestic Product (GDP) in Malaysia expanded 1.40 percent in the fourth quarter of 2018 over the previous quarter. GDP Growth Rate in Malaysia averaged 1.21 percent from 2000 until 2018, reaching an all times high of 5.50 percent in the third quarter of 2002 and a record low of -5.90 percent in the first quarter of 2001. Strong domestic demand is expected to keep the economy on a robust growth path this year, despite moderating household expenditure growth after last year's stellar performance. The slowdown in China, a possible flare-up in the U.S.-China trade conflict and market volatility all pose risks to the outlook. Our panel sees the economy growing 4.5% in 2019, which is unchanged from last month's forecast, and 4.5% again in 2020.

Regional economic integration

Is a corporation agreement of countries in the same region achieving mutual understanding to remove trade barries and to ensure smooth flow of goods and services, people, capital and other factors of production. The main idea of regional economic integration is mutual understanding to encourage activities of International trade to be carried out for the good of all countried invoved.
A regional trading bloc is used to describe a group of countries in the same geographical region carrying out economic integration (Wild & Wild, 2014). The following are the levels of integration from least to most integrated: Free Trade, Customs Union, Common Market, Economic Union, and Political Union. With free trade, all the barriers to the trade of goods and services among member countries are removed. However, each country can determine its own trade policies with regard to nonmembers. Members are free to determine the level of protection applied to goods coming from the outside. Customs Union is one step closer to political and economic integration. This union also eliminates trade barriers between member countries and adopts a common.

Economic Union

An economic union is a type of trade bloc which is composed of a common market with a customs union. The participant countries have both common policies on product regulation, freedom of movement of goods, services and the factors of production (capital and labour) and a common external trade policy. When an economic union involves unifying currency it becomes an economic and monetary union. Purposes for establishing an economic union normally include increasing economic efficiency and establishing closer political and cultural ties between the member countries. Economic union is the result of progressive economic integration in the EU. It is an expansion of the EU single market, with common product regulations and free movement of goods, capital, labour and services. The union requires the integration of monetary and fiscal policies, so that member countries coordinate policies, taxation, and government spending related to the agreement. They also use a common currency that comes with fixed exchange rates.

Examples of existing economic unions: European Union (EU)

The European Union is the world's largest trade bloc. Importing goods and services for more than 100 countries, it is the biggest import market, as well as the biggest exporter in the world. The EU's common currency is the euro, which is used by its 28 member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. The EU countries coordinate their economic policies, laws, and regulations to address economic and financial issues. One of the union's founding principles is free trade among its members. It is also committed to the liberalization of world trade outside of its borders.The main advantage for international trade between the union and outside countries is the fact that, as soon an outside country has imported into one country of the union, the good can move freely within all countries. There is no need to meet x different regulations. Take for example the EU (technically it's a monetary union but a monetary union is more or less an economic union with the same currency). As soon as an outside country, say the US, has imported a good into one country (e.g. Germany), the good can be sold anywhere within the EU without having to meet additional requirements. This eliminates a significant artificial barrier to trade as the US producer does not have to create 28 different versions of its good to meet the individual standards but can create just 1.

Association of Southeast Asian Nations

The Association of Southeast Asian Nations is a regional intergovernmental organization comprising ten countries in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other countries in Asia. It also regularly engages other countries in the Asia-Pacific region and beyond. A major partner of Shanghai Cooperation Organization, ASEAN maintains a global network of alliances and dialogue partners and is considered by many as a global powerhouse, the central union for cooperation in Asia-Pacific, and a prominent and influential organization. It is involved in numerous international affairs, and hosts diplomatic missions throughout the world. ASEAN was preceded by an organization formed in 31 July 1961 called the Association of Southeast Asia (ASA), a group consisting of the Philippines, the Federation of Malaya, and Thailand. ASEAN itself was created on 8 August 1967, when the foreign ministers of five countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand, signed the ASEAN Declaration. As set out in the Declaration, the aims and purposes of ASEAN are to accelerate economic growth, social progress, and cultural development in the region, to promote regional peace, collaboration and mutual assistance on matters of common interest, to provide assistance to each other in the form of training and research facilities, to collaborate for better utilization of agriculture and industry to raise the living standards of the people, to promote Southeast Asian studies and to maintain close, beneficial co-operation with existing international organizations with similar aims and purposes. In 1984, Brunei became ASEAN's sixth member and on 28 July 1995, Vietnam joined as the seventh member.[26] Laos and Myanmar (Burma) joined two years later on 23 July 1997. Cambodia was to have joined at the same time as Laos and Burma, but its entry was delayed due to the country's internal political struggle. It later joined on 30 April 1999, following the stabilization of its government.

Literature Review

The European Union is a political and economic union of many different countries who work together to try and raise living standards of people who live there. It started in 1957 with only six countries - France, Germany, Italy, Belgium, Luxembourg and the Netherlands. The UK joined in 1973 and the number of countries in the EU has been growing ever since. The most recent countries to join include Romania and Bulgaria, whilst Turkey are still waiting. Being in the European Union can help countries like France in many ways. European citizens have the right to live and work in any of the other European countries for example. For those countries that have the Euro currency, this makes trading easier and people don't lose money changing from one currency (e.g. Pounds) into another currency. Being in the EU also helps trade, as France can buy and sell goods to and from other European Union countries without any barriers or extra taxes. Help is also available, especially for the poorer regions of Europe, such as the North East of England or the North of France. The EU also helps out in developing farming. Being in the European Union does have its draw backs however. France has to help support weaker countries in the Union, as was clear when Greece's economy almost collapsed. France also has to put up with any rules or laws that the EU produce, such as working hours for employees or even a rule about how bendy a banana can be! Some people are also worried that being in Europe could rob countries like France of their unique identity. The other problem is that the European Union needs paying for, and countries like France and the UK pay in far more than they get back.

Single Market Currency

France benefit from the single market currency. The European Single Market, Internal Market or Common Market is a single market which seeks to guarantee the free movement of goods, capital, services, and labour. The market is intended to be conducive to increased competition, increased specialisation, larger economies of scale, allowing goods and factors of production to move to the area where they are most valued, thus improving the efficiency of the allocation of resources. It is also intended to drive economic integration whereby the once separate economies of the member states become integrated within a single EU-wide economy. Half the trade in goods within the EU is covered by legislation harmonised by the EU. The creation of the internal market as a seamless, single market is an ongoing process, with the integration of the service industry still containing gaps. It also has an increasing international element, with the market represented as one in international trade negotiations

The four freedoms of the Single Market (Free movement of goods)

1. Customs duties and taxation
2. Customs duties
3. Charges having equivalent effect to customs duties
4. Taxation

Advantages of the ASEAN economic community towards Malaysia

a) **Access to a bigger market** for the ASEAN product, can go from a few million to 100s of millions customers.
b) **Preferential market access**, as a local ASEAN producer it is easier for the product to enter regional markets, with less barriers and tariffs for the goods than before.
c) **Lower costs**, with easier access to other markets and have lower costs to participate in the markets of other ASEAN nations.
d) **Similar and converging regulations**, over time as ASEAN sets regional standards for everything from gas pressure measures, to fertilisers uses, this lowers the costs of production as standards become the same, even in simple matters like food labelling.
e) **Higher profitability,** when produce less market specific versions, do business in more places, with less red tape and shorter freight times so make more money which allows to re-invest in people, plant and services which grows your economy.
f) **Risk diversification,** when access to multiple markets are less likely to have business disrupted by cyclical downturns, changes of governments, currency issues as we have more than one outlet.
g) **Incremental contribution to regional growth,** if every economy is growing at a small constant amount you have a compounding contribution to the regional economy which raises GDP and GNP across the region, which means a population with more purchasing power and less poverty and more global pull**.**
h) **Peace and stability,** all studies show trade integration and the orderly flow of people across boarders contributes to longer term regional peace and stability.

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