

Can economic integration make any difference?

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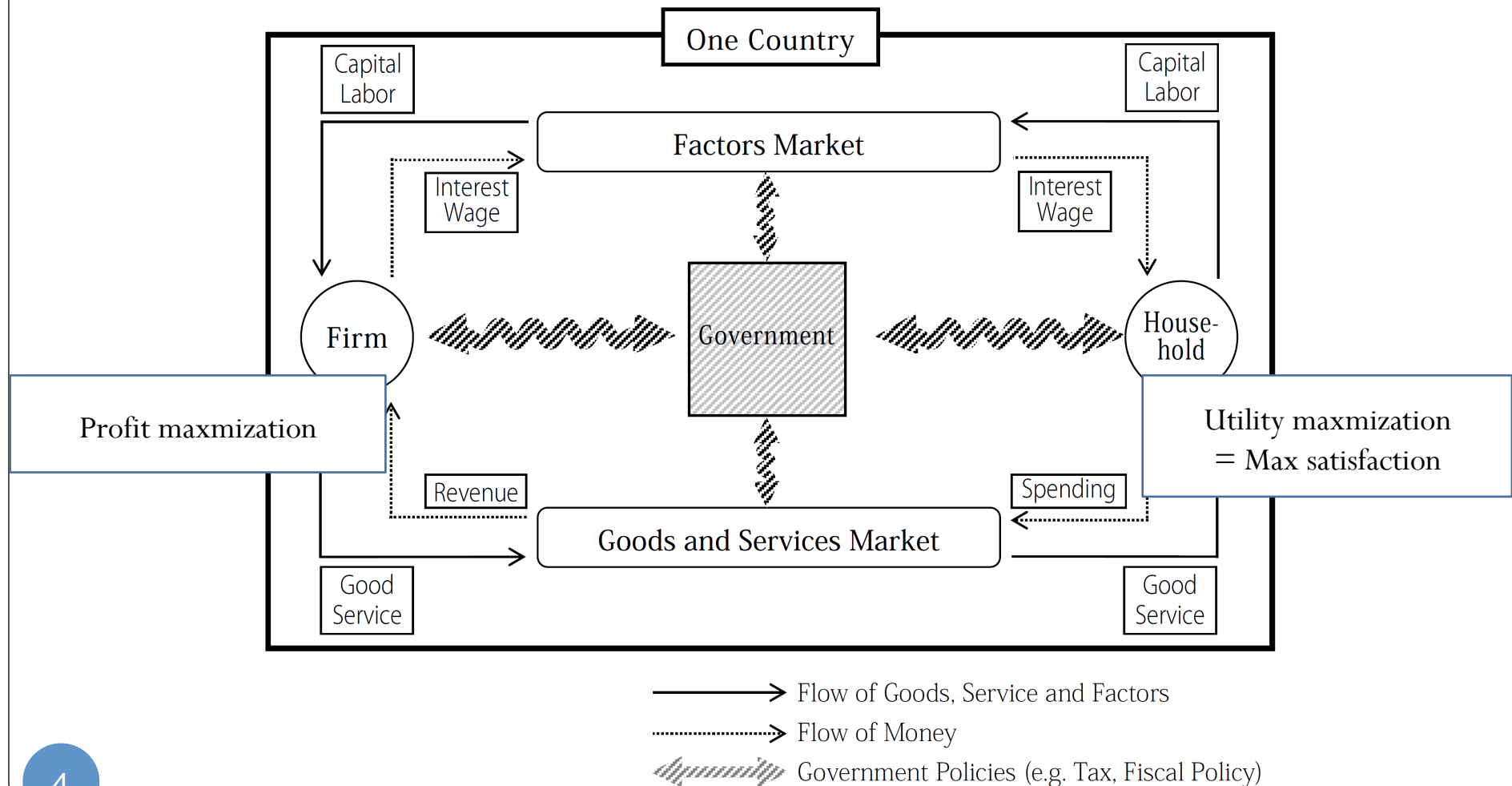
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0. Outlines of Economic Coordination

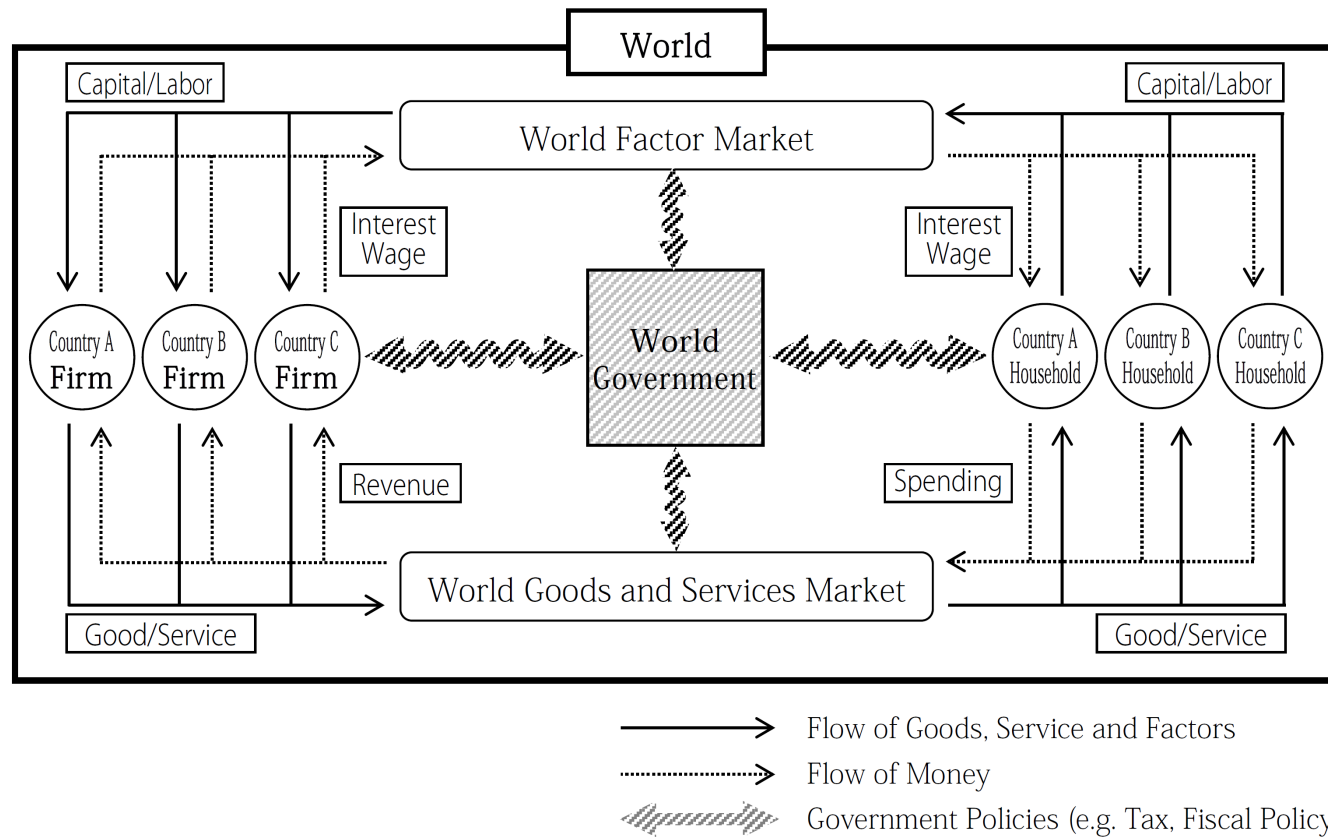
- The word **Economy** comes from the Greek word:
= One who manage a household.
- A household faces many decisions.
Like a household, a **Society** faces many decision.
- **Economics** is the study of how society manage its scarce resources.

Source: “Principles of Economics,” by N. Gregory Mankiw, 2001

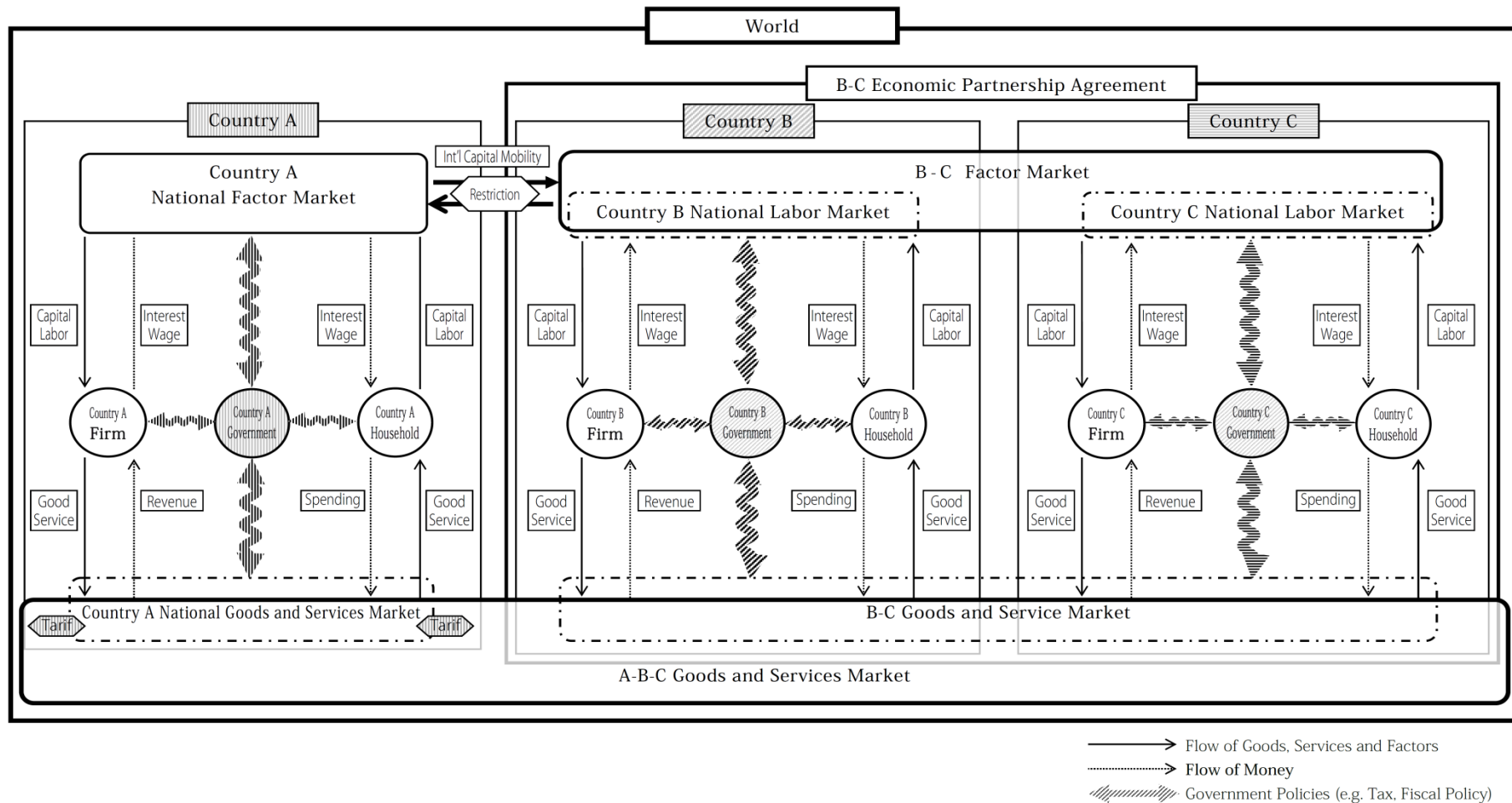
0. Outlines of Economic Coordination



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0. Outlines of Economic Coordination



1. Definition: Economic Integration

- What is Economic Coordination among countries?
Extreme goal = Economic Integration
- Definition of “Economic Integration”: Balassa (1961)
Not just an affair, but a process and a state of affairs
- **Process of Economic Integration**
The process comprises measures that entail the suppression of some forms of discrimination.
 - Economic integration can take several forms that represent varying degree of integration.
[5 stages \(Table 1\)](#)

1. Definition: Economic Integration

Process of Economic Integration

Stage	Name	Contents
1 st Stage	Free Trade	Tariffs (and quantitative restrictions) between the participating countries are abolished, but each country retains its own tariffs against nonmembers.
2 nd Stage	Custom Union	Besides the suppression of discrimination in the field of commodity movements within the union, the equalization of tariffs in trade with nonmember countries.
3 rd Stage	Common Market	Not only trade restrictions but also restrictions on factor movements are abolished.
4 th Stage	Economic Union	Combines the suppression of restrictions on commodity and factor movements with some degree of harmonization of national economic policies.
5 th Stage	Economic Integration	The final stage of the economic integration process. Economic integration presupposes the unification of monetary, fiscal, social, and countercyclical policies and requires the setting-up of a supra-national authority whose decisions are binding for the member states.

Source: Balassa (1961)

2. Free trade and its effects

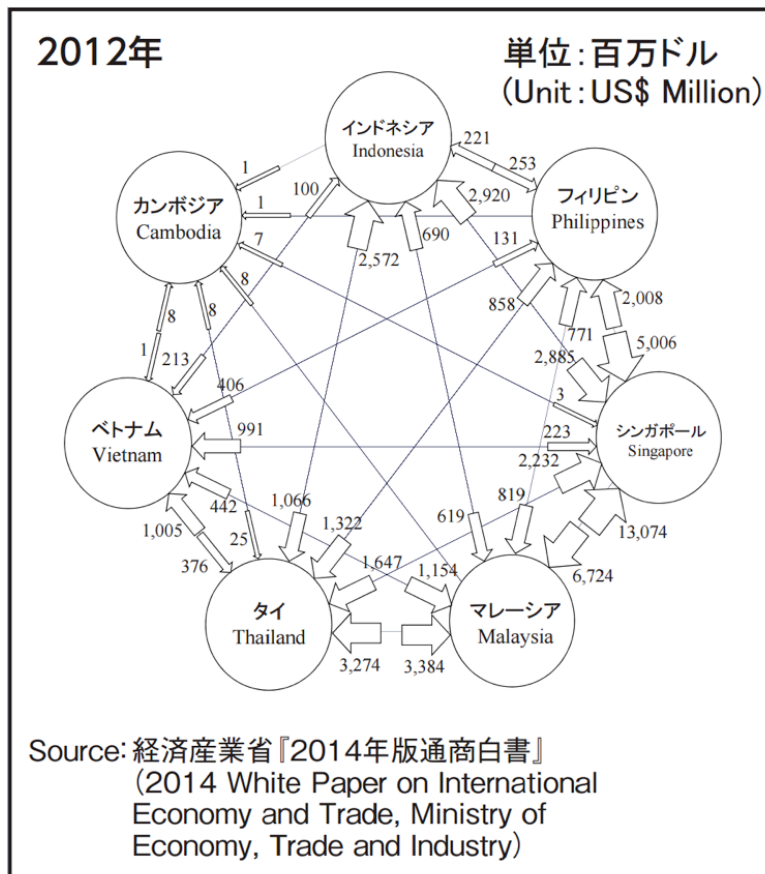
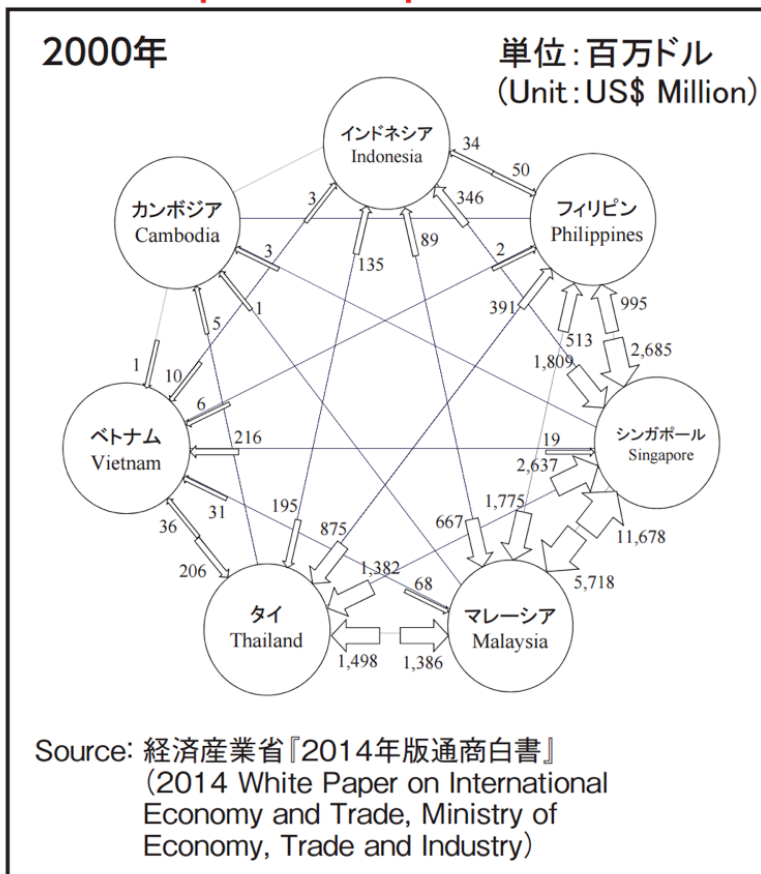
Case study: ASEAN Free Trade Area

The Framework Agreement signed on 28 January 1992;

- To enhance intra-ASEAN economic cooperation
- To sustain the economic growth and development of all Member States
- The AFTA has now been virtually established.
- Significant progress in the lowering of intra-regional tariffs
 - Through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA.

2. Free trade and its effects

■ ASEAN域内の部品貿易 (2000年、2012年) /Components/parts trade in intra-ASEAN, 2000, 2012



3. Capital Mobility

Capital?

= The stock of equipment and structures used for production

- Capital is the energy for the production:
 - The more capital, the higher productivity
- Traditionally: It circulates in a domestic market
- Capital mobility across border
 - Foreign Direct Investment (FDI):

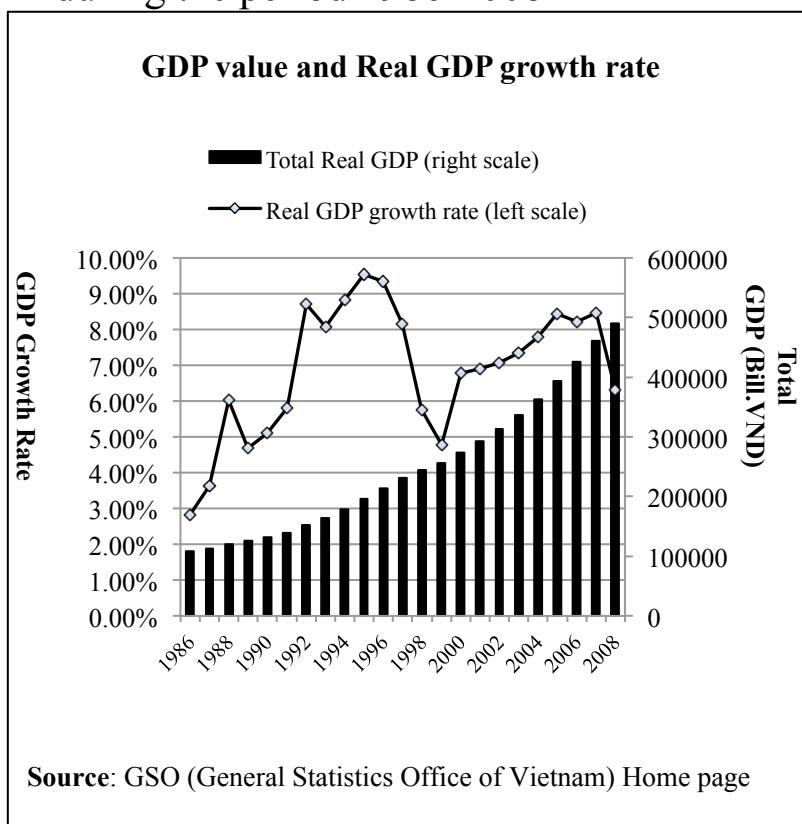
= an investment made by a company based in one country, into a company based in another country.

- Brings a higher technology
- Rapid economic growth

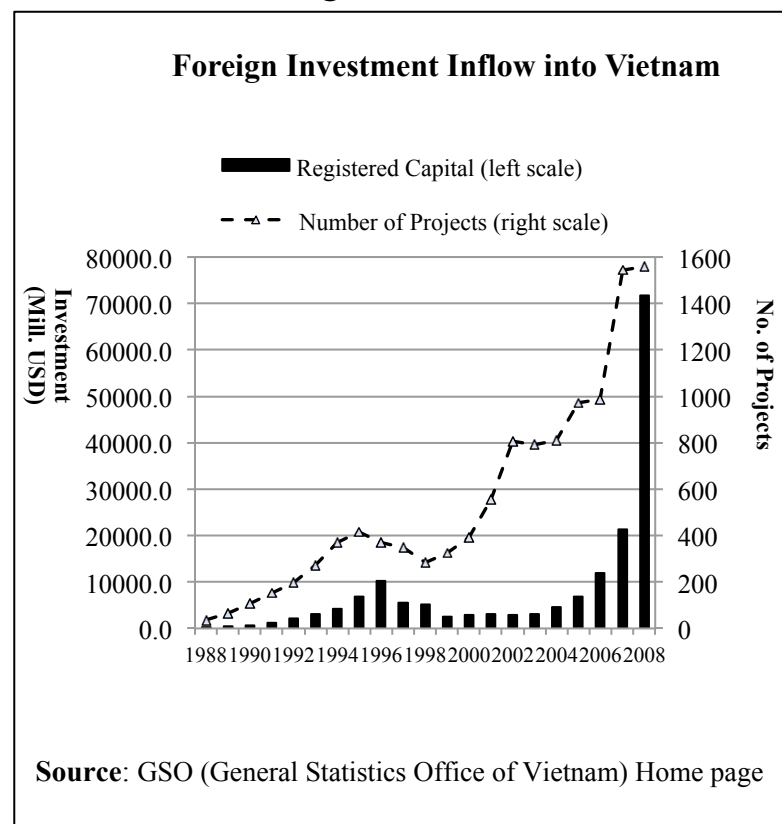
3. Capital Mobility

- Ex. Vietnam's Economic achievements:**

- Economic growth during the period 1986-2008



- Foreign investment inflow into Vietnam during 1988-2008



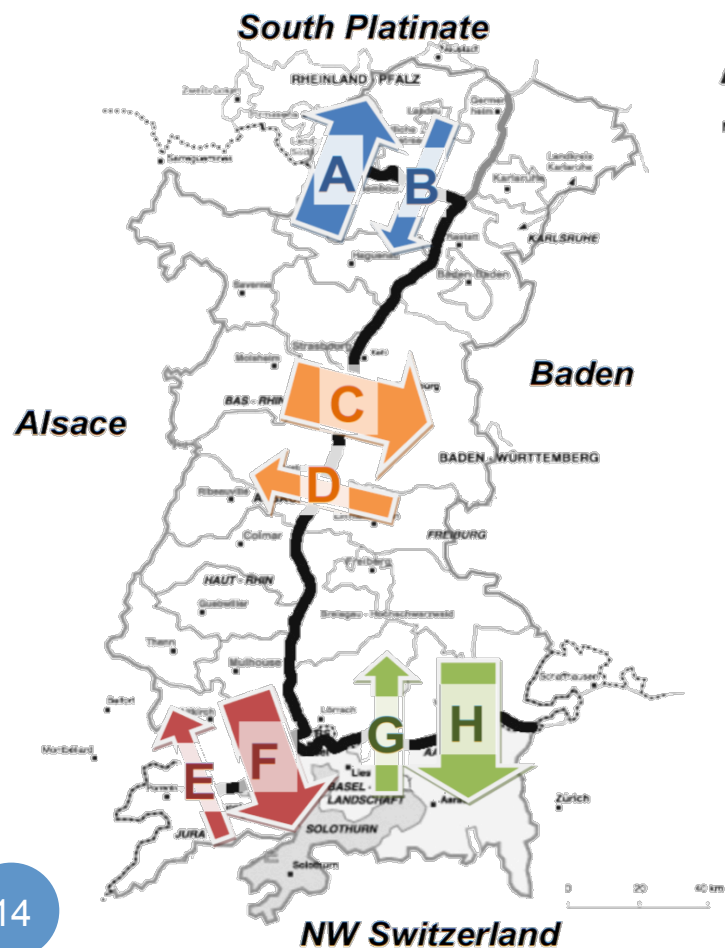
4. Labour Mobility

What makes different in the free labour mobility?

- **The reality in EU**
 - Cross-border mobility of goods and capital: increased dynamically
 - In contrast, there has been low labor mobility
- **Available evidences about labor mobility in EU**
 - Heinz and Ward-Warmedinger (2006)
0.1% of the total population in EU-15 have moved
 - European Commission (2010)
10% of Europeans have experience of working and living in another country.
27% of Europeans feel that the chance of finding a job is better abroad than in their own countries.

4. Labour Mobility

Asymmetric labor flow between France and Germany (in 2006)



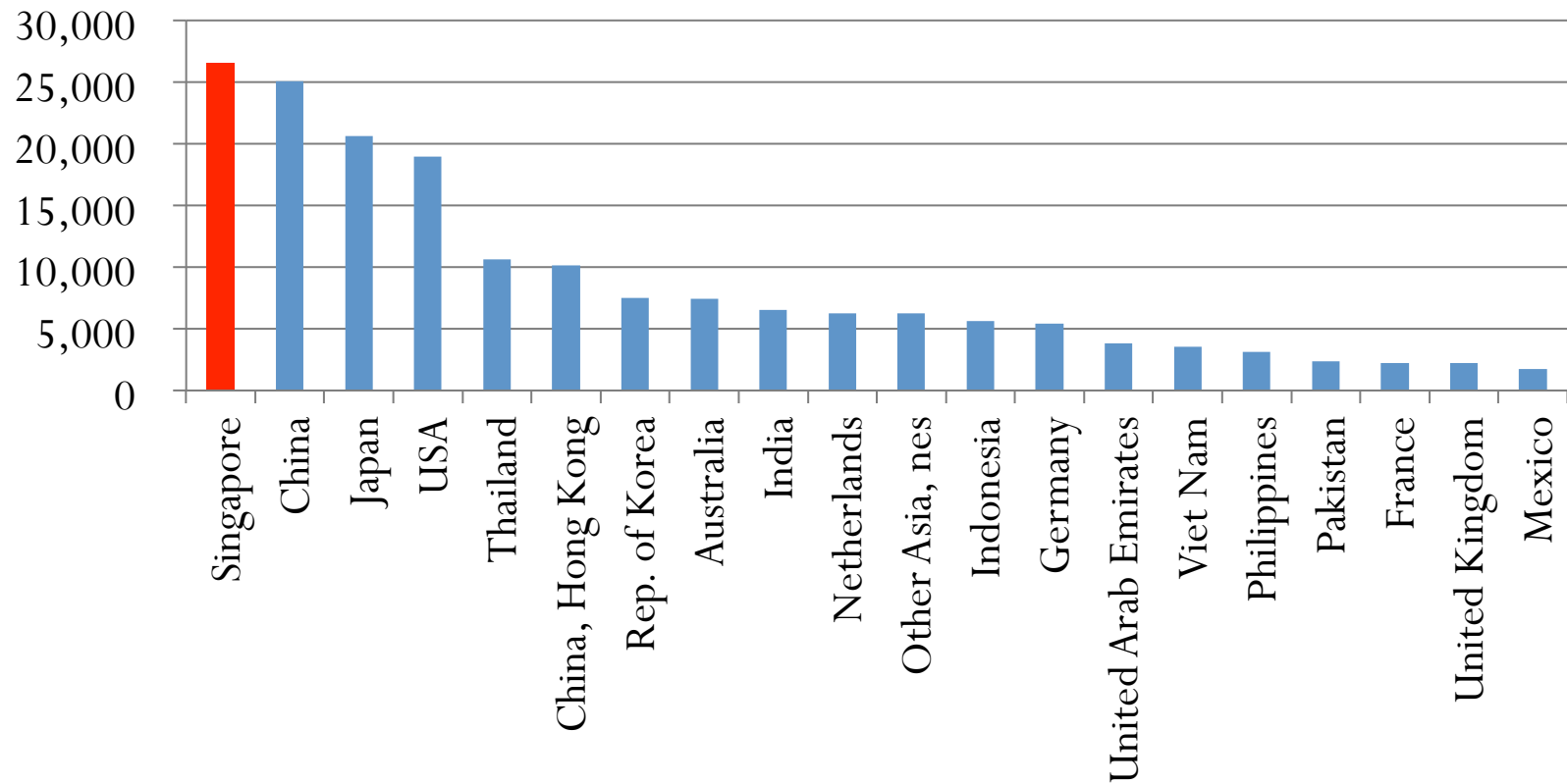
Point	Outflow / Inflow	Number of commuting
A	Alsace / South Palatinate	3,300
B	South Palatinate / Alsace	100
C	Alsace / Baden	25,000
D	Baden / Alsace	300
E	NW Switzerland / Alsace	100
F	Alsace / NW Switzerland	31,000
G	NW Switzerland / Baden	600
H	Baden / NW Switzerland	27,500

5. Industrial relationship and Economic development

Case Study: Malaysia and Singapore

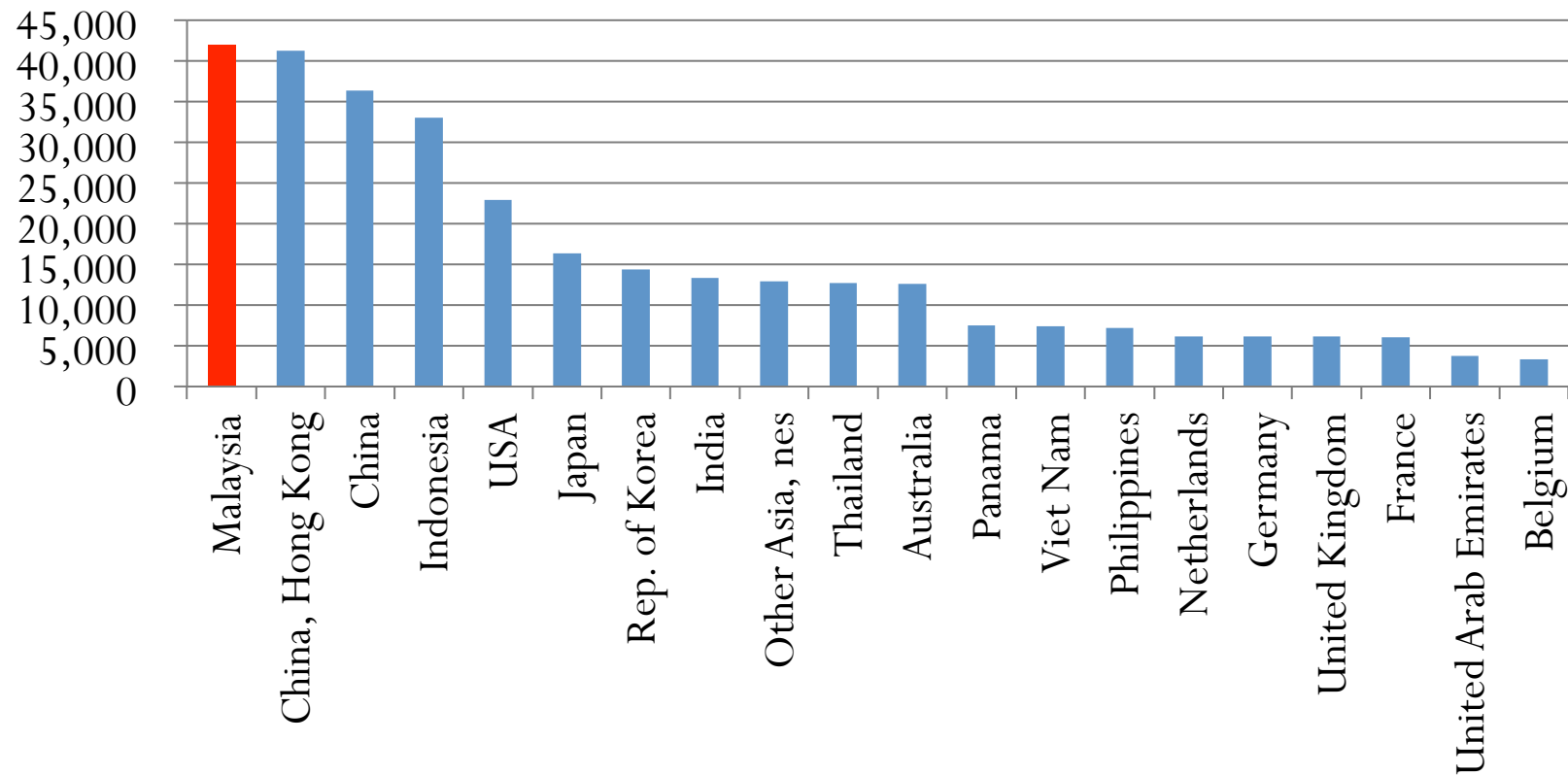
5. Industrial relationship and Economic development

Malaysia Export by country (Mio USD, 2010)

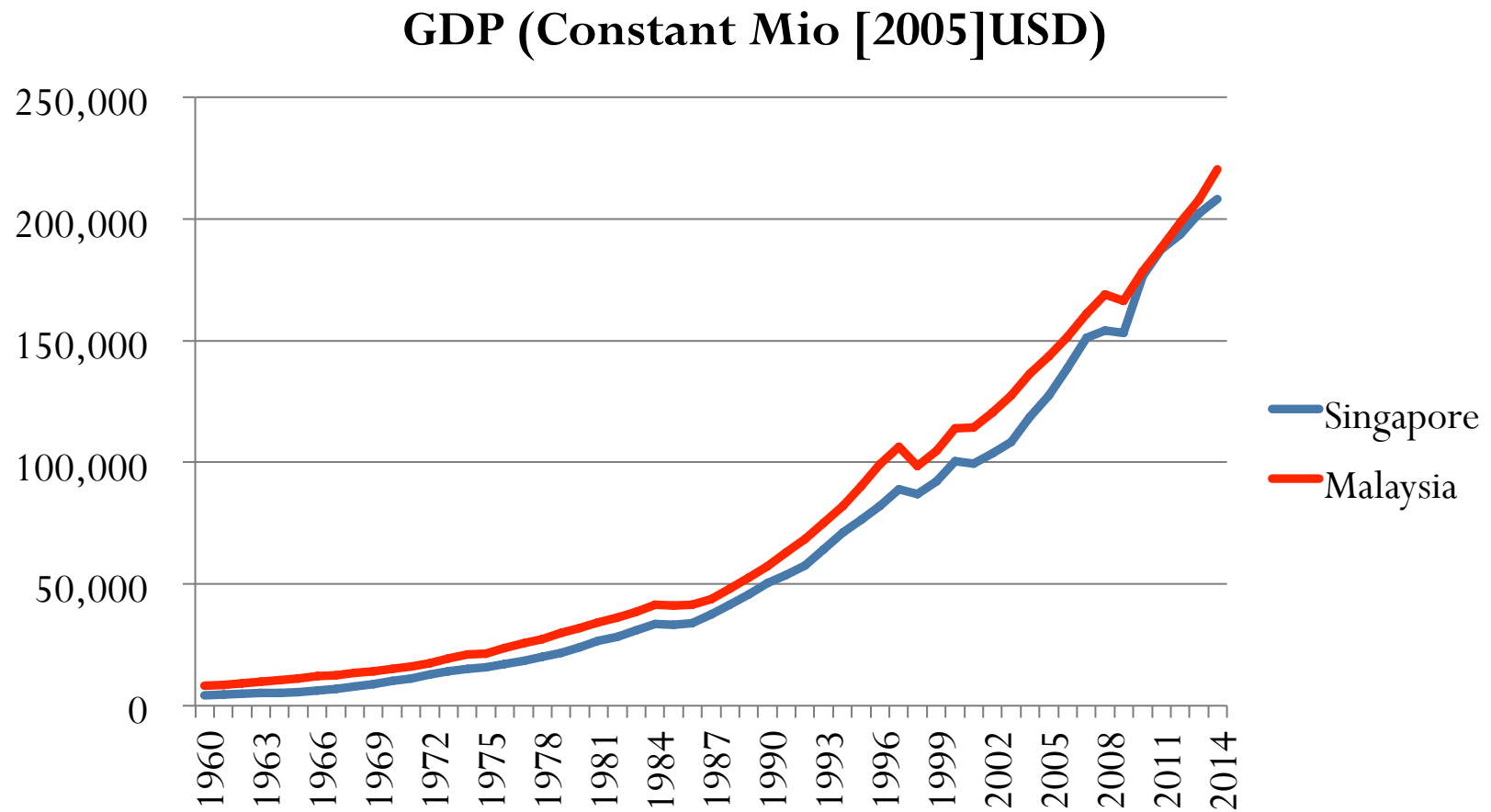


5. Industrial relationship and Economic development

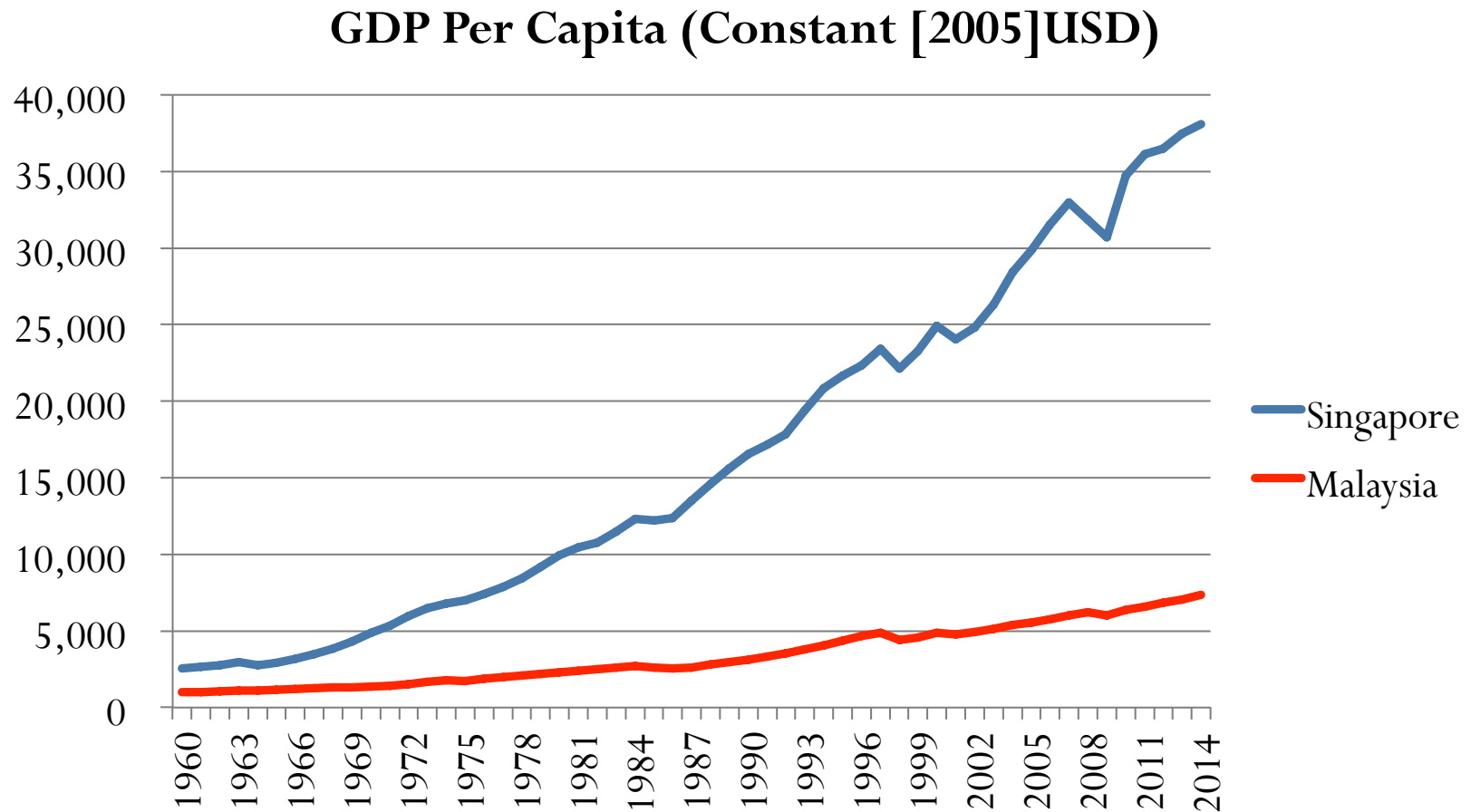
Singapore Export by country (Mio USD, 2010)



5. Industrial relationship and Economic development



5. Industrial relationship and Economic development



6. Ideology of the economic integration

Ex: AEC (ASEAN Economic Community)

The AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

- AEC Blueprint (13th ASEAN Summit on 20 November 2007 in Singapore) to serve as a coherent master plan guiding the establishment of the ASEAN Economic Community 2015.
- Purpose:
 1. a single market and production base,
 2. a highly competitive economic region,
 3. a region of equitable economic development,
 4. a region fully integrated into the global economy.

Not just a FTA in ASEAN, but comprehensive economic partnership!

6. Ideology of the economic integration

AEC (ASEAN Economic Community)

The AEC will transform ASEAN into a region with

- ◆ free movement of goods,
- ◆ services,
- ◆ investment,
- ◆ skilled labour,
- ◆ freer flow of capital.

6. Ideology of the economic integration

AEC (ASEAN Economic Community)

- Cooperation:
 - human resources development and capacity building;
 - closer consultation on macroeconomic and financial policies;
 - trade financing measures;
 - enhanced infrastructure and communications connectivity;
 - development of electronic transactions through e-ASEAN;
 - And so on.

6. Ideology of the economic integration

- One market among member countries
 - No tariffs on trading goods across borders
 - No quantitative control / limitation of trade (No quota)
 - Price equolization (Law of one price)
 - More comparison for consumers (Cheaper price and better quolity)
 - More competition among producers

6. Ideology of the economic integration

- Difficulties and Influences
 - Coordination of tax / subsidies ratio among member governments
 - Process of price adjustment (including wage level)
 - Place of production
 - Specialty in production
 - Disparities among member countries

7. Conclusion

Research Interests:

- Introducing an Economic Integration may lead to
 - Production: More Specialization?
 - Productivity: Convergence or divergence?
 - Income/Wage: Equality or disparity?
 - Labour mobility and education
(Skilled Labour, Blue worker, and Human Resource Management)