

# GLOBALISATION AND REGIONALISATION IN THE WORLD ECONOMY (ECHI2006/2016)

## LECTURE 10

Forms of economic integration.

Preference areas The weakest form of integration in which certain countries agree to offer a preferential advantage in their tariffs on their mutual trade.

Free trade areas Participating countries abolish tariffs on their mutual **trade but** each participant maintains its own tariff on trade with countries outside the area. Free trade areas can be partial in their treatment of mutual trade as in the case of the European Free Trade Area which excluded agricultural trade.

Customs unions A much stronger form of integration with internal free

trade between the participating economies and the creation of a common external tariff.

Common market A customs union with additional provisions to allow the free mobility of factors of production like labour and capital and the standardisation of trading practices.

Economic union A customs union with, in addition, the harmonisation of all economic, social and legal policies: the strongest form of economic union involves monetary union.