



## Trade Blocks

Some countries create business opportunities for themselves by integrating their economies in order to avoid unnecessary competition among them. Trade blocks cover different kinds of arrangements between or among countries for mutual benefit. Economic integration takes the form of *Free Trade Area, Customs Union, Common Market and Economic Union*.

**A free trade area** is the region encompassing a trade bloc whose member countries have signed a free-trade agreement (FTA). Such agreements involve cooperation between at least two countries to reduce trade barriers. e.g. SAFTA, EFTA.

**A customs union** is defined as a type of trade block which is composed of a free trade area with no tariff among members and (zero tariffs among members) with a common external tariff. e.g. BENELUX (Belgium, Netherland and Luxumburg).

**Common market** is established through trade pacts. A group formed by countries within a geographical area to promote duty free trade and free movement of labour and capital among its members. e.g. European Common Market (ECM)

**An economic union** 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 and a common external trade policy. (e.g. European Economic Union).

Institution	Headquarters	Year of Establishment
South Asian Association for Regional Cooperation (SAARC)	Kathmandu	1985
ASEAN	Bangkok	1967
BRICS	Shangai	2001

## South Asian Association For Regional Co-Operation (SAARC)

The South Asian Association for Regional Co-operation (SAARC) is an organisation of South Asian nations, which was established on 8 December 1985 for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and co-operation with other developing countries. The SAARC Group (SAARC) comprises of Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka. In April 2007, Afghanistan became its eighth member. The basic aim of the organisation is to accelerate the



process of economic and social development of member states through joint action in the agreed areas of cooperation. The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987. The first SAARC summit was held at Dhaka in the year 1985. SAARC meets once in two years. Recently, the 20th SAARC summit was hosted by Srilanka in 2018.

### Objectives of SAARC

According to Article I of the Charter of the SAARC, the objectives of the Association are as follows:

- i) To promote the welfare of the people of South Asia and improve their quality of life;
- ii) To accelerate economic growth, social progress and cultural development in the region;
- iii) To promote and strengthen collective self-reliance among the countries of South Asia;
- iv) To contribute to mutual trust, understanding and appreciation of one another's problems;
- v) To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- vi) To strengthen co-operation with other developing countries;
- vii) To strengthen cooperation among themselves in international forums on matters of common interest;
- viii) To cooperate with international and regional organisations with similar aims and purposes.

### Functions of SAARC

The main functions of SAARC are as follows.

1. Maintenance of the co operation in the region
2. Prevention of common problems associated with the member nations.
3. Ensuring strong relationship among the member nations.
4. Removal of the poverty through various packages of programmes.
5. Prevention of terrorism in the region.

### Achievements of SAARC



1. The establishment of SAARC Preferential Trading Agreement (SAPTA) and reduction in tariff and non-tariff barriers on imports.
2. The setting up of Technical Committees for economic cooperation among SAARC countries relating to agriculture, communications, education, health and population, rural development, science and technology, tourism, etc.
3. SAARC has established a three-tier mechanism for exchanging information on poverty reduction programmes which is passed on to member countries.
4. SAARC Agricultural Information Centre (SAIC) in 1988 works as a central information institution for agriculture related resources like fisheries, forestry, etc.
5. South Asian Development Fund (SADF) for development projects, human resource development and infrastructural development projects. With all these tall claims, the inter-SAARC Trade has not gone beyond three percent in the last 30 years.

### **Association of South East Asian Nations (ASEAN)**

ASEAN was established on 8 August 1967 in Bangkok by the five original member countries: **Indonesia, Malaysia, Philippines, Singapore and Thailand**. Later Brunei Darussalam, Vietnam, Laos and Myanmar and Cambodia joined. Besides ten members of the ASEAN, there are six “dialogue partners” which have been participating in its deliberations. They are China, Japan, India, South Korea, New Zealand and Australia. The ASEAN nations are expected to benefit from the FTA as it will reduce tariff and non-tariff barriers. The common historical and cultural background made the member countries to maintain their unity and solidarity by establishing a trade block. Foreign trade is the life blood of the ASEAN countries following globalization and prudent macroeconomic policies. The ASEAN Summit of the Heads of Governments of member countries is the highest forum for ASEAN cooperation. Its meetings are held once in three years. The ASEAN ministerial meeting of Foreign Ministers is the next highest decision-making body.

India's relationship with ASEAN started in 1992 when India became a “sectoral dialogue partner” of ASEAN. The geographic proximity of ASEAN countries to India facilitates faster exports and lower freight costs.

### **Objectives of ASEAN**

**The ASEAN Declaration states the aims and purposes of the Association as:**

- (i) To accelerate the economic growth, social progress and cultural development in the region;



(ii) To promote regional peace and stability and adherence to the principles of the United Nations Charter;

(iii) To promote cooperation among the members of ASEAN through the exchange of knowledge and experience in the field of public sector auditing.

(iv) To provide a conducive environment and facilities for research, training, and education among the members

(v) To serve as a centre of information and as an ASEAN link with other international organizations.

### Functions of the ASEAN

(i) It facilitates free movement of goods, services and investments within ASEAN by creating a single regional market like the European Union.

(ii) It provides free access to the marketers of one member country to the markets of all other member countries, thus fostering growth in the region.

(iii) It improves business competitiveness between businesses from different countries and also narrow developmental gaps between member countries.

(iv) It paves way for market and investment opportunities for the member nations.

(v) It fosters co-operations in many areas including industry and trade. All the ASEAN economies experienced a great economic crisis in the year 1997.

### BRICS

BRICS is the acronym for an association of five major emerging national economies: **Brazil, Russia, India, China and South Africa**. Originally the first four were grouped as "BRIC" before the induction of South Africa in 2010. The term 'BRIC' was coined in 2001. The BRICS members are known for their significant influence on regional affairs. Since 2009, the BRICS nations have met annually at formal summits. South Africa hosted the 10th BRICS summit in July 2018. The agenda for BRICS summit 2018 includes Inclusive growth, Trade issues, Global governance, Shared Prosperity, International peace and security. It's headquarters is at **Shanghai, China**. The New Development Bank (NDB) formerly referred to as the BRICS Development Bank was established by BRICS States. The first BRICS summit was held at Moscow and South Africa hosted the Tenth Conference at Johannesburg in July 2018. India had an opportunity of hosting fourth and Eighth summits in 2012 and 2016 respectively.



### Objectives of BRICS

1. To increase trade co-operation by making an exclusive trade block.
2. To use currency other than US Dollar. Since Dollar is a dominant currency and US can control the flow of dollar, BRICS helps in the countries operating with alternative currencies. How far have they succeeded in this respect? Not much.
3. To increase regional co-operation.
4. To create a separate trade block made for developing countries for trade co-operation.

### Functions of BRICS

1. It acts as a promoter of more legitimate international system and also advocating reform of the UN Security Council.
2. This group of nations is especially meant for South-South framework for cooperation.
3. It performs as an agent to bridge the increasing gap between developed and developing countries. For instance, in the WTO, the BRICS countries are emphasizing to promote a fair order regarding agricultural policies.
4. It performs a commendable contribution for assisting developing countries in gaining in areas such as an advantage in trade and climate change negotiations.
5. It disseminates information and exchange platform beyond economic cooperation. It acts as a catalytic in protecting the interests of middle powers on global forum.

### Achievements of BRICS

Following are some of the major achievements of BRICS.

- ❖ The establishment of the Contingent Reserve Arrangement (CRA) has further deepened and consolidated the partnership of its members in the economic-financial area.
- ❖ In the sixth BRICS summit in Brazil, the member countries, signed an agreement to create a development bank (New Development Bank) with headquarters at Shanghai, China in 2015 on the lines of Asian Development Bank and the World Bank.
- ❖ The economic potential and demographic development are putting the BRICS countries, increasingly in a leading position in setting the global agenda and having a greater say in the global governance.