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ORIGINAL ARTICLE

IMPACT OF REGIONAL ECONOMIC INTEGRATION ON ECONOMIC GROWTH – A REVIEW OF LITERATURE

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Abstract:

This paper examines impact of regional economic integration on economic growth. This paper is purely study based – a review of literature and determine the research problem is expressed as ―To what extent the impact of regional economic integration on economic growth of various economy—‖ the primary objective of the study is to investigate the impact of regional economic integration on economic growth. Apart from that it also determines the role of income distribution, trade, poverty, employment etc. on various economies. This study found the neutral impact of regional economic integration on economic growth, income distribution, trade, poverty and employment.

KEYWORDS:

regional economic integration, economic growth, economic development .

INTRODUCTION

The term 'economic integration' is specifically mean to refer to either regional economic integration or international economic integration. Whereas international economic integration is synonymous with globalisation, regional economic integration limits economic integration to a particular region. So, "Regional economic integration is an agreement among countries in a geographic region to reduce and ultimately remove tariff and non-tariff barriers to the free flow of goods or services and factors of production among each others". In theory, regional economic integration benefits all members. Over the last 20 years, the number of regional trade agreements has been on the rise. It can be also refers as any type of arrangement in which countries agree to coordinate their trade, fiscal, and/or monetary policies are referred to as economic integration. Obviously, there are five different levels of integration as follows (figure 1):-

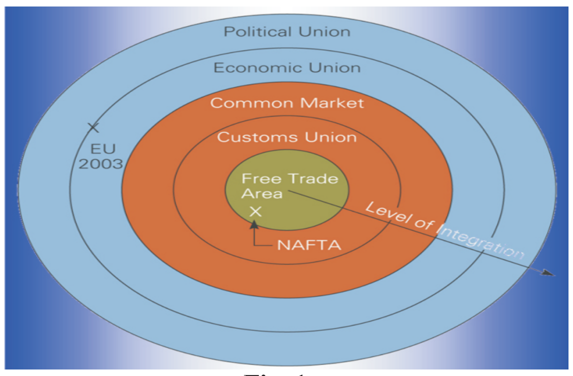

Fig. 1

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Free Trade Area: A free trade area occurs when a group of countries agree to eliminate tariffs between themselves, but maintain their own external tariff on imports from the rest of the world. The North American Free Trade Area is an example of a FTA. When the NAFTA is fully implemented, tariffs of automobile imports between the US and Mexico will be zero. However, Mexico may continue to set a different tariff than the US on auto imports from non-NAFTA countries.

Customs Union: A customs union occurs when a group of countries agree to eliminate tariffs between themselves and set a common external tariff on imports from the rest of the world. Andean Community, CARICOM is example of custom union. Andean Community Includes Bolivia, Colombia, Ecuador, Peru and Venezuela.

Common Market: A common market establishes free trade in goods and services sets common external tariffs among members and also allows for the free mobility of capital and labor across countries. EU is one of example of common market.

Economic Union: An economic union typically will maintain free trade in goods and services, set common external tariffs among members, allow the free mobility of capital and labor, and will also relegate some fiscal spending responsibilities to a supra-national agency. E.g. EMU (Economic and Monetary Union)

Political Union: Independent states are combined into a single union, this requires that a central political apparatus coordinate economic, social, and foreign policy for member states. The EU is headed toward at least partial political union, and the US is an example of even closer political union

Regional Economic Integration plays a major importance role in global trade. It enhances trade among member through the elimination of customs barriers, and to quickly and substantially improves the allocation of resources and general dynamism, by fostering greater competition among the participating countries and by providing more incentives for the introduction of new and rapidly changing technologies and production methods. It helps to accelerate national investments and foreign direct investments in order to acquire international competitiveness in the face of increasing globalization.

Regional Economic Integration stimulates economic growth in countries and provides additional gains from free trade beyond international agreements such as GATT and WTO. Economic interdependence creates incentives for political cooperation and reduces potential for violent confrontation. Together, the countries have the economic clout to enhance trade with other countries or trading blocs.

The case for regional integration is both economic and political. The case for the regional economic integration is typically not accepted by many groups within a country, which explains why most attempts to achieve regional economic integration behave been contentious and halting. The economic cases for regional economic integration is straightforward and political case for regional economic integration also has loomed large in most attempts to establish free trade areas, customs unions, and the like. Linking neighboring economies and making them increasingly dependent on each other creates incentives for political cooperation between the neighboring states and reduces the potential for violent conflict. In addition, by grouping their economies, the countries can enhance their political within the world. The Case against Regional Integration is trade creation and trade diversion, Trade creation occurs when low cost producers within the free trade area replace high cost domestic producers. Trade diversion occurs when higher cost suppliers within the free trade area replace lower cost external suppliers.

Importance of regional economic integration is as follows:-

1. Since a regional common market obviously provides a much larger market than that offered by the domestic market of a single country, economies of scale, both internal and external, become possible with the widened size of the market.
2. Secondly, the large market so created would permit a high degree of sophistication and specialization of products conducive to furtherance of modern industrial development. Moreover, the possibility of specialization for regional trade would encourage the flow of investment into industries which have a comparative cost advantage, so that gains from international trade would rise.
3. Apart from an increase in the volume of total trade as a result of such an integration, a favorable change in the cost and price structure may also be effected along with, the desirable change in the structure and composition of foreign trade.
4. Furthermore, this may facilitate the realization of the optimum allocation of resources, and thus, lead to

an increase in efficiency in production.
5. Above all, the increased possibilities of competition in a regional common market would ensure that all benefits accruing to the producers from the existence of a large market would be passed on to the consumer.
6. In fine, thus, there can be an increase in the general welfare due to better production and enhanced consumption, and a rise in real income generated by the overall growth and development.
In short, thus, it has been conceived that, as a factor in the development of the less developed countries, a regional common market is economically far superior to the relatively small national market sheltered behind a protectionist tariff wall.

2.0 OBJECTIVES

The main objective of this study is to review the literature of regional economic integration.

3.0 LITERATURE REVIEW

3.1 Impact of regional economic integration on growth and investment.

Dee (2007) has mainly concern about the East Asian economic integration and its impact on future growth. There are two reasons which are discussed in this paper about the rising incomes in Japan and newly industrialized economies (NIEs) of Hong Kong, Korea, Singapore and Taiwan, first, creating an incentive for these economies to relocate the labor intensive stages of production to lower wage countries in the rest of East Asia. Another reason is reductions in information and transport costs, which allowed this fragmentation of production to be managed logistically. The Countries covered in this paper are East Asia including India, Taiwan, Japan, South Korea, Hong Kong, Singapore China and ASEAN Economies (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, and Vietnam).The purpose of this paper is to challenge two of its presumptions on economic integration. First that economic integration among economies is a good way to promote economic growth and second that preferential trade agreements are an effective way to promote economic integration. Both these presumption are empirical question, and based on available studies of impediments to competition in selected services sectors. This paper also emphasis on bilateral trade between china and ASEANs in respect of two major ways. First was they will tend to be preferential, even in the provisions that go beyond goods trade and second was they will tend to target only those provisions that explicitly discriminate against foreigners in order to have the effect of raising the prices of goods or services. The model which used in this paper is a computable general equilibrium model to assess the net welfare effects of an indicative East Asian economic integration. The result that the growth in East Asian region regularly affecting trade and investment in some selected services sectors – banking, distribution, ports, professions, telecommunications, air passenger transport and electricity generation. This is only a very small portion of the measures covered by PTAs. When PTAs are preferential, they are protecting particular competitors - a country's trading partners. The East Asian economies could provide important moral support, and even 'benchmark competition' to each other in these domestic initiatives. This is best done domestically, so there is positive impact of regional economic integration on East Asian region in terms of growth. Di Mauro (2000) has covered theory of FDI, expected impact of economic integration (impact of commercial changes, impact of monetary integration FDI and Export). The theory of FDI has received more and more interest from economists and policy makers. Here FDI are recognized two main channel of economic integration. Most important issue of debate in this paper about RIA, relate to trade recreation and trade diversion and redirection of FDI form non-members to members of RIA and phenomenon of tariffs-jumping FDI. Main objectives of this paper are to examine the impact of regional economic integration on FDI relative to that on export. This paper also determined three expected impact of economic integration, the first impact of commercial changes which include reduction of tariffs (abolition of tariff, in case of custom union) reduction of NTB- e.g. this was the aim of the single market programme (SMP), the second impact is impact of monetary integration (which includes potential greater exchange rate stability, as witnessed in European monetary system (EMS) . finally impact of market integration (which means greater efficiency in the allocation of resources due to increased competition. The methodology which followed in this paper is gravity equation, and it lead to OLI framework, which considered FDI as determined by ownership, location, internalization advantages. ownership advantages includes a product or a production process to which other firms do not have access, such as a patent , blueprint of trade secret, reputation for quality . Location advantages includes low factors price, customer's access transportation cost that makes FDI more profitable then exporting and internalization advantages, its include firm's interest is maintain its knowledge assets internalizing, better knowledge of domestic market. Variable which used in this paper are exchange rate variability (ERV), Tariff Barriers, Non-Tariffs barriers, SUMGDPij, SIMSIEij, Population, distanceij, RELENDOW. This paper shows the FDI is horizontal in nature and foreign investors mainly invest abroad in order to sell in the host market. According to author there is positive impact of the variable 'size similarity', while differences in factor endowments never matter. The empirical analysis shows that exchange rate variability does not seem to have an impact on the decision to invest abroad. When FDI represented a means of reducing exchange rate risk, find a negative impact of exchange rate variability when using the more sophisticated measure ERV2. The major finding of this paper, there is product differentiation and economies of scale. There are some firms input that behave like public goods assumed that transport cost equal to zero. Country like France, Germany, Italy, UK Japan , South Korea, US and Canada, together, account nearly seventy percentage of world outward FDI Stock. Heaney (1999) has emphasis on two major part of this paper, first provides an overview of the literature on the concept of 'regionalism' and its likely impact upon stock market returns. In second a cluster analysis of stock market returns is undertaken. In this section 'cluster' groups are identified. Finally, a summary highlights the key findings of this study. A potential criticism of these studies is that they consider the issue of market segmentation between pairs of Nations. There are three themes discussed in paper are world, regional and institutional effects upon national stock market returns. Where World effects refer to the degree to which a stock market is integrated with the world market portfolio. Regional effects represent the forces that link geographically proximate nations' equity markets. It is suggested that close economic ties in the form of regional trade agreements and co-ordinated macroeconomic policies cause similar returns to be generated in regional equity markets. The purpose of this paper is to examine the degree of regional integration of national stock markets, and concentrates upon the co-movements of national stock markets with the world market portfolio. This paper focuses upon the notion that markets may be segmented on a regional basis. This paper utilizes cluster analysis to determine whether national stock markets are segmented on a regional basis. The advantage of using cluster analysis over other regression techniques is that it is a classification technique. Cluster analysis involves searching for "natural" groupings amongst objects and is a more inductive approach, Rather than regressing national stock market returns against a regional index like the deductive approach. The cluster analysis method uses as an input the correlation coefficients in the form of a similarity matrix of emerging markets. The cluster analysis method uses as an input the correlation coefficients in the form of a similarity matrix of emerging markets. This paper has investigated capital market returns can be classified according to region. Author find strong regional groupings for the markets of Asia, Europe and Latin America based on trade and investment linkages. Economic integration in the form of closer trading ties and foreign investment linkages appears to be strong on a regional basis. This study suggests for international investors wishing to diversify their portfolios because it may be beneficial for them to diversify their investments across regions more efficiently than countries. The results of the cluster analysis show conclusively that the returns in emerging markets follow a regional pattern. This is consistent with the formal agreements outlined earlier. Thailand, Malaysia, Philippines, and Indonesia are the most strongly clustered group. This part of review of literature shows that there is positive impact of regional economic integration on growth and investment.

3.2 Impact of regional economic integration on trade.

Nguyen and Ezaki (2005) have attempts to examine the impacts of the ongoing regional economic integration on Vietnam's economy using a global Computable General Equilibrium (CGE) model. There are five point discussed in paper, first analyzing the trade liberalization and regional economic integration in Vietnam, second examining poverty and income-distribution issues in Vietnam, The structure of the global "CGE model" is presented third point, simulation scenarios are performed in point four, Policy implications are drawn and some concluding remarks are given in last point. This paper shows situation of Vietnam's economic reforms 20 years ago and according to paper, it was a very poor country with income per capita of less than 200 $US, Most Vietnamese people then lived under the poverty line with the estimated poverty incidence of over 70%. The rapid economic growth over the last decade has not only increased national income, but also sharply reduced the incidence of poverty.

Main purpose of this paper discusses impact of the trade liberalization and regional economic integration on Vietnam's economy. The model which used in this paper is global CGE model. This model generally follows the standard neoclassical CGE model but extends the standard model by allowing for several countries and regions. Specifically, model specifies 10 industries and 11 countries. Ten industries consist of crops, other agricultural activities, mining, food processing, light manufactures, heavy manufactures, machinery and equipment, public utilities, construction and services. The specification of countries or regions in the model is chosen with the focus on the East Asian region. Eleven countries China, Indonesia, Malaysia, Thailand, Philippines, Vietnam, East Asian newly industrializing economies (NIEs), Japan, the North American free trade area (NAFTA), the European Union (EU) and the rest of the world are covered. The model specifies two economic institutions that is, Household and Government. Household income consists of labor and capital income, which is allocated to each household by using fixed coefficients. Government revenue consists of indirect taxes, import tariffs and export duties. To run the model, Paper makes use of GTAP database version 6.0, which is constructed for 2001. The GTAP database is a highly disaggregated global input-output table, differentiating 57 industries and 87 countries or regions. These data are aggregated into 10 industries and 11 countries or regions in accordance with the model. Paper take 2001 as the benchmark year, use GTAP data to calculate most of the parameters used in the model, such as consumption share, saving rates, tax rates and wage rates. The impact of the trade liberalization and regional economic integration on Vietnam's economy is generally positive. The regional integration is both welfare enhancing and income-distribution improving for Vietnam. Household consumption and income rise significantly, and the poor and rural groups benefit more than the rich. The removal of tariffs in trading partners provides Vietnam with a greater market access and exports rise in all simulations. Dion (2004) has mainly concern on the trade led productivity and propose a model whose purpose is the measurement of the effect of a regional trade area (RTA) and European Union (EU) on the growth of its members. Role of an RTA in fostering trade and growth is key assumption and conclusion of this paper. There are two main interested issued related to the knowledge spillovers discussed in this paper, first is respected influence of RTA membership and geographic distance on trade and second the impact of trade on knowledge capital. The prime goal of this paper is to estimate a regression of knowledge on trade and other variables instrumenting for trade using geographic variables. To discuss these geographic variables, first use Gravity equation, to asses what extent distance and the membership to an RTA affect the flow of goods and FDI, investigate the impact of trade on Total factor productivity (TFP). Main objective of this paper is to use the two sets of approaches gravity and knowledge equation to build a model. And determine the impact of regional integration on trade, productivity and look for respective effects of RTA on small and big economies. This paper use gravity equation to discuss the impact of distance and RTA membership on bilateral flows of goods and capital. And specifically gravity equation allows us to discuss the specific effects of RTA on trade along the traditional economic variable. The effect of the RTA is captured by the inclusion of a dummy variable. Major conclusions of this paper to shows the positive impact on growth through the liberalization of trade. The link between international trade and knowledge transfer seems to be strong. Knowledge spillovers have a positive impact on growth through trade. This knowledge transfer affects TFP and ultimately growth as well.

Goto (2012). Mainly emphasis on regional economic integration in Africa taking EAC, SAIX, UEMOA, COMESA, and ECOWAS as base. this paper consist pros and cons for regional economic integration for trading arrangement, some argue that preferential trading arrangement (PTAs) complement multilateral WTO trade liberal. The main and important discussion of this paper is salient features of east African community (EAC). Like, when was first time EAC established? What the reason was for dissolved it? When was it dissolved? And when was newly created EAC came into forced interdependence trade among each countries and other discussion part of this paper is interdependence trade among EAC countries. The main objectives of this paper is determine the degree of interdependence in east Africa that whether it higher or lower than other region (e.g. Asia) at the time of reformation of EAC in 2000, This paper also examined the degree of regional economic interdependence in terms of trade (flow of goods) in the East African Community which relying on the trade intensity indices and macroeconomic variable such as inflation rate, growth rate, interest rate, and exchange rate. The methodology which is follows in this paper is Trade intensity index between country i and j. Equation of trade intensity index as.

$TII_{ij} = (T_{i,j}/T_i) / (T_{w},_j/T_w)$

Where

T_{ij} = trade volume of country between i and country j.

T_i = the total trade volume country i.

$T_{w,j}$ = trade volume of world with country j.

T_w = the total trade volume of the world.

TII_{ij} = It means, the index is the ratio of share of trade with jth country in share of the jth country's trade in the total world trade.

The trade intensity index is equal to unification if the degree of interdependence between country I and country j is equal to that the world and country j. in this paper there are four main important macroeconomic variable i.e. inflation rate, exchange rate, interest rate, real economic and growth rate were used to determine the degree of interdependence in terms of trade in EAC country. The interdependence in terms of trade in Africa is very strong, much stronger than that in Asian countries and it seem to have a favorable impact on the degree of economic interdependence in the East African Community, the degree of confluence in macroeconomic variables that is inflation, growth, and exchange rates is high, although a clear trend of increases was not observed. In contrast to the EAC, the degree of financial integration in Asian countries has dramatically increased since the 1990s. Paper found that the EAC countries, as well as Asian countries face similar real disturbances. The level of trade intensity among East African nations is higher than in other regions. All these findings suggest that a strong case can be made for a common market and currency union in the East African Community. Das (2008) has comprises potentials trade integration, computable general equilibrium modeling technique, bilateral trade agreement of the CARs and description of all these points. There are ten section of this paper. In Section II, the study presents a brief analytical rationale of regional integration, in Section III the macroeconomic context of the CARs is analyzed along with the reservoir of energy resources that these countries possess. Considering that trade integration is the first step towards broader area of regional cooperation, Section IV presents a brief on the trade structures of the CARs. Before analyzing the prospects for regional integration, Section V documents the existing bilateral/regional trade agreement of the CARs. In the light of the existing trade agreements of the CARs, this section also quantifies the existing intra-Central Asia trade. Potentials for trade integration are analyzed in Section VI with the help of both partial equilibrium and computable general equilibrium (CGE) modeling technique. The latter is useful is indicating the possible welfare and trade gains due to a prospective FTA among CARs. In this section the potential for trade integration between CARs and the South Asian region is also estimated. This section also pin-points the possible areas/sectors for trade integration in the CARs, using various empirical techniques. Prospects of investment integration in CARs are assessed in Section VII and for trade in services in Section VIII. Section IX identifies constraints on cooperation which helps in making some policy recommendations in Section X along with the broad conclusions of the study. The countries which covered in paper are Central Asian region, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. There are two major broad objectives of this paper first is Identifying opportunities and challenges faced by the Central Asian Republics (CARs) for intra-regional and inter-regional economic integration within the Asia-pacific. Second is devising policy measures for addressing the issues of intra- and extra-regional economic integration in the Central Asian region and with the rest of Asia-pacific. The model which used in this paper is partial equilibrium and computable general equilibrium (CGE) modeling technique.

The study analyses the trade structures of the CARs and the trade structures of the CARs provide three important broad insights viz. production-trade mismatch; less diversified manufacturing base and adverse terms of trade due to the fact that exports are mainly of the primary products whereas imports are largely of manufactured products.

This study "Identify the regional economic integration in Central Asia one of the most important dimensions of trade integration, it is important to situate the analysis of the study against the backdrop of the structures of the exports and imports in each of the CARs. And identify Some of the sector amenable for some endeavors would include dairy sector, sugar, fruits and vegetables, textiles and apparels, chemicals, automobiles, electronics, among others. Based on the three methodologies of RCA, dynamic RCA and Intra-Industry Trade potential sectors for intra-CARs linkages are identified.

Dennis (2006), This study will focus on how liberalization of MENA's trade regime within the context of the regional trade agreements and trade facilitation reforms which may help to revive MENA trade and thus contribute to welfare, economic growth and job creation prospects in the region. This study will take into account the contribution of improvements to trade facilitation on MENA trade and growth performance. This study uses the results from Zarrouk (2003) survey, which suggest that inefficiencies in trade facilitation amount to some 10.6% of the value of traded goods. The current study uses a 13 region by 16 commodity aggregation, which captures all the MENA sub-regions, key trading partners and key commodities. This study examines the potential contribution of regional trade agreements, as well as trade facilitation improvements in enhancing the development prospects of the region. Using the computable general equilibrium model and database, this study will take into account the contribution of improvements to trade facilitation on MENA trade and growth performance. This study highlights the importance of RTA's and trade facilitation improvements to Welfare and GDP growth prospects as well.

This study adopts a computable general equilibrium (CGE) methodology, and this CGE model operating under assumptions of perfect competition and constant returns to scale. Intra-regional integration and integration with the EU are observed to have a favorable impact on trade, growth and welfare in the MENA region. The welfare gains obtained from integrating with the EU are observed to be at least twice as much as that from integrating only with GAFTA, thus pointing to the importance of enhanced trade with the EU. The welfare gains to MENA from implementing the free trade agreements are positive. The static gains from intra-MENA trade are also positive, though less than that from integration with the EU. Trade facilitation improvements are also observed to at least triple the welfare gains compared to the scenario without trade facilitation, thus pointing to the substantial gains to be realized by MENA countries in addressing existing inefficiencies in trade facilitation, in particular those arising from high indirect trade transactions costs.

Cheng (2005), the major discussions of this paper are on modified gravity models and the tests which are more interesting. This paper also contains the typical pooled cross section and modified gravity models, and provides the empirical analysis. This paper studies the implications of different empirical approaches undertaken for various estimation results. Author conduct alternative empirical estimation, namely the standard gravity-type and heterogeneous trading pair models, on bilateral trade flows, and observes that standard methods of gravity-type may overestimate. the elasticity of bilateral trade with respect to national incomes and probably yield different signs for the influence of the two countries' population then construct a modified gravity model that incorporates both conventional gravity variables and a price-effect variable, using the modified REI dummies distinguished by timing, i.e. it treats a single regional grouping which has experienced different degrees of integration as different schemes of regional economic integration. The greatest benefits of using those dummies are that by doing so it is able to identify the staged effects of regional economic agreements on trade volumes. There are 44 exporting and 57 importing countries

The main focus of this paper has been the estimation of the single and the staged effects of regional blocs on bilateral trade flows at the aggregate level using the heterogeneous trading-pair (HTP) model and to investigate the trend of the effects of the enlargement and enhancement of regional blocs with different models of gravity type, identify which specification is preferred.

Author conclude the conventional variables such as the exporter's and importer's incomes have positive effects on bilateral trade, but the income elasticity of bilateral trade is less than that estimated by using the conventional gravity specification. However, the coefficients of the exporter's and importer's population are positive and statistically significant, which is contrary to the conventional wisdom. The price effect which is indicated by the real exchange rate variable shows the similar result as expected. The single and staged effects of regional economic arrangements on trade seem fragile.

Paas (2003), the main body of the paper falls into three parts. In first part major discussion on the role of the BSR in the export and import flows of EU15 and CC12. Part second presents the main empirical results obtained by using the gravity approach for exploring the bilateral trade flows of the current EU members and the candidate countries, paying attention to defining the Possible regional clusters that influence the bilateral trade relations and to analyzing the stability of the gravity equations explaining the behavior of the bilateral trade flows of EU15 and CC12. And part third deal with the bilateral trade flows within the BSR countries are analyzed, emphasizing the role of the BSR in the Baltic transition and integration processes. The empirical part of the paper draws mainly on the IMF's trade statistics, and the data of the World Bank and the Baltic States Statistical offices. The Baltic Sea Region (Denmark, Germany, Sweden, Finland, Norway, Poland, Estonia, Latvia, Lithuania and Russia) are covered in this paper.

The paper aims to explore bilateral trade flows between the countries that are involved in the EU eastward enlargement process, the current EU members and the candidate countries, using a gravity model based approach. This paper focuses on studying bilateral trade flows in the context of EU eastward enlargement using a gravity model based approach and laying emphasis on the BSR as a regional cluster of the countries that are involved in this enlargement process.

The paper focuses on the external aspects of the reintegration process in the context of EU eastward enlargement. The external aspects of reintegration have at least two main factors that bring about a new division of labour in Europe: these are international trade (export and import flows) and foreign direct investments (FDI). These two groups of factors are also the main indicators which characterize economic openness and the level of international integration and

This paper use gravity model and it used widely as a baseline model for estimating the impact of a variety of policy issues, including regional trading groups, currency unions, political blocks, various trade distortions and agreements, border region activities and also historical linkages.

The positive integration effect of the countries around the Baltic Sea has been particularly significant in the case of the small Baltic economies in transition. Therefore, the Baltic States are the only former Soviet republics among the EU accession countries, Distance has the most significant impact on bilateral trade flows of the candidate countries (CC12), and this impact is as expected negative. The impact of the trading partners' Countries size and level of economic development is positive. In the case of trade relations of the current EU member states, the level of economic development expressed by per capita GDP of the exporting country has the most significant positive impact on bilateral trade flows. So according to author, the most expedient economic factor in pushing economies into integration is international trade and Role of BSR countries in trade relations between EU15 and the candidate countries is remarkable.

this part of review of literature shows that there is positive impact of regional economic integration on trade.

3.3 Impact of Regional Economic Integration on Economic Development

Draper (2010), this paper is divided into four parts except introduction. In Section II, paper briefly outline key contours of, the African development challenge, charting familiar territory for all those versed in the issue. The essential point is that the challenges are vast, whereas the means to address them confront enormous constraints. This sets the scene for a discussion of the politics of regional economic integration in Section III, which is cast in terms of the ‚liberal peace? paradigm derived from the European Union (EU). The rationale for this paradigm is explained and its applicability to African political conditions discussed. The basic conclusion reached is that the paradigm has limited ideological applicability to African conditions. These points to the need for more limited ambitions in the African context. This message is reinforced in Section IV where insights from economic theory concerning regional economic integration amongst poor countries are offered. Section V concludes with a set of propositions gleaned from the preceding analysis, whereby the case for less ambition in constructing African regional economic integration arrangements is framed and my appeal to consider an alternative approach is grounded.

This paper sets out to reconceptualization the foundations of African economic integration through reviewing key debates within each literature and comparing the results across disciplinary boundaries. Major discussions of paper are the politics of regional economic integration and the economics of regional economic integration in sub-Saharan Africa. Main purpose is putting forward this analysis is not to engage in Euro-bashing rather it is to as dispassionately as possible promote the need for alternative thinking on optimal design of RECs in (Southern) Africa. This approach to doing so is to explore the extensive literatures on regional economic integration emanating from two broad paradigms: security and economic.

The theory which used in this paper is “economic theory concerning regional economic integration amongst poor countries”

There are four major conclusion of this paper on the discussion concerning the politics of regional economic integration (1) ideological character of states in sub-Saharan Africa and those in Europe which sharply curtails the possibilities for constructing a ‚liberal peace?agenda using the instruments of economic integration. (2) Many states in sub-Saharan Africa do not have the capacities to manage development processes never mind engage in complex institutional forms of economic integration along the lines of the EU model (3) The role of regional leading states is critical (4) there is some willingness to replace ‚hard? sovereignty with ‚soft? sovereignty, which lends itself to a ‚good governance agenda? even if that is controversial to some. And there are four major conclusion derived on the basis of the economics of regional economic integration in sub-Saharan Africa as (1) Widening regional markets could, on balance, promote dynamic economic development through increasing the possibilities for expanding the division of labour and associated specialization. (2) Pooling capacities to provide regional public goods which would otherwise be under-provided in domestic markets offers substantial promise, particularly where this is linked to the core development constraints on the supply-side. This revolves around constructing network services (energy; finance; transport telecommunications;) and integrating them in regional markets (3) This reinforces the centrality of a trade facilitation agenda in its broadest sense, and a focus on regulations linked to network infrastructure, rather than integrating policy approaches per se, The current approach of integrating through formal arrangements, particularly customs unions and their common external tariffs, poses substantial policy coordination challenges to states with often diametrically opposed industrial interests and very limited capacities to harmonies industrial policies in particular. (4) Challenges again suggest that a different approach may be more appropriate rather than formal, EU-style, institutional integration; therefore continued economic integration with northern partners in order to capture the dynamic gains from increased openness remains essential.

Hartzenberg (2011) has mainly talks about role of regional economic integration in Africa. According to authors, “There is much support from African governments for regional integration and it is an important component of their development strategies. Traditionally, the European Union was Africa's most important trade, investment and Development partner”. The African paradigm is that of linear market integration, following stepwise integration of goods, labour and capital markets, and eventually monetary and fiscal integration. The starting point is usually a free trade area, followed by a customs union, a common market, and then the integration of monetary and fiscal matters to establish an economic union. Most of Africa's countries have low per capita income levels and small populations which result in small markets but transport costs in Africa are still among the world's highest. Lack of skills, capital to establish and operate sophisticated modern communication systems.

This paper examines the history of regional integration in Africa by considering major five points as (1) Africa: a Marginalized and Fragmented Continent (2) Regional integration and Africa's economic and trade performance (3) Intraregional trade in Africa (4) Competitiveness matters and (5) RIAs as rules-based dispensations – an African perspective.

The paper use linear integration model with ambitious targets

Africa's regional integration record is not impressive. The specific factors that have resulted in Africa's, and sub-Saharan Africa's, relatively disappointing, economic performance over the past few decades have been the focus of much enquiry. The intraregional trade in Africa is very disappointing, with regards to intra-Africa trade, which has remained consistently low compared with its intercontinental trade. South Africa is most competitive countries in sub-Saharan Africa

It is accepted in this paper that regional integration makes sense for Africa, a continent characterized by small countries, small economies and small markets.

Alemayehu and Haile,(2010) has mainly concerned on regional economic integration in Africa at the time of establishment of south African custom union (SACC) in 1910 and East African Community EAC in 1919 . Today there is no country in Africa that is not a member of at least one regional economic group. This paper is organized in two briefly outline the theoretical and the empirical issue related to regional integration. And latter part of this paper explaining success or failure of regional economic integration in Africa by explaining various issues such as political issue, membership issue, overlapping participation of private sector, etc.

The primary two objects of this papers, first is to highlight the most important issues that have affected the progress of regional integration in Africa in past and assess their implication to the prospect of future progress. Second, identify the most important determinants of intra-regional trade in Africa taking COMESA as a case study. And major objects of this paper describe the major issue in African economic integration. Such as complementary issues, revenue loss, compensation issues, political issue, overlapping membership, poor participating of private sector etc.

This paper attempted to examine the both the theoretical and empirical issue of regional economic integration in Africa and explains regional economic integration in Africa taking COMESA as case study and more emphasis on major five points, first specialization, second economic of scale, third change in terms of trade, forth forced changes in efficiency owing to increased competition and fifth due to change in the rate of economic growth.

Theory which used in this paper is standard trade theory, which states that free trade is superior to all other trade policies, and based on comparative advantage, which in turn is premised on difference in each county's endowments. This paper used bilateral trade equation between country i and j.

There was disappointing result of regional integration efforts in Africa and issue which was discussed in this paper has got more momentum by the signing of the African Economic Community charter by majority of countries in the continent.

Bergs (2001), this paper basically deals with specific issues concerning the relationship of regional development Strategies and EU integration of the Accession Countries' of Central and Eastern Europe (CEECs). In the paper the CEECs are subject to a brief comparative analysis of their respective level of integration, by looking at different variables like symmetry of business cycles, intra-industry trade, and level of FDI. Furthermore the possible strategy of EU regional and cohesion policy to strengthen the process of integration is discussed. The focus of this paper is the Central and Eastern European Accession Countries rather than Malta, Cyprus and Turkey. The patterns of foreign direct investment (FDI) play a crucial role and are a widely applied indicator for market integration. The prime objective of this paper shows the impact of cohesion policy and economic integration of accession countries using many variables such as symmetry of business cycles, intra-industry trade, and level of FDI. The idea examined in this paper is related to the possible role of European regional Policy as a quasi-fiscal transfer scheme. The methodology which used in paper is “Index of intra-industry trade”, it is also known as Grubel-Lloyd-Index (GL Index), and the level of intra-industry trade is regarded as the major indicator of 'asymmetric shock-risk' within a monetary union, High IIT values reflect the similarity and relatively high level of development of two countries it is to be repeated that the more similar the export production structures are the more the country will be integrated into the EU markets and The role of regional and structural policy and all the corresponding preparatory support measures for the CEECs offered by the EU: Market integration. Evidence of market integration is basically revealed by (i) the trade patterns, (ii) foreign direct investment and (iii) mergers and acquisitions. The growth and sustainability of industries with a high share of intra-industry trade are critical factors in the integration process. Overall the impact of economic integration and policy on accession countries is positive if countries have a similar level of development. According the theory of economic integration, positive welfare effects are only expectable where there are regions and countries with a similar level of development, so that economic integration would foster trade diversion rather than trade creation. Poorer CEE countries, like Bulgaria, Romania and Lithuania display much lower indices comparable with Mediterranean countries like Tunisia and Turkey. Where the level of market integration is largely insufficient (Romania, Bulgaria etc.), the attempts to channel regional subsidies to poorer regions would most probably cause a relative or even absolute slackening of the sprouting integration process (in terms of opportunity costs). the risk of more advanced CEE countries in increasing spatial equity is strongly associated with the loss of competitiveness, as the opportunity costs (in terms of reduced growth) are higher here the more the single CEE economies are assessed as vulnerable within a common EU market with one single currency, the more a national orientation of regional policy (targeting the regional growth poles) would be suggested by empirical evidence. Killion (2008), this paper basically described the Chinese regionalism. This represents a distinctive blueprint pattern of regionalism primarily motivated by political or geopolitical consideration rather than economies. Paper talks about history of china's regional economic integration at the end of cold war because the post-cold war era (1991) is one of growing global economic tension rather than cultural or ideological tensions along with the social and economic policies. Most problematic and disconcerting is that China's blueprint pattern of new regionalism challenges the economic efficiency and efficacy of its regional economic integration strategies which are also major part of this paper. The countries covered in this paper are china, US, Canada, Africa, Europe, japan Taiwan and South Korea. The main objective of this paper is describing the history of China's regional economic integration. China pursued and continues to pursue the unorthodox rather than orthodox models of regionalism. In terms of the orthodoxy of liberal economics, regionalism based on the EU model and that model of regional integration that is primarily motivated by political or geopolitical considerations. Such policies include focusing on ASEAN becoming China's first FTA partner, export-based growth (the unorthodox) rather than import-based growth (the orthodox), and moving for bilateral free trade agreements with developing countries and economies (the unorthodox) rather than North-South FTAs (the orthodox). According to author that china is more powerful country than other developing country, it means china has Western powers (the hard power) and influence (the soft power). This paper found that combined GDP of china and India would exceed that of G7 nations. China by 2030 to 2040 would become the world's largest economy & china antithetically now propose a model of regional economic integration that is primarily Motivated by political and geopolitical consideration. Due to social and economic policies, ASEAN becoming china's first partner export based growth rather than import based growth and China would overtake the US as the largest economy in the world. A china reaction would also eventually spread to more remote contiguous area of India and Pakistan. This part of review of literature is shows that positive impact of regional economic integration on economic development.

CONCLUSION

The Main conclusion of this review of literature is to show the impact of regional economic integration on trade, investment, economic development, income-distribution, poverty and growth. And found that there is positive impact of regional economic integration on trade, investment, economic development, income-distribution, poverty and growth. Countries and regional group covered in this review of literature are Africa, COMESA, European Union (EU), Vietnam, china, Canada, japan, South Korea. The model and theories which used in this review of literature are gravity model, computable general equilibrium (CGE) Model, partial general equilibrium, standard trade theory, intensity index trade model, and HTP Model.

This review of literature shows that impact of regional economic integration on FDI and Export is positive. There is disappointing result of regional integration efforts in Africa in respect to future progress and degree of interdependence in term of trade is much stronger than Asian countries, along with the unfavorable picture of Africa under the politics and economic integration. Intra-regional integration and integration with the EU are observed to have a favorable impact on trade, growth and welfare in the MENA region. The regional integration is both welfare enhancing and income-distribution improving for Vietnam, and impact of the trade liberalization and regional economic integration on Vietnam's economy is generally positive, whereas in COMESA disappointing result of regional integration efforts in Africa and issue has got more momentum by the signing of the African Economic Community charter by majority of countries in the continent. The exporter's and importer's incomes have positive effects on bilateral trade, but the income elasticity of bilateral trade is less than that estimated by using the conventional gravity specification. So, this review of literature purely shows positive impact of regional economic integration on various countries in respect of trade, investment, growth, and economic development.

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