

# Economic Integration, Its Recent Practical Challenges Encountered and the Solutions Adopted

Roshan Baa

**Abstract**—As stated in this research article, Regional integration between two countries across this world has been effective measure for them to overcome several divisions that have been imposed on them while doing cross-border trading with goods, services, capital and ideas. This research article has been conducted through a mixed method under which a survey and thematic data analysis has been developed. As per the survey result, it has found that, Companies are mostly benefitted with regional integration process. Moreover, thematic analysis has identified that, developing countries have faced more challenges while implanting economic integration than developed within countries due to additional political pressure and socio-economic aspects. In order to reduce economic integration of refugees, European countries have focuses on Employment ban policy; and for mitigating socio-economic issue, South Asian countries have focused on comprehensive policies.

**Index Terms**—ASEAN, COVID-19, economic integration, Indo-Pak relation, policies, SAARC, trade balance.

## I. INTRODUCTION

Economic integration refers to an arrangement between nations in order to reduce trade barriers and lower trade related limitations. Most of the time, economic integration takes place between two neighbouring countries, and because of that, sometimes it is called regional integration as well. Economic integration is also effective to coordinate fiscal and monetary policies of two countries. Regional integration between two countries across this world has helped them to overcome several divisions that have been imposed on them while trading with goods, services, capital and ideas [1]. Various substantial economic gains can be developed from regional integration, such as improved market efficiency within countries involved with this integration process, which have a potential building block for global integration and ability to reform policies as per requirements.

As per reports of Asian Development Bank, COVID 19 outbreak in the year 2020 was considered as the leading cause behind the disruption occurring within the supply and demand aspects of various interconnected countries. However, as per Asian economic integration report 2021, this integration process has helped Asian countries by leveraging rapid progress within technical aspects as well as digitalization process to increase supply chain network between interconnected countries [2]. Moreover, in terms of European countries' post COVID situation, it has become

necessary to reshape the economic integration policy by the European Union. New boundaries between state and market, reconnecting EU with global agenda and a few other policies will be adequate to reshape the entire integration process for economic development post COVID period [3].

However, apart from these benefits, countries have to face some challenges while engaging in the economic integration process, such as disagreement between nations due to having different opinions on trade policies, lack of adequate policies might result in ineffective outcomes [1]. As a result, this research study will focus on issues experienced by countries all over the world due to the economic integration process and related external factors. It also emphasises on the way under which countries have adopted several strategies to overcome these issues and generate benefits out of them, during post and pre COVID situations.

## II. RESEARCH BACKGROUND

Economic Integration mainly focuses on trade behaviour of a country and its overall economic growth. According to Menon [4], it has been found that, in order to consider a new approach to their economic integration process, the countries can focus on the process of designing and developing economic policies, rather than only relying on specific 4IR (4th Integration Revolution) policy. Trade balance of goods of Malaysia, Singapore, Vietnam, Indonesia and Cambodia have improved from 2019 to 2020. However, other countries had a declined performance in this sector in 2020. However, countries that might have a declined condition in trade market, though they have positive value, are in trade surplus. Although, countries, which have improved, though still have negative value, are in a trade deficit position [5]. Although, it can be stated that the Economic Integration process has helped above-mentioned countries in order to improve their position in trade market during COVID situation after developing technical progress. Lack of custom rules, lack of technical capacity are the major reasons behind the challenges that they might have faced while implementing the economic integration process, which led to a trade deficit as an ineffective outcome. India, as an Asian developing country, has various reasons to support regional integration process, as the “Make in India” policy of Modi government has focused on job security of young voters. This would require economic integration as a major weapon to embrace foreign policies of this country [6]. However, in terms of reshaping Economic Integration policies, the major challenge that European countries have faced was economic integration of refugees. They have taken the employment ban as a major

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aspect to reduce the rate of entering refugees within their overall economy. This research article will focus on various other issues related to economic integration process within Asian as well as European countries and the strategy they have taken forward to boost up their trade value in international market.

Aim of this research article is therefore, to develop a thorough understanding of Economic Integration process and its influence on trade policies from a global perspective. The set objectives are; To identify overall position of Economic Integration Policies in several countries of this world; To examine the challenges that countries have faced while implementing Economic Integration; To understand the strategies, the countries have followed or intend to follow to obviate these problems; To recommend them with suitable policies that they might take into action for better regional integration reshaping. In order to discover the solution these following questions are asked: What are the current circumstances of Regional Integration process and challenges that countries are experiencing from this? How are they focusing on mitigation of these challenges? Further the formulation of hypothesis for testing are: H1: Economic Benefits of Regional Integration are more conspicuous than its Challenges for developing as well as developed countries; H2: The countries will take effective measures to obviate the raised issue within the economic integration process.

### III. LITERATURE REVIEW

ASEAN (Association of Southeast Asian Nations) over the last 50 years has developed various notable success factors, and this success has allowed various organisations to expand their business area beyond their regional security level. In the year 2015, ASEAN developed the ASEAN Economic Community in order to introduce its agenda of economic integration among the nations included within this association. During Industrial Revolution 4.0, the countries under ASEAN have understood the necessity of deeper economic integration, which allows businesses to access larger markets and become efficient [4]. Along with the success that ASEAN countries have experienced challenges due to rapid urbanisation due to 4th Industrial Revolution. The overall impact of 4th Industrial Revolution on acceleration of returns to talent and knowledge, it can slow down the convergence between countries and increase the level of inequality.

This type of non-inclusive growth can increase political instability with interconnected countries at the level of greater regional integration [4]. As per South Asian countries, which include India as well, necessity of Economic Integration is mainly associated with different external factors such as political pressure, industrial pressure and several others.

As per the literature, it can be stated that, Trade volume of SAARC was in a horizontal line compared to ACD, ASEAN, EU, RCEP regional forums. This might have occurred due to severe political and industrial pressure on economic aspects of these countries, which led to their scope of Economic Integration being very low. Intra-trade among SAARC countries compared to other members of regional forums is the lowest due to immense socio-

economic factors. Even after developing the "1950 Treaty of Peace and Friendship" between India and Nepal, which included provision for both the countries to collaborate in terms of security aspects, it has provoked opportunities for increasing restrictions on Nepal's authority [7]. It might also cause a lack of national identity of Nepal with respect to India. Indo-Pak conflict was another major reason behind the obligation within the economic integration of South Asian countries. The South Asian Countries have focused on their regional growth rate individually, especially during post-corona period. According to Inoue [8], Moreover, their approach towards poverty reduction through financial development policies and remittances can be effective for them to widen the area of Economic Integration and reduce trade barriers.

Economic Integration process of European countries has a significant effect on their economic position in market. It has been found that involvement of Ukraine in European Economic Integration process has questioned overall economic performance of domestic economic sector as well as the wealth of the citizens of Ukraine. It has also been effective for Ukraine's infrastructural management, upgradation and re-equipment procedure. Ukraine has signed an agreement with EU countries regarding free trade area, though it does not have any significant impact on the country's leading macroeconomic indicators as a whole. A major area of concern of Ukraine that has been considered as an obligation for its Economic Integration process is lack of sustainable vectors of innovation and industrial development. Ukraine's economy that has been suffering from a toxic oligarchic group is another aspect of an issue raised within their integration process [9]. As a result, it can be stated that comprehensive resolution to this issue through the adaptation of market surveillance strategy strengthening the protection of intellectual property related rights within their country can be effective for this country to enter a collaborative effort with EU economy.

In case of Romania, it has been found that European Economic Integration has been considered as a great measure for them to define FDI movements. It has been found that flexible export policies due to economic integration have been a great aspect for this country to have a positive impact on its FDI. No such significant challenge has been found, in case of Romania after entering into European Economic Integration [10]. Moreover, it has been seen that the increased number of immigrants in the UK due to economic integration was an effective measure for this country, as most of them have a larger contribution to the labour market of this country [9]. As a result, it can be found that the issue of some European countries regarding refugees due to economic integration was not a major problem for UK. As a result, it can be seen that Economic Integration mainly brought effective aspects for the overall economy of Developed countries without any major obligation.

As per above discussion, it has been found that despite having information regarding economic integration in developed as well as developing countries. The challenges that countries have faced are not discussed specifically after implementing integration policies. This research work will focus on these specific issues and specific strategic

adaptation. This will generate a clear idea; where benefits generated from economic integration are more prominent than related challenges or not. Moreover, whether countries were actually able to overcome surrounding challenges before entering into economic integration process or not in a clear manner can be addressed in further research.

#### IV. METHODOLOGY

Research philosophy is an essential aspect to conduct research efficiently and this research article includes Pragmatism research philosophy, as this research needs to consider the existence of different external factors, which might have influenced economic integration of a country [11]. Moreover, this research topic focuses on different dimensions from different countries regarding their regional integration process that can be supported by this research philosophy, as it defines that the reality of a research cannot be based on a single dimension [12]. As stated by Azungah [13], an inductive research approach is used in this research study in order to reach to the conclusion at the end of this research article after considering a series of observations excavated from various raw data. As per Odoh [14], an exploratory research design is engaged in this research article, as research questions is explored with an expected conclusive statement rather than relying on any final conclusion. Whether regional or economic integration has a significant effect on trade position of countries, and whether they need to adopt various strategies to mitigate challenges, will be explored with this research design. This research article is conducted through a mixed data collection process consisting of a primary along with secondary data sources, a survey is conducted to get fast hand data regarding the research topic related views from employees of India. A secondary data collection process is initiated in order to gather data from a wide range of articles. This secondary data might be effective to mitigate bias effects in the research result. Primary data is gathered by conducting a survey with a sample size of 30 employees, and 3 questions relating to the research topic is asked to them for understanding the scenario. Data analysis is done through graphical representation based on survey results and thematic analysis will be developed based on secondary data in this research study.

##### A. Economic Integration Plays a Vital Role in the Expansion Process in Business

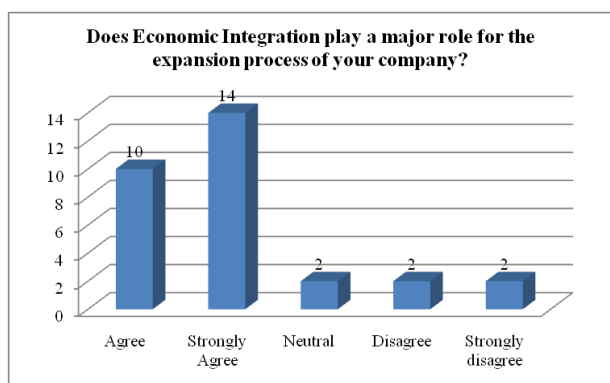


Fig. 1. Perception on economic integration on business expansion.

As per above Fig. 1, it can be stated that, most participants out of a total 30 sample size, have agreed to the fact that their company’s expansion strategy has improved significantly after their country has engaged in an economic integration process with its neighbouring countries. Out of 30 people, 24 persons have stated that their respective companies have acquired expansion advantages after the economic integration process.

##### B. Revenue Generation of Companies Have Accelerated after Demolition of Trade Barriers

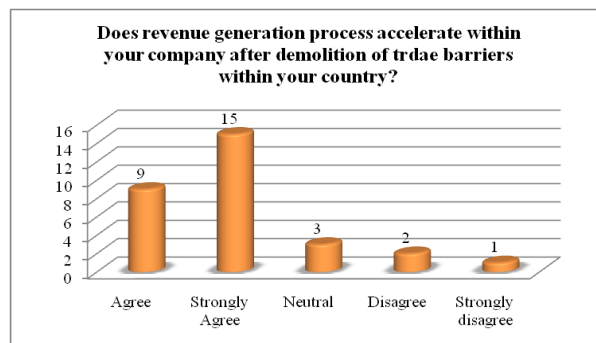


Fig. 2. Observation of Revenue Generation after trade demolition.

As illustrated by above Fig. 2., it can be observed that, a total of 24 people out of 30 participants have agreed to the fact that overall revenue generation process of their company has accelerated after the demolition of trade barriers through region integration policies with neighbouring countries.

##### C. Increased Number of Immigrated People Have no Positive Impact on Workforce

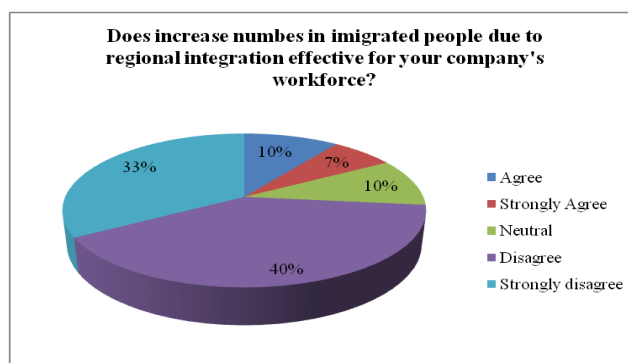


Fig. 3. Growth and impact of Immigrants on workforce.

According to the above Fig. 3, it can be stated that, due to the economic integration process, the number of immigrated people tends to increase within a country due to flexible cross border policies. However, as per this survey result, it can be seen that almost 40% and 33% of persons do not think that the increased number of immigrants have increased their workforce.

##### D. Scope of Economic Integration within South Asian Countries is Low

South Asian Preferential Trade Agreement was established by SAARC countries in order to resolve economic measures in 1995. However, it has been observed from several contexts that the overall scope of economic Integration within South Asian countries is too low [7]. Though India has shown some effective socio-economic

measures during COVID period, other countries were not able to do so. Security and socio-economic issues of Pakistan was another challenging factor for them to cope with the economic integration process.

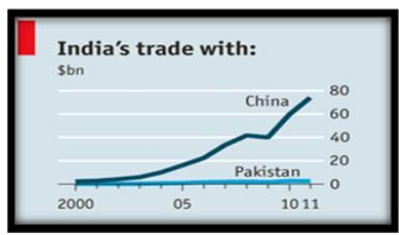


Fig. 4. Business Integration within India (Source: Economist, 2012).

As per various reports of newspapers, it has been found in Fig. 4. that in earlier times as well India and Pakistan's relation was the major reason behind the obligation created within the economic integration process among south Asian countries. As per above figure, it can be observed that in previous times as well, the economic and security relationship between these two countries has affected their trade aspects by a huge margin.

#### E. Regional Integration Challenges of Indian Ocean Countries and UK

As per various reports stated in Fig. 5, it has been found that, custom related challenges; due to lack of port infrastructure and onerous customs procedures, are considered as major obligations. This might cause difficulties within the maritime trade process among interconnected countries after having an economic integration policy [15].



Fig. 5. Regional integration challenges [15].

As per above figure, it can be seen that overall infrastructure of ports was better in Singapore, UAE, Malaysia. India is in a moderate position as per its port infrastructure. As a result, developed countries have better custom facilities than developing countries, which have reduced the challenges for them before entering into economic integration policy with neighbouring countries. Public investment in port development is an effective strategy for them to mitigate this issue [15]. Apart from this, UK might have faced a few challenges within their sovereignty due to European Economic Integration, which made them reshape and engage new models of integration process after leaving Brexit [16].

## V. RESULT AND DISCUSSION

As per data analysis of the result from primary survey, it has been found that most of the participants have agreed that expansion of their company has been leveraged after regional integration, as stated in the literature review section. It has been stated that, ASEAN countries were able to allow various organisations to expand and improve efficiency due to their regional integration policies. This is one of the beneficial aspects of Economic Integration Process. Moreover, it has also been found that participants agreed that revenue generation of their companies also has increased due to flexible trade barriers under economic integration, as stated in literature review section. Moreover, participants did not think that increased number of immigration was good for their workforce; as a result, excessive immigration was reduced by many European countries by Employment ban [6].

As per above discussion, South Asia has faced massive socio-economic challenges due to volatile as well as uncertain external environments. It has been noticed that, apart from SAARC, higher authorities of both the countries previously tried to tie the note for potential trade policies between these two countries. However, each of the time due to terrorist attacks, trade restriction has been increased between these two countries and scope of potential economic integration has been disrupted. This finding appears as additional information that lack of custom infrastructure might be considered as another major issue behind any country's regional integration process implementation. As per above result, it can be stated that Developing countries have faced more challenges than developed countries, and they have taken effective measures to mitigate these issues except for issues related to political conflict such as Indo-Pak relations.

## VI. CONCLUSION

The above data along with literature review concludes that regional integration has a major effect on the trade relation among a few countries. Trade relations between two countries can be made flexible through a regional integration process, as it will be effective for them to easily export and import goods and services from one region to another. This research has focused on business processes that have been allowed to expand and improve their efficiency. ASEAN countries mostly get benefits from the regional integration process. However, South Asian countries, including India have very low scope for economic integration due to immense political as well as industrial pressure on them.

Moreover, it has been seen that custom infrastructure issue has been a major obligation within the economic integration of Indian Ocean countries. Apart from this, it has been identified from the research article that, due to Indo-Pak relationship trade potential among SAARC countries has been disrupted and this can be resolved with bilateral meetings between these two countries. However, the conflict between these two countries is more complex; and it cannot be resolved in any general way. Moreover, it has been found that public investment is another source for

Indian Ocean countries to develop their ports to improve scope towards regional integration. However, it can be recommended that seeking help from international agencies such as WTO can also be effective to allocate funds for this crisis.

It could be suggested that, Business culture exchange exposure could be revamped or initiated for the higher economic integration which could bring the life in one arena of thoughts and expressions. Emotional trade blockades could be also overlooked to penetrate the new horizon of common family which will reboot the individual and different neglected and narrow community to join hands for economic integration. Therefore, the role of economic integration for deeper penetration into society to create the better trade world, will be the alternative study open for future.

#### CONFLICT OF INTEREST

The author declares no conflict of Interest.

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