



## **A Performance Analysis of European Union Integration: The Prospects and Lessons for South Asia**

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### **ABSTRACT**

This study captured the performance analysis of European Union (EU) member countries integration and its possible implications for South Asian countries. The primary purpose of this study was to see whether trading/economic bloc of EU has enhanced the performance of its members. The study also analyzed whether the European Union's commercial bloc model can be proposed for other global regions. The data was collected from official sources of EU and it ranged from 2000 to 2021. Descriptive and inferential statistical methods have been applied for data analysis. The results showed that the EU trading groups have not only increased production but also increased the exports and welfare of the entire region of EU. On the basis of findings of this study, it may be suggested that South Asian countries (Sri Lanka, Pakistan, Bhutan, Nepal, Afghanistan, Bangladesh, India and Maldives) needs to construct a South Asian Trading Bloc, rather than SAARC, in order to boost the regional performance and well-being of concerned community.



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## **1. Introduction**

Instead of 27 disparate trade policies, the European Union has developed a strong position by speaking with one voice on global issues. The European Union is made up of 27-member countries, the majority of which are from Central and Eastern Europe. On Social, economic and political matters, EU member countries establish a shared set of policies. The EU's second-largest budget allocation is for regional development grants, also known as structural funds<sup>1</sup>. With harmonized trade and agriculture policies, Members of the European Union establish a sole market for good, capital, and people can freely exchange. The European Union has become a globally linked market. They have over 500 million customers looking for high-quality products. This is true not merely for poor countries, but for industrialized countries also, the EU is the most accessible international market.

The EU is the world's single largest market, with transparent laws and regulations that protect the legal investment framework. It is now easier to make, market, and acquire things all over the world because of contemporary transportation and communication. The European Union is now the world's greatest exporter, more than 80 countries are served by shipping services.

<sup>1</sup> [http://www.europa.eu.int/comm/regional\\_policy/intro/regopms5\\_en.htm](http://www.europa.eu.int/comm/regional_policy/intro/regopms5_en.htm)

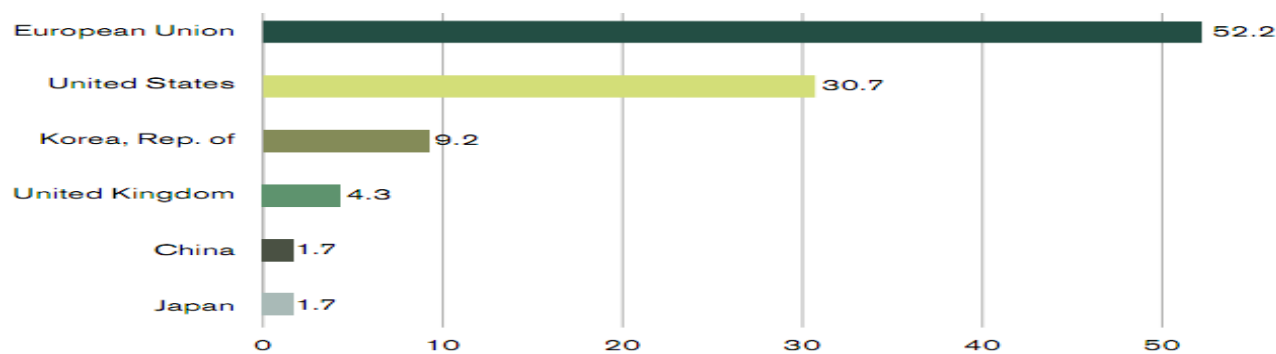
More than 71% of imports are subject to reduced tariffs or zero tariffs when they enter the European Union. Nonetheless, EU countries have a driven agenda with the rest of the world for several trade accords in the works. The EU's laws, regulations, and procedures are all transparent. In 2021, EU goods and services trade accounted for 43.9 per cent of GDP. In 2021, the European Union's merchandise trade was US\$ 5,670 billion, accounting for 30% of global trade. The EU's share of global commerce in goods and commercial services in 2018 and 2021 is shown in Table 1 and Figure 1 and 2.

**Table 1**  
**EU's share of global commerce in goods and commercial services**

Exporter	Importer	Change 2018 vs 2021 (%)	Value in 2021 (US\$ Billion)
<b>Agriculture</b>			
EU	EU	-3%	520
EU	USA	12%	69
Canada	USA	-4%	51
Mexico	USA	7%	43
USA	Canada	1%	28
EU	China	92%	28
USA	EU	-1%	20
<b>Natural Resources</b>			
EU	EU	-11.5%	206
Russian Federation	EU	-13%	114
Canada	USA	1%	92
Australia	China	5%	80
Norway	EU	-22%	43
Russian Federation	China	-1%	44
USA	Mexico	-15%	36
<b>Manufacturing</b>			
EU	EU	-4%	2716
China	EU	1%	496
EU	USA	5%	437
USA	EU	3%	306
EU	China	-7%	230
Canada	USA	1%	187
USA	Canada	-2%	174

Source: UNCTAD calculations from COMTRADE datasets.

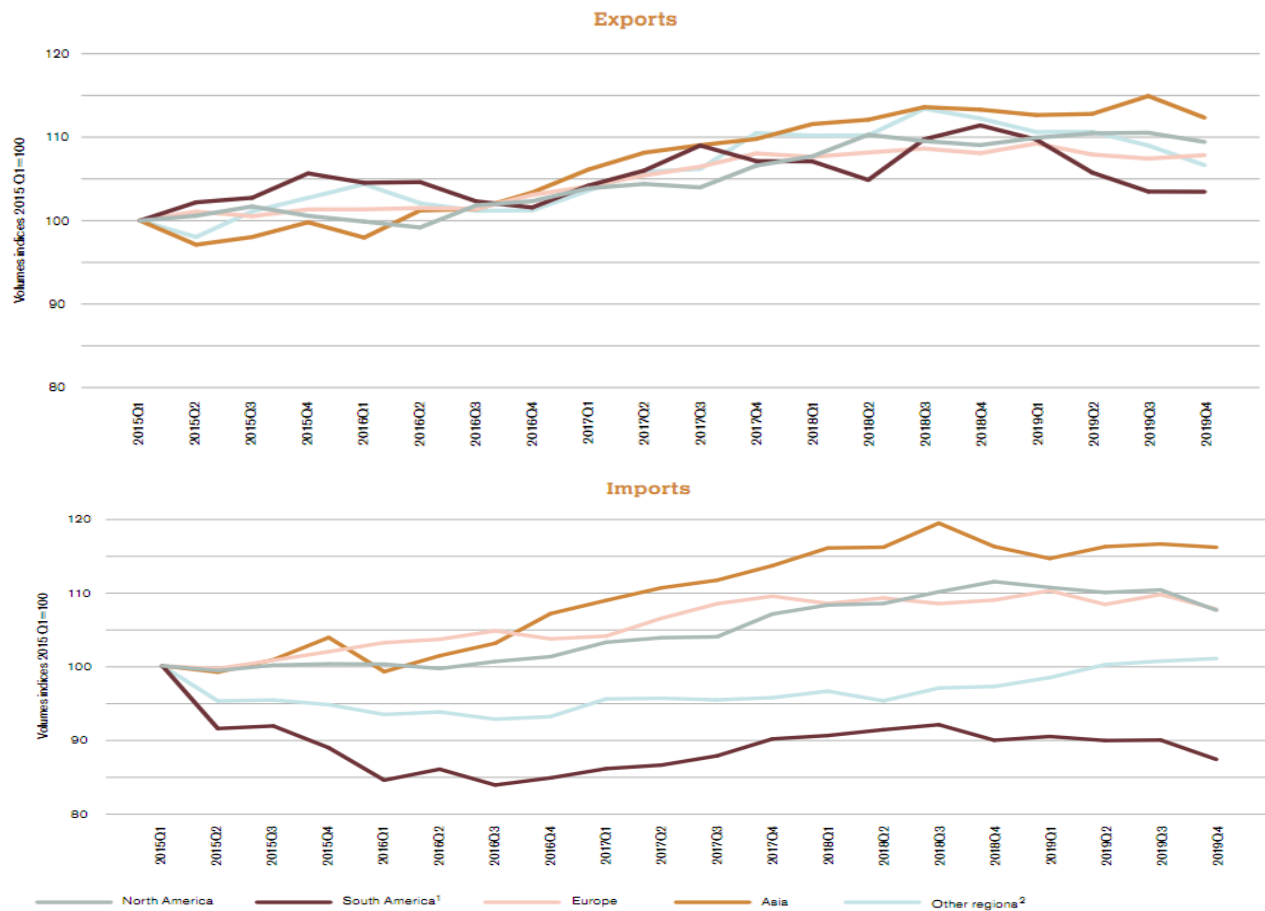
Figure 1 presented the data about electric vehicles, the European Union (52.2%), the United States (30.7%), and the Republic of Korea (9.2 percent), the United Kingdom (4.3%) and the China and Japan both (1.7%) each, were the top exporters of electric vehicles.



**Figure 1: Electric Vehicles**

Source: Trade Data Monitor

The impact of imports and exports can be represented through following Figure 2.



**Figure 2: Region wise import and export of merchandised, 2015Q1 – 2021Q4**

<sup>1</sup> Central and South America, as well as the Caribbean

<sup>2</sup> Middle East, Africa and the Commonwealth are considered "other regions."

Sources: UNCTAD and WTO.

When it comes to commerce, big countries have a natural advantage. EU member countries, as a group, are in a superior position to shape global trading norms and regulations, as well as influence legislation and standards. First, fostering free and global fair trade; second, increasing commerce with the rest of the world by providing opportunities for EU businesses and citizens; third, ensuring that trade contributes to long-term development; and fourth, ensuring that others play by the norms of international trade.

## 2. Literature Review

Literature review on trading blocs was focused mostly on expanding existing and new trading bloc agreements. Regional commercial blocs are fast expanding in scope and number, and almost every nation today has formed some sort of alliances based on its individual intentions and urgencies (Switky, 2018). Whalley (1996) investigated the many motivations among countries for forming regional free trade blocs/agreements in 1996. Krueger (1999) looked at trade digression and formation among NAFTA. Grimwade (1999) discusses the growth of the European Union and documents a greater growth rate following the Eurozone's inclusion. Amuedo-Dorantes and Wheeler (2001) investigated the effect of the EU on Spanish financial

activity in 2001. They came to the conclusion that the European Union has a noteworthy power on the economy of Spain.

EU member countries benefit from the EU trading bloc. It is proposed that South Asian member countries form a regional bloc similar to the EU commercial bloc. Investment facilitation and free labour migration are two development goals (Timothy, 2002). Three of the world's top seven most populous countries are found in the South Asia region (India, Pakistan, and Bangladesh). After forming a commercial bloc, South Asian member countries will be able to better employ their populations, resulting in improved performance not only for individual member countries but also for the region as a whole. The overall well-being of the inhabitants of South Asia will improve as a result of this.

Government controls will never be able to provide the optimum amount of happiness. Political and geographical fragmentation are examples of barriers (Timothy, 2004). Through joint institutions, EU member countries collaborate to create policies in the collective interest. Economic and commercial blocs have the power to identify problems and fill in the gaps by raising productivity and improving people's well-being. Members of the EU have seen a significant increase since the mid-twentieth century, and this trend continues today. The following are key welfare effects for EU member economies; First: Economies of size and scope have increased.

Islam (2003) looked into the impact of NAFTA and European Union expansion on affiliate and non-affiliate countries. The Lisbon Process, according to Room (2005), leads the EU towards a more socially inclusive and dynamic economy. Yu and Zhang (2005) looked at the financial enactment of European Union member states. Winters and Chang (2005) used pricing possessions to investigate the regional bloc's repercussions. Baldwin (2008) surveys theoretical difficulties related to the systematic consequences of trade agreements in 2008. In 2009, Femenia and Gohin (2009) looked into the impacts of free trade on agronomy as transnational trade. Lee, Owen, and Van der Mensbrugge (2009) investigated the effects of North American regional integration with European Union and Asia. On the other hand, existing sub-regional mechanisms are eroding South Asian regionalism. As part of its "SAARC minus Pakistan" strategy, India plans to employ sub-regional institutions to isolate Pakistan in South Asia and SAARC (Chaudhury, 2016). SAFTA is based on a reduction rather than elimination paradigm, which runs counter to SAARC's goal of regional economic integration through the removal of non-tariff and para-tariff barriers (SAARC, 2017). Tariffs, on the other hand, are only proposed to be decreased by 20 per cent, with many further 5 per cent reductions expected by 2030, which is relatively modest in comparison to the EU.

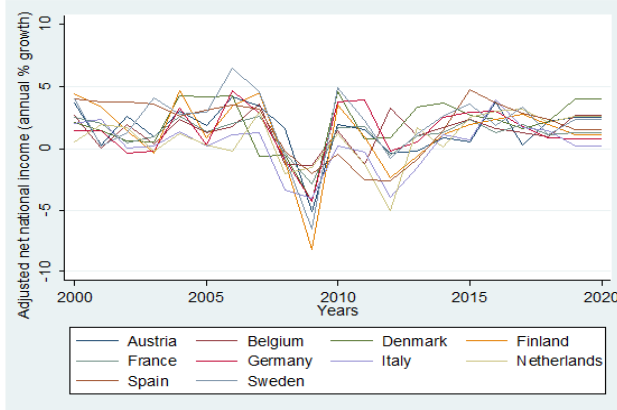
Te, Griffiths, Law, Hill, and Annear (2018) studied that the economic integration of The Association of Southeast Asian Nations (ASEAN) was inaugurated in 2015 with basic objective of achieving a prosperous and strong community. The free flow of skilled labour and trade in services were agreed. A strong political commitment supports the broader trade and immigration policies for effective implementation.

### **3. Data and Methods**

Although the EU commercial and economic organization has 27 members, data is only collected for 10 of them. All chosen countries are members before 1996 for the clearest explanation of data analysis. The data collection spans was for 21 years ranging from 2000 to 2021. The appropriate software's and estimation techniques have been applied for data analysis. The descriptive statistical techniques provide description of economic and financial indicators. Inferential statistics makes predictions keeping in view the performance of sampled countries.

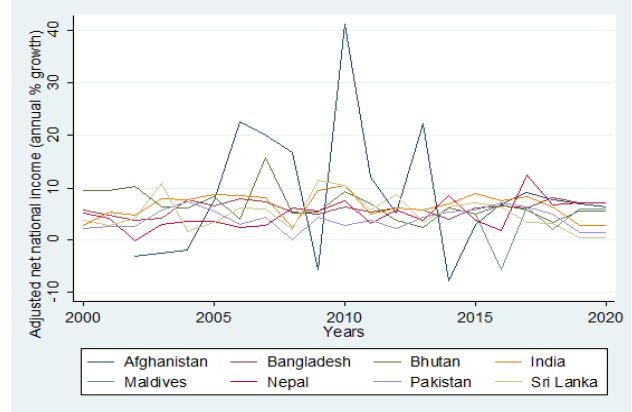
## 4. Empirical Results and Discussion

In terms of global trade, the European Union is in the first place. The European Union is the world's leading single economy, with a per capita GDP of more than 25,000 Euros. The following are the eight sub-sections that make up the data analysis.



**Figure 3a: Net National Income (% growth annually)**

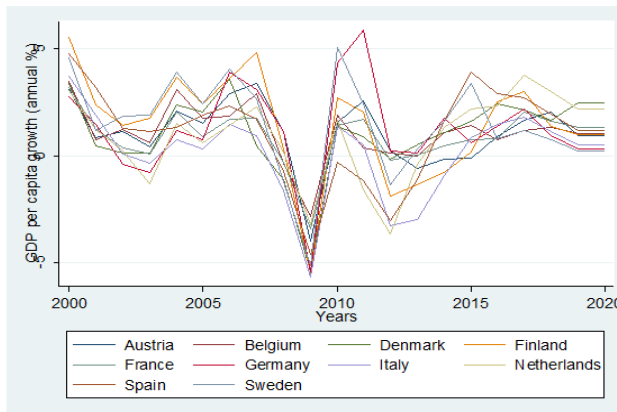
Source: Authors' data analysis, 2021



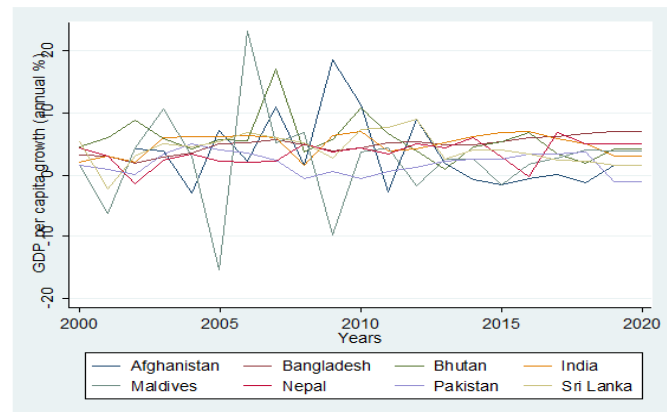
**Figure 3b: Net National Income (% growth annually)**

### 4.1 Net National Income (Figure 3a & 3b)

For EU member nations, Gross National Income adjusted from Net National Income shows some equal patterns, while for South Asian countries, NNI trends are uneven. EU net national incomes fell from 2006 to 2009 as a result of the global financial crisis, although South Asian countries were less affected because they are not fully integrated into world market globally.



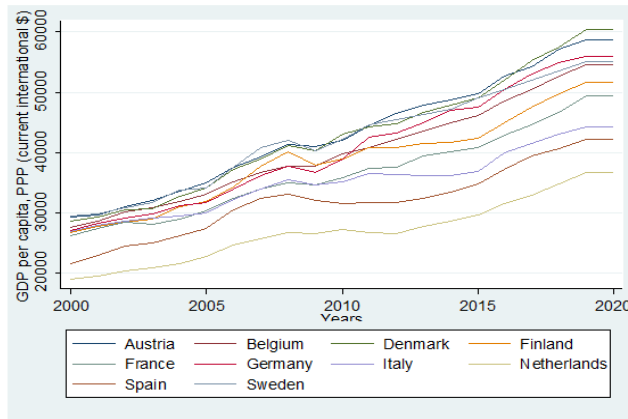
**Figure 4a: Per Capita GDP growth (annual %)**



**Figure 4b: Per Capita GDP growth (annual %)**

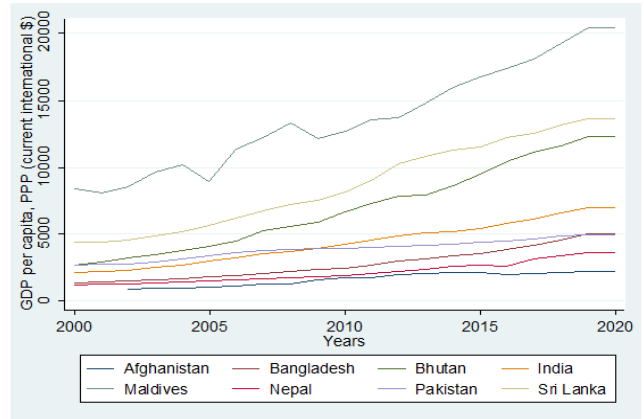
### 4.2 Per Capita GDP (Figure 4a, 4b & Figure 5a, 5b)

By dividing GDP by the population, per capita GDP is determined (midyear current dollars). Per Capita GDP in among EU countries has not only enhanced since the bloc's formation, but All EU countries are progressing at a quicker rate or as a group. South Asian countries, on the other hand, have seen little improvement in their GDP per capita, except for the Maldives, which is at the forefront.



**Figure 5a: Per Capita GDP PPP (international current \$)**

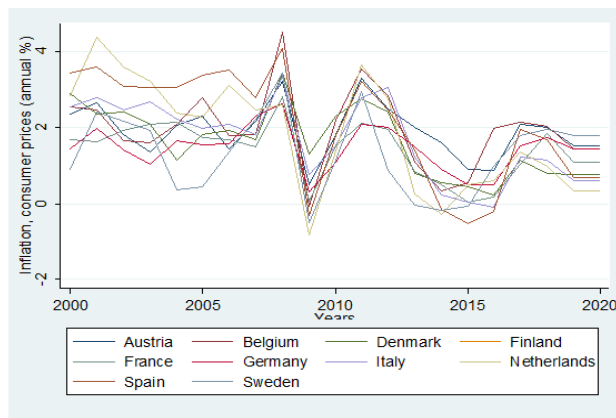
Source: Authors' data analysis, 2021



**Figure 5b: Per Capita GDP PPP (international current \$)**

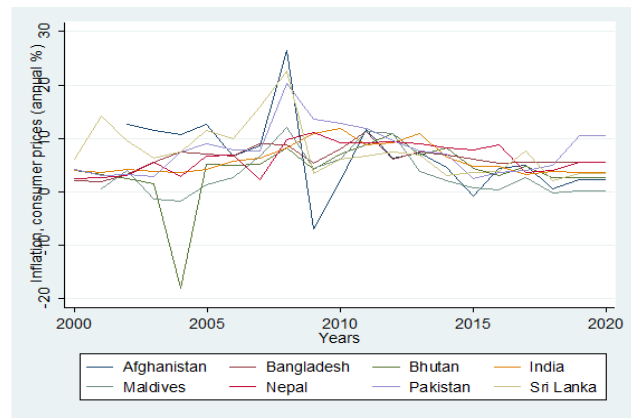
### 4.3 Inflation (Figure 6a & 6b)

The consumer price index is used to measure inflation, which shows the annual percentage change in the price of a specified basket of goods and services for a certain consumer. The capacity of EU member countries to keep inflation in a low range of 2 to 4% is a good indicative of a more stable economic environment. South Asian countries cannot manage inflation or keep it within a narrow range. Only Afghanistan accounted for 30 per cent of inflation in the South Asian area in 2008.



**Figure 6a: Inflation, CPI (annual %)**

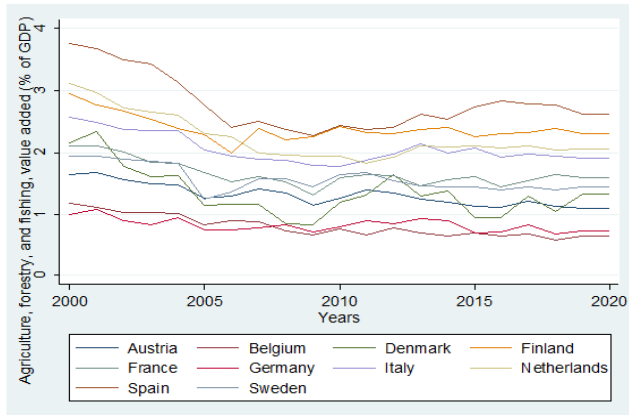
Source: Authors' data analysis, 2021



**Figure 6b: Inflation, CPI (annual %)**

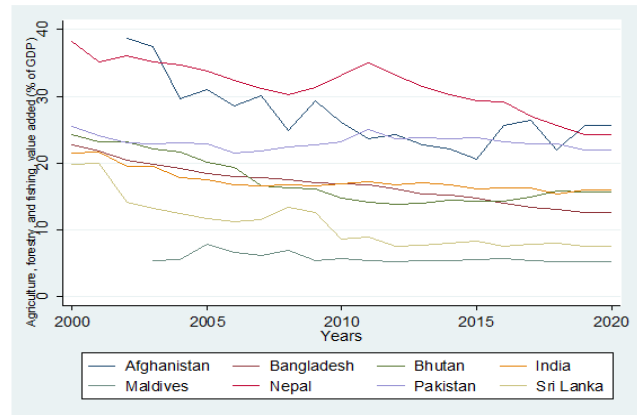
### 4.4 Agriculture, Forestry, and Fishing, value added (Figure 7a & 7b)

In the entire market value of locally produced crops, value added, forestry and fishing goods Agriculture, forestry, and fisheries with value-added as a proportion of GDP give services to the rest of the globe. EU Countries are focusing on industrialization due that there is less agriculture, forestry and fishing in European Union but due to the union, all are moving in a band. While South Asian countries have uneven patterns in value-added of agriculture, forestry and fishing.



**Figure 7a: Agri., Forestry, & Fishing, value added (% of GDP)**

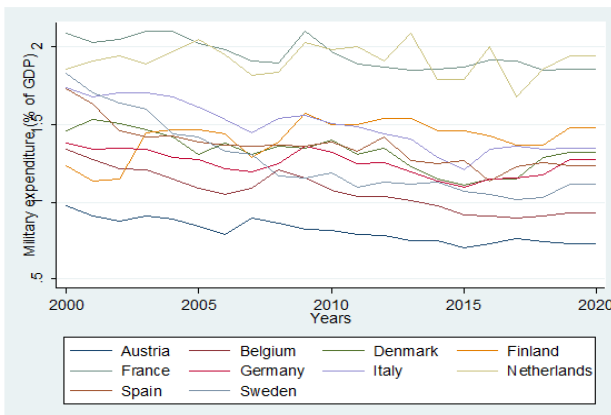
Source: Authors' data analysis, 2021



**Figure 7b: Agri., Forestry, & Fishing, value added (% of GDP)**

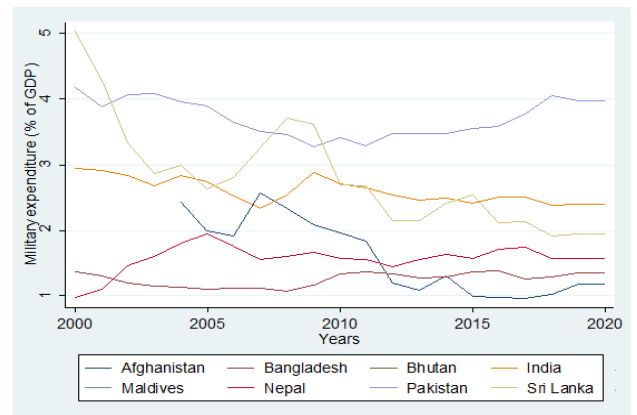
#### 4.5 Military Expenditure (Figure 8a & 8b)

Military spending includes money spent on the armed services and other government agencies working on national defence programmes. The nature of defence expenditures varies greatly between countries. Defence spending is wasteful, which means it obstructs economic development. Figure 8a shows that following the EU Union military expenditures are decreasing with each passing year. However, in the South Asian region, a major portion of India's, Pakistan's, and Afghanistan's budget income is spent on military spending, which is a significant impediment to growth relating expansion.



**Figure 8a: Expenditure on Military (% GDP)**

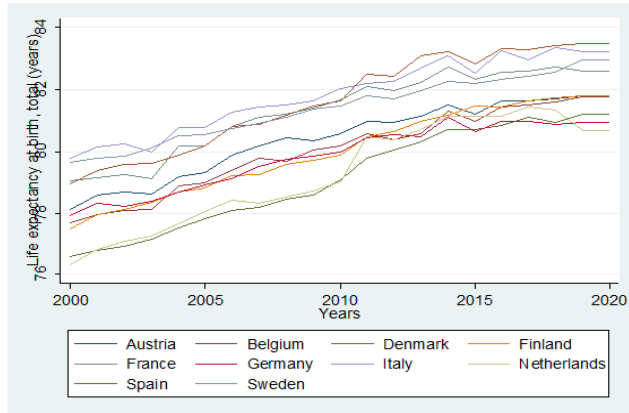
Source: Authors' data analysis, 2021



**Figure 8b: Expenditure on Military (% GDP)**

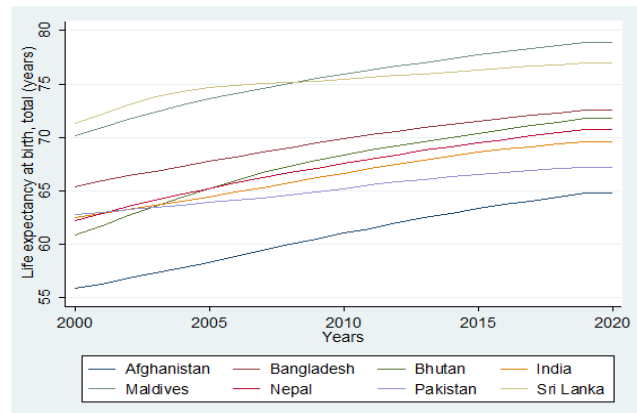
#### 4.6 Life Expectancy at Birth (Figure 9a & 9b)

The total years a newborn will live was determined by his or her life expectancy at birth. Life expectancy at birth has increased and evened out across the EU, however in South Asia, it has not, have not increased as much and have uneven patterns in life expectancy at birth.



**Figure 9a: Life Expectancy at Birth, (Total no of years)**

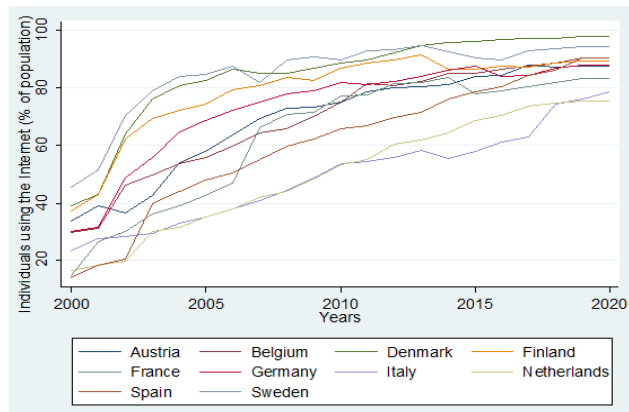
Source: Authors' data analysis, 2021



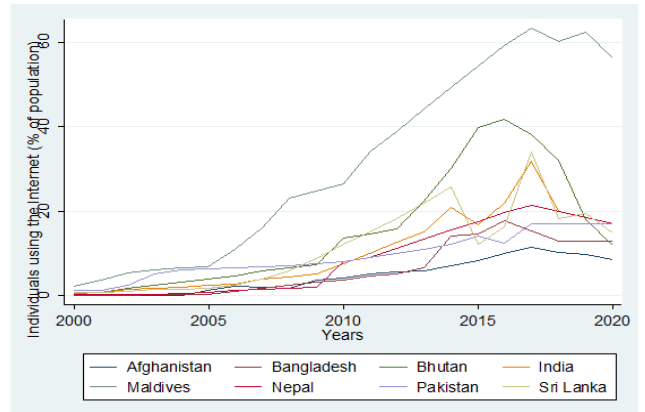
**Figure 9b: Life Expectancy at Birth, (Total no of years)**

#### 4.7 Users of Internet (Figure 10a & 10b)

Individuals who access the internet through a computer, mobile device or other means internet users come from all around the world. The internet is a vast repository of data. Due to the ease flow of technology between EU member nations, the number of internet users in EU member countries is growing faster than in South Asian countries.



**Figure 10a: Internet Users (% of Population)**



**Figure 10b: Internet Users (% of Population)**

### 5. Conclusions and Policy Implications

The results of this study disclosed that EU member nations exhibited some equal patterns for improving the Gross National Income and decreasing it during financial crises of 2006 to 2009. Since the EU countries bloc formation, per capita GDP is progressing at a quicker rate as group. The results showed that EU members became able to have a more stable economic environment and managed the inflation in a low range of 2 to 4%. Almost all EU members focused on industrialization due to which performance in agriculture, forestry and fishing was not so high, but it moves on a similar band. The performance analysis showed that military expenses exhibit decreasing trends with each passing year while in South Asian region, it showed an increasing trend. The life expectancy at birth has increased in EU countries but it does not improve in South Asia. In case of technology and information usage, EU member countries are again on fast track as compare to South Asian countries.



A trading bloc improves the performance of more than one country but also improves the region's overall performance. Hence based on the findings of this study and keeping in view the performance of every EU member country, it can be suggested that South Asian countries need to develop some sort of South Asian Trading Bloc (SATB). This will not only boost its member countries' performance in the near future, but it can also enhance the overall enactment and as well as welfare South Asian people.

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