

Vivekanand College, Kolhapur (Autonomous)

Department of BBA

Subject- International Business

Topic- Implication of Trade Blocks for Business


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Implication of Trade Blocks for Business-

The purpose of the trade blocks is to create a single largest market. The single largest market provides opportunities and pose threats.

➤ Opportunities-


- Business is opened within the region, therefore the trade barriers like quotas, tariffs etc. are removed. So the efficient business firms can enter and expand to all the countries within the region.
- The overall business performance in terms of productivity, quality, price, delivery and customer service will increase.

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- Customers get the best and wider variety of products at the lowest possible prices.
 - Employment opportunities in the region will increase.
 - There is often free movement of human resources and capital.
 - Decrease monopoly power as competition increases.
 - Better quality intermediate inputs.
 - Increase economic power.
 - Growth in member countries also tends to extend to other members.



➤ Threats-

- The removal of trade barriers provide opportunities to the efficient firms. Consequently, they compete with less efficient firms. So the chances of shutting down the domestic industries.
- The less developed countries of the region will become mostly a consumption center while the advanced countries will become the production centers.
- Trade blocks increase economic dependency.
- Relation with non member counties will get disturb.

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- The resources of the less efficient companies in the region will be exploited by the firms of the advanced country in the region.
 - The less developed countries will become poorer, whereas the advanced countries of the region will become richer.