# Module: Economic Geography, Topic Content: Economic Unions

## Title

Economic Unions

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## Introduction

The nations of the world are becoming increasingly interdependent. This growing economic interdependence among nations has resulted in the formation of several economic unions. These unions offer economic advantages and disadvantages to member nations.

## Access to Larger Markets

One of the main advantages of an economic union is the increased access to markets. A market is a group of consumers and organizations that are interested in purchasing goods and services. A larger market means more potential buyers. An economic union forms a larger market by combining the smaller markets of several countries.

The Association of Southeast Asian Nations, or ASEAN, is an example of this. Separately, the ten countries that form ASEAN have relatively small markets; however, the combined population of ASEAN is actually larger than the United States and the European Union.

## More Efficient Industries

Another advantage of economic unions is more efficient industries. This means that goods and services can be produced at a cheaper cost with fewer resources. In the European Union, resource productivity and GDP have increased since the year 2000, while the amount of resources used has decreased.

## Greater Access to Resources

Nations involved in an economic union typically have the advantage of unrestricted or less restricted access to natural, human, and capital resources. The North American Free Trade Agreement, or NAFTA, has helped strengthen the economic ties between Canada, Mexico, and the United States by removing barriers to free trade. NAFTA has also made these countries increasingly dependent on each other, as demonstrated in this map, which depicts the largest U.S. export trading partner by state.

## Greater Influence on the World Market

The final advantage of economic unions is greater influence on the world market. For example, the Organization of the Petroleum Exporting Countries, or OPEC, was formed to control the price of oil on the world market, ensuring a steady profit for member nations.

## Advantages vs. Disadvantages

In summary, economic unions offer access to larger markets, more efficient industries, greater access to resources, and greater influence on the world market. In contrast, there are important disadvantages to economic unions to consider. Some industries may be forced to close because they are unable to compete with other industries that produce similar goods and services at a much cheaper rate. Comparative advantage causes increased specialization, which may concentrate some industries in certain countries, leaving fewer opportunities for peripheral areas. Finally, the member nations of an economic union may have difficulty agreeing on specific economic policies.