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"Analysis of the impact of regional customs unions on international trade" Case studies MERCOSUR and ASEAN,

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Dedication

I dedicate the result of this degree work to my grandfather Victor Abril, who with his love and unwavering support, was a fundamental pillar in my education. I thank my grandfather for being unconditional and helping me achieve my dreams.

-Sofia Micaela Vásquez Abril.

I want to dedicate this thesis to my father Mauricio Jara, who taught me that the best inheritance that can be left to children is education, to my mother Valeria Bueno, who is the fundamental pillar in my life, without her help and support none of this it would be possible and my grandmother Gladys, for always believing in me and pushing me to be better.

-Ma. Joaquina Jara Bueno.

Thanks

I thank my family because it is the engine that drives me to fulfill my dreams, who have been with me throughout this course. In particular, I would like to thank my mother María Germania for guiding my path and teaching me that whatever I set my mind to, I can achieve. I also thank my friends, with whom I shared my university life and who made this an unforgettable experience. To Damiano Scotton, for agreeing to be our tutor and guide throughout this process, since his help and knowledge contributed greatly to the completion of this thesis.

Today we close a chapter in our life and I cannot miss the opportunity of thanking my thesis partner and great friend Jotita, for her unconditional support and friendship. I am proud to be able to share this achievement with her.

-Sofia Micaela Vásquez Abril.

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-Ma. Joaquina Jara Bueno.

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Abstract

This thesis analyzes the impact of regional customs unions on international trade, using two case studies, the first MERCOSUR and the second ASEAN case; describes in a approximate way the economic progress and social development that these organizations have been able to provide in a different way to their member countries, recognizing customs unions and the important role they play within international integration, promoting economic, social and political growth**.**

Introduction

Customs Unions play a very important role within International Integration, granting the privilege of certain advantages, at customs levels, between member countries. The capacity that customs unions have to be able to promote economic, social and political growth, can be considered as one more step in the integration process, compared to their capacity to generate or channel trade. A customs union is a free trade area based on mutual beneficial agreements with foreign countries subject to uniform tariffs. (Balassa, 1964).

Since the second half of the 20th century, we have witnessed the changes that customs unions have experienced. These changes have led us to contemplate the reality of how they have evolved until today. The study of customs unions within the economic sphere began with Jacobo Viner[1] as a consequence. Several theoretical models were developed with common objectives and assumptions to describe, through a static analysis, the possible impact of customs unions on aggregate welfare. (Nagarajan, 1998).

Currently, the positive impact of customs unions on the economies of the high-income countries that created them has been recognized, but their impact has been questioned worldwide. This has become important to understand customs unions as a way to solve problems, at the supranational level. As a result, it is increasingly important to understand customs unions as a mechanism that can go beyond their ability to create or channel trade and respond to problems to examine their geostrategic impact.

In this research, all the knowledge acquired during our university preparation is put into practice, in this way we will make known the type of impact that regional customs unions generate on international trade. Currently due to globalization and development, these are an important part of some economies and bring several benefits, at the national level in a macro environment, as well as a micro level to the private company.

This research project will contrast in a comparative way the influence and importance of customs unions within international trade for this is the differences between the

[1]"The Customs Union Issue" is a work in which Viner developed the concepts of trade creation and trade diversion, pioneering the analysis of the global politics of trade agreements. The introduction also describes the reception of the work and discusses its continuing relevance to international economists, political scientists, and historians.

Association of Southeast Asian Nations "ASEAN" and the Common Market of the South (MERCOSUR) will be appreciated; where you can see firsthand how different these two models are. The first is based on pragmatic economic cooperation and the second focuses more on a strong institutionalization of integration processes. In addition, it roughly describes the economic progress and social development that these organizations have been able to provide in different ways to their member countries.

The development of this degree project aims to identify, analyze and conclude several consistent aspects that favor the international environment thanks to customs unions. Therefore, within the first chapter, a descriptive method is used based on main sources related to international trade. A detailed introduction of the history behind customs unions can be given managing to create the correct foundations for the future understanding of the subject. The second chapter focuses in a more practical way on the collection of qualitative information, referring to the economic impact generated by the integration of one country and another. Within the last chapters, the descriptive method continues to be used, which allows us to draw conclusions and make recommendations in this regard.

1. Chapter: Historical background of the Customs Unions.

To start this chapter, it is necessary to define what a Customs Union is. Customs unions are understood as groups of countries that apply a single common system of procedures, standards, and tariffs for all goods in transit, whether they are imports or exports (Cabello Perez, 2000). In general, trade policy and customs legislation are consistent and member countries share common rules in various areas, such as intellectual property, competition, taxation, etc.

A customs union between nations fulfills two basic objectives: it eliminates internal tariffs and establishes a common external tariff for non-members. Thanks to the uniform external tariff, whenever a member imports products from outside the customs union, the same duty is usually applied.

These unions constitute the third level of economic integration described by the General Agreement on Tariffs and Trade (GATT).

A customs union can help two or more nations integrate their economies through trade and it can also help smaller nations adjust to the effects of globalization. A Customs Union often increases the region's access to markets and gives partners preferential treatment.

1.1. Advantages of the customs union.

The development of the customs union market has several beneficial implications.

- *Trade Creation and Trade Divergence*

The effects of trade creation and expansion can also be used to measure the effectiveness of a customs union. When more efficient union members sell to less efficient ones, trade is created, which improves resource allocation. Meanwhile, trade diversion occurs when non-member nations sell fewer items to participating nations as a result of external tariffs.

- *Trade Diversion*

The most positive thing for the customs union is trade diversion. One of the debates about choosing a customs union over a free trade agreement is when a third country benefits from differences in foreign tariffs, then trade diversion occurs between members. They often export their products to countries with high tariffs and sell their products to countries with high tariffs.

- *Greater Trade Flows*

Companies can easily sell their products to other member countries, which expands their market, causing greater economic integration and political collaboration among members. By establishing shared markets or even economic unions, member countries could foster closer collaboration.

Unlike free trade agreements, non-union members are subject to a single external tariff. When trading with nations within the customs union, non-union nations must pay a single fee, which would be the duty for items that have crossed the border.

1.2. Difference between a Free Trade Agreement and a Customs Union.

A free trade agreement (FTA) is an agreement between nations that eliminates tariffs, limitations such as fiscal barriers and protectionism mechanisms, in the exchange of goods between the governments that sign the treaty, thus ensuring free trade between their territories.

The fundamental distinction between an AU and an FTA is the additional bureaucracy required to benefit from the zero (or reduced) tariffs that are included in an FTA. When exporting under an FTA, companies must comply with a complicated series of regulations better known as preferential rules of origin, to prove that products only originated in the signatory nations.

On the other hand, for a Customs Union, once the common external tariff has been paid for a product, it is in “free circulation” and traders only have to show that the common external tariff has been paid on the goods or the parts they have used. This is easier to prove than proving the origin of the imported goods.

1.3. How customs unions arise.

Before defining Customs Unions as an integrating tool, it seems reasonable to frame them in the broader notion that dominated international relations after the end of the two world wars.

In this sense, it is impossible to ignore the impact of free trade over the years. England's promotion of free trade in the 17th century, a time when England played an important role in unifying nation states, as England became a dominant force in international trade during the European Industrial Revolution . In any case, the necessary conditions for the phenomenon of integration to fully consolidate cannot be found before the conclusion of the Second World War.

Deep commercial integration between States did not become general until the culmination of the "institutionalization" stage. International organizations were established at the political, economic and commercial levels. The aforementioned international organizations were changing the idea that led international law to adopt the idea of "institutionalization" due to its genesis and historical development. Due to progress, now only States are recognized as sole subjects of international law (Diez de Velasco, 2002). Next, we will talk about a group of the most important organizations that marked international integration to make it what it is now.

1.3.1. Zollverein (German Customs Union), 1834.

The Customs Union of the German States was a customs organization established in 1834, when tariffs were abolished between members of the German Confederation. Many German states came together to create a free trade area and impose tariffs with other countries. The first call for a German contingent came as the Napoleonic Wars were raging in Europe. The German economy flourished throughout the 19th century and offers of alliances multiplied.

Member States' expenditure was one of the most direct effects of the free movement of goods. The countries that formed the Zollverein saved a lot of money on border control, since they had to use fewer resources (Henderson, W. 2013).

The creation of a major German market for trade was another result of this customs union. German development was favored by the increase in economic activity, which accelerated industrialization and led to the creation of an important railway network. Despite the fact that a unified tariff policy was established and that the movement of goods was unlimited, the Zollverein did not fully embrace the German economic unity. In addition to having unique economic policies, each state had its own currency.

The Zollverein was important not only as a trade association, but also as a political force. This way, it can be said that the Zollverein served as the seed for the definitive Teutonic unification in the German Empire. It is worth mentioning that the Zollverein was crucial for the unification of Europe also at a political level. The German Customs Union served as a model for the creation of the European Union in the future (Henderson, W. 2013).

1.3.2. South African Customs Union (SACU) 1910.

The Southern African Customs Union or SACU (Southern African Customs Union) is an AU that encompasses 5 Southern African countries (Botswana, Lesotho, Namibia, South Africa and Swaziland). As a customs union, its member states impose common external tariffs on countries outside the customs union, and trade between the union's member states is exempt from tariffs (SACU Website, n.d.).

Through the 1910 and 1969 Agreements, South Africa historically supervised SACU. The customs union collected duties on local production and customs duties on members' imports from outside SACU, and the resulting revenue was allocated to member countries in quarterly installments using a revenue-sharing formula.

The economic structure of the Union unites the Member States by a single tariff and no customs duties between them. Almost all trade between member states of goods manufactured in these nations is free of tariffs and other trade restrictions, and there is a single external tariff that applies to non-members of the UEC. Then the member states form a single customs area.

SACU is increasingly participating in bilateral free trade agreements with external trading partners, mainly because it forms a single customs area in which South Africa is the most important economic power.

1.3.3. The GATT 1947.

The General Agreement on Customs and Trade Tariffs (GATT), refers to the English name of the General Agreement on Tariffs and Trade. The GATT was signed in 1947, but it did not enter into force until a year later, 1948. It was established with the objective of promoting free trade and world economic growth based on the elimination of trade barriers, such as tariffs to achieve economic development (WTO.ORG, n.d.).

After World War II, the United States and 22 other nations decided to create agreements and rules that would regulate the trade of essential and fundamental goods for their economy. This decision gave rise to the GATT. Later it was agreed to expand the list of participating nations under the aegis of the World Trade Organization (WTO), and a formality was formed before various organizations for the negotiations derived from these agreements.

1.3.3.1. How does GATT work?

The way in which GATT works has evolved in the last 20 years, until reaching agreements that are multilateral and binding. Meetings (Rounds) were periodically established in which some countries present their proposal to withdraw the duty to certain goods, since they are the most interested in their products or those of which they have surpluses to be marketed in other countries and given an adequate outlet (WTO.ORG, nd). The rest of the countries offer their own suggestions for the merchandise that interests them. The type of tariff that will be applied is decided, or directly the absence of tariffs, based on these ideas and local and international analysis.

Naturally, each country will fight to reduce tariffs on the products it exports, and in turn will seek to protect local producers against imports. A country may also be interested in lowering tariffs on certain imports due to the low quality of the offer available.

1.3.3.1.1. Round 1

The GATT mandated that each nation would grant most-favored-nation treatment to all other parties, disciplines were included to restrict members from imposing new trade barriers, and a non-binding process was introduced to encourage dispute resolution. The result of this 1947 summit was an agreement on a durable framework for postwar economic ties, in which barriers to trade were limited and progressively reduced over time. The initial Geneva Round was considered a great success. The 23 participating nations, which at the time accounted for 80% of world trade, adopted tariff reductions on a most-favored-nation basis, meaning all members win equally. Doing this, reduces it’s tariffs by 35%.

After the Geneva Round, there were other rounds over the next 15 years, but the decline in tariffs advanced only slightly. It was not until the so-called "Kennedy Round" in the mid-1960s. The Kennedy Round’s focus discussions were broadened to include the growth of smaller economies. This led to the controversial signing of an antidumping agreement before the United States Congress. The Tokyo Round of the 1970s broadened the focus to include non-tariff barriers. Members tried to design processes that will apply to non-tariff obligations and to clarify the current GATT dispute settlement clauses. Although clearer processes, such as time restrictions, were added to dispute resolution, they remained inapplicable (Zeiler, TW 2012).

1.3.3.1.2. Uruguay Round

GATT succeeded in bringing tariffs down to historically low levels, but by the early 1980s, the volume and complexity of world trade had far exceeded the type and scale of trade in the early GATT years. GATT did not or insufficiently address trade in services, agricultural products, foreign investment, textiles and other important sectors of world trade.

In 1982, a ministerial meeting held in Geneva considered for the first time the need for a new trade round. Trade ministers met in Punta del Este (Uruguay) after four years of preliminary discussions and decided to launch a round of negotiations covering the widest range of trade issues to date. Before reaching an agreement in Marrakech, years later, several deadlines followed one another. However, the achievement was the expansion and development of the international trading system. (Zeiler, TW 2012).

The World Trade Organization was created by its members with permanent governing bodies. The signatories committed to maintaining the existing agreements related to the GATT, as well as the new agreements reached in the framework of the WTO. They upheld fundamental "most-favoured-nation" principles, including the binding nature of tariffs, national treatment, and effective enforcement of arbitral decisions.

1.3.3.1.3. Article 1 - GATT

General most-favored-nation treatment[2] according to the rules of the World Trade Organization (WTO), all members of the organization must apply the same tariffs and other trade restrictions to goods from other nations. The most favored nation principle refers to this.

A simple application is what happens between two or more countries, signing an agreement to import/export and impose specific tariffs. These should not be higher than what already exists for countries outside the agreement. Priorities, benefits and privileges are provided between member countries.

Under the Most Favored Nation (MFN) rule, if a WTO member agrees in negotiations with another country (which does not have to be a WTO member), to reduce the tariff on the same product to five percent, this same "tariff rate" should apply to all other WTO members. In other words, if a country treats one country favorably on a particular issue, it must treat all members equally on the same issue.

The MFN treatment concept itself has a long history. Prior to GATT, an MFN clause was often included in bilateral trade agreements, which contributed significantly to trade liberalization. However, in the 1930s a series of measures were adopted that restricted the use of the MFN concept. These actions are said to have caused the division of the international economy into trading blocs. After World War II, the MFN provision was added to the GATT on a multilateral basis as a result of the lessons learned from this mistake. This has helped to maintain trade stability around the world (Acuerdo General de Aranceles y Comercio (GATT). 1947).

[2]With respect to customs duties and charges of any kind imposed on imports or exports, or in relation to them, or levied on international transfers of funds made as payment for imports or exports, with respect to the methods of levy of such duties and charges, with respect to all regulations and formalities relating to imports and exports, and with respect to all matters referred to in paragraphs 2 and 4 of Article III*Any advantage, favour, privilege or immunity granted by a contracting party to a product originating in or destined for another country shall be granted immediately and unconditionally to any product originating in or destined for the territories of all other contracting parties (WTO.ORG, n.d.).

1.3.3.1.4. Article 24 - GATT

Border traffic - Customs unions and free trade zones[3]

It establishes exceptions to the application of the Principles of Article I of the Agreement on the Treatment of the Most Favored Nation, with a view to promoting greater freedom of trade, through freely negotiated agreements, to develop a greater integration of the economies of the countries. countries participating in these agreements.

In other words, the Article recognizes the convenience of increasing free trade under certain conditions through the establishment of customs unions and free trade areas among the members of the WTO. It recognizes the possibility that the members of the Customs Union may derogate from the most favored nation principle in their mutual trade relations by virtue of the provisions. There are several indications that Article XXIV agreements are considered desirable as a means of increasing the freedom of international trade (General Agreement on Tariffs and Trade (GATT, 1947).

1.3.4. The Benelux - 1948

On September 5, 1944, shortly after the end of World War II and the asylum of Luxembourg, the Netherlands, and Belgium in the City of London, a treaty was signed to establish a trilateral customs union. It was agreed that obstacles to the nature of tariffs on free trade, goods and services would be completely removed. By 1948, the Customs Union finally came into force and the process of European integration could begin. Benelux was the first important economic agreement between the countries of the European continent (Gay, FJ 2017).

Ten years later, in 1958, the agreement was completed, allowing the three countries to establish an economic union called the "Benelux Economic Union Treaty". The treaty sought to go further in terms of economic cooperation, free movement of goods, services and people. This union served as the basis for what we know today as the European Union, however,

[3] 1. The provisions of this Agreement shall apply to the metropolitan customs territories of the contracting parties, as well as to any other customs territory with respect to which this Agreement has been accepted in accordance with Article XXVI or is applied under Article XXXIII or in accordance with the Provisional Application Protocol. Each of said customs territories will be considered as if it were a contracting party, exclusively for the purposes of the territorial application of this Agreement,

before, the Benelux countries had to approve the Treaty of Rome (1957) in order to be part of the European Economic Community (EEC).

1.3.5. European Economic Community 1957

The European Economic Community, therefore, was an economic community, which emerged in 1957 after the signing of the treaty of rome. When the European Union was formed in 1993, the EEC joined it and was renamed the European Community.

Initially composed of six members, its objective was to establish a customs union and a common market. This in furtherance of the economic integration already seen in the agreements that spawned the ECSC and Benelux and which preceded this coalition. Together with its precedent, it forms the basis for the establishment and formation of the European Union (EU). It merged with other European communities, Euratom and ECSC, in 1965 and was transformed into the European Community in 1993 by the Maastricht Treaty (Yrrarázaval, J. 1969). After the coalition, the European Community will be one of the three pillars now known as the EU. It was dissolved in 2009 and became the EU under the Treaty of Lisbon.

1.3.6. WTO 1995

The World Trade Organization (WTO), a multilateral system that provided a legal framework for the signing of trade agreements between States of the type that interests this study, the General Agreement on Tariffs and Trade was the forerunner of the WTO (GATT). The agreements reached during the 8th GATT Round, or also known as the Uruguay Round, led to the creation of the WTO. The WTO entered into force on January 1, 1995, and the GATT constitution was ratified during the signing of the Final Act in Marrakesh in April 1994 (WTO, sf).

In reality, the new agreements of the Uruguay Round and the GATT are continued by the WTO. In the Uruguay Round, agreements were reached that significantly expanded their usual areas of influence. It has its own organization, its own legal personality and its own constitutive agreement that controls the fundamental characteristics of the institution. It is similar to any international economic organization.

In this historical scenario, States began to use the tools of economic integration with the certainty that they could be used to generate prosperity and growth. Understand the benefits of economic integration and how it makes possible the adoption of shared objectives to achieve prosperity and progress. Supporters of this type of integration sought to expand the market to benefit from economies of scale, boost production efficiencies, and improve economies of scale.

1.4. Customs unions as part of economic integration

Since the Zollverein (German Customs Union), the South African Customs Union (SACU) and the Benelux - all three considered to be the first Customs Unions in an international context - existed even before the GATT was established, integration is not a new phenomenon.

In fact, the first phase of world economic integration began with the establishment of the GATT in 1947. Since the GATT agreement was the one that imposed the logic of trade agreements, which allowed this instrument of trade integration to be successful for almost 30 years. Paul Krugman (1991) states that from that date until the 1980s, regional and multilateral negotiations were considered complementary and substitute Paul Krugman (1991).

Regardless of international discussions, the European Economic Community (EEC) marked the first milestone in terms of a "deep" integration process 16 years ago. Similarly, in Latin America, initially promoted by ECLAC, emphasis began to be placed on the nations' international insertion strategies. As is well known, these strategies were originally based on a policy of import substitution and a partial regional opening; this was a model that failed.

The lack of economic ties between the members and the degrees of development reached by these nations can serve to explain the failure of the "first stage" in Latin America and the Caribbean, but also in other areas such as Africa. According to Steven Radelet (1999), when there are particular characteristics in the countries that decide to integrate, it may be more practical to do so through cooperation agreements than trade agreements. This is relevant to the situation presented by the integration processes in Africa. It must be remembered that both in Africa and in LAC, the policies that sought to advance integration in the first stage ended up being applied. These nations continued to promote the primary export model, even though what it produced was not exactly what the other nations in the area wanted.

According to Roberto Bouzas (2002), the "grand design" was this "initial stage" for LAC nations, when they thought that integration was a good way to achieve progress (combination of import substitution with limited regional opening). Exactly around this period, the Andean Pact (later CAN), the Central American Common Market (MCCA, currently SICA), the Latin American Free Trade Association (ALALC) and the Caribbean Common Market (CARICOM) were conceived. All the "stage one" agreements experienced problems (caused by both internal conflicts and global crises) and were revived in the 1980s. The renegotiations recognized the shortcomings of the 1960s paradigm, leading to the so-called "second stage".

Since all the procedures had to be adjusted to the national circumstances of the members (in Central America even with violent conflicts), as well as to the economic crisis of the late 70s and early 80s, Roberto Bouzas (2002) qualified this "second stage" as a “response” to the crisis. The emphasis assigned to the participation of the United States in the phenomena, which was previously removed from the strategy of bilateral negotiations, corresponds to a change in regional integration at the global level during this new stage. According to Sergio Abreu (2000), this stage was marked by the start of negotiations for a free trade area, better known as the Free Trade Agreement, between the nations of North America.

The multilateral approach to integration lagged behind a bit in the new era, and some authors, such as Richard Baldwin (1993) and Paul Krugman (1991), agree that this lack of leadership, especially from the United States, is what which explains the weakness of the system that has governed world trade for the last 30 years.

According to Paul Krugman (1989), in his book "Is Bilateralism Bad?", in 1980 there were some indications of protectionism at the world level, combined with the scant progress made in the agricultural and services sectors at the multilateral level. This prompted the start of bilateral or regional negotiations. As a result, regional agreements, particularly the EEC, gained strength and led to the signing of the Maastricht Treaty, while the United States began talks to improve relations with Canada. These talks ended with the signing of NAFTA. At the same time, Asia began to participate in the phenomenon, initially at the behest of Japan and then more widely.

In addition, both the EU and the US began communication with other parts of the world, especially with LAC. Cuba was left out of the continental FTAA plan that the US presented from Canada to Argentina in an effort to obtain a "second generation" FTA. The EU, began talks with MERCOSUR, Central America and the Andean nations.

It should be noted that the international agenda, which coexisted with the aforementioned regional or bilateral dialogues, was not eliminated by the new phenomena. The multilateral scenario acquired a certain rhythm when these discussions came to a halt in the early 1990s with the signing of the Marrakech Act (which put an end to the GATT Uruguay Round begun in 1986) and the creation of the WTO.

Although the agenda was applied in its entirety, starting in the 1970s and 1980s with the introduction of the Tokyo and Uruguay Rounds, the negotiations became more intricate and in-depth. Both with regard to the issues that were discussed (including the inclusion of so-called "new issues" of trade) as well as the number of nations that participated in the rounds.

The Doha Round discussions are now showing how this new reality influences the likelihood that members will conclude negotiations, at least within a realistic time frame (Bartesaghi and Pérez, 2010). Numerous studies have found that the failure of multilateral trade negotiations fosters regionalism because regional or bilateral negotiations can advance issues when multilateral negotiations have reached a dead end.

Regarding the "second stage" of economic integration, Paul Krugman (1989) considers that from the 1980s there was a shift from a multilateral approach to a regional or bilateral one. The latter is highly contested by other authors such as Jagdish Bhagwati (1996). Because of the distorting effects it has on world trade, which do not occur with a multilateral integration approach, it is argued that the development of regional or bilateral agreements poses a danger to the economic trade system that the WTO seeks (Baldwin, 1997).

Paul Krugman (1991), determined that multilateral integration is the one that increases world income the most, whether in the context of multilateralism or regionalism. He came to a conclusion that, in terms of global well-being, only a world integration bloc would be the most advantageous. In a similar vein, he believes that the establishment of agreements of the FTA or AU type harms the world economy more than it helps, exceeding the levels of trade creation.

In conclusion, despite the statement made in the reference mentioned that the theory of trade diversion (caused by entry into an AU according to the classical theory) is weak in terms of results (Krugman, 1989), the models used show that the net effect of regionalism decreases global welfare, which is consistent with Richard Baldwin (1997) and a large number of other scholars (Schiff, 1996; Chang, 2000).

In any case, it was not until well into the 1990s, and especially in the early years of the 21st century, that a "third stage" could be identified, which ended up consolidating the new negotiating paradigm initiated in the "second stage". Due to the exponential growth of trade agreements, especially those of lesser depth (FTA) (according to the classical definition). LAC got used to this new era, governed by the postulates of the Washington Consensus and in which MERCOSUR was born thanks to the confluence of liberal regimes in the area.

Regarding the agreements, the WTO Regional Committee on Trade Agreements has published a report (WTO, 2012) that includes 61 agreements that are actually in force, but have not yet been communicated to the WTO. This not only suggests that there are more agreements than those listed above but also shows that they are not being examined according to international standards.

Thus, the multilateral trade system began to deteriorate in the 1980s, which raises the question of why and what motivated the move from regional to bilateral agreements. Paul Krugman (1991) asserted that there is abundant evidence that global politics holds the key to the solution. Giovanni Facchini, Peri Silva, and Gerald Willmann (2008), came to the conclusion that FTAs are more politically viable than AUs, which explains why the latter are closed less frequently than the former.

The three phases of integration described above have been characterized in many ways by various organizations and writers. The definitions of "open regionalism" (CEPAL, 1994), "new", and "old" regionalism (Ethier, 1998; IDB, 2002), or the so-called "second regionalism" (Bhagwati, 1992).

As is well known, the so-called "old" regionalism came to an abrupt end as a consequence of the failure of the import substitution policy, the world economic crisis (caused by the first and second oil crisis), as well as some violent conflicts in the zone.

The "new" regionalism is developing within a democratic and avant-garde institutional framework while relying on the market economy. The intensification of structural economic reforms, economic transformation, the attraction of foreign direct investment, deep liberalization, integration not only south-south but also north-south (according to several authors and international organizations, this is one of the most dramatic changes), interest in geopolitics and regional and functional cooperation was accentuated through the integration instruments negotiated or relaunched in this second stage. This phase significantly increased LAC's openness. IDB data show that from the mid-1980s to the 1990s, regional tariffs were reduced from an average of more than 40% to only 16%.

The effect of the multilateral discussions in the ambit of the Uruguay Round of the GATT and the numerous commercial agreements concluded during that time contributed to this enormous opening. The rise of intraregional trade between LAC nations is revealed when studying trade flows in the area in the early 1990s. In the case of MERCOSUR, where the combination of trade liberalization, deregulation, macroeconomic stability and exchange parity caused a very considerable increase in regional trade. Especially, in manufactured products this phenomenon is quite evident (Abreu, 2000; Olarreaga and Solaga, 1998). It must be taken into account that the MERCOSUR countries, especially the two main partners,

1.5. Conclusion

After reviewing the above AU theory, we must consider whether it allows us to effectively gauge the effects of this type of trade policy instrument.

The AUs have been a widely used integration instrument in the American continent, as demonstrated in this study. This integration tool, widely used throughout the American continent, was inspired by the integration process of the European Union in the 1990s and the integration process began in the 1950s.

Based on the historical background mentioned above, countries began to apply the tools of economic integration and understood that prosperity and growth can be created through the implementation of common goals.

The promoters of this integration strive to expand markets that promote economies of scale and higher productivity. In any case, as will be seen in the following chapters, any integration process has political and social consequences that cannot be ignored. The promotion of trade at the international level has broader objectives than achieving the liberalization of goods and services between two or more member states, achieving the same objectives -as recognized by several authors and even the WTO itself- especially important for global security stability.

2. Chapter: MERCOSUR case analysis

The fifth largest economy in the world is the Common Market of the South, often known as Mercosur in Spanish and MERCOSUR in Portuguese. It is made up of four nations: Uruguay, Paraguay, Brazil, and Argentina. The group has a total GDP of about $2 trillion and has 295 million people. Associate members of Mercosur are Bolivia, Chile, Colombia, Ecuador, Guyana, Peru and Suriname. (In a few words - MERCOSUR, 2022).

In addition to functioning as a free trade zone and customs union, Mercosur aspires to become a single market similar to that of the EU. Although the organization was founded more than 30 years ago, it continues to struggle to achieve that goal. The group has had to deal with declining trade within the bloc, as well as political conflicts that have impeded development and economic liberalization for years. The consequence has been a reduction in the bloc's growth rate in recent years, with internal trade that has fallen by 3% below the levels prior to the 2008 financial crisis (BOUZAS, R. and FANELLI, JM, 2002).

The purpose of this chapter is to analyze the Common Market of the South (MERCOSUR) as a case related to the integration process of the Customs Unions. The origins, functions, and influence within international trade and structure will be identified which allows us to obtain a broad perspective of the CUs.

2.1. ALALC and ALADI

In 1960, Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay signed the Montevideo Treaty, which created ALALC, which entered into force on January 2, 1962. The signatories offered member countries tariff reductions in an effort to establish a single market in Latin America. The main objective of LAFTA is the creation of a free trade zone in Latin America. Promote mutual regional trade between member states, as well as with the United States (USA) and the European Union (ALADI ALALC, nd).

The LAFTA region had 220 million inhabitants at the end of the 1960s and generated products and services worth some 90 billion dollars a year. In the same period, it had a median gross national product of $440 per person. With the implementation of ALALC, the industries sought to reduce their costs as a consequence of the potential savings derived from greater production, regional specialization and the attraction of new investments that occurred as a result of the regional market area. Existing productive capacity could be used more fully to meet regional demands. Although LAFTA has produced many positive results, it has also caused problems both for individual countries and for Latin America as a whole (ALADI ALALC, nd).

Some of the problems that different nations encounter derive from LAFTA's classification based on their relative economic powers. Argentina, Brazil and Chile formed the first group then followed Colombia, Chile, Peru, Uruguay and Venezuela, Bolivia, Ecuador and Paraguay formed the last group. These categories have a problem since they do not take into account the fact that these nations differ greatly both economically and in other aspects (MERCOSUR NETWORK, 2006).

In 1970, LAFTA had grown to include Bolivia, Colombia, Ecuador and Venezuela. Four more countries in the region changed their name to the Latin American Integration Association in 1980 (ALADI).

The Latin American Integration Association (ALADI) was created by the Montevideo Treaty on August 12, 1980 and it began its operations on March 18, 1981. This treaty was signed by the foreign ministers of the member states of the Latin American Free Trade Association (ALALC) that integrated the Council of the same. The ALADI Treaty replaced the ALALC Treaty and reoriented the integration plan previously approved, towards a plan with greater practicality and flexibility.

The countries that are part of ALADI are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Venezuela and Uruguay. The trade group had seven members when it started and its main goal was to get rid of all tariffs and bans on most of its trade within 12 years. The last to join was Cuba, which did join officially on August 26, 1999. Through agreements with other nations and regions of the continent, as well as with other developing nations or their specific integration zones outside of Latin America, ALADI is also accessible to all Latin American nations.

ALADI is in charge of supervising the laws governing foreign trade, including laws governing technical measures, sanitary regulations, environmental protection laws, quality control laws, automatic licensing laws, price control laws, antitrust laws and other laws. To guarantee fair trade among ALADI members, several standards have been established. (MERCOSUR NETWORK, 2006).

Through three measures, ALADI promotes the development of a zone of economic preferences throughout the area with the aim of establishing a Latin American common market.

i. A regional tariff preference based on the tariffs in force for third countries is granted to articles manufactured in member countries.

ii. Agreement of the member countries on the regional scope

iii. Agreements of limited scope between two or more regional nations

Tariff relief and trade promotion, economic complementarity, agricultural trade, financial, fiscal, customs and sanitary cooperation, environmental conservation, scientific and technological cooperation, tourism promotion, technical standards and many other topics can be the subject of agreements of regional or partial scope (Hurtado, 2018).

By ratifying the Treaty of Montevideo, which is a "framework treaty", the governments of the member countries grant their delegates the power to legislate through agreements on the most important economic issues for each nation.

According to Hurtado (2018), in order to encourage countries considered less developed (Bolivia, Ecuador and Paraguay), a system of preferences has been granted consisting of market opening lists, special cooperation programs (negotiation rounds, reinvestment, financing and technological support) and compensatory measures in favor of landlocked countries.

Given that these agreements, as well as the subregional ones, are protected under the institutional and regulatory "coverage" of regional integration (Andean Community, MERCOSUR, G-3 Free Trade Agreement, Bolivarian Alternative for the Americas, etc.) it is objective of the Association to support and favor all efforts to create a common economic space.

It is made up of eleven nations: Venezuela, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay. and by 15 observant nations such as: China, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Italy, Nicaragua, Panama, Portugal, Romania, the Russian Federation, Spain and Switzerland. There are eight organizations that are observers: the Inter-American Development Bank (IDB), the Organization of American States (OAS), the Economic Commission for Latin America and the Caribbean (ECLAC), the European Communities (EC), the Latin American Economic System (SELA), the Andean Development Corporation (CAF) and the Inter-American Institute for Cooperation on Agriculture (IICA).

It is structured by the highest body of the Association, the Council of Foreign Affairs Ministers, and is in charge of approving its most important strategic guidelines. Except when a minister other than Foreign Affairs is in charge of ALADI's activities in a given nation, it is made up of the foreign affairs ministers of the eleven member countries. The representatives of the plenipotentiaries of the member countries make up the Evaluation and Convergence Conference. The Conference examines the effectiveness of the integration process, evaluates the results of preferential agreements and suggests investigations that the Secretariat carries out (Hurtado, 2018).

The Committee of Representatives is made up of a Permanent Representative of each member country and their Deputy and is the permanent political body of the Association. The Committee promotes the conclusion of agreements, adopts the necessary measures to apply and regulate the Treaty and convenes the Council and the Conference. Lastly, ALADI's technical and administrative responsibilities are the responsibility of the Secretariat, headed by a general secretary who is elected by the Council for a renewable three-year term. The Secretary General participates in the Conference, the Committee and the activity of the Council of Ministers.

2.2. Establishments and functions

On August 12, 1980, the foreign ministers of 11 Latin American countries signed a new legal document in Montevideo known as the Treaty of Montevideo: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. This legal document established the Latin American Integration Association (ALADI). The 1960 Montevideo Treaty, which created the Latin American Free Trade Association (ALALC), launched a process of economic integration, which was expanded with the 1980 Montevideo Treaty.

The organization seeks to advance regional integration, which will lead to harmonious and balanced socioeconomic growth in the region. The body is specifically in charge of promoting and regulating reciprocal trade, creating economic complementarities and supporting economic cooperation initiatives to promote market expansion.

Based on the principles of non-reciprocity and collective action, the member countries have established an area of economic preferences, consisting of a regional tariff preference, and regional and partial scope agreements and have created conditions that favor the participation of the countries at a relatively less advanced stage of economic development in the process of economic integration.

The Central Banks of the member countries of the Latin American Free Trade Association (ALALC) signed an agreement in 1965 that established a multilateral compensation and reciprocal credit mechanism. The agreement entered into force on June 1 of the following year. In 1973 it adhered to the Dominican Republic. On August 25, 1982, a revision of the Reciprocal Payments and Credits Agreement was agreed which maintained the basic provisions of the original document but was updated to the new ALADI regulations (Laird, 1997).

The main features of the Agreement are:

i. The establishment of bilateral credit lines between each pair of central banks in US dollars;

ii. Quarterly multilateral clearing paid in US dollars, often through the Federal Reserve Bank of New York, from accumulated balances of bilateral accounts and outstanding balances;

iii. The channeling of payments through the system is optional, although the member Central Banks can force it if it is practical or essential, as Venezuela has just done. The number of payments processed through this clearing method totaled $7.864 million in 1997, but only $5.570 million in 1998. Since 1966, payments processed through the Settlement have settled for a combined total of $203.488 million. That is, 55.8% of registered imports between member countries (Mercosur 2000).

After May 1, 1991, the Agreement included the "Automatic Payment Program," a temporary financing mechanism for credits due in multilateral clearing accounts. This system makes an effort to anticipate the occasional liquidity problems that the Central Banks of the participating nations may have at the end of the multilateral clearing periods. This multilateral and automated process delays the payment of the obligations derived from the aforementioned circumstances for a period of four months.

The Central Banks of the member countries of LAFTA and the Dominican Republic signed the Santo Domingo Agreement in 1969, another credit instrument intended to support the financing of intra-regional trade. The Agreement comprises lines of credit extended by the member Central Banks up to a combined sum of more than 700 million dollars. It was updated and expanded in its scope on September 22, 1981 (Laird, 1997).

These funds are distributed among three mechanisms designed to reduce the temporary illiquidity experienced by members as a result of (1) deficits in intraregional trade payment compensation; (2) deficits in the overall balance of payments of the respective country; and (3) deficits caused by natural disasters. The support mechanisms of this Agreement have not been used since 1984 (Laird, 1997).

2.3. History, function, structure and treaties of Mercosur

The Southern Common Market, also known as Mercosur, is a South American regional economic organization, which had several previous attempts to combine the economies of Latin America. In the 1991 Treaty of Asuncion, it specified the decision to create a common market. The Iguazú Declaration, which established a bilateral commission to promote the integration of their economies, was signed by Argentina and Brazil in 1985. By the following year, the two nations had concluded a series of trade agreements.

Argentina and Brazil agreed to work together to create a single market within ten years as part of the 1988 Integration, Cooperation and Development Treaty, which also invited other Latin American nations to join. The Treaty of Asunción, signed in 1991 by the leaders of Argentina, Brazil, Paraguay and Uruguay, established Mercosur. Later, other nations were added as associate members. Mercosur's headquarters are in Montevideo, Uruguay.

Among the objectives of Mercosur are the promotion of economic growth and the harmonization of the economic policies of its members. With the help of the Ouro Prêto Protocol (1994), Mercosur received the authority to make agreements with States and other international organizations and received the current organizational structure it has today. A free trade area and a customs union were formally created on January 1, 1995, after several years of attempts to eliminate internal tariffs (tariffs imposed by members on other members).

However, Mercosur failed to achieve complete harmonization because some internal items were still subject to customs. Despite members' agreements to impose a common tariff on imports from non-members, differences persisted in such liens. All participating members must have functioning democratic institutions, according to a 1996 declaration made by the Joint Parliamentary Commission, made up of deputies from member countries. In 2003, a free trade agreement was signed between Mercosur and the Andean Community, which entered into force on July 1, 2004. The new parliament of the member countries was sworn in in Montevideo in 2007. Brazil (Laird, 1997).

To organize the dynamics of the activity of the bloc's organizations, MERCOSUR laid the foundations of its institutional structure in 1994. For this reason, MERCOSUR is made up of three bodies:

- The Common Market Council (CMC), which is the highest body of the bloc and is politically in charge of directing the integration process;

- The Common Market Group (GMC), which is in charge of managing the daily operation of the association; Y

- The Trade Commission (CCM), which is in charge of managing the common trade policy instruments of the association.

Each State Party to MERCOSUR has one vote, decisions must be made by agreement and all State Parties must be present. MERCOSUR is an intergovernmental integration process. In case it is required, the norms must be implemented in the national legal systems according to the methods indicated in the legislation of each nation once they have been agreed and accepted by the decision-making authorities of the bloc.

Likewise, the Common Market Group (GMC), an executive body made up of representatives of the Ministries of Foreign Affairs, the Ministries of Economy and the Central Banks of the States Parties support the CMC in its functions. The MERCOSUR Trade Commission (CCM) was created specifically to discuss the taxes that must be paid by importers of basic products. The MERCOSUR Secretariat, which is in charge of maintaining official documents and providing logistical assistance to the meetings held by the MERCOSUR committees, is one of the most significant auxiliary entities that make up MERCOSUR and is located in various locations.

A Common Market presupposes an area in which goods, factors and people can circulate freely, in which there is a common external tariff and there is a common commercial policy and coordination of macroeconomic and sectoral policies. Argentina, Brazil, Uruguay and Paraguay have nevertheless achieved relevant goals in the process initiated by presidents Alfonsín and Sarney (Laird, 1997).

As a result of the agreement, the planned Trade Liberalization Program in Asunción has worked well. In this way, December 31, 1994 was reached with a zero tariff for a universe of 85% of the region's products. The Common Market Council also approved a Common External Tariff (AEC) allowing progress in what was considered one of the critical points of the integration process.

This design, from December 31, 1994, established an imperfect customs union that allowed the free circulation of almost all production between the states members and a common external tariff covered almost all of the production.

Although Progress, the free movement of items necessary for the existence of a market does not exist between the four countries. There is also little progress within the customs union in the coordination policy macroeconomics in ensuring the sufficient capacity of the institution of MERCOSUR.

2.3.1. The Mercosur Common External Tariff. (AEC)

The Mercosur Common External Tariff (AEC) was adopted at the Seventh Meeting of the Common Market Council held in Ouro Preto (Resolution 22/94). It is a complex mechanism consisting of some 8,500 sites organized according to the Harmonized System Nomenclature. In addition to these positions that assume an average AEC of 20%, the system applicable includes state exclusions, convergent systems for goods of computer, information technology and communications, and other products of the entire range mentioned above.

2.3.2. Final Adjustment Regime to the Customs Union

Decision 5/94 of the Common Market Council lays the foundations for what it calls the "Regime of Final Adjustment to the Customs Union". The referred resolution referred to the basis that the member states, when signing the Treaty of Asunción, "agreed to provide a list of exceptions to the trade liberalization program with a view to granting a period of time to facilitate the adaptation of certain products to the new conditions of international trade" (Carciofi, 2012).

Certainly, the creation of the customs union implies a deeper integration of the manufacturing sectors; Required for the "reconversion period of certain productive sectors".

The Adequacy Regime allows member states to "provide a short list of products" that require special tariff treatment. Products on the list of exceptions will benefit from the last linear and automatic discount period. This period will last 4 years for Argentina and Brazil and 5 years for Paraguay and Uruguay (Carciofi, 2012).

On December 16, 1994, the Common Market Council approved the Mercosur Customs Code. The protocol on customs codes was drafted by GTS 2 (Working Subgroup 2.) at the request of the Common Market Group.

On the grounds of the Decision, the CMC stated that the entry into force of the AU on January 1, 1995 made it necessary to have a "common basic legislation".

The Mercosur Customs Code consists of 186 articles and its scope of application is "the entire customs territory of Mercosur". These territories, defined in Article 2, consist of the territories of Argentina, Brazil, Paraguay and Uruguay.

The protocol is an integral part of the Treaty of Asuncion and will enter into force "thirty days after the deposit of the second instrument of ratification" (art. 186). So far it has only been approved by Paraguay. Article 184 establishes that its application shall be mandatory in all its terms and in all states. The resolution of the Common Market Council established the important body of legislation that obliges these four countries to establish a Customs Code Committee to be composed of representatives of the member states (Laird, 1997).

2.4. What are the priorities and their influence on international trade

As priorities, MERCOSUR intends to consolidate regional integration to bridge the differences between member nations and affiliates that, despite their variety, have origins, challenges and sister cultures. Mercosur plans to use this strategy to establish legal, diplomatic, cultural and economic bridges. It sought to strengthen the capacities of the members of the bloc. As a tool to strengthen the economy and democracy of its member countries, Mercosur sees itself as the path toward a future of progress, equality and peace. The promotion of a sense of regional belonging, peaceful dialogue, fair trade and commitment to democratic standards become a prerequisite for belonging to the bloc (Peña, 2003).

Reducing asymmetries among the bloc's participants was also one of its objectives, a controversial goal that is especially important for the bloc's poorer nations, which would suffer financially from the free trade zone in the face of Brazil's sizable economy. In order to promote mutual aid and equitable growth among its members and to avoid an unequal and unfair integration that only favors the most powerful economies, Mercosur wants to establish the best possible trade rules and thereby encourage the horizontal exchange of knowledge and experience not only among the members of the bloc, but also with other nations and international economic organizations such as the European Union. All this without losing sight of the interests of both parties, the role of local actors, equity, solidarity and respect as fundamental pillars of all forms of exchange, hand in hand with the realization of political horizontality so that Mercosur member countries are committed to resolve their disagreements through diplomatic channels and to consider each other from an equitable point of view, without tolerating any kind of relations of domination or subordination.

Furthermore, the bloc was created as a regional form of opposition to the tensions between the great international powers, rejecting imperialism and economic dependence (Peña, 2003).

2.5. Conclusion.

As a conclusion of this chapter, Mercosur is set to become one of the largest trade agreements in the world due to its size and economic strength. In fact, the industrialization trends of the Southern Cone bloc's two largest trading partners (Brazil and Argentina) support the idea that it has the necessary prerequisites to enter more strongly into international trade networks and the weight to be an important negotiator in multilateral fora.

However, although the Montevideo Treaty declares that Mercosur has considerable integration objectives, the interactions among its members do not reflect such ambitions or indicate a greater disposition than what is already evident: a free trade zone. There is a disparity between the signatories' declarations and their deeds that undoubtedly extends beyond the commercial to the geopolitical spheres. The paper mill crisis between Uruguay and Argentina, the crisis between Uruguay and Paraguay, or Paraguay's withdrawal from the bloc at the same time as the partners' confirmation of Venezuela's entry, reveal major flaws in the partners' consensus on the future of Mercosur. Even the relative ideological similarity between the administrations of Argentina, Brazil and Uruguay over the last ten years has not been sufficient to bring them closer to their stated goal of a full customs union.

The conflicts and obstacles that prevent Mercosur from advancing in its integrationist ambition are perhaps partly explained by the varied economic dimension and structural composition of the parties. However, there is significant potential for intra-regional trade, as the major economies have important manufacturing sectors that need markets and have difficulty positioning their products in the economies of Europe and North America, especially at a time when the latter regions are experiencing one of the longest economic crises in their history. The manufacturing industry in Brazil and Argentina have a great opportunity thanks to the expansion of the regional market.

Finally, it should be stressed that, although the concept of an imperfect customs union has no real-life application, it can demonstrate the feasibility of the ultimate goal. The consolidation of a customs union would result in one of the largest customs domains in the world, which could stimulate the expansion of intra-regional trade. As a leading WTO negotiator, Mercosur would support the subregional objectives of further liberalization of international trade in agricultural products, a market with significant export potential for the bloc's four founding members. The four original members of the bloc, as well as the recently incorporated Venezuela, have significant export potential.

3. Chapter: ASEAN case analysis

The history of international relations in Asia after World War II deals with the experience of some organizations or even nations formed around the interests of the former metropolises, formed during the wars and struggles for independence in Asia and during the Cold War. The purpose of these organizations was to prevent the disintegration of the British colonial empire or to hand over an independent country to the government of a new superpower (in this case, the United States). His radical policies and support for some anti-democratic regimes in the region led to the defeat and the end of these contemporary political-military groups.

After the Asian countries gained their independence, they sought models of cooperation that would allow them to develop economically and showed interest in Third World countries. The new international reality that emerged after World War II was an additional factor for the new countries of Asia and Africa, which led in this context to the emergence of ASEAN in 1967.

3.1. ASA

Two world wars dominated international politics in the first half of the 20th century. The United States and the USSR prevailed in World War II. Soon after, came the Cold War era, which lasted nearly fifty years. Small governments had no choice but to form alliances during the Cold War to maintain their political, economic and independent identity. Colonial rule by great powers such as Britain, France, Holland, Portugal, Spain and the United States had an impact on Southeast Asian nations.

Although Ho Chi Minh of Vietnam and Aung San of Burma expressed interest in some forms of regional cooperation, Southeast Asian nations struggled to gain independence after World War II, making it difficult to establish a framework for regional cooperation, yet 31 people representing Southeast Asian nations attended the regional conference that India convened in 1947. (Chavez, n.d.)

In 1949, Indian Prime Minister Nehru convened a second meeting in New Delhi, at which he recommended that the "free countries of Asia" strengthen their sense of unity to build a framework for talks. The nine states, including Malaysia and Sarawak, and important places such as Penang, Singapore and Malaya returned to British rule when the brief Japanese occupation of Malaysia, Singapore and Borneo ended.

Thailand, the Philippines and Malaysia held conservative views on anti-imperialism as a result of the impact of U.S. and British policy in Southeast Asia. The Association of Southeast Asians (ASA) was founded on July 31, 1961. By 1960, the founding members of the ASA had experienced the greatest economic development and social advancement in Southeast Asia. Therefore, the promotion of economic cooperation was the main objective of the founding of the ASA (Chavez, n.d.).

Subsequently, the ASA Charter was ratified. Among its objectives are the ideas of peace, freedom, social equity and economic welfare, the common effort to enhance economic and social growth in Southeast Asia. The ASA took the initiative to increase its membership as a result of the instability of the ASA due to various factors (such as internal conflicts, the rift between the Philippines and Malaysia, problems related to the formation of the Federation of Malaysia in 1963, and Indonesia's confrontational policy against Malaysia and the Philippines in 1966).

Conflicts could arise as a result of the influence of third states, as the ASA was not strong enough to strengthen and expand partnerships among its members. For example, the partnership between Malaysia and Britain aggravated the aforementioned wars in terms of power imbalance. However, the ASA had to be prepared to act as a collaborative organization by being open to the membership of other nations. In May 1967, its members created the Southeast Asian Association for Regional Cooperation in place of the existing association, it was changed to ASEAN. Thus, on August 8, 1967, the five leaders-the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore, and Thailand-officially created ASEAN (Chavez, n.d.).

3.2. ASEAN history, function, structure and treaties

The Association of Southeast Asian Nations was established in 1967 as a regional integration agreement with the objectives of promoting economic growth, social progress and cultural development, promoting regional peace and stability. This is promoting cooperation in the economic, social, cultural, technological and scientific fields.

The founding countries of ASEAN are Indonesia, Malaysia, the Philippines, Singapore and Thailand. Subsequently, Brunei (1984), Vietnam (1995), Myanmar/Burma (1997), Laos (1997) and Cambodia (1999) joined ASEAN. It groups ten of the eleven countries in the region. These countries are characterized by different levels of economic development, cultural and political diversity, language, race and religion. The territorial extension of the ASEAN countries is approximately 4.5 million km2 and has a population of more than 500 million inhabitants (Rubiolo, n.d.).

The ASEAN Community is composed of three pillars: the Political Community (APSC), the Economic Community (AEC) and the Socio-Cultural Community (ASCC), with a General Secretariat in Jakarta, Indonesia.

3.2.1. Agreement Features

ASEAN has become a model of cooperative efforts translated into joint projects and action plans based on specific goals.

ASEAN's main decision-making body is the Summit of Heads of State and Government, which takes place every three years. An annual ministerial meeting is held to assess progress and regular ministerial meetings are held to address sectoral issues (agriculture, trade, energy, labor market, telecommunications, security, tourism, transport, etc.).

ASEAN also has standing committees, diplomatic missions abroad, specialized centers, a general secretariat, and technical, administrative and service staff. Decisions are generally taken by consensus and are based on the principle of non-interference in the internal affairs of member states. The most important areas of cooperation are security, economic and cultural cooperation. The year 1992 marked the beginning of a new stage in which more ambitious medium- and long-term goals were set (Rubiolo, n.d.).

3.2.2. What are the advantages and disadvantages of ASEAN?

The advantages of the Association of Southeast Asian Nations include the elimination of tariffs among member states, which has reduced product prices due to increased competition within the market and potential investment opportunities in the market.

Disadvantages of ASEAN include the risk of an influx of cheap imports flooding local markets and weak governance structures in some member countries.

As a free trade area, member states expect ASEAN to facilitate the flow of goods and services in the region by opening up services such as air transport in the region. ASEAN member Thailand expects to benefit greatly from the FTA as many of its manufactured goods benefit from lower production costs. However, the tariff reduction has had a negative impact on the Thai agricultural sector, as the volume of imported agricultural products has increased. As a developing member of ASEAN, Cambodia has not yet integrated, as it needs more time to address domestic and regional challenges. The ASEAN Economic Community has been criticized for its lack of protection for small and medium-sized enterprises and its unwillingness to promote human rights and democracy in countries such as Myanmar (China Briefing, 2013).

3.3. What are the priorities and their influence on international trade

One of the main objectives of ASEAN was to try to accelerate the economic growth, social progress and cultural development of the region and thus strengthen the foundations of an Association of Southeast Asian Nations for a successful future.

The complexity and contradictions of foreign policy, both individually and as a whole, were largely determined by the peculiarities and characteristics of its position in the world market and the international economy. In this context, economic and geopolitical factors play an important role in determining the foreign policy of these countries. Without analyzing these factors, mainly economic, it would be impossible to accurately assess the numerous foreign policy activities of ASEAN and, therefore, to analyze the current situation and its development prospects (McCloud, 1995).

It is important to mention that the creation of this organization was not only due to the political-economic development that was desired for the nations, also a fundamental factor for ASEAN to exist were the differences caused by the different ethnic groups that were part of some member countries. To this must be added the international geopolitical situation of the time, as it was the Cold War period between the two superpowers and their respective strategic allies, in this framework, Vietnam conducted the Indochina War with high intensity; President Nixon announced Washington's policy in the region after the defeat of Vietnam, which aimed to reduce direct intervention in the Southeast Asian conflict and leave this mission to its strategic regional allies. Britain withdrew from Singapore. Japan was positioning itself as a world superpower. Subsequent U.S. failures in Vietnam reinforced the tendency to support the strengthening of the partnership and the validation of the principles they espoused. (Rubiolo, n.d.)

The new reality and the situations that arose after the US was forced to abandon Indochina suddenly marked the future of the group in 1970-1980 years, emphasizing the geostrategic reorganization of the region: the Americans pushed for the Washington-Tokyo alliance, appeasement with People's China, maintenance of US bases in South Korea and economic cooperation with ASEAN members.

Despite internal and external pressures to transform ASEAN into a military bloc, it has managed to maintain its character-driven primarily by economic interests, while preserving the unity, peace, equality and search for common ground established at the 1955 Bandung Asia-Africa Conference.

Changes in production systems, technological revolutions, regulations, shocks from financial crises and the quest for greater international competitiveness are all part of a new trend that is forcing the world to accelerate the sharing of ASEAN's considerable economic space. Probably ahead of its peers in other regions.

The end of the Cold War, the demise of the socialist camp in Eastern Europe and the collapse of the Soviet Union marked the end of stagnation and the waiting period in Southeast Asia. Ideological disputes have given way to more pragmatic positions, and economic factors are high on the agenda of today's ASEAN leaders.

It reached its peak when the association accepted Vietnam as a member in 1995, the motivation for such acceptance being, on the one hand, Vietnam's political, economic, demographic influence and, on the other hand, Vietnam's urgent need to strengthen new political and economic ties due to the loss of its fading socialism in the traditional partner. Political and economic changes in Vietnam and the region as a whole have influenced the decisions of ASEAN leaders. The wealth and geographical location of these countries cannot be ignored. The entire ASEAN region is very important as an operational hub for shipping routes between the Indian Ocean and the Pacific Ocean, the Arabian-Persian Gulf and the

China Sea, and Singapore has taken advantage of this situation as it is now the world's largest port for cargo conditions (Limaye, 2004).

For the economic integration of the region, one of the most important objectives is the development of energy, transport and communications infrastructure, for which we have to face various problems, such as geographical diversity and the different levels of development of each country. In this regard, ASEAN faces four long-term challenges in infrastructure projects, namely: power lines crossing the countries, gas pipelines, road network and construction of modern railways between Singapore and Kunming (China), the latter being a project connecting ASEAN countries with China, Hong Kong ports, Northeast Asia (both Koreas) and the Trans-Siberian, which will make the connection between Southeast Asia and other countries a real territory. This creates a link between important economic blocs and vast markets in Eurasia, such as ASEAN-EU, ASEAN-China and ASEAN-Russia relations (Wong, 2007).

Until a few years ago, the development of infrastructure projects such as those mentioned above was a utopia due to the political division of the participants. Indochina is completely ruled by a Marxist government with pro-US dictatorships in ASEAN countries such as Suharto and Marcos in Indonesia and the Philippines, respectively. Today, the new political realities of the world and the region encourage their leaders to put their economic interests ahead of the political and ideological interests of the central government.

More than five decades later, ASEAN has grown to provide greater regional stability and international influence in a disparate region that questions its sovereignty. Despite being characterized by gradual and unanimous decision-making, over the years the association has allowed for greater cooperation and stability among its members. Indeed, one of the objectives set out at its founding in 1967 is to accelerate its economic, social and cultural development and to promote regional peace and stability through the cooperation of its member states (Limaye, 2004).

3.4. Conclusion

In conclusion, due to the lack of reliable negotiation methods and strained diplomatic connections, geopolitical competition between the superpowers in Southeast Asia, as well as the effect of the Cold War and the Vietnam War, created significant political and security dangers. Smaller nations in the area were at risk, and territorial disputes between Malaysia and Indonesia and between Malaysia and the Philippines also contributed to the turmoil in the area. The unrest in Southeast Asia was mostly caused by governments pursuing their own national objectives.

The Southeast Asian area suffered battles for many years as a result of the impact of major and superpowers. Thus, the growing collaboration among Southeast Asian nations provided a basis for the observance of the concept of non-interference in a state's internal affairs. The transition from ASA to ASEAN was seen as another step towards the creation of a formidable regional organization. Despite various difficulties, ASEAN is now a thriving organization. It has emphasized the importance of maintaining stability and peace. It is committed to creating an ASEAN community that is prosperous, people-centered and people-oriented.

4. Conclusions and Recommendations

This study has shown that Customs Unions, which were designed after the European Union integration process initiated in the 1950s, have been a very popular integration tool in the Americas. The degree of progress of the different AUs in LAC, and in particular the achievements of MERCOSUR in this area, lead us to doubt the effectiveness of this integration paradigm. Some of the reasons why it is impossible to meet the initial objectives of the agreements can be found both in the peculiarities of Latin America and in the idea underlying the AUs, where there is an element of integrationist rhetoric.

In terms of economic theory, there is a general consensus that the success of the implementation of an AU rests largely on the relative balance of the nations that compose it, a situation that does not exist in the case of MERCOSUR. With regard to these discrepancies, the failure to account for asymmetries through compensation and reconversion funds, similar to those found in other agreements at the same level, favored the non-compliances that, unfortunately, characterize MERCOSUR to varying degrees.

This reality is compounded by other weaknesses faced by the different AUs in the region, such as weak physical infrastructure (transport, telecommunications and energy), poor productive integration, low levels of trade in services, weak institutionalization (especially with regard to the approval of community standards, asymmetries and dispute settlement) and the lack of sophistication of the region's export supply. Inadequate levels of intra-regional trade, especially intra-industry trade, are impeded by the institutionalization of the region's institutions (especially with regard to the ratification of community standards, asymmetries and dispute settlement).

Existing mechanisms in the region have failed in each of the above categories. In fact, LAC has not been successful in putting these concerns on the regional agenda, at least not to the extent that it should have been. The promotion of so-called natural trade, typical of the surrounding nations, may serve to explain the scant progress in some of the above-mentioned areas more than the accepted community standards within the scope of the agreements. The separation between the productive structures of the nations that make up the AUs is one of the greatest asymmetries between AU members in the area. An obvious example is the asymmetries between Brazil and Argentina in MERCOSUR.

The bilateral logic with which Brazil and Argentina operate in MERCOSUR is one of the repercussions, and naturally had an impact on the evolution of the integration process in several areas of discussion, especially for the two smaller countries. The varied production systems within the bloc are a direct cause of the problems experienced during the talks to establish a Common External Tariff. However, these motivations were not taken into account during the talks that led to the establishment of an incomplete Community tariff.

Other important economic effects of the region's integration processes have been observed, such as uneven growth rates around the world, which have led to a greater concentration of new investment in nations with larger domestic markets, better infrastructure and more diverse industrial sectors.

It is important to consider whether MERCOSUR has been able to achieve its original objectives more than 20 years after the signing of the Treaty of Asunción. Taking into account the limited success of MERCOSUR in meeting its original objectives, the changes in the international context already mentioned and the differences in development models that still exist among its members. This seems to be the only way to strengthen regional ties and prevent the integration process from ending up failing in the integration process.

On the other hand, the geopolitical dispute in Southeast Asia by the superpowers and the influence of the Cold War and the Vietnam War caused great political and security risks due to the absence of reliable negotiation mechanisms and weak diplomatic ties. Small states in the region were vulnerable.

In addition, territorial disputes between Malaysia-Philippines and between Malaysia-Indonesia added more chaos to the region. The pursuit of national interests by states was a major problem that destabilized Southeast Asia. Due to the influence of major and superpowers, the Southeast Asian region fell into wars for several decades. Therefore, increasing cooperation among Southeast Asian states provided a platform for respecting the principle of non-interference in a state's internal affairs. The shift from ASA to ASEAN was seen as an ongoing movement towards the establishment of a strong regional organization. Despite some challenges, today ASEAN is a successful organization. It has reaffirmed its importance in maintaining peace and security. It has committed itself to a prosperous, people-oriented and people-centered ASEAN community.

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