

Contents

<i>Preface and Acknowledgements</i>	xi
1 General Introduction	1
Introduction	1
Economic integration and GATT rules	3
The global experience	4
The economic gains from integration	10
About the book	12
Appendix: Article XXIV	14
PART I THEORY	
2 Theory of Customs Unions	19
The basic concepts	19
The Cooper/Massell criticism	22
Further contributions	22
Dynamic effects	26
<i>Economies of scale: a mathematical treatment</i>	28
Domestic distortions	36
General equilibrium analysis	38
The terms of trade effects	39
Conclusions	46
3 Customs Unions versus Free Trade Areas	48
Introduction	48
The differences	48
Trade creation	49
Trade diversion	51
Trade deflection	52
<i>Comparisons and conclusions</i>	53
Deflection of production and investment	53
<i>Establishment of a FTA</i>	56
<i>Constant costs</i>	57
<i>Only one country producing the commodity</i>	57
<i>Price discrimination</i>	59

<i>Conclusion</i>	60
A theory of free trade areas	60
4 Common Markets and Economic Unions	65
Introduction	65
Factor mobility	65
Fiscal harmonisation	67
Monetary integration	73
Conclusion	88
5 Economic Integration amongst Developing Nations	89
Introduction	89
El-Agraa's version of Brown's model	91
Conclusions	98
Appendix	100
6 Macroeconomics of Integration	101
Introduction	101
The basic macroeconomic framework	102
Completing and solving the model	106
Withdrawal and the balance of payments	109
Conclusion	111
7 Economic Integration amongst Centrally Planned Economies	113
Introduction	113
Fundamental differences and similarities	114
The CMEA	116
<i>CMEA economic policy and integration</i>	121
<i>What form of integration?</i>	128
Conclusion	130
PART II MEASUREMENT	
8 Measuring the Impact of Economic Integration	135
Nature of the problem	135
The trade effects	138
The dynamic effects	139

On the previous studies	140
About this part of the book	141
9 Estimating the Impact of Integration on Manufactures: the Earlier Studies	143
Verdoorn's pioneering study	143
<i>Conclusion</i>	148
The study by the <i>Economist Intelligence Unit</i>	148
<i>Conclusion</i>	154
Johnson's contribution	157
<i>Conclusion</i>	161
Contributions after Johnson's and before Balassa's	162
<i>A general survey</i>	163
<i>The GATT study</i>	166
10 Estimating the Impact of Integration on Manufactures: More Sophisticated Attempts	175
Balassa's contribution	175
<i>Conclusion</i>	184
The contribution by the EFTA Secretariat	186
<i>Conclusion</i>	192
The contribution by Williamson and Bottrill	192
<i>Conclusion</i>	202
Kreinin's contribution	202
<i>Conclusion</i>	210
Aitken's study	211
<i>Conclusion</i>	224
Conclusion	225
<i>Residual models</i>	225
<i>Analytic models</i>	231
<i>Dynamic studies</i>	234
11 Estimating the Impact of Integration on Manufactures: the Latest Contributions	236
The study by Winters	236
<i>Conclusion</i>	239
The contribution by Grinols	241
<i>Conclusion</i>	253
Conclusion	253

12	The Costs of the Common Agricultural Policy of the European Community	254
	Introduction	254
	Objectives of the CAP	254
	<i>The CAP price support mechanism</i>	257
	<i>The Green Money</i>	258
	<i>Financing the CAP</i>	259
	Common misconceptions about the CAP	260
	The true cost of the CAP	260
	<i>Budgetary costs of the CAP</i>	262
	<i>Budget and trade effects of the CAP</i>	266
	<i>Welfare effects of the CAP</i>	271
	A general equilibrium estimate	279
	<i>Conclusion</i>	288
13	Estimating the Effects of Integration on the Terms of Trade	291
	The theoretical framework	291
	The determination of the size of the gains	296
	Summary of Petith's findings	301
	Conclusion	303
14	Estimates of the Effects of CMEA Integration	305
	Introduction	305
	Pelzman's estimates	305
	The contribution by Drabek and Greenaway	313
	Conclusion	326
15	Estimates of the Effects of Economic Integration among the LDCs	327
	Introduction	327
	Straubhaar's trade share approach	328
	The estimates by Brada and Méndez	334
	Conclusion	343
16	Conclusions	344
	The effects of economic integration	344

Contents

ix

A general critique of empirical studies	345
An alternative	349
<i>Bibliography</i>	351
<i>Author Index</i>	379
<i>Subject Index</i>	382