

Question No.4 Comment on the following:

c) The Regional Economic Groupings do not lead to increase in market size.



Solution: One of the apparent implications of regional economic groupings is increase in market size. Instead of a third country exporter dealing separately with each country with limited population or limited number of countries, he can deal with the entire grouping that is many times bigger than the country/countries he was earlier dealing with. This has two implications. One is that the size of the export order is likely to be considerably large with the attendant benefits of increased sales and scale of economies.

Secondly, if he is able to enter one country in the region on the basis of one approval of the one set of documents by one set of authorities, it can safely be assumed that he will be able to reach his products to other countries in the grouping with practically no restriction after the first point, of entry. However, it is also true that if his products are rejected at the first entry point he will not be able to enter any other country in the grouping through any other every point. But more than this the greatest limitation that will probably be faced by many developing countries relate to supply constraints. Having used to catering to small sized markets, many exporters from

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developing countries may not find it very easy to execute large sized orders emanating from the regional markets, due to supply constraints particularly within a limited period.

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