

THE IMPACT OF REGIONAL ECONOMIC INTEGRATION ON THE FINANCIAL PERFORMANCE OF MULTINATIONAL COMPANIES

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Abstract

Regional economic integration, which includes free trade agreements, economic unions, and currency unions, has a positive impact on the financial performance of multinational companies. The study conducted in this research uses qualitative research methods. The results show that regional economic integration creates various opportunities that, if handled properly, can strengthen the financial performance of multinational companies. By utilizing broader market access, more efficient resources, and a more harmonious business environment, companies can improve their competitiveness and profitability.

Keywords: Regional Economic Integration, Financial Performance, Multinational Companies

Introduction

Regional economic integration has become an important phenomenon in the dynamics of the global economy. This process involves the removal of trade barriers, increased economic cooperation, and policy harmonization among countries within a region.

The process of lowering trade barriers and fostering greater economic cooperation amongst nations that share a border or are economically close to one another is known as regional economic integration. This integration seeks to increase the efficiency of the flow of capital, labor, goods, and services through free trade agreements, customs unions, shared markets, or even economic unions. (Ogun, 2022). By developing markets, boosting competitiveness, and encouraging more equitable economic development among its member states, regional economic integration—such as that of the European Union (EU), the North American Free Trade Agreement (NAFTA), and the Association of Southeast Asian Nations (ASEAN)—aims to improve stability and favorable conditions for economic growth. Chentoufi (2023).

Since then, in the era of globalization, multinational corporations (MNCs) have played a crucial role in facilitating the flow of goods and services between countries. MNCs often leverage economic cooperation and openness resulting from free trade agreements and regional integration to optimize their business operations. As business entities operating in multiple markets with different regulations and economic conditions, MNCs must adapt to the various policies and dynamics that occur in each region. (Inaba, 2021).