

Global Marketing

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The Global Trade Environment Chapter 3



GATT

- General Agreement on Tariffs and Trade
 - Treaty among nations to promote trade among members established in 1947
 - Handled trade disputes
 - Lacked enforcement power
 - Replaced by World Trade Organization in 1995

The World Trade Organization

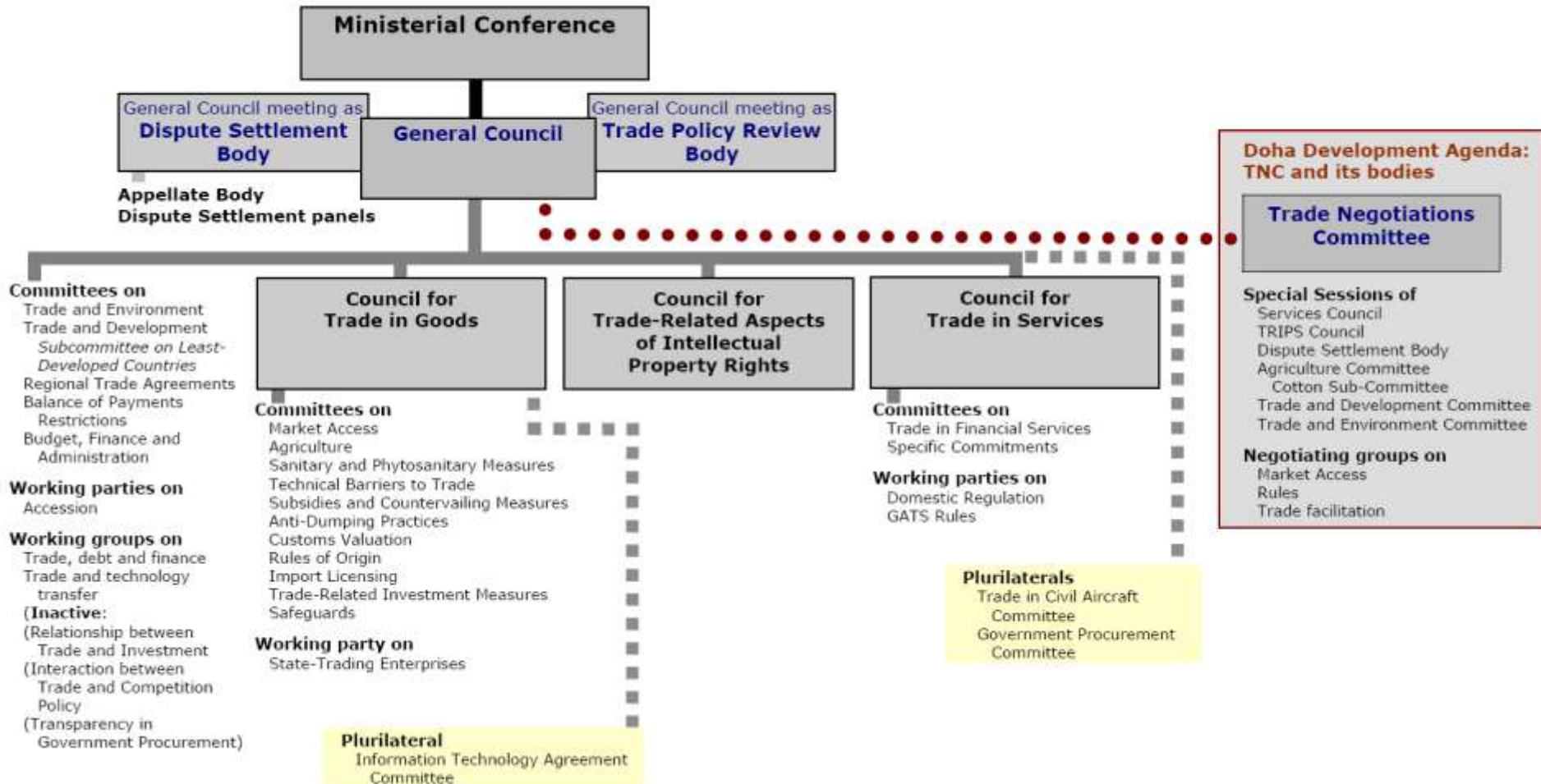
- Forum for trade-related negotiations among 153 members
 - Based in Geneva
 - Serves as dispute mediator through DSB
 - Has enforcement power and can impose sanctions



WTO Structure

WTO structure

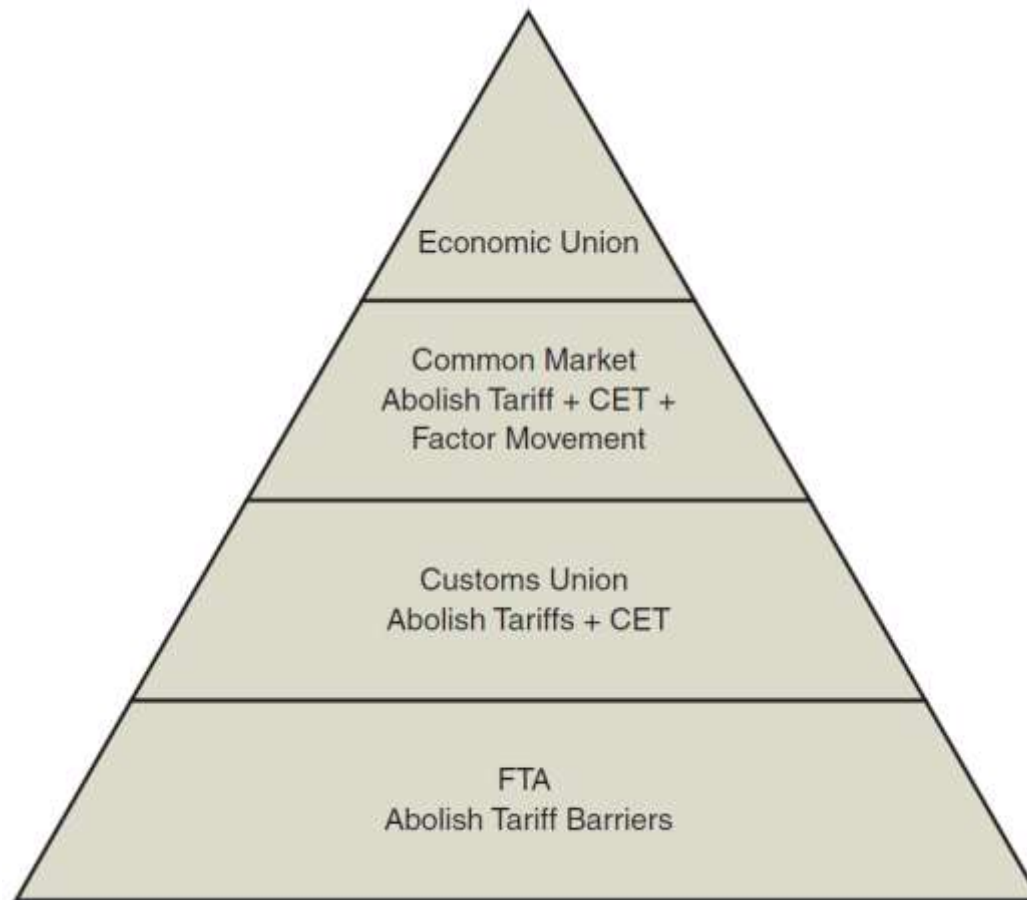
All WTO members may participate in all councils, committees, etc, except Appellate Body, Dispute Settlement panels, and plurilateral committees.



Preferential Trade Agreements

- Many countries seek to lower barriers to trade within their regions
- PTAs give partners special treatment and may discriminate against others
- Over 300 PTAs have been notified to the WTO

Hierarchy of PFTs



CET = Common External Tariffs

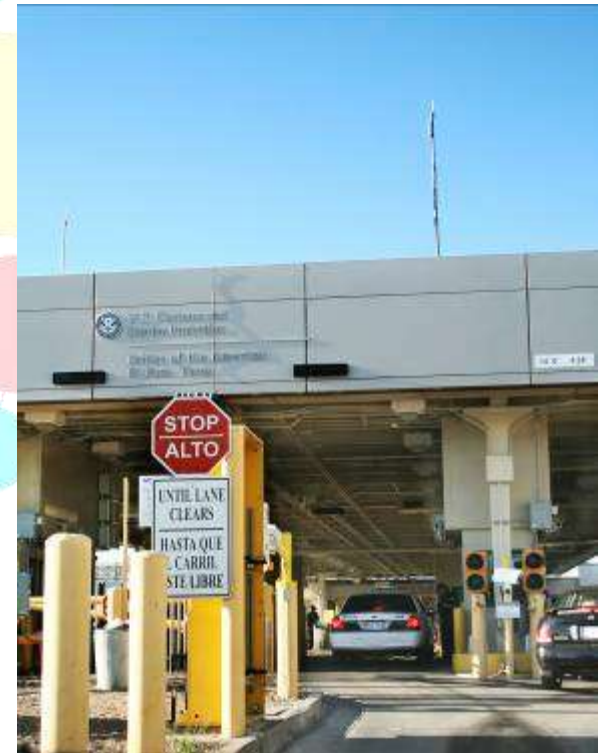
Free Trade Area



- Two or more countries agree to abolish tariffs and other barriers to trade amongst themselves
- Countries continue independent trade policies with countries outside agreement
- **Rules of origin** requirements restrict transshipment of goods from the country with the lowest tariff to another

North America—NAFTA

- Canada, United States, Mexico
- NAFTA established a free trade area in 1994
 - All three nations pledge to promote economic growth through tariff reductions and expanded trade and investment
 - No common external tariffs
 - Restrictions on labor and other movements remain



NAFTA Income and Population

TABLE 3-3 NAFTA Income and Population

	2009 GDP (in millions)	2009 Population (in thousands)	2009 GNI per Capita
United States	\$14,256,300	307,007	\$47,240
Canada	1,336,070	33,739	42,170
Mexico	874,902	107,431	8,920
<i>Total/Mean GNI per capita</i>	\$16,467,272	436,268	\$32,766*

*Indicates mean.

Customs Union

- Evolution of Free Trade Area
- Includes the elimination of internal barriers to trade (as in FTA)
- **AND** establishes common external barriers to trade
- Examples: The EU and Turkey, the Andean Community, Mercosur, CARICOM, Central American Integration System (SICA)



Presidencia Argentina 2012

Common Market

- Includes the elimination of internal barriers to trade (as in free trade area)
- **AND** establishes common external barriers to trade (as in customs union)
- **AND** allows for the free movement of factors of production, such as labor, capital, and information

Economic Union

- Includes the elimination of internal barriers to trade (as in free trade area)
- **AND** establishes common external barriers to trade (as in customs union)
- **AND** allows for the free movement of factors of production, such as labor, capital, and information (as in common market)
- **AND** coordinates and harmonizes economic and social policy within the union

Economic Union

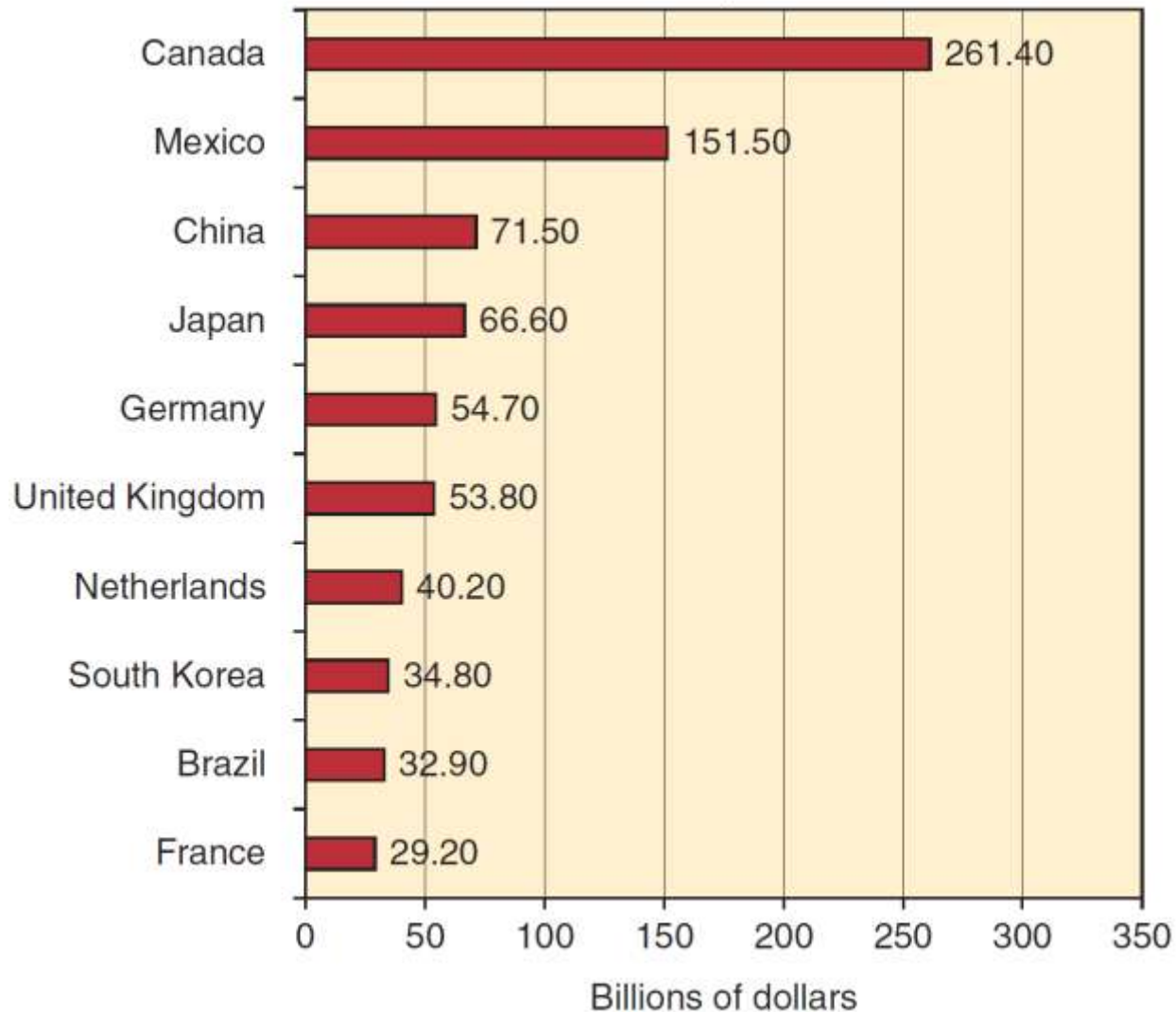
- Full evolution of economic union
 - creation of unified central bank
 - use of single currency
 - common policies on issues such as agriculture, social policy, transport, competition, mergers, taxation
 - requires extensive political unity
 - would lead to a central government in time

**European
Union Flag**



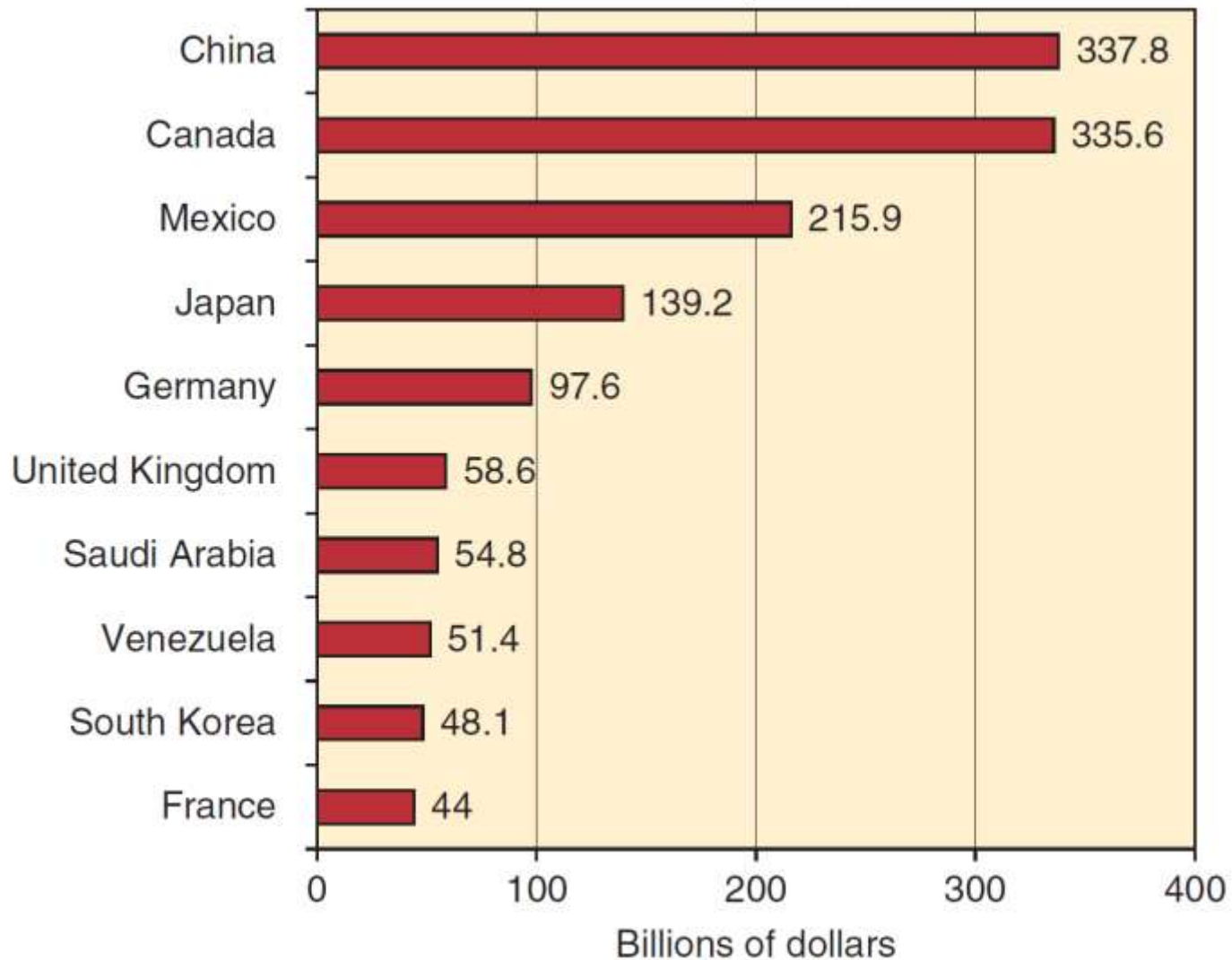
U.S. Goods Exports in 2009

\$1.27 Trillion



U.S. Goods Imported in 2009

\$2.1 Trillion



Latin America: SIICA, Andean Community, Mercosur, CARICOM

- Includes the Caribbean, Central, and South America
- History of no growth, inflation, debt, and protectionism has given way to free markets, open economies, and deregulation
- Some concern for further growth with the rise of left-leaning politicians

Central American Integration System (SICA)

- El Salvador, Honduras, Guatemala, Nicaragua, Costa Rica, and Panama
- Moving towards a common market
- Common External Tariff of 0 to 15%
- Retains tariffs on goods also produced in importing country



Andean Community

- Bolivia, Colombia, Ecuador, Peru
- Customs Union
 - Abolished foreign exchange, financial and fiscal incentives, and export subsidies
 - Established common external tariffs



Common Market of the South (MERCOSUR)

- Argentina, Brazil, Paraguay, Uruguay, Venezuela
- Customs union, seeks to become common market
 - Internal tariffs eliminated
 - Established common external tariffs up to 20%
 - In time, factors of production will move freely through member countries
- Bolivia, Chile, Ecuador, Peru
 - Associate members
 - Participate in free trade area but not customs union

MERCOSUR

	2009 GDP (in millions)	2009 Population (in thousands)	2009 GNI per Capita
Argentina	\$ 308,741	40,276	\$ 7,570
Bolivia*	17,339	9,862	1,630
Brazil	1,571,980	193,733	8,040
Chile*	163,670	16,970	9,420
Ecuador*	57,249	13,625	3,920
Paraguay	14,236	6,349	2,250
Peru*	126,734	29,164	4,150
Uruguay	36,092	3,345	9,360
Venezuela	326,498	28,384	10,150
<i>Total/Mean GNI per capita**</i>	\$2,622,539	341,708	\$ 6,276**

Caribbean Community and Common Market (CARICOM)

	2009 GDP (in millions)	2009 Population (in thousands)	2009 GNI per Capita
Antigua and Barbuda	\$ 1,131	88	\$12,130
Bahamas	7,234	342	21,390
Barbados	3,595	256	9,140
Belize	1,353	333	3,740
Dominica	378	73	3230
Grenada	626	104	5,580
Guyana	1,159	762	600
Haiti	6,478	10,032	na
Jamaica	12,070	2,700	4,590
Montserrat	na	na	na
St. Kitts and Nevis	545	50	10,150
St. Lucia	945	172	5,190
St. Vincent and Grenadines	583	109	5,130
Suriname	3,033	520	4,760
Trinidad and Tobago	21,204	1,338	16,700
Total/Mean GNI per capita	\$60,334^a	16,876^a	\$ 7,871^{*,b}

CARICOM



Asia-Pacific: The Association of Southeast Asian Nations (ASEAN)

- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
- Trading partners U.S., EU, China
- Geographically close; historically divided
- “ASEAN plus six” (Japan, China, Korea, Australia, New Zealand, India) working towards an economic community

ASEAN

	2009 GDP (in millions)	2009 Population in thousands)	2009 GNI per Capita
Brunei Darussalam	\$ 11,471	400	\$27,050
Cambodia	9,872	14,805	610
Indonesia	540,274	230,000	2,050
Laos	5,939	6,320	880
Malaysia	193,093	27,468	7,350
Myanmar	na	na	na
Philippines	161,196	91,983	2,050
Singapore	182,232	4,987	37,200
Thailand	263,772	67,764	3,760
Vietnam	90,090	87,279	930
<i>Total/Mean GNI per capita</i>	\$1,457,939	531,006^a	\$ 9,098^{*,a}

Singapore

- World's 2nd largest container port
- 2nd highest standard of living in the region behind Japan
- 4.2 million people
- 93% literacy rate
- Over 3,000 companies
- Crime is nearly nonexistent



The European Union (EU)

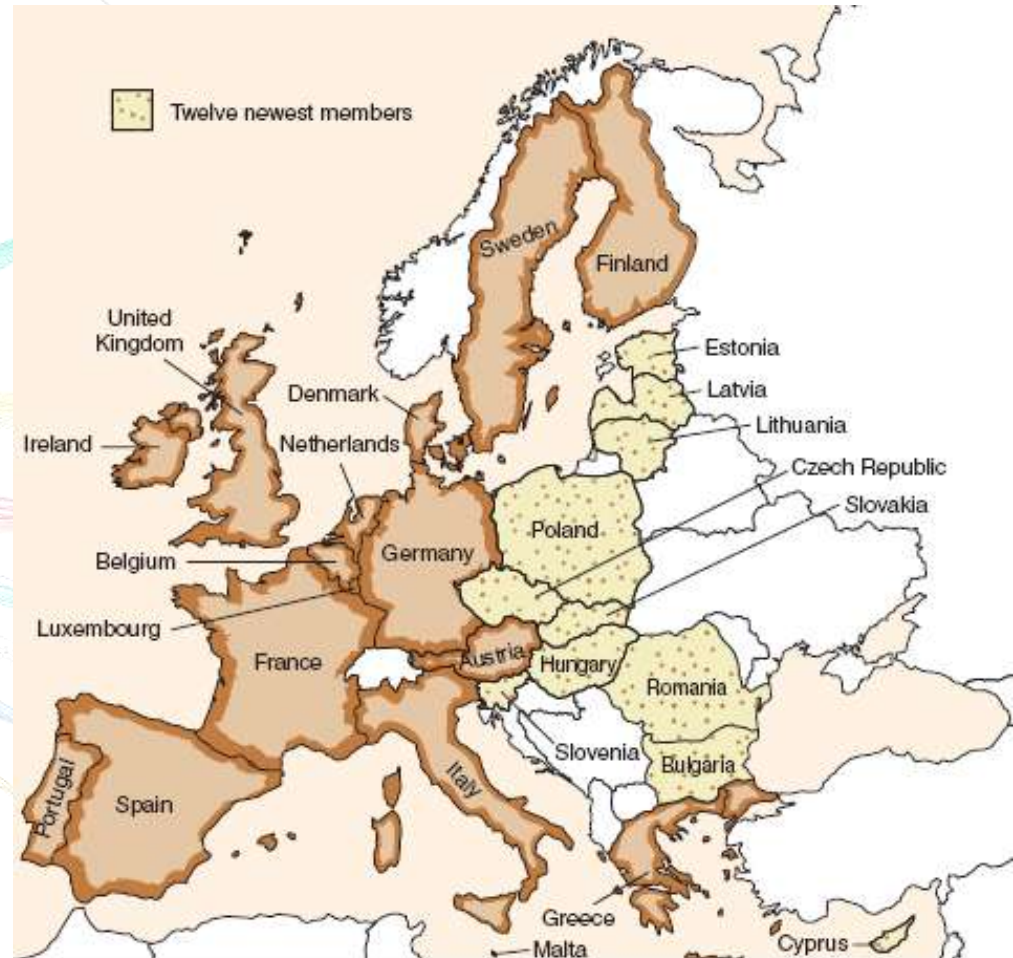
- Initially began with the 1958 Treaty of Rome
- Objective is to harmonize national laws and regulations so that goods, services, people, and money could flow freely across national boundaries

1991 Maastricht Treaty set stage for transition to an economic union with a central bank and single currency (the Euro)



European Union

- 27 countries
- 500 million people
- \$15 trillion GNI
- Euro currency, 1999
- Harmonization of laws and regulations
- Price transparency
- No customs at national borders



The Middle East

- Afghanistan, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, Yemen
 - Primarily Arab, some Persian and Jews
 - 95% Muslim, 5% Christian and Jewish
 - Oil prices drive commerce
 - 25% of world's oil in Saudi Arabia
 - Arab Spring 2011

Gulf Cooperation Council

	2009 GDP (in millions)	2009 Population (in thousands)	2009 GNI per Capita
Bahrain	\$ 20,594	791	\$25,420
Kuwait	148,024	2,794	43,930
Oman	46,114	2,845	17,890
Qatar	98,313	1409	na
Saudi Arabia	369,179	25,391	25,391
United Arab Emirates	230,252	4,598	26,370
<i>Total/Mean GNI per capita</i>	\$912,476	37,828	\$23,167^{*,a}

- Established in 1981 by 6 countries with 45% of world's oil
- These countries are attempting to diversify industries

Africa

- 54 nations over three distinct areas
 - Republic of South Africa
 - North Africa
 - Black Africa or sub-Saharan Africa
- Mena: Middle East and North Africa
 - Viewed as a regional entity
- Regional agreements
 - Economic Community of West African States
 - East African Cooperation
 - South African Development Community

Looking Ahead to Chapter 4

- Social and Cultural Environments

