

57. Trade – Trading blocs

= a large free trade area. This may include even a more democratic and participative system, as the EU and its parliament.

- *EU* – Europe
- *NAFTA* – North America
- *ASEAN* – South-East Asia
- *ANDEAN* – Andean countries
- *MERCOSUR* – South-American countries

Since the end of most of the world's empires a number of international, regionally-based economic blocs have been developed to promote trade between member states + political goals (EU).

Varieties of economic blocs include:

- *free trade areas*
- *single markets*
- *economic and monetary unions*

A trade bloc is established through a *trade pact* covering different spheres of the economic integration.

Example: NAFTA

= North American Free Trade Agreement between Canada, USA and Mexico (1994)

= 1 of the largest free trade zones in the world

= it joins countries from the developing and developed world

= it has removed all the restrictions on the movement of goods, services and capital

= main aims:

- to eliminate trade barriers
- to promote economic competition
- to increase investment opportunities
- to improve cooperation between USA, Canada and Mexico

Results:

- many Canadian SME have closed due to competition with lower cost US firms
- many SME left Canada for lower cost areas in the USA
- US industries move to Mexico thanks to ultra-cheap labour => creating unemployment in the USA
- increased employment in Mexico

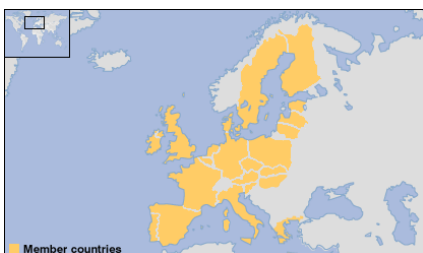
What are some other (dis)advantages of a trading bloc?

Keywords

trading bloc, trade pact

Trading blocs in the world

European Union



NAFTA



The trade between NAFTA and EU



