NAFTA

It is easy for countries such as Canada and the United States to build a very strong trade relationship. They are linked together by geography and a similar history. While Canada has a larger land area than the United States, it is about 10 times smaller in population. The two countries share a long border. Over time, they have become each other's most important trading partner. In 1989 Canada entered into a Free Trade Agreement (**FTA**) with the United States. This meant that a number of goods between our two countries could be exchanged without tariffs.

Mexico is also linked to the United States by geography. Like Canada, it has become dependent on the US market for about 85 per cent of its manufactured goods. Shortly after the FTA took effect, the move toward freer trade practices in Canada continued. Business people, banking representatives, and provincial premiers were calling for increased access to other markets. They wanted Canada to have the right to sell goods and services more freely in other countries. These demands resulted in the North American Free Trade Agreement in 1994. This agreement involved free trade between Canada, the United States, and Mexico.

(Understandings of Globalization, p.188)

EU

A **common market** is the strongest form of regional integration. Common market agreements include the free trade of goods and services and the free movement of capital and labour within the trading bloc. Trading partners outside the bloc are subject to a common set of trade restrictions. The **European Union (EU)**, an organization of 25 countries, is the largest and most powerful common market, with a population of nearly 457 000 000. While it is not a federation, it does have some of the elements common to a federal union: a flag, anthem, founding date, and currency. In addition, the EU is working to develop common foreign and security policies and to address other issues such as citizens' rights, regional development, and environmental protection.

Trade within the European Union

Since there are no restrictions on the movement of people, capital, goods, and services across national borders, the common market has facilitated trade among EU countries. Trade among these countries accounts for 33 per cent of all EU trade and is essential to all member countries' economies. More than 50 per cent of each country's trade occurs within the EU; in some countries, this figure is as high as 80 per cent.

The EU is also an important player in world trade. It accounts for 20 per cent of global imports and exports, even though it comprises only 7 per cent of the world's population.

(Perspectives on Globalization, p. 252-253)

MERCOSUR & CAN

In many South American countries, the richest 20 per cent of the population owns more than 60 per cent of the wealth. The poorest 20 per cent of the population owns less than 5 per cent of the wealth. Many South American countries hope that by joining South American trading blocs, they will be able to increase investment in their countries and improve economic stability.

MERCOSUR and CAN

One of the major trade organizations in South America is Mercado Común del Sur (MERCOSUR)—in English, Common Market of the South. This organization includes Argentina, Brazil, Paraguay, and Uruguay. Other South American countries associated with it are Chile, Bolivia, Colombia, Peru, Ecuador, and Venezuela. In May 2006, Venezuela signed an agreement to become a full member of the organization by 2012.

The main objective of this organization is to improve its member countries' economies by opening markets, promoting economic development, and conserving the environment. In order to become a member of MERCOSUR, a country must also be committed to democracy and human rights.

The other major trade organization in South America is Comunidad Andina de Naciones (CAN)—in English, Andean Community of Nations. This trading bloc, established in 1969, consists of Bolivia, Colombia, Ecuador, and Peru. The combined population of the member countries is about 90 million.

South American Community of Nations

In 1999, MERCOSUR and CAN began negotiating a merger, with the intention of creating a South American free trade area. This trading bloc will be called Comunidad Sudamericana de Naciones (CSN)—in English, South American Community of Nations. CSN plans to eliminate all tariffs by 2019. As well, the leaders of CSN plan to model the new community after the European Union—in other words, they hope their countries will eventually share a common currency, parliament, and passport.

By joining trading blocs, many South American countries expect that they will be able to increase investment in their economies. However, instability within the trading blocs themselves threatens these arrangements. For example, Venezuela withdrew from CAN in April 2006 to protest Colombia's and Peru's decision to sign free trade deals with the United States. In May 2006, Bolivian president Evo Morales nationalized his country's 53 foreign-owned natural gas installations. (When a country **nationalizes** an industry, the government takes over from private owners.) Some economists believe that Bolivia's takeover threatens to cause energy short- ages and price hikes that could seriously damage the economies of Bolivia's biggest customers, Argentina and Brazil.

(Perspectives on Globalization, p. 251-252)