Trading blocs

A trading bloc is an arrangement among a group of nations to allow free trade between member countries but to impose tariffs (charges) on other countries wishing to trade with them. The European Union (EU) is an excellent example of a trading bloc. Many trading blocs were established after the Second World War, as countries used political ties to further their economic development. There are a number of regionally based trading blocs.

Within a trading bloc, member countries have free access to each other's markets. Thus, within the EU, the UK has access to the other countries of the EU, and they in turn have access to Britain's market. Being a member of a trading bloc is important, as it allows access to a much bigger market – in the case of the EU this amounts to over 490 million wealthy consumers.

Some critics believe that trading blocs are unfair as they deny access to non-members. Thus, for example, countries from the developing world have more limited access to the rich markets of Europe. This makes it harder for them to trade and to develop. In order to limit the amount of protectionism, the World Trade Organization has tried to promote free trade to and from all markets.

To do:

a Name the two trading blocs in South America.

b Name a trading bloc that consists of rich countries (MEDCs) and a relatively poor country (NIC).

c Outline the main advantages and disadvantages of trading blocs.

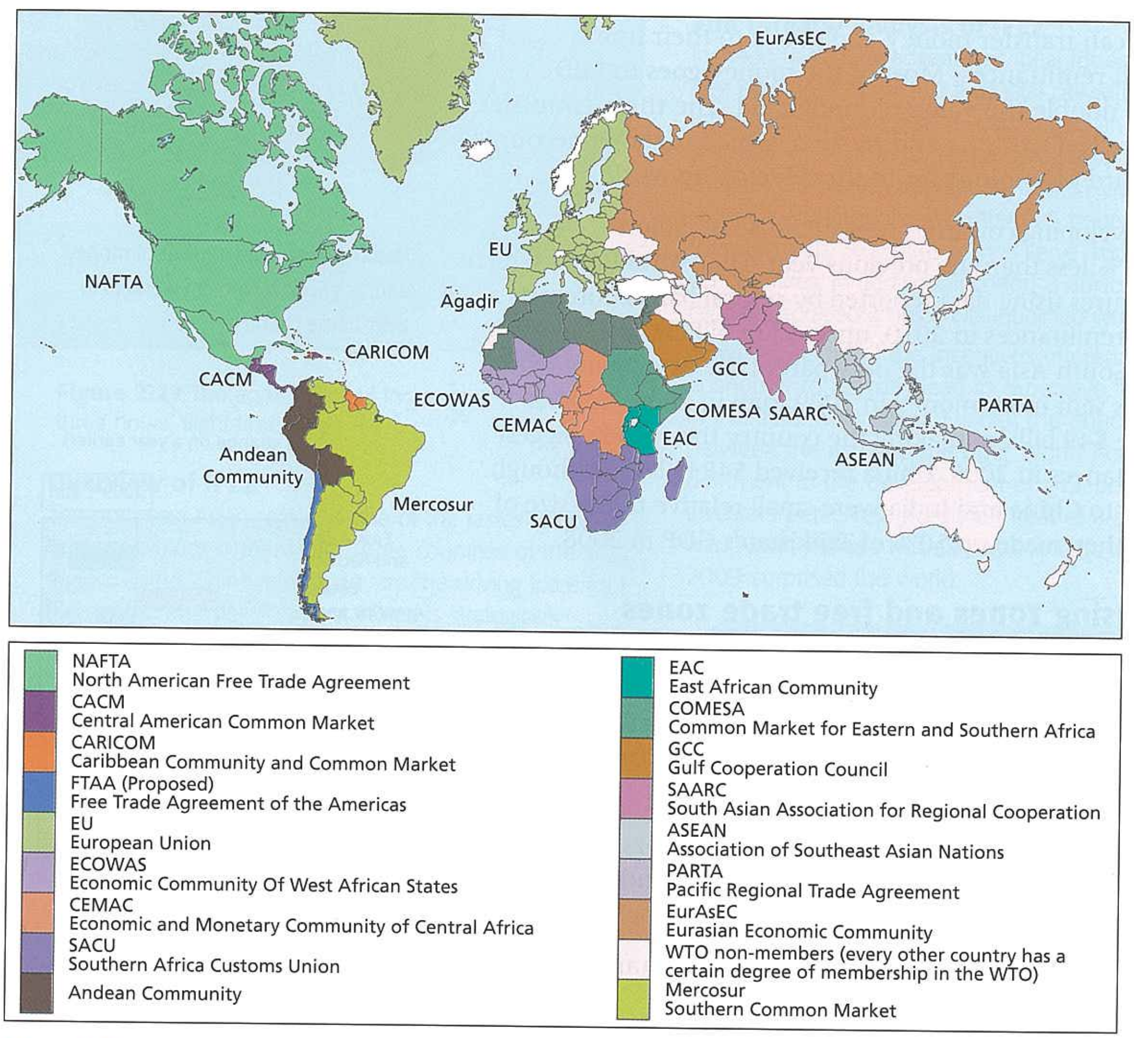

Figure 2.19 Major regional trading blocs