

Research Task globaledge.msu.edu

Regional Economic Integration

Use the globalEDGE™ site to complete the following exercises:

Exercise 1

Your company is seeking to expand by opening new customer representative and sales offices in the European Union (EU). The size of the investment is significant, and top management wishes to have a clearer picture of the current and probable future status of the EU. A colleague who spent some time living in the EU indicated that *Eurostat* might be a comprehensive source to assist in your project. After evaluating the state of the EU

based on the statistics and publications available, prepare an executive summary describing the features you consider as crucial in completing your report.

Exercise 2

Trade agreements can impact the cultural interactions between countries. In fact, the establishment of the Free Trade Area of the Americas (FTAA) can be considered a threat as well as an opportunity for your company. Identify the main negotiating groups a country must consider when a member. Choose two negotiating groups and justify their importance to member countries.

CLOSING CASE

NAFTA and Mexican Trucking

When the North American Free Trade Agreement (NAFTA) went into effect in 1994, the treaty specified that by 2000 trucks from each nation would be allowed to cross each other's borders and deliver goods to their ultimate destination. The argument was that such a policy would lead to great efficiencies. Before NAFTA, Mexican trucks stopped at the border, and goods had to be unloaded and reloaded onto American trucks, a process that took time and cost money. It was also argued that greater competition from Mexican trucking firms would lower the price of road transportation within NAFTA. Given that two-thirds of cross-border trade within NAFTA goes by road, supporters argued that the savings could be significant.

This provision was vigorously opposed by the Teamsters union in the United States, which represents truck drivers. The union argued that Mexican truck drivers had poor safety records, and that Mexican trucks did not adhere to the strict safety and environmental standards of the United States. To quote James Hoffa, the president of the Teamsters:

Mexican trucks are older, dirtier, and more dangerous than American trucks. American truck drivers are taken off the road if they commit a serious traffic violation in their personal vehicle. That's not so in Mexico. Limits on the hours a driver can spend behind the wheel are ignored in Mexico.

Under pressure from the Teamsters, the United States dragged its feet on implementation of the truck-

ing agreement. Ultimately the Teamsters sued to stop implementation of the agreement. An American court rejected their arguments and stated the country must honor the treaty. So did a NAFTA dispute settlement panel. This panel ruled in 2001 that the United States was violating the NAFTA treaty and gave Mexico the right to impose retaliatory tariffs. Mexico decided not to do that, instead giving the United States a chance to honor its commitment. The Bush administration tried to do just that, but was thwarted by opposition in Congress, which approved a measure setting 22 new safety standards that Mexican trucks would have to meet before entering the United States.

In an attempt to break the stalemate, in 2007 the U.S. government set up a pilot program under which trucks from some 100 Mexican transportation companies could enter the United States, provided they passed American safety inspections. The Mexican trucks were tracked, and after 18 months, that program showed the Mexican carriers had a slightly better safety record than their U.S. counterparts. The Teamsters immediately lobbied Congress to kill the pilot program. In March 2009 an amendment attached to a large spending bill did just that.

This time the Mexican government did not let the United States off the hook. As allowed to under the terms of the NAFTA agreement, Mexico immediately placed tariffs on some \$2.4 billion of goods shipped from the United States to Mexico. California, an important exporter of agricultural products to Mexico, was hit hard. Table grapes now faced a 45 percent tariff, while wine, almonds, and juices