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**International Marketing**  
**Chapter 10**

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# Chapter 10

## Europe, Africa, and the Middle East

# International Marketing

18th Edition



# Multinational Market Regions

Group of countries that:

- Seek mutual economic benefit and associated peace
- Reduce interregional trade and tariff barriers
- Economic cooperative agreements

Free trade the ultimate goal

- Alliances concern some
- Fear of being excluded

# Multinational Market Regions



# Multinational Market Regions



# La Raison d'Être

## Cultural Factors

- Cultural similarity eases shock of economic cooperation
  - Members understand outlook and views of colleagues
  - Agreements between similar countries most likely to succeed
- Current agreements extend beyond cultural boundaries
  - NAFTA and DR-CAFTA
  - European Union very culturally diverse
    - Language not as much of a barrier as expected
    - Religion still seems to be an issue

# Patterns of Multinational Cooperation 1 of 5

1. Regional Cooperation Groups
2. Free Trade Area
3. Customs Union
4. Common Market
5. Political Union



# Patterns of Multinational Cooperation 2 of 5

## Free Trade Area (FTA)

- Agreement to reduce or eliminate customs duties and nontariff trade barriers
- Members maintain tariff schedules for external countries
- Provides members with a mass market without barriers to impede flow of goods and services
- Requires more cooperation and integration than the RCD



# Patterns of Multinational Cooperation 3 of 5

## Customs Union

- Next stage in economic cooperation after FTA
  - Enjoys FTA's reduced or eliminated internal tariffs
  - Adds common external tariff on imports from outside of union
- Countries with customs unions
  - France and Monaco, Italy and San Marino, Switzerland and Liechtenstein
  - The European Union was a customs union at one point



# Patterns of Multinational Cooperation 4 of 5

## Common Market

- All internal tariffs and restrictions eliminated fully
- Adopts set of common external tariffs
- Free flow of goods, services (labor), and capital
- Economy unified, but each member nation maintains political sovereignty



# Patterns of Multinational Cooperation 5 of 5

## Political Union

- Most fully integrated form of regional cooperation
- Complete economic and political integration
  - Either voluntary or enforced
  - If voluntary, the union is referred to as a commonwealth
- Two political unions came to existence in the 1990s
  - Commonwealth of Independent States (CIS)
  - European Union (EU); threatened by recent Brexit



# Global Markets and Multinational Groups

Reasons to view market potential in regional context

- Globalization of markets
- Restructuring of eastern European bloc into independent market-driven economies
- Dissolution of Soviet Union into independent states
- Worldwide trend toward economic cooperation
- Enhanced global competition

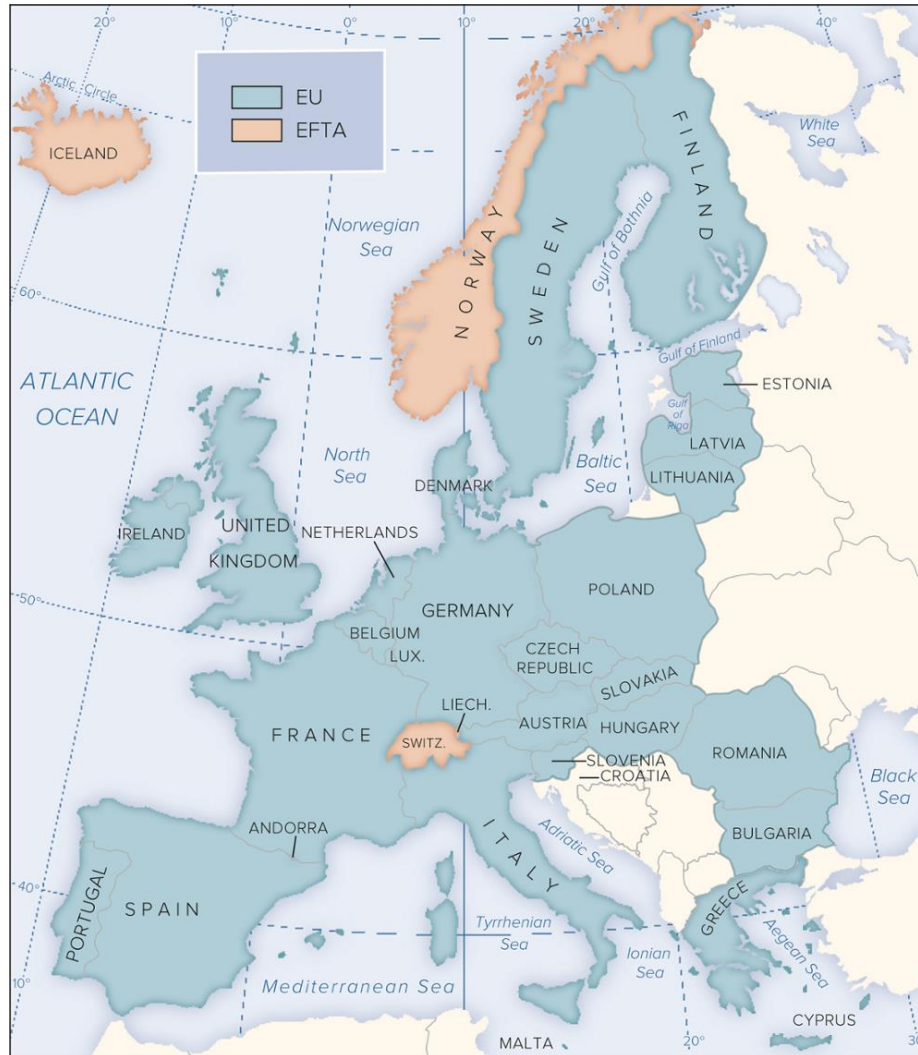


## European Integration

- Every type of multinational market grouping exists
- No other group more important than the European Union
  - Made progress toward complete economic and political union
  - Economic growth prevails even after U.K.'s exit
- A lot of diversity to overcome
  - Language and cultural differences
  - Individual national and political differences
  - Centuries-old restrictions to protect local national markets



# Exhibit 10.2 The European Economic Area: EU, EFTA, and Associates



[Jump to long description.](#)

# Europe 2 of 3

## European Union Institutions

- European Commission
  - Initiates policy and supervises its observance by member states
- Council of Ministers
  - The decision-making body; determines which proposals of the Single European Act to accept as binding to members
- The European Parliament
  - Passes and amends legislation
- Court of Justice
  - The Supreme Court of the European Union

# The European Parliament



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Each month the European Parliament meets for three weeks here in Brussels, Belgium, and then moves for one week to meet in Strasbourg, France. The inconvenience of the fourth week move was a concession to French pride—or perhaps the cheese is better there?

# Europe <sup>3 of 3</sup>

## Economic and Monetary Union (EMU)

- Provision of the Maastricht Treaty
- Established creation and implementation of the *euro*
  - A common currency for all EU members
- Established central bank
  - Helped fix conversion rates
  - Completed circulation of euro banknotes and coins
  - Led to 12 member states employing the euro starting in 2001



# Spread of the Euro



© AFP Photo/Louisa Gouliamaki/Newscom

It took some selling for the Greeks to adopt the euro instead of the 2,500-year-old drachma. The truck seen here in Athens's Syntagma Square was equipped with video projectors and euro information stands and traveled to 40 Greek towns, informing folks about the new currency. Circa 2012, there has been much talk of returning to the drachma; we shall see.

# EU, NATO, Schengen and Eurozone member states in Europe

in October 2018

factsmaps.com



EU ✓  
NATO ✓  
Schengen ✓  
Eurozone ✓

- Belgium
- Estonia
- France
- Germany
- Greece
- Italy
- Latvia
- Lithuania
- Luxembourg
- Netherlands
- Portugal
- Slovakia
- Slovenia
- Spain

EU ✓  
NATO ✓  
Schengen ✓  
Eurozone ✗

- Denmark
- Czech Rep.
- Hungary
- Poland

EU ✓  
NATO ✓  
Schengen ✗  
Euro ✗

- Bulgaria
- Croatia
- Romania
- UK

EU ✗  
NATO ✓  
Schengen ✓  
Eurozone ✗

- Iceland
- Norway

EU ✓  
NATO ✗  
Schengen ✓  
Eurozone ✗

- Sweden

EU ✓  
NATO ✗  
Schengen ✓  
Eurozone ✓

- Austria
- Finland
- Malta

EU ✓  
NATO ✓  
Schengen ✗  
Eurozone ✓

- Cyprus
- Ireland

EU ✗  
NATO ✗  
Schengen ✓  
Eurozone ✗

- Switzerland

EU ✗  
NATO ✓  
Schengen ✗  
Eurozone ✗

- Albania
- Montenegro
- Turkey



RUSSIA

UKRAINE

TURKEY

# Marketing in Emerging Economies

As demand for tobacco declines in more-developed countries, manufacturers direct more marketing efforts in the direction of emerging economies. Indeed, recently Philip Morris published a report estimating the cost savings for the Czech government at \$1,227 every time a smoker dies. Apparently, the company did not think through the public relations implications of this grisly bit of research.



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# Africa 1 of 2

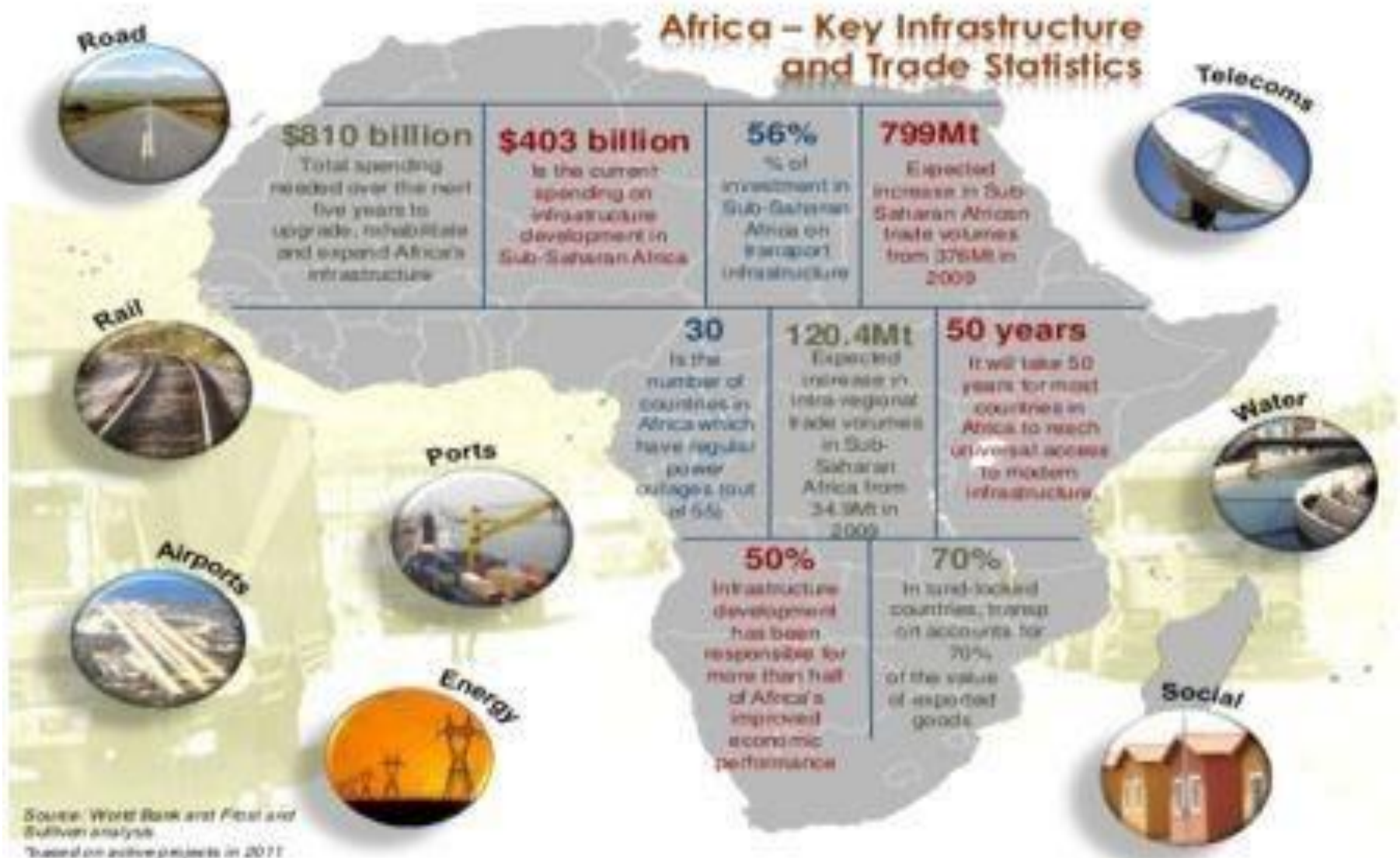
## Growth in many countries

- Despite economic, political, and environmental issues
- In part stimulated by increasing foreign direct investment
  - Particularly from China for infrastructure projects
  - Growth remarkable in sub-Saharan countries
- Expected to continue over next five years
- Africa a paradox
  - Mostly poor population; land rich with opportunities

# Africa



# Growth in Africa



# Growth in Africa



© John Graham

# Growth in Africa

Cell phone service is widely available even in African countries with per capita incomes among the lowest in the world.



# Growth in Africa



© John Graham

## Loosely defined African Union

- Comprised of all countries on continent but Morocco
- Multinational market integration poor
  - Although many organizations, hindered by political instability



## Regional Cooperative Groups

- ECOWAS – Economic Community of West African States
- SADC – Southern African Development Community
- EAC – East African Community

# Middle East/North Africa (MENA)



# Middle East/North Africa (MENA)



# Middle East/North Africa (MENA)

## Ongoing political turmoil in region

- Accelerated in 2011
- Has resulted in economic disaster for several countries
  - Long-term consequences for international commerce unknown
- Hope that democracy and freedom will increase economic opportunities for all
  - The Arab Common Market set goals for free internal trade
  - Not successful yet due to disputes and differences

# Two BEMs



Old meets new in two big emerging markets. The Grand Bazaar in Istanbul is the oldest and largest covered marketplace in the world, dating back to the 15th century. In modern Istanbul, it competes for customers with the ubiquitous McDonald's. Faint in the background is the Blue Mosque, built in 1616. Of course, the pyramids at Giza near Cairo are much older. But new construction methods and development are competing for the skyline there as well.

# Middle East/North Africa (MENA)

## Economic Communities

- Greater Arab Free Trade Area (GAFTA)
  - Persian Gulf, Egypt, Morocco
  - In early stages of implementation; 2005 agreement
- Economic Cooperation Organization (ECO)
  - Iran, Pakistan, Turkey
  - Goal to develop infrastructure and reduce trade barriers
- Organization of the Islamic Conference (OIC)
  - Led by Iran; composed of Islamic countries
  - A strong common market, but hindered by conflict



# Implications of Market Integration 1 of 3

## Strategic Implications

- Multinational groups source of opportunity for firms
- Production, finance, labor, marketing decisions are affected
- World competition will continue to intensify
  - Businesses becoming stronger and more experienced
  - Regulation of business activities strong in multinationals
- Strategy important to navigate global market



# Implications of Market Integration 2 of 3

## Opportunities

- Economic integration creates mass markets
  - Combinations of markets have new dimensions and significance
  - Important to businesses used to mass production and distribution
  - Economies of scale and marketing efficiencies can be achieved
  - Benefits often passed along as lower prices
    - Leads to greater purchasing power
  - Most multinationals have programs to foster economic growth



# Implications of Market Integration 3 of 3

## Market Barriers

- Created to protect businesses that operate within multinational market's borders
  - Members of market are advantaged
  - Companies willing to invest in production facilities in multinational markets may also benefit from protectionist measures
  - Challenges to exporters

