

# Europe, Africa, and the Middle East

## Chapter 10

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### Learning Objectives

- LO1 The reasons for economic union
- LO2 Patterns of international cooperation
- LO3 The evolution of the European Union
- LO4 Evolving patterns of trade as eastern Europe and the former Soviet states embrace free-market systems
- LO5 Strategic implications for marketing in the region
- LO6 The size and nature of marketing opportunities in the European/African/Middle East regions

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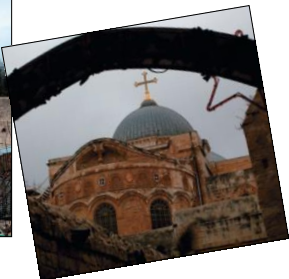
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Within a short walk of one another in the Old City of Jerusalem are three of the most important holy sites for Muslims (the Dome of the Rock), Jews (the Wailing Wall), and Christians (the Church of the Holy Sepulchre). Peace in the region would yield a bonanza of religious tourism.

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## Regional Market Regions and Regional Economic Cooperation

- **Multinational market regions** are groups of countries that seek mutual economic benefit from reducing interregional trade and tariff barriers—are the most important global trends today
- The most successful one is the European Union (EU), the world's largest multinational market region and foremost example of economic cooperation
- Multinational market groups form large markets that provide potentially significant opportunities for international business.

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## La Raison d'Etre

- Successful economic union requires favorable economic, political, cultural, and geographic factors as a basis for success
- The advantages of economic union must be clear-cut and significant
- Benefits must greatly outweigh the disadvantages before nations forgo any part of their sovereignty

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## Economic Factors

- Usually markets are enlarged through preferential tariff treatment for participating members, common tariff barriers against outsiders, or both
- Enlarged, protected markets stimulate internal economic development
- External and internal barriers are reduced because of the greater economic security afforded to domestic producers
- For a union to survive, it must have agreements and mechanisms in place to settle economic disputes.

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### Political Factors

- Political amenability among countries is another basic requisite for the development of a market agreement
- Typically, marketing arrangements are made in response to external political threats
- Participating countries must have comparable aspirations and general compatibility before surrendering any part of their national sovereignty

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### Geographic and Temporal Proximity

- Although not absolutely imperative for cooperating members of a customs union, such closeness facilitates the functioning of a common market
- More important than physical distance are differences across time zones
- Trade tends to travel more easily in north–south directions than it did in ancient times
- Transportation networks are interrelated and well developed when countries are close together
- Issues of immigration, legal and illegal, also promote closer economic integration

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### Cultural Factors

- Cultural similarity eases the shock of economic cooperation with other countries
  - Members understand the outlook and viewpoints of their colleagues
- Language, as a part of culture, has not created as much a barrier for EU countries as was expected
  - Nearly every educated European can do business in at least two or three languages
- Religion, however still seems to be an issue, as evidenced by the impending membership of turkey into the EU
  - Key members share a long-established Christian heritage

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### Patterns of Multinational Cooperation

- Regional Cooperation Groups
- Free Trade Area
- Customs Union
- Common Market
- Political Union

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### Regional Cooperation Groups

- The most basic economic integration and cooperation is the *regional cooperation for development (RCD)*
- Governments agree to participate jointly to develop basic industries beneficial to each economy
- Each country makes an advance commitment to:
  - participate in the financing of a new joint venture
  - to purchase a specified share of the output of the venture

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### Free Trade Area

- A **free trade area (FTA)** requires more cooperation and integration than the RCD
- It is an agreement between two or more countries to reduce or eliminate customs duties and nontariff trade barriers among partner countries
- Members maintain individual tariff schedules for external countries.
- An FTA provides its members with a mass market without barriers to impede the flow of goods and services

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### Customs Union

- A **customs union** represents the next stage in economic cooperation
- It enjoys the free trade area's reduced or eliminated internal tariffs and adds a common external tariff on products imported from countries outside the union.
- The European Union was a customs union before becoming a common market
- Customs unions exist between France and Monaco, Italy and San Marino, and Switzerland and Liechtenstein, to name some examples.

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### Common Market

- A **common market** agreement eliminates all tariffs and other restrictions on internal trade
- Adopts a set of common external tariffs, and removes all restrictions on the free flow of capital and labor among member nations
- It is a unified economy and lacks only political unity to become a political union

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### Political Union

- **Political union** is the most fully integrated form of regional cooperation
- It involves complete political and economic integration, either voluntary or enforced
- The most notable enforced political union was the Council for Mutual Economic Assistance (COMECON), a centrally controlled group of countries organized by the Soviet Union
- Two new political unions came into existence in the 1990s:
  - the Commonwealth of Independent States (CIS), made up of the republics of the former Soviet Union, and
  - the European Union (EU)

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## Global Markets and Multinational Groups

- The restructuring of the eastern European bloc into independent market-driven economies
- The dissolution of the Soviet Union into independent states
- The worldwide trend toward economic cooperation
- Enhanced global competition
- All of these warrant the study of three multinational regions: Europe, Africa and Middle East

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## Europe and European Integration

- Within Europe, every type of multinational market grouping exists:
  - The European Union
  - European Economic Area,
  - The European Free Trade Area
- No other group is more secure or more important economically than the EU
- It has made progress toward achieving the goal of complete economic integration and, ultimately, political union
- There are language and cultural differences, individual national interests, political differences, and centuries-old restrictions designed to protect local national markets
- Historically, standards have been used to effectively limit market access to individual countries (Germany: Beer, Italy: Pasta)

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Exhibit 10.1  
European Market Regions Fundamental Market Matrix  
In parentheses = average annual growth rate 2006-2011 (as a percentage)

Country (year initial asset)	Population Million	GDP Billion \$	Exports <sup>a</sup> of Goods Billion \$	Imports <sup>a</sup> of Goods Billion \$	Size of Firm Billion \$/yr	GDP/ Capita <sup>b</sup> \$	Interest Rates (percentage)
<b>Association of European States (AES)</b>							
Austria (1995)	8.4 (0.4)	418.7 (0.4)	171.1 (0.4)	182.0 (0.4)	15	49202 (0.3)	7.0 (4.9)
Belgium (2002)	10.5 (0.2)	337.4 (1.0)	479.0 (1.0)	480.0 (1.0)	28	40700 (4.8)	7.0 (5.0)
Denmark (2002)	5.5 (0.2)	264.4 (0.7)	27.0 (0.3)	32.0 (0.3)	20	47000 (1.2)	4.0 (4.3)
France (2004)	63.0 (0.2)	248.4 (0.7)	152.0 (0.6)	153.0 (0.6)	40	31400 (2.2)	3.0 (3.0)
Germany (1973)	8.0 (0.0)	350.0 (0.3)	112.0 (0.2)	107.0 (0.2)	15	44100 (0.3)	6.0 (5.7)
Greece (2004)	1.0 (0.1)	20.0 (0.1)	1.0 (0.1)	1.0 (0.1)	14	12000 (7.4)	7.0 (11.1)
Ireland (1992)	3.8 (0.0)	200.0 (1.1)	70.0 (0.2)	83.0 (0.2)	10	50110 (4.4)	6.0 (5.2)
Italy (2004)	63.0 (0.2)	201.0 (0.4)	102.0 (0.2)	102.0 (0.2)	30	44400 (0.3)	7.0 (11.3)
Lowland Countries	43.0 (0.2)	203.0 (0.2)	140.0 (0.1)	122.0 (0.1)	20	44000 (0.4)	4.0 (3.2)
Central (1981)	11.0 (0.4)	230.0 (0.2)	30.0 (0.2)	40.0 (0.3)	100	24200 (0.3)	4.0 (3.0)
Spain (2004)	45.0 (0.2)	191.0 (0.4)	140.0 (0.1)	122.0 (0.1)	11	12000 (4.4)	6.0 (7.2)
Sweden (1975)	8.5 (0.1)	170.0 (0.4)	20.0 (0.1)	20.0 (0.1)	11	20000 (1.8)	4.0 (4.2)
UK (1984)*	60.7 (0.0)	219.0 (0.4)	123.0 (0.4)	165.0 (0.4)	87	34200 (0.7)	5.0 (4.2)
Other (1994)	1.5 (0.0)	17.0 (0.1)	1.0 (0.1)	1.0 (0.1)	10	12000 (0.4)	6.0 (6.2)
Other (2004)	5.1 (1.0)	41.0 (0.7)	20.0 (0.3)	21.0 (0.3)	10	12000 (0.6)	4.0 (3.7)
Other (2004)	0.5 (0.0)	4.0 (0.1)	1.0 (0.1)	1.0 (0.1)	10	84000 (0.1)	6.0 (6.0)
Other (2004)	16.0 (0.4)	80.0 (0.2)	34.0 (0.1)	30.0 (0.1)	11	13700 (0.4)	9.0 (1.8)
Other (2004)	38.0 (0.2)	402.0 (0.4)	192.0 (0.4)	200.0 (0.4)	62	13400 (0.7)	4.0 (3.6)
Other (1980)	10.0 (0.1)	220.0 (0.3)	80.0 (0.1)	81.0 (0.1)	20	22700 (0.3)	5.0 (4.8)
Other (2004)	17.0 (0.2)	197.0 (0.2)	60.0 (0.1)	71.0 (0.1)	48	12000 (0.4)	4.0 (3.6)
Other (2004)	2.0 (0.0)	10.0 (0.0)	2.0 (0.0)	2.0 (0.0)	10	24000 (0.4)	4.0 (4.4)
Other (1990)	40.0 (1.0)	100.0 (1.0)	20.0 (1.0)	20.0 (1.0)	64	10110 (0.4)	4.0 (3.2)
Other (1990)	14.0 (0.0)	101.0 (0.4)	107.0 (0.4)	175.0 (0.5)	20	18400 (0.5)	6.0 (1.3)
Other (1990)	4.0 (0.0)	240.0 (0.1)	440.0 (0.4)	440.0 (0.4)	7	30000 (0.3)	4.0 (4.0)
<b>EU Candidate Countries</b>							
Croatia (1991)	4.4 (0.1)	62.0 (0.5)	12.0 (0.4)	20.4 (1.0)	80	14100 (0.7)	4.0 (4.1)
Cyprus (1991)	0.7 (0.0)	10.0 (0.4)	4.4 (1.7)	4.0 (1.6)	22	4400 (0.5)	10.0 (1.6)
Italy	70.0 (0.3)	740.0 (0.3)	100.0 (0.3)	240.0 (1.0)	71	10000 (0.9)	4.0 (3.6)
<b>European Free Trade Area (EFTA)</b>							
Iceland	0.5 (0.0)	11.0 (1.2)	5.0 (1.0)	4.0 (1.2)	9	25400 (1.2)	6.0 (3.2)
Norway	4.0 (0.1)	470.0 (0.8)	100.0 (0.4)	100.0 (0.7)	17	40000 (1.0)	4.0 (3.1)
Switzerland	7.0 (0.1)	350.0 (0.4)	220.0 (0.4)	180.0 (0.4)	16	70700 (0.4)	4.0 (4.2)

<sup>a</sup>Current U.S. \$.  
<sup>b</sup>Eurozone.  
Source: Euromonitor International, 2012; World Bank, 2012.

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



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Year	Event	Significance
1951	Treaty of Paris	European Coal and Steel Community (ECSC) founding treaty on Belgium, France, Germany, Italy, Luxembourg, and the Netherlands
1957	Treaty of Rome	European Economic Community (EEC)
1958	European Economic Community	Common market is established
1960	European Free Trade Association	Established by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom
1972	Expansion	Denmark, Ireland, and United Kingdom join EEC
1979	European monetary system	The European Currency Unit (ECU) is created. All members except the UK agree to maintain the exchange rates with parity
1981	Expansion	Greece joins EEC
1985	1985 Single Market Program	Single market for areas unrelated to European Parliament
1986	Expansion	Greece and Portugal join EEC
1992	Single European Act	Adopted with full participation by 1992. Includes the Maastricht Treaty
1992	Treaty on European Union	Adopted with full participation by 1992. Includes the Maastricht Treaty
1993	Europe 1992	1993
1993	European Union	European Economic Area (EEA) is created
1994	European Economic Area	The EEA was formed with EU members and Norway and Iceland
1995	Expansion	Austria, Finland, and Sweden join EU. Additional provisions for expansion to Central and Eastern Europe
1997	Amsterdam Treaty	Common rules on trade, and the Council by banking and financial industry
1999	Monetary union	Common rules on trade, and the Council by banking and financial industry
2002	Banknotes and coins	Common rules on trade, and the Council by banking and financial industry
2004	Expansion	Poland, Portugal, Slovakia, Slovenia, and Spain join EU. Includes the Maastricht Treaty
2007	Expansion	Romania and Bulgaria join EU
2013	Expansion	Croatia joins EU

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## European Union

- Even though several member states are not fully implementing all the measures, they are making progress
- The proportion of directives not yet implemented in all 27 member states has fallen dramatically
- Taxation has been one of the areas where implementation lags and reform continues to be necessary

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## EU Institutions

- It has executive, parliamentary, and judicial branches:
  - the European Commission: initiates policies
  - the Council of Ministers: is the decision-making body of the European Union
  - the European Parliament: can amend and adopt legislation
  - the Court of Justice: is responsible for challenging any measures incompatible with the Treaty of Rome, for passing judgment at the request of a national court, on the interpretation or validity of points of EU law

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## Economic and Monetary Union (EMU)

- The EMU, a provision of the Maastricht Treaty, established the parameters of the creation of a common currency for the EU, the *euro*
- Established a timetable for its implementation
- In 2002, a central bank was established, conversion rates were fixed, circulation of euro banknotes and coins was completed
- The 12 member states employed the euro beginning in January 1, 2001, some did not join voluntarily

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## Expansion of the European Union

- Ten new countries were added in 2004, some ahead of schedule
- Bulgaria and Romania entered as planned in 2007
- Talks with Turkey, Macedonia, and Croatia are continuing
- Negotiations with Turkey have had their ups and downs, but the Muslim majority nation has economically benefited from its new openness

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### Expansion of the European Union

- In 2007 the European Union celebrated its golden anniversary
- The 2008–2009 global recession has posed daunting short-term challenges to the integrity of the Union
- An early recovery stalled in late 2009; and Ireland, Portugal, Spain, and particularly Greece are experiencing continuing problems.

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### Long Term Challenges for the EU

- The long term challenges facing the Union in the next 50 years appear to fall into three categories:
  - improving the Union's economic performance
  - deciding how to limit the political aspect of union and
  - deciding about further enlargement

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### Eastern Europe and the Baltic States

- Eastern Europe and the Baltic states, satellite nations of the former Soviet Union, have moved steadily toward establishing post communist market reforms
- New business opportunities are emerging
- Countries continue to adjust to the political, social, and economic realities of changing to free markets and capitalism.

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## Eastern Europe

- Most eastern European countries are privatizing state-owned enterprises
- Establishing free market pricing systems
- Relaxing import controls
- But struggling with inflation
- The very different paths taken toward market economies have resulted in different levels of progress

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## Baltic States

- The Baltic states—Estonia, Latvia, and Lithuania—are a good example of the difference that the right policies can make
- All three countries started off with roughly the same legacy of inefficient industry and Soviet-style command economies
- Government bureaucracy, corruption, and organized crime—common problems found in the countries of the former Soviet Union continue
- These issues represent the most significant hurdles to U.S. trade and investment

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## Commonwealth of Independent States

- The first Soviet republics to declare independence were the Baltic states
- The remaining 12 republics of the former USSR, collectively known as the Newly Independent States (NIS), regrouped into the Commonwealth of Independent States
- The CIS is a loose economic and political alliance with open borders but no central government

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The hammer and sickle logo of the old USSR has been replaced by signs of free enterprise in Russia. Here in the main shopping district of St. Petersburg, Nike Sport is prominent, along with Coca-Cola red umbrellas.

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Exhibit 10.5

Commonwealth of Independent States (CIS) Fundamental Market Metrics

(In parentheses) = average annual growth rate 2006-2011 as a percentage

Country	Population (millions)	GNI* (billions \$)	Exports* of Goods (billions \$)	Imports* of Goods (billions \$)	Ease of Doing Business Index	GNI/capita* (\$)	Internet Users (percentage)
Armenia	3.1 (0.1)	10.9 (10.5)	1.4 (6.2)	4.2 (13.9)	55	3506 (10.3)	37 (9.4)
Azerbaijan	8.9 (1.1)	57.5 (25.7)	21.6 (27.7)	9.6 (12.8)	66	6440 (24.3)	37 (28.5)
Belarus	9.6 (-0.3)	48.0 (5.4)	39.7 (13.0)	43.7 (14.4)	69	4984 (5.7)	32 (3.0)
Kazakhstan	16.2 (1.2)	144.8 (15.1)	86.8 (17.5)	36.7 (8.8)	47	8945 (13.7)	33 (23.6)
Kyrgyzstan	5.4 (1.2)	5.2 (13.3)	2.1 (18.7)	4.3 (17.4)	70	965 (11.9)	14 (41.7)
Moldova	3.9 (-0.9)	7.4 (14.3)	2.2 (15.8)	5.2 (14.0)	81	2086 (15.3)	40 (15.3)
Russia	142.9 (-0.1)	1772.2 (13.0)	527.8 (11.7)	324.3 (14.6)	120	12400 (13.1)	43 (22.4)
Tajikistan	7.0 (1.3)	6.8 (20.2)	1.2 (-2.3)	3.1 (12.4)	147	974 (18.6)	12 (14.3)
Ukraine	43.6 (-0.5)	156.1 (8.0)	68.5 (13.3)	82.7 (12.9)	132	3422 (8.4)	23 (37.7)
Uzbekistan	28.1 (1.1)	43.0 (20.3)	13.8 (19.4)	10.4 (18.9)	166	1531 (19.0)	19 (28.1)
Georgia	4.4 (0.0)	13.5 (11.2)	2.1 (15.8)	7.1 (14.0)	16	3064 (11.3)	26 (41.7)
Excludes defense post, withdrew 2006							
Turkmenistan (associate member, withdrew 2005)	5.2 (1.3)	26.1 (5.3)	226.2 (4.6)	7.4 (23.8)	—	4971 (4.0)	2 (15.0)

\*Current U.S. \$

Source: Eurostat/International, 2012; World Bank, 2012.

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## Africa

- Recent global economic problems have not impeded the growth among African countries
- Ethiopia, Angola, and Malawi each experienced annual growth rates of greater than 8 percent between 2007 and 2011
- Several other countries in the sub-Saharan region have grown faster than 5 percent annually
- However, Africa's multinational market integration activities can be characterized as a great deal of activity but little progress
- Despite the large number and assortment of paper organizations, there has been little progress towards economic integration because of political instability

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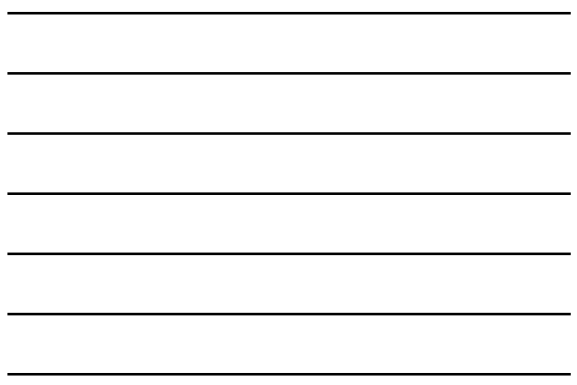
# Exhibit 10.6

Exhibit 10.6  
Africa's Trade Corridors and Other Market Groups' Fundamental Market Metrics  
In constant U.S. dollars unless noted otherwise

Country	Population (millions)	GDP (billion U.S. dollars)	Exports (billion U.S. dollars)	Imports (billion U.S. dollars)	Rate of Saving (percent)	ODA Commitment (billion U.S. dollars)	Year-end Interest Rate (percent)
Algeria	34.0	141.0	40.2	50.1	37.0	4.0	4.0
Angola	17.1	142.0	1.1	1.1	21.0	0.0	10.0
Botswana	1.9	19.0	1.0	1.0	30.0	0.0	10.0
Burkina Faso	19.0	14.0	1.0	1.0	10.0	0.0	10.0
Burundi	10.0	1.0	0.1	0.1	10.0	0.0	10.0
Cameroon	20.0	10.0	1.0	1.0	10.0	0.0	10.0
Cote d'Ivoire	20.0	10.0	1.0	1.0	10.0	0.0	10.0
Egypt	78.0	140.0	40.0	40.0	30.0	0.0	10.0
Ethiopia	90.0	10.0	1.0	1.0	10.0	0.0	10.0
Ghana	20.0	10.0	1.0	1.0	10.0	0.0	10.0
Guinea	10.0	1.0	0.1	0.1	10.0	0.0	10.0
Kenya	35.0	10.0	1.0	1.0	10.0	0.0	10.0
Madagascar	20.0	1.0	0.1	0.1	10.0	0.0	10.0
Mali	18.0	1.0	0.1	0.1	10.0	0.0	10.0
Morocco	32.0	100.0	10.0	10.0	30.0	0.0	10.0
Mozambique	22.0	1.0	0.1	0.1	10.0	0.0	10.0
Niger	18.0	1.0	0.1	0.1	10.0	0.0	10.0
Nigeria	170.0	100.0	10.0	10.0	10.0	0.0	10.0
Rwanda	10.0	1.0	0.1	0.1	10.0	0.0	10.0
Senegal	12.0	1.0	0.1	0.1	10.0	0.0	10.0
Sierra Leone	6.0	1.0	0.1	0.1	10.0	0.0	10.0
Sudan	40.0	1.0	0.1	0.1	10.0	0.0	10.0
Tanzania	45.0	1.0	0.1	0.1	10.0	0.0	10.0
Togo	7.0	1.0	0.1	0.1	10.0	0.0	10.0
Tunisia	10.0	100.0	10.0	10.0	30.0	0.0	10.0
Zambia	10.0	1.0	0.1	0.1	10.0	0.0	10.0
Zimbabwe	12.0	1.0	0.1	0.1	10.0	0.0	10.0

Current U.S. Member of Economic Community of West African States (ECOWAS).  
Member of Southern African Development Community (SADC).  
Member of East African Community.  
Source: EuroMonitor International, 2012; World Bank, 2012.

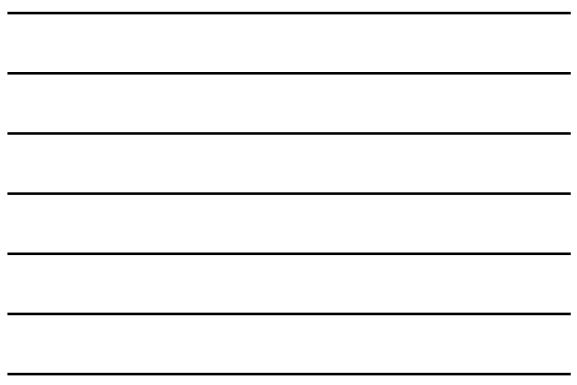
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## Middle East/North Africa (MENA)

- The ongoing political turmoil in Middle East/North Africa (MENA) region accelerated in 2011 and has resulted in economic disaster in several countries in the region
- The Arab Common Market set goals for free internal trade but has not really succeeded
  - The aim was to integrate the economies of the 22 Arab countries, but a long history of border disputes, and internal political turmoil will have to be overcome.

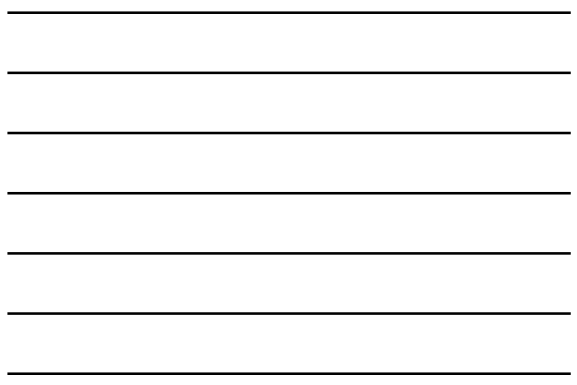
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## Middle East/North Africa (MENA)

- The Arab Gulf states, Egypt, and Morocco formed an Arab Free Trade Area, sometimes called the Greater Arab Free Trade Area (GAFTA)
- Iran, Pakistan, and Turkey, formed the Regional Cooperation for Development (RCD), recently renamed to the Economic Cooperation Organization (ECO)
- The organization, led by Iran, is the Organization of the Islamic Conference (OIC), a common market composed of Islamic countries

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## Exhibit 10.7 Middle East/North Africa (MENA)

Country	Population (millions)	GDP (Billion \$)	Exports* of Goods (Billion \$)	Imports* of Goods (Billion \$)	East of Suez Business Index	GNI (capita)* (\$)	Internet Users (percent)
<b>Arab League Member States</b>							
Bahrain	186.7 (10.9)	74.8 (6.3)	47.7 (17.4)	148	1247 (9.2)	13 (10.7)	
Egypt	82.2 (5.0)	226.6 (15.4)	30.3 (17.4)	110	2621 (13.7)	27 (25.1)	
Iran	72.7 (5.0)	105.2 (20.5)	64.3 (16.1)	484	1071 (16.9)	2 (13.3)	
Jordan	6.4 (0.8)	25.9 (10.3)	8.0 (9.2)	18.3 (9.9)	96	4071 (9.0)	69 (26.4)
Kuwait	3.0 (0.2)	174.7 (9.2)	74.3 (5.8)	24.6 (7.3)	67	48104 (0.5)	38 (12.2)
Saudi Arabia	27.2 (0.7)	45.1 (13.5)	3.4 (14.3)	20.1 (15.8)	104	10061 (2.5)	31 (14.0)
UAE	6.4 (1.7)	45.7 (4.0)	51.2 (5.0)	10.3 (11.4)	—	7132 (5.4)	6 (11.7)
Yemen	22.2 (0.2)	4.1 (0.3)	2.8 (1.3)	2.9 (0.8)	109	1162 (0.8)	3 (20.0)
Morocco	32.8 (1.2)	110.5 (9.2)	21.2 (10.7)	43.8 (12.8)	94	3370 (7.0)	49 (22.2)
Oman	2.8 (0.6)	63.0 (11.7)	43.4 (15.0)	25.8 (11.8)	49	22161 (8.9)	63 (53.0)
<b>States of Palestine (data included in Israel)</b>							
Israel	7.1 (1.7)	—	78.3 (18.8)	23.6 (7.0)	36	—	49 (21.0)
Qatar	2.0 (0.1)	—	369.0 (11.8)	131.8 (9.9)	12	21794 (7.4)	41 (21.3)
Saudi Arabia (Special Economic Zones)	0.6 (0.2)	—	0.5 (13.7)	1.1 (9.8)	—	—	1 (5.9)
<b>South Sudan (a new country established in 2011. Data available at the writing)</b>							
Sudan	46.6 (2.3)	59.5 (12.2)	11.0 (14.2)	10.7 (8.7)	135	1332 (9.4)	10 (12.2)
<b>Other countries in the region</b>							
India (combined for South and North Sudan)	30.8 (2.0)	61.8 (13.4)	14.5 (5.8)	16.6 (7.7)	134	2976 (11.4)	21 (13.3)
Turkey	73.2 (3.4)	45.1 (8.8)	17.8 (8.8)	24.1 (9.4)	46	2921 (2.4)	37 (28.3)
United Arab Emirates	6.3 (1.5)	263.5 (11.4)	284.5 (14.3)	200.0 (14.9)	33	34301 (3.0)	78 (12.4)
Uzbekistan	24.8 (3.1)	43.2 (14.8)	9.2 (6.7)	1.4 (15.5)	99	1742 (11.4)	11 (72.1)
<b>Unaffiliated States</b>							
Iran	75.0 (3.2)	402.4 (14.4)	117.0 (10.2)	71.8 (6.5)	144	4090 (12.7)	13 (8.8)
Israel	7.8 (1.9)	238.8 (10.5)	57.6 (7.5)	72.7 (9.0)	34	30759 (8.4)	65 (23.2)

\*Current U.S. \$. Source: EIU/Amnitor International, 2012; World Bank, 2012.

## Implications of Market Integration

- Multinationals provide opportunity through access to greatly enlarged markets
- Production, financing, labor, and marketing decisions are impacted
- World competition will continue to intensify as businesses become stronger and more experienced in dealing with large market groups.
- Regulation of business activities has been intensified throughout multinational market groups

## Opportunities

- Economic integration creates large mass markets.
- Most multinational groups have coordinated programs to foster economic growth
- Major savings will result from the billions of dollars now spent in developing different versions of products to meet a variety of national standards.

## Market Barriers

- Provide an advantage to the companies within the market in their dealings with other countries of the market group
- Companies willing to invest in production facilities in multinational markets may benefit from protectionist measures
- Exporters to these markets are in a considerably weaker position
- Meeting product and other standards within each multinational marketing region like the EU is a challenge

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Exhibit 10.8  
Standard of Living in the Eight Most Populous Countries in the Europe/Africa/MENA Region

Country	Population (millions)	GNI per Capita	Medical Resources per 1000 Persons		Household Ownership %		
			Doctors	Hospital Beds	Color TV	Refrigerator	Washing Machine
Nigeria	162	\$ 917	0.4	—	44	17	14
Russia	143	12,401	4.4	9.4	98	97	97
Ethiopia	84	322	0.0	—	—	—	—
Germany	81	44,629	3.8	8.1	99	99	96
Egypt	80	2,823	3.0	1.9	92	93	95
Iran	76	6,090	0.9	1.2	89	94	46
Turkey	73	10,087	1.7	2.6	95	99	94
Congo, DR	68	230	—	—	—	—	—

Source: Euromonitor International, 2012.

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Exhibit 10.9  
Infrastructures of the Eight Most Populous Countries of the Europe/Africa/MENA Region

Country	Travel by Rail (passenger-km per capita)	Passenger Cars/1000	Energy Consumption (tonnes oil equivalent)	Mobile Phones in Use per 1000 People	Literacy Rate %	University Students per 1000 People
Russia	1118	259	4.8	1766	100	77
Ethiopia	—	1	—	82	26	5
Germany	1027	525	3.8	1364	100	28
Egypt	627	42	1.1	858	59	30
Iran	223	130	2.9	817	89	43
Turkey	77	112	1.6	970	92	46
Congo, DR	1	4	—	197	67	6

Source: Euromonitor International, 2012.

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**Exhibit 10.10**  
Consumption Patterns in the Eight Most Populous Countries in Europe/Africa/MENA Region

Country	People per Household	Household Expenditures (\$/capita)								
		Food	Alcohol, Tobacco	Clothing	Housing	Health Goods, Services	Transportation	Communication	Leisure	Education
Nigeria	4.9	301	19	54	144	37	57	16	18	31
Russia	2.7	1966	449	557	553	241	830	333	329	72
Ethiopia	4.4	—	—	—	—	—	—	—	—	—
Germany	2.0	2628	752	1178	5924	1188	3387	696	2266	228
Egypt	4.0	959	50	129	406	143	100	59	43	76
Iran	3.6	664	14	182	842	208	427	118	25	63
Turkey	3.9	1643	316	370	1595	288	1019	381	307	100
Congo, DR	6.6	—	—	—	—	—	—	—	—	—

Source: Euromonitor International, 2012.

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## Marketing Mix Implications

- In the past:
  - Companies charged different prices in different countries
  - Non-tariff barriers between member countries supported such price differentials
- Companies are adjusting their marketing mix strategies to reflect anticipated market changes in the single European market.
  - Price standardization due to parallel importation
  - Fairer competition due to single currency (EU)
  - Reduced number of brands due to standardization
  - Increased competition among retailers

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