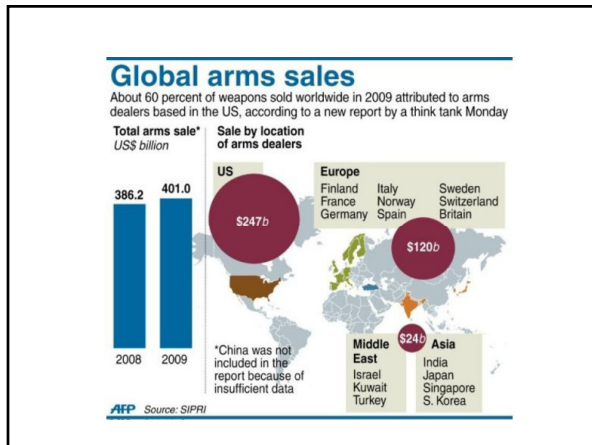




How Is Trade Related to Political Geography?

- Can promote stability and peace
- Can promote destabilization and war
- May provide political leverage
- A force for globalization
- Challenges sovereignty and boundaries
- May perpetuate colonial trade relationships or promote new blocs and cartels
- Promotion of "Innocent passage"
- May affect passage and enforcement of laws relating to product safety, consumer protection, environmental quality and conservation



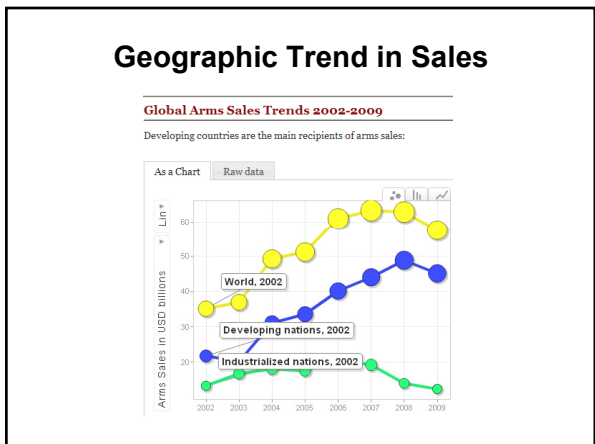
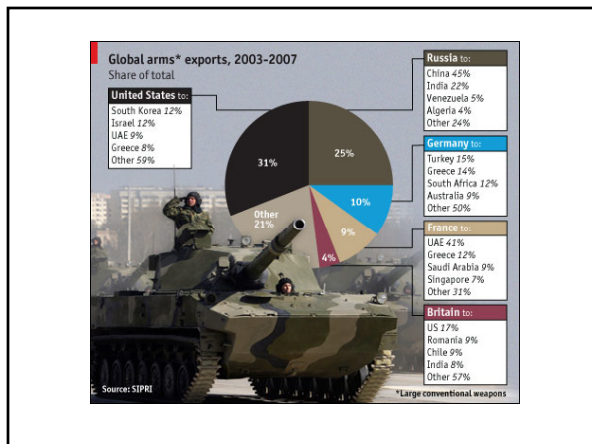
Global Arms Sales, 2010

Supplier	Total Sales in US Dollars (billions)	Percent of total sales
United States	166.278	40%
Russia	73.965	18%
France	35.175	8%
United Kingdom	29.379	7%
China	13.652	3%
Germany	19.742	5%
Italy	12.531	3%
Other European	43.752	10%
Others	22.459	5%

Source: Richard F. Grimmett, *CRS Report for Congress: Conventional Arms Transfers to Developing Nations, 2002-2009*, September 10, 2010

Notes: Percentages are rounded; Each country shown as follows:

- developing countries
- industrialized countries



General Dynamics/Lockheed-Martin F-16



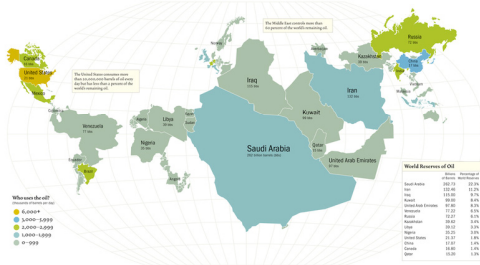
First flown February 1974
18 sold to Iraq (9/10) for \$4.2B (incl. parts/service)

4,450 F-16s had been delivered to the air forces of 25 countries as of July, 2010

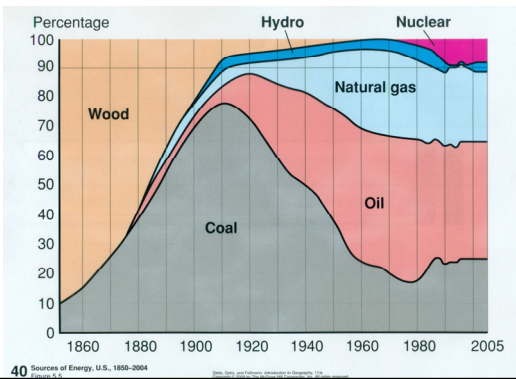


Global oil reserves

Who has the oil?

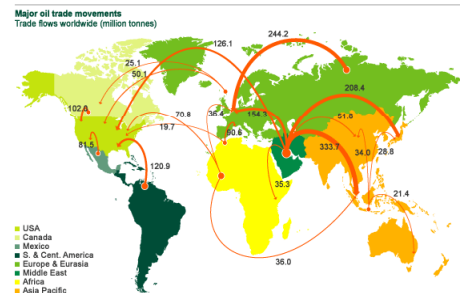


Sources of Energy in the U.S. Over Time



As the geography of resources changes over time, so does the political power of countries and regions that possess them.

Global oil trade



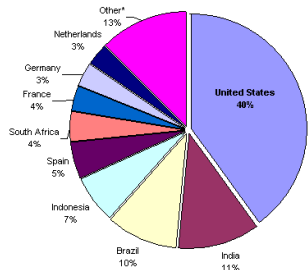
Global map of Piracy, 2008



Nigeria

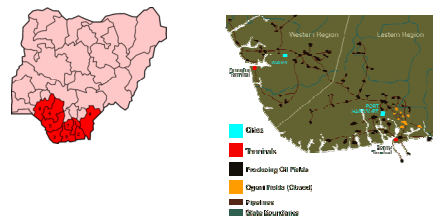


Nigerian Oil Exports by Country, 2009



Source: Global Trade Atlas, EIA, APEX
 *Other: Portugal, Italy, U.K., China, Canada, Peru, Senegal, Switzerland, Austria, Australia, Sweden, Turkey, Japan, Taiwan, New Zealand, Thailand, and Ireland

Nigerian ethnic groups and oil



Nigerian Pirates



Oil companies in Nigeria often are accused of taking advantage of a weak regulatory system regarding impacts on the natural



During the 1973-74 Oil Embargo



Cars (note size) lined up for gas in New York City, winter 73-74



Embargo gas line



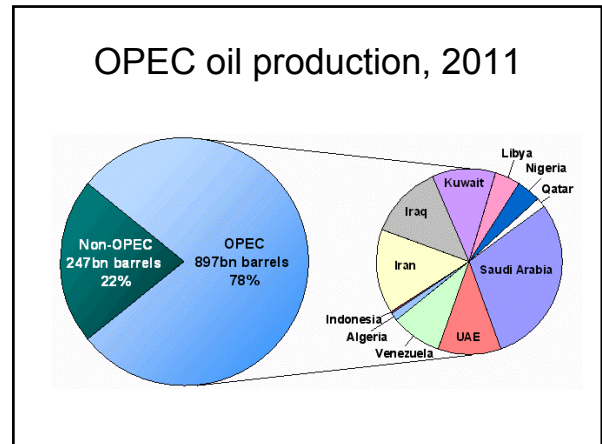
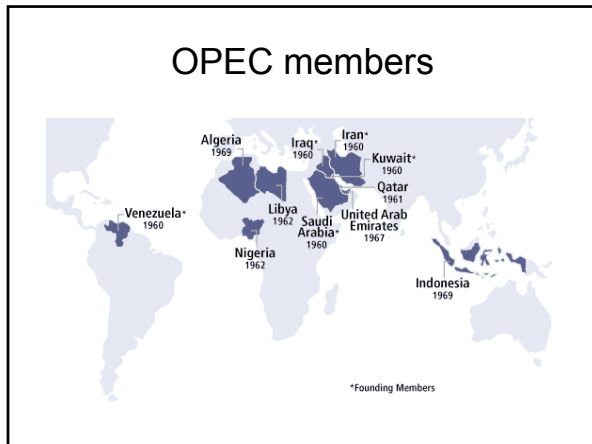
Roadside sign in Oregon during Arab Oil Embargo, Winter 1973-74

**Storage Sites for the Strategic Petroleum Reserve
(presently about 727 million barrels)**



An **embargo** is any legal restriction imposed on commerce. In modern times, it principally involves decisions by a country or consortium NOT to sell a certain product or products to existing or potential foreign (or non-member) customers. An agreement to restrict exports.

[A **consortium** is a group of countries, companies, or financial institutions that have formally banded together to promote their common economic good.]

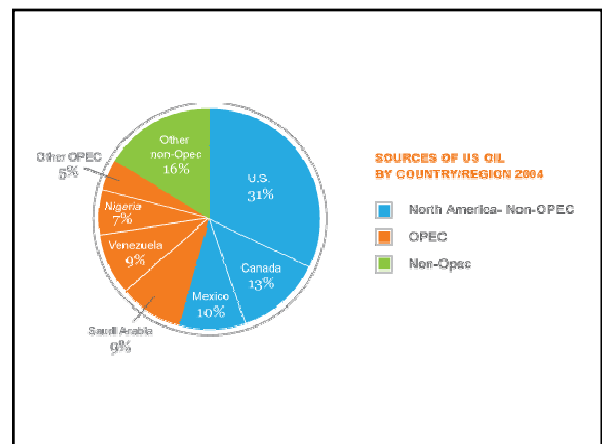


**The Organization of Petroleum
Exporting Countries**

Founded in 1960 in response to
foreign control of domestic oil
production and pricing

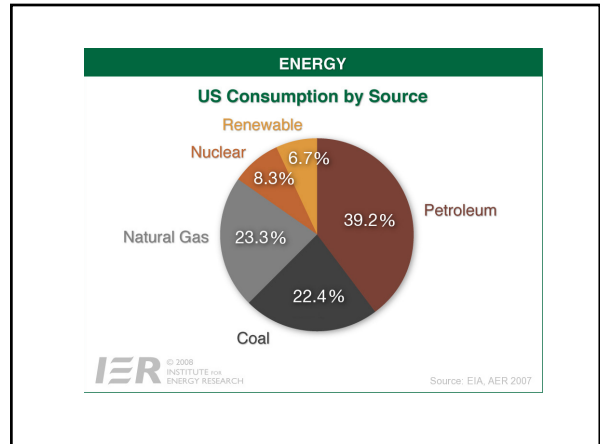
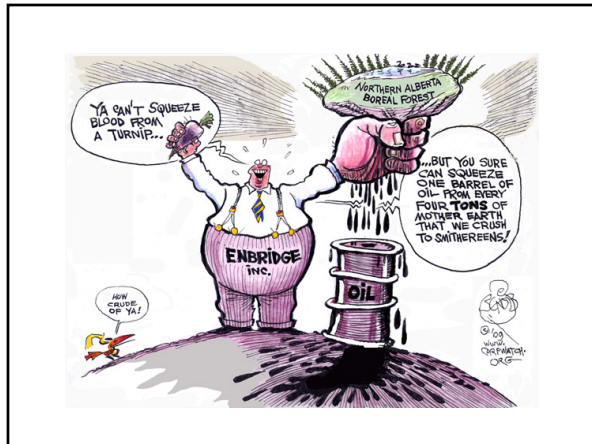
Headquartered in Vienna

A **cartel** is an international
organization formed to regulate
prices and output in some field of
business.



Canadian oil/tar sands

- The world's largest known near-surface repository of bitumen (heavy crude oil) mixed in with sandy soils of Northern Alberta.
- Accessible by strip mining
- Oil produced from steam injection and refining.
- A 2006 study estimated the economically recoverable oil to be about 170 billion barrels.



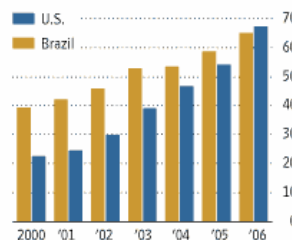
Ethanol production plant



www.shutterstock.com · 1941261

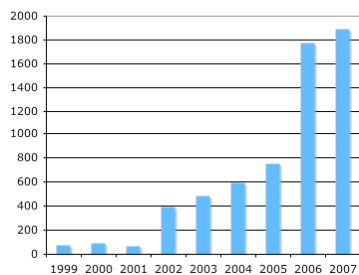
Corn vs. Sugar

Ethanol production, in millions of barrels of oil equivalent

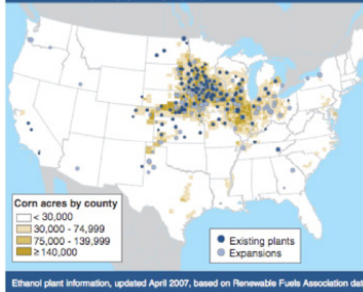


Source: BP Statistical Review of World Energy 2007

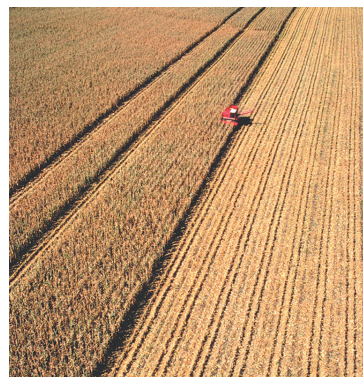
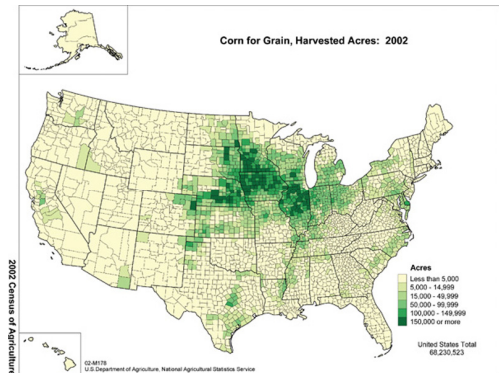
US Ethanol Capacity under Construction (millions of gallons per year)



U.S. ethanol capacity growing rapidly



Corn for Grain, Harvested Acres: 2002



Hybrid Corn (center) vs. Earlier Varieties

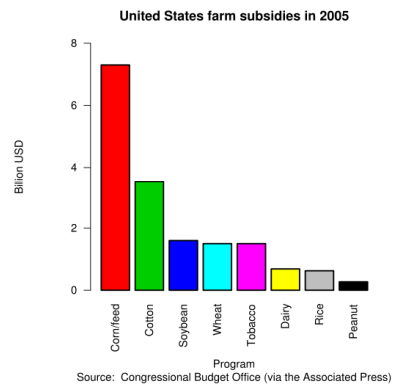
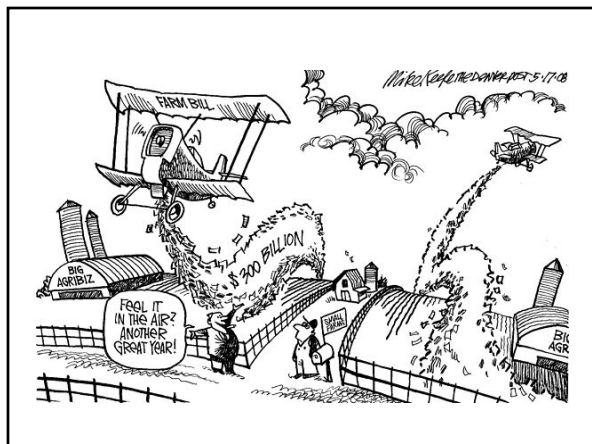


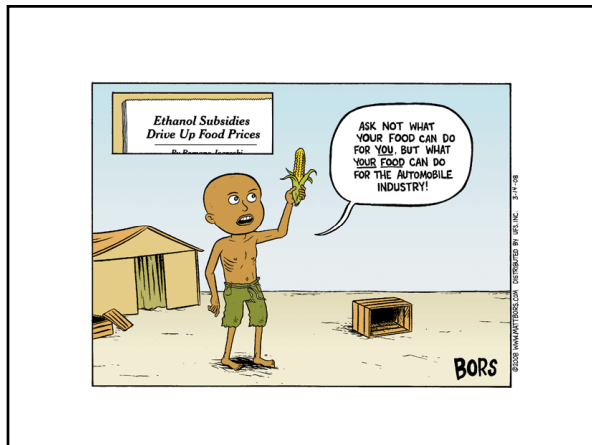
Corn Harvesting in the Midwest



A subsidy is a type of government-provided financial assistance paid to businesses in order to help them remain competitive in international markets.

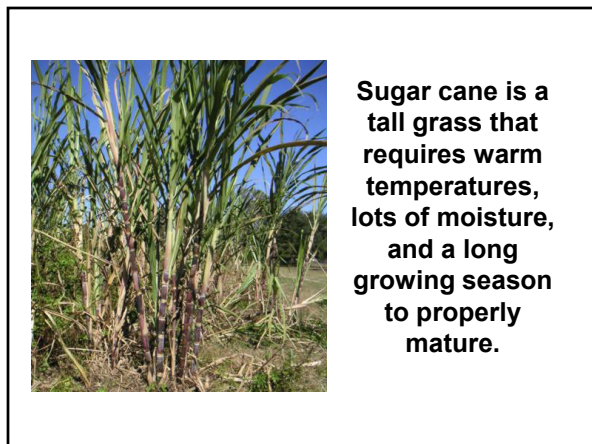
Farm/crop subsidies have been common in the U.S. for decades.

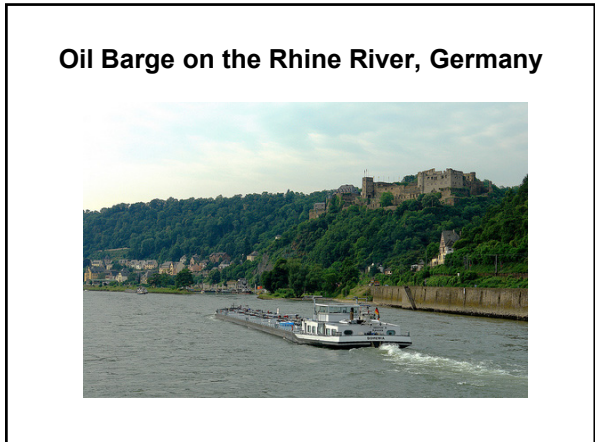




A **boycott** is an action designed to economically punish a country or other entity by refusing to buy its trade goods. An agreement to restrict imports.

[Named for Captain C. C. Boycott (1832-1897), a British landowner in Ireland, who in the 1880s was treated in this way by his neighbors for his harsh treatment of tenants.]





The Right of Innocent Passage –
 any of several points in international law that permit ships, planes, trains and commercial motor vehicles of a given country to enter and pass through another's territory so long as it is not prejudicial to the peace, good order or security of the other state.

Classically applied to ships at sea, and to trains and commercial motor vehicles of landlocked states transiting foreign territory to reach a seaport.

Not absolute as applied to non-signers of given conventions, and in particular to the transiting of a country's airspace by foreign aircraft.

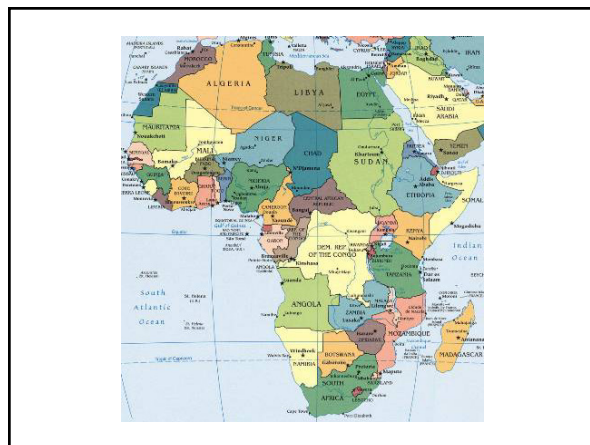
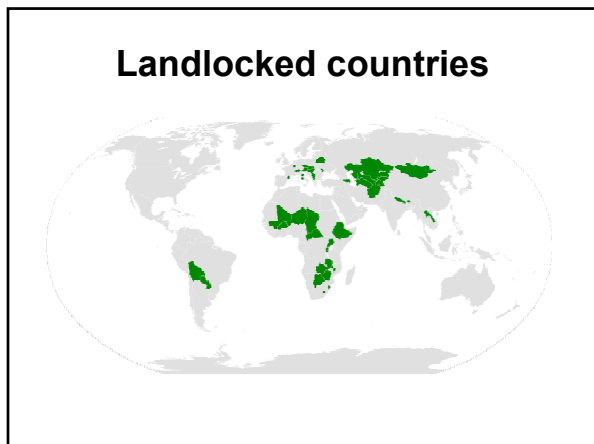


1888 Convention of Constantinople declares the Suez Canal an international waterway, thereby extending the Right of Innocent Passage to all ships in transit.

**1888 Convention of Constantinople
 and
 Montreux Convention of 1936**

are examples of widely recognized international treaties that pointedly apply the right of innocent passage to specific strategic bottlenecks (the Suez Canal and Turkish Straits respectively.)

A landlocked country -- an independent territory that is completely surrounded by the land of one or more neighboring countries. Thus, it has no direct access to the high seas but is dependent on the goodwill of its neighbors for access to and use of seaports.



- #### Problems of Land-locked States
- **Economic vulnerability**
 - Reliance on neighbors for access to the sea
 - Extra costs of exporting (thus, their products cost more than their competitors')
 - Extra costs of importing
 - **Political vulnerability**
 - Maintain amiable relations with neighbors
 - Maintain a low profile in foreign affairs
 - Maintain a low military profile (do not appear to be a threat to your neighbors)

- #### Priority Treaty Principles for Developing Landlocked States
-
- Free transit**
 - Right of Innocent Passage**
 - Access to seaports**
 - Elimination of tariffs**
 - Elimination of foreign subsidies**

Government actions that promote and protect its economic interests

Tariff – A fee (duty/customs) imposed on foreign imports designed to make them as costly or more costly than competing domestic goods, and thereby promote the sale of the latter.

Subsidy – a form of government-furnished financial aid that compensates that country's producers of certain commercial products so as to allow them to compete with low-cost foreign providers of the same commodity.

An **International River** is a river that passes through different countries and/or constitutes a portion of the border between two States.

An **Internationalized River** is a river that, pursuant to a generally recognized treaty, is open for navigation to ships of all countries. [Note: The economic significance of this designation is a function of the river's navigability, which may or may not be the case in whole or part.]

Internationalized River

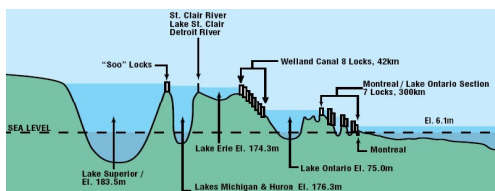
[* = largely navigable]

- Amazon*
- Congo
- Danube*
- Niger
- Plata*
- Scheldt/Schelde*
- St. Lawrence*
- Zambezi

St. Lawrence Seaway/ Great Lakes System



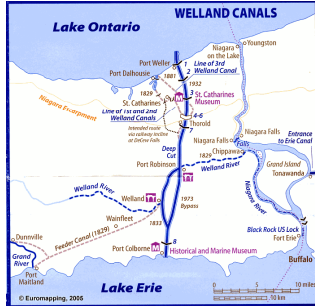
Great Lakes/St. Lawrence River Profile



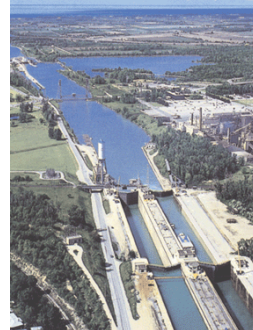
Ship approaching Eisenhower Locks, Massena, NY



The Welland Canal links Lakes Ontario and Erie, allowing ships to by-pass Niagara Falls.



Welland Canal locks



Shipping in the Welland Canal



The locks at Sault Sainte Marie



Port Elizabeth container port



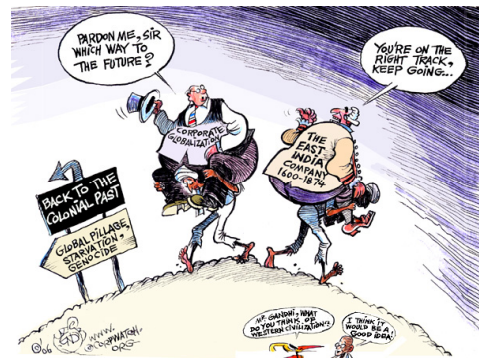
Globalization is the worldwide linking of countries and people into an integrated economic system driven by capitalistic free markets. It facilitates cultural diffusion, diminishes the importance of international boundaries, and encourages cultural homogeneity. Increasingly seen as a challenge to State authority.

Transnational corporations (a.k.a. TNCs, multinational corporations, or multinationals) are hallmarks of globalization. They are characterized by having facilities (e.g., headquarters, offices, factories, plantations, mines, distribution centers, etc.) in different countries, often as per tax laws, environmental laws, labor law, and standard of living.



Potential Impacts of TNCs

- May contribute to or undermine the stability of governments where they operate
- Relocation of facilities and jobs from one country to another for reasons related to wages, labor law (or lack thereof), worker benefits, or environmental law
- Technological transfer
- Challenging of traditional modes of settlement and economy in host country
- Promote international migration
- Impact environmental quality
- Alteration of the global pattern of social well-being



The World Trade Organization (WTO), headquartered in Geneva, seeks to supervise and liberalize international trade. It's 153 members account for 97% of world trade. It regulates trade between members; provides a framework for making trade agreements; and offers a dispute resolution process. Seeks to enhance trade involving poorer countries, but has been hampered by disagreements between members that export bulk agricultural commodities, and countries with lots of subsistence farmers. Its annual meetings have become forums for protests focusing on the plight of poor countries.

**Worker exploitation:
A common criticism of globalization**

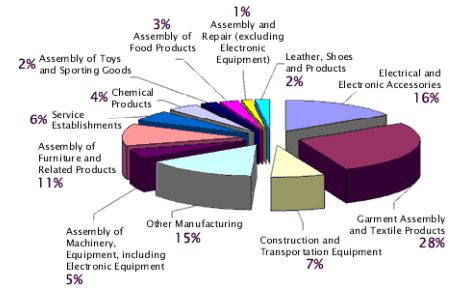


Maquiladora

- Originally, a manufacturing plant in northern Mexico, near the U.S. border, specializing in the production of goods destined for sale in the U.S.
- Takes advantage of cheaper Mexican labor; favorable labor, tax and environmental laws; and proximity to U.S. transportation infrastructure.
- Sometimes involve sending raw materials or components from the U.S. to Mexico for processing.
- Now, more generally, a manufacturing facility located outside a client state, but proximate to its borders, to take advantage of factors that minimize the cost of the finished product.



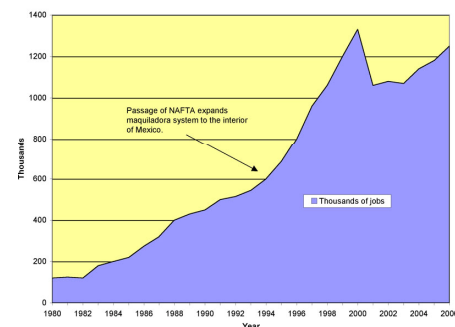
Maquiladora Labor Force

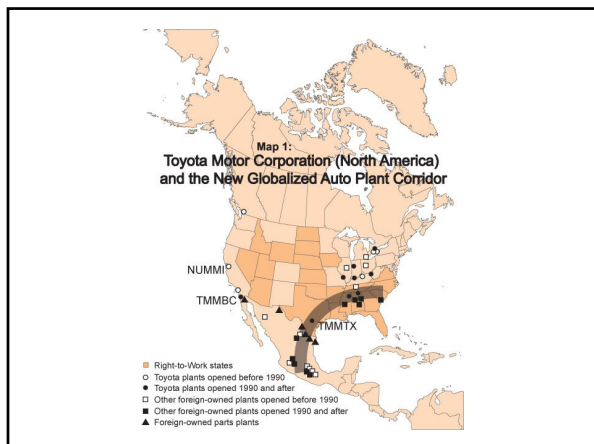


Inside Maquiladoras



Maquiladora Employment: 1980 - 2006





A tax haven is a country, civil division, or territory where certain taxes are levied at a low rate or not at all while typically offering political stability, due process, and lack of corruption directed at those seeking relief.

According to *The Economist*, "What ... identifies an area as a tax haven is the existence of a composite tax structure established deliberately to take advantage of, and exploit, a worldwide demand for opportunities to engage in tax avoidance."



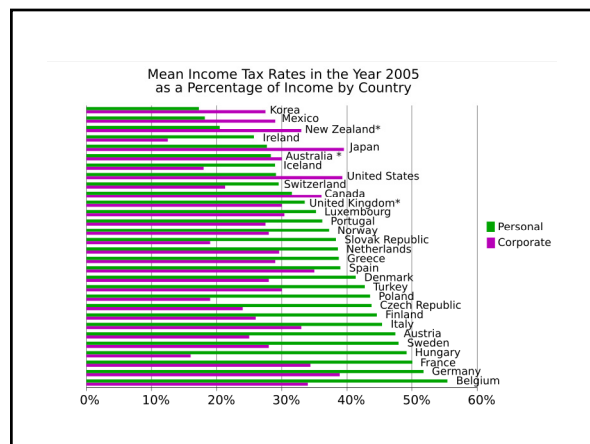
Tax Havens of the World

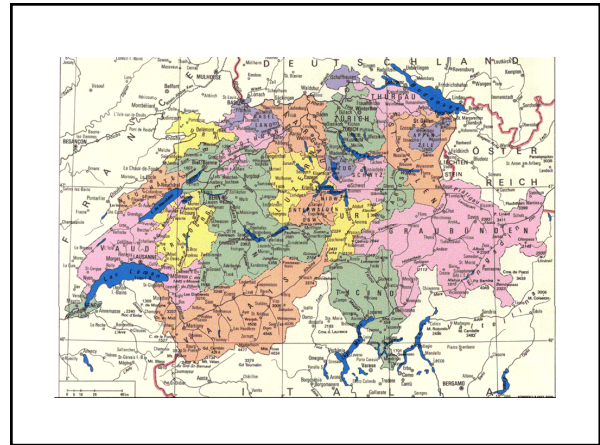
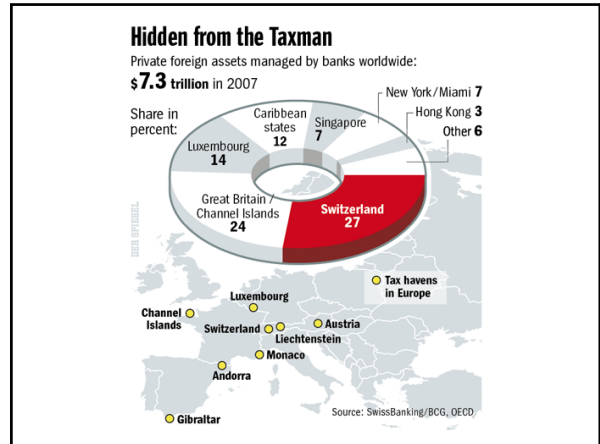
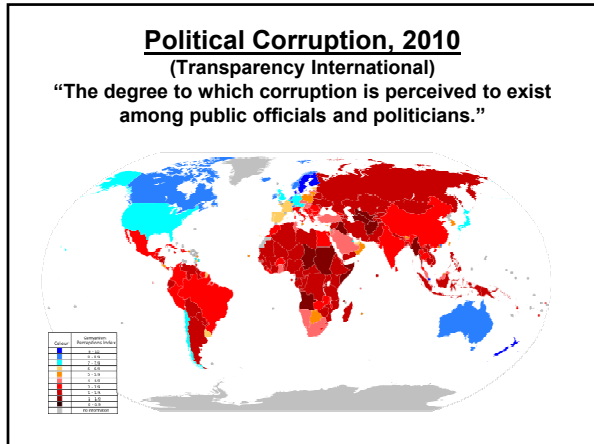
New 46 Edition (1996/1997)

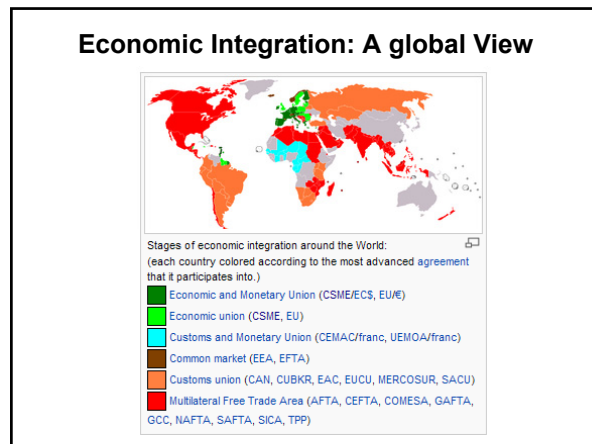
Vanuatu, Cayman Islands
 Bahamas, Bermuda, Antigua
 British Virgin Islands,
 Channel Islands, Gibraltar, Liberia
 Cyprus, Anguilla, Mauritius, Luxembourg
 Andorra, Western Samoa
 Panama, Switzerland, Barbados
 Comoros, Liechtenstein, Turk & Caicos Islands
 Hong Kong, Singapore, Neauru, Cook Islands
 Isle of Man, Puerto Rico, U.S. Virgin Islands
 Montserrat, Netherlands Antilles

-Learn how to use foreign trusts and holding companies
 -Trade stocks, bonds, options and commodities free of capital gains taxes
 -Sell U.S. real estate and closely held stock tax free even after FIRPTA
 -Do's and don'ts for secret numbered and offshore bank accounts
 -Prove court from creditors, lawyers and the IRS
 -Over 25 tax forms covered

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- ### Degrees of economic integration: from lowest to highest
- Preferential trading area
 - Free trade area
 - Customs Union
 - Economic Union
 - Economic and Monetary Union (Fiscal Union)
 - Complete economic integration

Preferential Trading Area:

A trading bloc that gives preferential access to certain products from the participating by reducing (but not eliminating) tariffs.

Free Trade Area:

A trade bloc whose member countries have agreed to eliminate tariffs, quotas and preferences on goods and services traded between them.



A Customs Union

A trade bloc consisting of a free trade area that has a common external tariff. Often seen as a way to increase economic efficiency while promoting closer political and cultural ties between members.

An Economic Union:

A trading bloc that consists of a customs union plus a common market. Members have a common policy on product regulation, freedom of movement of goods, services, and factors of production, and a common external trade policy.

**Economic and Monetary Union:
An economic union that also has adopted a common currency.**