

Advantages of technology in the international market 1711



Technology plays a major role in international trade. Databases, overnight delivery and faxes have opened the world market to not only larger companies but small ones too. To add to this globalization, companies and even competitors are combining and forming alliances to cut cost and increase the profit margin. Chrysler, General Motors and Ford have formed an alliance in research and development to avoid duplication. These alliances are not only with domestic companies but they also go over national lines. Companies are pushing for integration of the world economy in hope for increased profits and governments are beginning to listen.

Since 1986 (GATT) General Agreement on Tariffs and Trade have taken the initiative to move towards the liberalization of international trade. GATT members agreed to reduce tariff and non-tariff trade barriers. From 1986 to the present due to GATT's lead many markets have been open to the United States increasing exports and increasing efficiency through competition.

One of the most aggressive liberalization groups to follow GATT's lead is APEC (Asian Pacific Economic Community). APEC consist of 18 countries that account for 1/2 of the worlds output. The three largest economies Japan, China and the United States are members. APEC leaders are committed to achieving free and open trade for the region by 2010. APEC is moving towards this goal through many means including accelerating initial Japanese tariff cuts by 50%. China will also cut a number of tariffs by 30%. Indonesia and other APEC members are also reducing tariffs sharply. What sets APEX at the head of the pack leading liberalization is it wiliness to extend benefits of membership to everyone. APEX is willing to extend the benefits of cuts in tariff and non-tariff barriers to all countries willing to make comparable cuts.

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This is a major incentive for all countries because the Pacific Rim is the fastest growing market in the world and large profits are to be made there.

To put these cut in trade barriers in perspective lets look at the company Chrysler. Chrysler is introducing a right handed drive version of the neon subcompact to the Japanese consumer. Chrysler plans to sell 4, 000 units at their 200 show rooms. They are hoping for even more success with the right handed versions of the Voyager and Wrangler which they plan to introduce next year. With Japanese subsidizes on exports which lead to a high price on Japanese domestic goods, Chrysler should be very competitive.

Liberalism in trade, though progressive vary a lot with area. The European Union consisting of the countries of western Europe have established a free trade zone between themselves but those areas outside the union deal with the same old trade barriers. Tariffs on sensitive goods still remain. Sensitive goods range from agriculture and raw materials to footwear and furniture. These practices may seem unfair but the union is beginning to open up trade with Eastern Europe, the Mediterranean and hopefully they will take the APEX incentive to open thier market. If not we have policies that we can follow to force free trade.

The United States is in a unique position in the world economy being the largest consumer nation and also a major exporter. The U. S. can use the threat of trade sanctions to open up closed markets and even change countries policies. An example of this is the U. S. threat to use trade sanctions towards China. China has a booming industry pirating U. S. films

and music. This industry cost the U. S. billions. The threat of trade sanctions forced China to crack down on these pirating industries.

The world is moving towards the liberalization of international trade. Large economic communities are being formed to make trade more profitable for everyone involved. The APEC initiative takes this even farther with plans to incorporate the whole world into a free trade area, thus making the entire world more efficient and goods less costly.