International trade paper assignment

Business

These organizations are the North American Free Trade Agreement (NONFAT), the European Union (CE]), and the Association of Southeast Asian Nations (SEAN). A trade barrier is “ a measure that governments or public authorities introduce to make imported goods or services less competitive than locally produced goods and services” (Ministry of Foreign Affairs of Denmark, n. D.). There are three major barriers to world trade. The barriers are tariffs, quotas, and embargoes. The most commonly used barrier used to free trade is the tariff.

A tariff is a tax on imports. There are types of tariffs, revenue and protective. A revenue tariff is used to raise income without restricting imports. A protective tariff is used to raise the cost of imported goods and protect domestic products. An import quota is a restriction imposed on the value of or the number of units of a particular good that can be brought into the county. Examples of the US quotas are sugar, shoes, shirts, and cloth. An embargo is a complete restriction on the imports or exports of a particular good.

Often embargoes are used for political reasons. Other restrictions are usurious health inspections and difficult licensing requirements, which are called standards. Last but not leas are subsidies. Subsidies are direct financial aid, tax credits or deductions, to certain domestic industries. This lowers production costs, which allows domestic goods to compete with lower-cost imported goods (Combs, 2014). The North American Free Trade Agreement, also known as NONFAT, is one of the world’s largest free trade zones. This agreement went into effect on January 1, 1994.

The countries involved in this agreement are the countries of North America, which are the United States of America, Canada, and Mexico. They are all joined when this agreement was first created on the first day of the year of 1994. The person in charge of each country signed NONFAT The agreement was signed by President George H. W. Bush of the United States of America, Prime Minister Brian Maloney of Canada, and Mexican President Carols Salinas De Gorier of Mexico. “ NONFAT was signed into law by President Bill Clinton on December 8, 1 993 and entered force January 1, 1994.

Although President Bush of the US signed it, it was a priority of President Silicon’s, and TTS passage is considered one of his first successes. The impetus for NONFAT actually began with president Ronald Reagan, who campaigned on a North American common market. In 1984, Congress passed the Trade and Tariff Act. This is important because it gave the President “ fast-track” authority to negotiate free trade agreements, while only allowing Congress the ability to approve or disapprove, not change negotiating points. Canadian Prime Minister Maloney agreed with Reagan to begin negotiations for the Canada- U.

S. Free Trade Agreement, which was signed in 1 988, went into effect in 1989 ND is now suspended due to NONFAT. Meanwhile, Mexican President Salinas and President Bush began negotiations for a liberalized trade between the two countries. Prior to NONFAT, Mexican tariffs on U. S. Imports were 250% higher than U. S. Tariffs on Mexican imports. In 1991, Canada requested a trilateral agreement, which then led to NONFAT. In 1993, concerns about liberalizing of labor and environmental regulations led to the adoption of two addendum’s to NONFAT.

It fosters competition, spurring companies to innovate and develop better products and to bring more of their goods and services to market, keeping prices low and quality high in order to retain or increase their market share" (Fronting, 2000). Another advantage of free trade is that it minimizes war. If countries did not have free trade, the world would fight over things that are made cheaper in there countries than their own. The United States of America could rely on everything from its own country, but it would cost more.

The reason of not doing this is because the United States of America can buy it from other countries at a cheaper price than having to make it themselves. If the US could not make the resources they need for everyday life in their own country, they might have a war with other countries that do have the resources they need. If the US went to war with the other countries that have the resources they need, they might become a country that has a form of overspent that is totalitarianism.

A totalitarianism country is a form of government that does not tolerate people with different opinions and that have dictatorial control over many aspects of life. One more advantage of free trade is that it increases exports. In a well- developed society, a country is supposed to have more exports than imports. That means that the country is supposed to sell and send more goods out of their country than what that country buys and brings in from other countries.

In free trade, it is not hard for a country to have increased exports. " As well as infinite for consumers importing goods, firms exporting goods where the

UK has a comparative advantage will also see a big improvement in economic welfare. Lower tariffs on UK exports will enable a higher quantity of exports boosting KICK jobs and economic growth" (Economic Help, n. D.). There are also quite a few costs of free trade. One cost of free trade is that domestic firms may have to cut costs to remain competitive.

The upper side of this problem is that there are cheaper input prices for producers. Higher profit margins lead to expanded production. Another cost of free trade is that hen trade introduces lower cost international competitors, it puts domestic producers out of business. The benefit side of this is that this is not always true. Just because a country introduces a new competitor does not mean that domestic producers will go out Of business. This idea helps raise competition.

One more cost of free trade would be that there could be human trafficking. " There are major problems with trafficking of people for work in industrial settings. In many cases, victims will pay a high fee for placement in a job in a manufacturing nation only to arrive at the job to discover they will either not e paid as agreed or placed in high-risk jobs using defective equipment that local labor refuses to operate" (Joe, n. D.). Free trade should occur in every country.