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**SUBJECT:** INTERNATIONAL MARKETING

**MODULE:** 8TH SEMESTER BBA

**TEACHER:** SIR ADIL ADNAN

**Q 1: Please discuss the historical background of General Agreement on Tariff & Trade & the objectives for which it came into being?**

**ANS:**

**History:**

The General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in October 1947, after World War II, and became law on Jan. 1, 1948. The GATT's purpose was to make international trade easier. ... In 1995 the GATT was absorbed into the World Trade Organization (WTO), which extended it.

The GATT held [eight rounds of meetings between April 1947 and September 1986](https://www.wto.org/english/theWTO_e/minist_e/min96_e/chrono.htm). Each of the conferences had significant achievements and outcomes.

* The first meeting was in Geneva, Switzerland, and included 23 countries. The focus in this opening conference was on tariffs. The members established tax concessions touching over US$10 billion of trade around the globe.
* The second series of meetings began in April 1949 and were held in Annecy, France. Again, tariffs were the primary topic. Thirteen countries were at the second meeting, and they accomplished an additional 5,000 tax concessions reducing tariffs.
* In September 1950 the third series of GATT meetings occurred in Torquay, England. This time 38 countries were involved, and almost 9,000 tariff concessions passed, reducing tax levels by as much as 25%.
* Japan became involved in the GATT for the first time in 1956 at the fourth meeting along with 25 other countries. The meeting was in Geneva, Switzerland, and again the committee reduced worldwide tariffs, this time by US$2.5 billion.

This series of meetings and reduced tariffs would continue, adding new GATT provisions in the process. The average tariff rate fell from around 22%, when the GATT was first signed in Geneva in 1947, to around 5% by the end of the Uruguay Round, concluded in 1993, [which also negotiated the creation of the WTO](https://www.investopedia.com/investing/what-is-the-world-trade-organization/).

* **OBJECTIVES:**

The General Agreement on Tariffs and Trade (GATT) was created after World War II to aid global economic recovery through reconstructing and liberalizing global trade. GATT's main objective was to reduce barriers to international trade through the reduction of tariffs, quotas and subsidies.

* **National treatment:**

Refers to the nondiscriminatory treatment of identical or highly substitutable domestically produced goods with foreign goods once the foreign products have cleared customs. Thus, it is allowable to discriminate by applying a tariff on imported goods that would not be applied to domestic goods, but once the product has passed through customs it must be treated identically. This norm applies then to both state and local taxes, as well as regulations such as those involving health and safety standards. For example, if a state or provincial government applies a tax on cigarettes, then national treatment requires that the same tax rate be applied equally on domestic and foreign cigarettes. Similarly, national treatment would prevent a government from regulating lead-painted imported toys to be sold but not lead-painted domestic toys; if lead is to be regulated, then all toys must be treated the same.

* **Most-favored nation (MFN):**

Refers to the nondiscriminatory treatment toward identical or highly substitutable goods coming from two different countries. For example, if the United States applies a tariff of 2.6 percent on printing press imports from the European Union (EU, one World Trade Organization [WTO] country), then it must apply a 2.6 percent tariff on printing press imports from every other WTO member country. Since all the countries must be treated identically, MFN is a bit of a misnomer since it seems to suggest that one country is most favored, whereas in actuality, it means that countries are equally favored.

**Q 2: Briefly describe the historical background of NAFTA by discussing the main objectives & functions of it in detail?**

**ANS:** The North American Free Trade Agreement's purpose is to reduce trading costs, increase business investment, and help North America be more competitive in the global marketplace.

**HISTORY:**

President Ronald Reagan proposed a North American common market in his 1980 presidential campaign. Europe's common market dubbed the European Economic Community had already been initiated with the Treaty of Rome.

In 1984, Congress passed the Trade and Tariff Act, which itself built upon and amended the prior Trade Act of 1974.This act gave enhanced "fast-track" authority to negotiate bilateral free trade agreements, streamlining negotiations.

In 1985, Canadian Prime Minister Mulroney agreed to begin discussions for the Canada-U.S. Free Trade Agreement. Negotiations began in 1986 and it was signed in 1988. It went into effect on January 1, 1989, and remained in force until NAFTA replaced it.

In 1990, Mexican President Carlos Salinas de Gortari requested a free trade agreement with the U.S. In 1991, Reagan’s successor, President George H.W. Bush, began negotiations with President Salinas for a liberalized trade agreement between Mexico, Canada, and the U.S.

In 1992, NAFTA was signed by outgoing President George H.W. Bush, Mexican President Salinas, and Canadian Prime Minister Brian Mulroney. Earlier that year, the European Union had been created by the Treaty of Maastricht.

Concerns about the liberalization of labor and environmental regulations led to the adoption of two addendums. NAFTA was ratified by the legislatures of the three countries in 1993 and the U.S. House of Representatives approved it 234–200 on November 17, 1993. The U.S. Senate approved it 61–38 three days later. ﻿

President Bill Clinton signed it into law on December 8, 1993. It became active on January 1, 1994.

* **OBJECTIVE OF NAFTA:**
* Establishment of a free trade area as stipulated by the agreement.
* Goods and services are able to move into the markets of the partners

Without limitations.

* Prices of the goods and services are also to be determined by the supply and demand in the markets
* This is the kind of environment that NAFTA aims to create for the nations that are party to the agreement.
* **FUNCTIONS:**

NAFTA’s most important function is the removal of tariffs on imports for all three countries, particularly for agricultural, automotive and textile goods.This has encouraged businesses to manufacture goods and invest within the trio of nations, and has especially benefited Mexico.

NAFTA’S greatest function is that it economically strengthens the continent of North America in the face of growing international competition.The relaxed trade and migration policies of EU countries has allowed the nations of Europe to be much more interlinked and ultimately much more powerful.

**Q 3: For what purpose the ASEAN was built? Who are the members of it & what milestones it has achieved till now in the context of the regional & economic development of its members?**

**ANS:**

On 8 August 1967, five leaders the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born. It was a short, simply-worded document containing just five articles. It declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN) and spelled out the aims and purposes of that Association.

**Members of the association:**

The five Foreign Ministers who signed it Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand – would subsequently be hailed as the Founding Fathers of probably the most successful inter-governmental organization in the developing world today. And the document that they signed would be known as the ASEAN Declaration.

**Milestones:**

The following is the key milestones in the 67-year history of the ASEAN.

* On August 8, 1967, Socio-economic and cultural co-operation among member nations and facilitating their integration into the regional and world economy.
* In 1971, the bloc signed the Declaration on the Zone of Peace, Freedom and Neutrality (ZOPFAN)
* In 1976, ASEAN issued the Declaration of ASEAN Concord (also known as Bali Declaration 1) and signed the Treaty of Amity and Co-operation in Southeast Asia (TAC) to further boost peace and stability in the region.
* In 1992, ASEAN signed the Framework Agreement on enhancing ASEAN economic co-operation and the agreement on ASEAN Free Trade Area (AFTA), laying an important foundation for expanding regional economic-trade co-operation and the establishment of the ASEAN Economic Community (AEC).
* In 1994, the ASEAN Regional Forum (ARF) was established at the 26th ASEAN Ministerial Meeting, aiming at expanding external relations and strengthening dialogues on regional security.
* In 1995, the Southeast Asian Nuclear-Weapon-Free Zone Treaty (SEANWFZ) was signed.
* In 1998, the Hanoi Plan of Action was adopted at the sixth ASEAN Summit Meeting in Hanoi to implement the Declaration of the ASEAN Vision 2020 in the 1998-2004 period.
* In 1999, Cambodia joined the bloc as the 10th member.
* In 2002, ASEAN and China sign the Declaration of the Conduct of Parties in the East Sea (DOC) in an effort to seek peaceful solutions to the East Sea-related issues.
* In 2003, the bloc issued the Declaration of ASEAN Concord II (Bali Declaration 2) identifying the objective of establishing an ASEAN Community with three key pillars of ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC).
* In 2005, the first East Asia Summit (EAS) took place in Malaysia’s capital city of Kuala Lumpur with the participation of leaders from ASEAN member nations, China, Japan, the Republic of Korea, India, Australia and New Zealand.
* In 2007, the leaders of the 10 ASEAN member nations signed the ASEAN Charter at the 13th ASEAN Summit in November, creating legal foundation and institution framework for strengthening the regional connectivity and for the establishment of the ASEAN Community in 2015. The ASEAN Charter took effect on December 15, 2008.
* In 2009, the ASEAN Intergovernmental Commission on Human Rights (AICHR) was born.
* In February 2009, the bloc approved the Roadmap for an ASEAN Community (2009-2015) and the master plans for building the three key pillars together with action plans for the Initiative ASEAN Integration phase 2 in the 2008-2015 period.
* In 2010, the Master Plan on ASEAN Connectivity (MPAC) was adopted at the 17th ASEAN Summit, with concrete measures to realize the ASEAN connectivity in infrastructure, institution and people.
* In 2011, the Bali declaration on ASEAN Community in a global community of nations (Bali Concord 3) is adopted, reaffirming the regional bloc’s commitment to build a common viewpoint in responding to global issues, enhance its role in international mechanisms such as the United Nations (UN), the World Trade Organization (WTO) and the Asia Pacific Economic Co-operation (APEC) for the maintain of peace, stability and development in the region.
* In 2015, the ASEAN member leaders signed the Kuala Lumpur Declaration at the 27th ASEAN Summit Meeting in November on the establishment of the ASEAN Community on December 31, 2015. They approved the master plan for the ASEAN Economic Community (AEC) 2025 and also agreed on the 2015-post ASEAN Community Vision in 2016-2025.
* On December 31, 2015, the ASEAN Community is born.

**Q 4: Write Short Notes on:**

**A- Free Trade Area:**

A free trade area is the region encompassing a trade bloc whose member countries have signed a free trade agreement. Such agreements involve cooperation between at least two countries to reduce trade barriers, import quotas and tariffs, and to increase trade of goods and services with each other.

**B- Custom Union:**

A customs union is generally defined as a type of trade bloc which is composed of a free trade area with a common external tariff. Customs unions are established through trade pacts where the participant countries set up common external trade policy

**C- Common Market**

A common market is an extension of the customs union concept, with the additional feature that it provides for the free movement of labor and capital among the members

**D- Economic Union**

An economic union is a type of trade bloc which is composed of a common market with a customs union. The participant countries have both common policies on product regulation, freedom of movement of goods, services and the factors of production and a common external trade policy.