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**Question No: 1**

**Historical Background of GATT**

General Agreement on Tariff and Trade famously known as GATT is a free trade agreement between many countries (23 member countries) whose overall purpose is to promote international trade by removing or eliminating trade restrictions and barriers such is embargo, quota, and tariff.

The General agreement on tariff and trade treaty was established 1947 after the world War-2. The GATT was established with the purpose to enhance trade relationship among the member countries and promote international trade among them. In world War-2 when the countries got effected by the War there economic development shrink as a legging factors of war so they come under the pretext of GATT through sign a legal agreement to help, prosper and boost the effected economies because the economies at that time were badly affected by the war. By doing so the countries becoming increasingly integrated economically, the war between member countries dropped. GATT restored economic health to the world after the devastation of the Depression and World War-2. Initially 15 countries started negotiation focused simple trade agreement by remove trade restrictions. A total of 23 countries signed the GATT deal on October 30, 1947, clearing the way for it to take effect on June 30, 1948. The GATT aim was to resolve trade dispute among countries and also provided a system to arbitrate commercial disputes between nations. GATT was facing the lack of enforcement power which later result in its failure to bring cooperative effort. Later upon its failure replaced by world Trade organization in 1995.

**Objective for which GATT established**

**Reducing Trade barriers and eliminating discrimination in International Trade**

The GATT center of focus was to promote free trade and eliminate trade discrimination adopt by some countries as at that time the recent War created dispute among countries. So the encourage barrier free trade which will bring prosperity among countries. The interdependency would not be exploit in that case.

**Raising Standard of Living**

At that time the World War-2 result in economic effect to the countries so their economies went in depreciation or even recession as people loss jobs, businesses and even homes and the overall living standard of people fall. So to increase that standard of living economic cooperation was necessary.

**Development and full utilization of world resources**

The other objective of GATT was to do and support development in the member countries that lead to prosperity and provide benefit to them. Also the fully utilization of resources of the countries that are surplus or even good at providing that resources. so the resources use without waste and bring real benefit to them.

**Expansion of international trade**

The other objective of GATT was expend the international trade beyond the borders to reach out maximum countries. The expansion of international trade would enable every country to participate in trade and remove tariff against any member country which will give mutual benefits. By doing so the competitive and comparative advantages would be archive.

**Resolve dispute of International Trade**

As the GATT focus was cooperation so resolving dispute on international trade was their motive to encourage countries to cooperate. The dispute resolving will boost international trade which will also resolve dispute among the countries. So the dispute would also be resolved.

Other objective may be

**Question No 2**

**Historical Background of NAFTA**

North America Free Trade Agreement NAFTA was an agreement signed mutually by Canada, Mexico and United State creating a trilateral trade cooperation in North America. The NAFTA was negotiated by George H.W Bush and went into effect under the president Clinton in 1994. The agreement among these three country was established with the view to help lower cost of trade and bolster North America market. All three nations pledge to promote economic growth through tariff reductions and expanded trade and investment and also eliminate common external tariffs.

**Objective**

**Establishment of the free trade Area**

The objective of establishment of NAFTA was to facilitate the free trade barriers and cross boarder movement of goods, services between the three member countries to strengthen the economic power and growth.

**Promote condition of fair competition in the area**

The other objective was to promote the fir competition among the countries and stop them from exploiting the competitive advantage through cooperation by each countries. The condition of fair competition would result in low cost and price which benefit all the member countries.

**Increase substantially investment opportunities in the territory of the parties**

The NIFTA provided substantial opportunity for all the countries to do investment and bring the benefit out. The three markets are large enough and the investment opportunities would be much vital for the member countries to achieve. The parties to the agreement will have greater economic power through investment opportunities for each other.

**Establish a framework for further multilateral cooperation**

The objective was also to establish a pathway for further multilateral cooperation to expend the agreement and mutual benefit areas where the member countries can get benefit from that. The further regional cooperation would pave its way for the country to expend business.

**Function**

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 country businesses to produce more and more goods and invest within the trio of nations, and has especially benefited Mexico when it comes to this regard. Because Mexico is a developing nation with more lenient labor laws than the US and Canada, it makes them to manufacture goods cheaper comparatively. However, NAFTA’S greatest function is that it economically strengthens the continent of North America in the face of growing international competition. NAFTA provide equal treatment to each parties in the membership. They cannot give better treatment to domestic investors than foreign ones. They can't offer a better deal to investors from non-NAFTA countries. NAFTA resolve dispute among the member countries to facilitate each other in cooperation. All NAFTA countries must respect **patents, trademarks, and copyrights**.﻿ At the same time, the agreement ensures that these intellectual property rights don’t interfere with trade.

**Question No 3**

**PART A**

**Purpose of ASEAN (Association of Southeast Asian Nations) 1967**

The ASEAN was built with the purpose to establish a common market that facilitate and encourage free flow of goods, services, capital, investment and skilled labor among the member countries to seek political, economic and regional cooperation and development among member countries. The main purpose of the establishment of ASEAN was to bring stability in the member countries through mutual cooperation and also support each other in the time of crises. The economic development was the integrated part of ASEAN. One of the founding purpose is economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations

**Member of ASEAN**

1. Brunei,
2. Cambodia
3. , Indonesia,
4. Laos,
5. Malaysia
6. , Myanmar,
7. Philippines,
8. Singapore,
9. Thailand,

10 Vietnam

**Millstone it has Achieve Till now**

Since its establishment the ASEAN has achieved many millstones to carry the cooperative slogan and trust of the countries. The first milestone which marked ASEAN’s economic cooperation was the First ASEAN Summit held in Bali in 1976. Now, after three decades, economic co-operation among ASEAN has become more comprehensive and prominent. In the 4th ASEAN Summit Meeting in 1992, ASEAN decided to establish the ASEAN Free Trade Area by the year 2008

ASEAN have done incredible effort in boosting tourism industry from which country like Thailand, Singapore and Malaysia gain much benefit by marking themselves as a tourist destinations. ASEAN has also further strengthened ties with Europe through the Asia-Europe Meeting in March 1996, in which ASEAN sought to bridge the gap between Asia and Europe in the area of economic growth.

ASEAN has initiated cooperation in the industrial competitiveness of the region to enhance economic stability. Resource pooling and market sharing have been introduced to facilitate effective exploitation of economics of scale and the regions. Malaysia and other ASEAN members have gained much from economic cooperation.

**Question No: 3**

**PART B**

**Write Short Notes on:**

**(A) Free Trade Area**

Free trade Area is a legal agreement in a region between two or more countries to abolish and eliminate trade barriers in the form of quota or tariff. (Import and exports.). Under a free Trade Area the goods and services can be purchased and sold with no or very little government restriction. The free trade will abolish barriers, quota or other government prohibition to trade. The goods and services will freely flow across the boarders which will reduce prices, create employment and will match the demand to supply. The free trade area facilitate and support the international trade with specialization of labor and also efficiently use of resources. Free trade areas tend to increase the volume of international trade among member countries and allow them to increase their specialization in their respective [comparative advantages](https://www.investopedia.com/terms/c/comparativeadvantage.asp). Free trade areas can benefit consumers, who can have increased access to less expensive and/or higher quality foreign goods and who can see prices decrease as governments reduce or eliminate tariffs. Producers can struggle with increased competition.

**(B) Custom Union**

Custom Union is an agreement between two or more neighboring to remove trade barriers like quota, tariff and remove custom duty. It is established to eliminate internal and external barriers to trade. The custom union main focus was to make it easier for member countries to trade freely with each other. The union reduce the administrative and financial burden of barriers and seek cooperation in economic development. The benefit of custom union is that the member countries do not have the full liberty to form their own trade deals but viewing the other country interest as well. It required efforts from all the member countries to support the cooperative efforts. A custom union generates trade creation and help the economic integration.

**(C) Common Market**

A common market is a formal agreement of several countries in which they form/adopt a common or uniform external trade tariff to avoid the discrimination. In a common market a member country enjoy freely movement of labor and capital to get benefit of and enjoy the free trade by all the member. The aim is to provide economic benefit to all the member of the common market. Example: European common market that facilitate freely movement of goods, services, labor and capital to European Union. Factor of production become more efficiently allocated which result in stronger economic growth. The countries started more and more production which result in economies of scale which increase profitability.

**(D) Economic Union**

Economic Union is an agreement between countries that allow free movement of goods, services, workers and capital to other member countries. It work is an economic bloc. This union is established to eliminate the internal trade barriers by the goal to benefit all the member countries economically. The union integrate the monetary and fiscal policies so that member countries coordinate in taxation and government spending to the agreement. Members in economic union usually use common currency to maintain the exchange rate fixed.

Example. Central American Common Market that have six member countries.