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Subject International Marketing

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Q1. Please discuss the historical background of general agreement on tariff and trade and the objective for which it came into being?

Ans. The general agreement on tariffs and trade was treaty among nation whose government agree at least in principle to promote trade among member. GATT was intended to be a multilateral global initiative and GATT negotiators did indeed succeed in liberalizing world merchandise trade. GATT was also an organization that handled 300 trade dispute many involving food during its half century of existence. GATT itself had no enforcement power.

The successor to GATT the world trade organization came into existence in 1995 from its base in Geneva the world trade organization provides a forum for trade related negotiation among its 150 member. The world trade organization staff neutral trade expert also serve as mediator in global trade disputes.

The world trade organization has a disputes settlement body (BSD) that mediates complaint concerning unfair trade barriers and other issues between the WTO member countries. During a 60 day consultation period parties to a complaint are expected to engage in good Faith negotiation failing that the BSB convenes a panel and act on the panel recommendation if after due process the losing party violates WTO rules the WTO can impose trade sanction.

Q2. Briefly describe the historical background of NAFTA by discussing the main objective and function of it in detail?

Ans. On August 12, 1992 representatives from the united states, Canada, and Mexico concluded negotiation for the North American Free Trade Agreement(NAFTA) the agreement was approved by both houses of the U.S congress and became effective on January 1, 1994 the result is a free trade with a combined population of roughly 425 million and a total GNP of $11.9 trillion.

Why does NAFTA create a free trade area as opposed to a custom union or a common market?

The government of all three nation pledge to promote economic growth through tariffs elimination and expanded trade and investment. At present however there are no common external tariffs nor have restriction on labor and other factor movement been eliminated. The issues of illegal immigration from Mexico into the united states remain a contentious one the benefit of continental free trade will enable all three countries to meet the economic challenges of the decades to come the gradual elimination of barriers to the flow of good service and investment coupled with a strong protection of intellectual copy right will further benefit business worker farmer and consumer.

NAFTA allow for discretionary protectionism e.g. California avocado growers own protection allowing Mexican avocado into the U.S during the winter only in the northeast at a quota.

Q3. For what purpose the ASEAN was built? Who are the member of it and what milestone it has achieved till now in the context of the regional and economic development of its member?

Ans. The Association of southeast Nation (ASEAN) is the flagship preferential trade agreement in the Asia pacific area although japan is not member. ASEAN was established in 1967 as an organization for economic, political, social, and cultural corporation among its member countries. The united states which at the time was embroiled in the Vietnam war, played a role in establishing ASEAN with the signing of the Bangkok Declaration. Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand were the original six member. Vietnam became the first communist nation in the group when it was admitted to ASEAN in July 1995. Cambodia and Laos were admitted to ASEAN at the organization thirtieth anniversary meeting in July 1997. Burma joined in 1998.

Individually and collectively ASEAN countries are active in regional and global trade. ASEAN top trading partner include the united states ($52.8 billion in 2002 export) the European union ($48 billion in 2002 in export) and china ($23 billion in 2002)

Recently Japan, china, and Korea were informally added to the member roster some observer called this configuration ASEAN plus three when the roster expanded again to include Australia New Zealand, and India it was dubbed ASEAN plus six

In fewer than three decade Singapore has transformed itself from a British colony to a vibrant 240 square mile industrial mile

Singapore has an extremely efficient infrastructure the port of Singapore is the world second largest container port ( Hong Kong rank first) and a standard of living second in the region only to japan.

Singapore account for more than one third of U.S trading activities with ASEAN countries.

Q4. Write short Notes on

1. Free Trade Area

A free trade area is formed when two or more countries agree to eliminate tariffs and other barriers that restrict trade. A free trade area comes into being when trading partner successfully negotiate a free trade agreement the ultimate goal of which is zero duties on good that cross border between the partner.

Rules of origin

Are use to discourage the importation of good into the member country with the lowest external tariffs for transshipment to one or more member with higher external tariffs.

1. Custom Union

A custom union represent the logical evaluation of a free trade area. In addition to eliminating internal barriers to trade member of a custom union agree to the establishment of common external tariffs.

1. Common Market

A common market is the next level of economic integration. In addition to the removal of internal barriers to trade and the establishment of common external tariffs the common market allow for free movement of factor of production including labor capital and information

1. Economic Union

An economic union build upon the elimination of the internal tariffs barriers the establishment of common external barriers and the free flow of factor. It seek to coordinates and harmonize economic and social policies within the union to facilitate the free flow of capital, labor, goods and services from country to country.