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International Trade Policies

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Introduction

Any contractual agreement between governments involving their trading interactions is referred to as a trade agreement or a commercial agreement. Trade agreements can be bilateral or multilateral, meaning they might be between two or more countries. The global economy has grown rapidly in recent decades. Part of this expansion has been fueled by the even quicker surge in international trade. Trade expansion is a result of both technology advancements and coordinated attempts to lower trade obstacles. Some developing countries have opened their economies to fully exploit trade opportunities, while the majorities have not. Industrial countries' remaining trade barriers are concentrated in agricultural products and labor-intensive manufacturing, where developing countries have a comparative advantage. Further trade liberalization in these areas, by both developed and developing countries will help the poorest people overcome extreme poverty while also helping the developed countries. Integration into the global economy has shown to be a significant tool for promoting economic growth, development, and poverty reduction for countries. World commerce has grown at a rate of 6% per year on average over the last 20 years, twice as fast as global output.

Description

However, commerce has traditionally been a source of growth. The world trading system has benefited from eight rounds of multilateral trade liberalization, as well as unilateral and regional liberalization, since 1947, when the General Agreement on Tariffs and Trade (GATT) was established. Indeed, the latest of these eight rounds (the so-called "Uruguay Round," which ended in 1994) resulted in the creation of the World Trade Organization to help manage the expanding number of multilateral trade agreements.

The residual trade obstacles in industrial countries are concentrated in agricultural products and labor-intensive industry, which are areas where emerging countries have a comparative advantage. More trade liberalization in these areas, by both rich and developing countries, will aid the poorest people in overcoming extreme poverty while also benefiting wealthy countries. Today, there are numerous methods for regulating and fostering international trade. The techniques range from bilateral or multilateral agreements between countries to more ambitious attempts at economic integration through supranational organizations like the European Union (EU). A bilateral trade agreement often has a wide range of provisions that govern the terms of commerce between the contracting parties. Customs tariffs and other levies on imports and exports, commercial and fiscal laws, merchandise transit arrangements, customs valuation bases, administrative formalities, quotas, and other legislative provisions are among them. Most bilateral trade agreements include (1) reciprocity, (2) most-favored-nation treatment, and (3) "national treatment" of nontariff trade restrictions, either explicitly or tacitly [1-3].

GATT was a multilateral trade agreement that established the principles under which signatories would negotiate "a substantial reduction in customs tariffs and other trade impediments, as well as the elimination of discriminatory practices in international trade" on the basis of "reciprocity and mutual advantage." GATT became a charter governing practically all world commerce, with the exception of communist countries, as additional countries joined. The agreement also included a number of stipulations that allowed for exceptions to the regulations in certain circumstances. Balance-of-payments imbalances, substantial and unforeseen damage to local production, economic development or, subject to extremely broad reservations, agricultural policy requirements, the need to protect domestic raw material production, and national security concerns were among them. Furthermore, GATT rules allowed for a variety of deviations from the MFN principle. Within the previous EEC, France, for example, could allow duty-free entrance of goods from its fellow members—such as Germany and Italy—while denying duty-free treatment to non-EEC products. Policies that open an economy to international commerce and investment are required for long-term economic prosperity. This is supported by evidence. No country has achieved economic success in recent decades without being open to the rest of the globe, resulting in significant increases in living conditions for its citizens. In contrast, trade liberalization (together with foreign direct investment liberalization) has been a key factor in East Asia's economic success, with average import tariffs falling from 30% to 10% over the last 20 years [4,5].

Conclusion

Although improved access to other nations' markets has advantages, governments profit the most from liberalizing their own markets. The deregulation of agricultural markets would be the most beneficial to industrial countries. Manufacturing and agriculture liberalization would benefit developing countries about equally. Low-income countries, on the other hand, would benefit the most from agricultural liberalization in industrial countries due to agriculture's increased relative importance in their economy. Many developing countries have high tariffs of their own. Their tariffs on industrial products they import are three to four times higher than those of industrial countries, and they have the same tariff peaks and escalation patterns as industrial countries. Agriculture tariffs are much higher (18%) than those on industrial products. Nontraditional trade obstacles are more difficult to define and evaluate, but they are growing more important as traditional tariff protection and import quotas fall. Antidumping actions are becoming more common in both developed and developing countries, but developing countries are disproportionately affected.

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