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THE EFFECTS OF TARIFFS AND TRADE AGREEMENTS ON INTERNATIONAL COMMERCE

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Abstract
The second half of the twentieth century saw a surge in international commerce of both products and services. Global commerce volume increased by a factor of 22 between 1950 and 2000. It's common knowledge that commerce contributes to economic growth, so it stands to reason that policies that make it easier for countries to trade internationally will also boost GDP. Economists generally agree that free trade has the potential to increase welfare. Not everyone benefits from commerce, and some groups may even suffer as a result. The growth of global value chains has allowed for the dissemination of information, the acceleration of specialization, and the more efficient use of both people and material resources. Therefore, it is important for impact assessments to include an examination of how future planned or proposed legislative changes would affect existing global value chains (GVC).
Keywords: Tariffs, Trade, Agreement, International, Commerce

INTRODUCTION

More items are available to home customers, prices are lowered as a result of greater competition, and domestic businesses are able to export their wares as a result of international commerce. Although it would seem that everyone would benefit from free trade, some have contended that not everyone does. The second half of the twentieth century saw a surge in international commerce of both products and services. Global commerce in 2000 was 22 times larger than it had been in 1950.

While international trade has become more global, trade barriers, most notably tariffs, have increased, have been lowered or removed in many countries. The 1948 adoption of the General Agreement on Tariffs and commerce (GATT) was a significant factor in the expansion of international commerce. The GATT framework fostered a series of tariff reduction discussions. Agricultural products, processed foods, steel, and vehicles were at the center of the first trade agreements.

As the information technology industry has developed during the 1990s, the primary goals of many international trade agreements have shifted. The Information Technology Agreement (ITA) and Basic Telecommunications Agreement (BTA) signed by the World Trade Organization in 1997 lowered tariffs on items like computers, telephones, and some intangible commodities like software that are seen as essential to the growth of the knowledge economy. The fast growth of the Internet and e-commerce posed one of the most challenging new difficulties in the international trade arena since many countries were slow to negotiate bilateral free-trade agreements that incorporated provisions involving e-commerce.

GROWTH IN INTERNATIONAL TRADE

The value of U.S. exports and imports, as well as their combined percentage of GDP, have both increased dramatically since 1984. The usual measure of a country's openness to trade, the ratio of total trade to GDP, has been on the increase during the previous 30 years (figure 1), indicating that commerce has risen faster than the entire U.S. economy. Many economic variables have contributed to the growth of commerce. Many developing economies grew rapidly during this time, and the advent of cheap transportation and communication, as well as other technology developments that promoted digital commerce and the expansion of global value chains, are all important factors in this context. Another vital component of the trade agreements under consideration here is the lowering and eventual elimination of policy hurdles to trade and investment. U.S. trade agreements account for a significant share of the country's overall commerce, but this article does not seek to explain the whole growth in foreign trade throughout the time period covered.

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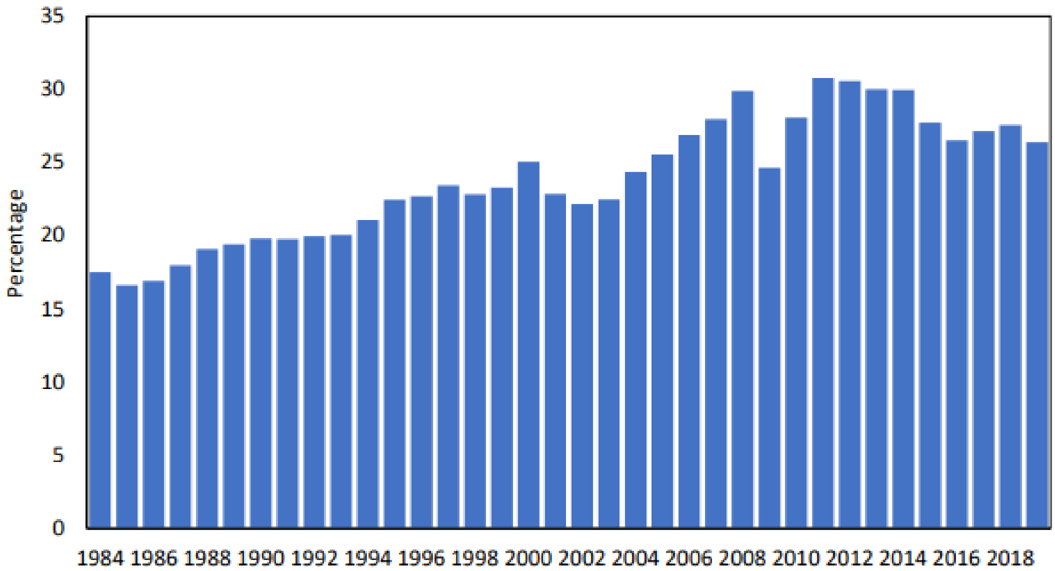

Figure 1 U.S. trade as a percentage of U.S. GDP, 1984–2019

URUGUAY ROUND AGREEMENTS

As part of the Uruguay Round of trade discussions, the General Agreement on Trade in Services (GATS) was drafted as the first multilateral agreement on trade in services. There are two main types of GATS obligations: general obligations and particular requirements. Services are subject to a variety of obligations based on each member's GATS commitments. Commitments from 12 different industries make up the majority of GATS schedules. Services that entail the exercise of governmental power (like social security) or air traffic rights are excluded from the scope of the agreement.

Some responsibilities under the GATS are broad and apply to the whole services industry. The Most Favored Nation (MFN) rule, for instance, mandates that WTO members treat service providers from all members equally. However, there are exceptions; for instance, Some countries favor certain partners in the delivery of goods and the provision of audiovisual services. Members of the GATS must also disclose any policies that might affect the flow of services across international borders, provide information in response to requests from other members, and provide review and appeals processes.

Approach and Organization

The consequences of U.S. trade agreements on the American economy are examined in this study from a number of angles. These various methods allow us to determine the extent to which trade agreements have influenced the economy of the United States and the specific processes by which they have done so. The study contains case studies that evaluate the effects of the agreements on particular sectors and provides a summary of research in the economic literature that attempt to estimate the impact of individual and multiple agreements. The Commission's quantitative impact estimates are included as well. There are a total of five sections to this report. Below is a synopsis of each Paper.

LITERATURE REVIEW

Athukorala, Prema-chandra (2019) Free trade agreements (FTAs) have established themselves as a permanent fixture in the international economic system during the last three decades. There were just 19 FTAs reported to the WTO in 1990, but by January of this year, that number had risen to 292. In contrast to multilateral and unilateral trade liberalization, the economic argument for FTAs is still up for discussion. The goal of this brief is to evaluate major arguments in this policy discussion. Even while political concerns have a significant influence in the growth of FTAs, the emphasis is placed only on the economic reason of FTAs.

Son, Duong & Tran, Vang-Phu (2022) With the present goal being to restructure the WTO's functioning system and reinforce requirements to binding member states' duties while negotiating and signing new FTAs, attention must be focused on this pressing need, this article analyzes the pros and cons of FTAs as they relate to the World Trade Organization (WTO). Methods from comparative jurisprudence and the examination of existing laws are used in this study. Concerning FTAs and the WTO, this article is broken down into four parts. The study's findings suggest that FTAs will continue to grow in importance in the coming years, both economically and politically; FTAs should be seen as positives for the World Trade

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Organization; The existing rules regulating WTO authority and the duties of member states in negotiating and signing new FTAs, however, need to be revised by the WTO and its members. Researchers interested in FTAs, the WTO, and the future of international trade will find this article very useful.

Yanase, Akihiko &Tsubuku, Masafumi (2021) The goal of this research is to examine the effects of an FTA by creating a model of intra-industry trade between three countries under imperfect competition with trade costs between states. If trade costs are high enough, establishing an FTA might harm the welfare of the non-member countries, and in that case, the FTA members would be incentivized to set optimal external tariffs that are higher than the ideal rates that would have been set in the absence of the FTA. The degree of trade costs and substitutability among diversified commodities determine whether or not the member nations gain from the FTA.

Sopranzetti, Silvia (2017) Our study examines how free trade agreements (FTAs) with a "hub and spoke" structure affect international commerce. Instead of focusing just on the bilateral trade of the hub nation, as has been done in earlier evaluations, we have also taken into account the country's location in the FTA network. We have studied the FTA network in great detail, paying special attention to its development over the last 15 years. With a panel data set spanning from 1960-2010, we analyze how the hub-and-spoke structure affected commerce. However, not all of the partner nations you may link with are the same, and our findings reveal that countries with more FTA connections have higher exports than those with less. This suggests that negotiating FTAs with every nation is not the ideal method for expanding commerce, since the trade of the hub tends to decrease as the number of unconnected spokes rises. But if we evaluate how new FTAs alter a nation's relative position, we can demonstrate that these agreements have a highly beneficial and considerable pro-trade effect whether they centralize or decentralize the nation in the network.

Grozdanovska, Vesna &Jankulovski, Nikolche&Bojkovska, Katerina (2017) Exporting, importing, and trading are all examples of international business, as are licensing and franchising arrangements that let companies in one country use the products, services, and processes of another country, as well as the establishment and management of production, retail, and R&D facilities in a foreign market. Across national boundaries, commodities and services are bought and sold in what is known as international commerce. That which is bought and sold between the various countries of the globe. Since the resources of any one nation are finite, it would be impossible for any one nation to meet its own consumption needs via domestic production alone. If a country doesn't produce something or doesn't create enough of it, they'll have to import it. When a country's supply of a thing exceeds domestic demand, it, too, will likely sell the excess elsewhere.

RESEARCH METHODOLOGY

Prior to the externally generated contribution, this Cost of Non-Europe research aims to offer a contrasting viewpoint on such topics as the scope and relevance of international commerce, the efficacy of trade defense, and the global significance of value chains. When read in tandem, these two papers provide a significant addition to our knowledge of the challenges surrounding international commerce and its effects on national economies. The study might also help readers make sense of in-depth economic evaluations of the effects of proposed or enacted changes to trade agreements or trade restrictions.

DATA ANALYSIS

International trade

Increased commerce between countries has helped raise living standards worldwide. Increasing the quality and quantity of products and services accessible to consumers and companies, as well as creating millions of new employment, are all results of the globalization enabled by import and export. In most situations, the quality of products and services has increased while the price has decreased. Since people now have more disposable money, they are able to buy more things (after meeting their most basic requirements, like feeding themselves and dressing themselves). Improved communication and transportation have eased the expansion of international commerce, while global value chains have fundamentally altered the methods in which multinational corporations manufacture products and services.

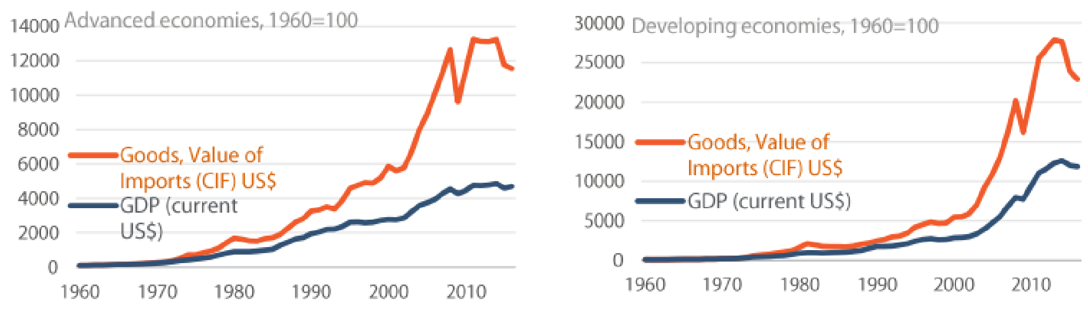

Figure 2 – Real trade and real GDP, 1960-2016

The import growth rate seen in Figure 2 has consistently been higher than the GDP growth rate. Since 2012, however, the expansion of international commerce has barely outpaced the expansion of the world economy as a whole. On September 27th, 2016, the World Trade Organization reduced its 2016 forecast for growth in trade in goods from 2.8% to just 1.7%. If the forecast holds, this will be the first time in 15 years that goods trade growth has lagged behind GDP growth. Nonetheless, the World Bank predicts that global growth will accelerate to 2.7% in 2017 and 2.9% in 2018-2019. As an added bonus, the World Bank anticipates a 4% increase in international commerce this year.

Three nations, China, Germany, and the United States, account for around US$4.992 trillion in yearly exports, whereas the following 13 largest exporters together only account for this amount.

Table 1 – Major export and import countries 2015

Partner Name	Export (US$ Thousand)	Import (US$ Thousand)
United States of America	2 058 112 209	1 395 345 212
China	1 323 771 078	2 372 156 700
Germany	979 357 224	1 225 656 417
Hong Kong	646 221 084	75 072 922
United Kingdom	608 455 502	406 813 159
France	554 892 567	511 082 383
Japan	513 881 089	684 150 817
Netherlands	509 474 570	418 874 132
Canada	406 642 970	414 817 328
Italy	389 047 196	437 166 953
South Korea	371 602 734	530 102 293
Mexico	364 432 670	401 664 053
Belgium	334 628 133	297 338 291
Spain	284 585 294	255 654 133
India	270 200 060	219 279 562
Singapore	260 962 004	201 146 237
Switzerland	241 824 925	286 437 908
United Arab Emirates	226 248 571	157 782 348
Poland	200 807 075	181 269 541
Vietnam	189 071 881	183 639 575

Source: World Bank – World Integrated Trade Solutions

One indicator of the pervasive problem of global imbalances is the goods and services trade deficit or surplus. The surplus of China virtually quadrupled between 2014 and 2015, while the surplus of Germany is on the rise as exports continue to outpace imports. As export from one country leads to import from another, international commerce functions as a closed system. There has been a protracted era of increased imports and decreased exports in the United States. This has prompted inquiries into potential strategies the United States may use to minimize or eliminate the gap. Increasing protection, favoring U.S.-made goods and services, is one proposed remedy.

CONCLUSION

Economists generally agree that free trade has the potential to increase welfare. In reality, this is one of the few guiding economic concepts that almost all economists agree upon. We provide both the theoretical underpinnings for believing that international commerce may have a significant impact on an economy and

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a wealth of empirical data to back up this perspective. However, we stress that it is reasonable to be concerned about the potential for negative distributional effects from international trade and the associated costs of adjustment. Trade's benefits aren't shared uniformly, and it might have negative consequences for others. The possibility of a shift in public opinion on globalization and its potential effects on voting patterns may also develop as a result of growing inequalities in the benefits of trade. This is evident in the United States, the United Kingdom, and France, among other democracies, where the subject of security has risen to the forefront of electoral politics.

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