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International Trade

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International Trade

The idea of exchanging goods, services, and capital transversely the international territories or borders due to there being a need or want of services or goods essentially characterizes international trade. Export, import, and entrepot trades are the three forms of international trade. The latter refers to importing goods from a given country and exporting them to a subsequent nation after value addition. International trade improves the living standards, facilitate consumers to enjoy a profound array of goods, and provide employment. Nonetheless, there are other underlying factors identifiable to specific countries that help define international trade. This paper will thus look at how one such government promotes international trade and how it prohibits it.

Ways The United States Promotes International Trade

Since the 21st century began, the United States economic involvement with the rest of the world has played a crucial role in reviving this nation's supremacy as the world's economic leader. The country has put inflation in check by relatively opening its borders to allow the inflow of most foreign goods at nil or reduced tariffs (Cohen, 2019). The United States has helped shape the world economy through the creation and leadership of two international institutions. These are ¹the International Monetary Fund (IMF) together with World Trade Organization (WTO). In essence, United States launched the IMF after WW II with the sole aim of providing exigency loans to nation-states with a temporary balance of payments challenges (Cohen, 2019). Similarly, the WTO was established by the US during the final laps of the global trade negotiations in 1995 to help settle trade disputes among nations.

Subsequently, although the United States trade negotiation objectives among other trade-related roles are set and performed by the Congress, the country has a leading trade negotiator

and trade policy coordinator. That is the United States Trade Representative (USTR). USTR facilitates its role through the interagency process with formal private and public advisory (Williams, 2020). Therefore, to promote international trade, the US trade policy's primary components include setting, liberalizing, and enforcing trade rules. This essentially entails trade agreements' negotiation to open markets besides established regulations on investment and trade. This component also executes commitment through the settlement of disputes and the United States laws of business (Williams, 2020). Secondly, the policy protects and promotes investment through treaties and trade agreements. Equally, the approach encourages and controls exports. It does this through the country's support for market research, export funding, strategic exports' licensing and control, among others.

Is The US A Member Of A Trade Bloc?

Through trade agreements, the US has managed to create opportunities for Americans as well as aid in the country's economic growth. Currently, US is a member of WTO as well as Marrakesh Agreement coming up with World Trade Organization (WTO Agreement) (Ustr.gov, 2020). The latter body is responsible for setting out regulations which govern the 154-member states of WTO. The nation also ascribes to the Trade and Investment Framework Agreement (TIFA), which offers the necessary frameworks for intergovernmental deliberation and resolution of all trade and investment problems at the nascent stage.

Ways The United States Can Prohibit International Trade

There are various tariffs, quotas, and regulations the United States can use to prohibit foreign goods from entering its domestic markets. However, it all boils down to what economists refer to as international trade barriers. In economics, trade barriers entail government restrictions on international trade, resulting in a reduced economy's general efficiency. These barriers cause a

limited choice of products; thus, they compel customers to dig deep in their pockets to pay for elevated prices and the substandard quality of products. Similarly, all international trade barriers tend to favor wealthy and developed nations since they are inclined to set policies and international trade standards. From the economists' perspective, they all agree that trade restrictions bear a detrimental impact and lower the economy's general efficiency, a fact best elucidated through comparative advantage theory.

On the outset, a quota entails restricting the importation of a given good to a certain quantity (Lumenlearning.com, 2019). On the flip side, a tariff is a framework for government-imposed duties levied on goods imported or exported. This could be a list of such duties or the duties themselves. Consequently, some of the tariffs, quotas, and regulations the United States can use to prohibit foreign goods from entering domestic markets include import and export licenses, subsidies, embargo, devaluation of the currency, tariffs, voluntary export restraints, import quotas, and non-tariff barriers to trade.

In a nutshell, almost all trade barriers operate on a similar principle. They aim to impose a form of cost on trade to have the prices of the traded items rise (Krugman et al., 2018). Conceivably, the recent example was demonstrated through an economic war between the US and China, which saw the US restrict Huawei products from accessing its markets. Notably, excess utilization of trade barriers in international trade by at least two nations on each other leads to a trade war. Nevertheless, free trade should involve removing such barriers, exempting those that might be deemed essential for well-being or national security.

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