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Free Trade Agreement

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Free Trade Agreement

Question One

Cassidy's statement, "My evaluation has led me to the summary that trade deals have failed to live up to the promise," is significant. America has evolved into a nation based on the conventional intellect of free markets and competitive advantages." Cassidy discovered that free-trade initiatives are motivated by the desires of US corporate entities. They are formed with the hope that the benefits will trickle down to average Americans. The poorest families are struggling the most as a result. As people struggle to make ends meet, gasoline and medical care costs eat into their finances. While higher-income households saw a rise in overall income, so did corporate entities, whose profits more than doubled. For instance, there were claims that U.S. total exports to China would significantly increase, providing jobs in the higher-paying export industry. Though US exports to China have increased, the success is because the trade grew from the lowest level. In relative terms, Cassidy (2009) argues that the rise in U.S. products exports to the EU was nearly 70% higher than the increase in U.S. goods exported to China. Canada received a 40% upsurge, while China received a 40% increment. Throughout this time, neither one of those trading partners created any trade agreements with the United States.

Second, Cassidy (2009) argues that the beneficiaries of these trade agreements are the corporate entities and the financial institutions that finance these trade investments, insufficiencies, and trade flows. Procuring from China, for instance, either through capital inflows or licensing agreements, has enabled businesses to lower costs or maximize profits, as evidenced by increased corporate profits and a spike in the US financial markets. Lastly, Cassidy draws our attention to the performance of the US economy and the workers, who are not better off with the trade deals. Since China joined the WTO in 2001, factory jobs in the United States

have decreased by more than 2.7 million. Whereas service industry jobs expanded throughout this period, excluding telecommunications, non-tradable occupations accounted for the lion's share of that growth. As a result, wages have stagnated, and real spending power, as previously stated, has been reliable or decreasing for the majority of families.

Question Two

Though the free trade pact seeks to offer economic benefits for both countries, RECALACA, a Latin American entity, has some reservations about workers' rights that are likely to be overlooked as an economic consequence of the free trade agreement. First, free trade does not guarantee that the Colombian government will sustain worker protections, nor will it promise that employee rights will not be weakened (The nation, 2017). Whereas labor practices may improve, this deal is unlikely to significantly impact that zone since such advancements are not a primary concern of the accord. Cassidy's China illustration emphasizes how our aspirations of a treaty can be overstated owing to incorrect promises made by the parties in the trade deal (Cassidy, 2009). Second, the trade treaty's agriculture sector clauses force Colombian farmers start competing against highly subsidized US food items which may storm market unimpeded where outcomes may be disastrous. The outcomes are expected to be disastrous. According to The Nation (2017), the income level of 1.8 million inadequately guarded Colombian farmers will drop by sixteen percent. Third, the government legalized US crop dumping in Colombia. Colombia has chosen to boost its dependency on external food in the trade deal. Outside sources provide 51 percent of plant-based starch and calories and 33 percent of plant oils in Colombia. As a result, this agreement will increase Colombia's food reliance while decreasing self-sufficiency in essential agricultural production (US Embassy, n.d.).

The Department of Commerce would react to RECALCA by asserting that the agreement will bring jobs and investment opportunities to the nation. They consider themselves fortunate to agree with the United States since having an association with the biggest economy in the world is a way for them to build the Colombian economy.

Question Four

Based on the lessons I have learned in this course, I will advise Colombia and the United States governments that the agreement as formulated will benefit both countries. For instance, it eliminates the trade barriers to American products entering Colombia. In 2007, the existing two-way trade between America and Columbia hit \$18 billion. Columbia is also America's fourth-biggest trading partner in the Latin America region and the largest South American export market for America's agricultural products (Stenzel, 2008). The free trade deal is expected to open up the region to American exports. In addition to that, the free trade agreement will level the market environment for American firms, ranchers, and American workers who will be free to work in Colombia. Colombia will benefit from this trade deal that is expected to help them strengthen peace, reforms, and democracy. According to Stenzel (2008), Colombia needs allies, especially when it is determined to achieve solid economic growth and social progress by eliminating violent groups, illicit conduct, and impunity.

Moreover, Colombia now has the support it needs to combat corruption and improve transparency and the social order, thanks to a progressively open market (US Embassy, n.d.). Colombia can be a self-sufficient player in the region with sustained US aid and US-Colombia Free Trade Deal authorization. As a result, Colombia will reap the benefits of the world economy. It will be eligible to join the increasing strategic alliance of nations along the Americas' Pacific coast to reinforce free markets and enhance liberal democracy. The enhanced

business activity that results will generate more employment opportunities in the organized sector and positively impact Colombia's fighting poverty.

A successful trade accord is premised on successful trading between countries that give them access to each other's markets. In this regard, the two countries should formulate a trade agreement that addresses their concerns. In Colombia and America's free trade agreement, they must lay down the agreed principles and level the playing ground. Five key areas are crucial during the structuring of a trade agreement between two countries. First, the agreement should eliminate taxes and tariffs in both countries to give businesses a price advantage. Second, the agreement should explicitly disallow the practice of dumping products in each other's market at a lower cost. Many businesses that export to foreign countries lower prices below the cost of selling the same products at home to eliminate competition, which might be advantageous to America but detrimental to Colombia. Fourth, the trade agreement should state the standardized regulations, labor laws, and environmental protection standards that the two countries must meet. Lastly, the trade agreement should prohibit stealing each other's innovative ideas by adopting appropriate intellectual best practices.

The lessons learned about trade policy from this debate is that mutually-beneficial trade is critical to eradicating poverty and inequality in the world today. Nations that are competitive in international markets grow more rapidly, drive innovation, increase productivity, and provide their citizens with higher incomes and more prospects. Free trade also greatly benefits lower-income families by making products and services inexpensive.

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