COVER PAGE AND DECLARATION

	BBA topup program
Specialisation:	
Affiliated Center:	
Module Code & Module Title:	**International Economics**
Student's Full Name:	Awadh Mohammed Mohsen Alawlaqi
Student ID:	EIU2022160
Word Count:	
Date of Submission:	27/4/2025

I confirm that this assignment is my own work, is not copied from any other person'swork (published/unpublished), and has not been previously submitted for assessmentelsewhere.

E-SIGNATURE: ______________________________

DATE: ______________________________

EIU Paris City Campus
Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter
Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 |
Mobile/WhatsApp: +33607591197 | **Email:** info@eiu.ac

Contents:

Introduction:

Trade agreements have always been significant for the global economy by bringing countries close to one another through commerce of goods, services, and investments. One of the most consequential among these trade agreements was NAFTA (The North American Free Trade Agreement), signed in 1992 by the US, Canada, and Mexico, and came into force in 1994. NAFTA aimed to foster growth through reduced tariffs, removal of trade barriers, and encouragement of investment between countries across North America. The agreement represented a major paradigm shift in regional economic policy to create business opportunities, promoting North America-wide competitiveness of its industries, and enhancing job creation. They allowed the countries to exploit their comparative advantages, leading to more efficient production and wider consumer choice. Over the years, NAFTA greatly enhanced trade flows among its parties and so contributed to the emergence of highly integrated supply chains in some significant industries such as automotive manufacturing, agriculture, and energy. To be sure, NAFTA has been associated with advantages; nevertheless, it has also put the national economies under tension. Critics raised issues related to job losses in some industries, wage stagnation, and heightened concern about the observance of labor standards and environmental protections.

Benefits:

NAFTA, the North American Free Trade Agreement, has greatly aided its member states in the form of an increase in trade and investments principally within North America. Tariffs would be eliminated and trade restrictions eased; this would give considerable momentum to cross-border business and the opening up of markets and export opportunities. NAFTA would also result in the development of greater efficiencies and reduction in the costs of businesses from integration of supply chains and subsequently the strengthening of their comparative advantage, thereby making North American industries competitive worldwide. In addition, NAFTA has provisions for protection at the level of intellectual property rights and some mechanisms for the resolution of disputes, which assures the confidence of investors and encourages foreign direct investments. BRICS is an organization consisting of significant emerging economies that do not formally regulate trade. However, its members have increasingly been cooperating in domains like commerce, finance, and development. The benefits of such cooperation are the following: diversification of business relations through deepening business partnerships, leading to reduced dependence on traditional partners and improved access to new markets for its products and services. In turn, the BRICS partnership contributes towards the building of infrastructure within its member states. Investments in infrastructure, viz. transport networks, energy infrastructure, and communication systems, enhance connectivity, create economic growth, and foster regional unification. BRICS nations join hands to share resources and knowledge among them to face common challenges, promote technologies, and have a green economy.

BRICS countries are cooperating on financial fronts like the establishment of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA) so that they financing sources for infrastructure projects and help member countries manage fiscal risks and external vulnerabilities. Such cooperation among BRICS countries strengthens their collective prowess vis-a-vis international affairs. Their voice becomes stronger in international conversations for them to speak as one on key issues like trade, climate, and governance. Consequently, they configure the course of change in global affairs and shape the priorities therein.

Downsides and Challenges:

It has certainly provided many advantages to the people involved, but it has also created some problems. One of its main contentions is the effect that it has had on industries and labor markets, especially in the US. Protesters have brought up the issue where, according to them, it has only resulted in an outsourcing of manufacturing jobs in Mexico, which resulted in the loss of jobs, lowered wages, and widened income gaps. It is also mentioned that labor standards and environmental regulations in Mexico have been weakened as a result of poor enforcement mechanisms. The other criticism thrown towards NAFTA is its investor-state dispute settlement (ISDS) system administering an undue amount of weight against public interests and national authority to businesses. The ISDS mechanism is argued by critics to be too much power for multinationals to influence governments and make it harder for governments to draft laws to protect the public. Also, ideas that are not similarly regulated and have dissimilar labor standards in NAFTA countries stir concerns about a situation dubbed regulatory arbitrage: an emerging trend whereby companies hunt for the best regulations to enjoy as gainers while sparking a fall in labor and environmental safeguards.The different economic priorities and distinct paths for development that BRICS members follow pose some difficulties. And though they are working towards the same goals of economic growth and development, the conflicting interests and geopolitical objectives they hold can stand on the way of effective cooperation and reaching accords among themselves. Poor infrastructure, such as inadequate transport, energy, and digital services, remains yet another common problem among most BRICS member states. This would directly affect economic growth thereby slowing trade and limiting investment, especially in the less developed regions of these countries. An issue that has been boiling under with some of the BRICS member nations is political instability inclusive of allegations of mismanagement and corruption in Brazil, Russia, and South Africa. These will further erode public trust in government and hamper the reform agenda for economic well-being.

Enforcement Mechanisms:

Dispute settlement and enforcement mechanisms built into NAFTA are intended for reaction to any disputes that may arise among member states. These mechanisms are inter-state dispute settlement where the countries may talk to each other and have arbitration committees help settle the case. Besides, an investor is entitled to sue a government for damages when he believes that NAFTA investment protection has been violated, for instance, in cases of expropriation without just compensation or where an investor was treated unequally to other investors. Like all other aspects of the trade pact, the binational panels are supposed to decide disputes of trade in general. For instance, special committees constituted by members from nations involved in trade disputes handle cases related to unfair trade practices, import restrictions, and other trade-related issues. These committees are neutral outlets for dispute settlement that uphold NAFTA regulations. Even though these high-sounding mechanisms are for these purposes, some voices accuse them of lack of transparency, impartiality, and accountability. This spurred demands for improvement or else there will be public outcry for greater involvement. In contrast to NAFTA, the BRICS do not engage in any kind of formal mechanism of rule enforcement. The stress is on cooperating in trade, finance, construction, and sustainability. Members of BRICS may enter into agreements among two or more of them to resolve issues, but the BRICS as a whole lacks an institution like NAFTA that ensures compliance with rules. There is greater proclivity within BRICS to resolve enforcement through diplomatic dialogue and private platforms, and concerning values and rules more commonly embraced by the members.

Main Items of Trade:

NAFTA covers different products and services that trade flows between the countries signing this agreement. The most important sectors are Motorcars and inputs, Crops and Agricultural Instruments, Machinery and Equipment, Electronics, Clothing and Textiles, and Energy. The most important export sector is the automotive industry, with supply lines linking the three countries. NAFTA has been instrumental in trade-in services like banking, communications, consulting, and technology. By promoting cross-border trade and developing service industries, NAFTA facilitated investment in services.

Accomplishments and Policy Needs:

Increased trade; expansion of economies; rules for trade and investment: These and other milestones have been attained by NAFTA since its inception. On the other hand, challenges and various policy issues need to be addressed by the policymakers and other stakeholders. Among the principal tasks of re-negotiating NAFTA had been to encompass modern-day issues, namely digital trade and e-commerce, as well as the safeguarding of intellectual property rights. Schott, J. J. (2017): The United States-Mexico-Canada Agreement (USMCA) takes over from NAFTA and there are numerous consequences that such a transition would mean." The final package-the United States-Mexico-Canada Agreement (USMCA)-included changes and enhancements to bring the original NAFTA agreement up to speed. Improving labor conditions and environmental protection as well as social welfare is important to guarantee that free trade is beneficial for all. That is the way that enforcement needs to be strengthened, accountability and transparency increased, and inclusive growth advanced. These policies will further North America's economic integration while safeguarding workers, businesses, and communities. The BRICS nations have been playing active roles in the global economy, fostering economic growth, trade, and the attraction of investments. The cooperation within BRICS has been able to create a much-needed infrastructure of an interconnecting nature in transport systems, energy plants, and communication networks across member states. Such projects further work towards connectivity and create economic development opportunities. BRICS's financial institutions are the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). They typically provide financing for infrastructure development projects and help the member countries in hard times of financial and external threats. Other principles include the elimination of barriers to trade (trade liberalization) and economic integration among member countries. It is aimed at accomplishing the next: Elimination of tariffs and trade restrictions; development of investment opportunities, protection of intellectual property rights of businesses; and improved collaboration on regulatory issues within North America. On the other hand, BRICS cooperation is wider in scope and is not confined to trade: Finance, energy, infrastructure development, and sustainability. Hence, this represents the greater BRICS agenda for cooperation among large emerging countries.

Effects on Member Nations' Economies and Exchange Rates:

The member countries of the North American Free Trade Agreement have varied experiences regarding the effects of the treaty on their economies and currency exchange rates. Foremost among them are the benefits that the U.S. economy receives, such as extended business export opportunities, an increase in investment opportunities, and lower prices of foreign goods for consumers. Major side effects of the agreement include job loss in some trades, especially manufacturing, and greater income inequality in some areas. North American Free Trade Agreement has also opened new trade opportunities to these countries, rendering them now globally competitive, with exports rising in sectors like automobiles, airplanes, and farm production. The impact of the system that Canada has for controlling the production of specific products such as dairy and poultry has indeed been questioned. Besides, equally, there are contents appraised regarding its effects on Canada's laws concerning the protection of movies, music, and ideas. In Mexico, the NAFTA trade treaty will become a turning point in increasing foreign investments, boosting industrial growth, and linking Mexico to the worldwide economy. It has given rise to export-led growth in the automotive, electronics, and machinery industries, leading to jobs in both manufacturing and services. However, still, income inequality, enhancement of the rights of laborers, and combating poverty and informality remain as challenges for Mexico. All influence the exchange rates among its member countries but differently. Trade and economy in Mexico and Canada have affected the conversion rates for the U.S. dollar. Nonetheless, the dollar remains the prime currency for trade and finance in North America and has remained stable. Moreover, Issues regarding shifts in the exchange rate will affect the competitiveness of exports, spur inflation, and raise the need for monetary policy coordination among its member countries. The BRICS nations have forged a new path in global economic growth by increasing trade, investment, and, infrastructure ties within member countries. BRICS is now one of the important emerging forces in the patterns of trade and investment across the world. They have also strengths in the diversification of economies across the BRICS member states and promoted industrial development in various sectors such as manufacturing, services, and technology. Infrastructure investments and policy initiatives have all been complemented by the encouragement of industrialization and the transformation of economies. In the time of the most significant international crises, the BRICS countries have shown resilience in their economies, testifying to their strength and capability to weather global challenges. These countries have experienced currency fluctuations along with the other countries in the developing world due to global economic conditions, movements of capital, and government actions which are bound to affect trade competitiveness and price level within the BRICS economies. Exchange rate movements within them to the BRICS affect trade in them. Stronger currencies will have the opposite effect. Currency fluctuations affect decisions regarding investment within BRICS countries, therefore making investment attractive to foreign investors more or less so. They both have had significant repercussions on the economies and exchange rates of their member nations, such as NAFTA, on the one hand, and BRICS, on the other hand. Their changes have been in favor of progress in economic growth, trade arrangements, and movements of investment in either of these two regions.

Comparing NAFTA and BRICS:

NAFTA and BRICS are fundamentally different in purpose, structure, and outcomes. The table below contrasts key features:

Feature	NAFTA (1994)	BRICS (2009, expanded 2024)
Type of Arrangement	Formal free-trade agreement	Informal political-economic coalition
Members	3 countries (USA, Canada, Mexico)	5 core countries (B, R, I, C, S) + 5 invited (2024)
Legal Basis	Binding treaty with detailed chapters	No charter or treaty; based on annual summit communiqués

Feature	NAFTA (1994)	BRICS (2009, expanded 2024)
Decision-making	By treaty rules; disputes adjudicated legally	Consensus at meetings; no supranational authority
Trade Relations	Tariffs eliminated; integrated supply chains	Members trade under WTO rules; no internal tariff cuts
Investment Rules	Investor-State arbitration (Ch.11)	No common investment agreement; bilateral deals only
Enforcement	Formal dispute settlement (Ch.19, 20, 11)	No enforcement body; rely on diplomacy
Focus / Goals	Economic integration in North America	Geopolitical influence; alternative institutions
Economic Size (est.)	~$25 trillion GDP (2023)	>25% global GDP (~$29T, 5 core in 2024)
Population	~500 million	>40% of world population (~3.7 billion)
Development Level	2 advanced (US, CA) + 1 emerging (MX)	Mixed: 2 advanced (US is not a member, Canada not in BRICS), 3 emerging
Current Status	Evolved into USMCA (2020)	Active bloc with annual summits; expanding membership

Conclusion:

They were trade agreements, for instance, which formed the yardstick by which globalization has defined ways of how countries shared gains and adjusted. On one side, NAFTA represented a formal, rule-based integration of neighbors, while on the other, BRICS is an informal coalition of large developing economies. The review, however, has found that NAFTA led to an increase in trade, investment, and regional economic linkages: it increased North American commerce three times. NAFTA also had a major hand in developing competitive industries, creating integrated supply chains, and fostering innovation across the continent. Even if, based on some evidence, it has not come under serious criticism on account of labor disruptions or environmental issues, its input to overall economic growth cannot be denied. On the other hand, BRICS constantly takes shape with a much broader claim to geopolitical ambitions and the realization that the challenges of cohesion and enforcement are still relevant. Seeing these models helps us understand the complexity of modern trade relations and the continuous necessity of adapting economic modalities to prepare for the future.

References:

1. Mulligan, G. F. (2020). Book Review: The Great Convergence: Information Technology and the New Globalization.

2. Schott, J. J., & CIMINO ISAACS, C. (2017). Updating the North American Free Trade Agreement. A Path Forward for NAFTA, 69-90.

3. Lawrence, R. Z., Slaughter, M. J., Hall, R. E., Davis, S. J., & Topel, R. H. (1993). International trade and American wages in the 1980s: giant sucking sound or small hiccup?. Brookings papers on economic activity. Microeconomics, 1993(2), 161-226.

4. Naidu, S., Zucman, G., & Rodrik, D. (2019). Economics after neoliberalism. MIT Press.

5. Panke, D., & Stapel, S. (2023). North America in Comparative Perspective. North American Regionalism: Stagnation, Decline, or Renewal? 191.

6. Wood, A. (1994). North-South trade, employment, and inequality: changing fortunes in a skill-driven world. Clarendon Press.