COVER PAGE AND DECLARATION

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Introduction

International economics is the study of how the economies of different countries are connected. This study looks at how countries invest in each other, trade goods and services, and pay for this trade and investment. There are several reasons why international economics is important.

First and foremost, it describes how the economy around the world works. Understanding what makes trade and investment happen can help us figure out what will happen to the world economy in the future. International economics helps us make better decisions about trade and

rules for investing. People may be able to make better choices about how to assist the economy grow and develop if they know the pros and cons of trade and investment. Studying international economics might help with handling economic crises. We can make better planning to lessen or lessen the effects of economic crises if we know what causes them.

1. **Analyze NAFTA's agreement between its member countries, and write an analysis that answers the following questions:**

A. **What are the benefits of NAFTA?**

The United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA) on January 1, 1994. It made North America a free trade zone by getting rid of most tariffs and other trade barriers between the three countries.

All three countries have seen the many good things that NAFTA has done. Some of the most important benefits are:

• More trade and investment: Because of NAFTA, commerce and investment between the three nations have gone through the roof.

• Customers pay less: NAFTA has made items cheaper for citizens in all three countries. This is because there are no tariffs or other trade obstacles in the area, which makes it cheaper to make and sell things there.

• More competition: NAFTA has made the North American market more competitive, which has resulted in better products at cheaper prices for customers.

• Job creation: NAFTA has produced jobs in all three countries. Estimates say that NAFTA has created or kept more than 700,000 employment in the United States.

• More business: NAFTA has helped all three countries. For example, some think that NAFTA has added more than $1 trillion to the GDP of the United States.

B. What are the downsides of NAFTA?

Some of the worst things with NAFTA are:

• Job losses: Some people say that NAFTA has caused job losses in the US, especially in manufacturing.

• Some people claim that NAFTA is to blame for the drop in wages in the US. This is because salaries have gone down because of more competition from Mexico.

• People have spoken bad things about NAFTA because of how it affects the environment. People believe that NAFTA has made pollution worse in Mexico because firms have migrated there to take advantage of the country's weak environmental laws. People who don't like NAFTA have also said that it has affected small businesses in the US.

. When these enterprises compete with bigger companies that have operations in Mexico, they usually don't do as well.

No one can agree on how bad these consequences have really been, so it's worth noting. Some research shows that NAFTA has been good for jobs and salaries in the US, while other research shows that it has been bad. There is also a lot of dispute about what NAFTA does to the environment.

C. How does NAFTA enforce its policies?

There are many ways to implement NAFTA's rules. Some of these methods are:

• State-to-state dispute settlement: This process lets one country question another country's adherence to

NAFTA's rules.

• If an investor considers that another country has done something to hurt its investment, they can sue that country under the investor-state dispute settlement system.

• Chapter 19 dispute settlement: This process lets businesses fight against decisions made by other NAFTA member countries that impose anti-dumping or countervailing duties.

• Labor and environmental side agreements: These agreements set out how to enforce NAFTA's labor and environmental standards.

Some people differ about how successfully NAFTA's enforcement measures function. People who don't like the procedures argue they don't do enough to stop countries from breaking NAFTA's regulations. Some people also say that the procedures give investors and businesses too much power.

D. What are the main items of trade in NAFTA?

The primary things that are traded under NAFTA are: • automobile products: The automobile sector is the biggest part of commerce under NAFTA, making up nearly one-third of all trade.

• Machinery and equipment

Electronics: Electronics is another big area of trade, making up around one-tenth of all trade.

• Agriculture: Agriculture is a lesser part of trade, making up around one-fifth of all trade.

Here are some specific instances of items that are traded under NAFTA:

• Cars: Cars, trucks, and other vehicles are bought and sold under NAFTA.

• Machinery: This includes things like tractors and construction equipment that are used in factories.

• Chemicals: This includes simple chemicals like plastics and fertilizers.

• Electronics: This includes TVs, computers, and other electrical gadgets.

• Farming: This includes crops like corn and soybeans and animals like cows and chickens.

The main things that are exchanged in NAFTA have changed over the years. The machinery and equipment sector is presently the main trade sector, while the automobile sector was the biggest at one point. There has been a lot of integration in the machinery and equipment sector lately, which is why this is happening. There will probably be other changes to the main NAFTA trade goods as well. The electronics sector is expected to expand in prominence since more and more products are being made with electronic parts.

E. What does NAFTA accomplish and what needs are met by NAFTA?

NA FTA does a lot of things, such as:

• Making a free trade zone: NAFTA gets rid of most tariffs and other trade barriers between the three countries. This makes it easier and cheaper for businesses to work together.

• Encouraging investment: NAFTA safeguards businesses from investments made by people from all three nations.

. This makes the area more appealing for firms to put money into.

• Protecting intellectual property: NAFTA protects things like patents and copyrights that are part of intellectual property. about new things and be innovative.

• Better working together: NAFTA gives the three countries a variety of possibilities to cooperate together, such as settling disagreements and safeguarding the environment. This makes trade in North America more stable and predictable.

The governments, businesses, and people of all three countries are delighted with NAFTA. NAFTA helps businesses by giving them more chances to trade and invest.

. Lower prices are excellent for customers, and NAFTA might help make that happen. When NAFTA helps the economy grow, governments get the benefits. Many people have said they don't like NAFTA. People who don't like NAFTA believe that it has made it harder for people to get jobs in the US industrial sector and other areas. Some people claim that NAFTA hurts the environment. Still, the benefits of NAFTA have far outweighed the drawbacks. This complicated agreement has had a lot of effects on the North American economy during the past 28 years.

Here are some particular ways that NAFTA has helped businesses, consumers, and governments in all three countries:

• firms: NAFTA has helped firms save expenses and reach more customers. For instance, NAFTA has benefitted the car industry by letting companies employ the skills of workers in all three nations to build cars and trucks more efficiently.

• Customers Buying Goods and Services: NAFTA has made it possible for customers to save a lot of money when they buy things and services. For example, the price of fruits and vegetables in the US has gone down since NAFTA was put into effect since more items that are Mexican are being sold in the US.

• Governments have gotten more tax money because of NAFTA. For example, when Americans buy things from Canada and Mexico, the federal government makes billions of dollars in tariffs.

F. How have NAFTA policies affected its member nations' economies?

The economies of the United States, Canada, and Mexico, which are all AFTA members, have changed a lot because of AFTA. The general effect has been good, but there have also been some bad effects.

Positive effects of NAFTA: • More trade and investment: NAFTA has made commerce and investment between the three countries much higher. In 2020, the US supplied $367 billion worth of goods to Mexico and Canada and got $531 billion worth of goods back.

• Prices are cheaper for consumers: NAFTA has made prices lower for people in all three nations. This is because tariffs and other trade obstacles have been removed, making it easier and cheaper to make and sell things in the area.

• More competition: NAFTA has made the North American market more competitive, which has resulted to lower pricing and better products for customers.

• Job creation: NAFTA has produced jobs in all three countries.

• Economic growth: NAFTA has helped all three countries' economies thrive. For instance, it is thought that NAFTA has helped the US economy grow by more than $1 trillion.

NAFTA's bad effects

• Job losses in some fields: Some people say that NAFTA has caused job losses in some fields, such manufacturing, in the United States. Companies have transferred their operations to Mexico, where labor is cheaper, which is why this is happening.

• Lower earnings: Some people say that NAFTA has caused wages to go down in the US. This is because wages have gone down due of the increased competition from Mexico.

The economy of NAFTA's members has improved because of it. On the other hand, there have been some bad repercussions, such the loss of jobs in a certain industry and problems with the environment. There are a number of ways to deal with these bad effects, such as the labor and environmental side agreements to NAFTA.

G. **How does NAFTA address exchange rates?**

H. NAFTA doesn't say anything particular about how much money can be exchanged. It does, however, have a number of clauses that could have an indirect effect on currency exchange rates. For instance, NAFTA says that the three nations must keep their macroeconomic conditions constant. This could assist keep currency exchange rates from changing too much. Also, NAFTA says that countries can't use currency manipulation to get an unfair trade advantage. This could assist stop countries from lowering the value of their currencies to get an unfair trade advantage. In general, NAFTA doesn't say anything explicit about currency exchange rates. But it does have some rules that could have an indirect effect on currency exchange rates. These rules could help keep currency exchange rates from changing too much and stop countries from lowering the value of their currencies to get an unfair trade advantage. It is vital to know that NAFTA will probably not have a big effect on currency exchange rates. Interest rates, inflation, and economic growth are just a few of the things that affect currency exchange rates. There are many things that could impact currency exchange rates, and NAFTA is just one of them.

2. **Research an additional international trade agreement and compare its policies with NAFTA's policies.**

Trans-Pacific Partnership (TPP):

The TPP was a planned trade deal involving 12 countries on the Pacific Rim: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. The TPP was meant to eliminate tariffs and other trade barriers between the member countries and encourage trade and investment in the Asia-Pacific region.

Tariffs: Most commodities exchanged between member nations would not have had tariffs under the TPP. NAFTA also got away of most taxes on goods that were traded between the three countries that were members.

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Intellectual property: The TPP would have made safeguards for things like patents and copyrights stronger. NAFTA also made intellectual property safeguards stronger.

Labor: The TPP would have required member countries to follow their own labor regulations. NAFTA also had rules that made it necessary for member countries to follow their own labor laws.

Environment: Member countries would have had to do something to protect the environment under the TPP. Investor-state dispute settlement: The TPP would have enabled investors sue governments for damages if they considered the government did something that affected their assets. NAFTA also permitted people who put money into businesses sue governments for money.

The TPP is not in effect right now because the US Congress never authorized it. But the provisions of the TPP might be utilized to help make future trade deals.

The TPP would have included more nations than NAFTA, including some in Asia and Oceania. NAFTA only covers countries in North America. The TPP would have had tighter rules for workers and the environment than NAFTA did.

- The TPP would have let investors sue governments for damages in a way that was more controversial than how it was set up under NAFTA.

Finally, the TPP was a greater deal than NAFTA. It would have had stronger laws about workers, the environment, and how to settle disagreements between investors and states, and it would have touched more people. The TPP was more controversial than NAFTA, and the US Congress did not agree to it.

Conclusion

For this assignment, I wrote about the NAFTA agreement, including its advantages and cons and how it can help or hurt the economies of the countries that are members. I also talked about the terms of the agreement and how they can be employed. I also illustrated how the agreement can get around the exchange rate between members. Finally, I talked about the rules, things, advantages and cons of the TTP and NAFTA deals and how they are alike and different.

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