Essay

Your Name (First M. Last)

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**Essay**

**1)**

The primary trade policies pursued by the government of the United States of America (USA) that cast a significant impact on the trade with nations are: International Organic Trade Policy, The General Agreement on Tariffs and Trade (GATT) Act of 1947, the Generalized System of Preferences (GSP), Antidumping and Countervailing Duty Laws and critical trade agreement which it has established with more than twenty states. The essential goal of the United States’ policies on international trade is to protect and maximize the national interest of the states. Several policies formulated by the United States caused detrimental consequences while some resulted in potential benefits.

The essential aim of the General Agreement on Tariffs and Trade Act of 1947 is the reduction of barriers, especially tariffs, that prevented the trade of the United States with the foreign states. The GATT conducted several talks with several states pertinent to the trade issues. It eventually led to the establishment of the World Trade Organization. Besides, the Antidumping and Countervailing Duty Laws are part of the Act of 1930. It is worthy to highlight its manifestations for the greater interest of the United States. For instance, America gets protected by the cuts imposed by the foreign states on American manufacturers. The Antidumping Laws prevent imports from being sold at relatively less than the fair value. Meanwhile, countervailing measures surface when a certain foreign government offers potential monetary incentives. The foreign government advances to successfully sell their goods in the United States cheaper. When a violation of countervailing or dumping takes place, the perpetrator may end paying million to the United States in duties.

Besides, the primary purpose of the establishment of the Generalized System of Preferences was to promote economic stability in the most underdeveloped states and further enable them to cultivate the foreign trade. The United States is also engaged in several free trade agreements with several states across the world to permit farm food and goods that are produced in the United States to be shipped across the globe.

The three dominant factors of production comprise labor, capital and land. Since the change in the dimensions of land and labor affects mobility, they are deemed the significant factors involved. For instance, the abundance of trees to be cut will positively impact mobility. The high demand for wood will initiate a positive impact on mobility. In the circumstances involving the shortage of trees, the mobility is adversely impacted because the demand is far greater than supply.

**2)**

The specialization and division of production in the global economy is manifested by two crucial principles: comparative advantage and absolute advantage. The absolute advantage highlights the nation which best at the production of a specific good. On the other hand, comparative advantage is a demonstration of the nation that stands to lose the least after the production of one good against the other.

**Absolute Advantage:**

A state is likely to witness an absolute advantage when it requires manpower or resources to produce a specific item. For instance, assume the United States and France both produces airplanes. France can produce 14 planes in a month while the United States can foster large production of 45 planes of the comparable quality. For France, 2.14 days are imperative to manufacture each plan in comparison to the United States’ rate of 0.67 days. Thus, the United States cherishes an absolute advantage because of the tendency to produce proficient products at a rapid pace than the competitors.

**Comparative Advantage:**

The very essence of the comparative advantage is the reduction of the opportunity cost associated with a product strategy. The opportunity cost required for producing a similar product equals the potential advantage that could have been availed by the selection of an alternative(“Comparative Advantage Versus Absolute Advantage | Globalization101,” n.d.). For instance, assume China can successfully produce, utilizing the same resources and time, either 45 cellphones or 30 computers. The opportunity cost of one computer is 1.5 cellphones. Conversely, the opportunity cost associated with the cost of producing a cellphone is 0.67 of a computer.

The fundamental objectives of the comparative advantage come into existence when Thailand, the neighbor decides to produce cellphones or computers. If the opportunity cost of Thailand for the producing cellphones is less than 0.67 of the computer, it harnesses a comparative advantage for producing cellphones. It will be mutually beneficial for Thailand to manufacture phones and China to manufacture computers.

**3)**

The Trans-Pacific Partnership (TTP) was a multinational trade agreement which threatened to expand the restrictive intellectual property laws across the world and promulgate international rules for its enforcement(“What Is the Trans-Pacific Partnership (TPP)?,” n.d.). The United States and the following states were the part of the free trade agreement: Brunei, Australia, Chile, Canada, Malaysia, Japan, New Zealand, Mexico, Vietnam, Singapore and Peru. Following the presidential elections of 2016, the United States abandoned the agreement. The remaining states involved in the agreement advanced to promulgate a new trade agreement known as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), TPP-11. The Senate of the United States ought to advance to ratify the agreement to allow the state to align with the nations which were previously involved in TTP. Moreover, the World Trade Organization (WTO) is responsible for supporting global trade. Thus, the WTO is responsible for introducing consistencies in tariffs and monitors the trade agreements.

References

Comparative Advantage Versus Absolute Advantage | Globalization101. (n.d.). Retrieved March 4, 2019, from http://www.globalization101.org/comparative-advantage-versus-absolute-advantage/

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