

# Unit - 3 Trade Negotiations

Page:

Date:

RTA

GATT

WTO

①

## Regional Trade Agreements (RTA)

→ RTAs are defined as grouping of countries which are formed with the objective of reducing barriers to trade between member countries.

[As on 1<sup>st</sup> Feb 2021, 339 RTAs were in force]

→

## Types of RTA

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Unilateral Trade Agreement - Under this an importing country offers trade incentives in order to encourage the exporting country.

(e.g. Generalised System of Preferences)

Developed Nation  
(U.S.)

Importing Country

Developing Nation  
(Pakistan)

Exporting Country

GISP

It promotes economic development by eliminating duties on various developed products

② Bilateral Agreement :- Agreement that set rules of trade between two countries, two blocs or a bloc & a country (e.g. ASEAN - India Free Trade Area)

↓                      ↓  
Bloc      Country      (group of countries)

③ Regional Preferential Trade Agreements :- Agreements among a group of countries to reduce trade barriers on a reciprocal & preferential basis only for the members of group [e.g GATT]

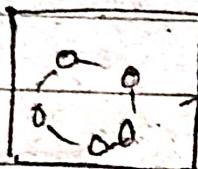
↓  
(Global System of Trade Preferences)

④ Trading Bloc :- Group of countries that have free trade agreement between themselves and may apply a common external tariff to other countries. E.g. Arab League (AL), European Free Trade Association (EFTA)

↓  
[O-O]      O

⑤ Free Trade Area :- It is a group of countries that eliminate all tariff & quota barriers on trade with objective of increasing exchange of goods among themselves (e.g. ASEAN - India Free Trade Area)

⑥ A Customs Union :- is a group of countries that eliminate all tariffs on trade among themselves, but maintain a common external tariff on trade with other countries (it is technically a violation of MFN)



→ "Common external tariff".

Common Market :- A common market deepens a custom union by providing for free flow of output and of factors of production by reducing or eliminating internal tariff & by creating common external tariff.  
(e.g. EU, ASEAN)

Economic and Monetary Union :- Free transit of goods & services through the borders.  
(e.g. EU) → ("Single currency")

## ② General Agreements on Tariff & Trade (GATT)

- GATT covers International trade in goods.
- The working of GATT agreements are the responsibility of the council for Trade in goods (Goods Council).
- The goods council has 10 Committees. These committees consist of all member countries.
- The GATT lost its relevance by 1980's because
  - ⑥ Intellectual property rights & trade in services were not covered.

## ③ Ambiguities in multilateral system

- ④ World merchandise trade increased a lot & it was beyond the scope of GATT

- ⑤ Efforts at liberalizing agriculture were not successful 😞

- ⑥ Inadequacies in dispute settlement system

- ⑦ It was not a treaty



## URUGUAY ROUND

- Uruguay round brought about the biggest reform of the world's trading system. Members established 15 groups to work on limiting restrictions.
- The Round started in Punta del Este in Uruguay in September 1986. In December 1993, the Uruguay round (8<sup>th</sup>) was the most ambitious & largest ever round with 123 countries participated, was completed.
- The agreement was signed by most countries on 15<sup>th</sup> April, 1994 and with effect from 1<sup>st</sup> July 1995 marked the birth of WTO.

③

## World Trade Organisation (WTO)

- Six key objectives :-

- (i) To set & enforce [rules] for International Trade
- (ii) To provide [forum] for negotiations
- (iii) To resolve [disputes]
- (iv) To increase [transparency]

in global economic management  
International Affairs Management

(vi) To help developing nations.

→ Structure of WTO

WTO activities are supported by a Secretariat located in GENEVA by Director general. It has three tier system of decision making.

TOP  
MIDDLE  
LOWER

WTO accounts for almost 95% of world trades and currently having 164 member countries (of which 117 are developing countries)

→ "Guiding Principle of WTO"

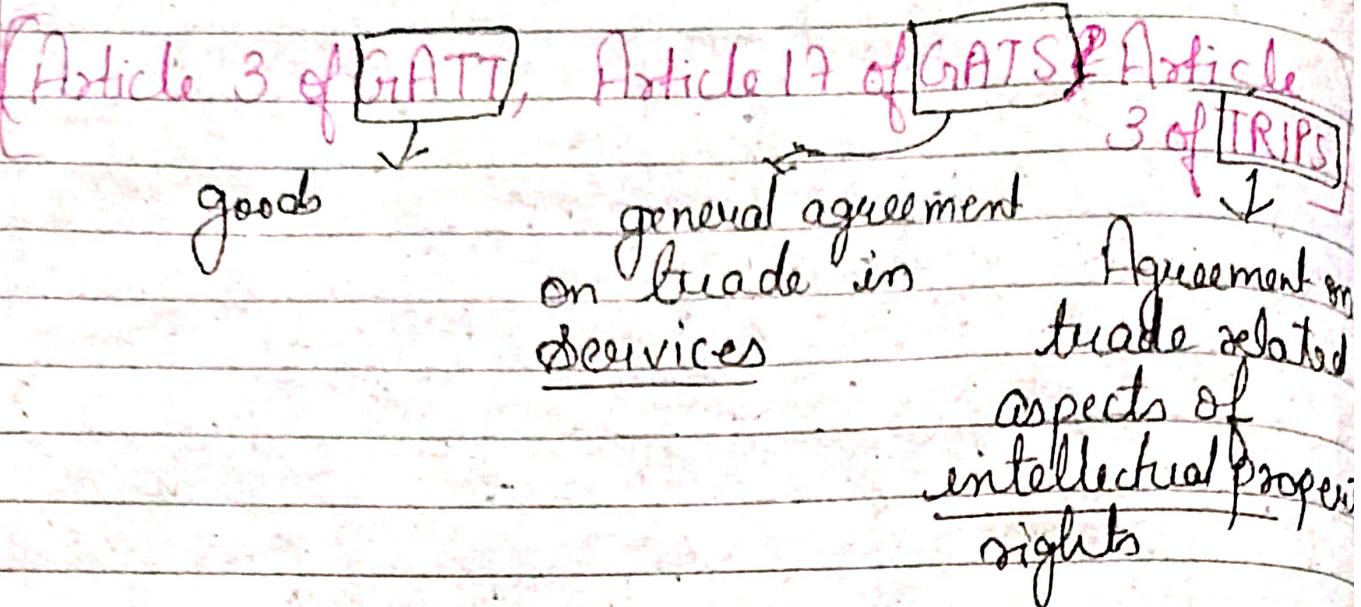
① Most Favoured Nation (MFN) :- Treating other people equally

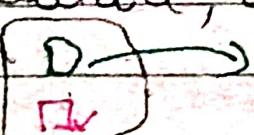
② National Treatment :- Treating foreigners and locals equally.



This principle of National treatment is also found in all three main WTO agreements.

1. GATT Article 17 of GATT



- 3) Free Trade :- WTO allows progressive liberalisation
- ↔  
Cross-site Barriers  
(विदेशी करने से)
- 4) Predictability :- In WTO, when countries agree to open their markets for goods or services, they "bind their commitments": Countries should make trade rules as clear as possible (transparent).
- 5) Promoting Fair Competition - WTO promotes fair competition in agriculture, intellectual property, services  
eg : 
- 6) Encouraging development & economic system
- Developed countries have started to allow duty free & quota free imports for almost

all products from least developed countries.

Africa

→ US

duty free / quota free

## WTO Agreements -

- Agreement on Agriculture
- Agreement on Application of SPS measures
- Agreement on Textiles & Clothing replaced the Multi-fibre Agreement (MFA) since 1994
- Agreements on TBT (Technical Barriers to Trade)
- Agreements on TRIMs (Trade related investment Measures)
- Agreements relating to Anti-Dumping
- Agreements relating to Pre-shipment inspection (PSI)
- Agreement on rules of origin
- Agreement on Importing licensing procedure
- Agreements on Subsidies & Countervailing measures
- GATT and TRIPS

## • Trade policy Review Mechanism (TPRM)

## • Plurilateral Agreements

- It involves several countries with common interest but do not involve all WTO Countries.

## • DOHA Round (9<sup>th</sup>)

- Doha in November 2001
- Talks about negotiations including 20 areas of trade
- Most controversial topic was "Agriculture trade"

## • G20

→ "Group of 20" is the premier forum for international economic cooperation - India holds the presidency of G20 from 1 Dec 2022 to 30 Nov 2023

→ G20 was founded in 1999 after the Asian financial crisis

→ Since beginning of Covid-19, trade related measures were implemented by G20 and 61<sup>st</sup> measures were "trade facilitating" (39.1) "Trade Restrictive"