



INTERNATIONAL TRADE AGREEMENTS

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International Trade Agreements

- International trade agreements are agreements between two or more countries that govern and facilitate trade activities between them.
- These agreements are designed to reduce barriers to trade, promote economic cooperation, and create a more predictable and stable environment for international commerce.
- Here are some common types of international trade agreements:

1. Free Trade Agreements (FTAs):

- FTAs aim to eliminate or reduce tariffs, quotas, and other trade barriers on goods and services between participating countries.
- They promote the principle of free trade by creating a level playing field and facilitating the movement of goods, services, and investments.
- Examples include the North American Free Trade Agreement (NAFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

2. Customs Unions

- Customs unions go beyond traditional free trade agreements by also establishing a common external tariff for goods imported from outside the union.
- Member countries eliminate trade barriers among themselves and adopt a single tariff structure for imports from non-member countries. The European Union (EU) is an example of a customs union.

3. Regional Trade Agreements (RTAs):

- **RTAs are agreements among countries within a specific geographic region to reduce trade barriers and enhance economic cooperation.**
- **These agreements often aim to deepen economic integration and promote collaboration on issues like investment, intellectual property, and services trade.**
- **Examples include the Association of Southeast Asian Nations (ASEAN) and the South Asian Free Trade Area (SAFTA).**

4. Bilateral Trade Agreements

- **Bilateral trade agreements are agreements between two countries to facilitate trade between them.**
- **They can cover various aspects such as tariff reductions, market access, investment promotion, and regulatory cooperation.**
- **These agreements are typically focused on addressing specific trade issues and increasing economic ties between the two countries.**
- **Examples include the United States-Korea Free Trade Agreement (KORUS) and the Japan-Australia Economic Partnership Agreement.**

5. Multilateral Trade Agreements

- Multilateral trade agreements involve multiple countries and are negotiated and implemented through organizations such as the World Trade Organization (WTO).
- These agreements aim to create a global framework for trade and address a wide range of trade-related issues, including tariff reductions, subsidies, trade facilitation, and dispute resolution.
- The WTO's General Agreement on Tariffs and Trade (GATT) is an example of a multilateral trade agreement.

WORLD TRADE ORGANIZATION (WTO)

- The structure of the capitalist world's political economy was established in 1944 at the Bretton Woods conference in Bretton Woods, New Hampshire.
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- The USA and Britain aimed to create **a new liberal economic order** to prevent interwar economic conflicts (problems that had led to WW II).
- The USA promoted the establishment of an International Trade Organization (ITO) to **oversee new trade rules that would gradually reduce tariffs, subsidies, and other protectionist measures, offsetting mercantilist tendencies.**

An abstract, colorful, textured background resembling marbled paper or a close-up of a natural surface, with various shades of blue, green, yellow, and pink.

WORLD TRADE ORGANIZATION (WTO)

- The ITO never saw the light of the day, because a coalition of protectionist interests in the U.S. Congress forced the USA to withdraw from the agreement. This killed the idea.
- Consequently, President Harry Truman advanced a temporary alternative structure for trade negotiations under the General Agreement on Tariffs and Trade (GATT).
- In 1947, the GATT became the **primary organization responsible for the liberalization of international trade.**
- It was aimed at promoting international trade by reducing tariffs and other barriers to trade among its signatory countries.

Basic Principles of GATT

- **1. Non-discrimination:** The principle of non-discrimination is a key pillar of the GATT. It consists of two main components:
 - A. **Most-Favored-Nation (MFN) Treatment:** Under the MFN principle, countries are required to treat all other GATT members equally. **Tariffs and regulations applied without discrimination**
- Any preferential treatment granted to one member country must be extended to all other member countries.
- The MFN principle aims to prevent discrimination and promote a level playing field in international trade.

Basic Principles of GATT

- B. **National Treatment**: This principle aims to ensure that foreign products are not subject to discriminatory treatment once they have crossed the border. **No discrimination between imported and domestic products.**
- **2. Tariff Reduction**: The GATT aimed to reduce tariffs and other trade barriers to facilitate the flow of goods and services across borders.
- Member countries committed to lowering their tariffs through rounds of negotiations, known as tariff reduction schedules.
- The goal was to promote trade liberalization and create a more open and predictable trading system.



Basic Principles of GATT

- **3. Transparency:** Member countries were required to provide information on their trade policies, tariffs, and regulations to ensure openness and predictability in international trade.
- **4. Consultation and Dispute Resolution:** It established mechanisms for consultation and dispute resolution to address conflicts and disagreements among member countries.
- The dispute settlement process provided a forum for resolving disputes through negotiations and, if necessary, adjudication by a panel of experts.

Basic Principles of GATT

- **5. Flexibility and Safeguards:** It recognized the need for countries to protect their domestic industries in certain circumstances.
- It allowed the use of temporary trade measures, such as safeguards and anti-dumping duties, to address unfair trade practices or protect domestic industries.
- **6. Progressive Liberalization:** The GATT promoted progressive liberalization of trade through successive rounds of negotiations.
- Countries engaged in trade talks to expand market access, reduce trade barriers, and update trade rules to reflect changing economic realities.
- It evolved over time through negotiations such as **the Kennedy Round**, **Tokyo Round**, and **Uruguay Round**, which ultimately led to the establishment of the WTO in 1995.

The Rounds of GATT

Year	Location	Number of Member Countries	Focus and Outcome
1946	London, England	50	50 nations meet to discuss creation of international trade organization; discussions failed.
1947	Havana, Cuba and Geneva, Switzerland	23	Nations meet first in Havana and then Geneva (first official meeting) to agree to reduce more than 45,000 tariffs and duties; agreement result in creating of GATT
1949	Annecy, France	13	Tariff Negotiations and agreements
1951	Torquay, England	38	Tariff Negotiations and agreements
1956	Geneva, Switzerland	26	Tariff Negotiations and agreements
1960–1961	Geneva, Switzerland "Dillion Round"	26	Tariff Negotiations and agreements
1964–1967	Geneva, Switzerland, "Kennedy Round"	62	Tariff and anti-dumping negotiations and agreements
1973–1979	Geneva, Switzerland, "Tokyo Round"	102	Tariff and non-tariff barriers negotiations and agreements
1986–1994	Uruguay "Uruguay Round"	123	Tariff and non-tariff barriers negotiations and agreements; added reviews of intellectual property, trade rules, services, textiles, agriculture and dispute settlement; resulted in information of the WTO in 1994

* Beginning with the 1960 Round in Geneva, GATT officially named each round rather than just use the name of the city and country

The Uruguay Round

- It established new rules and regulations to limit protectionist measures such as “dumping” (selling goods at below fair market prices) and the use of state subsidies.
- It established fifteen working groups that dealt with such items as: textiles and agricultural goods; intellectual property rights; restrictions on foreign investments; and trade in services.
- For the first time GATT trade negotiations dealt with the contentious issue of agriculture.
- All of the major producers and importers of agricultural products employ subsidies and other measures that, according to economic liberal critics, distort agricultural markets.

The Uruguay Round

- **General Agreement on Trade in Services (GATS)** liberalized trade in banking, insurance, transport, and telecommunications services by applying the principles of national treatment and most-favored-nation to them.
- **Trade-Related Aspects of Intellectual Property Rights (TRIPS)** required countries to maintain minimum standards for protection of patents, copyrights, and trademarks—and to effectively enforce those standards.

WTO

- WTO is an international organization that focuses on promoting global trade by establishing rules and resolving disputes among its member countries.
- It was established in 1995 as a result of the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade (GATT).
- its primary job is to implement the GATT, GATS, and TRIPS agreements.
- It is served as a forum for negotiating new trade deals, helps resolve trade disputes, and provides technical assistance and training programs to developing countries.

Functions of the WTO

- 1. **Trade rules**: The WTO sets rules for international trade, covering a wide range of goods, services, and intellectual property.
- These rules aim to ensure that trade is conducted in a fair, transparent, and predictable manner, with a focus on nondiscrimination, elimination of trade barriers, and promotion of free trade.
- 2. **Dispute Settlement**: The WTO has a robust dispute settlement mechanism that allows member countries to resolve trade disputes through a legal process.
- This mechanism ensures that countries can challenge trade measures they believe violate WTO rules, and a neutral panel of experts reviews the case and issues a ruling. If a country does not comply with the ruling, it can face authorized retaliation.

Functions of the WTO

- 3. **Trade Negotiations:** The WTO provides a platform for member countries to engage in trade negotiations and reach agreements on various trade-related issues.
- These negotiations aim to liberalize trade by reducing tariffs, quotas, and other trade barriers. The most recent round of negotiations, known as the Doha Development Agenda, started in 2001 but has not yet been concluded.
- 4. **Technical Assistance and Capacity Building:** The WTO supports developing and least-developed countries by providing technical assistance and capacity building to help them effectively participate in global trade.
- This includes training programs, workshops, and assistance in implementing WTO rules and regulations.

Challenges of WTO

- 1. **Disagreements and Deadlocks:** The WTO has struggled to reach meaningful agreements due to divergent interests and priorities among its 164 member countries.
- This has resulted in deadlocks and a slowdown in negotiations, limiting the organization's ability to address new trade challenges.
- 2. **Critics of Globalization:** The WTO has faced criticism from various quarters, including anti-globalization activists and civil society organizations.
- Concerns revolve around the perceived negative impacts of free trade on domestic industries, labor rights, and environmental standards.

Challenges of WTO

- **3. Inclusion of Emerging Economies:** With the rise of emerging economies like China and India, there have been debates on the need to update the WTO rules to reflect the changing dynamics of the global economy.
- Critics argue that these economies should take on greater responsibilities and obligations commensurate with their economic status.
- Despite these challenges, the WTO continues to serve as a platform for negotiating trade rules, resolving disputes, and facilitating global trade.
- Its role remains vital in balancing the interests of different countries and promoting a fair and open global trading system.

The Doha “Development Round” (DDR)

- The next round of multilateral trade negotiations was to begin in 1999, but the WTO’s ministerial talks in Seattle ended in deadlock, with riots in the streets and anti-globalization protestors blocking delegates from entering the negotiations.
- many developing countries complained that agreements reached in the Uruguay round had not resulted in significant gains for them.
- They also argued that before new trade agreements could be reached, the developed nations would have to make a concerted effort to include developing nations in the negotiation process.
- In recognition of this goal the Doha round was nicknamed the “Development Round” to reflect the growing importance of developing nations in the international trade system.



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