

# [The general agreement on tariffs and trades and regional trade agreements](https://assignbuster.com/the-general-agreement-on-tariffs-and-trades-and-regional-trade-agreements/)

The General Agreement on Tariffs and Trades (GATT) in 1994 established the main framework for the intuition of the World Trade Organization (WTO), today’s key governing body for multilateral trade. The GATT and WTO recognize the importance of Regional Trade Agreements (RTA) and mention them in their provisions particular in Articles XIX and XXIV. Between these two, the provisions stated in the latter article have become the focal point with the growth of RTA’s. The provision provides exception for customs unions and free trade ease (FTA’s) from the most-favored-nation (MFN) clause given that they do not implement provisions that increase trade restriction (Commercial Diplomacy, 2007). The clause also provides that the objective of the agreements is for liberalization which extends to interim agreements as well and political status is given to any area that maintains commercial and tariffs are considered as a contracting party (Mathis, 2002).

North American Free Trade Area (NAFTA), European Communities (EC) and the African Union (AU) are examples of organizations that are given exception which are classifies as free trade agreements, custom union and associations respectively (United Kingdom – Department of Trade and Industry, 2007). They are commonly organized because of a shared interest either geographically or because of an industry. For example, NAFTA unifies Canada, the United States and Mexico and EC’s interest is to unify trading amongst its members. RTA’s and similar organizations are not governed under the WTO but its members are. RTA’s can work to support the WTO by creating provisions that support or follow the WTO’s (Crawford and Laird, 2000).

RTA can work to develop better competencies among its members so that their participation in turn under the WTO becomes more feasible (AU and Economic Commission for Africa, 2003). At the same time, they can mediate issue within their organization so that WTO members do not have to seek resolution with the WTO, streamline trade and discussion of issues. However, most academics see the prevalence of RTA’s as a threat multilateral trading system. The key issue is with the MFN clause: RTA’s gives preference to member countries which contravenes the stipulation for universal treatment of all countries under GATT. Questions regarding the treatment of regional imports jurisprudence and the related valuation of injuries, requisites of trade parallelism as well as the determination of discriminations are among the issues that still have to be resolved (Crawford and Laird, 2000). In 2005, the European Commission presented a paper whose objective was to resolve the conflict between various GATT provisions and the interest of RTA so that the latter can in fact be an advantage of the WTO.

However, the Research Institute of Economy Trade and Industry in a parallel study point out that RTA’s pose as a competition to WTO member nations and impair the progress of multilateral trading systems development.