

COMMERCIAL PREFERENTIAL REGIMES AND ECONOMIC INTEGRATION

1. Juridical basis and the typology of preferential regimes

2. Economic integration

Preferential regime = giving commercial facilities at imports from a country, this preference not being extended to the imports from other countries.

Economic integration – means the existence of a preferential regime between 2 or many countries with an extended scope: creating a economic and monetary union.

1. Juridical basis and the typology of preferential regimes

One of the most important principles of GATT is the Most Favored Nation Clause. But GATT permitted as a derogation to this MFN Clause Free Trade Areas and Custom Unions. This derogation implies the fact that the facilities accorded between the member states of these Custom Unions or Free Trade Areas are not extended to third party countries.

Free Trade Area: - grouping of countries which decide to eliminate between them all commercial and trade obstacles (no custom duties, no quantitative restrictions)
- the member states continue to apply the national custom tariff when importing from other countries.

Custom Union: - grouping of countries which decide to eliminate between them all commercial and trade obstacles (no custom duties, no quantitative restrictions)
- when importing from other countries, the member states apply a common custom tariff.

Economic Integration: - free movement of goods
- free movement of services
- free movement of capital
- free movement of persons } exceeding GATT/ WTO

UNCTAD admitted other two derogations from MFN Clause:

- a) developed countries can give developing countries some preferential custom concessions when importing manufactured products on a non-reciprocal basis.
- b) between developing countries there can be some custom concessions that are not applied when importing from other countries, and especially from developed countries.

Main commercial preferential arrangements at regional level:

| The Arrangement | Type of Arrangement | No. of countries | Member states |
|--|-------------------------------------|------------------|--|
| European Union (EU) | Custom, Economic and Monetary Union | 25 | Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, The Netherlands, United Kingdom. |
| European Free Trade Association (EFTA) | Free Trade Area | 4 | Island, Liechtenstein, Norway, Switzerland, |
| European Economic Space (SEE) | Free Trade Area | 29 | EU+ EFTA |
| Free Trade Area EU, EFTA and Central and East European Countries | Free Trade Area | 31 | EU + EFTA + Romania + Bulgaria |
| North American Free Trade Area (NAFTA) | Free Trade Area | 3 | Canada, Mexico, United States |
| MERCOSUR | Custom Union | 4 | Argentina, Brasilia, Uruguay, Paraguay |

Main preferential commercial arrangements at a interregional level:

- **Generalized System of Preferences (GSP)** – preferences are given on a non reciprocal basis by the developed countries in favor of developing ones.
- **The 16th Protocol** – reciprocal preferences between 13 countries (Bangladesh, Brasilia, Chile, Egypt, Israel, Mexico, Pakistan, Peru, South Korea, Romania, Turkey, Tunis, Uruguay)
- **Global System of Commercial Preferences** – reciprocal preferences and custom concessions between 39 states (Algeria, Argentina, Bangladesh, Benin, Bolivia, Brasilia, Cameroon, Chile, Cuba, Ecuador, Egypt, Filipinas, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Mozambique, Nicaragua, Nigeria, Pakistan, South Korea, North Korea, Romania, Singapore, Sri Lanka, Sudan, Tanzania, Thailand, Tobago, Tunis, Vietnam, Zimbabwe)

2. Economic integration

European Union

a) History of European Union

- **1951, Paris Treaty:** The Six (Belgium, France, Germany, Italy, Luxembourg, Netherlands) sign the Treaty of Paris establishing the European Coal and Steel Community (ECSC)
- **1957, Treaty of Rome:** The Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) are signed by the Six (Belgium, France, Germany, Italy, Luxembourg, Netherlands).
- **1972 the 1st enlargement:** Denmark, Ireland, and the United Kingdom,
- **1986 The Single European Act**
- **the 2nd enlargement:** - **1981** Greece
 - **1986** Spain and Portugal
- **1992 Maastricht** the signing of The Treaty on the European Union
- **1995 the 3rd enlargement:** Austria, Finland and Sweden
- **1997 the Treaty of Amsterdam.**
- **2000 the Treaty of Nice.**
- **2004: the 4th enlargement:** Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia.

b) European Institutions

- **European Parliament (EP)**- represents the EU's citizens, adopts the budget and the laws
- **Council of the European Union** - represents the individual member states, adopts the laws
- **European Commission** - proposes new laws
- **Court of Justice**
- **Court of Auditors** - checks out the financing of the Union's activities.

c) Economic, politic and social integration

- **1992 Maastricht – Treaty of European Union**
 - Union citizenship
 - Economic Union
 - Monetary Union
 - Politic Union

North Atlantic Free Trade Agreement

- **1988** US and Canada signed The Canada-US Free Trade Agreement, eliminating tariff and non tariff obstacles.
- **1994 NAFTA** - remove tariff barriers between Canada, the United States and Mexico
 - it is a free trade area of more than 360 million people

Generalized System of Custom Preferences

- **1964, UNCTAD, N-S dialog** – developed countries give preferential reduced taxes for imports (manufactured products) from developing countries in order to help these countries develop their industries (this privilege can be withdrawn if and when a country is competitive on the international market).