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International Trade

Session 7

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Welcome to the course on International Trade.

The seventh session of the course provides an introduction into **regional economic integrations**.

WTO members may decide to go further in abolishing trade restrictions. They may conclude **free trade agreements** or create **customs unions**. In case of a free trade area, states abolish tariffs and quantitative restrictions among themselves but maintain their own tariffs against non-members. In case of a customs union, they also adopt uniform tariffs against third countries (non-member countries). Nowadays, **regional economic integrations became more important in practice than WTO rules themselves**: most the trade occurs in the frame of a regional economic integration (and not under the general WTO rules).

The **MFN does not apply to regional economic integrations**, however, only if they cover **“substantially all trade”**. That is, economic cooperation amounts to a regional economic integration only if it covers most goods or almost all of the goods. It is not a regional economic integration if member states liberalize trade among themselves concerning a few products. In the latter case, the MFN will apply and they will be expected to extend the benefits they afforded to each other to all WTO members.

Please watch the short e-learning video prepared by the WTO e-Campus on the **regional trade agreements**. This is part of the WTO e-learning courses prepared for government officials from developing members and observers and is available at

<https://www.youtube.com/watch?v=745pbg3yKyo>

Please read Csongor István Nagy, Free Trade, Public Interest and Reality: New Generation Free Trade Agreements and National Regulatory Sovereignty. IX Czech Yearbook of International Law 197-216 (2018). It is available at <https://ssrn.com/abstract=3172064>

International free trade has become one of the central global issues of the 21st century both in terms of fierce political debates and economic significance. While some states seem to resort to protectionism, others see enormous possibilities in trade liberalization. The paper presents, through the triangle of free trade, local values and economic interests, the central issues of new generation free trade agreements, the purposes they pursue, the problems they address and the techniques they may use.

After placing the current debate in its political and social context, it describes the interaction between free trade and local public interest, the role value standards, in particular environmental and labour standards, play in international economic relations, the controversial issue of international investment protection and investor-state arbitration, the mechanisms of regulatory coordination, the relationship between regulatory sovereignty and protectionism and the settlement of international trade disputes. The paper ends with the author's closing thoughts.

At the end of the session, please answer the following questions:

- What are regional economic integrations?
- What is the difference between a free trade agreement and a customs union?
- What are the basic features of new generation free trade agreements?
- When are regional economic integrations exempt from the MFN?