

# Regional Trade Arrangements and Their Varieties

Author : Dr. Neeraj Kumar Sharma

Project Faculty, Mahatma Gandhi National Council of Rural Education

Gopanpalli, Hyderabad

## Abstract:

*To that end, this piece will introduce and describe a number of regional accords. We will also demonstrate that a new kind is presently emerging, one that has been particularly dominant between rich and developing nations since the advent of the World Trade Organization (WTO).*

*Keywords : Regional agreements, type, WTO.*

## Introduction:

RTAs are pacts between many nations to facilitate commerce within a certain region. According to the World Trade Organization, regional ties between nations are optional. Free trade zones and customs unions are both types of RTAs. The fundamental premise of the General Agreement on Tariffs and Trade (GATT) is non-discrimination between contracting parties. Specifically, article 27 states that regional trade agreements may only exist if they do not limit commerce with other nations. More than eighty regional agreements were reported to the GATT between 1947 and 1990 (P.J. Lloyd, 1992).

Over the course of the previous fifteen years, this number has skyrocketed, reaching approximately 160 contracts at the start of 2007. The majority of these agreements were made in the form of preference systems or association pacts between the years of 1947 and 1990. At this stage, it's important to differentiate between this kind of arrangement and regional trade agreements negotiated on the basis of reciprocity, since the two are quite different in character. Preference systems, on the other hand, are not based on reciprocity but rather allow for a decrease in customs taxes or a "implicit degree of protection" (Lloyd (1992)), rather than the abolition of such levies altogether. Only developing nations, many of which are not even in the area in issue, are usually included in these pacts. To a greater or lesser extent, the notion of reciprocity underlies most, if not all, association agreements.

## The various regionalist perspectives:

In the early 1960s, Balassa put up the first significant contemporary typology of regionalism. Following significant shifts in the global economy, this typology provides a progression of regionalism's maturation through its many forms and phases. First and foremost, free commerce requires that all impediments to the free flow of products be eliminated, both monetary and otherwise.

We started with free trade, then went on to the customs union, which combines free trade with a single external tariff, and finally arrived at the common market, which assumes the free interchange of services and the free circulation of inputs of production already present in the customs union. Common or unified economic policies are the last flourish of economic unification. An excellent illustration of the ascendancy of a regional power to the apex of economic unification is Europe. In fact, Europe has come a long way from its beginnings as a customs union of six nations in 1958 to its expected completion of today's deep integration. Even the money is different now. But this typology proposed at the start of the European construction and which applies well to this construction (all the stages have been respected) is no longer sufficient today, to give an account of the panorama of the non-multilateral forms of internationalization of economies traditionally referred to as regional forms. Regnault cites the European Union's (EU) and Turkey's (Turkey's) customs union as an example of a "higher level" customs arrangement than that which exists between the countries of the North American Free Trade Agreement (NAFTA), which is based on a more basic free trade agreement and does not entail the establishment of a common external tariff. However, the ties created outside of NAFTA, like as those between the EU and the vast majority of SEMCs (especially Morocco and Tunisia), are of the same character. In this way, a specific type cannot be assumed due of inconsistent wording amongst regional treaties. This has led to the development of novel strategies in recent years. At this stage, we need to make a distinction between two broad categories. You may classify them as either "dichotomous" or "triangular."

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De jure and de facto regionalism, closed and open regionalism, deep and superficial integration: these are the polar opposites that make up the dichotomous typology. The European situation of jure regionalism, in which regional integration is developed amongst sovereign nations, serves as a useful illustrative example. It is disclosed to the international trade authorities, in compliance with multilateral norms. When regional integration is founded on a regional division of labor and regional growth of foreign investment, Hugon (2003) defines a process of de facto integration. The Asian example is instructive because it shows how this form of integration may work.

Similarly, open regionalism is compared to closed regionalism in this view. Open regionalism is a form of regionalism that puts a pure market logic into practice by rejecting the idea of exclusivity, respecting all multilateral principles, seeking the creation of traffic, and avoiding diversion. Closed regionalism is, however, more proactive. It seeks "a coordinating political process performed by regional institutions rather than a market-driven one" (Hugon, 2003). Finally, the opposition is made between deep integration and superficial integration.

For weak or superficial integration, it is confined solely to the reduction of border obstacles to commerce. Examples of this form of regionalism are seen in the European and Mediterranean treaties.

However, in order to achieve deep integration, additional liberalization measures must be put in place to address investment, competition, etc. beyond the scope of simple border protection. You can see this kind of regionalism at work across Europe.

In a new setting and in a logic of international political economy, Deblock, Brunelle and Rioux (2003) suggest three pure varieties of regionalism. A regionalism of "regulation and sanction" which is founded on the autonomy of the markets and the institutionalized collaboration between the States and articulated around the norms of law and supranational organizations. This is, for example, the European scenario.

A regionalism of "risk management" which is founded on the autonomy of the markets but also the respect of the sovereignty of the States such as the case of NAFTA. Finally, the authors differentiate a regionalism described as "regulated marketplaces and structured exchanges". In this scenario, it is an issue of regionalism balancing sovereignty and collaboration to the harm of free markets. In this case, Deblock, Brunelle and Rioux (2003) argue that no example can be cited, except perhaps, the COMECON between the USSR and the countries of Central and Eastern Europe (CEEC) on paper and not facts, insofar as, in reality, cooperation was structurally asymmetrical and the sovereignty of the CEECs was highly restricted.

The pure European model replaces "regulation and sanction," regional governance takes the place of "regulated market and organized exchanges," and the pure regional regime replaces "risk management" in Keabadjian's (2018) classification system.

### **Free commerce between the North and South:**

Typically, nations in the same area and at a similar degree of development sign trade agreements together. These agreements aimed fairly high in terms of the degree of economic integration they hoped to achieve.

If we can't create shared markets, then we should at least create customs unions. With reference to more recent accords, they are essentially free trade agreements which lower or remove obstacles to trade without creating a shared tariff structure as in customs unions, nor a united space for the movement of labor and capital as in the common markets. The current "gold standard" in trade agreements is a bilateral free trade "treaty" between a developed economy and a developing economy (Defraigne, 2016).

The dissolution of the Soviet Union gave rise to new nations that, according to some accounts, were motivated to join the global economic system, which is often seen as the driving force behind this astonishing progress.

Defraigne (2016), to substitute bilateral trade agreements for the ties between established economies.

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Thus, established economies, which have signed many agreements with nations in transition and developing countries, have been a driving force behind the expansion of agreements during the last two decades. In addition to the economic aim, many agreements have additional objectives. For the European Union, the partnership and cooperation agreements negotiated with the nations of Eastern Europe and those of the Mediterranean basin also aim at geopolitical aims by permitting regional stability. It seems that North and South are striving for different things. Indeed, it increasingly seems that the Southern States' growth prospects are heavily conditioned by their capacity to integrate into the global economy via the main regional networks. When it comes to the industrial relocation tactics used to keep down labor costs, however, the capacity of regional areas to integrate their peripheries poses crucial difficulties, both geopolitical and temporal and more generally economic and financial (Bach, 2020).

Today, the proliferation of North-South free trade accords that defines the new regionalism has been able to create important changes in international economic relations. These are above all reciprocal accords which have replaced the preferential ones which largely favor poorer nations.

In addition to trade in commodities, industrialized nations are increasingly aiming to include in these accords ambitious norms on the liberalization of trade in services, the protection of intellectual property and foreign investment. Within the framework of the new regionalism, these nations also hope to provide their businesses with simpler entry into the domestic markets of their trading partners, and at the same or better terms than those enjoyed by domestic manufacturers.

Within this framework, developing countries which should eliminate barriers to substantially all imports from their generally developed partners and which do not obtain, in return, significantly better access than before (the only advantage is that they cease to depend on the periodic renewal of the preferential treatment received) are also invited to renounce the use of numerous instruments of economic policy which may be essential to their development strategy.

However, these nations aim to preserve or increase their access to the markets of developed partner countries, by getting concessions which are not provided to other developing countries. Others want, however, not to lose, by signing these accords, their market share to the advantage of other nations who have previously signed similar arrangements with the same major trade partner.

Despite efforts, developing countries generally fail to benefit from better access to this market due to limited production. The process is complicated by the subsidies rich nations provide to vulnerable industries. In addition, the signing of a significant number, which grows from one day to the next, of such accords left the preferences achieved tend to disappear. Thus “from an informal multilateral system dominated for decades by the most advanced countries to its replacement by a more formal system but blocked and emptied of part of its substance by regional trade agreements” (Defraigne (2010)) , developing countries continue to suffer from a situation of technological dependence and fundamental asymmetry in the global trading system.

In this work, we built on Balassa's seminal typology of regional trade agreements from the '60s, and its conclusion is presented here. We also revealed that additional varieties were formed later. Finally, we have demonstrated that the previous several years, notably since the formation of the WTO, have been distinguished by the development of a new North-South regionalism between developed and developing nations.

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