Practice Of Developing Trade In The European Union (EU) And The North American Free Trade Agreement (NAFTA)

Question 1

Evaluate the practice of developing trade in the European Union (EU) and the North American Free Trade Agreement (NAFTA) and any relevant legal trading principles.

The North American Free Trade Area consists of Canada, Mexico and the United States. Launched in 1994 after a heated political debate, it is the world's largest free trade area. Its purpose was to stimulate trade and investment in North America and improve living standards across the continent. Supporters of the US saw the agreement as a means to increase American exports of goods and services to Mexico. At the same time, it would encourage investment in Mexico. However, NAFTA is viewed critically, as it would cause enormous job losses in US production and be detrimental to American agriculture.

Canada and the USA are at an advanced stage of economic development. They are much more similar to each other than their southern neighbours. Mexico, on the other hand, is a developing country. However, in the past Mexico has had greater state control and ownership of industry than the USA or Canada. In addition, there are higher customs duties and greater barriers for foreign investors. However, despite the controversy, the North American Free Trade Area was created on January 1, 1994 by the North American Free Trade Agreement. Nevertheless, the controversy has continued to this day, as the 2016 presidential election campaign between Clinton and Trump and the bitter disputes over globalization in general have shown.

In terms of the principle of national treatment in NAFTA, this is similar to the WTO system. It describes that products coming from another NAFTA country must be treated without discrimination and not differently from domestically produced goods. In addition, Nontariff barriers are to be eliminated. NAFTA prohibits new export duties on goods unless the duties are also levied on similar goods sold for domestic consumption. Customs user charges - fees imposed on importers to finance the costs of customs enforcement and port services - were abolished by 1999.

NAFTA tariffs apply only to products originating in Mexico, Canada or the USA. Customs duties may be levied on goods outside NAFTA that enter a NAFTA country. The rules of origin are therefore a critical issue for importers and exporters. They offer the possibility of setting tariff rates or quotas that could apply to the product sold or purchased. Goods that are allowed under the NAFTA rules of origin could be granted NAFTA duty rates.

The main general rules are: (1) the goods must have been wholly manufactured or obtained in Canada, Mexico or the United States and (2) the goods may contain non-originating inputs (components or raw materials) but must meet the regional value content requirements or the tariff origin rules set out in Annex 401 to the NAFTA Agreement.

The NAFTA certificate of origin is another important rule. It is required for all shipments moving between the USA, Canada and Mexico. It is a certificate that the goods are considered to be of North American origin for the purposes of preferential tariff treatment under NAFTA.

Other rules include standards and technical barriers to trade and marking and labelling regulations (Annex 311 of NAFTA).

Unlike the EU, NAFTA does not have a common external tariff and therefore does not constitute a customs union; however, the term 'free trade area' does not go far enough. NAFTA differs from conventional free trade agreements (since 1947, GATT has indicated 145 free trade agreements) in that it not only contains provisions for the removal of trade barriers, but also regulates relatively new issues such as trade in services, investment and the protection of intellectual property.

EU: Prosperity in the European Union is based on free and open world trade. The European Commission presented the 'Trade for All' strategy in autumn 2015. This forward-looking strategy is based on a balanced and effective trade policy based on values and sustainability principles. In addition to the goal of economic growth, the EU is intensifying its dialogue with developing countries and including anti-corruption provisions in future trade agreements.

The EU and US maintain bilateral trade relations worth $1 trillion and exchange goods and services worth €3 billion every day. It is the largest economic relationship in the world. To date, this special trade relationship has not been governed by a comprehensive trade agreement. However, after President Trump took office, trade relations deteriorated due to unjustified punitive tariffs imposed and threatened unilaterally by the United States. In July 2018, Commission President Jean-Claude Juncker met with President Donald Trump in order to bring about a relaxation in the bilateral trade conflict. The meeting resulted in the Joint Statement by President Juncker and President Trump on mutual trade relations, in which both sides committed themselves to work together towards the complete elimination of customs duties, non-tariff barriers and subsidies for industrial goods.

The Comprehensive Economic and Trade Agreement, or CETA for short, was negotiated between the EU and Canada from 2007-2014. CETA is a milestone in European trade policy. Canada and the EU have agreed in post-negotiations on modern and transparent investment protection and want to build on this by establishing a multilateral investment court. The aim of CETA is to eliminate 99% of customs duties, open up services markets, offer investors reliable conditions and strengthen the protection of intellectual property. In this way, the agreement should above all contribute to generating higher economic and employment growth.

In conclusion, economic integration between the NAFTA partners and the resulting growth in trade and investment relations is by no means seen as a mere political success. On the contrary, there is an intensive dispute, particularly in the USA, about the advantages and disadvantages and the winners and losers of the NAFTA agreement, which has become more acute with the presidential candidacy and the assumption of office by Donald Trump.

In conclusion, as far as the EU is concerned, the EU is determined to maintain the policy of open markets and to counteract the trend towards the closure of domestic markets. Many governments have already asked the EU to intensify free trade talks - Mexico is a recent example. The European Commission has calculated that if all current free trade talks were

successfully concluded, EU GDP would increase by more than 2%.