

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Regional Trade Agreements

Communication from Hungary

The following communication, dated 17 June 1999, has been received from the Permanent Mission of Hungary.

Background

1. Almost all WTO Members are parties to one or more regional trade agreements (RTAs). This clearly manifests that RTAs have become important and integral part of the multilateral trading system.
2. Around 50 per cent of the world trade is now carried out within regional trade agreements.
3. RTAs have contributed to a great extent to the growth of world trade by expanding the production of and trade in goods and services both between parties of these agreements and in most cases also with third parties.
4. RTAs have also contributed to a greater degree of transparency and predictability of world trade, and helped to simplify trade transactions.
5. The existence of RTAs has helped national economies to adjust to lower tariff protection, thus multilateral tariff reductions became easier to be carried out.

Problems

6. As a result of several negotiating rounds in the GATT, especially the conclusion of the Uruguay Round, the multilateral trading system has been expanded both in terms of its rules (e.g. agriculture, textiles) and its coverage (TRIPS, services etc.). The rules contained in Article XXIV of the GATT have been complemented by the Understanding on the Interpretation of Article XXIV of the GATT and - as regards services - by Article V of the GATS. It is undeniable that some of these provisions lack a sufficient degree of clarity and often give rise to different interpretations.
7. Such a situation poses serious difficulties for potential partners of RTAs to assess a priori the conformity of the planned RTAs with the relevant WTO rules.

8. Many of the RTAs under review in the Committee of Regional Trade Agreements were concluded before the creation of the WTO. Their review should be accelerated.

Proposal

9. In order to create greater certainty for negotiating future RTAs and to facilitate the review process of these agreements, Ministers agree that existing WTO rules concerning RTAs should be further clarified both from substantial and procedural points of view.

10. The result of the exercise should become part of the rights and obligations of the Members in respect of and applicable to all RTAs concluded after the adoption of these modifications.

11. RTAs presently under review or notified to the WTO should be considered against the GATT/WTO conformity conditions that prevailed at the time of notification of such agreements. In this context these agreements should be deemed to be virtually consistent with Article XXIV of GATT and Article V of GATS and any inconsistency could only be established taking the above into account.
