

PREDICTABLE TRENDS OF EU TARIFF POLICY IN GLOBALIZATION'S CONTEXT

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This paper consists of information regarding current situation of international trade relations, in particular those pertaining to EU, concerning to preferential trade agreements, the trend towards globalization and custom policies. The importance of this document is given by the identification of strategy trends in respect to EU tariff policy in the context of changes at commercial exchange level, as a consequence of international trade globalization's trend. The tariff policy, as a component of the trade one, represents a factor which influences companies' behavior and, consequently the structure of import-export interstates relations. Specialty literature has lately identified a less natural phenomenon: starting with adoption by WTO states members of some measures and principles that emphasize the trade globalization tendency, a significant number of preferential agreements were settled in the meanwhile, many of them being bilateral, fact at least at first view is opposite to globalization phenomenon. The causes of this phenomenon have not been yet completely identified by economic analysts, so that these preferential trade agreements can be translated as a an impediment in the way of globalization and, on the contrary an intermediate phase and an accelerator of global extension trade exchange phenomenon. The present work ideas are based on analysis by bibliographic guide that link to historical GATT/WTO and principles which sustain its operation and to dynamic of international trade. Also, there have been studied data related to strategies of trade policy adopted by EU. The results consist of information about tariff policy elements adopted or forecasted by EU in general strategic context of participation to international trade. Particularly, it is emphasized the new competencies that must be achieved by custom personnel because of changes in trade exchanges. The main idea is represented by the necessity of custom authorities responsibility transfer toward new fields which do not represent traditional activities.

Keywords: *international trade, globalization, regionalization, tariff policies, trade policies.*

JEL Classification: *F13, F15*

I. Introduction

The last decades have emphasized, voluntarily or not, the increase of globalization process. If for phenomenon such as global warming there is identified an usual and unanimous reaction, concerning for instance trade globalization the opinions and actions are varied. One of the biggest international organizations, the trade one, in both its stages during the time (GATT or WTO) has been developing the globalization idea. At the same time, individual reactions of states were different. As a consequence, an explosion of preferential trade agreements has occurred in the last 20 years. Besides, an increase of

bilateral agreements has been noted. This situation automatically generates the next question: is it about a resistance to economic globalization phenomenon or it is an intermediated, preparatory phase? The answer it is not simple and is beyond the scope of this paper. What we want is to skim the current state in the hope that our notes can contribute to find the answer to the question previously mentioned. For the beginning we will talk about WTO evolution in order to identify its policy trend. After we shall analyze the last years of EU trade policy trend in order to identify its position to trade globalization, and finally we will try to forecast its tariff policy trend in the mentioned context.

2. GATT- WTO- Short History

Since its establishment in 1947, GATT has expressed partners' desire to reach the free trade state. This idea is emphasized by the decrease of duty tax in each round (see table 1). In the meanwhile, these decreases facilitate the geographic expansion of commercial relations; in other words the door towards globalization is open. One of the major factors which encourage trade globalization phenomenon is expenses decrease, which allows goods to have competitive prices around the world (close to production cost); duty tax decrease is part of this process, as well.

Table 1. GATT/WTO rounds

Year	Place	Subject covered	Countries	Average tariff reduction for industrial goods (per cent)
1947	Geneva	Tariffs	23	19
1949	Annecy	Tariffs	13	2
1951	Torquay	Tariffs	38	3
1956	Geneva	Tariffs	26	2
1960-1961	Geneva (Dillon Round)	Tariffs	26	7
1964-1967	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62	35
1973-1979	Geneva (Tokyo Round)	Tariffs, non-tariff measures, "framework" agreements	102	34
1986-1994	Geneva (Uruguay Round)	Tariffs, non-tariff measures, rules services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123	40
2001-20??	Runda Doha	Tariffs, non-tariff measures, rules, services agriculture, DS, trade and environment (certain	150	?

		aspects)		
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Source: Proksch, M. (2007)

The year 1994, when the Uruguay Round negotiations were concluded establishes the formal framework of WTO foundation. So, in 1995 was born one of the biggest international institutions. A short review of principles which sustain WTO's operation will allow us to demonstrate that one of the main objectives is international trade globalization.

Some of the principles that govern WTO are (Proksch 2007: 7-13):

- a) Universality- WTO rules are applicable to all members.
- b) Opening- there is no restrictions regarding the access within organization.
- c) Regulations- WTO establishes international trade development rules.
- d) Nondiscrimination- is the main principle of the WTO and is implemented by two means: most favored nation clause and the national treatment.
- e) Liberalization- WTO sustains the idea of duty tax reduction and the exclusion of quantitative limitations
- f) Predictability- once determined, duty tax cannot be increased anymore.
- g) Transparency- is a principle that increases WTO's credibility.

Obviously the principles mentioned do not offer but an overall image of WTO operations. However, this image is enough to emphasize the idea previously expressed: explicit or implicit WTO sustains trade globalization. Universality, opening, nondiscrimination, liberalization, and transparency are principles that support directly the globalization, while regulation and predictability indirectly support the global trade.

Nevertheless, the last two decades data highlight a strange aspect: an explosion of regional trade agreements and more an explosion of bilateral ones. This fact is more disputed as these agreements are generally against the rules established by GATT; exceptions are bi or multilateral agreements, which settle zero duty taxes and consequently support trade liberalization.

III. EU and WTO

EU has extended its intern efforts internationally, where it is recognized as an active supporter of GATT/WTO negotiation rounds. This multilateral framework has allowed EU to prepare the way to reach ambitious goals; high practical importance has the perspective of trade liberalization, reconnection to business environment trust at one critical moment in world economy development, and refreshment of multilateral commercial system, as well.

All these EU actions are part of the WTO states member effort to advance the way of trade exchange liberalization. However, as we mentioned, the last period was marked by an important increase in preferential trade agreements (as seen in the following graphics).

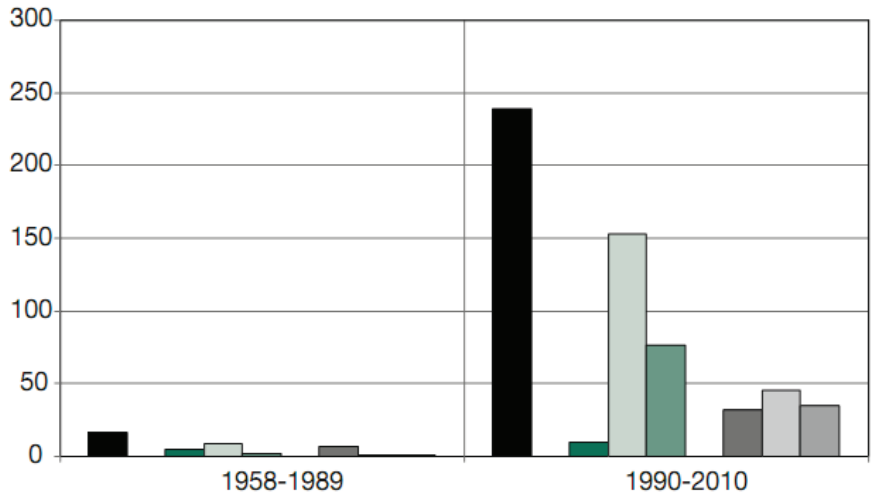


Figure 1. Preferential Trade Agreements 1958-2010

■ - Total, ■ - Customs Union, ■ - Free Trade Area, ■ - Services integration
 ■ - EU, ■ - North America, ■ - Asia - Pacific

Source: Koopmann, G. și Wilhelm, M. (2010)

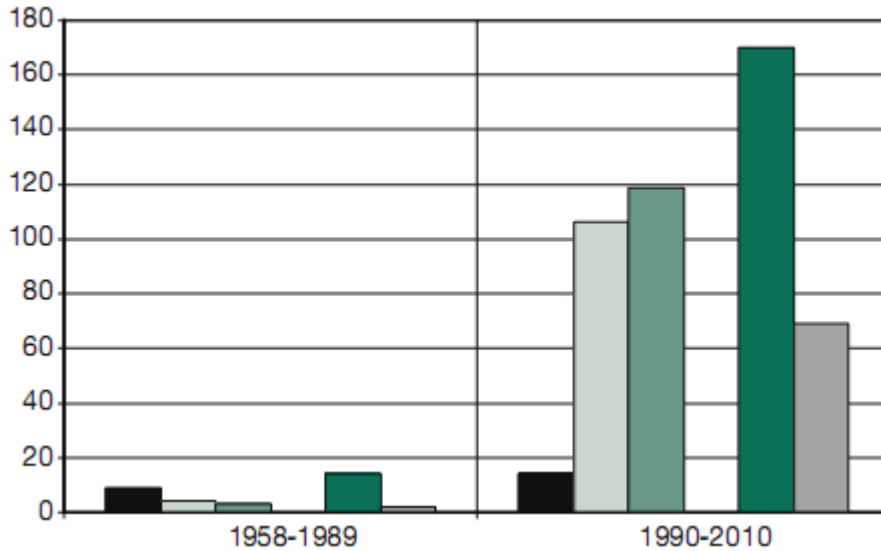


Figure 2. Preferential Trade Agreements by Geography

■ - North-North, ■ - North-South, ■ - South-South
 ■ - Regional, ■ - Cross-regional

Source: Koopmann, G. și Wilhelm, M. (2010)

A first glance over the two graphics leads us to the conclusion that most of the preferential trade agreements are regional that create free trade zone. This fact sustains the idea that many states support trade liberalization, but in the meantime, it considers that there are states which cannot face the competition generated by a trade completely free. In our opinion there is a struggle for “pole position” in the perspective of continuous

deregulations of commercial exchanges. As more states tend to reach developed state status, the area of free trade zone expands. These areas along with custom unions eliminate inside the protection tariff measures and create a competitive system based on competitiveness. In the perspective of generalization of such system, the position in trade exchange standing can influence the economy of a state.

That's why the trade and tariff policies of each state or interstate structure represent in this phase, a very important element.

VI. EU tariff policy forecasts

EU has built a mechanism of trade policy well articulated whose main features are:

- member states have agreed on transfer responsibilities in respect to duty tax assessment and trade policy management at EU level and to Community decisions' enforcement;
- member states continue to pay a major role in situations regarding economic and social difficulties caused directly by the trade nature;
- trade liberalization for industrial goods run continuously, as can be seen from preferential agreement for products and geographic areas;

This policy stipulates both offensive and defensive instruments. EU has 3 instruments to protect commercial interest of European manufacturers: anti-dumping, anti-subsidy and safeguarding measures. These instruments can be used by compliance with strict procedures established by EU Commission.

EU is one of the most important economic zones in the world and represents the most important actor in international trade with goods. EU economical success would not be possible without the existence of unique internal market, defined by four free movements: of goods, of persons, of services, and of capital.

Community Constitutional treaties do not define custom union, but they emphasize its main elements. In 2001 European Commission published The Strategy for Custom Union, which reiterates challenges the Community must face on a short term and proposes solid actions for Custom Union development and functioning.

The proposed strategy of Commission indicates five major fields of action:

- the simplification and rationalization of legislation,
- the improvement of custom's examination,
- provide better services to businessmen community
- the improvement of professional formation and
- the improvement of international cooperation in custom area

European Commission sustains practical implementation of the Strategy regarding Custom Union using the program "Custode 2013" (continuation of "Custode 2000" and "Custode 2007" programs initiated by Decision no. 210/97).

V. Conclusions

The continuing liberalization of international trade – fact that may conduct to the decrease, even to cancellation of duty taxes' role, WTO principles that do not accept non-tariff protections – only in justified cases, international trade trend toward globalization and new coming challenges in front of custom authorities (related to environment, health, terrorism) have imposed changes of tariff policy strategies.

In respect to EU there was identified the intention of developing complementary capacities of custom personnel to face these new challenges. The continuous

simplification and decrease of custom tariffs transfers the responsibilities of custom officers for environmental protection and citizens' health. Another activity area, which is relatively new, is related to intellectual protection. At the same time, the terrorist phenomenon does not have to be neglected – it represents an issue for custom authorities. All aspects previously mentioned are, or should be, part of tariff policy strategy adopted by EU.

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