

Types of international trade policy

أنواع سياسة التجارة الدولية

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Abstract:

Foreign trade plays an important role in economic activity through its impact on the level of production and work to develop and find outlets for the discharge of its products through foreign markets.

It also occupies an important place in economic policy, as it is necessary for the success of development and the revival of economic growth, depending on the appropriate mechanisms to achieve the desired goals.

Keys words: global trade policy; foreign markets; balance of payments.

ملخص:

تعد السياسة التجارية العالمية من أهم لمعايير التي يعتمد عليها الاندماج الاقتصادي، تلعب التجارة الخارجية دورا هاما في النشاط الاقتصادي من خلال تأثيرها على مستوى الإنتاج والعمل على تطوير وإيجاد منافذ لتصريف منتجاتها عبر الأسواق الأجنبية.

كما أنها تحتل مكانة مهمة في السياسة الاقتصادية، إذ أنها ضرورية لنجاح التنمية وبعث النمو الاقتصادي وهذا بالاعتماد على الآليات المناسبة لتحقيق الأهداف المرجوة.

الكلمات المفتاحية: السياسة التجارية العالمية، الأسواق الأجنبية، ميزان المدفوعات.

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Introduction:

Trade policy plays a key role in the economies of developed and developing countries in light of globalization and economic openness, and with the development of trade exchange and the diversity of forms of state intervention in the management of their trade relations, countries began to follow the tools of new methods in order to achieve their development goals and improve the state of their trade balances, either by restricting trade through the establishment of restrictions and tightening procedures or by liberalizing it towards the flow of goods and services according to the economic conditions and conditions that countries are going through. (Adnan, 2024)

Trade policy is the set of measures applied by sovereign authorities in the field of foreign trade in order to achieve certain objectives, and free foreign trade has provided opportunities to export its products to various markets without restrictions, and foreign trade is the criterion for the development and balance of States.

The problem of the study is determined in the attempt to analyze the liberalization of foreign trade under the WTO agreement, as well as the most important mechanisms for protecting the environment related to it in the GATT and the course of the Algerian negotiations to join the World Trade Organization.

Reasons for choosing this topic:

Given the importance of foreign trade for the economy on the one hand and the increasing international trade dimension on the other:

- Lack of relevant studies.
- Disclosure of foreign trade finance and the role it plays in revitalizing the national economy.

Hence, the problem of the study is embodied in the following main question: To what extent has international trade contributed to economic growth? What are the types of international trade policy

The following sub-questions fall within this main problem:

What are the objectives of trade policy?

What are the principles and objectives of the WTO? What are the WTO agreements?

Hypotheses of the study:

To answer the questions raised and to address the subject accurately, the following hypotheses were formulated:

Despite the efforts made by the state to liberalize foreign trade, the foreign trade sector in Algeria still suffers from many problems.

- Foreign trade contributes to the success and promotion of the national economy and linking it to various other economies.
- Laying the foundations for the new system of international trade by modifying the structure of trade through liberalization from customs and non-tariff restrictions.
- The relationship between foreign trade and Algerian economic growth.

Importance of the study:

The scientific significance of the study is evidenced by:

- Liberalization of foreign trade and protection of the environment.
- The importance of foreign trade liberalization.

Objectives of the study:

We summarize the objectives of the study in:

- Seeking to expand the concepts and theoretical frameworks of the subject.
- Identify the policies adopted by the state and the extent of their impact on the development of foreign trade.
- Oblige the state to pay attention to the development of the international trade sector by diversifying the structure of the Algerian economy.
- Reaching an accurate picture describing the development of foreign trade and providing basic procedures that can be referred to for foreign trade operations.

Methodology used in the study:

To answer the problem, we relied on the descriptive analytical approach by referring to studies related to the research topic, reviewing concepts about foreign trade, analyzing the components and parts of what suits the treated topic, and collecting and analyzing data.

Structure of the study:

To achieve the objective of the study, the following axes were addressed:

Introduction

The first axis: the nature of foreign trade policy

Second Theme: Foreign Trade Policy Objectives

Third Theme: Types of Foreign Trade Policy

Fourth Theme: Principles and Objectives of the World Trade Organization

Fifth Theme: Foreign Trade Policy Instruments

Sixth Theme: WTO Agreements

Conclusion.

The first axis: the nature of trade policy

Foreign trade is the result of the ideas of the business school aimed at stimulating trade exchanges, which valued the creation of the research idea in 1947 and the establishment of the World Trade Organization in January 1955.

The concept of trade policy

Trade policy is defined as: "a set of rules, tools, methods and measures carried out by the state in the fields of international trade to regulate revenue and achieve economic development by dealing with the rest of the world within the framework of achieving the goal of external balance within the system of achieving other economic goals of society within a certain period of time." (Abdul Muttalib, 2003)

According to Maurice Bye, international trade policy is: "The choice made by public authorities for a coherent set of means capable of influencing the foreign trade of the State in order to reach specific objectives, and the desired goal is usually the development of the national economy, but we can find other objectives, full employment, exchange stability" (Hashish, 1998), "Trade policy is only a means among others, such as monetary and financial measures to achieve the objectives of the State". (Bye, 1971)

It is also defined as: "the set of methods and tools taken by the State to limit imports or to promote exports", and the interest in trade policy is limited to the object of protection and the need for it, that is, the State intervenes and applies trade policy instruments for the purpose of protecting the domestic economy". (Trade policy, 2024)

Second Theme: Trade Policy Objectives

The objectives of trade policy vary according to the type of policy applied and the policy of freedom, and among the objectives of trade policy we mention:

Balance the balance of payments:

Balance of payments equilibrium is the case in which indebtedness is equal to creditors in standalone payments (Abdul Muttalib, 2003, pp. 127-130) and this balance is based on maximizing export earnings and foreign exchange resources and reducing foreign exchange demand.

Protection of local production from foreign competition:

This policy is considered to protect the national market from external influences that may affect domestic production, and there are measures taken by the state (imposing high arbitration fees and expenses on the transport and

storage of imported goods in the customs organization, tightening the application of health regulations, imposing fees on the inspection process).

Protecting the national economy from the danger of dumping policy:

That is, selling goods at a price lower than the costs of production in foreign markets, provided that the loss is offered by selling at a high price in the domestic market, which is one of the means used by monopolistic enterprises to distinguish between the prevailing prices at home and those prevailing abroad

Encouraging investment for export:

By following a policy that works to develop national production with the aim of exporting, encourage the establishment of free zones with incentives that encourage investment in them, and work to support domestic and foreign direct investment to strengthen the ability of the national product to compete in international markets and increase the monetary income. (Shanin, 2006)

Increasing employment in the national economy:

This goal is considered one of the most important goals pursued by the state in its general economic policy, especially in trade policy, where it employs more labor and increases the level of employment.

Protection of emerging industries:

This policy is adopted in developing countries in order to protect their industry from competition from the industries of major countries.

Dealing with external fluctuations affecting the national economy:

Foreign policy measures serve to preserve its national economy from various fluctuations that arise at the international level.

Finding a mechanism to adapt to global economic transformations:

Trade policy adapts the economy to global economic shifts to get the most gains and minimize risks.

Protection arguments

There are many justifications that have emerged to explain the tendency of many countries, especially developing ones, to protect and restrict trade, including:

Improving the terms of trade: The imposition of customs restrictions leads to an increase in the prices of imports, which necessarily leads to a decrease in demand for them domestically, and thus a decrease in their price in the international market, which will have positive effects on the terms of trade.

Protection of the nascent industry: The idea of this justification is that industries in the early stages of their formation are high costs and until the industrial emergence reaches its optimal size and enjoys economies of scale, it needs protection from the foreign competitor, so customs restrictions (dumping or protectionist) must be imposed for a certain period through which the nascent industry can grow and gain the ability to compete with imported goods. (Al-Nasr, 2005)

Third Theme: Types of Foreign Trade Policy (Foreign trade policy, 2024)

Foreign trade policy is divided into protectionism and trade freedom policy.

First: Free Trade Policy

This policy is to remove restrictions and obstacles to the movement of goods and services from one country to another, which is the policy followed by countries when they do not interfere in trade between countries through tariffs and quotas, we conclude that it is based on removing obstacles imposed on the flow of goods across borders, whether exports or imports, and the liberalization of foreign trade is a basic rule of the World Trade Organization as the main engine of growth in light of globalization, and there are tools of the policy of freedom of foreign trade, the most important of which is (integration economic, successive reduction of customs duties, liberalization of exchange rate dealing).

Second: Trade Protection Policy

It is defined as the state's adoption of a set of laws and legislations and taking measures to implement them in order to protect its goods or its domestic market against foreign competition, and the government's restriction of freedom of trade with other countries by following some methods. (Imposing import tariffs or capping the share of imports over a certain period of time, which provides a kind of protection for domestic activities, and due to the intensification of competition between emerging and developed countries made this term evolve (the new danger or the term neo-protectionism). (Berkane, 2020)

Fourth Theme: Principles and Objectives of the World Trade Organization

The freedom of global trade is the ultimate goal of the WTO, so the organization must have the actual capacity to intervene in all aspects (economic, legal and internal decisions issued by the member states of the organization).

Section I: WTO Principles

The organization has several principles, most of which are derived from the GATT agreement, which must be adhered to, the most important of which are:

1/ The principle of the most favoured-nation (non-discrimination between member states): that is, non-discrimination between member states or not

treating any member state of the organization with preferential treatment at the expense of another state, and this condition achieves the principle of equal treatment among member states. (Schwarzenberger)

2/ The principle of national treatment: that is, achieving equality and non-discrimination between locally produced goods and imported goods in terms of imposing duties and taxes, in order to achieve full competition in the local market.

3/ The principle of transparency: providing all necessary information to exporters and importers, and each country must disclose all laws and regulations governing its trade and all information related to its economic policy, protecting the national industry or treating the balance of the deficit in the balance of payments.

4/ The principle of reciprocity (reduction of customs duties and prohibition of quantitative restrictions): that is, the abolition of quantitative restrictions on importers and exporters and work to reduce customs duties.

Section II: Objectives of the World Trade Organization

1/ Implementation of the Uruguay Convention: This organization came to succeed GATT in order to work within an effective legal and institutional framework.

2/ Dispute Resolution between Member States (Trade Negotiations): Dispute resolution is one of the most important objectives of the World Trade Organization, as it is considered an effective mechanism and a deterrent force more effectively. (Abdul-Jabbar, 1995)

3/ Achieving economic development for all Member States: This is through raising living standards, increasing continuous production and trade in goods and services.

4/ Creating a commercially prosperous economic world: this is by ensuring permanent communication between the consumer and the producer.

5/ Creating a global competitive position in trade: The Organization's objective is to create a competitive global trading environment based on economic efficiency in the realization of resources.

6/ Strengthening the global economy: by liberalizing trade from all restrictions, reducing customs taxes and eliminating some obstacles that hinder foreign investments. (Sharradi, 2017)

The World Trade Organization (WTO) is headquartered in Geneva (Switzerland) and its supreme decision-making body at the Ministerial Conference,

which is composed of all member States, and is held every two years and stresses the importance of unanimity in all decisions it takes.

GATT was signed by the predecessor of the World Trade Organization (WTO) under a multilateral treaty of 23 countries in 1947, and aims at international economic cooperation such as the International Bank in 1944 and the International Monetary Fund in 1944.

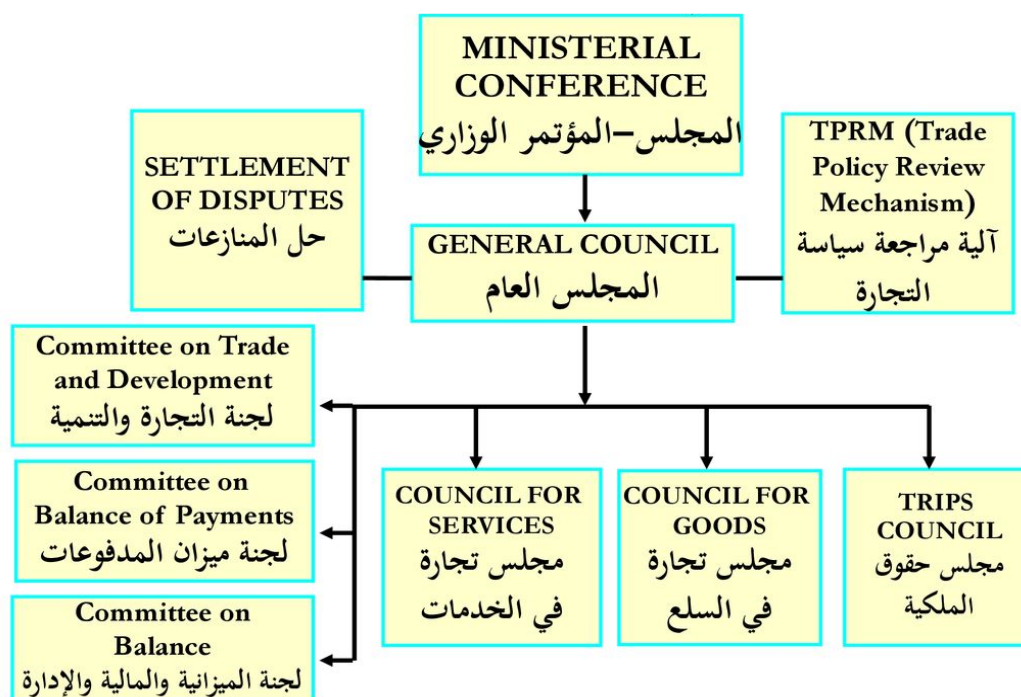
GATT negotiations before Uruguay:

Seven rounds of negotiations under the GATT took place from 1947 to 1979, focusing on reducing tariffs, then the Kennedy round in the mid-sixties led to the GATT Anti-Dumping Agreement and a special section on development, and the Tokyo Round during the seventies of the 20th century represented the first major attempt to address trade barriers.

Uruguay Round 1986-1994:

The eighth round of GATT (Uruguay Round) was launched in September 1986 in Punta del Este, Uruguay.

This round was the largest negotiating mandate on trade, and it aimed to expand the trading system to include (agriculture, textiles, intellectual property), and the final agreement that concluded the Uruguay Round, which formally established the World Trade Organization system, was signed on 15/04/1994 during the ministerial meeting in Marrakech (Morocco), the GATT of 1994 is not the only legally binding agreement, there are several agreements. (World Trade Organization, 2024)

Figure 01:Organizational structure of the World Trade Organization

Source: Gatt, Focus 1994, N° 107

The objective of the GATT (multilateral treaty) is to increase international terms of exchange by reducing tariffs and removing barriers to world trade, which is an area for conducting trade negotiations and resolving disputes that arise between contracting parties in commercial operations.

The phenomenon of globalization is a major challenge for developing countries, as this development resulted in the World Trade Organization (WTO), under which the largest global agreement for international trade was launched.

The United States of America prepared a project in 1945 to establish an international trade organization, and in 1950 the US Congress rejected this project, and with the development of international trade operations, some called for the establishment of the World Trade Organization and the agreement establishing the organization included 16 articles containing legal and regulatory aspects, the organization began its operation officially on January 01, 1995 in accordance with the Marrakesh Agreement.

The World Trade Organization (OMC) is the only system negotiated by the world's most powerful countries in trade, and represents the basic legal rules of international trade and contracts on the basis of which countries will base

their trade policy within agreed limits with the aim of assisting producers of goods and services. (organization, 2001)

Fifth Theme: Trade Policy Instruments

Trade policy instruments are divided into:

Tariff System :

Also called import tax, it is a tool of the state's trade policy to achieve certain economic goals, and it is in two forms:

Subsidies and imports: given to the Local producer in order to produce goods to replace imports, the purpose of which is to increase the supply of locally produced goods.

Export subsidies: given to products of export commodities to expand the volume of exports, and its purpose is to increase the supply of exported goods to the international market.

Organizational Tools:

Embodied mainly in trade treaties and agreements concluded for the purpose of regulating trade relations among States, treaty provisions usually include the provision of the principle of equality in the treaty or the principle of reciprocity.

Algeria adopted the idea of controlling foreign trade after independence, where it pursued a policy of monopolizing foreign trade by public institutions in order to protect the national product from foreign competition, and the stage of the process of liberalizing foreign trade in Algeria has known several stations and these policies resulted in the abolition of the embargo. The intensity of quantitative restrictions on imports in 1994 as well as several reforms (liberalization of the foreign exchange system and reduction of customs duties on imports), (Ghattas, 2015) and by 1996 Algerian trade policy Free from quantitative restrictions. (Nashashibi, 1998)

Algeria has adopted a gradual approach in liberalizing its trade and, in order to control this, has taken a series of measures, the most important of which are:

- The 2009 Supplementary Finance Law contains measures that do not allow the importation of used machinery and equipment with the obligation to repayment of imports through the documentary loan mechanism, except in some exceptions.

As a result of the decline in fuel prices in 2014, Law No. 03/04 was amended by Law No. 15/15. (Law No. 15/15 of 15/07/2015)

- The Algerian government took decisive measures in the 2016 finance law to reduce imports, including the imposition of licenses. Import on some products, as well as the imposition of customs rights on specific items of devices.

In 2019, Algeria announced a new import regime, lifting its ban on more than 800 goods and goods in exchange for returning to import freely with the lifting of the temporary surcharge on the majority of imported goods.

Sixth Theme: WTO Agreements

The most important agreements concluded with the World Trade Organization are as follows:

1/ Agreement on Technical Barriers to Trade:

This agreement included the principles of the agreement and the costs incurred by the producer due to the technical rules in different countries, where standards and specifications are set that must be met in products and goods traded in the international market in order to improve the efficiency and quality of production and facilitate international trade.

2/ Agreement on Rules of Origin:

The Convention of Origin is one of the first agreements resulting from the Uruguay Round, which determines the national origin of goods within the framework of international trade, and this agreement includes the provisions and laws applied by the country in order to determine the origin of goods, and this agreement aims to ensure that the rules of origin are not used as an obstacle or protective tool.

Members of the Convention of Origin are committed to:

- The country identified as the origin of a particular commodity is the country in which the whole commodity was obtained.
- If there is more than one country involved in the production of the commodity, the country of origin is the country where the last substantial transformation took place.

3/ Agreement on Sanitary and Phytosanitary Measures

This agreement includes a set of measures to protect human, animal and plant health from the dangers resulting from the use of additives and pollutants that cause diseases and are used in the food industry.

Within the framework of this agreement, countries are encouraged to coordinate among themselves to develop uniform laws and procedures for the protection of phytosanitary and sanitary within their borders.

4/ Anti-Dumping Convention:

Under this agreement, the necessary measures to counter dumping are allowed to be applied (marketing goods at prices lower than those in the domestic market, which makes governments impose higher duties than imports in order to reach the domestic export price of the commodity, and this agreement includes a set of criteria to determine the existence of dumping and the damage resulting from it).

5/ Agreement on Trade-Related Aspects of Intellectual Property Rights:

In the field of intellectual property rights, it was agreed in the Uruguay Round, where a set of international rules for the protection of private intellectual property in the field of international trade was developed, and included standards for providing protection of intellectual property rights, scope and use, including (copyright and related rights, patents, trademarks, geographical indications indicating the origin of goods, undisclosed information, integrated circuits, industrial models, new innovations related to the external and total appearance of the industrial product). (Abdul Razzaq, 2010)

Conclusion:

Foreign trade policy is a set of means used by the state to achieve several objectives in various fields (economic, social and strategic).

Global trade policies are one of the most important criteria on which economic integration depends, the foundations of foreign trade are divided into protectionism and trade freedom policy.

Protectionism, which restricts imports to protect a country's exports from foreign competition (taxes and tariffs), and free trade seeks to eliminate all restrictions and rules that cause trade between countries to decline.

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