



## Permanent Normal Trade Relations

**For Prelims:** Permanent Normal Trade Relations, Group of Seven (G7), Most Favored Nation (MFN), General Agreement on Tariffs and Trade (GATT), 1994, World Trade Organization (WTO).

**For Mains:** Russia-Ukraine War, International Treaties & Agreements, Effect of Policies & Politics of Countries on India's Interests.

### Why in News?

US and other members of the [Group of Seven \(G7\)](#) will **revoke Russia's "Permanent Normal Trade Relations (PNTR)"** status to punish [Russia for war over Ukraine](#).

- The move would pave the way for the **US to impose tariffs** on a wide range of Russian goods, heightening pressure on an economy on the **brink of deep recession**.
  - A recession is a period of **declining economic performance across an entire economy** that lasts for several months.
- The G7 is the group of developed western countries (**UK, Canada, France, Germany, Italy, Japan and the US**) established in 1975.

PYQ

A present group of nations known as G-8 started first as G-7. Which one among the following was not one of them? (2009)

- (a) Canada
- (b) Italy
- (c) Japan
- (d) Russia

Ans (d)

### What is PNTR?

- The status of **Permanent Normal Trade Relations (PNTR)** is a **legal designation in the United States for free trade with a foreign nation**.
- In the United States, the name was changed from **Most Favored Nation (MFN)** to **PNTR** in **1998**.

### What is MFN Status?

- [World Trade Organization \(WTO\)](#) members **commit to treating other members equally** so

they can all benefit from each other's lowest tariffs, highest import quotas and fewest trade barriers for goods and services.

- This principle of non-discrimination is known as **Most Favoured Nation (MFN) treatment**.
- This is **one of the measures which ensures trade without discrimination**. Another one is 'National Treatment'.
- Article 1 of the **General Agreement on Tariffs and Trade (GATT), 1994**, requires every WTO member country to accord MFN status to all other member countries.
- There are **some exceptions**, such as when members strike bilateral trade agreements or when members offer **developing countries special access to their markets**.
- For countries outside the WTO, such as **Iran, North Korea, Syria or Belarus**, WTO members can **impose whatever trade measures they wish without flouting global trading rules**.
- In international trade, MFN status (or treatment) is **awarded by one nation to another**.
  - For example, India accorded MFN status to all WTO member countries, including Pakistan, from the date of entry into force of the so called Marrakesh Agreement, establishing the WTO.
  - A nation with MFN status will not be discriminated against and **will not be treated worse than any other nation with MFN status**.
    - Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.
- There is **no formal procedure for suspending MFN treatment** and it is not clear whether members are obliged to inform the WTO if they do so.
  - **India suspended Pakistan's MFN status in 2019** after a suicide attack by a Pakistan-based Islamist group killed 40 police. Pakistan never applied MFN status to India.

### What is National treatment?

- It means **treating foreigners and locals equally**.
- Imported and locally-produced goods should be treated equally — **at least after the foreign goods have entered the market**.
- The same should **apply to foreign and domestic services**, and to foreign and local trademarks, copyrights and patents.
- This principle of **“national treatment”** is also found in all the three main WTO agreements (**Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS**).
- National treatment only applies once a product, service or item of intellectual property has entered the market.
  - Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

PYQ

In the context of which of the following do you sometimes find the terms 'amber box, blue box and green box' in the news? (2016)

- (a) WTO affairs
- (b) SAARC affairs
- (c) UNFCCC affairs
- (d) India-EU negotiations on FTA

Ans: (a)

### What does losing MFN status mean?

- Revoking Russia's MFN status sends a strong signal that the United States and its Western allies **do not consider Russia a economic partner in any way**, but it does not in itself change conditions for trade.
- It does formally allow the Western allies to **increase import tariffs or impose quotas on Russian goods**, or even ban them, and to restrict services out of the country.
  - They **could also overlook Russian [intellectual property rights](#)**.
- Ahead of MFN status removal, the United States had already announced **a ban on imports of Russian oil and gas**.
- Further, the [European Union](#) has already **banned about 70% of all imports**, such as tobacco, potash and products made of wood or steel, from non-WTO member Belarus (Russia's ally in war with Ukraine).

PYQ

India enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999 in order to comply with the obligations to (2018)

- (a) ILO
- (b) IMF
- (c) UNCTAD
- (d) WTO

Ans: (d)

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