

Permanent Normal Trade Relations (PNTR) status

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In news— Recently, the U.S. President Joe Biden announced that the U.S. and others in the Group of Seven (G7) advanced economies would end Permanent Normal Trade Relations (PNTR), the U.S.'s version of MFN, for Russia.

What is PNTR or MFN status?

- The PNTR status is a **legal designation in the United States for free trade with a foreign nation.**
- **The designation was changed from most favored nation (MFN)** to normal trade relations by Section 5003 of the Internal Revenue Service Restructuring and Reform Act of 1998 and Permanent was added to normal trade relations some time later.
- In 1948 the United States joined the General Agreement on Tariffs and Trade (GATT), the predecessor organization of the World Trade Organization (WTO).
- In accordance with GATT provisions the United States agreed to extend what was then called Most Favored-Nation status (MFN) to all GATT member countries.
- In international trade, MFN status (or treatment) is awarded by one nation to another which means that the receiving nation will be granted all trade advantages, such as low tariffs, that any other nation also receives.
- MFN treatment is synonymous with non-discriminatory trade policy.
- For example, if a country belonging to the WTO reduces or eliminates a tariff on a particular product for one trading partner, the treaty's MFN clause obligates it to extend the same treatment to all members of the organization.

- Thus, a nation with MFN status will not be discriminated against and will not be treated worse than any other nation with MFN status.
- There is **no requirement under MFN that the trade concession be reciprocal**: countries benefiting from a lower tariff are not required to automatically drop theirs in return (though that can certainly happen under trade agreements).

Exemptions from MFN-

The WTO provides the following exemptions from MFN provisions for the following:

- Trade blocs like the USMCA and the European Union, which are allowed to discriminate against imports from outside the bloc.
- Trade barriers in response to unfair competition.
- For trade preferences extended to developing countries.
- For trade in services, on a limited basis.