

# Strengthening the Coordination between Regional Trade Agreements and Multilateral Trade System

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Ladies and Gentlemen,

Let me summarise here the debate in Panel 3 on behalf of me and my colleague Prof. Lin Guijin the moderator of the twin session, who was kind to ask me to be the spokesperson.

Panel 3 was about trade, one of the fundamental issues in global governance. The main topic was to find ways for **strengthening the coordination** between the Regional Trade Agreements (RTAs) and the Multilateral Trade System under WTO.

The panel was structured on the argumentation that the '**RTAs proliferates** in number and progressively **take the place of the WTO**, in terms of trade liberalisation and in rule-making'.

Two questions comes to mind:

## 1. Why, we have the mushrooming of RTAs, and the WTO option is sidelined?

If the WTO is marginalized, it is not because of RTAs but because of its own flaws and its members. Because the Doha Round is deadlocked. RTAs are born out of the need to regulate issues and to open borders by phasing out barriers. Ultimately they are the products of sovereign will of nations to expand their trade and increase their welfare.

RTAs are carry the advantage of having 'group cooperation' because rule-making and liberalisation is practically easier to achieve among a small number of like-minded nations. Therefore, RTAs are usually wider in scope, deeper in integration, an even more sophisticated compared to WTO negotiations (**WTO+ and WTO-beyond**).

But, this does not make them immune from any *negative spillovers*. This brings us to the second question.

## 2. What is wrong with regionalism and the RTAs?

It is argued that they '**debilitate the MTS** to a large extent'. The smaller group has an exclusive trade cooperation, and have **discriminatory** consequences for third countries. Especially mega-regionals like TPP and TTIP is argued to bring more **restrictive and stringent regulatory** measures for outsiders.

However, we do not claim that regional trade agreements with their preferential character are necessarily a default option for global trade. We have things to learn from the experience in RTAs for the multilateral system.

RTAs are legitimate in WTO system, but it is widely believed we need a **strong coordination** between the two.

At **G20** level:

Antalya G20 Leaders' Communique in 2015 committed *'to ensure bilateral, regional and plurilateral agreements ...are **in consistency with and contribute to multilateral trade system under the WTO**'*.

Trade Ministers Statement in July 2016 had almost the same statement. They also agreed that *'RTAs should be open to accession and include provisions for review and expansion'*.

Ladies and gentlemen,

Terms like **coordination** or **compatibility** can be vague. We need further steps to bring concrete ideas in T20. We need to elaborate these statements. Help the Leaders to turn commitments into implementation.

Moreover, the panel discussions reminded us **two major challenges** facing trading system which are **more pressing than the impact of RTAs** on the multilateral system.

The first is the fact that, **trade growth is weak**. It has been six consecutive years in which trade grows less than the world GDP. It does not contribute to global economic growth targets in Brisbane.

Second challenge: global **public opinion turned sharply against any free trade deal**, be them at the multilateral or regional level. The future of TPP and TTIP for example is uncertain. We are far from the old days where calls for opening trade was in high on the agenda. Of course, the motives for trade and trade agreements continue, but the support for it is waning, especially following the global economic crisis and the protectionism in trade has soared.

### **Why is it so? What is it to do with RTAs and the WTO?**

Trade is done by traders, but today's trade agreements have an impact not only on business, but on all parts of the society. Because, today trade signifies something **'more than the trade itself'**. Trade agreement are full of trade-related issues ranging from the environmental protection to consumers, public health, technical standards, SMEs, taxation, competition rules so on. Nations want to keep their domestic markets as well as standards.

This makes trade agreements more complicated, and more open to criticism in terms of their legitimacy. Today, the opposition and resistance to TPP, TTIP or other deals in the public sphere is not to save the WTO, but because of 'anti-globalisation backlash'.

However, it is trade 'dis'agreements, but not trade agreements that is more likely to hinder trade growth and economic growth.

***We should keep these two points in mind when we discuss the relationship between the RTAs and WTO.***

In addition to their valuable remarks based on their analytical observations about the nature of regionalism, our panelists in two successive sessions, brought an insightful analysis on diverse aspects of regionalisation in world trade.

They provided several inputs that could fill in the gap between the discourse and realizable policy options. The panelists converged around **certain topics that can be handled in T20**, if not to have a ‘common position’.

Based on the discussions, comments and ‘bundle of ideas’ in the Panels, the following points could be proposed to be **possible focal points** for the next T20 studies with respect to RTAs.

*For a better coordination and compatibility, the RTAs should be:*

**Inclusive:** We have to develop innovative approaches to make RTAs more inclusive for all parts of the society. Ultimately we must remember ‘trade is for all’. This is the only way to mitigate resistance to them. Whatever are the merits of trade deals, a trade agenda devised to serve some interests is no longer politically tenable.

**Universal:** with standardised trade rules so they do not turn into a ‘spaghetti bowl’.

**Open and accessible:** RTAs must have plausible accession mechanisms - If China is excluded from TTP how can you benefit GVCs? We need to ensure RTAs, and especially the mega-regionals are open to others, that they are accessible in terms of market access, and information. More flexible RoO should be the priority. This lowers the discriminatory impact.

**Transparent:** The Transparency Mechanism must immediately turn into a permanent one, bringing an early notification process. An upgraded monitoring and review of RTAs at the multilateral level is essential. There were suggestions to put them under WTO TPR process.

**Measurable:** there must be a effective and standardised impact assessment mechanism to underline possible implications for all countries- instructed under WTO RTA Committee.

**Relevant:** RTAs must be expected to be more relevant to and consider Sustainable Development Goals.

RTAs can be instrumental by presenting innovative approaches to address regulatory differences, and nontariff barriers (NTBs). This way, they may have the potential to become ‘template’ -for the multilateral negotiations- through good practices. There are reasons for almost all WTO members to emulate the RTA experience, either unilaterally or in the WTO. But, this also requires a good command of coordination among WTO members, may be starting among the G20 nations through an ‘**exchange of information**’ about their RTA experiences. This way, it informs a process of learning about what can be multilateralised.

Spread of benefits through multilateralisation helps to **reduce negative spillovers** on non-members. The areas where plurilaterals bring non-discriminatory treatment such as ITA, could be regulated similarly under new RTAs.

Ladies and gentlemen,

The members of the two panels were conscious that this is a **result-oriented** activity under T20- which is expected to bring **tangible and meaningful deliverables**.

We hope T20 provides a strong and more institutionalised platform to encourage further thinking and exercise in these issues in order to assist G20 Trade and Investment Working Group, Trade Ministers meetings, and the G20 Leaders.

Thank you...