

# **Plurilateralism: A New Way of Trade Liberalism?**

**E-Leader Vienna**

**6 – 8 June, 2016**

---

**Ludmila Sterbova**

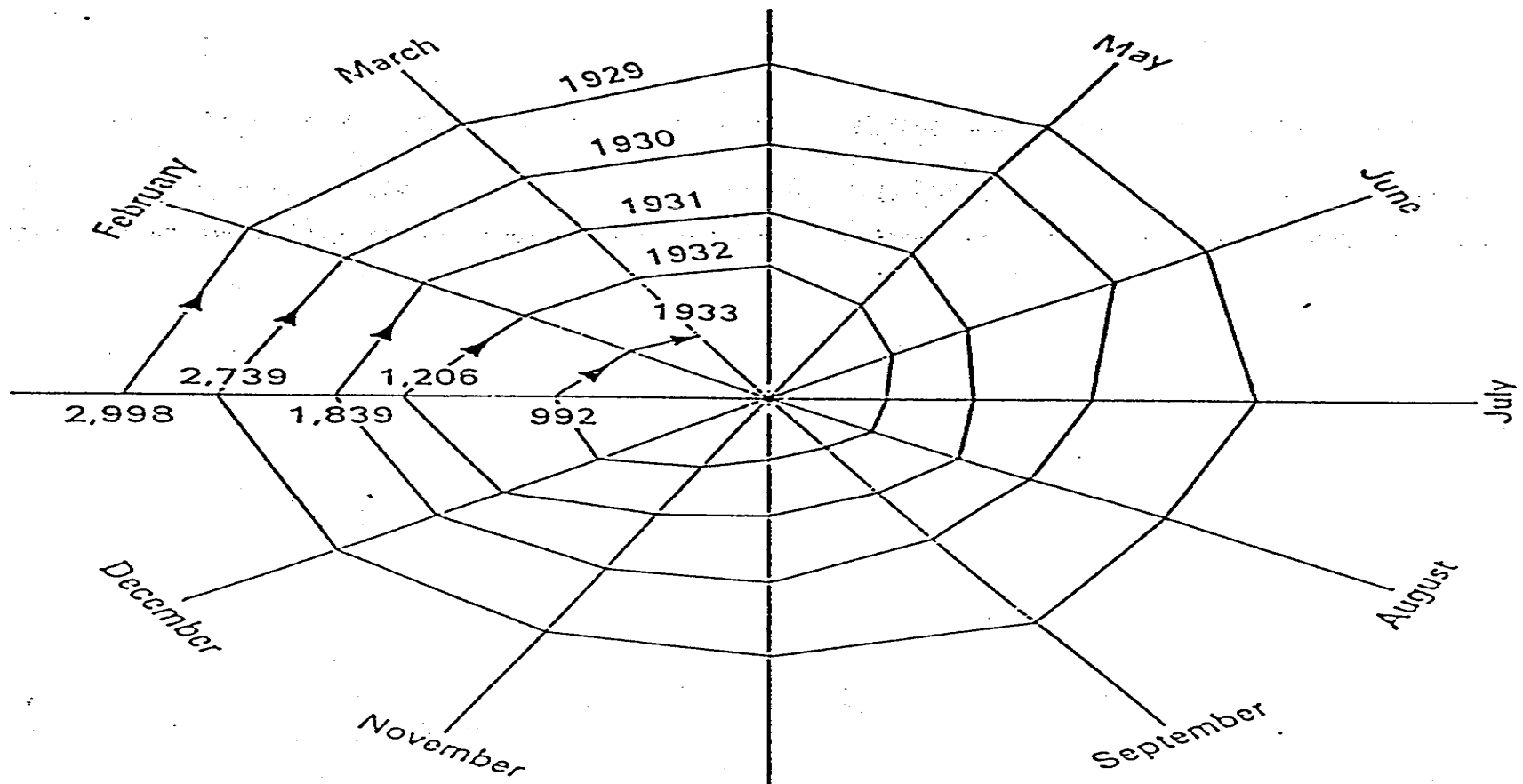
**University of Economics, Prague**

# Historical Background of Trade Liberalism/1

## 20<sup>th</sup> Century

- **1929-30 Great Depression**
- **Trade protectionism increased (USA, 1930, Smoot–Hawley Tariff Act):  
Contracting Spiral of World Trade**

# Great Depression: Impact on World Trade 1929-1933



# Historical Background of Trade Liberalism/2

## 20<sup>th</sup> Century

### Multilateral Trading System

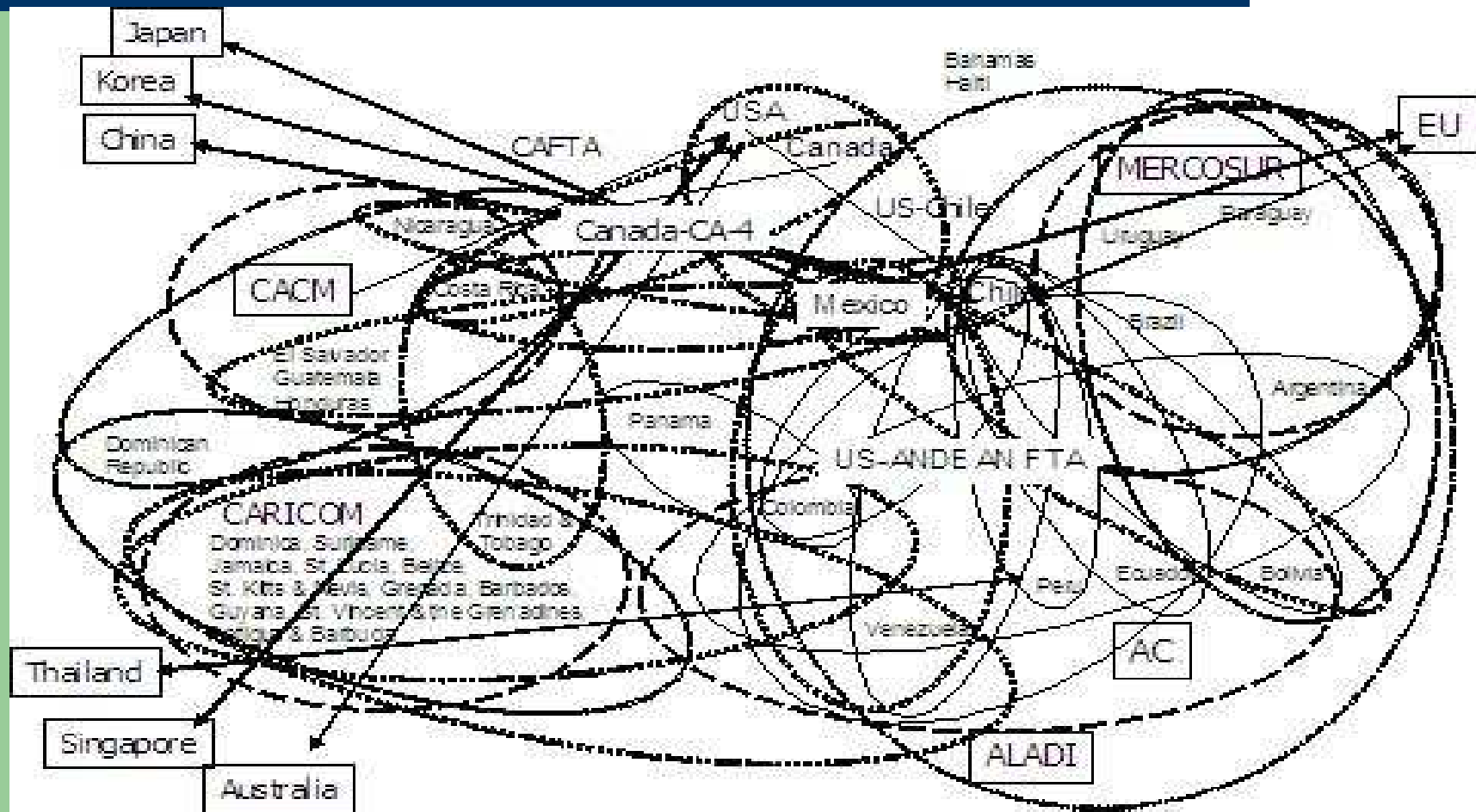
- 1947 General Agreement on Tariffs and Trade
- multilateral trade liberalization – impact of negotiations rounds
- 1995 World Trade Organization

# Historical Background of Trade Liberalism/3

## 21<sup>th</sup> Century

- **2001 new negotiations on further multilateral trade liberalization (Doha Development Agenda) – no results yet, also for constrains from developing countries**
- **Increase of regionalism – preferential trade agreements**  **Spaghetti Bowl**

# Spaghetti Bowl Effect (J. Bhagwati 1995)



# Bilateral Trade Liberalization: through FTAs

- Exemption from Most Favored Clause – market access liberalization applies for participating countries only (bilateral liberalization: two conditions – covers all the trade and should not harm market access for third countries)
- More than trade topics can be included (investment, labor, environment, energy, etc.)

# Mega FTAs

- Inter-regional, large scale (on-going TTIP, TPP, Japan-EU FTA)
- Signed between blocs and countries with different ideologies and political regimes.
- Current world issue: triangular strategic maneuvering of China - USA - EU



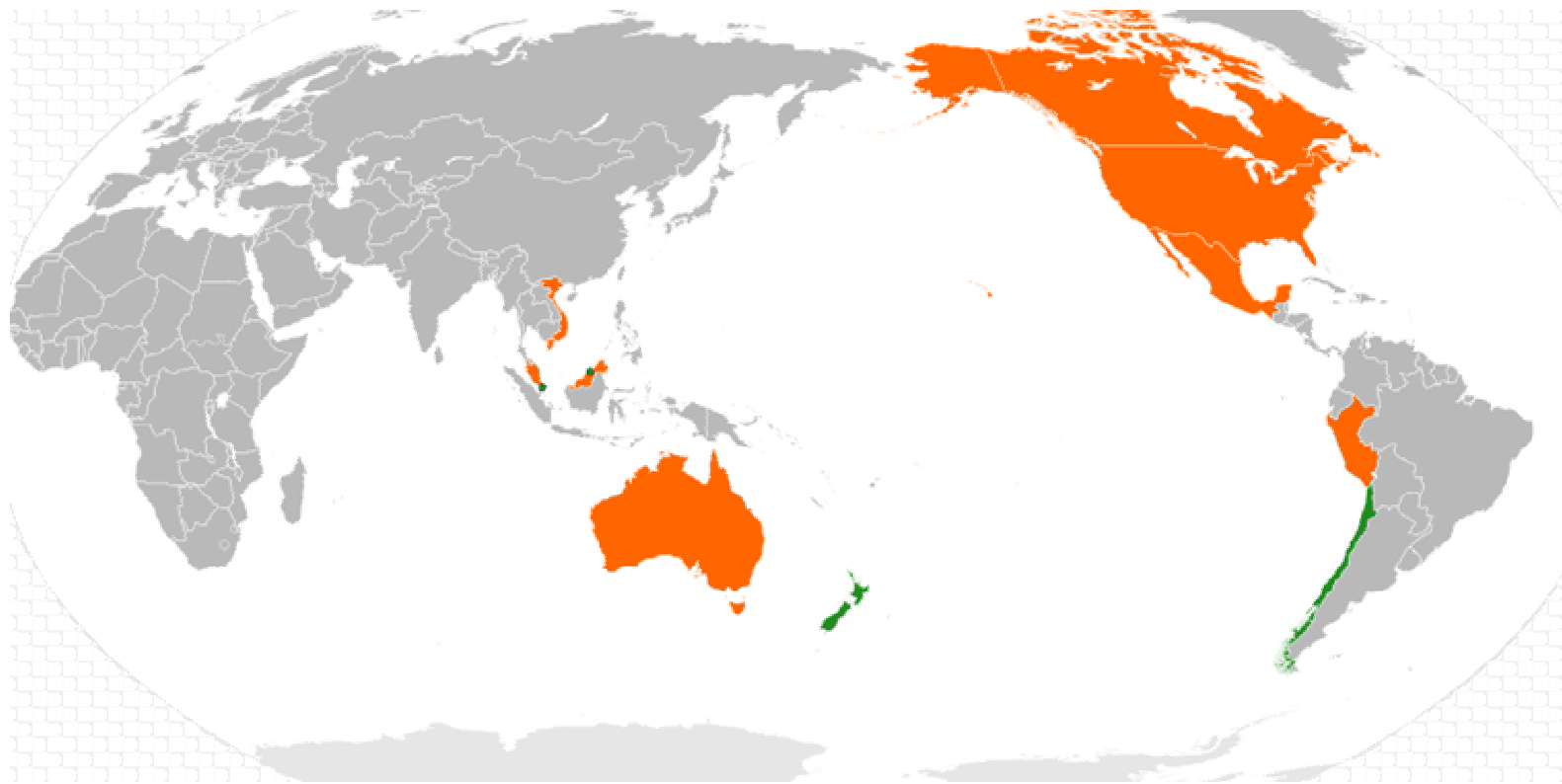
# Example: TTIP

- new dimension of regionalism reflected
- in supply chain world environment
- EU + USA: more than ½ world GDP

## Goal:

- eliminations of barriers for investments, imports and exports of goods and services, energy
- eliminations of barriers lying in regulation and technical norms and certification, sanitary and phytosanitary measures (GMOs, hormones in meat production), IPRs

# Example: TPP



# Example: TPP

- Countries of the Pacific Rim (United States, Vietnam, Singapore, Peru, New Zealand, Mexico, Malaysia, Japan, Chile, Canada, Brunei, and Australia) – 40% of the world GDP
- Initiative promoted by the United States in 2002, TPP signed in 2016

Problem: TPP without China (China accelerates its economic initiatives within Asia region)

# Example: TPP

- new dimension of regionalism - variety of public policies subjects beyond trade, economic, financial, scientific, technological and cooperation fields

## Goal:

- promote economic growth, creation of jobs
- enhance innovation, productivity and competitiveness, living standards
- reduce poverty
- promote transparency, good governance, and enhanced labor and environmental protections

# China's response to mega-FTAs: One Belt, One Road

- President Xi Jinping: response to the emergence of US-EU FTA and US-led TPP

## Goal:

- to shape new types of big power relationship with the USA
- Reprioritizing China's policy toward Northeast Asia
- Putting geo-economics ahead of geo-politics (also in the formation of China's Korean peninsula policy).

# One Belt One Road (New Silk Road)



# Plurilateralism in Trade Liberalization: already existing

## Governmental Procurement Agreement

- within the multilateral system since 1979
- rules and commitments only for signatory countries

## Information Technology Agreement

- within the multilateral system since 1996
- liberalization of limited number of IT products, expanded in 2015

## Plurilateralism in Trade Liberalization: newly reshaped

- New approach since the evident lack of progress of the Doha Development Agenda in the WTO
- Main trade players interested in trade liberalization of specific sector
- Liberalized market access open for all partners, not only for signatories



# Trade in Services Agreement (TiSA)

- 23 members of the WTO (70% of world trade in services), negotiations started in 2013
- based on the WTO's GATS (scope, definitions, market access, national treatment and exemptions), the talks are based on proposals made by the participants
- aims at opening up markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services.

# TiSA negotiating parties

Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong China, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States

# TiSA openness

- TiSA is open to all WTO members who want to open up trade in services (China has asked to join the talks)
- If enough WTO members join, TiSA could be turned into a broader WTO agreement and its benefits extended beyond the current participants

# TiSA features

- Each Participant lists the sectors for which it wishes to take a commitment on Market Access and specifies the extent to which it allows market access – limits and conditions for market access (**positive list**)
- Market Access commitments and/or limitations that apply to all sectors will be listed in the top part of the schedule (i.e. under '**horizontal commitments**)
- National treatment should not be applied

## PARTY - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply:    1) Cross-border supply    2) Consumption abroad    3) Commercial presence    4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
<b>I. HORIZONTAL COMMITMENTS</b>			
<i>Party undertakes its specific commitments in accordance with Part II – Scheduling Commitments.</i>			
RESERVATIONS pursuant to Part II, Article Y ( <i>horizontal NT, standstill and ratchet</i> )		Pursuant to Part II, Article Y [National Treatment, standstill and ratchet], Party reserves the right to adopt or maintain any measure in the specific sectors, sub-sectors or activities listed below:  - <u>measure</u>	
RESERVATIONS pursuant to Part II, Article Y Y ( <i>specific paragraph on horizontal NT</i> )		Party maintains limitations on national treatment in all sectors for:  - <u>measure</u>	
ALL SECTORS INCLUDED IN PART II OF THIS SCHEDULE			
<b>II. SECTOR-SPECIFIC COMMITMENTS</b>			
1. <u>SECTOR</u>		- <u>measure</u>	

**Comment [FG1]:** Market Access commitments scheduled as in the GATS. This column looks like a GATS schedule.

**Comment [FG2]:** National Treatment scheduled on the basis of a Horizontal National Treatment.

**Comment [FG3]:** List National Treatment policy space reservations. Any sector, sub-sector or activity where a party does not commit to apply National Treatment, standstill and/or ratchet.

**Comment [FG4]:** List existing limitations on National Treatment that a party wants to maintain and that apply to all sectors. Standstill and ratchet apply to these measures.

**Comment [FG5]:** List Market Access commitments and/or limitations that apply to all sectors, similar to GATS.

**Comment [FG6]:** List Market Access commitments in each sector or sub-sector, as in GATS.

**Comment [FG7]:** List existing limitations on National Treatment in specific sectors or sub-sectors. Standstill and ratchet apply to these measures.

# Environmental Goods Agreement (EGA)

- Global trade in environmental goods - "green goods initiative,,," since 2014
- Australia, Canada, China, Costa Rica, the European Union, Hong Kong China, Iceland, Israel, Japan, Republic of Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei, Turkey and the United States.

# EGA Goals

- to eliminate tariffs or customs duties on a broad list of green goods that:
  - help clean the air and water
  - help manage waste
  - are energy efficient
  - control air pollutio
  - help generate renewable energy like solar, wind, or hydroelectric.
- to address non-tariff barriers and environmental services

# EGA Procedures

- binding tariff concessions to be taken by the parties
- 450 environmental goods identified, based on APEC environmental goods list
- once agreed, the tariff concessions will be offered to all WTO members on a Most Favoured Nation Clause basis



# Conclusions/1

- The most explored ways of trade liberalization from the second half of the 20th Century were multilateral and bilateral approaches.
- Bilateral approach has been developed when the multilateralism did not prove to be quick and efficient.
- Bilateral and mega FTAs negative feature: do not open market access for those countries that do not participate in them.

## Conclusions/2

- Plurilateral approach to the trade liberalism is delivered from multilateralism.
- Based on the multilateralism, the plurilateral approach developed in order to provide open space for potential new participants.
- Plurilateralism in the current context opens market access for all trading partners (even for not participating ones). It takes into consideration that not all countries can participate in a reciprocal manner.

## Conclusions/3

- Plurilateralism thus reflects specific needs of less developed countries and does not limit developed economies in their mutual market access liberalization
- Plurilateralism is a perspective way for trade liberalization within the multilateral trading system of the World Trade Organization (within 163 countries of the world) and does not undermine it.