Plurilateralism: A New Way of Trade Liberalism?

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Historical Background of Trade Liberalism/1

20th 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

[Diagram showing the impact of the Great Depression on world trade from 1929 to 1933.]
20th Century
Multilateral Trading System
- 1947 General Agreement on Tariffs and Trade
- multilateral trade liberalization – impact of negotiations rounds
- 1995 World Trade Organization
21\textsuperscript{th} 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

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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

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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
- Puting 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.

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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

<table>
<thead>
<tr>
<th>Sector or subsector</th>
<th>1) Cross-border supply</th>
<th>2) Consumption abroad</th>
<th>3) Commercial presence</th>
<th>4) Presence of natural persons</th>
<th>Additional commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Horizontal Commitments</td>
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<tr>
<td>Reservation pursuant to Part II, Article 1 (horizontal NT, standstill and ratchet)</td>
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<tr>
<td>Reservation pursuant to Part II, Article 1 (specific paragraph on horizontal NT)</td>
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<tr>
<td>All sectors included in Part II of this schedule</td>
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## II. Sector-Specific Commitments

<table>
<thead>
<tr>
<th>Sector</th>
<th>1) Cross-border supply</th>
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<th>4) Presence of natural persons</th>
<th>Additional commitments</th>
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<td>21</td>
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</table>
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 pollution
  - help generate renewable energy like solar, wind, or hydroelectric.

- to address non-tariff barriers and environmental services

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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.