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MULTILATERALIZING REGIONALISM

Regional trade agreements (RTAs) have proliferated around the world in the past two decades, and now virtually all the members of the WTO are party to at least one. Besides tariffs and rules of origin regulating trade in goods, many RTAs now include provisions on services, investment, technical barriers to trade and competition rules, as well as a host of issues not directly related to trade. The geographical reach of RTAs is expanding, with transcontinental agreements spreading forcefully alongside intra-regional agreements.

‘Multilateralizing Regionalism’ was the title of a major conference held on 10–12 September 2007 at the WTO in Geneva, and the bulk of the chapters in this volume were first presented at that conference. Together, the conference papers achieve two things. First, they marshal detailed new empirical work on the nature of the ‘spaghetti bowl’, and the problems it poses for the multilateral trade system. Second, they contribute fresh and creative thinking on how to ‘tame the tangle’ of regional trade agreements.

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CONTENTS

<i>List of contributors</i>	page viii
<i>Foreword</i>	xi
PASCAL LAMY	
<i>Acknowledgements</i>	xiv
 Introduction	 1
RICHARD BALDWIN AND PATRICK LOW	
 PART I Background to Regionalism	 11
1 A historical perspective on regionalism	13
THERESA CARPENTER	
2 The landscape of regional trade agreements and WTO surveillance	28
ROBERTO V. FIORENTINO, JO-ANN CRAWFORD AND CHRISTELLE TOQUEBOEUF	
 PART II Multilateralization: Prospects and Past Experience	 77
3 Beyond tariffs: multilateralizing non-tariff RTA commitments	79
RICHARD BALDWIN, SIMON EVENETT AND PATRICK LOW	
Comment	142
SÉBASTIEN MIROUDOT	
4 Multilateralizing regionalism: lessons from the EU experience in relaxing rules of origin	146
MICHAEL GASIOREK, PATRICIA AUGIER AND CHARLES LAI-TONG	

vi	CONTENTS	
5	The Information Technology Agreement: <i>sui generis</i> or model stepping stone? 182	
	CATHERINE MANN AND XUEPENG LIU	
	Comment 217	
	ALEJANDRO JARA	
	PART III Multilateralization: Sectors and Themes	219
6	Services provisions in regional trade agreements: stumbling blocks or building blocks for multilateral liberalization? 221	
	CARSTEN FINK AND MARION JANSEN	
7	Harmonizing preferential rules of origin regimes around the world 262	
	ANTONI ESTEVADEORDAL, JEREMY HARRIS, AND KATI SUOMINEN	
	Comment 364	
	OLIVIER CADOT	
8	Legal avenues to ‘multilateralizing regionalism’: beyond Article XXIV 368	
	JOOST PAUWELYN	
	PART IV Multilateralization: Regional Perspectives	401
9	Multilateralizing regionalism: case study of African regionalism 403	
	PETER DRAPER AND MZUKISI QOBO	
10	Multilateralizing RTAs in the Americas: state of play and ways forward 427	
	ANTONI ESTEVADEORDAL, MATTHEW SHEARER, AND KATI SUOMINEN	
	Comment 492	
	MARCELO OLARREAGA	
11	Multilateralizing regional trade arrangements in Asia 495	
	MASAHIRO KAWAI AND GANESHAN WIGNARAJA	

Cambridge University Press
978-0-521-50601-4 - Multilateralizing Regionalism
Edited by Richard Baldwin and Patrick Low
Frontmatter
[More information](#)

CONTENTS vii

Comment	550	
INKYO CHEONG		
12	Fitting Asia-Pacific agreements into the WTO system	554
GARY HUFBAUER AND JEFFREY SCHOTT		
13	Multilateralizing preferential trade agreements: a developing country perspective	636
BERNARD HOEKMAN AND L. ALAN WINTERS		
Comment	681	
PHILIP I. LEVY		
14	The challenge of negotiating RTAs for developing countries. What could the WTO do to help?	684
JIM ROLLO		
Comment	705	
CLAUDE BARFIELD		
<i>Index</i>	708	

Cambridge University Press
978-0-521-50601-4 - Multilateralizing Regionalism
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Frontmatter
[More information](#)

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Cambridge University Press
978-0-521-50601-4 - Multilateralizing Regionalism
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Frontmatter
[More information](#)

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ix

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Cambridge University Press
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Frontmatter
[More information](#)

X

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Cambridge University Press
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[More information](#)

FOREWORD

Regionalism is much debated in contemporary trade policy discourse. This is hardly surprising, considering that well over 200 regional agreements with highly varied content and a rich array of geographical configurations are in existence, with dozens more agreements in the making. The phenomenon has accelerated notably in the last several years. The growth in the number of agreements reflects both a growing number of agreements per country and an increase in the number of countries emerging onto the trading scene.

A vast quantity of writing on the subject of regionalism now exists, and one might be tempted to ask what yet another conference volume on the subject can add. The chapters in this volume pose a number of questions that have not previously been addressed, notwithstanding the proliferation of scholarly literature. The focus here is not upon why so many regional agreements have sprung up – that question has dominated many a debate, and lots of interesting explanations have been offered of both an economic and a political nature. Rather, this volume looks ahead and asks how policymakers, traders and businesses view and react to the explosion of regionalism. It also ponders the nature of the relationship between the multilateral trading system and regional agreements.

Are we in a world in which regional agreements will continue to multiply, eventually reaching some critically high number that will place the trading system in a stable equilibrium, where hundreds of criss-crossing agreements coexist in some fashion with the WTO? My view is that most people think not. Proliferation is breeding concern – concern about incoherence, confusion, unnecessary business costs, instability, and unpredictability in trade relations.

This is not to argue that regionalism is all bad, nor that it will simply disappear in time. On the contrary, many regional initiatives have made important contributions to economic welfare, and doubtless to political stability as well. Governments will continue to sign such agreements. But we need to consider where this proliferation is leading us in terms of trade and

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Frontmatter

[More information](#)

international economic relations, and perhaps revisit our approach to trade cooperation in a more general sense.

A key idea underlying most of the chapters in this volume is that the tangle of overlapping trade agreements will increasingly generate an interest in multilateralizing regional arrangements by joining them up into larger entities that bring us much closer to a multilateral system of trade arrangements. The question, then, is what forces and interests might push trade relations in a multilateralizing direction.

And what forces and interests might push in the contrary direction – where the discrimination inherent in regional arrangements is viewed favorably by interest groups that benefit from it? If the latter interests prevail, we may expect continuing pressure upon governments to go more regional and resist multilateralization, or at the very least to defend existing regional arrangements against greater inclusiveness. This volume throws new light on these fascinating and important issues.

As suggested above, the debate about whether regionalism is a good or a bad thing per se has long been sterile. It misses the point. We need to look at the manner in which regional agreements operate, and what effects they have on trade opening and on the creation of new economic opportunities. We also need to reflect on whether regionalism is causing harm to multilaterally based trading relationships. Many different kinds of agreements exist and much will depend on their design and intent. These self-same questions will also be relevant in considering the prospects for multilateralizing regionalism. Regionalism might be hurting multilateralism, either by bolstering discriminatory interests, or by fostering protection behind enlarged closed markets. Another concern is whether building on the stock of regional agreements distracts from multilateral processes.

But let us turn the question around and ask what the WTO might do to help avoid a situation in which negative aspects of regional agreements prevail, and ultimately to promote multilateralization. The first element here is that governments need to pay proper attention to their multilateral interests. We neglect the unique advantages of an inclusive, non-discriminatory multilateral trading system at our peril. It is these self-same governments that own the WTO and that enter into regional trading arrangements. It is for them to bring this debate home.

What the WTO can do for international trade in the first instance is to close the Doha Round quickly and successfully. Apart from the intrinsic benefits of completing the Round, this would help to refocus governments' attention on their broader global trade interests. It would also further reduce the scope for discriminatory trade policy in the future.

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Edited by Richard Baldwin and Patrick Low
Frontmatter
[More information](#)

FOREWORD

xiii

Second, the 2006 decision to fast-track the transparency mechanism negotiated in the Doha Round (Decision on Transparency Mechanism for Regional Trade Agreements), and make it operational on a provisional basis, is a significant potential contribution to helping us understand what is really going on in so many different regional trade agreements. In my view the decision to anticipate this outcome from the Doha Round reflects a growing level of concern regarding the consequences of a continuing regionalization of trade relations.

Third, an examination of the multilateral rules governing regionalism has long been on the GATT/WTO's negotiating agendas and work programs. Such efforts should continue. It would be useful to look systematically at the characteristics and design of regional agreements not only in terms of legal compliance questions, but also in terms of whether their architecture is more or less likely to foster multilateralization in the future. Perhaps we should think in terms of best practices in this regard.

I welcome the initiative behind this volume to explore the emerging relationship between regionalism and multilateral trade arrangements, and in particular the idea that governments could do more to multilateralize regional agreements for the broad benefit of the international trading community, as well as to explore new ways of ensuring that regional agreements are not designed so as to close off opportunities for more broadly based trade cooperation.

Pascal Lamy
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