

**РЕГИОНАЛНИ ТЪРГОВСКИ СПОРАЗУМЕНИЯ В СИСТЕМАТА
НА СВЕТОВНАТА ТЪРГОВСКА ЛИБЕРАЛИЗАЦИЯ**
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**REGIONAL TRADE AGREEMENTS IN THE SYSTEM OF
THE WORLD TRADE LIBERALIZATION**
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Abstract

The study presents an overview of regional trade agreements and their part in trade liberalization. The World Trade Organization's role in the trade regulation and its limitations are discussed. This paper intends to determine the changes in the global trade in the 21st century, particularly in trade regional trade agreements.

Keywords: *regional trade agreement, World Trade Organization, GATT, trade liberalization*

JEL Codes: *F10, F15, R58*

Introduction

The global economy today is the economy of integration associations. In the global economy integration processes occur at both the global and regional (local) levels. Countries begin to consider regional trade agreements (RTA) as the basis of their trade policy. Regional agreements are an essential part of the overall development strategy of countries and regions in the gradual integration into the world economy.

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Within the context of the WTO, regional trade agreements have both more general and more specific content: more general, because RTAs may be concluded between the countries that do not necessarily belong to the same geographic area; a more specific sense- because the provisions of the WTO relate to the specific conditions of trade liberalization with RTA (1).

1. Regional integration

The coverage and depth of preferential treatment varies between RTAs.

Modern RTAs tend to go well beyond tariff adjustments and provide increasingly complex rules governing mutual trade (on standards, safety regulations, customs administration), provide preferential regulatory framework for trade in services. The most complex RTAs go beyond traditional trade policy mechanisms and include local rules regarding investment, competition, environment and labor.

All RTAs in the WTO are mutual (reciprocal) trade agreements between two or more partners. These include free trade agreements and customs unions, notified under Article XXIV: 7 of GATT 1994 and paragraph 2 (c) Enabling Clause (officially called "Decision on differentiated and more favorable treatment, reciprocity and fuller participation developing countries "adopted under the GATT 1979) and an agreement on economic integration under Article V: 7 GATS.

RTAs can complement the multilateral trading system, but they are discriminatory because of a departure from the principle of most-favored bases of multilateral trading system. The increase in RTAs and the conclusion of bilateral free trade agreements have created the phenomenon of overlapping membership.

Almost all states are members of one or more agreements on regional integration. The WTO Secretariat registered 625 regional trade agreements in 2016 (Table no 1) (1). While in the period from 1948 to 1994 year to the GATT were sent 123 notifications.

Table no. 1 – Number of existing regional trade agreements in 2016

| Type a regional trade agreement | Number |
|--|---------------|
| Free Trade Agreement (FTA), according to GATT Art. XXIV | 238 |
| Customs Union (CU), under GATT Art. XXIV | 28 |
| Partial Scope Agreement | 16 |
| RTAs for goods and services under GATT Art. XXIV and GATS Art. V | 139 |
| Total: | 421 |

Source: compiled by the author according to [1]

Because each RTA seeks to develop its own internal trading regime, a coexistence of different trading rules applied to different partners becomes frequent in one country. This can complicate trade flows costs for traders in the performance of multiple sets of trade rules. The spread of RTAs is not multilaterally regulated, and thus increases the risk of inconsistencies in the rules and procedures among the trade agreements. This can lead to regulatory confusion, distortion of regional markets, as well as serious problems of implementation, particularly where there is duplication of RTAs.

The accelerated development of regionalization is promoted by multiplicity and complexity of interests of different regions, unequal development and different economic weight of countries and therefore priority in multilateral negotiations. RTAs are a common alternative means of liberalization and globalization. They are concluded between so-called "natural trading partners", which are understood as the neighboring countries with a comparative level of economic development and multilateral trade agreements between countries of the same region (3).

Members of WTO are required to notify regional trade agreements in which they participate. Many countries - members of the WTO continue to negotiate new bilateral and multilateral RTAs. For example, negotiations in the Asia-Pacific Partnership involved 12 parties; in Asia among members of ASEAN and six other WTO members with which ASEAN has existing agreements (Regional agreement on comprehensive partnership, RCEP); Pacific Alliance in Latin America between Chile, Colombia, Mexico and Peru. These multilateral agreements after the entry into force can reduce so-called «spaghetti bowl» of RTA, especially if they replace existing bilateral agreements and develop general rules (for example, rules of origin) to be used by all parties of the agreement.

As a WTO member enters into a regional agreement under which provides more favorable terms of trade, it is guided by the principle of non-discrimination set out in Article I of the GATT and GATS Article II. WTO countries are allowed to participate in such agreements, but are considered a group of three rules:

- Paragraphs 4 to 10 of Article XXIV of GATT (as defined in the Understanding on the interpretation of Article XXIV of GATT 1994) provide for the formation and operation of customs unions and free trade areas covering trade in goods;

- Enabling Clause (Decision on differential and more favorable treatment, reciprocity and full participation of developing countries), which refers to preferential trade agreements among developing countries;

- Article V of GATS governs the conclusion of trade agreements on trade in services, both developed and developing countries.

Other non-generalized preferential schemes, such as unilateral (non-reciprocal) preferential agreements involving developed and developing countries require from participants a rejection of WTO rules. Such refusal shall require the approval of three-fourths votes of the members of the WTO. Examples include the agreement of the US - CBERA, the Caribbean-Canada Trade Agreement (CARIBCAN), in which Canada provides unilateral duty-free access to its market for certain groups of products, preferential agreements between Turkey and Bosnia and Herzegovina, Partner Agreement EC and African, Caribbean and Pacific (ACP-EC Partnership Agreement).

Monitoring of the creation, operation and liquidation of regional integration associations of states is made by a division of the WTO - Committee on Regional Trade Agreements. Its statistics shows that since the mid-90's global economy is characterized by a noticeable increase in the number of regional trade agreements. As of 2016 in the GATT / WTO was notified 625 trade agreements, of which in force are actually 419. Most of these agreements are free trade area, the existing contracts accounting for 90% and custom unions -10%. In general willingness of countries to form RTAs was due to their desire to stimulate economic growth by providing members with improved access to markets, the use of economies of scale, attract foreign direct investment in the combined market, effects of technology inflow (4).

2. Important trends in the functioning of regional trade agreements

This study has found several important tendencies in the functioning of the regional trade agreements:

1. Changed not only the number of RTAs, but also quality. The vast majority (90%) of RTA - is an agreement on free trade area, which completely eliminated or drastically reduced tariffs on trade between the countries of the area.

2. The bilateral agreement on free trade area previously dominated, but the recent trends demonstrate conclusion of agreements between several countries. Moreover, the word "regional" means not bind to the same region, and is only used to contrast these agreements to universal agreements concluded at WTO.

3. Conclusion of the so-called mega-RTA, creating a free trade area covering several continents.

4. The content of these agreements has changed. In addition to the creation of free trade areas, RTAs are governing investment, intellectual property, consumer

protection, labor and environmental standards, often going beyond WTO rules and even entering into conflict with them (such as RTU between the US and Jordan directly establishes individual rules of market access of medicines, but not the provisions of the TRIPS Agreement, done at the WTO). Thus, all RTAs differ not only in terms of participants, but also in terms of privileges and preferences.

5. The process of creating RTA covered all countries (except for Mongolia, which is not part of a single RTA). The norm is state involvement in several agreements.

6. Modern RTAs are characterized by diversification of economic development of member states. For example, the prevalence of USA in NAFTA (the US accounts for over 70% of total GDP). Singapore in FTA in Asia has the highest GDP per capita (10 times more than in Cambodia).

Conclusion and Recommendations

Reasons that motivate states to decide the further regulation of world trade at the regional level are: 1) faster and easier to negotiate, in addition, the RTA can provide more stringent than at the WTO commitments. 2) RTA provide benefits discussed between a limited number of countries (generalizing term "selective liberalization"). 3) The lack of new WTO rules that meet modern realities of world trade. 4) The weakness of the control mechanism of the WTO has meant that Art. XXIV of GATT is the most frequently violated Article.

At the same time, the negative aspects of regional integration are that it leads to unclear and sometimes conflicting obligations to each other between the countries. This happens because of the large number of agreement signatories (2). Furthermore, the actual use of agreed trade benefits under the RTA is not always effective and depends not only on producers and traders offer, but also the complexity of determining rules of origin, which differ between RTAs and are often used as non-tariff barriers of countries.

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