Regional Integration:
a New Trade Protectionism

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Protectionism in preferential trade agreements

- Expansion of a progressive domestic industry within extended territory (without barriers)
- Protection against third countries competition
- A new basis of consumers

**Without leaving open
to competiton
national strategic industry branches**

New feature of 21 century RTAs

- MFN – most favored nation clause
- Beyond classical explanation
- Protect industry from competition – the competition could enter the target market at the same or worse conditions (never better)
- EU x ACP countries, from 1 January 2008

Other reasons for proliferation of regional trade integration?

- Multilateral trading system?
  - Interference with domestic policies?
  - Scope of fields belonging to the system?
- Current multirateral trade negotiations?
  - Lack of progress?

Multilateral Trading System

- GATT (1947)

- Uruguay Round of Trade Negotiations (1986-1994)

- World Trade Organization (1995)
  - global rules of trade between nations
  - market-opening commitments

Principal governments´ engagement: non-discrimination, consensus, progressive liberalization, single undertaking, trade policy reviews, defending against unfair trade, dispute settlement neutral procedure.
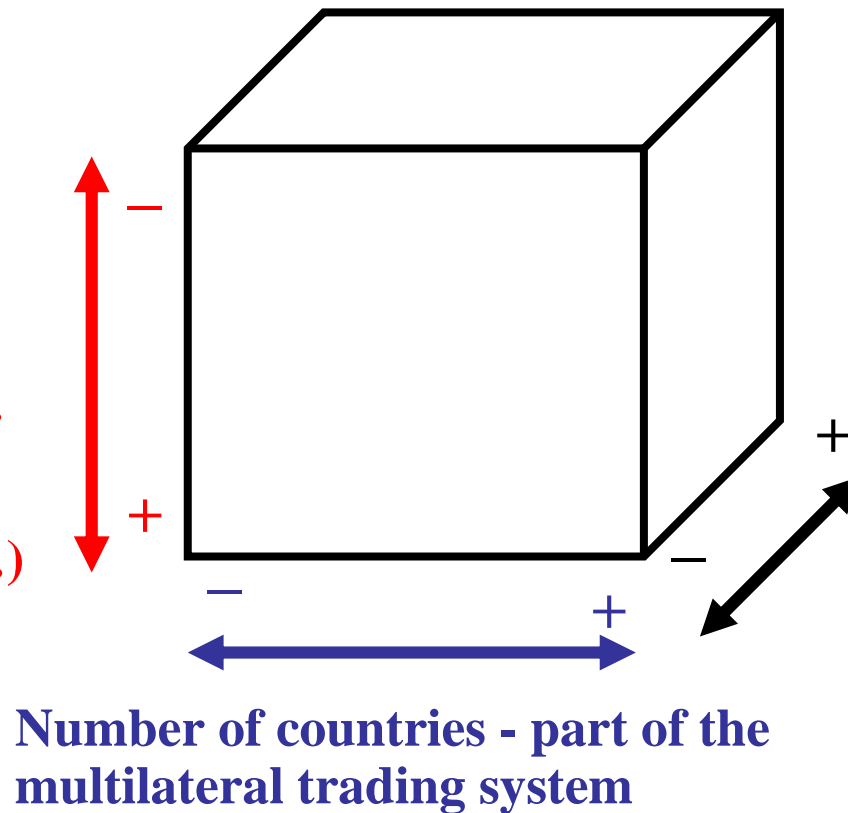
Scope of WTO activities
Interference with domestic policies

- Agriculture (market access, domestic supports, export subsidization)
- Industrial products (market access)
- Information technology
- Banking and other financial services
- Telecommunications
- Construction services
- Energy
- Government purchases
- Industrial standards and product safety
- Food sanitation regulations
- Customs and other trade procedures
- Intellectual property protection and enforcement
- Investment measures
- Etc.

Multilateral Trading System Cuboid

(the original idea developed by Craig van Grasstek, Harvard University)

Market Access (level of liberalisation)

(BORDER and RELATED MEASURES)

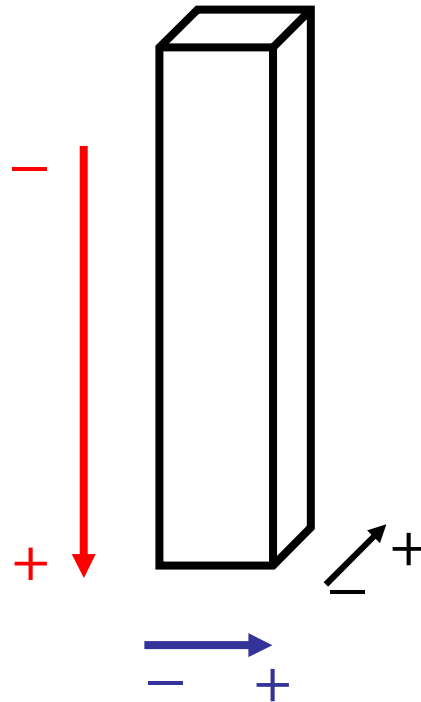**(tariffs, quotas, non tariffs barriers, rules of origin, SPS/TBTs, AD…)**

Depth and number of issues of domestic economic policy included in multilateral trading system

(INSIDE the BORDERS)

(services, intellectual property protection and enforcement, investment, competition, public procurement, administrative procedures ….)

Number of countries - part of the multilateral trading system

− +

+ −

− +

GATT 1947
(till the 80s)

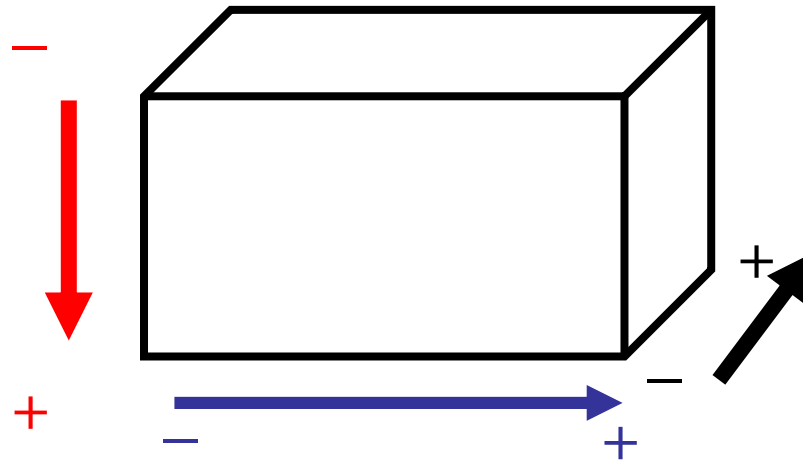**Slow market access liberalisation: „à la carte"**

Little intrusion in domestic policies

(plurilateral codes: subsidies, purchases, …)

− +

− +

from 23 to approx. 80 countries

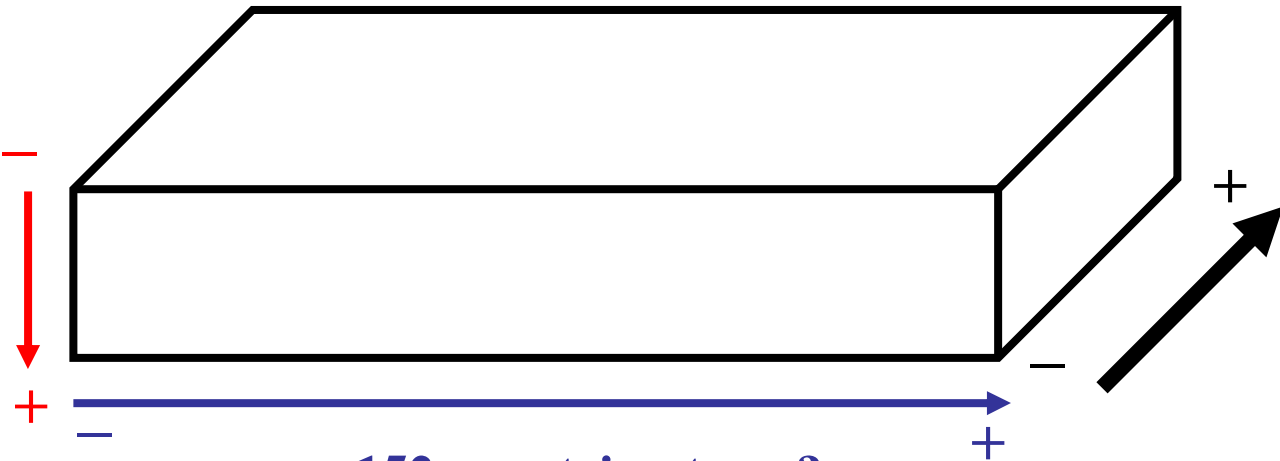# URUGUAY ROUND (1986-1994)

Fast market access liberali-sation

from approx. 90 to 128 countries

Various issues of domestic policy:

services
TRIPS
TRIMS
agri
subsidies,
preshipment
inspection,
customs
procedures...

DDA mandate

Liberalisation keeps moving but it is short in touching sensitive issues for developed countries

(AD, tariffs peaks, rules of origin, standards, public health, etc.)

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+

−

now 152 countries, to….?

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+

+

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Larger impact on domestic policies:

services environ-ment, agri subsidies, administr. procedures, rules for RTAs, subsidies, IPR protection, etc.

Dilemma of the global trade governance

POLICY SPACE

Sovereignty? „Safe" extent? Really needed?

- today
- tommorrow

- developed countries
- developing countries

Reflected in the little progress of the current round of negotiations on trade liberalization

WTO negotiations

- **Doha Development Agenda**
  - to combat poverty: special and differencial treatment: not full reciprocity, preferential market access, transitional periods
- **Agriculture** market access and subsidization
  - cornstone of negotiations, little or no progress
- **Industrial goods** market access
- **Services**
  - bottom-up approach
- **Other** fields
  - waiting for agricultural progress

Deadlines (2004, 2005, 2006, 2007) not met. 2008? 2009?

How to pursue trade expansion? (government´s perspective)

- Agreements on areas outside of the multilateral trade system (investment and competition rules, intellectual property protection and enforcement, harmonization of technical norms, etc.)

- Free trade agreements (legal exemption to the international rule of non-discrimination – MFN)

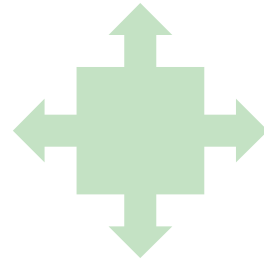# How to protect domestic industry? (government´s perspective)

- Free trade agreements (trade in goods and/or in services)
  - Substantially all the trade
  - Trade barierrs (at border), not rules
  - Preferences for partner should not be extended to all other trade partners (more than 150)
  - Simple approach: one commitment exchanged for other (no WTO single undertaking)

EC (official) argumentation

- Multilateral agreements: the most effective means of managing trade for the benefit of all (economic growth, social cohesion and environmental protection)
- Bilateral and regional agreements: a tool for the scope extension of trade liberalization → elements for future multilateral agreements, a support for multilateral negotiations

Mutually supportive?

- Multilateral liberalization (result: policy space limited in exchange to extended space for trade, does not cover all fields of interest, but transparent + dispute settlement)

- Bilateral liberalization (result: policy space ajusted to specific goals, extended interests, but discriminatory + too complex for business)

EC pragmatical approach within the Common Commercial Policy

- Beyond the multilateral trading system, using its flexibilities – scope, rules, sectors
- Largely used: custom unions, free-trade areas, association, co-operation and partnership agreements, non-reciprocal preferential treatment

MFN basis - only 9 trade partners

Conclusions

Regional Integration - synonymum for a „NEW PROTECTIONISM"

- Regional trade integration do not promote multilateral trade liberalization, on the contrary, it creates obstacles to it
- Grounds for existent preferential trade agreement are to protect domestic industry at extended territory, to promote its expansion and at the same not to open the domestic market for other industry – RTAs as an exemption from MFN lost its role in promoting liberalization
- RTAs enable legal, sophisticated and hidden trade protection

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Thank you for your attention

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