

MEGA-REGIONAL TRADE AGREEMENTS AND THEIR IMPACTS ON DEVELOPING COUNTRIES AND THE MULTILATERAL TRADING REGIME

A Side Event during the 10th WTO Ministerial Conference in Nairobi, Kenya

16.12.2015, 11.00 a.m. to 12.30 p.m., NGO Centre, Room NGO 3

Context

As members of the World Trade Organisation meet for the 10th Ministerial Conference in Nairobi, Kenya, countries across Asia-Pacific, the Americas and Europe are crafting trade arrangements outside the auspices of the global trade body that could have significant consequences for developing countries. These so-called mega-regional trade agreements (RTAs) include among others the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

The TPP that has just been concluded comprises 12 Asia-Pacific members, including the US, Canada and Japan, but notably excluding China and India and would encompass 40 per cent of global gross domestic product with a population of 800 million. The TTIP between the EU and US still under negotiation would account for about 30 per cent of global trade in goods and 40 per cent of global trade in services. Both agreements intend to emphasise greater trade openness, high 21st century standards, and regulatory harmonisation for their members.

In addition to lowering tariff rates among their participants, these “mega-regionals” are expected to cover a wide range of behind-the-border trade-related areas such as technical barriers to trade (TBT), trade in services, intellectual property rights, government procurement, competition, investment, state-owned enterprises, labour and environmental standards, and – very controversially – investor-state dispute settlement (ISDS). Many of these standards are set to be beyond WTO levels or cover policy areas currently not dealt with by WTO rules.

As most developing countries, particularly those from Africa, are excluded from these mega RTAs, their position in the international trading system could face daunting challenges. Developing countries may find themselves losing market share due to reduced tariff rates between mega RTA countries, trade diversion and the erosion of their own trade preferences, e.g. with the EU. The harmonisation of trade rules and standards among mega RTA participants will have consequences that are as yet unclear. On the one hand exporters from developing countries may possibly benefit from common standards in enlarged markets as well as flexible rules of origin were they to be negotiated. On the other hand new regulations and higher standards beyond the status quo in a mega RTA zone might raise production costs for outsiders and reduce their competitiveness. Thus, policy-makers in developing countries could face difficult choices concerning regulatory reforms to keep domestic producers competitive.

It is imperative for excluded countries, especially low-income developing and least developed countries, to take a close look at the potential implications of mega RTAs in order to adopt appropriate measures at the domestic, regional, and multilateral levels.

Inasmuch as important issues of offensive interest to developed countries are not negotiated multilaterally at the WTO but elsewhere, developing countries stand to lose leverage at the WTO e.g. in the negotiations on agriculture concerning the reform of domestic subsidies where both the US and the EU seem to be less than ever inclined to yield to the demands of developing countries.

Further, it is crucial for all WTO members to analyse carefully the geopolitical implications of such mega RTAs. The world is changing. It is changing fast but into what direction remains to be seen. Assuming the multilateral trading system could be strengthened by these mega-regional agreements is of doubtful evidence.

Some proponents of these mega-regionals are quite open that they see the provisions of these agreements among “coalitions of the willing” as “blueprints” to be “multilateralized” later and to become global standards. While for some WTO members the route of mega RTAs is the way forward to overcome resistance towards further trade liberalization by forcing “WTO-plus” and “WTO-extra” issues through the backdoor into the global trading regime, there are others that are worried that this could lead to a fragmentation of the multilateral trading regime by promoting competing trade blocs.

Therefore, this event will deliberate the possible challenges developing countries may face from the emergence of mega RTAs and the necessary policy options. It will give a space to various stakeholders to provide inputs on the multiple avenues of possible response, including domestic policy reforms, expanding bilateral and regional trade, and greater engagement at the multilateral level. The event is expected to stimulate discussions on opportunities that developing countries can look for to address their critical economic and development needs by addressing challenges presented by mega RTAs.

Programme and Speakers

Welcome and Introduction

- ❖ **Hubert René Schillinger**, Director, Friedrich-Ebert-Stiftung Geneva Office

Speakers

- ❖ **Bipul Chatterjee**, Executive Director, Consumer Unity and Trust Society (CUTS) International
- ❖ **Eveline Herfkens**, Visiting Scholar at the Paul H. Nitze School of Advanced International Studies and Senior Fellow at the Center for Transatlantic relations, John Hopkins University, former Minister for Development Cooperation, the Netherlands
- ❖ **Heribert Dieter**, Senior Associate, Global Issues, German Institute for International and Security Affairs and Visiting Professor for International Political Economy at the Zeppelin University, Lake Constance

Moderation

- ❖ **Rashid S. Kaukab**, Executive Director, CUTS International Geneva Office