REGIONAL TRADE AGREEMENTS & THE WTO

North-South Agreements: Integrating developing countries into the World Trading System?

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Post-Cancun

• What is the impact of the failure of Cancun on:
  – on multilateralism?
  – on regionalism?
  \multilateralism versus regionalism?

US: bilateralism with the ‘can dos’
EU: rethink WTO? ; impact on regionalism?
3 remarks

1. Genuine concerns vs strategic rhetoric? 
   → effect on bargaining power

2. Northern pressure for regional path
   → South less vocal
   → Are North-South RTAs driven by North?

3. What’s new?
   → RTAs growth over the last decade
   → many new initiatives already
The number of RTAs has increased sharply over the past few years...

Evolution of RTAs, 1948-2002

Establishment of the WTO

Source: WTO Secretariat
...however, the number of North-South FTAs is still relatively small.

Source: WTO Secretariat
Though it has been on the rise over the past decade:

e.g.:
• EU-Mediterranean countries
• EU-Chile
• EU-Mexico
• EU-South Africa
• US-Jordan
• US-Israel
• US-Singapore
• Canada-Chile
• Canada-Costa Rica
And already many new initiatives:

e.g.:
- EU-Mercosur
- EU-ACP:
  - EU – ECOWAS
  - EU – CEMAC
- coming:
  - EU – ESA (COMESA / SADC ?)
  - EU – Caribbean
  - EU - Pacific
- US – SACU
- US: AGOA…
Trade with northern partners remains crucial for the South, in particular the LDCs...

Merchandise exports LDCs by destination, 2001

### Agricultural products

<table>
<thead>
<tr>
<th>Destination</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>33%</td>
</tr>
<tr>
<td>Asia</td>
<td>42%</td>
</tr>
<tr>
<td>North America</td>
<td>7%</td>
</tr>
<tr>
<td>Others</td>
<td>18%</td>
</tr>
</tbody>
</table>

### Manufactures

<table>
<thead>
<tr>
<th>Destination</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>47%</td>
</tr>
<tr>
<td>Asia</td>
<td>9%</td>
</tr>
<tr>
<td>North America</td>
<td>39%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat
While trade with Southern partners remains of lesser importance for the North.

Merchandise exports to middle and lower income countries (MLC), 1999:

- **EU**: 88% MLC, 12% others
- **US**: 85% MLC, 15% others
- **Japan**: 71% MLC, 29% others

Source: OECD
At the level of the regions, asymmetry in trade-dependence

<table>
<thead>
<tr>
<th>Region</th>
<th>% of regional exports to EU</th>
<th>% of regional imports from EU</th>
<th>% of total EU exports to region</th>
<th>% of total EU imports from region</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARICOM</td>
<td>12.7%</td>
<td>21%</td>
<td>0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Mercosur</td>
<td>17.5%</td>
<td>18%</td>
<td>2.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>EAC</td>
<td>40%</td>
<td>26%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Pacific</td>
<td>11%</td>
<td>1%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>31%</td>
<td>41%</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>CEMAC</td>
<td>38%</td>
<td>60%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>COMESA</td>
<td>35%</td>
<td>33%</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: IMF and Eurostat
General trends

• Move away from trade preferences, towards **reciprocal** RTAs

• North-South RTAs build on Southern regionalism:
  → threat or opportunity?

• DCs are diverse, so are North-South RTAs
  → US ? EU approach
  → diverse menu (e.g. EU FTAs differ)
  → linkages to politics, strategic support, aid, etc.
North – South RTAs for integration of DCs into world economy?

RTAs as a complement to WTO (?):

• economic integration
  – Trade liberalisation: tariffs, NTB, TBT, trade-related areas
  – Goods, agriculture, services
  → Comprehensive agreements
• Economic impact and adjustment measures

  – Trade creation vs. trade diversion
  – Dynamic effects
  – Fiscal impact
  – Supply-side constraints
  – Institutional development

→ Need for a comprehensive package (beyond WTO?)
• **Strategic & development dimensions**
  – Lock-in effects (policy reforms)
  – Trade as an instrument of development?
    → Trade and poverty
    → trade integrated into development strategy
  – RTAs to secure aid?
    • e.g. ACP-EU (EPAs)?
  – Geo-strategic dimension:
    → N-S RTAs not driven by trade (only)?
    → power play?
Capacity constraints

- Capacity to prepare and negotiate:
  - Multiple trade agenda (WTO, RTAs, etc.)
  - Formulation of strategy and policy agenda
  - Institutional development
  - Lack of expertise
  - Competing demands (internally, externally)
  - Regional coherence, coordination
  - Legitimacy
Capacity constraints

• Linkages among WTO and RTAs
  – Possible positive spillovers in terms of preparation / information
  – Overstretched capacities
  – Tensions when diverging agenda:
    • WTO vs. RTAs (e.g. Singapore issues)
    • among RTAs (S-S, with US, with EU, etc.)
  → support or dividing effects?
Development strategy

Trade policy  Other policies

WTO  North – South RTAs  South – South Integration  Unilateralism
Thank you!

Documents available at:
www.acp-eu-trade.org
www.ecdpm.org