

WTO and Regional Integration

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Outline of this presentation

- Brief history of multilateral trade rules making
 - Basic principles of non-discrimination
- Rules applying to discriminatory liberalization: From GATT to WTO
- Transparency mechanism
- Brief overview of databases on trade agreements and preferential arrangements

Why GATT and WTO?

- Can you give reasons on why countries chose to sign GATT?
- Why all of them pursued establishing the WTO?

Multilateral liberalization

The trading system should be ...

- **without discrimination** — a country should not discriminate between its trading partners (giving them equally “most-favoured-nation” or MFN status); and it should not discriminate between its own and foreign products, services or nationals (giving them “national treatment”);
- **freer** — barriers coming down through negotiation;
- **predictable** — foreign companies, investors and governments should be confident that trade barriers (including tariffs and non-tariff barriers) should not be raised arbitrarily; tariff rates and market-opening commitments are “bound” in the WTO;
- **more competitive** — discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share;
- more beneficial for less developed countries — giving them more time to adjust, greater flexibility, and special privileges

- Organized in form of “rounds”. How many so far?
- Implies reciprocity. There are different types of reciprocity (from full to less than full, different “shades”)
 - “Outside of trade” reciprocity: a nation’s trade policy concessions are matched by another’s concessions in other areas, including investment reform, foreign and security policy, aid or other funding
- Is reciprocity based on fairness? Does it implies fairness?
- Basic principles of GATT (now WTO):
 - **NON DISCRIMINATION:**
 - **MOST-FAVOURED NATION**
 - **NATIONAL TREATMENT**
 - **TRANSPARENCY**
 - **USE OF TARIFFS; BINDING TARIFFS**
 - **ETC.**

Yet, discriminatory
liberalization
is the name of the game

Why WTO members go for discriminatory liberalization?

- Easier than WTO to address deeper integration in a shorter period of time
- A requirement of “substantially all trade” in GATT/WTO.
- A group of like-minded countries
- Training ground for all – negotiators, legislators, producers, consumers
- Increased bargaining power in WTO, though trade interests of all members may not be the same

Is discriminatory liberalization allowed under WTO?

- GATT Article XXIV (1947->1994)
- The Enabling Clause (1979)
- Understanding of the GATT Art. XXIV (1994)
- GATS Article V (1994)
- Transparency mechanism (2006)

WTO JARGON ON TRADE AGREEMENTS SPECIFIC:

- FTAs AND CUSTOMS UNIONS (GOODS) = RTAs
- PARTIAL SCOPE AGREEMENTS (GOODS)
- ECONOMIC INTEGRATION AGREEMENTS (SERVICES)
- PREFERENTIAL TRADE ARRANGEMENTS - ONLY FOR NON-RECISPROCAL PREFERENCES

Further details : XXIV

**Common principles (based on GATT Art. XXIV:4;
“Enabling Clause” para. 3(a); GATS Art. V:4):**

- The purpose of an RTA is to facilitate trade among the parties
- The goal of internal trade liberalization must not result in barriers towards third parties higher than those existing before the formation of the RTA
- The RTA must provide for mutual/reciprocal trade concessions

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https://www.yunbaogao.cn/report/index/report?reportId=5_3258

