

**International Conference on
Dynamics of Regional Trade Agreements and WTO:
Developing Countries' Perspectives**

Engagements of developing countries in WTO and regional trading arrangements are critical to get meaningful market access for efficient utilization of their resources. Many developing economies have succeeded in becoming part of global production chains, which typically take advantage of the strengths of different regional economies to produce components and assemble completed products. The rise in the use of these production chains has been associated with increased foreign direct investment flows into developing countries (Economic Analytical Unit, 2003b). Trade between developing countries stands to become increasingly important in the years ahead due to higher economic growth in these countries compared to developed countries. The World Bank projects a real GDP growth rate for developing countries over the period to 2015 of 4.6 per cent, compared with 2.6 per cent for industrial countries (World Bank, 2003a).

As a spirit for deeper integration, a set of developed and developing countries formalized GATT into WTO and trade to be governed by WTO rule based regime. Various efforts have been made at WTO forum to get meaningful market access to developing countries in earlier and the present round of WTO negotiations known as Doha Development Round. However, WTO member countries could not find common grounds due to strict positions of developed countries and more informed/articulated positions (compared to earlier round) of developing countries on tariffs, subsidies and NTBs. Hence, Doha Development Round has not achieved success at WTO so far.

In present global policy framework, Regional Trade Agreements (RTAs) have become a critical trade policy instrument for both developed and developing countries as a result of slow progress in multilateralism at WTO. The number of RTAs as well as the world share of trade covered under them has been steadily increasing over the last decade and a half. The widespread of RTAs/FTAs has led to the debate whether they help or hinder the broader process of multilateral trade liberalization. Are they, in Bhagwati's (1993) phrase, "building blocks" or "stumbling blocks" on the road to global free trade? However, it is still unresolved theoretically and empirically whether RTAs facilitates or hinders multilateralism

in trade. Researchers like Ethier (1998), Mansfield and Reinhardt (2003), Hudgins (1995) and Sampson & Woolcock (2003) state that regionalism isn't blocking multilateralism; instead it is assisting its development while Winters (1996), Bhagwati (1996) and Jayasinghe & Sarker (2004) say that regionalism can hinder the move to multilateralism. However, RTAs/FTAs can not be interpreted in regional context as RTAs/FTAs are formalized across regions as well.

From its inception, GATT/WTO has allowed member countries to conclude customs unions and free-trade areas, as an exception to the fundamental principle of non-discrimination set in the most-favoured-nation clause of Article I. Conditions for trade in goods were set in GATT Article XXIV, conditions for trade in services GATS Article V, and the Enabling Clause. GATT Article 24 allows regional trading arrangement to be set up as a special exception. Duties and other trade barriers should be reduced substantially in all sectors of trade in the group. Non-members should not find trade with the group any more restrictive than before the group was set up. Regional integration should complement the multilateral trading system and not threaten it. Article 5 of the General Agreement on Trade in Services (GATS) provides for economic integration agreement in services. Preferential trade arrangements on goods between developing-country members are regulated by an "Enabling clause" dating from 1979. The main principle is that the purpose of a RTA should be to facilitate trade between the constituent countries and not to raise trade barriers to other WTO members (non parties to the RTA).

Despite debate, the surge in RTAs has continued unabated since the early 1990s. Some 421 RTAs have been notified to the GATT/WTO up to December 2008. Of these, 324 RTAs were notified under Article XXIV of the GATT 1947 or GATT 1994; 29 under the Enabling Clause; and 68 under Article V of the GATS. At that same date, 230 agreements were in force. If we take into account RTAs which are in force but have not been notified, those signed but not yet in force, those currently being negotiated, and those in the proposal stage, we arrive at a figure of close to 400 RTAs which are scheduled to be implemented by 2010. Of these RTAs, free trade agreements (FTAs) and partial scope agreements account for over 90%, while customs unions account for less than 10 %. Large portion of world merchandise trade now occurs under the umbrella of preferential/free trade arrangements and hence play an important role in promoting the liberalization and expansion of trade. Today, this goes far

beyond the effects of tariff preferences on RTA members and third parties. Rather, given the large and increasing number of free trade agreements and their overlapping membership, at issue is the impact of regional agreements on the shaping and development of world trade itself.

Europe took the initiative in regional trading agreements with the formation of European Economic Community which today culminated into Economic Union, followed by NAFTA, MERCOSUR, Andean Pact, African and Asian FTAs namely, WAEMU, CEMAC, COMESA, SADC, SACU and FTAs such as ASEAN, SAARC and BIMSTEC among others. India is also pursuing PTAs and FTAs with many developed and developing countries for both economic and political regions. For instance, India is involved in PTA/FTA namely Asia Pacific Trade Agreement, SAPTA (1993), GSTP (1998), India-Afghanistan (2003), India – Chile (2007), India-Sri Lanka (1998), India-Nepal-One way FTA (1991/2002), India-Bhutan (1995/2006), India-Singapore CECA, SAFTA (FTA in Goods-2004), India-ASEAN (2003), BIMSTEC (2004), India-GCC (2004), India – Korea, APTA, India – SACU among others.

Despite multiple engagements of developing countries in RTAs, barriers to South-South trade are higher than those governing trade of these countries with developed countries. Tariff statistics indicate that simple average tariff of developing countries on imports from least developing countries were 10.23 percent in 2007 while tariffs of high income countries on imports from least developed countries were 1.74 percent in 2007(Ahmed, 2008). The continuing high average tariffs, tariff peaks and services trade barriers that tend to be maintained by developing countries act as a brake on their growth and development. Moreover, the trade profiles of developing countries are such that they tend to face average tariffs in other developing countries that are higher than those faced by developed countries. A further lowering of developing country trade barriers is vital if developing countries are to participate in global production chains to their full potential. The trend to global production affords developing countries greater opportunities to engage in higher value added activities. Foreign investors will increasingly tend to bypass those countries with high trade barriers.

However, developing countries are not a homogeneous group. There are significant differences between countries on many levels, including population and labour force, size of

economy, industrial and trade structure, levels of economic and social development, and income distribution. At one end of the spectrum are China and India, the world's most populous countries, with rapidly expanding industrial sectors based on labour intensive manufacturing. At the other end are countries of the Pacific and Caribbean and least developed African states, most of which rely extensively on primary commodities and tourism. Their ability to absorb the impacts of trade liberalisation typically is weaker than larger developing countries and therefore requires different policy responses to address these issues. With such a diverse group, there is clearly no single strategy that developing countries can adopt when it comes to policies to promote growth and reduce poverty. It is not possible to generalize about the effects of RTAs because they differ greatly in form, content and extent of liberalization, encompassing, for example, free trade agreements and customs unions.

Presently, developing countries are engaged in variety of RTAs which is at most the second best policy option compared to multilateral trade integration. The search for access to larger markets, which is easier to engineer at the regional or bilateral level, has also significantly contributed to the formation of RTA in recent years. Economic theory suggests that the most desirable trading bloc is one that is the most trade-creating, and that bloc is global. Such a bloc comprises countries with the most diverse range of comparative advantage, which affords the greatest scope for trade creation and the least scope for trade diversion. In case of RTAs, trade theory does not provide a good guide for the existence of sub-global trading blocs and hence it becomes critical empirical issue. In addition, RTAs are expected to provide deeper economic integration than multilateral negotiations on issues such as investment, competition, and trade in services, environment and labour standards. RTA memberships also expected to enhance opportunities for securing foreign direct investment.

In this light, it is important to examine the outcome of FTA and WTO engagements by developing countries. The objectives of the conference are:

- (i) To explore whether FTA/RTA are complementary or substitute for multilateralism as envisaged in WTO.
- (ii) To examine the macro effects of RTA's on international trade flows, welfare, revenue, poverty, environment etc.

- (iii) To examine the micro effects of RTA's on small and medium enterprises in terms of exports, output and employment, etc.
- (iv) To examine the gender dimension of international trade particularly in the context of RTAs and WTO.
- (v) To highlight the status of RTAs in developing countries and their role in promoting economic development and integration into the global economy.
- (vi) To predict outcome of economic integration in India especially with ongoing FTA engagements.
- (vii) To identify existing constraints and bottlenecks for trade-led development in the region

Expected outcome of the Conference

- (i) Informed debate on trade issues, awareness and new policy inputs to concerned parties to harmonize trade policy-making at the regional and multilateral trade level;
- (ii) Policy recommendation that could be implemented by developing countries and India to get benefits of increased integration.
- (iii) Making India and other developing countries' policy makers/academic community aware of the significance of regional initiatives.
- (iv) Publish the output of conference for wide dissemination

Date and Venue

The conference venue will be Department of Economics, Jamia Millia Islamia (A Central University), New Delhi. The proposed date for the conference is December, 3-4, 2009.

Call for Papers

The conference will solicit papers in all areas of macroeconomic and microeconomic theory and empirics having at least one part on trade; trade policy; trade and finance; trade and environment; RTAs and WTO. Authors are advised to submit their paper electronically in MS Word format to Dr. Shahid Ahmed, Email: shahid.eco@jmi.ac.in and

shahec@gmail.com . Paper will be blind refereed by independent reviewer and revised version of accepted papers will be published.

Participants are expected to bear travel cost and organizers will bear expenses of local hospitality. In select cases, travel grants may also be extended. If participants are interested to seek travel grants, they are advised to apply separately with justification. Jointly authored papers should be submitted by the person who will present the paper, if it is accepted and only one author may seek travel grant. Decision will be taken by organizers depending on the availability of funds and communicated to authors by November 15, 2009.

Important dates

Paper Submission Deadline: November 05, 2009

Notification of Accepted Papers: November 15, 2009

Seminar Date: December 3-4, 2009.

Contact Persons:

Organizing Secretary/Convener

Dr. Shahid Ahmed
Associate Professor
Department of Economics
Jamia Millia Islamia (Central University)
New Delhi-110025
Email: shahec@gmail.com
Mob: 91-9891344786
Tel: 91-11-26985243

Chairman

Prof. Shahid Ashraf
Head
Department of Economics
Jamia Millia Islamia (Central University)
New Delhi-110025
Email: sashraf2@rediffmail.com
Tel: 91-11-26985243