

# WTO and Regional Integration

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*Myanmar Capacity Building Programme  
Training Workshop on Regional Cooperation and Integration  
9 - 11 May 2016, Yangon*

# 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



# Further details : XXIV

**Understanding (1994) attempted to clarify e.g. including for CUs:**

- What if a CU member breaks its bindings when applying the CET?
- The procedure for renegotiation of tariff bindings under GATT Article XXVIII must be undertaken before tariff concessions are modified (para 4. Understanding)
- Due account must be taken of reductions of duties on the same tariff line made by other CU members. If not sufficient, the CU may offer compensation in the form of reductions of duties on other tariff lines. (para 5. Understanding)

# Further details: enabling clause

- Authorizes, in its paragraph 2(c), WTO developing country Members to depart from the MFN clause (Article I), when concluding:
  - Among themselves
  - Preferential regional or global arrangements
  - Containing mutual concessions
  - On (reduced or zero) tariffs
  - And non-tariff measures (subject to WTO guidelines, in principle)
- Such agreements must be notified (para 4(a))
- Adequate opportunity must be provided for “prompt consultations” at the request of any interested member

# Further details: enabling clause

## Common aspects:

- Goods only
- Reciprocity
- Neutrality criterion, i.e. no higher barriers

## Differences:

- Enabling Clause only an option for developing countries
- Reduction OR elimination of tariffs (Enabling Clause) vs. elimination of duties (GATT XXIV)...
- ...and reduction OR elimination of non-tariff barriers vs. elimination of ORRCs

# Bottom line

When entering an RTA containing provisions on goods, a WTO Member should invoke one of the following provisions, and comply with the relevant conditions:

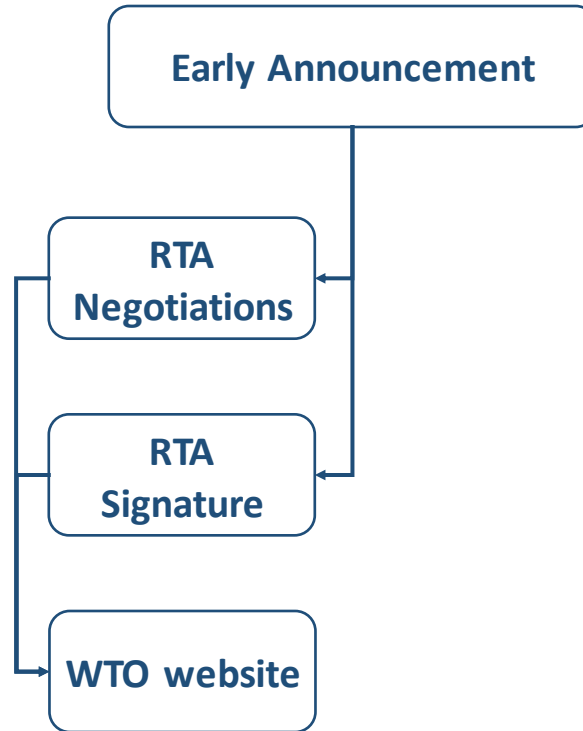
	RTA parties		
	Developed only	Developing only	Developing & developed
Trade in goods	GATT XXIV	GATT XXIV Enabling Clause	GATT XXIV
Trade in services	GATS V		GATS V

# Transparency mechanism

GATT Art. XXIV	GATS Art. V	Enabling Clause – Para. 2(c)
<p>Transparency Mechanism for RTAs</p> <p>General Council's Decision of 14 December 2006 (WT/L/671)</p> <p><i>(Provisional application pending conclusion of the Doha Round)</i></p>		

- Improves existing RTA transparency provisions
- Outlines specific guidelines for the provision of RTA data
- Charges the Secretariat with the preparation of a factual presentation of all RTAs notified to the WTO
- Requires the establishment of a public database on RTAs (paragraph 21).

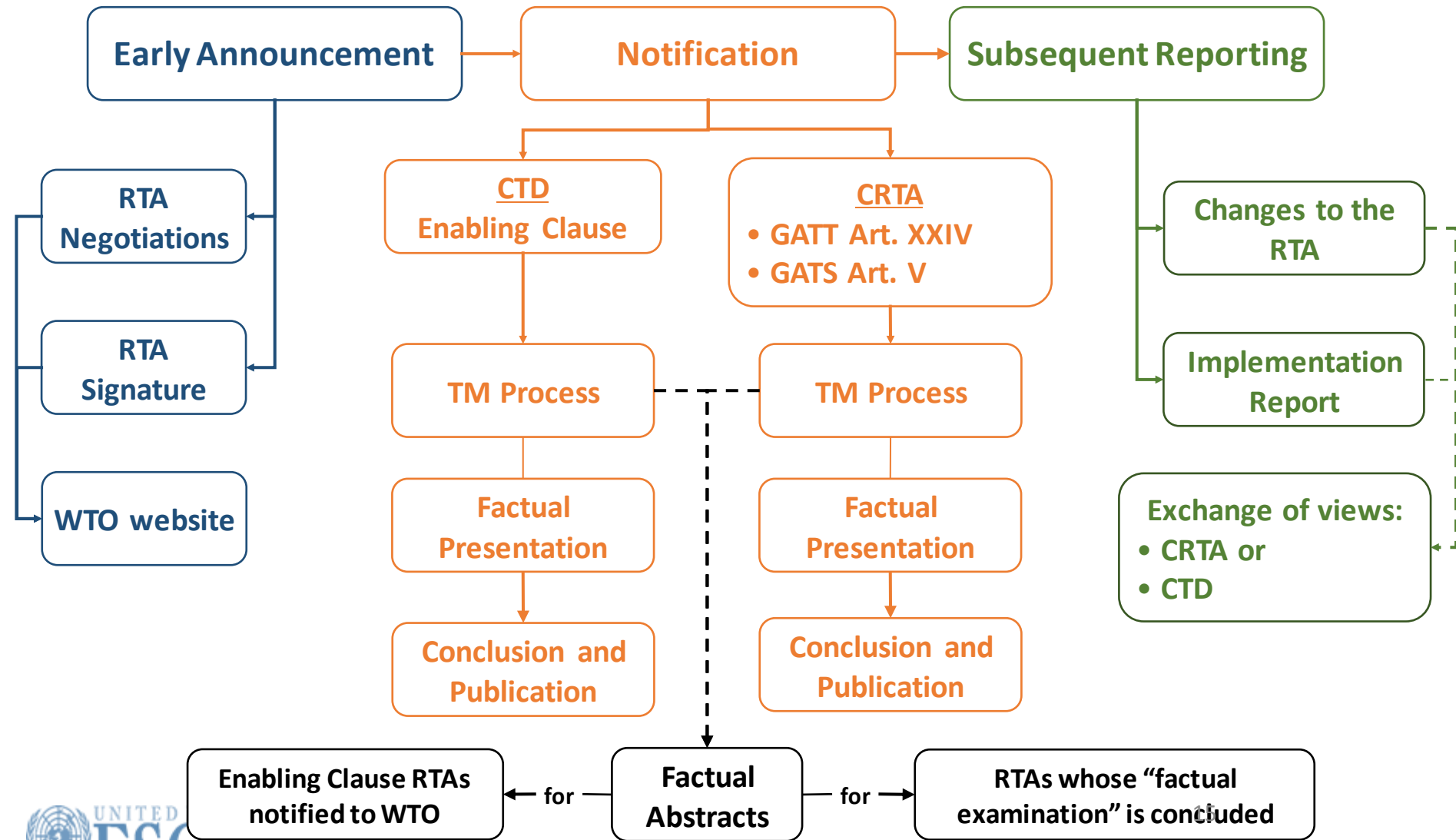
# Transparency mechanism



## Early announcement:

- Best endeavor to inform the WTO Secretariat of participation in new RTA negotiations
- Parties to a signed RTA are to inform the Secretariat and provide basic info on the RTA
- Such information will be posted on the WTO website and be periodically updated

# Transparency mechanism



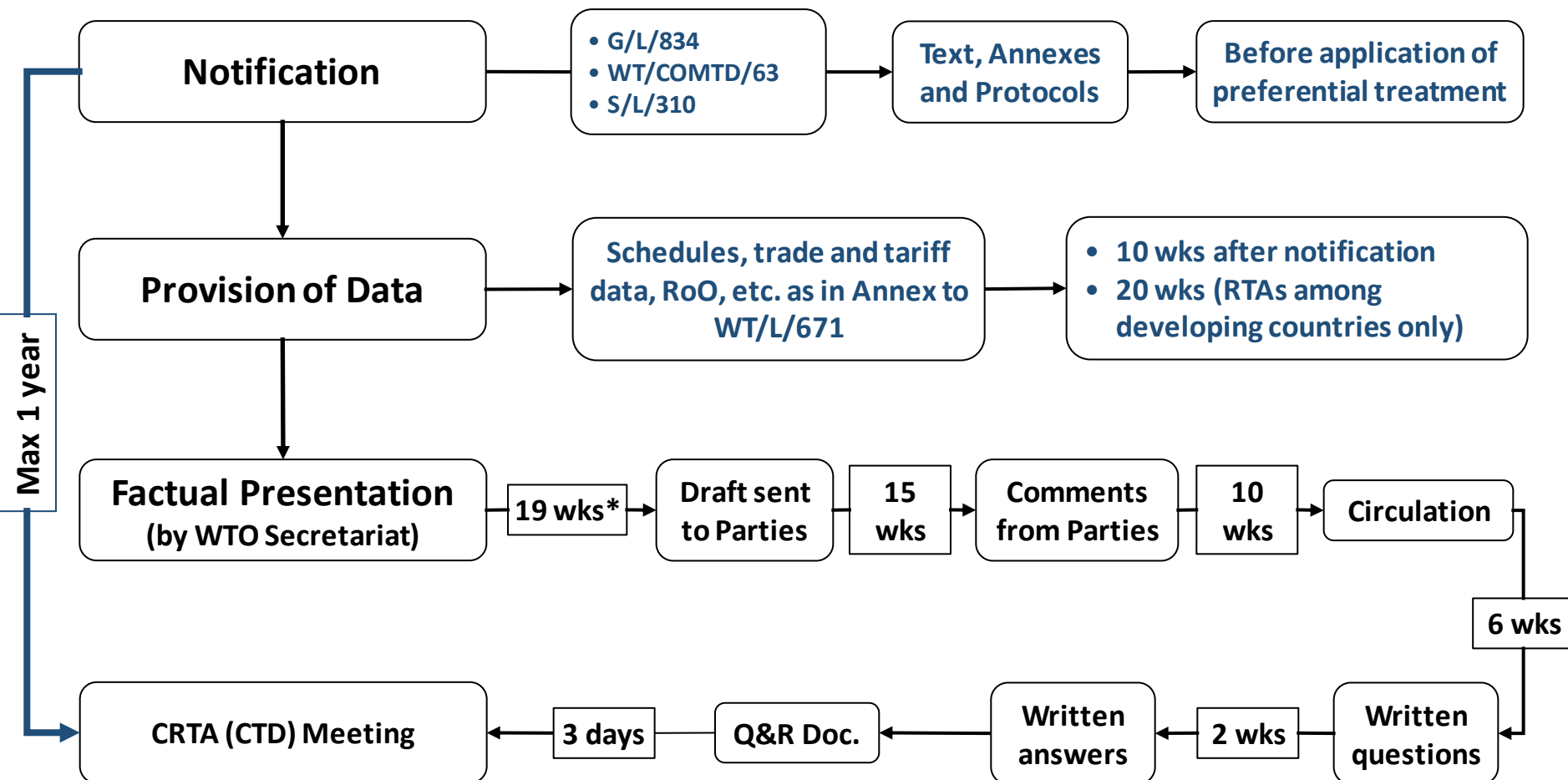
# Notification requirements

According to the Transparency Mechanism:

- “The required notification of an RTA... shall take place as early as possible. As a rule, it will occur no later than directly following the parties’ ratification...and before the application of preferential treatment between the parties.” (para. 3).
- “The required notification of changes affecting the implementation of an RTA, or the operation of an already implemented RTA, shall take place as soon as possible after the changes occur” (para. 14).



# Transparency process

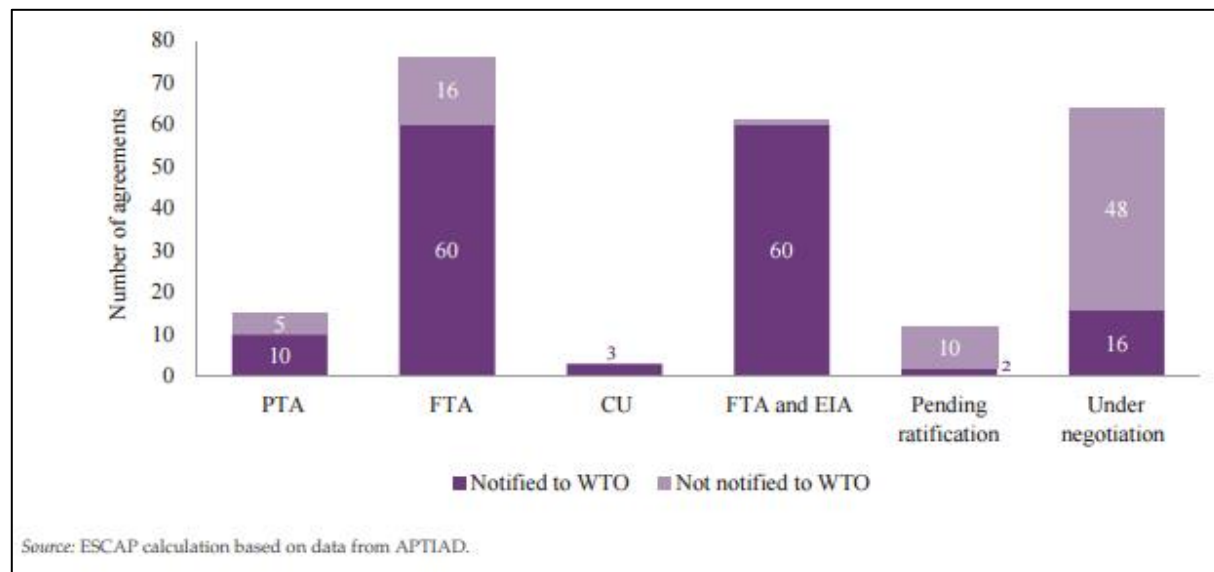


\* The timeframe refers to weeks and days prior to the CRTA or CTD meeting

# Transparency process

- Factual presentation:
  - The Secretariat prepares a factual presentation of the RTA under its own responsibility and in full consultation with the Parties
  - The factual presentation is to assist Members in their consideration of the RTA
  - It cannot contain any value judgement, nor be used as the basis for dispute settlement
- Consideration of the RTA
  - A single meeting is devoted to consider each notified RTA; any additional exchange of information takes place in written form
  - Consideration of the RTA should normally be concluded within one year of notification
  - All written material, as well as the minutes of the meeting are circulated in all WTO official languages and published on the WTO website.

# APTIR 2015 findings on implementation of transparency mechanism



- RTA transparency could be an important tool for economies when building their capacity and seeking technical assistance in developing a mechanism for capturing preferential trade data.
- This would also be useful for policymakers when assessing which PTA is more useful for exports and imports, as it would enable them to make an informed decision on consolidating PTAs

# Databases

- [Trade agreements database](#)
- [Glossary](#)
- [APTIAD Briefing notes](#)

- APTIAD go to [artnet.unescap.org](http://artnet.unescap.org) -> databases ->

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Home > Trade and Investment > APTIAD Database

Asia-Pacific Trade and Investment Agreement Database – APTIAD

An online database of trade agreements in the Asia-Pacific region. The database contains information on all preferential agreements within the region, an agreement-country matrix, and an advanced search engine allowing to locate agreements by country, agreement name, status, scope, WTO notification status, and keywords. You can download the full database in CSV format (last update: 1 May 2016)

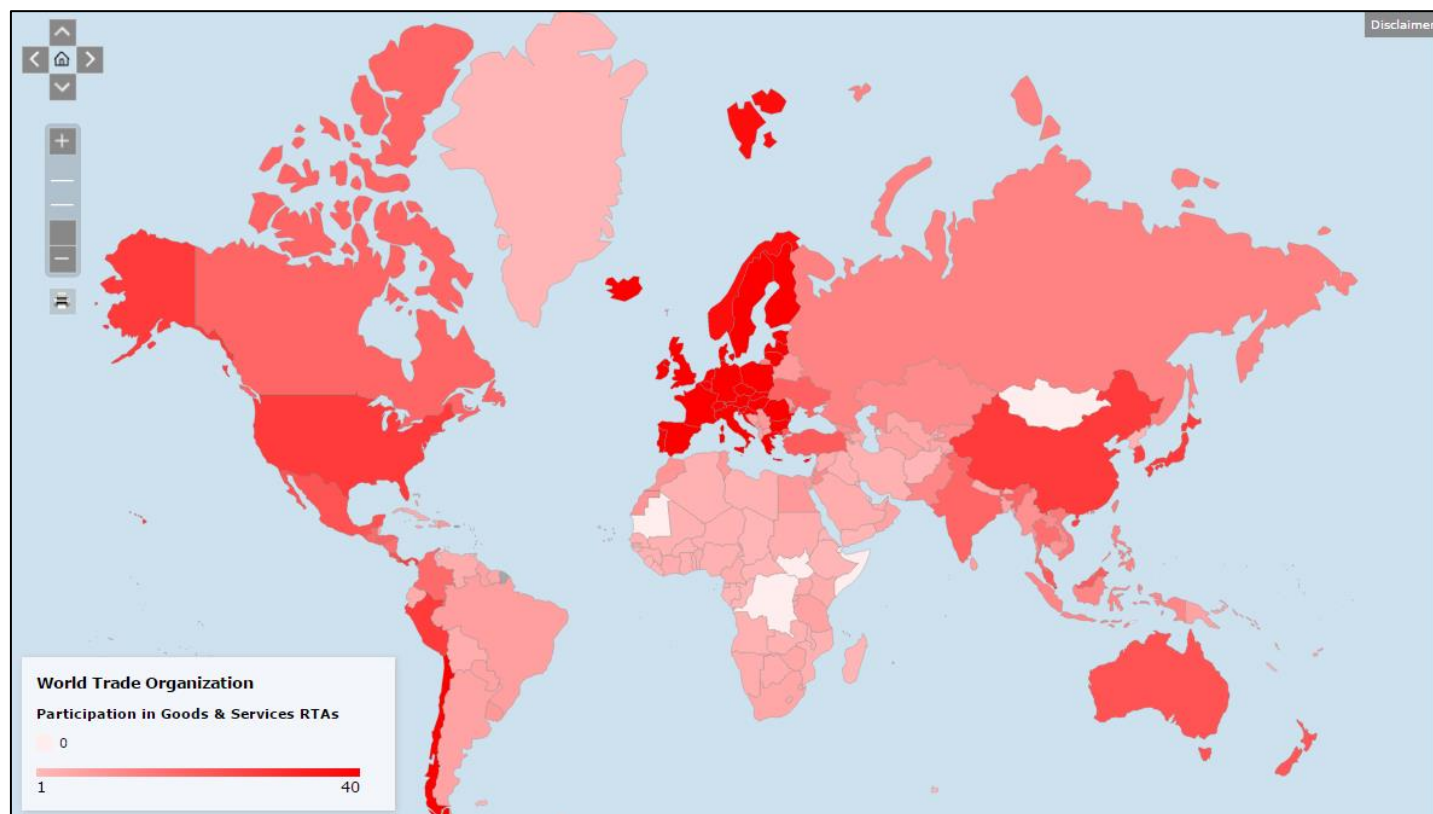
Filter by country:  or Agreement Name:   
 Show:  status: Show  type: See  agreements

Currently showing 244 records

ID	Title	Members	Status	Scope	Type	Trade in Goods	Signed Year	Year	WTO Notification	Year WTO Not.	WTO Consider.	SPS/IT	ADD	Prefer.	Trade in Ser.	Signed Y.	Year	WTO Notification
1	<a href="#">Afghanistan-India (Afghanistan-India) alternative link</a>	Afghanistan; India	Entry into Force	Bilateral	Partial Scope ...	Yes	2003	2003	Enabling Clause	2010	Factual Prese...	No	Yes	Yes	No	No	No	No
2	<a href="#">ARMENIA-GEORGIA (Armenia-Georgia) alternative link</a>	Armenia; Georgia	Entry into Force	Bilateral	Free Trade Ag...	Yes	1995	1998	GATT Art.XXIV	2001	Factual Abstra...	No	No	Yes	No	No	No	No
3	<a href="#">ARMENIA-KAZAKHSTAN (Armenia-Kazakhstan) alternative link</a>	Armenia; Kazakhstan	Entry into Force	Bilateral	Free Trade Ag...	Yes	1999	2001	GATT Art.XXIV	2004	Factual Prese...	No	No	Yes	No	No	No	No
4	<a href="#">ARMENIA-KYRGYZSTAN (Armenia-Kyrgyzstan) alternative link</a>	Armenia; Kyrgyzstan	Entry into Force	Bilateral	Free Trade Ag...	Yes	1994	1995	No notification	No	No	No	No	Yes	No	No	No	No
5	<a href="#">ARMENIA-MOLDOVA (Armenia-Moldova) alternative link</a>	Armenia; Moldova, Republic of	Entry into Force	Bilateral	Free Trade Ag...	Yes	1993	1995	GATT Art.XXIV	2004	Factual Prese...	No	No	Yes	No	No	No	No
6	<a href="#">ARMENIA-RUSSIAN FEDERATION (Armenia-Russian Federation) alternative link</a>	Armenia; Russian Federation	Entry into Force	Bilateral	Free Trade Ag...	Yes	1992	1993	GATT Art.XXIV	2004	Factual Prese...	No	No	Yes	No	No	No	No
7	<a href="#">ARMENIA-TAJIKISTAN Official copy of agreement not available in English alternative link</a>	Armenia; Tajikistan	Entry into Force	Bilateral	Free Trade Ag...	Yes	1994	1994	No notification	No	No	No	No	No	No	No	No	No
8	<a href="#">ARMENIA-TURKMENISTAN (Armenia-Turkmenistan) alternative link</a>	Armenia; Turkmenistan	Entry into Force	Bilateral	Free Trade Ag...	Yes	1995	1996	GATT Art.XXIV	2004	Factual Prese...	No	No	Yes	No	No	No	No
9	<a href="#">ARMENIA-UKRAINE (Armenia-Ukraine) alternative link</a>	Armenia; Ukraine	Entry into Force	Bilateral	Free Trade Ag...	Yes	1994	1996	GATT Art.XXIV	2004	Factual Prese...	No	No	Yes	No	No	No	No
10	<a href="#">AFTA (ASEAN Free Trade Area (AFTA)) alternative link</a>	Brunei Darussalam; Cambodia; Indonesia; Lao People's D...	Entry into Force	Plurilateral	FTA & EIA	Yes	1992	1992	Enabling Clause	1992	No report	Yes	Yes	Yes	Yes	2010	2010	No
11	<a href="#">ASEAN-AUSTRALIA-NEW ZEALAND (ASEAN-Australia-New Zealand) alternative link</a>	Australia; Brunei; Cambodia; Indonesia; Lao PDR; Malaysia...	Entry into Force	Plurilateral	FTA & EIA	Yes	2009	2010	GATT Art.XXIV	2010	Factual Prese...	Yes	Yes	Yes	Yes	2010	2010	GATS Art. V
12	<a href="#">ASEAN-CHINA (ASEAN-China) alternative link</a>	Brunei; Cambodia; China; Indonesia; Lao PDR; Malaysia; ...	Entry into Force	Plurilateral	FTA & EIA	Yes	2004	2005	GATT Art.XXIV	2005	Factual Abstra...	Yes	Yes	Yes	Yes	2007	2007	GATS Art. V
13	<a href="#">ASEAN-INDIA (ASEAN-India) alternative link</a>	Brunei; Cambodia; India; Indonesia; Lao PDR; Malaysia; M...	Entry into Force	Plurilateral	Free Trade Ag...	Yes	2009	2010	Enabling Clause	2010	Factual Prese...	Yes	No	Yes	No	No	No	No
14	<a href="#">ASEAN-JAPAN (ASEAN-Japan) alternative link</a>	Brunei; Cambodia; Indonesia; Japan; Lao PDR; Malaysia; ...	Entry into Force	Plurilateral	FTA & EIA	Yes	2008	2008	GATT Art.XXIV	2009	Factual Prese...	Yes	No	Yes	Yes	2008	2008	No
15	<a href="#">ASEAN-KOREA (ASEAN-Korea) alternative link</a>	Brunei; Cambodia; Indonesia; Republic of Korea; Lao PDR...	Entry into Force	Plurilateral	FTA & EIA	Yes	2006	2010	GATT Art.XXIV...	No	Factual Prese...	Yes	Yes	Yes	Yes	2009	2009	GATS Art. V
16	<a href="#">APTA (Asia-Pacific Trade Agreement (APTA)) alternative link</a>	Bangladesh; China; India; Korea, Republic of; Lao PDR; M...	Entry into Force	Plurilateral	Partial Scope ...	Yes	1975	1976	Enabling Clause	1976	Report adopted	Yes	Yes	Yes	No	No	No	No
17	<a href="#">AUSTRALIA-CHILE (Australia-Chile) alternative link</a>	Chile; Australia	Entry into Force	Bilateral	FTA & EIA	Yes	2008	2009	GATT Art.XXIV	2009	Factual Prese...	Yes	Yes	Yes	Yes	2009	2009	GATS Art. V
18	<a href="#">China-Australia (Australia-China) alternative link</a>	China; Australia	Entry into Force	Bilateral	FTA & EIA	Yes	2014	2015	Early announce...	No	No	Yes	No	No	Yes	No	No	No
19	<a href="#">Australia-Japan (Australia-Japan) alternative link</a>	Australia; Japan	Entry into Force	Bilateral	FTA & EIA	Yes	2014	2015	GATT Art.XXIV	2015	Factual Prese...	Yes	Yes	Yes	Yes	2015	2015	GATS Art. V
20	<a href="#">Australia-Korea (Australia-Korea) alternative link</a>	Australia; Republic of Korea	Entry into Force	Bilateral	FTA & EIA	Yes	2014	2014	GATT Art.XXIV	2014	Factual Prese...	No	No	No	Yes	2014	2014	GATS Art. V
21	<a href="#">AUSTRALIA-MALAYSIA (Australia-Malaysia) alternative link</a>	Australia; Malaysia	Entry into Force	Bilateral	FTA & EIA	Yes	2012	2013	GATT Art.XXIV	2013	Factual Prese...	Yes	Yes	Yes	Yes	2013	2013	GATS Art. V

# Databases

- WTO RTA-IS: Go to <http://rtais.wto.org>



# Databases

- Contents: All RTAs notified to the WTO and GATT (notifications under Article XXIV, Enabling Clause and GATS V) that are still in force.
- Contents of Each RTA “ID Card”
  - WTO consideration process: Early announcement, notification, factual presentation, notifications of changes and notifications of completion of implementation
  - Consideration at the meeting of the CRTA or CTD including questions and replies and minutes.
  - External links to the parties’ websites for texts and any annexes to each agreement
  - Statistical indicators for RTA analysis at the tariff line level including any staged implementation (only for RTAs subject to a factual presentation)
  - For older agreements that have already been examined, factual abstracts providing basic coverage of the agreement

# Databases: WTO RTA-IS Search Facility

- By WTO Member
- By criteria (e.g. free trade agreement notified in 1990, or FTAs notified by the United States in 2009 etc.)
- By provision (e.g. agreements that include provisions on competition policy and anti-dumping) or
- By Agreement name (ASEAN) or string (for instance Asia)
- Summary information and a list of all RTAs in force

# Databases: revealing the “noodle bowl”

- Overlapping and uncoordinated rules
- The complex rules and variable tariffs increase transaction costs
- Deter the use of FTA preference , particularly by small- and medium-sized enterprises (SMEs)
- One way to solve the problem is having an over-arching set of free-trade principles
- Are we heading towards a world where almost every country will be in an FTA with every other country
- Will this be the same as Global Free Trade?





# Thank you

Q&A

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# Exercises- preferential (non-reciprocal) arrangements

Seek Myanmar at the PTA segment of the RTA-IS

[Country profile](#)

