Multilateralising Regionalism in a GVC World

Submitted by: OECD
The rise of global value chains

- International production networks: dispersion of production stages across countries
- Networks of activities, firms (MNEs and local firms), industries and countries
- Reallocation of resources across a growing number of countries
- More specialisation and complex production relationships, profound changes in countries’ competitiveness
- Global flows of goods (final and inputs), services, capital, people, technology…
A need for different policy thinking

• The main conclusions with respect to trade policy are not radically changed
• But:
  • More emphasis on imports as the driver of export competitiveness
  • More complex relationships among producers (no longer domestic vs. foreign)
  • A more granular level for policy making (activities instead of industries, tasks instead of occupations, firms)
  • Services represent a more important share of trade and cannot be dealt with separately from goods
  • Beyond trade: FDI, the movement of people, technology… The need for a comprehensive approach

What about RTAs?

• A paradox to see regional or even bilateral agreements in a world of global value chains
• Less of a paradox if one looks at recent RTAs as “offshoring packages” (dealing with trade, investment, services, the movement of people, competition, etc.)
• Key questions:
  • Preferences or no preferences?
  • Rules of origin?
  • Consolidation of RTAs / Mega-regional agreements?
• The proliferation of RTAs requires more transparency and knowledge-sharing
  • … and starting to think seriously about their multilateralisation
Global or regional value chains?

- **APEC (1995)**
- **EU (1995)**
- **Other economies (1995)**

**Share of value-added in exports**

- APEC (2011)
- EU (2011)
- Other economies (2011)

OECD-WTO Trade in Value Added database, June 2015

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Multilateralising regionalism: background of the OECD project

- **Questions**: Can some deep commitments and disciplines in RTAs be multilaterised; if yes, how? What are some good practices in RTA design and content?

- **Coverage**: A dozen policy areas, focusing on deep measures (i.e., not traditional border measures). Main focus on RTAs signed by OECD countries but some studies have a broader coverage.

- **Methodology**: All studies look at legal obligations; in a limited set of policy areas, additional analyses have investigated implementation, quantitative impact and political economy.

- **Caveats**: Questions addressed from a technical feasibility perspective, and not from a political feasibility point of view. Important questions of political will outside the scope of studies.
Policy options for multilateralising deep RTA commitments: two approaches

**“Bottom up”: RTAs-driven**
- Clauses (e.g., third-party MFN)
- Extension of existing agreements
- Coordination and convergence
- Mega-regionals

**“Top down”: WTO-driven**
- Committees
- Disciplines
- Negotiations
- Dispute Settlement

Checklist for potential multilateralisation of WTO-plus commitments

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Questions for potential multilateralisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Critical mass</td>
<td>Are WTO-plus commitments endorsed by a critical mass of RTAs and by a representative sample of WTO Members, including developing economies?</td>
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<td>2. Homogeneity</td>
<td>Is there a high degree of similarity among WTO-plus measures in RTAs, within and across different trading partners?</td>
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<td>3. Level of discrimination</td>
<td>Do the WTO-plus measures create discriminatory effects, between RTA parties and non-parties, and between domestic and foreign providers?</td>
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<td>4. Enforceability &amp; transparency</td>
<td>Do WTO-plus measures create mandatory obligations that are enforceable via dispute settlement procedures? Do they generate greater transparency?</td>
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<tr>
<td>5. Economic gains and political economy</td>
<td>Do WTO-plus measures yield high economic returns? What are the factors and political economy conditions that influence the likelihood of multilateralisation?</td>
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**Critical mass: percentage of RTAs with WTO-plus provisions, by policy area**


- **Environment**
- **E-commerce**
- **Intellectual property rights (IPR)**
- **Technical barriers to trade (TBT)**
- **Sanitary and phytosanitary measures (SPS)**
- **Movement of persons**
- **Export restrictions**
- **Government procurement**
- **Competition**
- **Transparency**
- **Investment**
- **Services**

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**Homogeneity: Similarity in provisions**

- **In services**, 60% of WTO-plus commitments of OECD countries are similar; 49% similarity in overall sample.

- **In investment**, most commitments and lists of non-conforming measures are found to be highly similar.

- **In transparency**, 45% of RTAs signed since 2001 contain a horizontal transparency chapter with common obligations.

- **In e-commerce**, countries have reached similar, albeit not identical conclusions to unresolved issues in WTO.

- **In government procurement**, there is high similarity in WTO-plus measures regarding central government, and less so in measures related to local (sub-national) governments.
## Potential for multilateralisation, by policy area

<table>
<thead>
<tr>
<th>Critical Mass</th>
<th>Coherence with WTO agreements</th>
<th>International standards</th>
<th>High degree of homogeneity</th>
<th>Non-discriminatory (non-excludable)</th>
<th>Liberal ROO or lack of ROO</th>
<th>Third-party MFN or extension benefits</th>
<th>Mandated (not best endeavour)</th>
<th>Enforceability via dispute settlement</th>
<th>Co-operation on implementation</th>
<th>Economic impact</th>
<th>Political economy</th>
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**Note:** ![High](image), ![Good](image) and ![Limited](image) limited potential for multilateralisation. "NA" Not Applicable, "–" not assessed in OECD work.

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## Good practices in RTAs to promote ‘building-block’ effects

- **Open access to disciplines (non-region bound)**
- **Provision of observer status**
- **Extension to non-members**
- **Suspension or amendment of agreements**
- **Unconditional (then and there) MFN clause**
- **Liberal ROO or lack of benefits**
- **Customs union on second basis**
- **Dynamic incorporation of WTO Agreements**
- **Promptness in implementation of WTO obligations**
- **Obligation to cooperate in WTO negotiations**
- **Changes in the choice of dispute fees**
- **Review and amendment of RTAs**
Concluding remarks

- In a GVC world, RTAs have to be deep and multilateral-friendly
- The multilateralisation of RTAs is economically desirable, with or without multilateralism
- Transparency and information-sharing increase the potential for multilateralisation
- There is a need for more information on RTAs
  - And for more transparency in the negotiation of RTAs
  - Particularly to make sure that RTAs are in the interest of (all) businesses, workers and consumers