



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2016; 2(1): 194-197  
www.allresearchjournal.com  
Received: 27-11-2015  
Accepted: 30-12-2015

**Dr. Satish Kumar**  
Lecturer (Economics) HES-II  
Dept. of school Education  
Haryana, India.

## **Regional Trade Agreements (RTAs): An Indian perspective with WTO**

**Dr. Satish Kumar**

### **Abstract**

Regional trade agreements (RTAs) played an important role in driving global trade. After the completion of the Uruguay round of negotiations of the World Trade Organization (WTO) its role became more significant. Almost every country in the world now is either a member of, or discussing participation in one or more regional agreements. The financial crisis has made matters worse for the WTO trade talks as there is an apparent shift of emphasis from export-oriented growth. Keeping the importance of concern issue an attempt has been made in the present research paper and analyses the issues under the Doha Development Agenda with regard to RTAs. Keeping in view this basic objective, this paper highlights some important issues related to rules governing RTAs in order to produce possible suggestions for India's interest. India's stand at the WTO has undergone a sea change since the beginning of the Uruguay Round. This paper seeks to examine the fundamental theoretical perspective of India's stance at the WTO.

**Keywords:** Doha Round, Regionalism, Tariff barriers, Liberalizations.

### **1. Introduction**

Regional trade agreements have proliferated since the 1990s, mostly after the completion of the Uruguay Round. Nearly every country in the world now is either participating in or discussing participation in one or more regional agreements. Such agreements have been concluded among all countries. The formation of regional agreements varies, but all have one thing in common: the objective of reducing barriers to trade between member countries. At their simplest they merely remove tariffs on intra-bloc trade in goods, but many go beyond that to cover non-tariff barriers and to extend liberalization to trade and investment. On the whole, the newer agreements tend to have deeper coverage, extending into areas of domestic disciplines beyond the exchange of tariff concessions. A number of agreements now also cover the services sector with all sectors.

Almost all WTO's Members have notified participation in one or more RTAs (some Members are party to twenty or more). Notifications may also refer to the accession of new parties to an agreement that already exists, e.g. the notification of the accession of Croatia to the European Union Customs Union. In the period 1948-1994, the GATT received 124 notifications of RTAs (relating to trade in goods), and since the creation of the WTO in 1995, over 400 additional arrangements covering trade in goods or services have been notified. Many WTO Members continue to be involved in new RTA negotiations. Like agreements in force, most new negotiations are bilateral. However a recent development has been negotiations among several WTO Members. This includes negotiations in the Asia-Pacific Region for a Trans-Pacific Partnership (TPP) Agreement, currently between 12 parties; in Asia between ASEAN members and six other WTO Members with which ASEAN has agreements in force (the Regional Comprehensive Partnership Agreement, RCEP); the Pacific Alliance in Latin America currently between Chile, Colombia, Mexico and Peru; and the Tripartite Agreement between parties to COMESA, EAC and SADC in Africa.

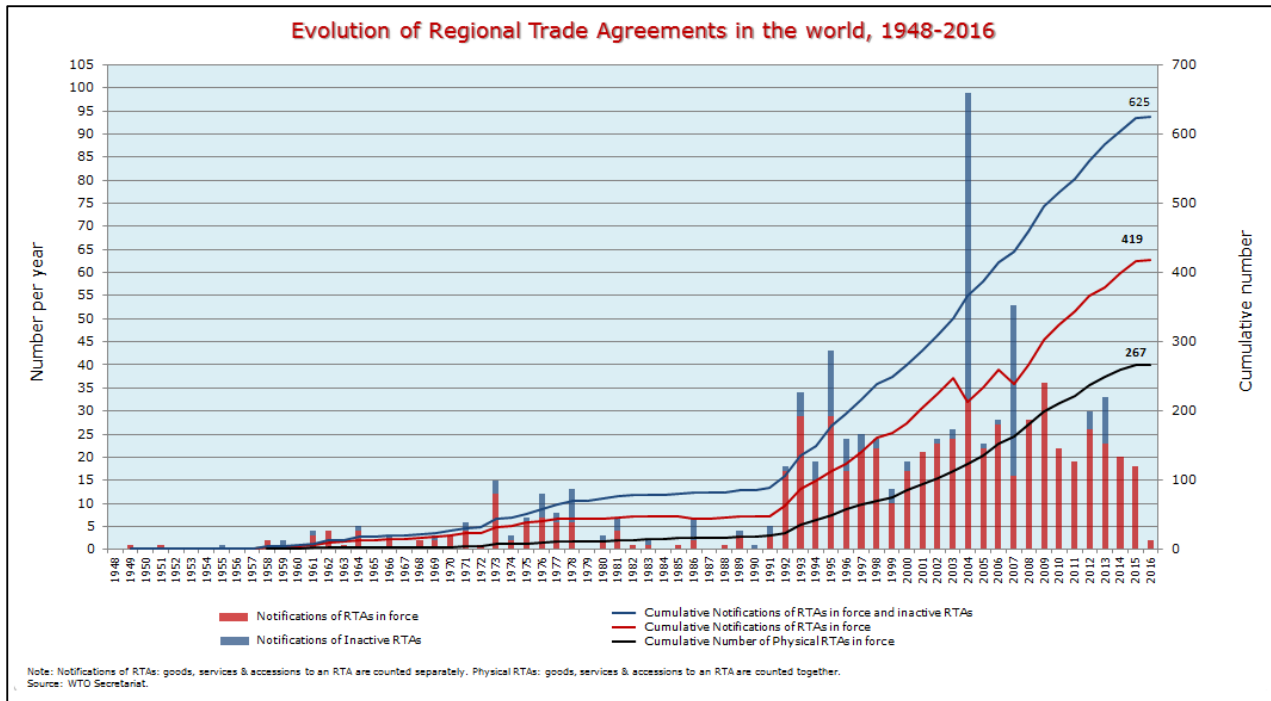
### **A review of Regional trade agreements since 1948 to 2016**

Uncertainty concerning the outcome of the Uruguay Round has been one of the reasons advanced for such a trend. However, even after the conclusion of the Uruguay Round and the establishment of the WTO the number of RTAs has continued to grow. As of February 2005, about 250 RTAs had been notified to the GATT/WTO, of which 162 are currently in effect.

**Correspondence**  
**Dr. Satish Kumar**  
Lecturer (Economics) HES-II  
Dept. of school Education  
Haryana, India.

The figure shows the unabated growth of RTAs notified to the GATT/WTO. The following Chart shows all RTAs

notified to the GATT/WTO (1948-2016), including inactive RTAs, by year of entry into force.



Source: WTO Secretariat

Although RTAs may take the form of free trade areas (FTAs), customs unions (CUs), or agreements leading to the formation of one or the other, the most common category is the free trade agreement, which accounts for 72 percent of all RTAs. The trend towards the conclusion of free trade agreements, which require a lesser degree of integration and are faster to conclude, has intensified in recent years. In an FTA each party maintains its own tariffs vis-à-vis third parties. Customs unions, which provide for the establishment of a common external tariff and harmonization of trade policy, often, take years to negotiate and have long implementation phases. The new generation of RTAs, especially those involving developed countries, tends to go far beyond traditional tariff-cutting exercises and even beyond the realm of existing multilateral rules. First, while old regionalism was essentially confined to RTAs between industrial economies or the developing economies, the new regionalism is known for cross alliances between developing and industrial economies. Second, while old regionalism was essentially limited to RTA formations by contiguous economies, the new regionalism does not seem to be limited to neighboring economies. In recent times RTAs have been intercontinental.

Although there may be coordination-related problems, from the gains-from-trade perspective this could be a healthy development. Third, under the new arrangement RTAs are not exclusive, meaning thereby one country can simultaneously be a member of more than one RTA. This may eventually turn out to be an aid to promoting multilateralism through RTAs. Fourth, while old regionalism was limited to shallow integration, the new regionalism is more ambitious. A number of recent agreements aspire for deep integration, with commitments to harmonization of regulatory measures, freeing factor movements, and other close integrating measures. Such trade agreements include more and more regional rules on

investment, competition and standards, in a few cases; they also contain provisions on environment and labor. Many more agreements today contain disciplines limiting the use of quantitative restrictions and subsidies among countries forming an RTA.

**Direction of world trade in new regional trade's agreement**

If looked at from a global perspective, the regional developments mentioned above clearly point to the emergence of a trend towards cross-regional RTAs. Most of the major players at the regional level are increasingly looking beyond their regional borders for partners in selective (often bilateral) preferential trade agreements. This new regionalism is having significant effects on the world trading system. Some of these effects are positive. For example, one member of a multi-country RTA engaging in bilateralism might be motivated to force the other member of the bilateral RTA to make more progress in trade liberalization and thereby promote deeper integration in the RTA. Rajan *et al.* (2002a, 2002b) [7] give this as one reason behind Singapore's pursuit of bilateralism. They refer to the "convoy problem" whereby the pace of integration is held back by the "least willing member." Another benefit is that RTAs can set precedents and develop negotiation modalities that can be adopted later in multilateral negotiations.

The Canada-US FTA, in particular, developed concepts and modalities in the service trade areas that were important in the development of GATS (Lloyd, 2002) [6]. The negative effects include multiple systems of rules, unequal access to world markets, undermining the MFN principle, and hub-and-spokes strategies. RTAs certainly create multiple systems of rules. This multiplicity may pose a problem for the governments and the traders of one country that is a member of more than one RTA. In areas such as rules of origin, and sanitary and phytosanitary standards, export

traders may face different rules depending on the destination of their exports. The precedents set by RTAs may be bad as well. There has been concern over some of the RTA precedents. One example is the exclusion of some agricultural products from the trade liberalization under the Japan-Singapore Economic Partnership Agreement; specifically, the Agreement excludes cut flowers and ornamental fish, Singapore's principal exports of agricultural products to Japan, from the list of products imported under the terms of the agreement into Japan.

It has been reported that Japan is pushing for a similar exclusion in the negotiations with Australia, the Republic of Korea, and Mexico. Another example is the US predilection for side agreements on environment and labor standards. Having succeeded in embedding these in NAFTA, the US is now pursuing such agreements in other bilateral and in the Free Trade Area of the Americas (FTAA).

Since the development of the new regionalism, many countries are now hubs. In the Asia-Pacific area, Australia, Canada, Chile, Mexico, New Zealand, Peru, Russia, Singapore, and the US are now hubs on the basis of RTAs already in effect and others such as Japan and Thailand may join them soon. One can measure this effect crudely by considering the number of spokes for each hub, that is, the number of countries with which one hub country has separate bilateral free trade agreements (excluding plurilateral RTAs of which it is a member as these have connections across spokes). One might describe the EU as a super-hub because of the large number of spokes. Hubs create multi-layered preference schemes. One consequence is that the spokes have less market access than the hub (as the hub enjoys preferential access to all spokes but a spoke has preferential access to the hub only) and, for the reverse trade, a hub gets unrestricted imports from the spokes but each spoke gets unrestricted access only from its hub partner.

### **Regional Trade Agreement in Indian Prospects-**

India is also not a part of any RTA that has substantial influence on world trade as our share in world trade is two percent almost. As a part of the integration process with the world, signing of the Bangkok Agreement (signed by Bangladesh, India, Republic of Korea, Lao People's Democratic Republic, Philippines, and Thailand) in 1975 was the first initiative. The agreement failed to go a long way in achieving its objective of trade expansion.

India's second initiative on this front is the SAARC free trade agreement (SAFTA) with Bangladesh, Bhutan, Maldives, Nepal, and Pakistan which came into full effect in 2006. Due to political tension between India and Pakistan and also for reasons like the very limited export basket Bangladesh, Maldives and Nepal have to offer to the comparatively larger economies like India, Pakistan, and Sri Lanka. India has not achieved much from this regional arrangement. India is also a part of Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMST-EC), with the other member countries being Bangladesh, Myanmar, Sri Lanka, and Thailand. India also entered into a bilateral free trade agreement with Sri Lanka in 2000 and more recently with Thailand in 2004 and negotiated a comprehensive economic cooperation agreement (CECA) with Singapore and ASEAN in 2005. Total SAFTA and BIMST-EC trade constitute about 1.5 percent and 2–3 percent of total world trade, respectively.

This implies that about 96 percent of India's trade is outside the preferential zone. More than half of this 96 percent is with countries that are part of one or more RTAs. For instance, NAFTA and EU constitute 50 percent of India's exports, 10 percent goes to ASEAN, and another 10 percent to Japan and South Asia. Therefore on the whole, 70 percent of India's trade is with countries that are part of strong and well established RTAs. So, with India being part of only SAFTA, the Bangkok Agreement, and BIMST-EC, the country needs to take a strong view on whether its interest would lie in seeking tighter discipline in WTO on RTAs.

Within the GATT and the WTO, the examination of specific RTAs has been plagued by disagreement about the interpretation of certain elements of the rules relating to RTAs as well as by certain procedural aspects. In practice, the Committee on Regional Trading Agreements (CRTA) of the WTO has also not been able to resolve many of the systemic issues. The WTO Secretariat has prepared a synoptic paper on procedural and systemic issues (document TN/RL/W/8/Rev.1), which summarizes on a factual basis the discussion that has already taken place on RTAs and highlights the issues.

In concern with Agriculture agreements where the coverage of agriculture is currently limited, for example, many of the RTAs formed by European countries. A few RTAs have eliminated all duties on agricultural goods, but in general agricultural trade, even on a preferential basis, remains subject to exceptions. India is an agriculture sensitive sector. But whether India would like to grant concessions on agricultural products will depend much on the partner country's export basket and India's export competitiveness. India to go with qualitative approach and where necessary use of the positive list approach in granting concessions on agricultural products, as is done in the majority of RTAs seems more logical.

It is in the area of IPR that India's position at the WTO has undergone a sea change. India's shifting stance on IPR at the GATT/WTO spanning over entire period of the Uruguay and the Doha rounds (1986 till date) has drawn a lot of attention in contemporary analysis. India initially had a strong opposition to include Intellectual Property Rights within the ambit of trade negotiations. But over time this defensive approach became more moderate and finally turned somewhat aggressive with respect to specific dimensions.

A clear shift in India's attitude was visible post-1989. Many believe that this sudden change of stance was a result of trade threats from the US (Super 301). Perhaps, it was a merely strategic move for India to adopt this changing stance towards TRIPS in 1989, as a tool for extracting concessions in other aspects of WTO negotiations, as one expects within the framework of a neoliberal institutional mechanism. However, our view is somewhat different.

At Doha, India along with other developing countries notably Brazil and South Africa (constituting the IBSA group), pushed for an explicit acknowledgement of the primacy of the member countries' rights to protect public health and promote access to affordable medicines. This was achieved in the form of a declaration on TRIPS and public health at Doha that came as major victory for the developing world and an important feather in IBSA's cap at WTO negotiations. The declaration recognizes members' "right to grant compulsory licenses and the freedom to determine the grounds upon which such licenses are granted." Moreover it

grants each member the “right to determine what constitutes a national emergency or other circumstances of extreme urgency” in implementing TRIPS.

Two other IPR related issues were raised by India at Doha. First, it wanted to extend protection under ‘geographical indication’ (GI) beyond wine and spirit, to other products. The entire episode of the artificial development of rice variety similar to the Indian *Basmati* rice by the US agro-company Ricetec was under scanner. Second, it demanded restrictions on misappropriation of biological and genetic resources and traditional knowledge (TK). Both of these indicate India’s demand for tightening of IPR protection in certain dimensions. This is in sharp contrast to India’s initial resistance to a strong IPR regime within the WTO framework.

India’s position on TRIPS has remained unchanged post Doha up to Hong Kong. Presently it has focused on three prime concerns—technology transfer, biodiversity and geographical indications. India is of the view that LDCs face serious difficulties in procuring new technologies which could be overcome by suitable safeguards in the domestic IPR laws of LDCs and thereby check the sole rent seeking objectives of the developed country firms in many cases. The other aspect of north-south technology transfer is the growing tendency of intra-firm transfer of technology backed by market seeking motives that relies more on intellectual property protection. This has prompted India to take up the case of technology transfer at the WTO, so that adequate arrangements can be made to ensure such transfers cater to developmental and environmental needs also.

There are no clear cut answers to the debate on regionalism and multilateralism. Both are continuing to exercise a strong and powerful influence on world trade. Multilateralism in the form of the WTO has gained popularity in the recent years. The number of countries waiting to seek accession and become members of the WTO corroborates this. At the same time, regional economic groupings have proliferated at a rate and speed never seen before. However, for developing countries, the key to their success lies in reforming their domestic economies: good trade policy begins at home. Whether one follows the regional or the multilateral track, reforming the domestic economy is imperative in order to maximize the gains from trade liberalization. WTO meetings in Seattle, Cancun, and Hong Kong have all affirmed the same bottom line: countries should follow unilateral trade policies suited to their own domestic needs but within the framework of the changing international trade environment comprising both regionalism and multilateralism.

## References

1. Chakraborty D. Recent Negotiation Trends on Agriculture under WTO’, RGCIS Working Paper, No. 47, September, 2004.
2. Green D. What Happened in Hong Kong? Initial Analysis of the WTO Ministerial’, Oxfam Briefing 2005, 85.
3. Pal P. Current WTO Negotiations on Domestic Subsidies in Agriculture: Implications for India’, ICRIER Working. 2005, 177.
4. Panagariya A. India at Doha: Retrospect and Prospect’, Economic and Political Weekly, 2002a, 26.
5. Panagariya A. Developing Countries at Doha: A Political Economy Analysis’, World Economy. 2002b; 25(9):1205-33.
6. Lyold PJ. New Regionalism and New Bilateralism in the Asia- Pacific, University of Melbourne, ISEAS, 2002.
7. Rajan S, Sen R. ‘Singapore’s New Commercial Trade Strategy: The Pros and Cons of Bilateralism’, Centre of International Studies, Adelaide University, Discussion 2002, 0202.