The Multilateral Dilemma

Peter W. Gallagher
ISSUES PAPER SERIES No. 01/14
FEBRUARY 2014
Peter Gallagher provides analysis and advice on international trade, public policy and business communications. Clients include Australian food companies, industry organizations, government agencies and international institutions.

Peter was formerly CEO of the Australian Dairy Industry Council, where he led efforts to restructure the export dairy industry to take advantage of new international trade opportunities.

During a twenty-year career in the Australian Department of Foreign Affairs and Trade, Peter held senior diplomatic appointments in Washington, Geneva and Brussels (Minister and Deputy Chief of Mission).

From 1986 to 1992 he led a team of officials in groundbreaking negotiation of multilateral trade agreements on services, intellectual property and market access in the World Trade Organization.

From 1996 to 2000, Inquit also developed and implemented business-to-business e-commerce strategies, software and e-business sites for national financial and food industry clients. The e-business activities were sold in September 2000.
**Summary**

ALL MEMBERS OF THE G-20 MUST RELY ON THE POLICY GUARANTEES OF THE WORLD TRADE ORGANISATION (WTO) TO SECURE THEIR TRADE POLICY INTERESTS DURING THE COMING GLOBAL ECONOMIC TRANSITION IN WHICH CHINA WILL DISPLACE THE UNITED STATES (US) AS THE WORLD’S LARGEST ECONOMY.

But both China and the US (the so-called G2), whose divergent interests lay behind the collapse of the WTO’s Doha Round negotiations, have chosen to pursue regional trade strategies that ignore each other and the WTO (except as a means of managing trade disputes).

This is more harmful to the future of the multilateral trading system than the collapse of the Doha negotiations. This issues paper considers options for restoring the momentum of trade negotiations in the WTO that will maintain the credibility of the multilateral system, engage the interests of the G2 in mega-regional agreements and minimize the divergence of interests that led to the collapse of the Doha negotiations. Specifically, it argues that the G-20 economies should declare that they will seek to translate modalities for the liberalization of non-tariff measures (NTMs) impairing trade in goods and services restrictions from new mega-regional agreements to agreements in WTO. This would be a substantial commitment to the continuing credibility of the multilateral system during a period of global economic transition.

**Alarming signs**

The most important current trade negotiations concern a small number of so-called ‘mega-regional agreements. The mega-regionals now being actively pursued by the Obama administration, especially, threaten to divide the global trading system into two large, although non-exclusive, regions defined by the discriminatory preferences in the U.S.-led agreements, broadly along the lines of “The West” and “The Rest.” One bloc will include Europe, Japan, the “British offshoots”1, Mexico, Peru and Chile. Those discriminated against by the Western mega-regionals will include all of the giant emerging economies including China, India,

1 Angus Maddison’s historical grouping of USA, Canada, Australia and New Zealand
Indonesia, Russia, Brazil and Nigeria. Conversely, China is considering the creation of a mega-regional agreement that would discriminate against most of The West (not Australia, New Zealand or Japan).

In view of the continuing changes in the distribution of world trade and production characterised by the relative decline of The West and the rise of The Rest these policies seem foolish, at best. The multilateral system alone will provide a universal guarantee of and enforceable rights to non-discriminatory treatment of trade.

**The G-2 talk past each other**

On the narrowest construction, the distance between success and failure in the 2008 efforts to drive the Doha Round to a conclusion was the distance between the United States’ and China’s negotiating positions. The United States Trade Representative (USTR) at the time, Susan Schwab, believed the Administration could win Congressional approval for a ‘package’ deal that included some — rather small (Martin and Mattoo, 2010) — cuts in US farm subsidies plus some additional concessions from China on cuts in non-agricultural protection. China demurred: it had at least four years to run under the stiff (and even prejudicial) transitional terms of its Protocol of Accession to the WTO that brought its commercial policies in line with the most liberal standards for a low-medium-income developing economy.

Apart from their agreement to join the consensus at the recent Bali Ministerial Meeting of the WTO on some limited remnants of the Doha Agenda, neither in the United States nor China is there any indication that preferences have changed in favor of multilateral market-opening initiatives.

The Obama administration has chosen to peg the trade policy goals of its lame-duck term to two regional “mega-agreements” — the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) — that spin the words “free trade” out of the title. China has agreed to participate in an as-yet-undefined Regional Comprehensive Economic Partnership (RCEP) agreement that partly overlaps the membership of the TPP, but does not include the US.

Although each of the negotiations in which the US is engaged has strong marquee value as a foreign-policy initiative — and in combination they seem geographically comprehensive — the most remarkable aspect of President Obama’s trade policy initiatives is that they avoid

---

2 Australia, New Zealand and Japan happily, may be able to ’straddle’ the two blocs, by participating both in the US-led bloc and the RCEP that will include China (see below).
constructing any bridge to the US’ most significant trading and investment partner. China is already the US’ top supplier of imports and third largest export market and by far the fastest-growing foreign direct investor. China is also very likely to be the world’s largest economy within the next twenty years, strongly suggesting that the US would want to have every opportunity to build clear access to Chinese producers and consumers.

At best, the US policy choice might be explained by the fact that China is presently showing no signs of interest in building that bridge either. But that characterisation would be more generous than necessary to the way in which the Obama administration seems to have structured its TPP participation, which discourages Chinese accession to the negotiations. Since 2011 when the US became involved in the negotiations, the agreement seems to have been structured as a ‘hub and spokes,’ composed of agreements between smaller economies and the US, as opposed to a truly plurilateral structure — like the European Communities, for example — where all parties have uniform rights and obligations.

The subsequent accessions of Canada, Mexico and Japan to the TPP negotiating group confirm this US-centric format. In each case, accession followed a bilateral negotiation with the US in which terms for joining the TPP that reflected US objectives were agreed. Although it is no surprise that the US and other TPP parties would want all those joining the negotiation to pre-commit to the general objectives of the agreement (e.g. ‘free trade’, innovative agreements on non-border regulations, simplified rules-of-origin etc) it is easy to understand why China would be unwilling also to meet pre-conditions set by the US for its participation in a region-wide, nominally-plurilateral, framework.

Not surprisingly, the US’ TPP initiatives have been widely perceived in China as hostile to China’s interests and to its role in the Pacific region (Capling and Ravenhill, 2013). Supporters of the President’s program boastfully describe participation in the mega-regional as a test distinguishing “leaders and laggards” in world trade. China’s more tentative steps in the construction of a network of regional trade relationships, reciprocally, exclude the US. For an economy of its size, China has ratified relatively few bilateral agreements; it has a

3 It is impossible to verify the configuration of the market access deals because the Governments negotiating the TPP have decided to keep all drafts confidential.

4 Daniel Altman's on-line article in Foreign Policy magazine (“Trade Coalitions of the Willing”) accessed 20 March, 2013 http://is.gd/3cYlGD.
‘partial coverage’ regional agreement with the Association of South East Asian Nations (ASEAN) and free trade agreements (FTAs) with three relatively small Pacific economies (Chile, Costa Rica, and New Zealand). The RCEP initiative, that China agreed to join in 2012, has even been described by the official Chinese media as ‘countering’ the TPP.\(^5\)

To appreciate why this mutual disengagement by China and the US is bizarre and worrisome, it is useful to take a step back and view it in the perspective of the past twenty, and the next twenty, years.

---

\(^5\) [http://is.gd/xphu1a](http://is.gd/xphu1a), accessed 20 March, 2013.

---

### Transition in the global economy

Even if the world tomorrow were likely to be much like the world today it would be disquieting that the US and China should have chosen trade agreement agendas that further embed the misalignment that stymied the WTO.

Both have actively employed the WTO’s dispute settlement mechanism to define the margins of their trade relations: 9 of the 14 complaints brought by China have been against the US and 15 of the 31 cases in which China has been the respondent have been US complaints\(^6\). But to rely for management of disputes on the provisions of the very trade framework that their divergent policies have weakened seems like a recipe for instability.

In reality, the probability that the distribution of economic power tomorrow will be quite unlike the distribution today elevates “disquiet” to “consternation.” Between now and 2030 the ‘center of gravity’ of the global economy will move from somewhere east of the Urals to near

India’s border with China. The new order will be characterized (in ways that are not yet clear) by the dominance of large economies that are not particularly wealthy. China will be the world’s largest economy probably by a substantial margin and — given the relative unimportance of China’s preferential access to markets — its success will have been secured by the benefits of open, non-discriminatory trade in the multilateral trading system.

Although there is little sign of it so far, the wealthy economies will eventually have to contemplate the implications of their displacement from the economic dominance they have enjoyed for two or three centuries.

A multilateral system that abstracts from pure power and which was originally designed to safeguard their markets from the exercise of coercion by one of their own number, is now likely to be their best guarantee that the new, emerging, powers will be similarly constrained. So it is all the more worrying that the WTO, on whose provisions all of the G-20 rely, is struggling to remain credible in the face of the G2’s embrace of mega-regional agreements and will not be in a strong position to claim their full adherence if their economic interests diverge further during the on-going reallocation of economic power between them.

---

7 The geographic location of the ‘centre of gravity’ of the world economy varies a little from study to study owning, mainly, to different forms of projection of the geometric centre on the surface of the globe.

8 Even if China’s growth were to slow over the next two decades to two thirds of the rate it achieved in the last three decades — 6.6% a year on average compared with 9.9% — it will outstrip the United States in economic size before 2030 (World Bank and Development Research Center of the State Council, 2012)
Supporting the multilateral system

The media consensus is that trade ministers breathed a collective sigh of relief at reaching an agreement at the WTO Ministerial meeting held in Bali in December 2013. But that exhalation could just have easily been a ‘last gasp’ for the current WTO trade agreements that are now twenty years old and — with the exception of the basic principles of GATT (1994) and the Dispute Settlement Understanding (DSU) — badly out-of-date.

Several key texts (the Agreement on Agriculture and its Schedules, the General Agreement on Trade in Services (GATS) Schedules, and the ‘implicit’ agreement on non-agricultural market access (NAMA) schedules) remain anchored in the policy environment of the 1980s when they were conceived and have become at best irrelevant and at worst obstructive to contemporary trade.9

In the seven decades of the modern trading system, there has never been such a prolonged hiatus in trade negotiations nor a period in which the changes in the nature of trade — the geographic dispersal of production processes and the dramatic increases in the trade intensity of production — have been so large.

The multilateral trading system ‘muddles through’, despite its ageing framework, thanks to two sources of energy that, however, are not ‘renewable’. First, the WTO has an unassailable prerogative as the inevitable trade regime that almost every state (and several ‘customs territories’) has joined or intends to join. The accession of new WTO members — especially among the large centrally-planned economies (China, Ukraine, Russia) — has been the most important source of market opening in the past two decades. But that source of vitality has been all-but-exhausted.

Second, the WTO’s vital signs have also been sustained by its comparatively swift and effective dispute settlement procedures in which most complainants win at least part of their claim. So far, the Panels and Appellate Body have been able find robust contemporary applications of the agreements without resorting to apparent judicial invention. But the enforcement of disputes decisions depends on the credible commitment of Members (and their parliaments).

9 The irrelevance is most readily seen in the GATS Schedules where, according to estimates by World Bank staff, bound concessions exceed actual restrictiveness by a large margin. Obstruction is most evident in agriculture, where the tariff-quotas that were intended to be a ‘half-way house’ to full tariffication of excessive quota or variable-levy protection remain in place twenty years later. But NAMA tariffs are also merely an obstruction in most economies; they have no important revenue function in any high-income country or even in middle-income economies.
There is already a degree of non-compliance by the US and Europe in cases where the legislature declines to act. Once China, Russia or India begins to default — as seems inevitable if the U.S. and Europe continue to do so — the system will start to crumble.

The agreement adopted in Bali offers a flicker of hope that grounds for consensus can still be found: if only on the necessity to jump a lower hurdle occasionally. But the difficulty experienced in reaching a limited agreement on the non-contentious subject of ‘trade facilitation’ gives no reason to believe that there is sufficient momentum behind the rest of the Doha agenda to push the more contentious elements — agriculture, industrial protection in emerging economies, an update for antique commitments on services — toward further agreement.

Since 2009, the G-20 has become the default ‘steering group’ for the multilateral trade and payment system. What could the G-20 do to ensure that the multilateral framework continues to thrive and supply effective guarantees for the future interests of the less-powerful wealthy as well as the more powerful middle-income giants?

Regrettably, despite the contribution that the WTO’s guarantees have made to its economic achievements, China remains hesitant to participate in collaborative management of a global trade ‘commons’ that extends across customs borders. China remains attached to a state-centric, ‘Westphalian’ or ‘non-interference’ model of the global polity (Chan et al., 2008).

According to Western analysts (Shambaugh, 2013) China has little or no interest in the trading system as an international public good and shares few or none of the liberal economic governance norms that underlie the GATT and WTO and that are reflected in their respective Preambles.

Although it has, gradually, begun to support some moderately revisionist objectives for international institutions intended to redress ‘inequities’, China still conceives its own responsibilities as ending inside its borders. Accordingly, there is, so far, no sign for good or ill that China considers leadership in the trading system as a significant or beneficial means of projecting its already considerable trade power.

With little prospect of mutual entente between the USA and China on action to restore vitality to the multilateral trading system, the G-20 must seek alternative ways to reinvigorate the multilateral system. But resumption of the multilateral negotiations remains, probably, out of their reach.

To avoid a repetition of the Doha debacle, either the agenda for future negotiations must address only those
concerns which are shared by all WTO Members, or the negotiations must adopt a ‘critical mass’ approach to decision-making that avoids the clumsy ‘Single Undertaking’ expectation that all Members will participate in every negotiation and abide by every rule.\textsuperscript{10}

A ‘critical mass’ approach has the advantage of extending the WTO’s frontiers but at the cost of accepting free-riders on the plurilateral agreement embodying the results of the negotiation.\textsuperscript{11}

In fact, WTO Members have already taken some steps on both of these paths. The successful completion of an agreement on trade facilitation at the Bali Ministerial meeting addressed a multilateral interest that seemed universally shared by Members (even in 2008 when the rest of the Doha agenda collapsed).

\textsuperscript{10} The meaning of “single undertaking” changed at the end of the Uruguay Round in 1994. What had formerly been a process for managing multi-part negotiations ("nothing is agreed until everything is agreed") was transformed by the G-7 into a constitutional requirement that every economy acceding to WTO must comply with every one of the several dozen “core” WTO agreements (those attached to the 1994 protocol that established WTO). The G-7 insisted that this should be a prior condition on any GATT Member’s accession to the new Organization; no partial participation. But the Single Undertaking had a perverse effect. Because a consensus of the full Membership is needed to amend or adopt new Agreements, it ensures that Member economies who are most reluctant to liberalize their market regulations will hold-up decisions until they represent no threat to their interests. Contrary to the intention of the G-7 the Single Undertaking now ensures lowest-common-denominator outcomes.

\textsuperscript{11} Any agreement concluded within the ‘precincts’ of the WTO must comply with the Most-Favoured Nation (MFN) provisions of GATT and GATS. In other words, the benefits of the agreement must extend universally to WTO Members even if they are not among the ‘critical mass’ of Members that have agreed to submit to the obligations of the agreement. ‘Critical mass’ means, in effect, accepting ‘free riders’ on the basis that they do not upset the calculus that makes the agreement worthwhile to participants. But the free rides must rankle if they include, for example, China or India. The current ‘critical mass’ plurilateral agreements, such as the Information Technology Agreement and the Understanding on Financial Services are MFN agreements; China is a member of the former but not of the latter.
Twenty-one Members are also exploring services negotiations aimed at extending the Uruguay Round services schedules of commitments on a plurilateral, ‘critical mass’, basis. It is not clear, yet, whether this agreement—in which China is, apparently interested but not yet participating—will succeed.

There is, however, no reason to conclude that Bali signals the end of the divergence of incentives that brought down the Doha negotiations in 2008. The failure, in November 2013, to extend one of the largest ‘critical mass’ agreements associated with WTO — the Information Technology Agreement — as a result of persistent US-China differences seems to suggest the contrary.

A ‘China Round’?

World Bank economists Aaditya Mattoo and Arvind Subramanian have made a more radical suggestion that, in some ways, goes to the heart of the ‘conflicting incentives’ problem.

They urge a comprehensive *China Round*: “a China-inspired agenda—whose aim would in fact be to anchor China, to the maximum extent possible, in the multilateral trading system” (Matoo and Subramanian, 2011). They suggest multilateral negotiations that would further cut duties to compensate for China’s relatively low level of preferential access to goods markets; significantly improve services commitments — relatively weak in China’s 2001 GATS schedule — by cutting barriers to below the level currently prevailing in most WTO economies; clarify rules on foreign direct investments; extend the liberalization of government procurement; and develop new disciplines giving more secure access to food and energy resources.

These are sensible suggestions. But it seems very unlikely that such a round of negotiations would recommend itself to WTO Members unless China itself were to pursue it and to be willing to ‘deal’ in order to make it happen. While China does not show that level of interest or initiative in the WTO, it would be unrealistic to expect other governments to come forward with unilateral offers.
‘WTO 2.0’?

Richard Baldwin (Baldwin, 2012) has tried to define a zone of convergent interest — for the G-2 among others — in a plurilateral agreement he calls “WTO 2.0” that would drive ‘complex’ deepening of trade commitments, especially on investment and intellectual property (IP), among those economies deeply engaged in supply network trade. These topics have already been on the WTO agenda in one way or another including as parts of the Doha Round agenda (known as the “Singapore Issues”) that were abandoned at the Cancún Ministerial Meeting in 2003, so Baldwin is probably right to assess that the WTO is not about to pursue them. He observes that the “deepening” of market-integrating rules in these domains is on the agenda of some of the “mega-regional” agreements. But, he argues, the mega-regionals cannot create the kind of broad, quasi-global advances that would most benefit supply-network trade. According to Baldwin, the mega-regionals cannot create the kind of broad, quasi-global advances that would most benefit supply-network trade. Accordingly, Baldwin advocates the creation of a “WTO 2.0” to house such agreements, by which he seems to mean a plurilateral, ‘critical mass’ agreement outside the precincts of “WTO 1.0”.

It is not clear, however, that China’s interest in supply-network trade would overcome its reluctance (as noted above) to engage in ‘deeper’ regulatory integration so the ‘quasi-global’ character of “WTO 2.0” must be in doubt from the start. It might, in any case, be a self-defeating way to support supply-network trade. The majority of the rules governing trans-border trade are contained in “WTO 1.0”. They are even more fundamental to trades that cross multiple borders than the investment and IP issues that Baldwin prioritizes. Creating a “WTO 2.0” will do nothing to restore support for “WTO 1.0”; on the contrary it will signal a loss of confidence in the Organisation. Moreover, the refinements of a “WTO 2.0” would be useless if the foundations of “WTO 1.0” begin to crumble.

12 Especially since none of the mega-regionals includes both of the G-2

13 The evidence that deeper commitments on IP and investment are required to support supply network trade is not particularly strong: for example, there is no evidence that ‘deepening’ IP rules beyond basic compliance with the WTO’s Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) provisions increases FDI flows (Boldrin and Levine, 2013).
Refactoring the mega-regionals

As described by the participating governments, the objectives outlined for each of the mega-regional agreements (RCEP, TTIP, TPP) are to pursue comprehensive and innovative market liberalization.14 If we accept that they are now inevitably one part of the new trade reality, how can they be made to signal something more positive about the future of the non-discriminatory multilateral system? Would it be possible to provide a path from regional trade agreement (RTA)-based reduction and elimination of trade barriers — especially NTMs — to multilateral reduction and elimination of the same barriers on a non-discriminatory basis?

“Multilateralising” the provisions of RTAs is a program that, so far, has no subscribers; despite much talk and enthusiasm for the idea, there has not been a single incidence of a regional trade liberalization provision being transformed into a multilateral agreement after the fact. Also, even if the parties to the RTA are willing to dilute their discriminatory benefits, the agreement is usually so specific to the bilateral context that it offers little guidance at the multilateral level.

One distinguishing feature of the mega-regionals, however, is their scale—which overcomes the problem of regional specificity. Each of the mega-regions includes economies that account for a large proportion of world production and trade. In 2011 the TTIP partners accounted for half of world output and almost one third of world trade; the TPP partners account for about 40 percent of world output and RCEP participants about 30 percent of world output.

On account of their scale alone, any positive provisions accepted by the partners in one or other of the mega-regionals is likely to set a globally-relevant standard for trade or related regulation. For example, the proposed TTIP will address industrial and services standards and professional accreditation differences between the USA and the EU.

By virtue of the size of the TTIP region, the adoption of joint or homologated standards by these two would likely set a world standard that could prove attractive on a commercial basis to manufacturing and services firms in many regions of the world, providing the basis for multilateral (or at least ‘critical mass’) adoption by countries outside the region.

14 The objectives of the TTIP can be found at: http://is.gd/66qGc9; the objectives of the TPP as at 2011 are outlined by USTR here: http://is.gd/GyXKKQ; Australia’s Department of Foreign Affairs and Trade describes the (brief) objectives of the RCEP at: http://is.gd/ZA1I41; (each accessed on 15 April, 2013).
A similar potential may be found in the other “mega-regional” agreements — TTP and RCEP or even the proposed EU-Japan RTA — for progress on NTMs such as phytosanitary measures (for example, quarantine rules for imported produce) and technical barrier to trade (for example, product labelling schemes or technical standards); accreditation and professional standards barriers to business services; IP protection barriers; competition policy protection barriers, and; the scope of temporary protection measures such as anti-dumping duties and safeguards.

A second feature of the mega-regionals is that they center on the G-2, with the US playing a leading role in two of the largest and China being the likely largest participant in the third. While this paper argues that the division between these two blocs has many negative implications, when seen in a positive light, this polarity also offers an opportunity for parsimony in the creation of positive provisions/standards in each of the mega-regionals, greatly enhancing the chance that they might be adopted multilaterally. But early action is needed to secure this opportunity.

By the time the schedules to the agreements are written it will probably be too late to capitalise on this opportunity; the “multilateralising” agenda will again fail. The challenge is to negotiate the provisions of these mega-regionals with a beforehand view to their global application.

If it is inevitable that the mega-regionals will characterize the trading system in the first half of the 21st century, creating mutually discriminatory regions, the G-20 as a group has an interest in pressing its leading members to adopt harm-minimizing strategies for their agreements.

Ideally, this would mean intra-regional collaboration on ‘modalities’ for eliminating tariff and tariff-quota protection, for eliminating or minimizing NTMs (including industrial and phytosanitary standards) and for opening services markets (including by advances in mutual recognition or harmonization of professional services standards).

Collaboration on aligning ‘modalities’ does not necessarily mean having the same thresholds, time-frames or trade coverage for the implementation of positive provisions in each of the mega-regionals. It does not mean the same outcomes in each agreement. It would mean only that the same barriers to trade would be liberalized in the same way.

15 See: http://is.gd/HwlLnT accessed 30 April
16 Japan, too, will now be a member of both the TPP and RCEP
This is useful in negotiations on NTMs and services market restrictions because the impacts of the restrictions themselves resist direct measurement and comparison.

In these domains, “reciprocity” in trade agreements has been defined by the use of the same regulatory modality — say, compliance with the same international phytosanitary standard, or making the same proportional changes to a tariff-quota threshold, or prohibiting the use of certain forms of production support, or agreeing to access to local enforcement measures for IP protection — without attempting to measure and compare outcomes in different markets.

Bargaining on modalities absorbed most of the negotiators’ efforts in the Uruguay Round of negotiations that established the WTO, and in the more recent Doha Round. The latter eventually choked on these negotiations which, thanks to the limitations of the Single Undertaking and some twisted logic in the Doha Declaration, became enormously complex tangles of minutely-differentiated provisions that were difficult to understand and could not be completed.

An “intra-regional” framework would aim to provide a consistent framework for adoption, in the future, by all WTO Members but would also provide a functional basis for differentiating the application of the modalities (by region) in the meantime. A uniform framework of modalities would also provide a basis for setting harmonized terms of accession to each of the mega-regionals; this might permit a member of the RCEP, such as Indonesia, to identify a clear path to membership of the TPP based on a different set of thresholds or time-frames or coverage applied within the same regulatory framework as it had accepted in the RCEP.
Conclusion

There is every reason to be seriously concerned by signals from the G-2 about the direction of their trade policy during the next few decades; a time period which will also see an unprecedented historic transition in global economic ‘mass’. The proposed mega-regional agreements will undermine the value of a key asset in the trading system: the multilateral agreements of WTO. Most of the G-20 will be losers from any weakening of WTO guarantees of non-discriminatory treatment during this period of economic transition.

The return to a world of trade-blocs — the TPP, TPIP and RCEP — none of which has any defined accession mechanism other than by agreement with it’s ‘anchor’ economies, namely the US and China, is not a prospect that any government or firm should welcome. It is not a “21st Century” prospect (as proponents of the Agreements would have it), but a vision of something like the miserable conflicts of the 1930s.

No matter how deeply integrated each bloc may be, we have no guarantee that the increment to economic growth from these agreements could justify — in the sense of ‘remedy’ — the discrimination they will import into the world trading system. This paper has outlined some of the most recent thinking on what could be done to restore momentum to the stalled non-discriminatory trading system embodied in the WTO Agreements. None of them seems to offer a complete response but each may have elements that can be used in finding a way forward.

17 This may become a matter on which the WTO is forced to decide. At a conference sponsored by the International Chamber of Commerce on the margins of the Bali Ministerial Meeting, the distinguished U.S. commentator and former member of the Appellate Body, James Bacchus, noted that the mega-regional agreements may well provoke a dispute in which the AB will be obliged to take a view on the meaning of ‘substantially all trade’ in Article XXIV of the GATT (the provision which allows for Members to enter into RTAs and FTAs without breaching their WTO commitments).
References


World Trade Organization JETRO, 2013. Trade patterns and global value chains in East Asia: From trade in goods to trade in tasks, World Trade Organization.
Melbourne School of Government

The Melbourne School of Government (MSoG) research agenda addresses these kinds of governance and policy dilemmas and MSoG provides training for people who must deal with these in their work.

Research@MSoG aims to provide excellent scholarship which has an impact on governance and public policy. This research underpins our ability to improve the capacity of policy makers to make sound decisions, design and deliver effective policies and programs, and build robust institutions in Australia, the region and beyond.

MSoG’s research agenda is informed by global and regional developments, in particular those associated with the ‘Asian Century’, and how country specific and regional public policy will need to adapt and change.

Within this overarching focus, there are four research themes:

- Governance and Performance (designing better governing institutions and improving policy-making and policy performance)
- Knowledge and Expertise in public policy (using different types of evidence and new approaches, and managing competing perspectives)
- Security and Political Engagement (responding to the effects of war, natural disasters, and dispossession, and improving political engagement)
- Governing Markets (improving the instruments that structure relationships between governments, governing institutions, and private actors).
Melbourne School of Government

Research collaboration
Leanne McDonald
Research Development Manager
Phone: +613 9035 7677
Email: l.mcdonald@unimelb.edu.au

Executive education and partnership opportunities
Hilary Blackman
External Relations Manager
Phone: +613 9035 5428
Email: hilary.blackman@unimelb.edu.au

@Government_UoM
government.unimelb.edu.au