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CAN BILATERAL AND PLURILATERAL TRADE AGREEMENTS BRING FASTER RESULTS THAN THE MULTILATERAL PROCESS?

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The annotation to this subject, as it will appear on the agenda, suggests that plurilateral, regional and bilateral trade agreements sometimes enable parties to reach levels of trade liberalization that go beyond multilateral consensus and address specific issues that do not figure on the multilateral agenda. The question therefore is: can such agreements complement the WTO system and serve as building blocks for future multilateral trade liberalization? Or is regulatory fragmentation detrimental to the multilateral regime?

In order to start debating the issue that has brought us together, it would be a good idea to refer to the words recently spoken by the new Director-General of the WTO, the Brazilian Roberto Azevedo (on the day of his inaugural speech, 9 September), which merely reflect on and place in context the critical situation we are currently experiencing when discussing the future of multilateralism.

Moreover, for those of us who come from the South and are part of a regional integration process such as MERCOSUR, with its queried accomplishments, pace and speed, having a WTO Director-General who comes from this region only reinforces our trust in his leadership.

In this context, Mr. Roberto Azevedo stated: "We've been saying **we are at a critical moment, at a difficult juncture, on the brink** — we have all those expressions that we have been using for a long time — [...] but at the end of the day, this is true. The world economy is in a very difficult moment, it is in flux. Many economies, particularly developed economies, are still struggling to recover from the effects of the financial crisis. Other issues continue to emerge, and they keep changing the way that we do things, fundamentally shifting the landscape of the world economy. Meanwhile, the challenges of development are still huge. [...] **The multilateral trading system remains the best defence against protectionism and the strongest force for growth, recovery and development**".

Let us end this quotation, sharing and underscoring the last sentence: **"The multilateral trading system remains the best defence against protectionism and the strongest force for growth, recovery and development"**. Let us make these our own words.

It is clear that while multilateralism struggles to survive and agreements fail to be reached, plurilateral processes and bilateralism are gaining in strength. This is not negative per se and, in fact, it is only a logical occurrence.

In a previous meeting, we had indicated that **"States are learning how to use what is commonly known as 'policy space', resorting on several occasions to escape valves regulated by the WTO, which have allowed them to overcome the situation brought about by the crisis without having to depart from the existing multilateral framework. The system must pay attention to certain grey areas that can lead to masked protectionism, which would require applicable measures to be compatible with WTO commitments, and the proliferation of these new regional agreements to be placed under a multilateral framework that is compatible with multilateralism"**.

We can thus ask ourselves: **Can such agreements complement the WTO system and serve as building blocks for future multilateral trade liberalization? Or is regulatory fragmentation detrimental to the multilateral regime?**

We already pronounced ourselves specifically on the matter in 2011 when we highlighted the usefulness of carefully analysing **"if the current integration processes are a phase leading to globalization or if, on the contrary, they are a substitute or alternative to it."**

It is worth verifying if the current agreements that are being fostered, in particular those that concern me, in Latin America Latina, actually promote the **"reduction of non-tariff barriers when they promote investment and strengthen their legal framework, thereby guaranteeing legal security... This type of "open" agreement** has little economic impact and can integrate markets much more than multilateral organizations can. It is important to ensure, therefore, that there is not a tendency to replace tariff barriers by other protectionist measures, or by stipulating demanding rules of origin that can be as harmful as a high common external tariff. It is imperative to see whether these agreements actually raise trade barriers, thereby resulting in trade diversion.

The debate before us today is whether regional processes "will accelerate trade multilateralization or if, on the contrary, its pace will slow down. **In other words, are we faced with stumbling blocks or building blocks?" We replied by saying that "Insofar as these pacts tend to reduce tariff barriers and regulate trade more and are thus beneficial to the system, their conclusion on top of other agreements may generate interest in expanding them and making them multilateral in nature. But we should ensure that these do not become barriers to trade for third parties or that their proliferation does not confuse the system"**.

In this sense, these agreements are not a threat to the multilateral system per se. Rather it is **multilateralism and the lack of consensus that prompt the development of these processes**.

As long as the multilateral system continues to be dormant its members will seek to circumvent these bodies either on their own or in agreement with other partners. But for whom do we think the multilateral trade system can be an engine of growth and development in the world, one that will help reduce poverty, improve living standards and put the global economy on the right track? We must help resuscitate it as soon as possible.

As the new Director-General of the WTO stated, "That's why **success at the Bali Ministerial Conference is vital — this has to be our first priority.** Success in Bali would bring huge benefits, improving people's lives, including for the poorest amongst us, and boosting trade at a critical moment for the global economy. ... **while the benefits of success would be great, the consequences of failure would be even greater...**The future of the multilateral trading system is at stake. And if the system is not working, then, in the end, everybody loses. Those who lose most are the smallest and most vulnerable economies. **The world will not wait for the WTO indefinitely. It will move on. And it will move on with (bilateral or plurilateral) choices that will not be as inclusive or efficient as the deals negotiated within the multilateral framework**".

This is only logical. The fact that multilateral negotiations do not advance at the desired pace prompts countries, in particular **Latin American countries, to seek bilateral or regional agreements, which, even if they are not as "inclusive or efficient" as Azevedo stated, are simpler to conclude,** with developing countries seeing in them not only a trade opportunity that gives them access to new markets but also a means of strengthening their diplomatic ties. On the flip side of the coin, developed countries find in them an opportunity to assume leadership and forge national alliances.

With this "stagnation of multilateralism", as some authors refer to it, **the issue of regional integration becomes even more relevant in the discourse of a vast majority of Latin American States.** This is why we should ask ourselves if **the trend towards regional processes is emerging in response to the failures of multilateralism, or if, on the contrary, these trends can complement each other,** thus entrenching our region in the international system.

There is no easy solution, but what is clear is that the participation of Latin American countries in the multilateral system has encountered serious impediments owing to the scant results obtained in the various rounds of negotiation. According to Professor García Duque, such results were not commensurate with the initial expectations of the Latin American countries, mainly for reasons such as:

1. The **difficulties of multilateral negotiations in the context of a large number of participants;**
2. The **divergent interests** of the several stakeholders involved;
3. The lack of possibilities to reach balanced negotiations with **more developed countries that end up imposing their agenda** in conditions hardly favourable to developing countries.

We cannot say either that this situation is specific to Latin America. The facts show the hardly negligible global impact of plurilateral and bilateral processes: close to 60 per cent of world trade takes place between regional trading blocs and for some countries, 90 per cent of trade occurs under a system of preferences.

Furthermore, as some authors have underscored, **over the past years some agreements of great significance have been closed:** enlargement of the EU from 15 to 27 members (2004 and 2007) and its free trade agreements with Mexico (2000), Chile (2002), South Africa (2000) and the countries in the Mediterranean Basin; agreements between the USA and Republic of Korea (2007), Central America (2006), Australia (2005) and a large number of Latin American, Asian and North African countries; the expansion of MERCOSUR with the inclusion of Venezuela and the possibility of further expansion with Ecuador and Bolivia; and the surge of regional integration in Asia through the consolidation of the Association of South-East Asian Nations (ASEAN), as well as the expansion of India and China, which is linked to the integration of the US West Coast through the Asia-Pacific Economic Cooperation (APEC).

This entire situation, linked to the slow pace of progress on the Doha Round, is awakening the fear that decades of multilateral trade expansion may be in jeopardy. However, this in itself is not a bad thing. As we indicated earlier, it will depend on the form and pace of these kinds of agreements. In **Latin America, new variants of integration are emerging, which may well become the new crucial nodes of integration processes.** These new dimensions of integration are based on issues such as **infrastructure projects, energy rings and interoceanic corridors.** A broader sense of integration is thus generated, touching upon vital interests for Latin American countries in the context of globalization, which may not necessarily pose a threat to the multilateral regime.

Therefore, included in the Latin American agenda are new issues that are absent from the multilateral system, as is so aptly indicated in the annotation to the meeting title for which we have gathered. In Latin America, **regional and bilateral trade agreements sometimes enable parties to reach levels of trade liberalization that go beyond multilateral consensus and address specific issues that do not figure on the multilateral agenda.**

As long as the agenda of multilateral negotiation forums is not extended to issues that are the very backbone of those countries that seek to position themselves on the international arena, these issues continue to be negotiated on smaller platforms.

In order for Latin America to be able to place these issues on the multilateral agenda, it must speak with one voice. To achieve this, how Latin America arrives in Bali will be key to whether the region can include and articulate positions on issues critical to its development, in addition to the traditional need to fight for a reduction of trade barriers and greater investment.

To the initial question of: **"Can bilateral and plurilateral trade agreements bring faster results than the multilateral process?"**, we should reply that all of this does not necessarily depend on bilateral or plurilateral agreements, but rather on how efficient and effective multilateralism can be.

In other words, **bilateral and plurilateral agreements are not necessarily the most efficient instruments per se in terms of achieving results, but their efficiency is directly proportional to the difficulties in reaching multilateral consensus.**

Multilateralism would be the highest goal to which we can aspire, the best means we "theoretically" have to combat **protectionism and the most powerful engine of growth, recovery and development.** But as long as this instrument does not start its engines, it is only logical that countries will not rest on laurels, but rather resort to "the second best option", i.e. bilateral and plurilateral agreements.

Until we can achieve success on the multilateral arena, which necessarily implies some measure of generosity on the part of the developed countries, these processes will remain part of the international landscape.

In order for the multilateral process to bring about results that satisfy those who need it the most, **the WTO should continue to play an important role in forging new modalities for agreements,** setting new standards and monitoring the application of new levels of technical assistance towards developing countries.

In this context, **success of the Bali Conference will be key,** because as the Indonesian Trade Minister stated, **a multilateral agreement will send a message to the world that the WTO and the Doha Development Agenda continue to be crucial for global prosperity since they help bridge the gap between developed and developing economies.**

Faced with a world of burgeoning instant communication, global markets and financial interconnectivity, **multilateralism emerges as one of the last chances for the less developed regions to find or regain negotiation spaces** with the most important players in the system.

In conclusion, we must make it clear that bilateral and plurilateral agreements are not detrimental to multilateralism but rather complement the system. Whether these agreements become an obstacle or stumbling block will depend entirely on multilateralism. **As long as multilateralism fails to include in its agenda issues that are central to developing countries, and fails to reach tangible agreement on issues that require global action, we cannot single out or blame players who seek independently that which the system cannot deliver.**

The various players therefore have a shared responsibility in keeping with their ability and power to ensure that the system does not fail. **It is only through cooperation, and thus multilateralism, that it will be possible to overcome the great challenges and emerging threats of the global system.**