



# After Bali: multilateralism and mega-regionals

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# Overview

- The WTO Deal in Bali and Shift towards Mega-Regionals: are we missing opportunities?
  - Moving past the 1980s agenda
- The New Regionalism
  - Drivers
  - Benchmarking
- Example– the transatlantic relationship
  - How we trade and produce has changed. About 20% of EU and US trade is with each other. Most of this goes into production.
  - Bricks and mortar are important again
  - Not first effort – failed in 1960s, 70s, 80s, ...  
So what is different?
- Mega-regionals as incubators

# New Issues: inside and outside WTO

- Legal/constitutional systems and piecemeal amendment
  - move away from big tent negotiations
  - move toward amendment type negotiations (might require one last constitutional event)
- Specific Issues
  - NTMs and trade in goods/services (mega regionals)
  - RTA participation in the DSB
  - services commitments and liberalization (TiSA)

# The New Regionalism

## Mega-regionals and TiSA

# Coverage of Regional Agreements

## Summary of trade and PTA depth

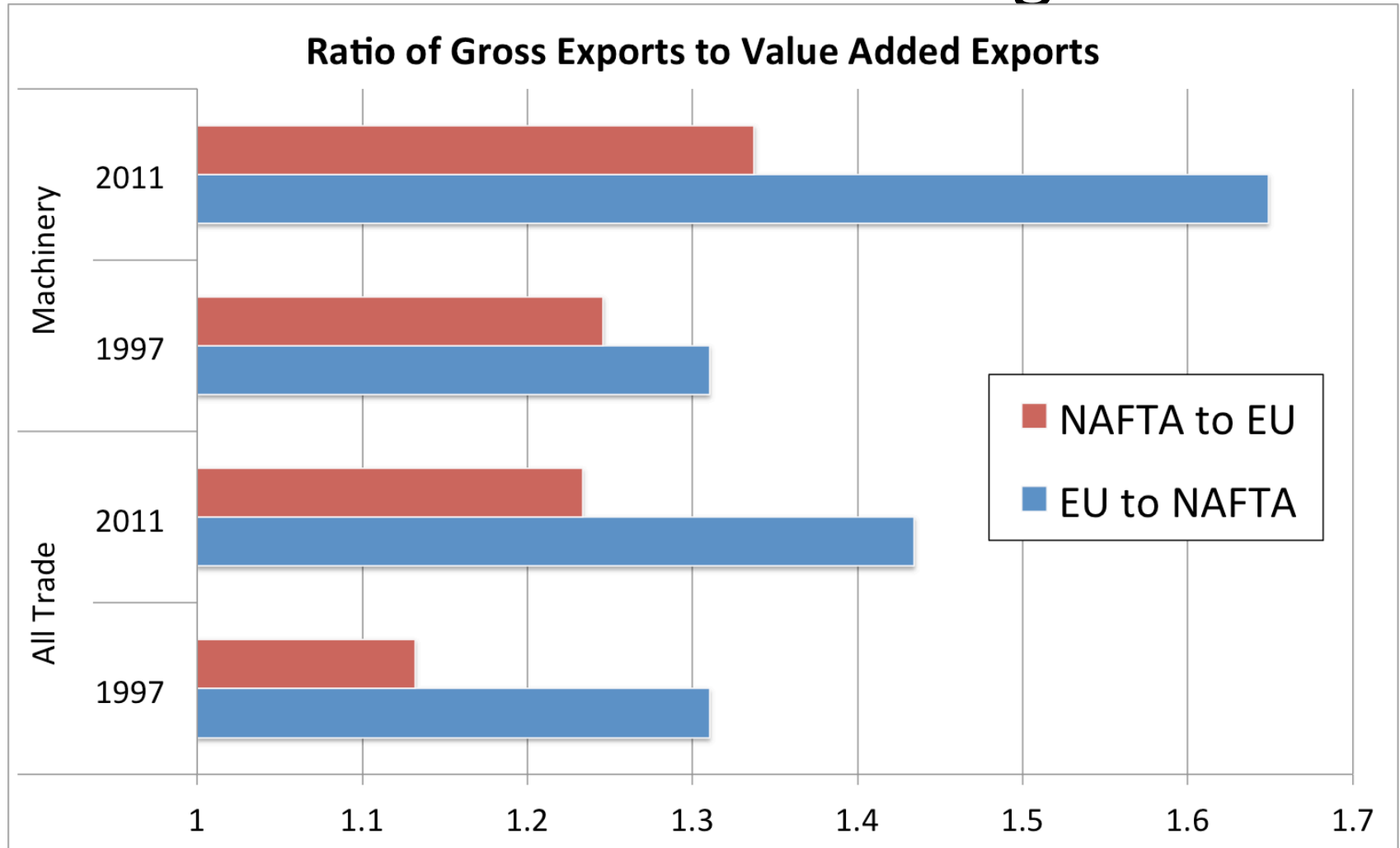
Depth of FTA	dyad count	trade million USD
1	162	383,618
2	666	1,067,643
3	289	376,583
4	322	227,156
5	223	500,067
6	149	178,809
7	680	3,882,378
total FTA pairs	2,491	6,616,254
non FTA paris	9,706	7,022,810
total	12,197	13,639,065

Source: Dür et al (2014), Egger and Francois (2014)

# The New Regionalism

- Regional production networks and cross-border trade in parts and components (now almost 80% of world trade)
- MNEs operating in multiple regulatory regimes
- Demand for progress in areas outside WTO (hence Baldwin's call for WTO 2.0)
  - Regulation of MNEs
  - Behind the border measures
  - Increased importance of NTMs (aka NTBs), and impact on policy calculus (political cost-benefit analysis)
  - Trade-related IP issues (overlap with competition)
- The “Dragon in the Room” problem

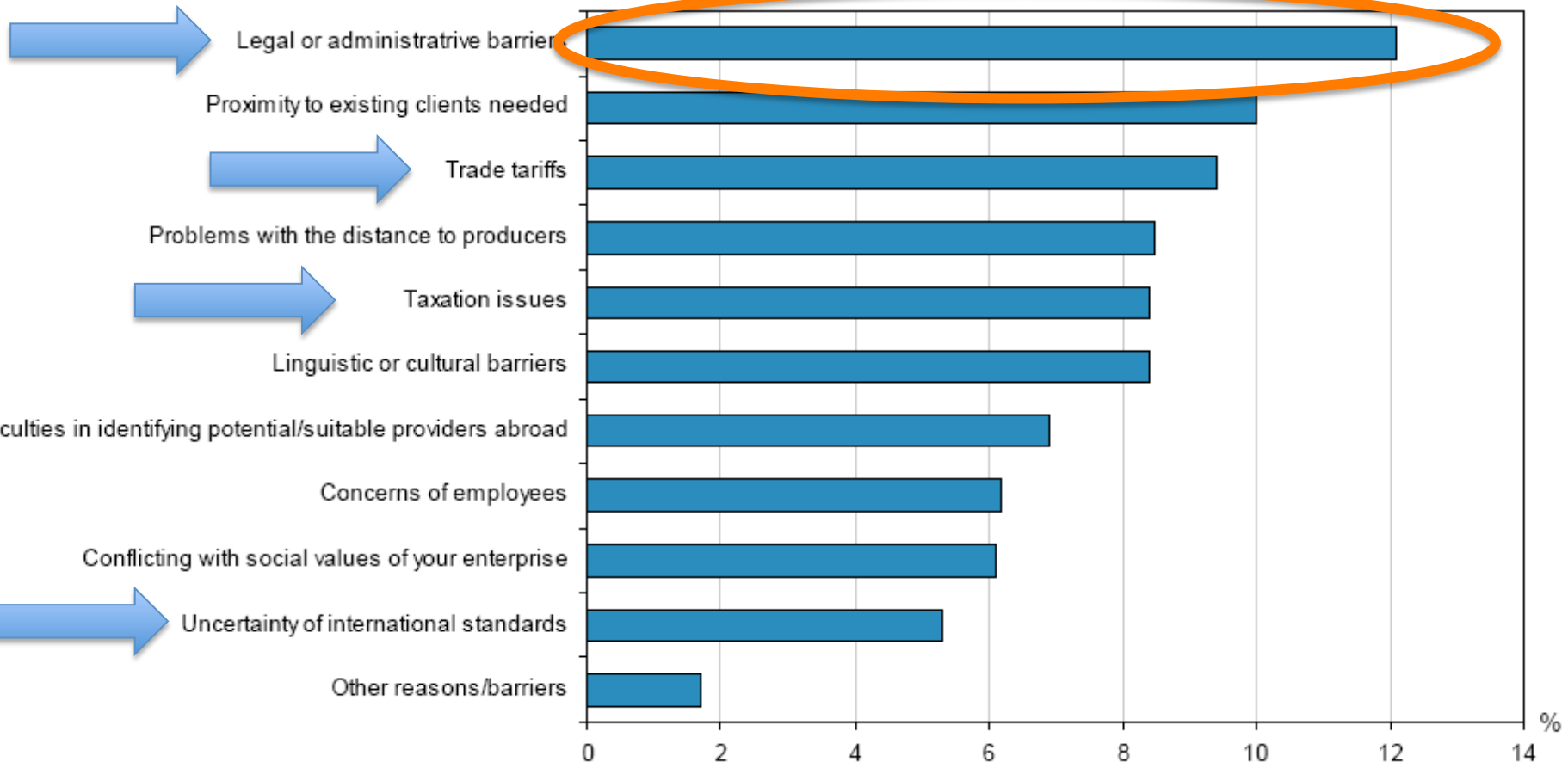
# What has changed: how we make things



Source: own calculations from GTAP9, GTAP5

# Drivers: Benchmarking Barriers: Eurostat survey of outsourcing

## Barriers to sourcing abroad



Source: International sourcing statistics, Eurostat, 2008.



# Benchmarking barriers: non-tariff barriers

- Example: Ecorys (2009) study represented a concerted effort to triangulate barriers
  - Firm surveys – including overall rankings and detailed barriers
  - Industry, legal, regulatory experts
  - Econometrics, fed into CGE modeling
- Some basic findings
  - The origin of barriers is not always deliberate. Legitimate goals can be reached in different ways. This in turn can lead to regulatory divergence. Examples include regulation of chemicals and motor vehicles.
  - Not all regulatory barriers can actually be negotiated and reduced. For example, the Japanese require legal documents in Japanese. This concept is called actionability.
  - Barriers can be grouped broadly into those are cost raising barriers, and those that instead are rent generating barriers (i.e. they generate rents by limiting competition and market access).
  - Semantics matter: NTBs and NTMs.

# Intra- vs Extra-EU market access

## Index Rankings

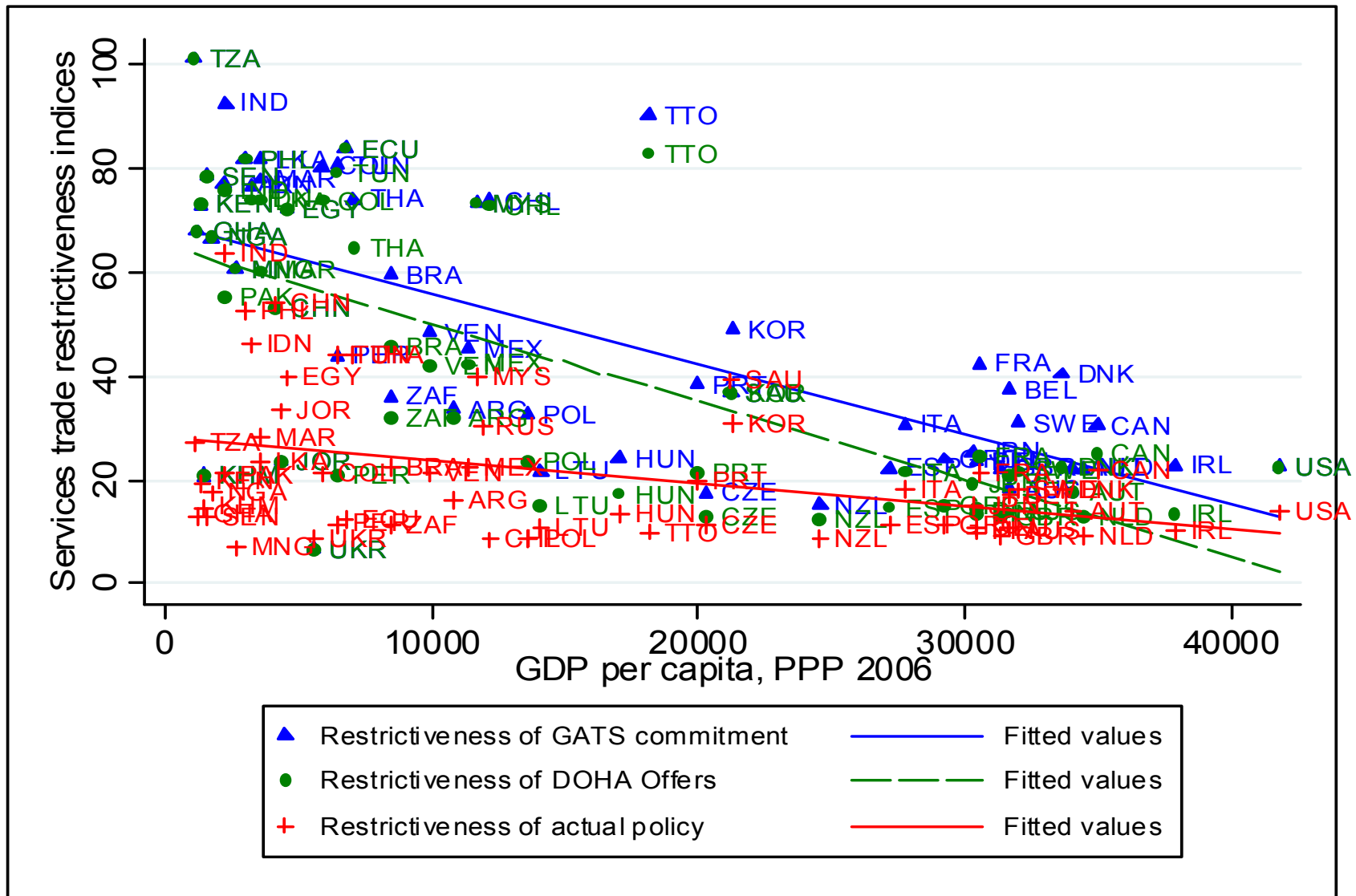
NTB indexes	Europe		United States		third country average
	intra-EEA	extra-EEA	intra-NAFTA	extra-NAFTA	
	ISIC 27,28 metals	13.33	29.68	*	
ISIC 17-19 textiles, clothing	30.94	49.92	22.00	44.45	44.71
ISIC 20 wood products	22.61	45.64	*	26.63	49.75
ISIC 21,22 paper, pulp printing	22.61	45.64	*	26.63	49.75
ISIC 24,25 chemicals	21.54	53.66	31.00	47.67	48.98
ISIC 30, 32 office machinery (electronics)	15.40	31.17	*	36.29	46.70
ISIC 29,31,33 other machinery	14.79	42.21	*	38.19	40.63
ISIC 34 motor vehicles	16.27	36.76	*	36.49	51.92
ISIC 35 other transport equipment	33.43	54.73	35.00	64.63	50.43

TiSA -- services

# Mega-Regionals and TiSA

- Messages from recent literature on services
  - The GATS commitments are not binding
  - Regional services agreements do not have much impact either
  - GATS has not proven useful to actually benchmark commitments (evidence is massive World Bank and OECD STRI initiatives)
  - establishment and cross-border trade linked (recent econometric literature)
  - potential gains are large, but require dealing with not just liberalization, but also regulatory reform
- TiSA, TPP, and T-TIP all are working on this.

# Services Policy and Bindings

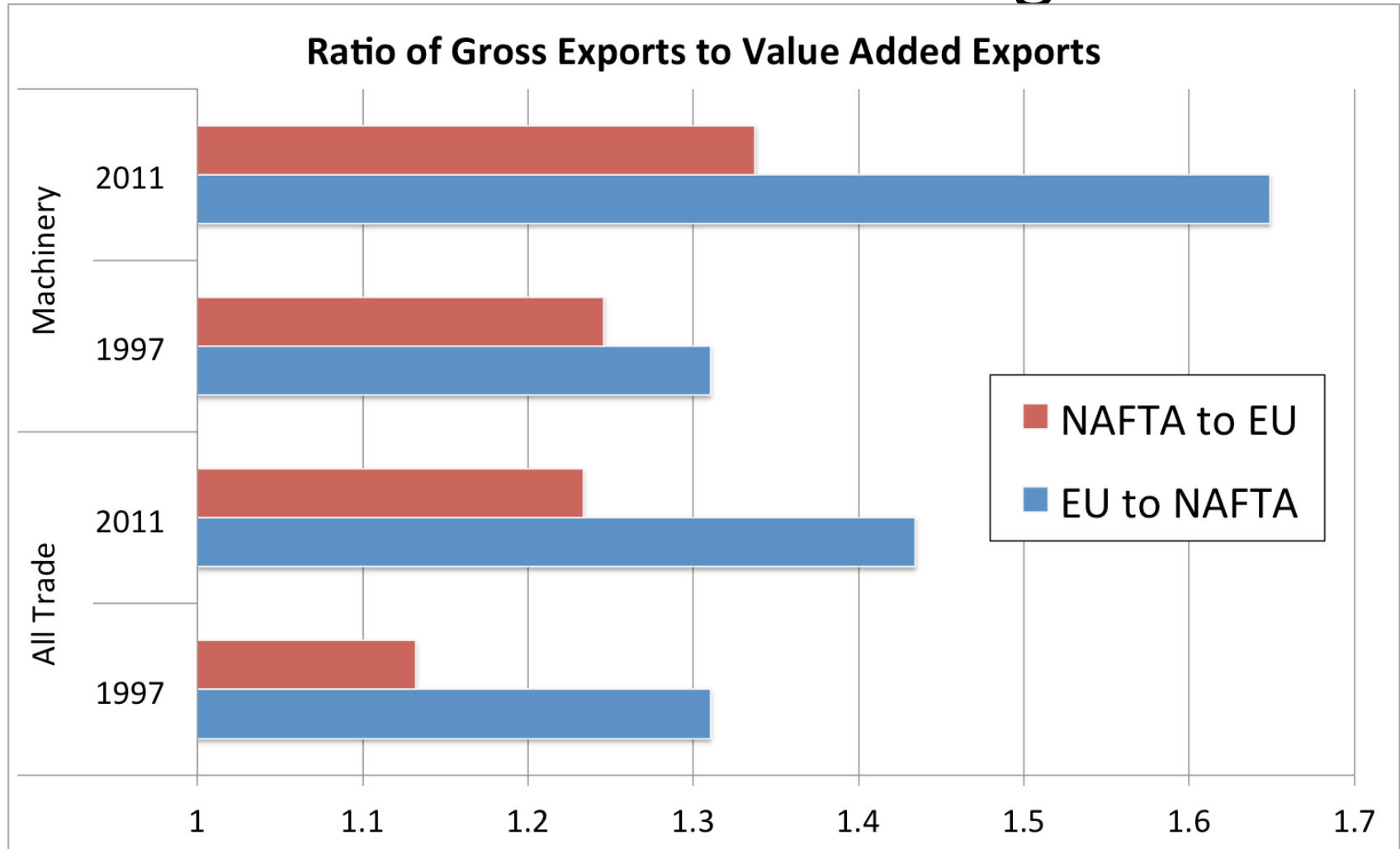


Source: World Bank STRI, Mattoo et al

The TTIP

Trans-Atlantic Trade and Investment  
Partnership

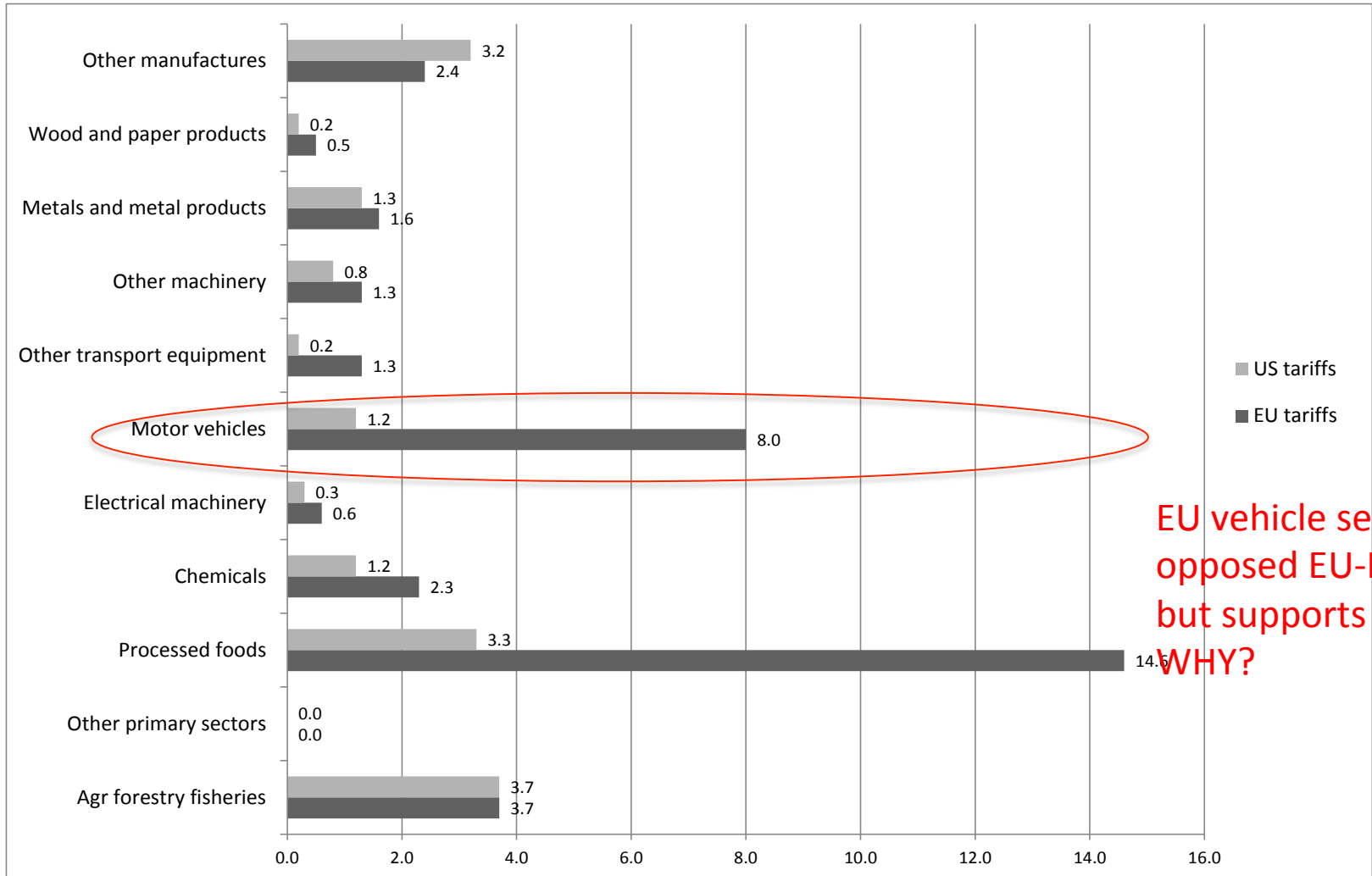
# Recall what has changed: how we make things



Source: own calculations from GTAP9, GTAP5

# Tariffs matter more as we integrate production

## Current tariff barriers



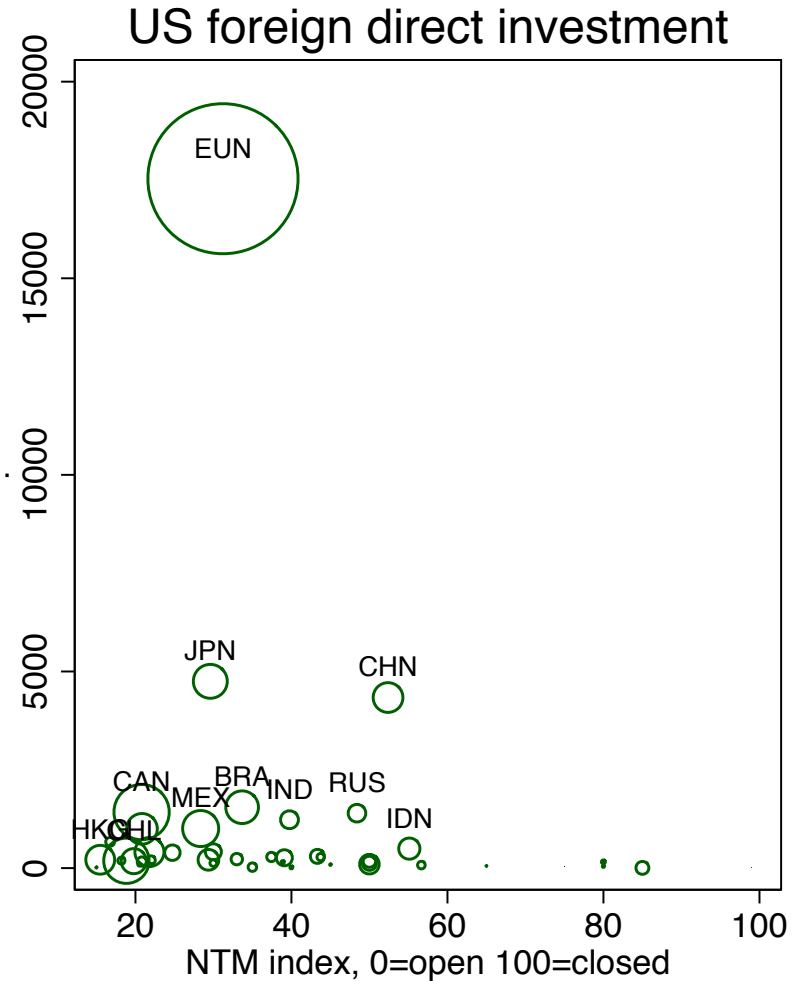
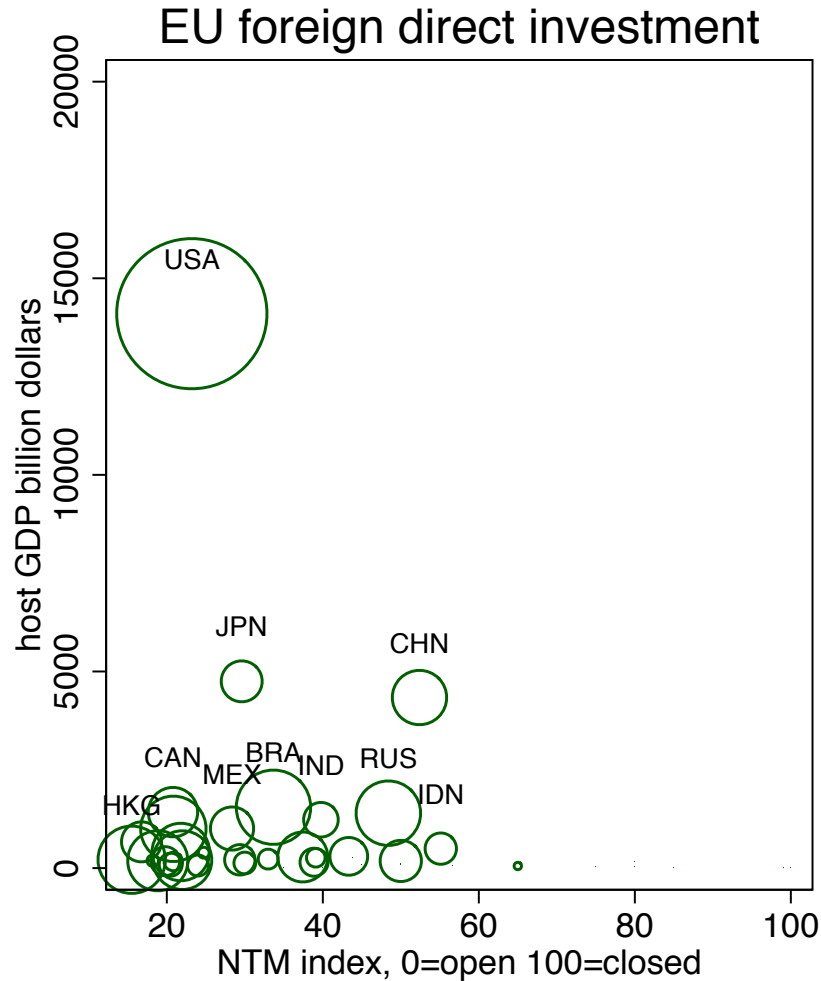
EU vehicle sector  
opposed EU-Korea  
but supports T-TIP.  
WHY?



# FDI: EU and US well integrated

## Foreign Direct Investment by Host Country

Size of circle indicates mean 2007-2009 FDI income



source:NTM surveys and Eurostat FATS statistics as explained in text, excluding intra-EU FDI.

# So do non-tariff trade barriers

Sector	Total trade barriers: EU barriers against US exports	Total trade barriers: US barriers against EU exports
Food and beverages	56.8	73.3
Chemicals	13.6	19.1
Electrical machinery	12.8	14.7
Motor vehicles	25.5	26.8
Other transport equipment	18.8	19.1
Metals and metal products	11.9	17.0
Wood and paper products	11.3	7.7
Other manufactures	N/A	N/A
<b><i>average goods</i></b>	<b>21.5</b>	<b>25.4</b>
Transport		
Air	2.0	2.0
Water	8.0	8.0
Finance	11.3	31.7
Insurance	10.8	19.1
Business and ICT	14.9	3.9
Communications	11.7	1.7
Construction	4.6	2.5
Personal, cultural, other services	4.4	2.5
<b><i>average services</i></b>	<b>8.5</b>	<b>8.9</b>

Source: ECORYS (2009), Annex Table III.1

# Mega-regionals as incubators

- The old Quad is pursuing regional initiatives outside of the multilateral framework
- These are not our father's FTAs. The new Trade-Investment initiatives are deeper, and reflect regional production by global firms.
- To a large extent, the welfare calculus is very different
  - Triangles vs rectangles
  - Possible productivity gains
  - Tied into global standards setting
- Scope for standards spillovers is also important.
- Scope for institutional spillovers is also important...  
When looking at T-TIP, think about it as a process and not a one-off: Treaty of Rome → EC92