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**FORUM ON MULTILATERALISM AND REGIONALISM:  
THE NEW INTERFACE**

8 June 2004, Rio de Janeiro – Summary prepared by the UNCTAD secretariat

1. The pre-UNCTAD XI “Forum on Multilateralism and Regionalism: The New Interface” was held in Rio de Janeiro, Brazil, in cooperation with BNDES (Banco de Desenvolvimento) and FGV-Rio (Fundação Getulio Vargas). The UNCTAD secretariat's note on “Multilateralism and Regionalism: The New Interface” served as a basis for the discussion.
2. A new regionalism is rapidly evolving in all regions of the world, especially following the formation of the WTO. Some 300 RTAs have been notified to the WTO and some 200 are currently in force. These include South–South, North–North and North–South agreements. They will remain an enduring feature of the international trading system. The emergence of this new regionalism raises many issues. One is its impact on the multilateral trading system (MTS), including whether regional integration is a building block or stumbling block for multilateralism. This is linked to the element of incompatibility between RTAs and MTS, as the former are an exception to the MFN principle. RTAs could weaken the MTS and be detrimental to developing countries. On the other hand, depending on their nature and content, they could contribute to fostering the MTS and provide important benefits for developing countries. This remains an open question and deserves further analytical work.
3. In fact, owing to the increasing and parallel participation of countries in RTAs, the trade-off between integration in different layers and the preservation of policy spaces for developing countries to define and implement national development policies, and “forum shopping” becomes strategically important and affects negotiating prospects. It is crucial to ensure that RTAs are conducive to strengthening the MTS by minimizing their possible negative effects, while allowing developing countries to maximize their trade gains in the different layers of integration. Both the MTS and RTAs should be “development-plus” in fostering economic, human and social development and poverty alleviation. Assessing and understanding the interface and coherence between RTAs and MTS also require that the impact of interface among RTAs be examined. For example, the FTAA initiative existing alongside subregional and bilateral trade and integration processes in Latin America and the Caribbean increases the demand on countries’ negotiating capital and increases the complexities of issues to be addressed. Membership of multiple RTAs places a tremendous burden on the administrative capacity of developing countries. Small economies such as members of the Caribbean Community are particularly affected.
4. The emergence of North–South RTAs is one of the salient features of the new regionalism, bringing new challenges and opportunities for participating developing countries. These RTAs are likely to be trade-creating because of existing complementarities. The motivations of developed countries in engaging in North–South RTAs arise from North–North relations and “competitive regionalism”. Also, regionalism is used as a means to expand the trade agenda beyond what is currently possible in the MTS. For example, issues such as

intellectual property rights, investment, competition, environment, labour and government procurement could lead to WTO-plus RTAs. These can constrain policy flexibility and space available to developing countries, and hence result in WTO-minus disciplines. Such issues are being taken up within regional integration groupings of developing countries, but raise difficulties when approached in the North-South context. High tariff protection in developing countries makes reciprocal liberalization attractive for developed countries. The strategies of TNCs are also behind the new North-South activism.

5. North-South RTAs could have positive or negative effects on developing countries, depending on a number of factors, including the architecture and structure of these arrangements, the level of existing protection, and the composition and the design of rules. Developing countries are increasingly participating in RTAs with developed countries, motivated by the possibility of turning unilateral trade preferences into contractual rights for better market access and entry conditions, expectations of increasing FDI flows and technology, and various strategic reasons such as political considerations. RTAs also serve as laboratories for liberalization, harmonization of rules and upgrading of the regulatory environment, and raise a country's trade and investment profile. There are some possible negative factors such as reduced negotiating capacity and administrative complexity, for example rules of origin. Improved market entry conditions, including simplified rules of origin, mutual recognition of standards and testing results, and trade facilitation measures, would be particularly beneficial to developing countries. It was widely recognized that there is a need for North-South agreements to incorporate elements of asymmetry in the form of SDT in commitments and disciplines, including the level of tariff dismantling, transition period or rules on safeguards and trade remedies such as *de minimis* level. Countries have to identify national objectives to pursue in different levels of integration, and approach negotiations in a coherent and strategic manner. A clear understanding of the impact of agreements and rules being negotiated and sectors covered is essential.

6. The proposed regional economic partnerships agreements (REPAs) between the EU and ACP States under the Cotonou Agreement could affect African regional integration, development policies and the MTS. For these agreements to be development-friendly, they need to incorporate SDT provisions. GATT Article XXIV needs to incorporate SDT to allow African countries to better manage and take advantage of their participation in RTAs. The ACP States' recent proposal in the WTO on SDT in GATT Article XXIV was noted as a positive initiative in this direction.

7. The importance of an integrated approach to trade and cooperation in RTAs to ensure development gains was stressed. This has been the case in CAFTA and the extension of the principles of social cohesion and structural funds under the EU agreements. Other examples are the regional infrastructure programmes between Brazil and Peru, Brazil and Venezuela, Brazil and Bolivia, and within Mercosur. The newly created BIMST-EC agreement also aims to enhance trade combined with regional infrastructure development to enhance connectivity and trade facilitation among its members. Other development features may include reduction of tariff peaks by developed countries; provision of adjustment support, technological support and technical assistance; facilitating mobility of workers; and developing trade remedy rules.

8. South-South trade has been expanding more rapidly than world trade and thus exhibits great potential for further growth. Asia accounts for the largest share of South-South trade. The latter is particularly beneficial as the products traded are composed of high-value-added and technology-intensive goods. Such trade is stronger at the regional level and needs to be encouraged at the interregional level, including through the GSTP. South-South trade is not an alternative to North-South trade, but a complement to it as the North remains the South's key market. In Africa, regionalism is a development strategy for bringing about greater economies of scale and integration within the various subregions and the continent to act as a springboard for competitive participation in global trade. For example, COMESA has formed an FTA and is moving towards a customs union. The wider development strategy is captured in ASEAN, where members recently agreed to create an ASEAN economic community by 2020 to facilitate the freer flow of goods, services, capital and people. This goal is also manifested in the Andean Community and CARICOM.

9. UNCTAD has an important role to play in helping developing countries to deal with the interface between multilateralism and regionalism, and the interplay among RTAs, under a new trade, development and cooperation paradigm. This can include: (a) facilitating the exchange of experiences, best practices and lessons learned among RTAs; (b) promoting networking and information sharing among RTAs; (c) facilitating consensus building and international cooperation in addressing the development dimension of RTAs and the interface with the MTS; (d) undertaking development impact assessment of RTAs; and (e) reinvigorating and enhancing the GSTP.