21^{st} Century Regionalism:

Filling the gap between 21^{st} century trade and 20^{th} century trade rules

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1. INTRODUCTION

A good deal of the world's trade is a much more complex phenomenon than trade was in the 1980s and earlier – call it 21^{st} century trade. The key to this most dynamic form international commerce is 'production unbundling' also known as production sharing, internationalisation of the supply chain, or fragmentation. This paper argues that today's WTO rules do not provide the disciplines necessary to underpin this trade. Rather 21^{st} regionalism – basically deep regional trade agreements and a matrix of bilateral investment treaties– are filling the vacuum. To better understand 21^{st} century trade, and its implications for world trade governance, consider how it fits into the broad landscape of economic history.

Since the dawn of human civilisation, the cost of moving goods, people, and ideas forced the geographical bundling of production and consumption. Before the industrial revolution, each village made most of what it consumed. The radical reduction in transportation cost that came with steam power changed all this. Goods could be produced far way from consumers. Once this possibility arose, scale economies and comparative advantage made it inevitable. Competitive pressures pushed production towards the most efficient locations.

The trade governance for this "first wave of globalization" was Pax Britannica and colonialism. As O'Rourke (2010) puts it:

> *"The new steam technologies of the Industrial Revolution would never have had the effect that they did if they had not operated within the context of a stable geopolitical system within which the Royal Navy guaranteed the freedom of the seas for all; within which wars between the major European powers were relatively rare; and within which those same European powers used their military superiority to impose more or less open trade on most of Africa and Asia."*

This ended badly. "With the outbreak of World War I, that geopolitical system was destroyed and 19th century globalisation with it." (O'Rourke 2010)

The resumption of trade after WWII – the second wave of globalisation – was underpinned by GATT 1947. These rules were fairly simple since international commerce was fairly simple. Things were made in factories in one nation and sold to customers in another. The reason is that even as production dispersed globally, it clustered locally into large scale factories and factories clustered in particular cities (Detroit, Nagoya, Stuttgart). For reasons that are easy to list but hard to document, it is just easier, faster, surer, and cheaper to undertake complex activities that involve many people when those people are physically close to each other. Think of a stylised production line with a sequence of production bays. Coordinating the manufacturing process involves a continuous two-way flow of things, people and information among the bays. The need for these flows never dies down as efforts to heighten productivity mean the process is continuously evolving.

The radical reduction in information management and communication costs that came with the ICT revolution changed all this. Cheaper communication triggered a suite of information-management innovations that made it easier, cheaper, faster, and safer to coordinate complex activities at distance. This allowed the unbundling of factories' production bays. Once it was feasible, scale economies and comparative advantage made it inevitable; manufacturing stages were offshored. ICT was to the second unbundling what steam power was to the first.

But internationalization of the supply chain did not end the need to coordinate among the production bays. What it meant was that now the coordination – the two-way flows of things, people and information – had to take place across international borders. This gave rise to the very much more complex form of international commerce mentioned above. It involves sharing tacit and explicit technology and intellectual property, training workers and managers, physical investment, and the development of long-term business relationships. It involves time-sensitive shipping, world class telecoms and short-term movement of managers and technicians. Trade in goods is just the most easily measured aspect of this multifaceted, multi-directional commerce.

This more complex international commerce required deeper governance. The GATT/WTO – whose structure was last revised based on an agenda set in 1986 – does not provide sufficient disciplines to underpin to 21st century trade. A governance gap arose.

Rich nations and emerging nations found it mutually beneficial to fill this gap by signing 'deep' free trade agreements and bilateral investment treaties. There are three sets of these in existence – those signed the US (NAFTA-type agreements), those signed by Japan (EPA like agreements) and those signed by the EU (Association Agreements). Some emerging economies have also sought to fill the gap with unilateral 'pro-market' reforms; unilateral tariff cutting and WTO membership are key parts of this.

This outcome is not a disaster for the world trade system, but it has pushed the world back towards the power asymmetries of 19th century trade governance. It also raises many difficult questions.

- Where do the new trade giants – China, India and Brazil – fit in? Will they accept the disciplines set by the old trade giants, or develop their own parallel set of disciplines?
- Is this fragmented form of global governance optimal for the world, or could some of the deeper disciplines be more efficiently organised at the global level? (In the EU, this is called the allocation of competencies question.)
- Will 21st century regionalism undermine the WTO's authority, as the G20 did to the G7, or can the system coexist as the BITs and the WTO have till now?

One thing is clear. The momentum is behind the RTA solution. Unless the WTO membership takes some pretty determined steps, the WTO will find itself stuck at with Marrakesh-type disciplines while deeper disciplines are established by the EU's, the US's and Japan's deep RTAs, with a new sets added when China, India and Brazil internationalise their own supply chains.

This paper – which is a rough draft prepared for a seminar at the WTO in November 2010 – seeks to characterise the deep RTAs as a new type of regionalism that is motive by a new forces. In short, it argues that RTAs are not primarily about tariff preferences – as is the traditional view. Instead, they are about establishing disciplines to underpin the international unbundling of production, especially manufacturing. The paper concludes with some preliminary thoughts on what it means for WTO-centricity in the global trade governance.

2. CHANGING TRADE & ITS GOVERNANCE: THE TWO UNBUNDLINGS

Hookup & set up para maybe:

Village diagram

2.1. The first unbundling & 20th century trade & trade governance

Why did it happen: steam power

Cities&factories digarm

What was results: massive long distance trade”1st wave of globalisation”

Governance was Pax Britannica? Set down marker 19th power system

30 yr war

2nd wave globalisation: Resumption but with even better transportation technology.

Governance: GATT 1947

GATT disciplines were simple since trade was simple.

2.2. The second unbundling and 21th century trade?

Transition that introduces the coordination glue & complex flows inside factory.

- 1st unbundling encouraged scale economies giving rise to large scale factories and industrial clusters; complex flows within factories and clusters.
- Despite low transp costs; clustered due to different type of”glue”. Coordination glue.

ICT etc allows 2nd unbundling

Bays diagram

Complex flows now across borders creating 21st century trade

Deeper disciplines required but WTO otherwise occupied

Governance gap filled by 1st century regionalism.

- Deep RTAs; List new disciplines sorting thru HMS & Balboa
- BITs
- Unilateralism

3. WHAT DIFFERENCE DOES IT MAKE?

The traditional approach to regional trade agreements considers them as being primarily – and in the academic literature, often exclusively – about tariff preferences. As we have just seen, however, preference margins are no longer very large. Moreover econometric evidence on the trade effects of RTAs frequently find that they tend to act more like MFN liberalisation – boosting trade both among RTA members and between them and third nations – than a classic Vinerian situation where tariff preferences inevitable create discrimination (trade diversion).

This section lists the ways in which the 21st century regionalism view leads to differences in the analysis compared to the traditional preference-centric view.

3.1. Economics of 21st century regionalism

The key feature of regionalism in the traditional view is tariff preferences. While the traditional view occasionally acknowledged that non-tariff measures also matter, they were generally thought of as affecting outcomes in a tariff-like manner. This strategic simplification led scholars to rely almost exclusively on the Vinerian framework when studying the economics and political economics of regional trade agreements.

The fact that tariffs are no long very important and many RTAs address a broad range of issues mean that this reliance on the Vinerian paradigm is clearly insufficient and frequently misleading. In short, tariffs are taxes while many of the most important aspects of deep RTAs concern regulation. The analysis of regulatory reform is radically more complex – and often much more dependent on sectoral idiosyncrasies – than tax analysis. It is therefore easy to see that mistakes will be made when using a tax-analysis framework to condition thinking about what is really a regulatory reform.

In the context of RTAs, the standard tax analysis is grouped under the moniker "Vinerian analysis". Here we briefly review the basic economics of the Vinerian framework that underpins the traditional view of regionalism. This is an easy exercise as there are only three elemental effects – all well-known since 1950.

The first general point was made by Adam Smith, what might be called 'Smith's certitude':

> When a nation "exempt[s] the good of one country from duties to which it subjects those of all other … the merchants and manufacturers of the country whose commerce is so favoured must necessarily derive great advantage." (Smith, 1776 as quoted in Pomfret 1997).

Much later Gottfried Haberler (1937) asserted that third nations – those excluded from the preferences – must lose. This can be called 'Haberler's spillover'.

Haberler's spillover and Smith's certitude are the linchpins of the political economy of the traditional view of regionalism. The third basic element was Jacob Viner's famous analysis of the welfare implications for members of an RTA – so-callled 'Viner's ambiguity' (often associated with the terms 'trade diversion' and 'trade creation'). There is a fourth important effect but it is not elemental as it concerns the interaction between preferential and multilateral tariff cutting – the so-called Kemp-Wan theorem first demonstrated by Meade (1955). The Kemp-Wan theorem states that preferential liberalisation which is teamed with of multilateral tariff reform that freezes the RTA's trade with third nations can Pareto improving for every member of the RTA and is weakly Pareto improving for the rest of the world. In other words, if regional and multilateral liberalisation go hand in hand, the negative aspects of discrimination need not arise.

3.1.1. A simple diagrammatic presentation of the traditional view's analytic framework

To demonstrate the basic interactions among the elemental effects, it is useful to have an amenable and flexible analytic framework, especially one that lends itself to graphical analysis.

The simplest framework that meets these requirements is a perfect competition 3-nation model (Home, Partner and RoW) with 3-goods (goods 1, 2 and 3); each nation exports two goods and imports the other good. Since each nation has two sources of imports, tariff discrimination can be a real issue in all markets. For simplicity's sake, the three nations are symmetric in terms of size and the MFN tariff they initially impose.

The two trading equilibriums (regionalism and multilateral free trade) for a typical market (good 1) can be worked out with the help of the 'RTA Diagram' (Figure 1).[1] The diagram shows the export supply curves (marked XS with the superscript indicating the origin nation) for Home's two potential suppliers (two leftmost panels). The horizontal sum of the XS curves is shown in the rightmost panel (as MS_{FT}) along with Home's import demand curve, MD. Under global free trade, the domestic and border price is P^{FT} as shown in all nations for all goods. Assuming all nations impose a specific tariff T on a MFN basis, the internal price in Home is driven up to P while the border price is driven down to P-T for both suppliers. Home imports drop with the reduction divided equally among the two suppliers.

If a free trade area (FTA) is formed between Home and Partner, the total import supply curve becomes the kinked MS_{FTA} curve. (Given the assumed symmetry, an FTA is automatically a customs union.) The resulting internal price fall to P' but there are now two border prices. The border price facing Partner-based exporters rises from P-T to P' while the border price facing RoW firms falls from P-T to P'-T. Partner exports expand while RoW exports contract.

Identical things happen in the market for good 2, but here Home is the exporter and Partner the importer. Nothing happens in the market for good 3 (where RoW is the importer); RoW maintains its MFN tariff. (Here we are ignoring second order effects that would arise from balance of payments considerations.)

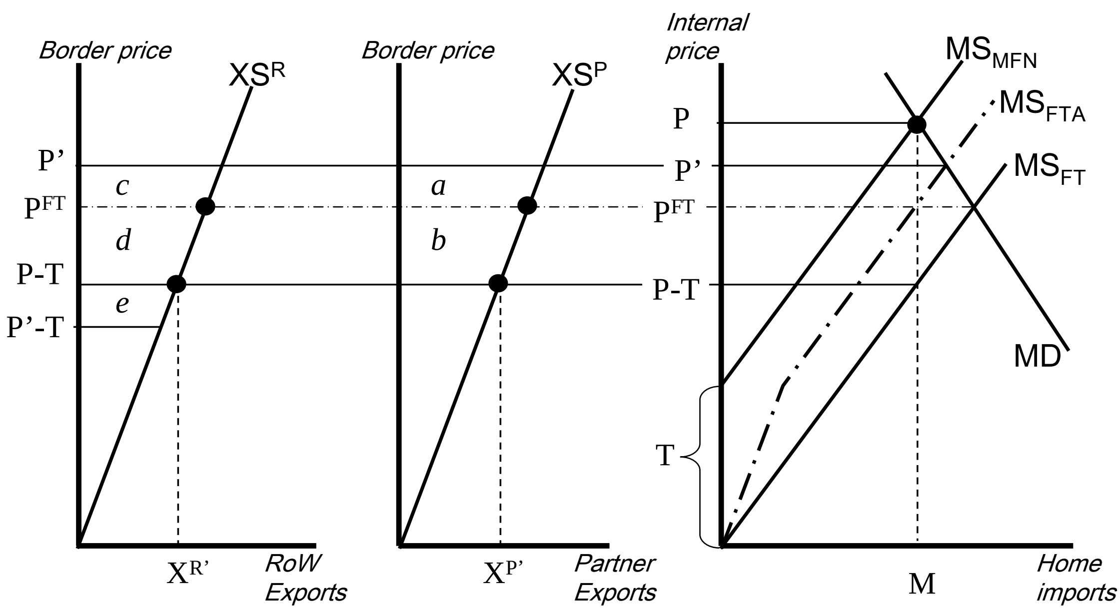

Figure 1: The RTA (Preferential Trade Arrangement) Diagram

Source: Baldwin and Wyplosz (2003 chapter 5).

We see Smith's certitude and Haberler's spillover immediately. Smith's certitude shows up as Partner gains a+b from the higher border price and expansion of exports. Since the FTA is reciprocal and nations are symmetric, Home gains the same in good 2. Haberler's spillover

[1] The analyses for imports of goods 2 (into Partner) and 3 (into RoW) are isomorphic due to the strong symmetry.

shows up in the fact that RoW loses area ‘e’ due to the drop in the border price it faces and the reduction of its exports to Home and Partner.

A critical observation, as far as political economy reasoning in the traditional, preference-centric view is concerned, touches on a decomposition of Smith’s certitude, namely how FTA-based exporters gain from two distinct features of their improved market access. First, the removal of the intra-FTA tariff boosts their market access directly. Second, FTA-based exporters benefit from the reduction in RoW exports induced by the tariff discrimination. The second part of the gain – area ‘a’ in – could be called the ‘preference rent’ since if the tariff cutting were multilateral instead of preferential, FTA partners would gain only ‘b’, not a+b. This preference rent ‘a’ is vulnerable to so-called preference erosion and as such, it plays a leading role in the stumbling block logic.

On the import side (Figure 2), Home gains a trade-volume effect (equal to area A) from expanding its imports, i.e. replacing high cost domestic production with lower cost imports. Home also gains from a border-price effect, i.e. the terms-of-trade improvement against RoW (area B) while losing from the terms-of-trade loss against Partner (area C_1+C_2). Home’s terms-of-trade gain on the export side partly offset the terms-of-trade loss on the import side (D_1=C_1), so Home’s net welfare change is A+B+D_2-C_2.[2] As drawn it looks like Home and Partner gain, but this depends upon elasticities and the initial MFN tariff; in general Viner’s ambiguity holds in this framework.

The net welfare impact on RoW is unambiguously negative (Haberler’s spillover). RoW experiences no change on the import side, but twice loses area ‘e’ (rightmost panel in) – once on its exports of good 1 to Home and once on its exports of good 2 to Partner. The ‘Haberler spillover’ is an externality as far as the global trade system is concerned and as such it plays a central role in the big-think regionalism literature.

[2] Area C_2 might be called the ‘trade diversion’ effect, while D_2 and A might be call the ‘trade creation’ effect but as usual the trade creation/diversion dichotomy is incomplete; here it leaves out the third nation terms of trade gain, B.

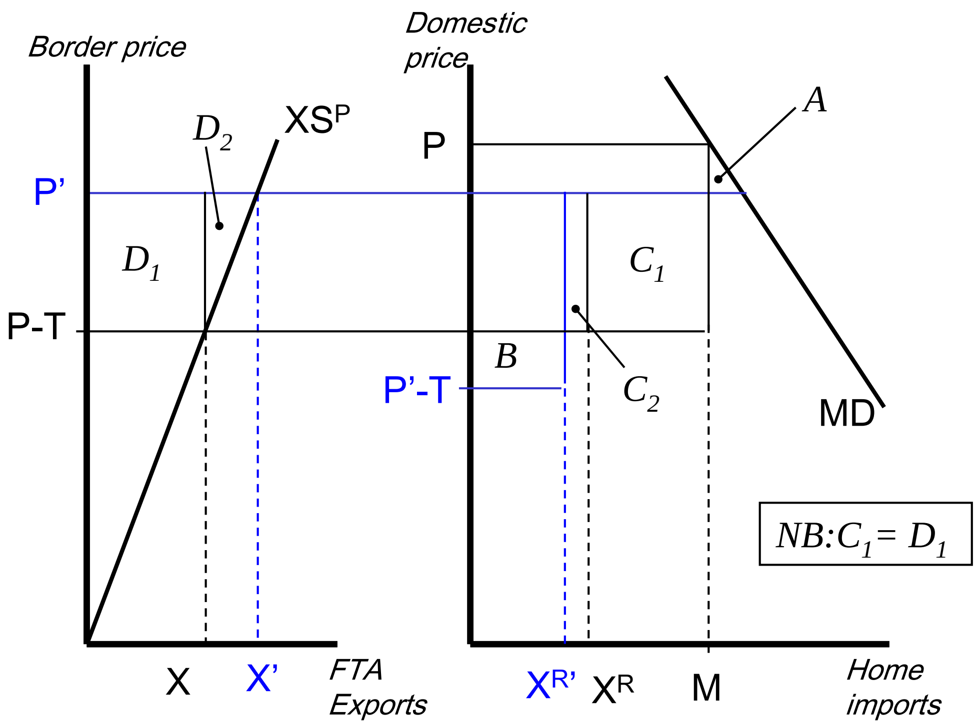

Figure 2: Ambiguous net welfare effects

3.1.2. Economic analysis of RTAs when preferences are not important

This Vinerian framework is seriously lacking when it comes to 21st century regionalism. It places tariff preferences at centre stage when in fact tariff preferences are no longer that important – especially for the new deep North-South agreements. What tends to take first place is the disciplines necessary to underpin the internationalisation of the supply chain. In many cases, this involves Behind the Border Barriers (BBBs), for example, the reduction of frictional border barriers, reductions in the cost of doing business in the affected nations, and the removal of domestic entry barriers. Consider the economics of these in turn.

Frictional barrier liberalisation with and without 'tools of discrimination'

Frictional trade barriers are those that insert a wedge between domestic and foreign prices without creating rents – TBTs are a classic example, but all manner of inferior infrastructure services can also be viewed as frictional barriers. Here are some of the key changes:

- Viner's ambiguity disappears for frictional barriers.

Viner's ambiguity stemmed from the fact that the sign of the sum of $B\text{-}C_1\text{-}C_2\text{+}D_1\text{+}D_2\text{+}A$ was uncertain. With frictional barriers, the domestic price is the border price (i.e. what the nation actually pays for its imports) so the RTA-induced reduction in the domestic price is an across the border terms of trade gain which is added to the positive trade volume gain A.

- Haberler's spillover may disappear for frictional barriers.

There are two points here. When discrimination is possible for frictional barriers – that is when something like rules of origin can be used to apply the liberalisation only to products or firms from the partner nation – preferential liberalisation will continue to harm third nations according to the standard logic of competitive markets. However, the liberalisation may not be preferential in effect, even if it is agreed in a preferential trade agreement. The point is simple.

Many frictional barriers do not support discrimination by their very nature. There are no equivalents or very poor equivalents for rules of origin when it comes to many frictional barriers. For example, poor port services or a lack of world-class overnight package delivery are frictional barriers frequently addressed in 21st century RTAs, but they tend to make importing easier regardless of origin. Likewise, many reforms of standards and regulations in the new RTAs tend to make it easier to do business in the affected developing nation – and not just for the partner nation firms.

The classic example of this is the way in which the EU's Single Market Programme – which the traditional preference-centric view of RTAs and its use of the Vinerian framework suggested would create 'Fortress Europe' – turned out to simulate the EU's external trade as much or more than it stimulated internal trade.

This lack of 'tools of discrimination' is in fact a pervasive feature of many of the deeper elements in RTAs (Baldwin, Evenett and Low 2009).

A second point is that even where the tools of discrimination exist – where the frictional barrier liberalisation can identify firms/products by country of origin – say investors rights in BITs, or financial product liberalisation – there are often easy ways for third-nation firms to free ride on this. All they have to do is set up a legal entity in the partner nation and comply with its regulatory regime. In additional to this, the developing country partners often extend the liberalisation to third nations – either by deciding unilaterally to extend it, or (as in the case of BITs) by signing bilaterals with many foreign nations. This helps the developing nations dilute power asymmetries that arise from North-South RTAs.

Removal of domestic entry restrictions

Many nations maintain entry restrictions that protect particular sectors such as utilities, telecoms, banking, insurance and the like. Deep RTAs often seek to remove or reduce these restrictions. The economic analysis of these has nothing to do with Smith, Haberler or Viner.

Typically customers gain, incumbents (usually domestic firms) gain, and entrants gain. However, the entrants need not be firms located in the partner nation. It may involve other domestic firms, or third-nation firms if discrimination technologies don't exist or aren't applied. For example, many entry restrictions are justified on grounds of prudential regulation. For example, issuing trade insurance is naturally subject to insurance regulation as it is important that customers feel confident that the money will be there if they ever have to make a claim. RTAs may open up this restriction by recognising the partner nation's prudential regulations as sufficient. As before, third nation insurance firms can free-ride on this by setting up a branch in one of the two nations. Alternatively, the developing nation partner may decide to expand the list of regulars it accepts in order to dilute the leverage for insurers in the advanced-nation partner.

The technology transfer aspects of production unbundling and offshoring

More broadly, it is important to note that an important goal of the deep RTAs – ranging from NAFTA and the Single Market to Japan's EPA with Thailand – is to foster the offshoring of low-skill jobs to low-wage nations and high-skill jobs to high-wage nations. This sort of offshoring – more recently called 'trade in tasks' by Grossman and Rossi-Hansberg (2008) – typically involves the application of the rich nation's firm-level technology in the low-wage nation. As such, the impact of this 'trade liberalisation' is not adequately described by standard trade theory; to paraphrase Gene Grossman and Estaban Rossi-Hansberg, it ain't wine for cloth any more. In particular, offshoring frequently involves an element of technology transfer that muddles the usual free-trade-benefits-all-nations logic.

Grossman and Rossi-Hansberg (2008), for example, stressed a special case where low-skilled workers in the high-wage nation actually benefitted from the offshoring of low-skill tasks to low-wage nations. As it turned out, their example is very fragile theoretically (see Baldwin and Robert-Nicoud 2010 for the necessary and sufficient conditions for the various outcomes). Nevertheless, their stark and unintuitive result showed that traditional thinking was insufficient when addressing the sorts of RTAs that are meant to provide international disciplines that foster internationalisation of the supply chain.

3.2. Political economy

Most of the ‘big think’ political economic thinking on RTAs – for example the stumbling block versus building blocks debate, the domino theory, and the penchant for trade-diverting RTAs to be easier to agree – all turn on Smith’s certitude and, above all, on Haberler’s spillover. As we have just seen, these break down for the key non-preferential aspects of deep RTAs (especially frictional border barriers, BBBs, and removal of domestic entry restrictions). This means that thinking about deep RTAs using the traditional framework can lead to misunderstandings and a misdirection of attention to the discriminatory aspects. Subsequent drafts will flesh out this point by reference to specific contributions to the ‘big think regionalism’ literature. Here a few basic points are covered.

Basic nature of the deals

According to the traditional, preference-centric view of RTAs, the foundation of the agreement is an exchange of market access that is sweetened with a bit of discrimination against third nations. We saw in Section **Error! Reference source not found.** that the market access aspects of many RTAs are rather modest at best.

According to the logic presented here, the basic nature of the deep RTA deals – especially the North-South deep RTAs written by the US, EU and Japan – is an exchange of offshored factories in exchange for liberalisation of behind the border barriers (BBBs) and assurances to the offshoring firms that their investments and intellectual property will be safe.

From a political economy perspective, this difference is critical. It means that only nations with advanced technology and world-class manufacturing sectors can play the role of hubs in the system of hub-and-spoke bilateralism that is emerging for deep North-South RTAs. In particular, although China, India and Brazil have large markets – and thus plenty of market-access power – they do not have the factories to exchange for deep BBB liberalisation.

A second critical point is that the very nature of this basic bargain makes it much harder to centralise this sort of liberalisation in the WTO. After all, there are no factories on offer in Geneva. If a developing nation wants to develop its industry as rapidly as Thailand or Vietnam, it has to strike a deal with the US, EU or Japan. Discussing BBB liberalisation in the WTO building would only very indirectly foster the deserved inward investment.

A third point is that the very nature of BBB liberalisation may make it hard to multilateralise. For example, Europe and the US have very different approaches to competition policy. If a developing nation embraces the US model in a NAFTA-like agreement, it may find it very difficult to simultaneously embrace the EU model. Note how different this is from the traditional view of RTAs that focuses mainly, and often exclusively, on tariff preferences. By their very nature, preferences can be easily multilateralised, at least from a technical point of view. Indeed as we saw above, many developing nations have chosen to unilateral erode the tariff preferences by lowering their MFN applied rates.

To put it differently, the traditional RTA perspective views there as being absolutely no practical problems to multilateralising RTAs, and little discussion on the merits of doing so; the key question is whether nations want to do so. (This is the heart of the stumbling/building block debate.) Under 21st century regionalism, the issues are more complex. First, we have the allocation of competencies problem (fiscal federalism). As decades of discussion in the EU have shown, not all economic disciplines are best placed in the hands of the EU; some are more efficiently chosen and administered at the national or sub-national level. Likewise, it is almost surely the case that some of the deeper disciplines are best left to regional or bilateral agreements. Second, multilateralisation is not practical for all the deeper disciplines even if it would be optimal. The crux of the problem is that we are not starting from a clean slate. There are three sets of regulatory and BBB reforms embedded in the US, EU and Japanese RTAs; there is potential that the three systems are incompatible for some deeper disciplines. Such issues never arise under the traditional, preference-centric perspective.

The final political economy difference is the impact that the manifest trend towards unilateral tariff cutting – which is a caused by the same forces driving deep RTAs – has on the WTO. It has often been argued that reciprocal tariff cutting was the fuel for GATT progress. From this perspective, unilateralism has slowed progress by putting a big hole in the fuel tank.

3.3. Role of WTO in world trade governance

The traditional view of RTAs has a series of ‘big think’ implications – all based on fact that in this view, RTAs and GATT/WTO share a line of business, i.e. tariff cutting.

From the traditional perspective, RTAs are mostly about tariff cutting and since this is also one of the GATT/WTO’s main lines of business, RTAs and MTNs are naturally viewed as friends or foes. Deep RTAs, however, include many disciplines that are outside of the purview of Marrakesh disciplines. It is thus possible, and indeed, likely that the new disciplines form an independent system of governance that does not intersect much, or at all, with Marrakesh rules. The global network of BITs is a good example of this, as is the world of customs cooperation and trade facilitation. The world trade system could look like the EU’s old three pillar system where Marrakesh disciplines are share by all, but deeper disciplines are governed by a separate set of rules and institutions.

More on this in the final section.

4. 21ST CENTURY REGIONALISM AND THE WTO

To summarise, 21st century regionalism is not (primarily) about tariff liberalisation. Thus it is not a competitor for one of GATT/WTO main line of business, i.e. tariff cutting so the whole building/stumbling blocks debate is moot. Likewise, it not mainly about setting up new dispute settlement procedures a la International Centre for Settlement of Investment Disputes (ICSID). Thus it is not a competitor for WTO other main line of business (dispute settlement), although the deep North-South RTAs do create new opportunities for the US, EU and Japan to exercise power asymmetries in disputes. What 21st century regionalism is really about is defining new international disciplines necessary to underpin 21st century international commerce, i.e. international production networks and flows of people, things and information that they generate.

This is the challenge to WTO – 21st century regionalism is creating new rules governing international commerce, including international trade. These are being decided outside of the WTO in a setting of massive power asymmetries and without basic principles of non-discrimination and reciprocity in concessions.

4.1. Future scenarios for WTO

Plan A (WTO centricity restored): WTO disciplines updated to match 21st century trade.

- Deeper disciplines added to WTO (a la Uruguay Round)
- New commercial concerns of new trade powers addressed (China, India, Brazil)
- Rich nation exporters renew their political support for WTO.

Plan B (WTO centricity eroded): WTO unreformed, RTAs continue to lead.

- North-North RTAs completed, North-South RTAs continue.
- 3 sets of deeper trade rules (EU, US & Japan).
- Drift back towards a 19th century Great Powers world?
- Scenario B.1: Marrakesh disciplines stay under vibrant WTO; deeper disciplines remain outside (like EU's three pillar structure).
    - As with BITs, parallel development doesn't undermine WTO centrality on Marrakesh issues
- Scenario B.2: WTO credibility withers across the board; bicycle falls over.
    - New trade powers left outside (disciplines not in WTO and they won't sign asymmetric North-South RTAs).
    - Export interests in rich nations switch focus from supporting WTO to supporting RTAs; protectionists start to gain upper hand; perhaps Appellate Body rulings ignored?

4.2. Critical issues/challenges

- Are the new/deeper disciplines imposed by the US, EU and Japanese type agreements consistent with each other?
- Can and should some of these disciplines be brought under the WTO aegis (as government procurement was between Tokyo and Uruguay Rounds)?
- Should the WTO develop some basic guidelines/disciplines on deeper RTAs?
    - Example: Article XXIV disciplines focus on tariffs; what are corresponding disciplines on deeper commitments in North-South RTAs;
    - Another example, GATS Article V set up guidelines for Service FTAs.
- So far, the deeper disciplines are agreed between rich nations, or between rich nations and medium to small emerging markets; how will the new trade giants (China, India and Brazil) fit into 21st century regionalism?
    - Deeper disciplines are de facto emerging from US, EU and Japanese North-South RTAs, will China, India and Brazil simply adopt these, or propagate their own rules?

5. CONCLUDING REMARKS (TO BE WRITTEN)

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