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WTO FACES CLEAR CHOICE IN WORLD TRADE TALKS

The World Trade Organisation must intervene over the massive proliferation of regional agreements that is undermining efforts to strike a multilateral deal on world trade that could deliver billions of pounds of welfare to the world's poorest countries, according to a report to be published by CEPR on Friday 29 February 2008.

The WTO has been an "innocent bystander" to this explosion in regional deals. The organisation, which oversees the current Doha round of trade talks, faces a clear choice between watching as new regional deals add to the tangle of trade rules, and taking action to harness the system into a multilateral friendly system.

The report, *Multilateralising Regionalism: Ideas for a WTO Action Plan on Regionalism*, calls for a WTO Action Plan on Regionalism to steer the world back towards the multilateralist ideal that has guided the world trade system since 1947.

It says that the WTO and its 151 member countries can find a way to restrain the malign elements of regional deals while using their benign elements as a springboard towards a new multilateral arrangement.

Professor Richard Baldwin of the Graduate Institute of Graduate Studies in Geneva, the co-author of the report, said: "Innocence or engagement is the choice. The problem will not go away on its own. A Doha deal will do little or nothing to tame the tangle. What is needed is a WTO Action Plan on Regionalism."

At its heart of the plan is an acceptance that of the reality that regionalism is here to stay. Even if the Doha Round were to finish tomorrow, free trade agreements would continue to proliferate and the motley assortment of rules would continue to get even more tangled.

The report, which was based on a three day conference of academics and trade experts held at the WTO's Geneva headquarters last year, shows that regional deals are a bad way to organise the world's trade system as they conspire to inject both inefficiency and discrimination against poor countries into the multilateral system.

However it also explains how any solution must work with the existing network of 400 regional bilateral and preferential trade agreements regionalism, not against it. The solution must multilateralise regionalism. The report also criticises member countries of the WTO for failing to use legal remedies available to them to challenge and review RTAs.

The action plan outlined in the report calls for:

- Quicker and more detailed disclosure of the start and extent of negotiations on regional trade agreements.
- A WTO-sponsored forum for small countries to exchange experiences of RTAs.
- The creation of a WTO advisory centre on RTAs for developing countries.
- Voluntary guidelines on disciplines for new RTAs and modifications of existing ones.
- Harmonisation of key elements of RTAs, such as “rules of origin” to create templates for existing and new deals.
- Encourage the adoption of “most favoured nation” (MFN) clauses in future RTAs that give other countries the protections offered by the RTA.
- Encourage countries to lower their MFN tariff rates on goods that dominate inter-regional trade.

Phil Thornton, lead consultant at Clarity Economics and co-author of the report, said: “The hope contained in this book is that the WTO membership can find a way to harness the malign elements of regional deals and use the benign elements of some of them as a springboard towards a new multilateral arrangement.”

ENDS

Multilateralising Regionalism: Ideas for a WTO Action Plan on Regionalism, CEPR 2008

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Notes to editors:

1. *Multilateralising Regionalism: Ideas for a WTO Action Plan on Regionalism* was written by Professor Richard Baldwin of the Graduate Institute of International Studies in Geneva and Phil Thornton, lead consultant at Clarity Economics in London.
2. It is published by the Centre for Economic Policy and Research and was based on a 10–13 September 2007 conference in Geneva jointly organized by GIIS and the WTO Secretariat with the help of CEPR.
3. It was financed by the generous support of the GIIS, the Swiss Government, the NCCR Trade project (IP3), the UK's Department for Business, Enterprise and Regulatory Reform (BERR, formerly DTI), the World Bank, the Inter-American Development Bank, and the Asian Development Bank; CEPR and the WTO Secretariat provided important support in-kind.

About the authors:

Richard Edward Baldwin has been Professor of International Economics at the Graduate Institute, Geneva, since 1991 and Policy Director of CEPR since 2006. He was Co-managing Editor of the journal *Economic Policy* from 2000 to 2005, and Programme Director of CEPR's International Trade programme from 1991 to 2001. Before that he was Senior Staff Economist for the President's Council of Economic Advisors in the Bush Administration (1990-1991). Prior to going to Geneva, he was Associate Professor at Columbia University Business School, having done his PhD in economics at MIT with Paul Krugman. He was visiting professor at MIT in 2002/03 and has taught at universities in Italy, Germany and Norway. He has also worked as consultant for the European Commission, OECD, the World Bank, EFTA, USAID and UNCTAD. The author of numerous books and articles, his research interests include international trade, globalisation, regionalism and European integration. He is editor-in-Chief of *VoxEu.org*.

Phil Thornton is lead consultant at Clarity Economics, a consultancy and freelance writing company he set up after a 15-year career as a business journalist for newspapers and news agencies. Clarity Economics (www.clarityeconomics.com) looks at all areas of business and economics including fiscal policy, tax and regulation, macroeconomics, world trade and financial markets. Most recently he was Economics Correspondent at *The Independent* newspaper of London between 1999 and 2007.

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