

Plurilateralism: The Key to Saving the World Trade Organization and Boosting Global Trade Liberalization?

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In the field of international trade negotiations, the key aspect of the decades 2000 and 2010 has been the failure of the Doha cycle and the continued expansion of bilateral and regional trade agreements. This article shows, in light of past and present experiences with plurilateral agreements, that plurilateralism, now in the throes of rehabilitation, may be an effective way to boost international trade relations. At the end of our analysis, however, the clear fact is that at the present time, not all the necessary conditions are there and ready for plurilateralism to be taken on board and shared by all members of WTO. Future plurilateral agreements will, in particular, need to focus on themes likely to interest the lesser developed countries, most notably the poorest, which to date have been sidelined from this form of organization in international trade. More generally, the access of these countries to plurilateral agreements will have to be made easier.

Introduction

After more than ten years of global trade negotiations conducted as part of the Doha cycle, the 160-member countries of the World Trade Organization (WTO), meeting at the ninth Ministerial Conference held in Bali in December 2013, signed an initial wide-ranging agreement. The “Bali package” comprises three sections: agriculture, with the authorization to build public stocks for food security purposes; the facilitation of trade aimed at simplifying and speeding up customs procedures; and measures for Least Developed Countries (LDCs), including preferential treatment and market access. However, we should not overestimate the scope of this agreement, which ultimately represents only 10 percent of the original Doha program. Indeed, the fundamental questions relating to freer trade for goods and services remain.

Faced with the difficulties encountered with global trade negotiations, many countries have now deferred Regional Trade Agreements (RTAs), e.g., NAFTA, MERCOSUR, ASEAN, etc. As of June 2014, WTO had recorded 585 RTAs, of which 379 were in effect. On average, each WTO member country was party to more than three RTAs. The most recent initiatives include the draft Transatlantic Trade and Investment Partnership (TTIP) and negotiations for the Trans-Pacific Partnership (Table 1). Even though RTAs are recognized by WTO, regionalism nonetheless remains a threat to liberalizing global trade in that it could lead to fragmenting the whole international trading system (Bhagwati 1995).

In this context, the signing of plurilateral agreements that assembles a limited number of WTO member countries is today considered by some as one of the ways forward to emerge from the impasse of WTO trade negotiations while at the same time form a defense against regionalism.

In the field of international trade, a plurilateral agreement designates more specifically an agreement bringing together a limited number of countries (at least three) that

1. I wish to thank the two anonymous reviewers for helpful comments on a previous draft. All remaining shortcomings and errors are my own.

Table 1. Projects of Mega-Regional Trading Blocs

Project	Countries Taking Part in Negotiations	Objectives
Trans-Pacific Partnership (TPP)	Brunei, Australia, Canada, Chile, United States, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore, Vietnam	To facilitate market access by scrapping tariff and non-tariff barriers to trade and investment. To facilitate the development of production and supply chains between member countries. To encourage trade and investment in the sector of innovative products and services.
Transatlantic Trade and Investment Partnership (TTIP)	United States, European Union	To fully suppress customs duties, with the exception of "sensitive products" that are essentially agricultural commodities. To reduce non-tariff trade barriers. To harmonize technical standards and rules. To provide greater liberalization of services. To provide easier access to public sector markets. To liberalize investments.

Source: author

have agreed on common rules in order to facilitate and work for fairer trade in a particular field.² According to this definition, plurilateralism is akin to a form of "mini-lateralism." It should also be made clear that plurilateralism sets itself apart from firstly universalism, advocated by the WTO, which is charged with organizing the global liberalization of trade, and secondly regionalism; plurilateral trade agreements (PTAs) are sectorial or issue-based while regional trade agreements are country-based (Nakatomi 2013). An RTA covers many fields, ranging from the trade of goods and services to investment, from intellectual property rights to technical standards and rules, whereas a plurilateral agreement concerns one specific field.

The return to favor of plurilateralism starkly contrasts with its deletion prior to the signing of the Uruguay Round Agreements. As we were reminded by Jean-Marc Siroën, (2010:13), "In the name of multilateralism, Uruguay Round negotiators were keen to reduce, not to say delete, plurilateral agreements that engaged signatory countries only." After the conclusion of the Uruguay Round cycle, there remained, nonetheless, four plurilateral agreements inherited from the Tokyo Round (cf. appendix): the Agreement on Trade in Civil Aircraft, the Agreement on Government Procurement (GPA), the International Dairy Agreement, and the International Bovine Meat Agreement. These plurilateral agreements were figured in the annex to the WTO establishing agreement to conform with a provision of Article X-9, which stipulates that "the Ministerial Conference, upon the request of the Members party to a trade agreement, may decide exclusively by consensus to add that agreement to Annex 4."³ A fifth plurilateral agreement, the Information Technology Agreement (ITA), was adopted prior to the Ministerial Conference of Singapore in 1996. Today, only three plurilateral agreements remain: the Agreement on Trade in Civil Aircraft, the GPA, and the ITA. The other two agreements were revoked in 1997 in conformance with a provision of Article X-9 of the agreement establishing the WTO, which stipulates that "the Ministerial Conference, upon the request of the Members party to a Plurilateral Trade Agreement, may decide to delete that Agreement from Annex 4." At the time, the countries that had signed these agreements felt the sectors concerned would be handled more effectively within a global framework.

2. More generally, plurilateralism may be defined as "a shared interest among a limited number of governments that brings these together for interconnection" (Cerny 1993).

3. This provision makes reference only to plurilateral agreements in the strict sense of the term. Alongside these agreements, we find plurilateral commitments focusing on the multilateral framework of the WTO. These include the "Financial Services Agreement" and the "Basic Telecommunications Agreement."

A number of recent reports and studies call for plurilateralism (Sutherland Commission 2006; Warwick Commission 2007; the Bhagwati-Sutherland Report 2011; WTO 2013). Thus, the Warwick Commission proposed to ease the obligation-related single undertaking, which stipulates that every item of a global round of negotiations conducted by WTO is part of a whole and indivisible package and cannot be agreed upon separately (“nothing is agreed until everything is agreed”). The commission also proposed to introduce additional elements of “variable geometry,” authorizing the implementation of partial trade agreements on a plurilateral basis between several WTO member countries. For its part, the stance defended in the report by Jagdish Bhagwati and Peter Sutherland is slightly more qualified: “While tariff reductions and the dismantling of non-tariff barriers can of course be achieved in other negotiating formats, the multiplier effect of a multilateral agreement is considerably higher” (Bhagwati and Sutherland 2011: 10).⁴

Recent academic literature on this subject endeavors primarily to make a general cost-benefit analysis of plurilateralism. Thus, Raymond Saner (2012), Michitaka Nakatomi (2013), Peter Draper and Memory Dube (2013), Bernard M. Hoekman and Petros C. Mavroidis (2013), and Michael Trebilcock (2014) produce a cost-benefit analysis of plurilateralism compared with other forms of trade organization, i.e., universalism and regionalism. Other authors (Scott and Wilkinson 2012; Woolcock, 2013) showcase the benefits and the drawbacks of plurilateralism for emerging countries. The principal conclusion from these works is that plurilateralism may constitute a credible alternative in international trade organization, but it is not a panacea. As an extension to earlier works, the present article, in light of past and present experiences with plurilateral agreements, sets out to ascertain the extent to which the plurilateral path of trade liberalization is likely to give a new boost to global trade liberalization.

The ongoing debate over plurilateralism is not solely academic, as it also focuses on concrete projects, including the liberalization of the trading of services and the liberalization of environmental goods. About twenty WTO member countries, the “Really good friends of Services,” effectively opened trade negotiations in the spring of 2013 with the aim of reaching a plurilateral services agreement (known as the Trade in Services Agreement or TISA). More recently, fourteen WTO member countries began negotiations with a view to liberalize environmental goods.

This article is placed in a historical perspective to study the links between plurilateralism and the global liberalization of trade. From my study of the main plurilateral agreements, current and past, it emerges that the signing of nondiscriminatory plurilateral agreements, ratified by WTO and involving a large number of countries (a “critical mass” of signatories), boosts international trade. I show, however, that the development of plurilateralism is not without risk for the system of international trade. I then conclude that future plurilateral agreements will need to focus on themes likely to interest the greatest number of countries, including lesser developed countries, whose involvement will have to be encouraged and facilitated by, among other things, administrative and financial assistance.

This paper is organized as follows: The first section presents the forms of plurilateralism. The second section shows plurilateralism can be an effective instrument to boost global trade liberalization and save WTO. The third and final section examines the potential risks linked to the development of plurilateralism.

The Forms of Plurilateralism

Plurilateral trade agreements come in forms that fan out along a number of criteria. The first relates back to the positioning of these agreements with respect to WTO. A plurilateral

4. The plurilateralism debate falls within a larger debate concerning the reform of WTO governance. Amongst the proposals to modify the current rule of consensus is a plan whereby certain WTO members, as an extension to the Sutherland report (2006), may elect to contract more or fewer obligations. In a way, this measure would be tantamount to officialising “*de facto* variable geometry” resulting from the forming of coalitions within WTO. According to Lawrence (2006), the option consisting in creating “clubs” within WTO (the so-called “club of clubs” option) would help provide an effective response to the diverging interests of WTO members.

agreement may be reached within or outside the framework of WTO. The advantages of the first option are to facilitate the future universalization of the agreement and to better protect the rights of WTO member countries that do not sign the agreement, thanks mostly to the application of WTO dispute settlement procedures. Article II.3 of the agreement establishing WTO states that “plurilateral trade agreements do not create either obligations or rights for members that have not accepted them.” The agreements inherited from the Tokyo round and the ITA are agreements of this type (cf. annex). The second option is less constrictive. A plurilateral agreement reached outside the framework of WTO cannot claim to become an “international standard.” The legal and political clout of plurilateral agreements reached outside WTO is weaker than that of agreements concluded within the organization. In other words, the former come under nonbinding international law and the latter under binding international law. But plurilateral agreements not drawn up in the framework of WTO are less transparent, inasmuch as WTO members who are not contracting parties to an agreement of this type do not take part in negotiations. The anti-counterfeiting trade agreement (ACTA) is to date the only plurilateral agreement drawn up outside the framework of WTO (cf. annex).

The parties now engaged in discussions over a plurilateral agreement for services will have to choose one of the two options mentioned above. We should note that the option of negotiating the agreement within the WTO framework would comply with Article 5 of the GATS.⁵

The second criterion for the differentiation of plurilateral agreements relates to the application, or not, of the MFN (most-favored nation) clause. A plurilateral trade agreement reached within the framework of WTO, under which the commitments subscribed to by signatory nations benefit all WTO members, including those who have not signed it, helps to avoid trade distortions. The ITA is an example of agreements based on the MFN clause. Inversely, a plurilateral agreement negotiated within WTO and which does not extend its benefits to countries that have not signed up helps avoid the problem of free-riders. The GPA, the International Dairy Agreement, and the International Bovine Meat Agreement are examples of this type of agreement.

The experience gained with plurilateral trade agreements reached to date shows how extremely diverse they can be. Given this experience, we see that certain issues, such as the integration of plurilateral agreements within the scope of WTO, the application of the MFN clause, or the utilization of the dispute settlement procedure, are crucial when seen in the perspective of making plurilateralism an exit route from the deadlock in which current global trade negotiations now find themselves.

Plurilateralism: An Effective Instrument to Boost Global Trade Liberalization

The theory according to which plurilateralism might constitute “a solution to the impasse of WTO/DDA as well as a basis for future trade agreements within the WTO context” (Saner 2012: 25) is gaining ground, especially in academic circles (WTO 2013). The study of plurilateral agreements, past and present, will help to validate this thesis. This study will show more precisely that several of these agreements have promoted or continue to promote the global liberalization of trade. This is particularly true with agreements signed within the framework of WTO or its predecessor, the GATT.

To date, the most compelling experience regarding plurilateral agreements that have spawned the adoption of universal trade rules is that of the Tokyo Round Codes. Set up in 1980, these were codes of conduct of a plurilateral nature engaging primarily OECD countries and aimed at lowering nontariff barriers (subsidies, anti-dumping duties, import licenses, technical standards, and rules) and at liberalizing certain sectors (bovine meat, dairy sector, civilian aircraft and public sector markets). At the Uruguay Cycle, several of these codes were transformed into universal trade rules accepted by all WTO members. Only four of them remained plurilateral (cf. page 48).

5. Article 5 stipulates that the GATS “shall not prevent any of its Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement.”

The ITA and GPA experience has also shown that with the beneficial effects of plurilateral agreements (increased trade between signatory member countries and potentially between agreement members and third-party countries whenever the MFN clause is applicable, improved competitiveness, or stimulation of economic growth), there is a galvanizing effect on the global liberalization of trade, a dynamic which, more often than not, results in new members joining existing agreements (here we find the “domino effect” evidenced by Baldwin [1993] to characterize the dynamic of regional trade agreements). Thus, the ITA, originally signed by twenty-nine countries, now has seventy-four members. Likewise, the GPA, which was initially signed by twenty-two countries, now includes forty-three countries.

Using the experience of the GPA and the ITA, we are going to evidence more specifically the mechanisms through which the beneficial effects of plurilateral agreements translate to an increase in trade worldwide.

The main objective of the GPA is the mutual opening of government procurement between agreement members. After several rewrites of the initial agreement dating back to 1981, the forty-three current members have opened procurement activities to international competition for an estimated annual value of \$1,700 billion, i.e., 2.3 percent of world GNP. Given the GPA’s discriminatory nature, only the suppliers from signatory countries enjoy the benefits of the agreement. In opening up government procurement to international competition, the GPA has stimulated not only the trading of goods and services between members but also the sales of foreign-affiliate firms located in each member country. This fact applies in particular to European countries. For instance, a study conducted by the European Commission (2011) shows that in EU countries, all members of the GPA, direct cross-border government procurement (contracts awarded by the government procurement agents of one EU member country to companies from another member country), represent 3.6 percent of the total value of European government procurement open to tenderers from countries that are party to the GPA, that is nearly €26 billion p.a. in the form of intra-EU trade in goods and services. According to this same study, the percentage of cross-border government procurement rises to 17.5 percent when considering indirect cross-border government procurement, contracts won by foreign-based firms through the intermediary of subsidiaries operating in EU member countries, and even to over 30 percent when taking into account imports from local distributors or agents who work on behalf of an adjudicating entity.

These results clearly show that the GPA has facilitated access to procurement “not merely in terms of cross-border sales by foreign-based companies but also, very much, in terms of the sales of foreign-affiliated firms located within the territories of GPA Parties” (Anderson et al. 2011: 20).

Furthermore, the GPA has helped to enhance the transparency of government procurement and has strengthened competition in these markets, leading to lower prices and higher quality. The result has been savings and/or additional public investments thereby promoting economic growth and employment. Stronger economic growth has then stimulated trade by all members of the GPA via an increase in their imports. In the end, we have seen the set-up of a virtuous circle between economic growth and international trade. In this way, the implementation of European directives affecting government procurement, which, let us remember, integrate the prescriptions of the GPA, have enabled EU public entities to achieve savings and/or additional government spending of over €20 billion out of the €420 billion of government procurement published annually at the European level. This has generated increases in terms of GNP, employment, and commercial trade of between 0.08 and 0.25 percent after one decade (European Commission 2011).

Econometric studies have confirmed that the GPA has boosted all trade in goods and services among member countries. In a study focusing on twenty OECD countries (seventeen of whom are GPA members) between 1996 and 2008, Hejing Chen and John Whalley (2011) use

a gravity model⁶ to evidence the effects of the GPA on bilateral trade for these countries. The findings show that GPA exerts a positive influence on the total trading of goods and services for the countries under consideration. For example, bilateral exports of merchandise between OECD countries are 31 percent higher than they would be without the GPA, while the bilateral exports of services are 145 percent higher than they would be if the GPA did not exist. Actually, GPA has a stronger effect on the trading of services than on the trading of merchandise. One possible explanation is that a significant share of government procurement in GPA member countries is concentrated on services.

We have just seen that GPA promotes the globalization of trade in goods and services. Now what about the ITA?

In abolishing tariffs on information and technology (IT) products, ITA has promoted the trade of these goods not only between member countries but also on a world scale. For instance, a study made by WTO (2012) for the fifteenth anniversary of ITA indicates the existence of a positive correlation between increased trading in IT products—in 2010, ITA participants accounted for 96 percent of exports worldwide amounting to \$1,400 billion, almost three times their 1996 value—and the massive elimination of tariffs resulting from the agreement. Through the application of the MFN clause, many emerging countries that are not members of ITA have also benefited from this plurilateral agreement. This is particularly the case with Mexico and Brazil. For instance, Mexican exports of IT products rose by 295 percent between 1996 and 2010, and Mexico has now become the ninth leading worldwide exporter of IT products. Additionally, on the importation front, Mexico has unilaterally set up an “ITA Plus,” which has abolished tariffs on inputs and final goods in the electronics and IT sectors. The fall in price of imported inputs has now given Mexican producers and exporters a distinct competitive advantage. Lastly, Mexico has also benefited from concessions granted under the NAFTA, in the knowledge that the major part of the country’s exports of IT products are bound for the North American market. Over the same reference period of 1996–2010, Brazilian exports of IT products have almost quadrupled.

Over and above observing the correlation between scrapping tariffs for IT products under the effect of ITA and growing the worldwide trade of these items, we ought to specify the mechanisms through which this trade agreement has promoted world trade (not only IT products but also all goods and services). We should point out, as WTO noted in its *World Trade Report of 2007*, that it is unfortunately impossible to estimate exactly the overall incidence of ITA on the world trade of IT products. This is on account of there being no specific starting date marking the full implementation of all commitments made under ITA and because of the significant varying exchange rates and prices of IT products. (In order to neutralize price effects, trade flows must be expressed in real terms. However, for this product category we still do not dispose of data concerning real commercial flows.)

ITA has influenced international trade through direct and indirect effects. The direct effect relates to the increasing trade of IT products among agreement signatories resulting from scrapping tariffs. To estimate the scope of this direct effect, we have used a simple method based on price elasticity with respect to demand for imports. The average rate of tariffs applied by all the original participants prior to ITA was 6 percent. At the end of 1996, the imports of IT products among future ITA members came to \$520 billion. And price elasticity with respect to demand for imports with ITA member countries was 1.3. If we consider that tariffs were scrapped in one fell swoop, the increase in the initial demand for the importation of IT products with ITA member countries reached almost \$41 billion ($1.3 \times 6 \text{ percent} \times 520$). The results of estimations of effects of ITA on the trading of IT products amongst member countries, made using gravity models, confirm that ITA has triggered the creation of traffic (Bora and Liu 2006;

6. Inspired by Newton’s law of gravity, the gravitational model implies the idea that bilateral trade flows are proportional to the product of the GNP’s of the two countries considered and inversely proportional to the geographic distance between them. Control variables for the effects of regional and/or plurilateral agreements are usually added.

Mann and Liu 2007; Sato 2014). Thus, according to Catherine L. Mann and Xuepeng Liu, a non-ITA WTO member imports on average 14 percent more from WTO members if it joins ITA (the effect is greater when the country adhering to ITA is a developing country).⁷

Alongside the previous effect, ITA has also exerted indirect effects on international trade via, the diffusion of IT goods that have become more affordable owing to the scrapping of tariffs and to the fall in the cost of imported IT inputs. These two phenomena have then helped to increase the productivity and competitiveness of firms in ITA member countries, hence stronger economic growth and an increase in the general exports of goods and services. Empirical studies have shown that the contribution of information and communication technologies (ICTs) to the growth of the global productivity of factors and to economic growth is high in most countries. Thus, according to Khuong Vu (2005), a rise of 1 percent in ICT capital stock would, on average, add around 0.45 of a percentage point to growth in GNP.

From the previous analysis, the understanding emerges most clearly that GPA and ITA have contributed to expanding world trade for goods and services.

To finish, we should note that, as opposed to previous agreements, plurilateral agreements reached outside WTO constitute a threat for the global trading system. In this way, ACTA (the goal of which is to set up international standards in the fight against counterfeiting in order to upgrade the protection of intellectual property) comprises a certain number of provisions incompatible with the multilateral agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the WTO accord that guarantees intellectual property rights. Thus, implementing ACTA restricts the diffusion of generic drugs via the reinforcement of frontier controls (some generic drugs might effectively be assimilated with counterfeit products owing to the relatively broad definition of the notion of counterfeit used by ACTA), whereas the TRIPS agreement enables poor countries to import, under certain conditions, generic versions of patent drugs.

At the end of our analysis, we may conclude that plurilateral agreements signed under the aegis of WTO and extending their benefits to WTO members who are not party to these agreements promote the global liberalization of trade. The path to be taken at the negotiating table for future plurilateral agreements is clearly marked out. It is the path taken, in particular, by WTO members engaged in discussing an agreement over liberalizing services planning to reach a plurilateral agreement but with a global purpose. To this end, a good number of these countries feel that GATS should form the bedrock of the future plurilateral agreement. As emphasized by the European Commission (2013:2), "By staying close to the GATS, it could be easier to convince countries that were active in the DDA negotiations to join the initiative, either during the negotiations or later on."

Besides services, several other areas may be at the center of plurilateral agreements. We can identify more precisely six such themes: currency undervaluation, climate and energy, "zero-for-zero" tariffs,⁸ environmental goods, world value chains, and state-owned and state-supported enterprises. Table 2 presents the major characteristics of projects and recent proposals for the creation of plurilateral trade agreements. Negotiations to conclude a plurilateral agreement for environmental goods began in July 2014.

In view of the previous analysis, it is clear that well-led and well-conceived plurilateral agreements can help strengthen global trade liberalization. Open plurilateralism can serve the cause of universalism, although its development is not without risk for the system of international trade.

The Potential Risks of Plurilateralism

Notwithstanding the previous benefits, plurilateralism has several drawbacks. The first relates to distributing gains between the countries that sign up to plurilateral agreements.

7. The customs duties applied by developed countries to IT products were low even before the implementation of the ITA. For these countries, the scrapping of customs duties when the agreement came into effect did not lead to any high increase in the importation of IT products.

8. The expression "zero-for-zero" means that the signatories of the agreement agree to totally do away with tariffs (i.e., zero consolidation).

Table 2. Major characteristics of projects and proposals for the creation of plurilateral agreements

Subjects	Situation end December 2014	Objectives
Services	Negotiations ongoing between the 21 "Really good friends of services"	<p>To reach a plurilateral agreement with multilateral designs (the agreement would be compatible with AGCS) aimed at fully liberalizing the trading of services between members.</p> <p>A desire to reach a comprehensive agreement; negotiations will focus on all services, including IT and trade services, financial services, and corporate services.</p> <p>Exceptions would concern solely services linked to the exercising of national sovereignty (military contracts, for example).</p> <p>Safeguard measures would be provided for whenever a home service sector might be seriously affected by foreign competition.</p>
Environmental Goods	Negotiations ongoing between 14 WTO member countries	<p>To liberalize the trade of environmental goods:</p> <ul style="list-style-type: none"> —Lowering customs duties for environmental goods (54 goods pertaining to the areas of green growth have been identified) —Reducing nontariff barriers
Climate/Energy	A proposal likely to interest the United States, Canada, Mexico, the EU, Japan, Australia, and New Zealand	<p>To take account of questions relative to the link between international trade and the environment (Hufbauer 2012):</p> <ul style="list-style-type: none"> —Setting rules for authorized subsidies to encourage green energies and a reduction in greenhouse gas emissions —Setting rules for carbon adjustments at frontiers —Limitation of local content obligations for green energy projects financed directly or indirectly by the state —The elimination of barriers on the importation of goods and services that help to reduce greenhouse gas emissions —An obligation to adopt standards for greenhouse gas emissions that will not prove discriminatory toward the importation of goods and services
Zero-for-Zero Tariffs	A proposal likely to interest around 20 countries	To pursue liberalization on a reciprocal basis regarding tariffs for the following products: chemicals, electronic goods, and environmental goods.
State-Owned and State-Supported Enterprises	Proposal	<p>To improve the transparency of operations conducted by public corporations and government-supported companies:</p> <ul style="list-style-type: none"> —The publication of annual accounts in compliance with international standards (these accounts should clearly indicate subsidies and other forms of aid paid by governments) —An obligation to respect rules concerning the opening of public-sector markets as scheduled by WTO's GPA
World Value Chains	Proposition	<p>The necessity to support the globalization of economic activity:</p> <ul style="list-style-type: none"> —Faced with the proliferation of RTAs and the resultant overlapping of the original trading rules, there is a need to harmonize and coordinate the procedures to which companies within world value chains are submitted —A plurilateral agreement could serve as a basis for the definition of multilateral rules.
Currency undervaluation	Proposition	<p>To make good the inadequacies of the multilateral systems proposed by IMF and WTO (WTO has no competence over exchange rates and surveillance by IMF has been weak to date).</p> <p>To judge the merits of accusations of monetary dumping and, if relevant, define the appropriate measures that countries victims of this unfair trading practice could adopt.</p>

Source: author

From existing plurilateral agreements, there effectively emerges the fact that gains are unfairly distributed between signatory countries. The unfair distribution of gains between the member countries of plurilateral agreements, in keeping with everything learned from

theories of international specialization, stems from differences in comparative advantages and size of country. For instance, according to the results of our statistical study aimed at estimating the revealed comparative advantages for the main ITA member countries (Table 3), the main beneficiaries of the agreement in terms of exports were the countries holding the greatest comparative advantages in this field (China, Korea, Malaysia, and Singapore). By contrast, the countries with comparative disadvantages generally recorded a drop in exports. This is particularly the case of the European Union (over the period between 2005 and 2010) and Canada.

In the light of previous results and in keeping with the theory of comparative advantages, we may consider that the U.S., the EU, and Japan, which today boast significant comparative advantages in the services sector, should therefore be the main winners from the signing of a plurilateral agreement in this sector (according to Hufbauer, Jensen, and Stephenson [2012], with the said entities recuperating 60 percent of the total rise in exports, table 4). Likewise, emerging countries, which have comparative advantages in the production of electronic goods, should profit largely from a plurilateral agreement in that particular area (Table 5).

Table 3. Comparative advantages in the production of IT products and growth in the exportation of the same from the main exporting member countries of the ITA

Country	Revealed Comparative Advantage (Balassa Method) 1996, 2005, 2010	Percentage of Variation in Exportations 1996–2010, 2005–2010
Canada	0.59, 0.36, 0.28	-22.6, -28.9
China	0.80, 2.46, 2.96	+3320, +106.9
EU	0.69, 0.69, 0.53	+57.3, -19.7
Japan	1.86, 1.56, 1.25	+3.2, -14.4
Korea	1.80, 3.16, 2.40	+282.4, +25
Malaysia	2.56, 3.85, 3.53	+178.8, +7.7
USA	1.57, 1.10, 1.00	+230
Singapore	2.75, 4.01, 3.55	+221.5, +17.9

Note: Balassa index= (Country IT exports/Country total exports)/ (World IT exports/world total exports) If the index is superior (respectively inferior) to 1, the country has a comparative advantage (respectively disadvantage) in the production of IT goods.

Source: the author's own calculations based on data supplied by WTO

Table 4. Plurilateral Services Agreement: listed exports and estimated increases (\$billions)

Exporting Countries	Service Exports to other countries taking part in negotiations, 2008	Total Services Exports, 2008	Estimated Rise in Exports to Other Countries Signing the Agreement*
Australia	26	45	3
Canada	57	68	6
Chile	3	11	0
Colombia	0	4	0
European Union	454	764	21
Hong Kong	58	92	1
Japan	116	148	13
Korea	50	91	9
Mexico	18	18	5
New Zealand	5	9	0
Norway	38	45	0
Pakistan	3	4	1
United States	339	532	14
Singapore	35	100	1
Switzerland	90	78	2
Taiwan	20	37	1
Total	1312	2045	78

*Effect of a 50 percent reduction in tariff equivalent barriers between ISA countries.

Source: G.C. Hufbauer, J.B. Brandford, and S. Stephenson (2012)

The second risk, and certainly the most sensitive at the present time, is that the development of plurilateralism results in a growth in asymmetries in international economic relations, excluding or marginalizing the least-developed countries (Scott and Wilkinson 2012; Narlikar 2012). Plurilateralism may then promote the emergence of a multitiered trading system. Experience in plurilateral agreements effectively shows that the areas on which plurilateral trade negotiations tend to focus are chosen by the countries with the greatest clout in world trade. Areas such as services or trading in IT products are of deep interest to these countries but are hardly relevant for the vast majority of lesser developed countries. Likewise, the low number of countries that joined the Dairy Agreement, the International Bovine Meat Agreement, and to a lesser extent GPA, shows the unwillingness of nonmember countries to apply to join existing plurilateral trade agreements. For example, the lack of appeal seen with GPA for emerging countries stems on the one hand from the fact that opening up public markets on a reciprocal basis, such as that conceived by the agreement, places these countries in an unfavorable situation given the “asymmetries in the size of markets and ability to supply procurement markets” (Woolcock 2013: 4) and on the other hand from the absence of specific provisions for Special and Differentiated Treatment (emerging countries being particularly keen to maintain preferential procurement programs in order to support their infant industries).⁹ From past experiences, we might then conclude that the universalization of plurilateral agreements is all the easier in that the subjects concerned by plurilateral negotiations interest, *a priori*, the greatest number of countries. Given the evolution of the balance of power within WTO, in particular rising coalitions of developing countries (cf. notably the G21), draft plurilateral agreements today can no longer emanate from developed countries alone. As stressed by Woolcock (2013: 6), “The experience with the GPA shows clearly that leadership of like-minded OECD countries in negotiating a high standard agreement by no means guarantees there will be followers.”

Table 5. The increase in trade for twenty-two countries applying zero-for-zero tariffs in three sectors (\$billions)

Country/Region	Chemicals (Imports, Exports)	Electronic and Electrical Goods (Imports, Exports)	Environmental Goods (Imports, Exports)
22 countries	15.4, 12.8	35.4, 33.5	6.3, 4.5
Developed countries	4.2, 8.1	6.6, 16.3	1.2, 3.1
Emerging countries	11.2, 4.8	28.8, 17.2	5.1, 1.4
European Union	1.4, 3.3	3.0, 5.7	0.3, 1.4
Japan	0.2, 2.2	*6.5	*0.9
United States	2.3, 2.1	2.6, 3.4	0.6, 0.6
Brazil	1.0, 0.1	3.9, 0.1	0.5*
China	4.5, 1.3	11.3, 6.7	1.7, 0.7
India	0.8, 0.3	1.7, 0.2	0.8, 0.1

*gains lower than \$0.05 billion

N.B.: For each country, commercial gains reflect the increase in its imports from the rest of the world and the increase in its exports to the other twenty-one countries in the sample.

Source: Hufbauer, Schott and Wong (2010)

One might object to the previous argument by saying that least-developed countries will have free latitude to join existing plurilateral trade agreements when their economies have grown stronger. But as James Scott and Rorden Wilkinson so rightly point out (2012), it is extremely difficult to sign up to a trade agreement after the event if a country refused to join initially. Countries that are not around the original negotiating table are, *de facto*, not in a position to push and win ground for their own interests. If they decide to join the

9. Thus, negotiations for China to join the GPA failed for want of an agreement as to the reciprocal commitments of all partners. The revised GPA, which came into effect in 2014, let emerging countries wishing to access the agreement benefit from specific provisions in terms of Special and Differentiated Treatment. This measure should make it easier for emerging countries to join the GPA.

agreement at a later date, the cost will be high, because their own interests will not have been taken into account.

It should also be emphasized that the provision whereby a plurilateral agreement should assemble a "critical mass" of participants (90 percent according to the rule adopted by the WTO),¹⁰ based exclusively on share in international trading, is a powerful incentive for WTO member countries to reach agreements that, in principle, exclude the lesser developed countries. As Amrita Narlikar notes (2012: 38), "The biggest criticism of a pure critical-mass approach is that it risks re-inventing the Principal Supplier Principle, and may result in the permanent and institutionalized marginalization of a great majority of countries that could never constitute the critical mass." Thus, under the WTO umbrella, 90 percent of trading in IT products worldwide is made by approximately thirty countries.

To justify their hostility to plurilateralism, developing countries finally point to the economic cost. In the first place, sectorial liberalization leads to a loss of tariff revenues. In a number of developing countries, especially the poorest, tariff revenue is still a significant item for their public finances. For instance, in Africa, the Middle East, and Asia, taxes on trade account for around 20 percent of tax revenues. However, the scope of the argument claiming loss of tax revenues should not be overstated. In reality, the loss of tariff revenues due to the plurilateral agreement scrapping customs duties on imports in the sector concerned tends to be more than offset by additional tariff revenues coming firstly from the increase in importing goods in this sector and secondly by the rising imports in other sectors due to the induced effects of the plurilateral agreement (cf. above).

In the second place, the liberalizing trade by plurilateral agreements would threaten the survival of local firms in liberalized sectors. This argument is used by many developing countries to justify their refusal to join GPA and ITA. For this reason, several of them, including Argentina and Brazil, have imposed high customs duties on imports of IT goods in order to protect domestic industries in the IT and communication sector. For the moment, these protectionist policies have had the sole effect of raising the price of ICT for domestic usages and of hampering the diffusion of ICT to the economy as a whole, thereby slowing down the growth rate of the global productivity of factors. The earlier experience seen with India effectively shows the adoption of protectionist measures in the ICT sector has no effect other than to lower the competitiveness of home companies and stymie potential growth. Thus, according to P.D. Kaushik and Nirvikar Singh (2002), for every \$1 of tariffs India imposed on imported ICT products (in the years before it joined the ITA), the Indian economy suffered a loss of \$1.30 due to lower productivity. The growth in world value chains in the information technologies and communications sector (i.e., the growing fragmentation of the production process for IT goods in successive phases on sites located in different countries) explains in part why protectionist policies have not had the desired effects for national firms operating in this sector. As Stephen J. Ezell notes (2012: 10), "High tariffs on ICT parts and products simply compel ICT firms to bypass these (protectionist) countries entirely in their global supply chains and manufacture and assemble elsewhere."

In the same way, it has been shown that the reluctance of developing countries to open up government procurement by joining GPA is not always founded. The argument whereby foreign suppliers would squeeze out the developing countries' less competitive domestic suppliers has limited scope. In reality, when a contract is won by a foreign-based supplier, there is positive fallout for local firms in the form of sub-contracts awarded by the foreign company and transfers of technology that help to improve pricing competitiveness (Anderson et al. 2011). More generally, we see that foreign companies win public sector contracts local firms are not equipped to win themselves and vice versa. Thus, the study conducted by the African

10. To avoid the problem of free-riders and incite as many countries as possible to sign up, the MFN clause can be applied only when the number of participants in plurilateral agreements reaches a critical size, i.e., the signatory countries must conduct a significant share of world trade for the goods or services in question. It is the 90 percent rule that has been applied under the frame of the ITA.

Development Bank (2009) revealed that suppliers from regional member countries won 88 percent in terms of number of contacts for 43 percent by value of contracts awarded, while suppliers from nonregional member countries won 55 percent by value and 12 percent in number of contracts.

Finally, the rare studies focusing on the effects of developing countries joining GPA, including primarily those concerning the experiences of Korea and Chinese Taipei, show that opening up government procurement has helped to strengthen competition, governance, and the efficiency of domestic markets without causing any significant increase in the rate of import penetration (Choi 2003; Lo 2011).

In all, the majority of developing countries feel that plurilateral agreements run contrary to the principles of universality, inclusion, and transparency. Additionally, in their opinion, plurilateral initiatives would turn the attention of WTO member countries away from the question of development, which can be addressed only at a global level.

Adjustments are needed in order to overcome the hostility of the lesser-developed countries to plurilateral agreements. The first is aimed at replacing or at complementing the traditional critical mass approach. Several options can be considered. Some authors have proposed using a definition of critical mass based on several criteria; aside from share in international trading for goods and services of interest to us here, consideration could be given, for example, to a requirement for a minimum number of countries or the obligation that plurilateral agreements concern a significant share of the world's population (Narlikar 2012). In the same vein, the Warwick Commission believes that notions such as increased global welfare, the protection of the principle of nondiscrimination, and the income distribution effects should be considered when defining a critical mass. As emphasized by Christophe Bellmann et al. (2012: 11), this multi-criteria approach would "ensure a certain degree of legitimacy for the critical mass, in addition to economic relevance." Other authors propose using rules that are more or less far-removed from the notion of critical mass but which offer a majority of countries the possibility to be a part of plurilateral agreements. For instance, the report by Bhagwati and Sutherland (2011) suggests that countries representing less than 1 percent of world trade in a given sector could sign a plurilateral agreement in that sector but would effectively be a part of it only when their share of trading exceeded the 1 percent mark. However, as pointed out by Bellmann et al. (2012: 11–12), "most propositions relative to the critical mass approach basically concern access to markets." At a time when plurilateral agreements are focusing more and more on the regulation and standardization of trade (cf. Table 2), this sort of critical mass concept seems ill-suited. It is hard to see how we might define a critical mass for negotiations having a bearing, for example on the climate or world value chains.

The second adjustment under consideration concerns the terms and conditions of participation for countries wishing to join existing plurilateral agreements. When joining, candidate countries have to be in a position where they can gain prevalence for their own interests, implying that the terms and conditions of currently applicable agreements should be renegotiated (Harbinson 2009). Such a move would forestall the risk of the more powerful countries using plurilateral agreements to impose their viewpoints on developing countries when it comes to sensitive subjects such as those labeled "WTO Plus" (investment, protection of intellectual property, environmental standards, social standards, etc.).

Thirdly, developing countries wishing to join a plurilateral trade agreement must have the ability to benefit from specific provisions in respect of Special Differentiated Treatment (SDT). These provisions may, for example, provide for exemptions from certain obligations for technical assistance and capacity support to implement the agreement under consideration. As seen earlier, the decision of developing countries to join GPA is heavily conditioned in particular by adopting special measures that are differentiated in their favor. More generally, in order to reassure developing countries, specific provisions of concern should

figure in a “code of conduct” that would govern plurilateral trade negotiations (Draper and Dube 2013).

Finally, plurilateralism presents one last risk that currently affects business firms, particularly small and medium-sized businesses (SMBs). Expanding plurilateral agreements effectively engenders a “risk of divergence in commercial policies, inducing higher transaction costs for exporters and, in the first place, SMBs, which at the legal level seldom have the right and proper resources.” (CCIP 2012:1–2).

Conclusion

Faced with the failure of the Doha cycle, plurilateralism may constitute an exit route to give a new boost to global trade liberalization, enabling certain WTO countries to reach agreements in areas where there is a consensus while offering other members the chance to join these agreements when they wish and/or are ready. However, the exit route is a narrow one. The development of plurilateralism cannot be allowed to result in the fragmentation of the international trading system. Safeguards have to be adopted in order to achieve the goal of greater liberalization for worldwide trade. Future plurilateral agreements will, in particular, need to allow for conditions that promote access for the lesser-developed countries, especially the least-favored nations, which to date have been sidelined from this form of organizing international trade. To this end, there is a need to come up with a definition of “critical mass” that can account the largest number of countries and not only those that do the major share of trading in goods and services. There is a second need to shift plurilateral negotiations over to areas that present a real interest for lesser-developed countries.

At a more global level, the acceptance of plurilateralism by as many countries as possible will be feasible only when clear and specific answers have been given to the questions surrounding the 1) end-purpose of plurilateralism, 2) the content of plurilateral agreements (clear demarcation between what is included in each agreement and what is not), and 3) interactions between different plurilateral agreements.

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APPENDIX

The Major Characteristics of Existing Plurilateral Agreements

Agreement	Date of First Application	Number of Member Countries	Within the WTO Framework	Application of the MFN clause	Application of the WTO conflict settlement procedure	Objectives
Agreement on Trade in Civil Aircraft	1 January 1980	30	Yes	No	Yes	To scrap tariffs for all aircraft other than military aircraft, and for all spare parts and components for civilian aircraft.
Agreement on Government Procurement (GPA)	1 January 1981 (initial agreement) 1 January 2014 (new agreement)	41	Yes	No	Yes	To open up public-sector markets to international competition, ensuring that national laws and regulations are transparent and do not protect national products and suppliers to the detriment of their foreign counterparts (nondiscrimination).
International Dairy Agreement	1 January 1980 Scrapped end of 1997	24	Yes	No	Yes	To grow and liberalize world trade for dairy products.
International Bovine Meat Agreement	1 January 1980 Scrapped end of 1997	31	Yes	No	Yes	To grow and liberalize world trade for beef.
Information Technology Agreement (ITA)	1 July 1997	74	Yes	Yes	Yes	To scrap tariffs on IT products (for certain sensitive products, an extension of the implementation period may be obtained).
Anti-Counterfeiting Trade Agreement (ACTA)	Signed 1 October 2011	77	No	No	No	To set up international standards in the fight against counterfeiting in order to upgrade the protection of intellectual property.

Source: author