

The Other Side of the FTAs: China's Multilateralism and the Balkanization of the Global Trading Rules

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When a State becomes the contracting parties to multiple FTAs concurrently, the State has to face serious challenges since all these different FTAs present different rules in certain segments of the agreements. All the participants are thus forced to walk a tightrope as one government is now supposed to play by many different playbooks. It is time to understand the real impact of the FTAs on the current trade regime, so that the States can take an informed decision when they devise their respective FTAs. Given the continued failure to complete the deals in the Doha Development Agenda, it is necessary that the States purport to negotiate and conclude bilateral or regional trade agreements with like-minded countries, and apply new rules of trade through such agreements. But the consequence of such regional experiments of fragmented rules should not be forgotten, in particular, concerning the long-term impact on the multilateralism. This article argues that the real impact of FTAs, particularly multilateral ones, does not lie in mere preferential tariff concessions, but rather gradual dismantling of multilateralism through incorporation of fragmented rules of trade. In this respect, China's role is critical in devising and implementing FTAs in a way that can also help preserve the multilateralism.

Keywords: Multilateral FTAs, WTO, DDA, Fragmentation, Global Trade Regime, China, TPP

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1. Introduction

Free Trade Agreements (“FTAs”) continue to proliferate globally and the multilateral trading regime enshrined in the World Trade Organization (“WTO”) Agreements is facing a serious challenge. The Asia Pacific region has seen more robust activities in terms of negotiating and concluding FTAs of various sorts. While all these FTAs adopt similar structures and share strong similarities, they also set forth different rules in certain areas and conduct new experiments. As a matter of fact, FTAs among like-minded friends are arguably the best place to carry out experiments of new rules that have been elusive in the multilateral fronts where competing interests of countries hardly meet.

Such being the case, perhaps one of the gravest mistakes that one could make is to consider FTAs as simply bilateral trade agreements offering preferential tariff rates. This misunderstanding is usually observed in calculating the prospective benefit of an FTA in the course of making a decision on whether to pursue an FTA with another country or not, wherein a focus is placed on the assessment of the direct economic impact as a result of the elimination of tariff rates “at the border.” This, of course, constitutes an important assessment of an FTA. However, this is just one puzzle of the entire picture of the FTA at issue and the calculation of tariff rate elimination should not be equated with the total implication of the FTA. More importantly, when the FTA sets forth new rules affecting international trade, it is imperative not to lose sight of this crucial aspect of the FTA.

Today, when one State becomes contracting parties to multiple FTAs at the same time, which is increasingly the case,¹ the government of the State is faced with a serious challenge: namely all these different FTAs present different rules, one way or another, in certain segments of the agreements. Participants in the agreements are now forced to walk a tightrope as one government is now supposed to play by many different playbooks. Navigating through the myriad of different rules has become a serious challenge, if not entirely impossible. This is hardly the case under the WTO Agreements where all 161 Members are subject to the same rules.

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