

Central and Peripheral Reforms of Global Trade Governance

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To promote global trade governance, both central and peripheral reforms occur in multilateral and regional trade agreements. The central reforms are suggested to enhance the WTO's efficiency in trade negotiations by engaging in 'mini-multilateral' negotiations and soft law-making or to expand its current advantage in dispute settlement by extending its dispute jurisdiction to investor-state disputes or trade disputes arising from PTAs. The peripheral reforms develop in two different routes; one is rule-based and is carried out by high-standard PTAs, and the other is relation-based and is exemplified by "the Belt and Road" Initiative proposed by China. While peripheral reform fragments international law, various methods of multilateralizing regionalism are suggested, such as the incorporation of the third-party most-favoured-nation clause, the simplification of the rules of origin, and the construction of multilateral agreements through the 'building blocs' of PTAs. Most of these reforms make achievements to some extent, although they also have deficiencies.

Keywords: Central Reform, Peripheral Reform, Global Trade Governance, WTO, Preferential Treatment Agreement

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I. INTRODUCTION

The General Agreement on Tariffs and Trade (“GATT”) has been an engine for global free trade governance since the end of World War II. Its highest achievement is the establishment of the World Trade Organization (“WTO”). However, the trade negotiations under the WTO are far from successful, as it missed the major agendas set in the Seattle, Cancun, and Hong Kong ministerial conferences. Trade negotiations fail to liberalize members’ markets in sensitive sectors, such as agriculture and trade in service, and only achieved success in the Bali and Nairobi conferences.

As the WTO gradually loses momentum and influences, its status is challenged by preferential trade agreements (“PTAs”), especially by the so-called mega-PTAs or high-standard PTAs. Such PTAs once exerted only peripheral influence in global trade governance, but are gaining more attention now. Recently, the US lost its leadership not only at the Trans-Pacific Partnership (“TPP”) Agreement after its withdrawal but also at the negotiation of the Trans-Atlantic Trade and Investment Partnership (“TTIP”) Agreement due to the incompatible rule discrepancies with China. Conversely, the other high-standard PTAs, such as the US-Korea Free Trade Agreement (“FTA”) and the EU-Korea FTA, are in force and the Comprehensive Economic and Trade Agreement (“CETA”) between the EU and Canada temporarily survived after its recalibration.

To keep global trade governance working, both the WTO and PTAs are undergoing reforms. The WTO needs to re-establish its erstwhile position, not at the centre but near the centre of world commerce,¹ sharing power and responsibility with PTAs in their respective spheres of influence.² The peripheral reforms led by high-standard PTAs are taking steps forward in updating international trade rules. Apart from these rule-based reforms, the Belt and Road initiated by China shows another method of reform, which is far from rule-based and shares little commonality with the high-standard PTAs. However, it has immense potential to revitalizing international trade and investments in Asia. Such regional cooperation contributes to the peripheral reforms of global trade and investment law and provides us with a new angle of observing and analyzing the effectiveness of regional trade cooperation.

Hence, the future global trade governance will progress with the co-influence of