

# WORLD TRADE ORGANIZATION

RESTRICTED

**WT/REG/W/4**

27 June 1996

(96-2465)

---

**Committee on Regional Trade Agreements**

Original: English

## COMMUNICATION FROM REPUBLIC OF KOREA

The following communication, dated 20 June 1996, has been received from the Permanent Mission of the Republic of Korea with the request that this document be distributed to all Members.<sup>1</sup>

---

### SYSTEMIC IMPLICATIONS OF REGIONAL TRADE AGREEMENTS AND REGIONAL INITIATIVES FOR THE MULTILATERAL TRADING SYSTEM

#### Challenges

1. Over the last half a century, regional trade agreements (RTAs) and regional initiatives have evolved in a manner and direction that the founders of the multilateral trading system (MTS) could not foresee. Geographically, RTAs have proliferated to nearly all WTO Members. Aside from the rapid increase in the number of RTAs, their coverage of subject matters has expanded as well. Their focus has also shifted: from tariff preference to non-tariff preferences. Such developments have inevitably posed serious implications on the MTS.
2. The WTO should face this challenge by attempting to redefine the proper relationship between regionalism and the MTS, and to explore ways and means of harmonizing the former with the latter. If we are to ensure the healthy development of the MTS into the next Millennium, this fundamental task should not be sidestepped any longer.

#### Systemic Issues

3. Past multilateral deliberations on regionalism, including those during the Uruguay Round, focused on the interpretation of Article XXIV of the GATT. These deliberations, however, had fundamental limitations. It was often hard to reach agreement on clear interpretation of the clause because of its inevitable impacts or prejudices on existing RTAs. Furthermore, interpretation alone of the existing rules, which were devised half a century ago with few changes made thereafter, could not cope with fundamental changes taking place in the nature and scope of RTAs.

---

<sup>1</sup>A non-paper of the same content as this document was introduced by the delegation of the Republic of Korea to the 13 June 1996 meeting of the informal Heads of Delegations process for the preparation of the Singapore Ministerial Conference.

4. Such fundamental changes require us to extend our horizon beyond the existing rules and have a fresh look into the relevance of the WTO's legal regime on regionalism with a view to realigning the relationship between RTAs and the MTS so that the former could converge better towards the objectives of the latter. This new approach should be continuously guided by the founding belief of the MTS that the purpose of RTAs should be "to facilitate trade between the constituent territories and not to raise barriers to the trade of other [WTO Members] with such territories."<sup>2</sup> The new approach should be based, *inter alia*, on the premise that an RTA is not an objective in itself but rather a transitional scheme leading eventually to "an integrated, more viable and durable multilateral trading system."<sup>3</sup>

#### Singapore Objectives

5. Given the critical importance of this issue, the first WTO Ministerial Conference should provide catalytic guidelines to the work of the General Council and other relevant WTO bodies in their pursuit of the issue of regionalism.

6. In this respect, Ministers should reaffirm a strong policy commitment to the compatibility of RTAs with the MTS. As a practical step to ensure such compatibility, Ministers should also endorse the facilitation of the RTA examination process currently undertaken by the Committee on Regional Trade Agreements (CRTA).

7. Given the magnitude of challenges posed by regionalism to the MTS, however, a mere political commitment to the compatibility of RTAs with the MTS will not be enough. The Ministerial Conference should go further. It is important that Ministers provide the General Council with a specific direction for future deliberations of systemic issues, authorizing it to look into the fundamental aspects of the issue, i.e. the possible improvement in the WTO's legal regime on regionalism.

8. Ministers should therefore direct the General Council to embark, on its own or by utilizing the CRTA and other appropriate WTO bodies, on specific work programmes over the next two years. The result of this work, including appropriate recommendations, should be reported to the second Ministerial Conference.

9. The direction to be given by Ministers to the General Council for its work on regionalism for 1997-98 may include, *inter alia*, the following:

- (a) To identify elements of regionalism which may conflict with the objectives of the MTS (e.g. those which stand in the way of promoting trade between parties and non-parties of RTAs), with particular emphasis on non-tariff areas, and to explore ways and means of addressing such elements;
- (b) To explore creative means of capturing trade liberalizations advanced by regional initiatives and incorporating them into the MTS;
- (c) To review the validity of the WTO's current legal regime on regionalism, embodied in Article XXIV of GATT 1994 and Article V of GATS, in light of its relevance in the vastly changed global trade environment;

---

<sup>2</sup>Paragraph 4, Article XXIV of GATT 1994.

<sup>3</sup>Preamble of the Marrakesh Agreement Establishing the World Trade Organization.

- (d) To redefine, on the basis of the above, RTAs' proper relationship with the MTS, and to explore ways and means by which to ensure that regionalism complements and reinforces the objectives of the MTS; and
- (e) To report the results of such works to the second WTO Ministerial Conference, with appropriate recommendations.