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## **Dimensions of Regional Processes in the Asia-Pacific Region**

edited by

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## **Introduction**

Asia and Pacific's growing importance to the rest of the world is widely acknowledged today. The dynamics of Asian economic development have tremendously impacted global trade relationships and regional cooperation. Thus, it is with great pleasure that we deliver another volume of Research Papers on Asia-Pacific economic issues.

This year we present 19 papers by various authors who examine the Asia-Pacific region from different perspectives. We decided to group them into 3 Chapters:

- Cooperation and trade
- Economy and policy
- Risks & challenges

Papers grouped in the First Chapter describe newly emerging regional trade architecture. You will find there a few analyses of general nature and regional scope (J. Dudziński, A. H. Jankowiak, E. Majchrowska) and some studies on specific trade agreements (A. Klimek writes about Shanghai Free Trade Zone, A. McCaleb and G. Heiduk try to find out what motivates China's cities to establish partner agreements with cities in Asia, B. Michalski analysing U.S.-Republic of Korea Free Trade Agreement, while M. Maciejewski and W. Zysk look for opportunities for Polish exports in the trade agreement between EU and Vietnam).

The Second Chapter is the most diverse one. It is devoted mostly to economic policy issues (including financial sector). S. Bobowski, L. Zyblikiewicz and K. Żukrowska look at the main threads in Asian regionalism. P. Pasierbiak and K. Łopacińska analyse the movements of Chinese capital. M. Dziembala and S. Mazurek deal with the subject of innovation supporting growth and development.

Articles in the Third Chapter are focused on extraordinary events influencing economies and development of the Asia-Pacific region. J. Pera prepared an assessment of risk of APEC countries, based on the country risk classification method and selected indexes of internal stability. A. Kukułka and B. Totleben analyse the impact of natural disasters on gross capital formation in Southeastern Asia. Finally, T. Serwach and M. Grabowski and S. Wyciąłek deal with synchronization of business cycles and contagion of crises.

We sincerely hope that all the articles will be of great value to those who want to understand the role of Asia-Pacific economies in the global economy. Through various interests of authors, our volume provides a valuable insight into the problems of this region.

All the papers were submitted for the 8th international scientific conference "Dimensions of Regional Processes in the Asia-Pacific Region" which took place in

November 2015 at Wrocław University of Economics, under the patronage of Polish Ministry of Foreign Affairs, Ministry of Science and Higher Education and the Ministry of Economy.

We appreciate your time and consideration, and we look forward to the submission of your own good work. We also appreciate the time and effort of our peer reviewers. Thank you!

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## **WILL TPP UNDERMINE THE MULTILATERAL TRADING SYSTEM?**

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## **CZY TPP ZAGROZI WIELOSTRONNEMU SYSTEMOWI HANDLOWEMU?**

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**Summary:** A crucial factor of ever-growing regionalization of the world trade is the lasting negotiation impasse at the multilateral level. Finding a common ground among all WTO members has proven to be a task beyond their capabilities, consequently, some countries focused their efforts on concluding the Regional Trade Agreements (RTAs), which are of a smaller or larger regional range and importance to the global economy. The last group includes the Trans-Pacific Partnership. The TPP is not supposed to oppose the WTO regulations, on the contrary, it is designed to create the opportunities to implement the rules and deepen cooperation within the organization. Therefore, this partnership will surely affect not only the world trade flows, but also the progress of negotiations in the ongoing Doha Development Round and, in consequence, the further functioning of the WTO. It is the author's belief that, unlike other important negotiations taking place, TPP will not weaken, but may, in a way, even support the multilateral trading system within the WTO.

**Keywords:** TPP, WTO, RTA, multilateral trading system.

**Streszczenie:** Istotnym czynnikiem narastającej regionalizacji handlu światowego jest przedłużający się impas w rokowaniach na forum negocjacji wielostronnych. Znalezienie wspólnej płaszczyzny porozumienia między członkami WTO okazało się być zadaniem wykraczającym poza ich możliwości, a w konsekwencji część państw skupiła się na zawieraniu handlowych umów dwu- lub kilkustronnych (RTAs), o mniejszym lub większym zasięgu regionalnym oraz znaczeniu dla gospodarki światowej. Do tej ostatniej grupy należy Trans-Pacific Partnership (TPP). Mimo że, zgodnie z założeniami, porozumienie to nie ma przeciwstawiać się regułom WTO, a wręcz przeciwnie, nawet stworzyć nowe szanse dla wdrażania zasad i pogłębiania współpracy na forum organizacji, można przypuszczać, że będzie miało ona istotny wpływ zarówno na strukturę handlu międzynarodowego, jak i na przebieg negocjacji w ramach trwającej Rundy Rozwoju, a w konsekwencji na dalsze funkcjonowanie WTO.

**Słowa kluczowe:** TPP, WTO, RTA, wielostronny system handlowy.

## 1. Introduction

Since its establishment in 1995, the World Trade Organization (WTO) has played a very significant role in shaping the multilateral trading system. The WTO has replaced General Agreement on Tariffs and Trade (GATT) and encompasses a much wider thematic scope. However, setting the organization up did not just mean adopting earlier achievements of GATT, as well as broadening its activities – it was the beginning of a new chapter in the multilateral trading system.

Creating the multilateral trading system is not, however, an easy task, particularly in the view of the situation of the increased multipolarity of the global economy<sup>1</sup> [Plummer 2012]. It should be stressed that new leaders have emerged i.e. China, India and Brazil, and they have undermined the dominant position of the previous economic superpowers – the United States and the European Union. This fact is confirmed by the current situation, i.e. activities leading to the conclusion of the next, ninth negotiating round in the whole GATT/WTO system, but the first under the aegis of the WTO. Finding a common ground among all the WTO members has proven to be a task beyond their capabilities, consequently, some countries focused their efforts on concluding Regional Trade Agreements (RTAs, also called minilateral arrangements), which are of a smaller or larger regional range and importance to the world economy. The last group includes the Trans-Pacific Partnership (TPP).

The negotiation impasse that the WTO had been experiencing for years, was only partly resolved in December 2013 by signing the so-called Bali Package. Although the WTO is the world biggest forum for trade negotiations, the abovementioned impasse increased the number of bilateral and regional agreements and this trend has been increasing in the recent years, resulting in the largest number of free trade partnerships established especially in Asia<sup>2</sup> [ARIC 2015]. Therefore, the negotiations within the TPP were certainly started also in response to this situation. Moreover, the motivation to begin the negotiations arose from the interest that the USA takes in Asia-Pacific region (so-called American pivot to Asian policy).

It must be noted that in the recent years, a clear fragmentation of the global trade has occurred, which has been particularly reflected in the regionalization of trade. Within the new trade blocs which are being created, we may observe broader and more comprehensible liberalization of trade than the one within the WTO. This is the

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<sup>1</sup> As the world is changing rapidly, it would be oversimplified to evaluate the trends in trade policy based on traditional North-South division. The share of emerging markets in the global economy has been increasing significantly; for instance, Asian economies constituted 28% of the world economy in 2010, up from 8% in 1980, and this share is predicted to reach 40% in 2030 and even 52% in 2050.

<sup>2</sup> The multilateral global negotiation impasse caused the free trade agreements (FTAs) to triple in number in the last decade and thus earn the name of „the noodle bowl” or „spaghetti bowl” effect. It is associated with the significant differentiation of the rules of origin (ROO). According to the latest data, at the end of 2014, in Asian countries there were almost 280 FTAs, taking into account the signed and in effect, only signed or under negotiations.

reason why such agreements are often referred to as “WTO-plus”<sup>3</sup> [Atsumi 2010, pp. 57-65].

The aim of the paper is to present the essence of the TPP negotiations in the context of the further functioning of the multilateral trading system within the WTO.

The article, in its methodological assumptions, is mainly based on the study of international economic relations (international economy), especially the area which refers to the theory of economic integration and trade regionalism, as well as trade policy. In order to achieve the goals of the article the analytically descriptive method is used. The study is mainly based on the ADB and WTO resources.

## **2. Problems with finalizing negotiations within The Doha Round**

It is a common belief that reaching a consensus in the latest, formally ongoing since 2002 round of negotiations, is a much more difficult challenge than in the previous rounds. The reason behind it is an increase in the number of members of the organization which represent different interests, as well as broadening the scope of the negotiations. As mentioned earlier, new leaders have emerged, namely China, India and Brazil, which have undermined the importance of the previous trade superpowers – the United States and the European Union. The involvement of other developing countries has also grown, in comparison with the situation in the past rounds<sup>4</sup> [Plummer 2012, p. 4-6]. Furthermore, the role of countries in the world trade has diminished for the benefit of the multinational corporations<sup>5</sup> [Basu-Das 2013, p. 7]. As a result, it has proven difficult to reconcile all defensive and offensive interests of particular groups of countries<sup>6</sup> [WTO 2015a].

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<sup>3</sup> There has been an important enlargement in the contents of the RTAs going beyond the scope of WTO negotiations. Contents of the RTAs may be divided into 14 „WTO+” and 38 „WTO-X” areas. WTO+ are provisions that fall under the current mandate of the WTO, and WTO-X provisions refer to obligations that are outside the current WTO mandate. For instance, investment, environmental laws and competition policy are WTO-X provisions.

<sup>4</sup> Developing countries have become more engaged at Doha Round, as most of them have adopted an outward-oriented development strategy. Earlier, these economies were not active enough at GATT rounds, as they, in general, chose to “free-ride” on the commitments between developed countries from which they also received MFN profits.

<sup>5</sup> It is claimed that RTAs, like TPP, are expected to reinforce the emerging international production network (IPN). There seems to be a relation between trade integration and production network. While deep trade partnerships can spur the production network by making trade easier among potential members of the supply chain, countries engaged in international production fragmentation are willing to sign deeper trade agreements, so as to formalise their role as the providers of intermediate goods and services.

<sup>6</sup> A number of countries have formed groups in the WTO. These coalitions often speak one voice, using a single team leader of the negotiating group. The aim of this is to facilitate the negotiation process. Currently, there are already 27 such groups, inter alia: African group, G-90, RAMs (recently acceded members), Cairns group, Cotton 11, G-33.

Too slow progress in the talks is also attributed to the formula of the negotiations i.e. the concept of the single undertaking and resigning from the quantifiable goals of negotiations<sup>7</sup>. Moreover, some goals set in the Development Round have already been achieved. It mainly refers to the average level of tariff protection – numerous countries (e.g. China, Brazil or India) unilaterally reduced customs duties (chiefly on industrial goods) as part of economic reforms and/or integration processes. In addition, as a result of the multilateral GATT/WTO negotiations, almost half of the global trade is levied customs duties at a zero rate (MFN duty rate, i.e. connected with importing from other WTO Member States).

But, the abovementioned Bali Package, turned out to be important for the ongoing negotiations. The signed set of trade agreements consisting of ten agreements on key negotiation issues (trade facilitations, agriculture, cotton trade and problems of the developing countries and least developed ones) [WTO 2013a] is the first global agreement signed by all the WTO members.

According to the WTO, benefits for the global economy resulting from the signed agreement will amount to an amount between 400 billion USD and almost 1 trillion USD, which will be caused by e.g. a reduction in costs of trade by 10-15%. The implemented changes are said to increase the global trade turnover, as well as the world GDP by even 1% per year [WTO 2013b]. The decisions which were taken are certainly a milestone along the route to concluding the Doha Development Round, and implementing the Bali Package is crucial to reaffirm the credibility of the multilateral trading system under the auspices of the WTO. It should, however, be pointed out that a signed agreement must also be ratified by all the WTO members<sup>8</sup>.

As mentioned above, the consequences of the negotiation failures of the Development Round cause that the bilateral and regional agreements, whose participants expect further liberalization of trade, take a central place. Undoubtedly, this situation may be confirmed by the fact that, as of 7<sup>th</sup> of April 2015, some 612 notifications of RTAs (counting goods and services separately) had been received by the GATT/WTO. Of these, 406 were in force. This is definitely a growing trend, particularly in the view of the numerous RTAs currently under negotiation. It must be stressed that 90% of all RTAs are Free Trade Agreements (FTAs) and Partial Scope Agreements i.e. only some types of goods (or sectors) are eligible for preferential treatment. The remaining 10% are customs unions [WTO 2015b].

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<sup>7</sup> The resignation from the measurable (expressed as numeric/percentage values) negotiation goals have not affected the progress of the talks positively. This sets it apart from the previous rounds, in which the scale of reduction of customs duties was established just after the rounds had commenced.

<sup>8</sup> WTO members did not manage to ratify the Bali agreement, which was meant to reaffirm the organization's credibility, within the time limit. By the end of July 2014 the preparation time for ratifying the essential part of the Bali Package expired. This resulted mainly from the position of India. By the end of 2014, the WTO members gathered again and confirmed the necessity of implementing the package. The new deadline was set for the half of 2015. Compare: [WTO 2014].

### 3. The attitude of the WTO towards the RTAs

The ever-growing number of RTAs is a prominent feature of the current international trade. The WTO members participating in these agreements are obliged to notify the organization when new agreements are formed.

According to the WTO definition, RTAs are reciprocal trade agreements between two or more partners. Those agreements may also be established between the countries not belonging to the same geographical region. Furthermore, the WTO also receives notifications from its members concerning Preferential Trade Arrangements (PTAs). In the WTO, PTAs are unilateral trade preferences [WTO 2015c].

It should be underlined that the WTO allows for the participation in such agreements by its members. It is related to the general rule of the WTO, i.e. MFN and recognizing certain exceptions to the rule, one of which is enabling the creation of free-trade areas and customs unions on a preferential basis for its members, as long as the provisions of art. XXIV GATT are respected<sup>9</sup> [WTO 2015d]. The most significant conditions of the article are regulations stating that: the purpose of a free trade area or a customs union should be to facilitate trade between the members of those areas or unions and not to raise barriers to the trade with other WTO members. Otherwise stated, RTAs should not threaten the multilateral trading system but compensate it (see: [WTO 2015e]).

Despite the fact that regional agreements seem to be inconsistent with the WTO rules, a key issue is the opinion of the organization itself, which stresses that such agreements may support the multilateral trading system. RTAs give a group of countries a possibility to negotiate the rules or commitments which are beyond the scope of multilateral negotiations. As a result, some of them paved the way for multilateral agreements within the WTO. This mainly concerns the issues associated with services, intellectual property, investment and competition policy.

On the other hand, present opinion of the WTO Director General, Roberto Azevêdo, is a little bit different. He emphasised that “regional initiatives cannot substitute for the multilateral trading system”. He noted that RTAs have been “growing rapidly”, but also stressed that there are many large problems which can only be resolved effectively in the multilateral context through the WTO. In his opinion the majority of the large challenges facing world trade are “global problems demanding global solutions” (in: [WTO 2015f]).

It seems that the WTO is aware of the regionalism trend and recognizes the problems that it could possibly cause for the global trading system. Unquestionably, the challenges of regionalism to the WTO are many, but one is especially important. The GATT/WTO was created with the MFN as its crucial principle, and

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<sup>9</sup> Besides the article mentioned above, other exceptions which can be included here are the so-called Enabling Clauses concerning the PTAs in the trade of goods between the developing countries and art. V GATS referring to the RTAs within the trade of services, both of the developed and the developing countries.

abovementioned Article XXIV was to be a “conditional exception” to this rule. While every major economy participates in at least one FTA (but most in many), what occurs when that exception becomes the general rule? How real is the MFN, a “birth right” of the WTO membership, when RTAs may erode it? (compare: [Plummer 2012, p. 6]).

## 4. The Trans-Pacific Partnership

One of the most important agreements on free trade is the Trans-Pacific Partnership (TPP)<sup>10</sup>, as it may shape the discussions held within the WTO in the ongoing Doha Development Round. Moreover, changes in the distribution of power in international trade are also feasible.

The motivation to begin the negotiations arose, inter alia, from the interest that the USA takes in Asia Pacific region. It is related to the so-called American pivot to Asian policy. 12 countries take part in the discussions, i.e.: the USA, Canada, Mexico, Chile, Peru, Japan, Singapore, Vietnam, Malaysia, Brunei, Australia and New Zealand. These countries together represent almost 40% of the world GDP and over 25% of the world goods export [IMF 2013]. The partnership is particularly important for the USA<sup>11</sup>, especially when considering their position in the Asia-Pacific region and competition with China<sup>12</sup>, holding the leading position not only in the Asia-Pacific region, but in the whole world trade: currently, China is the world leading exporter and the second biggest importer of goods [WTO 2013c].

The US-led partnership excludes the emerging markets, such as Brazil, India, and China. The agreement without China enables the USA to establish the rules in the trans-Pacific region, particularly in opposition to the Asian Infrastructure Investment Bank (AIIB), led by China [Sainsbury 2015].

But the TPP is said to be a “living agreement”, which means that more parties can be allowed to enter the agreement in the future, as underlined in the Preamble of

<sup>10</sup> Negotiations on TPP officially commenced in March 2010 and they were intended to be finalized by the end of 2013. This deadline was not met and the agreement was under intensive negotiations till their completion in October 2015. But now there is a need of the domestic processes to enforce the agreement.

<sup>11</sup> The TPP is to increase US competitiveness in the Asia-Pacific region and it is the foundation of the current US foreign economic policy there. The sizeable and growing markets of the Asia-Pacific have already become the main destinations for U.S. manufactured goods, agricultural products and services suppliers, and the TPP will further intensify this trade, as well as investment. As a group, the TPP countries make up the biggest goods and services export market of the United States. For more, see: [USTR 2015a] and [USTR 2011a].

<sup>12</sup> China, which is building its world power status, wants to explicitly show that it is the main playmaker in Asia. Americans, on the other hand, strive for safeguarding their global position. China is considered a country which has the highest chance to replace the USA as the global superpower. But the US President B. Obama has underlined that “if we do not help to shape the rules so that our businesses and our workers can compete in those markets, then China will set up rules that advantage Chinese workers and Chinese businesses” (in: [The Japan Times 2015]).

the TPP Agreement<sup>13</sup>. Some countries of the Asia-Pacific region (especially South Korea, Taiwan, Thailand, and The Philippines) have expressed their interest in joining the TPP. Their decision may influence the future establishment of a Free Trade Area of the Asia-Pacific (FTAAP). If the TPP is expanded with more Asia-Pacific countries, China's major role in intra-regional trade may be undermined [Sainsbury 2015].

The TPP agreement may be particularly profitable for the smaller economies (such as Vietnam), as far as their GDP growth is concerned [Petri et al. 2010]. Moreover, integration seems to be a chance for developing countries. As long as the developed countries are also engaged in that process, emerging markets may benefit from the cooperation and their achievements, as was best confirmed by the EU enlargement by Central and Eastern European countries.

The TPP aims to set up free trade standards between the USA and eleven other countries at different levels of development. The important fact is that the negotiations on TPP cover a wide thematic range (e.g.: customs rates, non-tariff barriers, intellectual property laws, services, environment protection etc.) [USTR 2015b]. The ultimate symbol of the TPP partnership will be its treatment of the new issues that have emerged in world trade, i.e. digital economy, green growth and new technologies. They refer to the aforementioned elements of both, the WTO-plus and WTO-X.

This, together with the aforementioned economic potential of the partnership members, may result in the outcomes of the negotiations affecting significantly the distribution of power in the world trade, as well as the discussions held within the Doha Development Round. The fact that emerging economies, especially Asian, are playing increasingly substantial role in the WTO, unlike former leaders, such as the UE and the USA, demonstrates the movement of the economic development pole towards that region (compare: [Schott et al. 2013, pp. 51-53]).

A unique range of issues covered by the TPP will demand meaningful reforms in the national economic policies of most members. These may make the negotiations quite difficult, especially for the group of developing countries in need of elementary economic reforms [Basu-Das 2013, p. 8]. But, with the Doha Round getting delayed, RTAs, like the TPP, seem to become the next stage of trade liberalisation process. As far as Asian economies are concerned, such relationships seem to be more attractive since they include a small number of countries. Therefore, it is easier to negotiate and ensure the elasticity in satisfying national interests [p. 1]. With regards to the new balance of power, which is also being reflected in the WTO negotiations, it should be noted that the TPP may be treated as a kind of confirmation of the ensuing situation. Especially, since the GDP growth, both in the US and the EU is still quite low and the core of the recovery has definitively moved towards Asia.

<sup>13</sup> „EXPAND their partnership by encouraging the accession of other States or separate customs territories in order to further enhance regional economic integration and create the foundation of a Free Trade Area of the Asia Pacific” [USTR 2011b].

It should be underlined that the TPP and the WTO concentrate on different issues. Unquestionably, the TPP is a highly ambitious agreement that contains areas unaddressed by the WTO disciplines. The partnership includes these provisions which are needed for the development of supply chains, but are not involved in the WTO agreements. Thus, the importance of the TPP as a 21<sup>st</sup> century agreement ought to be found in the fact that a partnership targeted to promote the creation of the supply chains has expanded its membership to comprise a wide geographical area, covering significant economies, such as the USA and Japan [Kawase 2016].

## 5. TPP and the multilateral trading system within the WTO

Even though, as stated in the guiding principles, the TPP is not supposed to oppose the WTO regulations, on the contrary, it is designed to create the opportunities to implement the rules and deepen the cooperation within the organization<sup>14</sup>. It may be safely assumed that this agreement will affect, not only the world trade flows, but also the progress of negotiations in the ongoing Doha Development Round.

As an example, China, despite playing the key role in the world trade, as well as in the Asia-Pacific region, does not participate in the TPP negotiations. Thus, once the agreement is finalized, it may heavily influence China's strong position in the world trade, as it is quite likely that the two foregoing trade effects (trade creation effect and trade diversion effect) will occur. Due to the reduction or elimination of the trade barriers between the USA and other negotiating countries, an increase in their mutual trade exchange should be expected, particularly that the TPP countries will account for about 45 percent of American goods exports. This process will be accompanied by another trade effect – the trade diversion effect – which may result in replacing the import from the third countries with the internal exchange within the newly formed group. This effect may have a significant influence, for instance on China, for which the USA is a very important trade partner<sup>15</sup>.

To conclude, the intensified trade exchange within the TPP may give rise to a change in the trade flow directions. The countries from outside the group, may be the ones to bear the costs of that.

As regards the influence of new trade agreements, in particular the TPP, on the further functioning of the WTO, there are two possible scenarios. The first, in which countries which managed to successfully negotiate terms facilitating trade under this

<sup>14</sup> „BUILD on their respective rights and obligations under the Marrakesh Agreement Establishing the World Trade Organization” [USTR 2011b].

<sup>15</sup> It is worth mentioning that China is considering the TPP, because it knows that no influence on the development of the two biggest FTA (TPP and Transatlantic Trade and Investment Partnership - TTIP), with the USA as a participant, is not advantageous. It seems essential, as the TPP agreement is quite important to the USA and it is supposed to reinforce their international position against the increasing role of China, especially in the Asia-Pacific region. Compare: Majchrowska [2014, pp. 157-158].

agreement, may not be interested in accelerating the Development Round negotiations, since they would obtain reciprocal trade benefits within a different forum. On the other hand, the already negotiated arrangements facilitating trade under the aegis of the TPP, may be directly transferred to the WTO negotiations, which, in turn, may dynamise the ongoing talks and speed up the conclusion of the current negotiations round (especially given the fact that it is assumed that the TPP negotiations are likely to conclude quickly). The situation will become clear at the beginning of 2016, especially that at the recent TPP ministerial meeting, the 12 participants resolved many problems and agreed for a path forward on these issues which still are unsettled [USTR 2015c].

Can the emergence of new, and in particular large trading blocs, be treated as a threat to the multilateral trading system? Is there a risk of dividing the world economy into regional trade blocs, which will, in the indefinite future, eventually leave the WTO behind?

When looking for the answer to these questions, it should be noted that the TPP is, in a way, the result of the WTO's troubles, not the source of them. It is connected mainly with the ongoing negotiation impasse, only partly resolved by signing the Bali Package. Since its establishment, the WTO has not modernized its rules significantly and countries are looking for the new solutions to intensify the trade exchange.

Worth mentioning is that in the global economy, along with the TPP, there are numerous other important negotiations taking place, not only bilateral, but also those including more partners, such as the USA and Asia-Pacific countries, e.g. the previously mentioned Transatlantic Trade and Investment Partnership (TTIP) or Regional Comprehensive Economic Partnership (RCEP)<sup>16</sup>. The characteristic feature of currently created key trade blocs, particularly the TPP, is that none of them include China or any other sizable emerging markets like Brazil and India. Just the opposite, RCEP does not include the U.S. or the EU. In fact, there is no important trade and investment agreement that comprises either the EU or the U.S. and one or more of the large emerging markets (eventually, the EU is actually negotiating with India and Brazil). This reflects the inability of these countries to conclude the negotiations within the Doha Round [Hoekman 2014].

Yet, China and India are actually very important for all the TPP participant countries, as far as economic connections are concerned. A question appears then, whether the TPP is able to realise real economic gains without these emerging markets as a part of that partnership. Furthermore, the potential accession to the TPP in the future may prove to be more complicated than being admitted to the WTO, as the TPP assumes full liberalization of trade (as opposed to partial commitments accepted by the WTO) and necessitates compliance with the extended rules.

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<sup>16</sup> The ASEAN Member States, and ASEAN's FTA partners, i.e.: Australia, China, India, South Korea, Japan and New Zealand, officially began negotiations for the Regional Comprehensive Economic Partnership in 2012. Compare: Majchrowska [2014, pp. 158-160].

Moreover, the continuous enlargement of the WTO membership since its establishment and the vibrant use of the WTO's transparency and dispute settlement mechanisms show that the WTO fulfils the role which the RTAs may not be able to fulfil. Most RTAs are not even as efficacious as the WTO in implementing the market access commitments. Therefore, the RTA members usually take their disagreements to the organization [Hoekman 2014].

While discussing the two feasible scenarios connected with the impact on the multilateral trading system, it seems that in the case of the TPP, the one forecasting support, and not a threat towards the WTO, is more probable, which is contrary to other agreements, particularly the TTIP<sup>17</sup>. This may be explained by the fact that the developing countries which are the WTO members and at the same time constitute a substantial part of the future TPP members, still have a lot of benefits to gain in the multilateral negotiations, especially because of the main goal of the Development Round, i.e. more intensive integration of the developing countries into the structures of the global trade, as well as supporting them in the fight against poverty.

For these reasons, the scenario related to the support for the WTO, just in case of the TPP, may appear to become more probable. Thus, the influence of all the forming blocks cannot be generalised, as each may affect the global trade flows and the course of the Doha Round in a different way.

## 6. Conclusions

The system created under the WTO framework is not perfect, still, it is easy to imagine how unpredictable the world economy would be without it. However, the impasse in negotiations lasting for a long time has led to an increase of concluded bilateral and regional agreements, which has weakened the organization's position. The ambitious goals of the negotiations may, from the standpoints of both the developed and developing countries, be easier to achieve in negotiations between two or several parties, rather than within an organization composed of so many members representing different interests.

Regional trade agreements may well become the future foundation for bigger associations; there is evidence to suggest that the future trade will be divided into separate, regional blocs. The potential problem may be a shift of priorities and interests of some countries to regional agreements exclusively, since it can prolong the negotiations process and strike at the multilateral trading system. The autentic

<sup>17</sup> It is difficult to resist the impression that the TTIP has a different dimension from other, currently formed trading blocs. It mainly concerns the geopolitical context and another case of merging of Western superpowers, which may result in the reluctance of the TTIP members to take part in multilateral negotiations for some time, which consequently may negatively affect the ongoing WTO negotiations. The fact that the former superpowers have been overshadowed by the increasingly stronger emerging markets and their lack of political will to conclude the multilateral negotiations, do not bode well for the future of the WTO.

danger is that RTAs may discredit and weaken the WTO's central position in the world trade.

A step towards creating the TPP clearly reflects the reactions to the deadlock in the ongoing Development Round, but also a wish of the countries involved to establish new rules of the game in the areas which are not included in the WTO negotiations.

It is difficult to unambiguously predict the developments of this situation and whether the TPP is really going to support the World Trade Organization by encouraging it to conclude the Doha Round by transferring and adopting the commitments. One thing is certain: the international trade policy in the following decade will be very interesting. However, in the situation when the global economy players are intertwined more than ever, it is even more difficult to imagine the world economy without the WTO.

Beyond a shadow of a doubt, the last decade has not been the most successful period for the WTO and its position is currently much weaker than at the end of the last century. Still, it seems that a gradual creation of an open system of the global trade, based on common rules, having over 160 countries as its members, is a great achievement. Therefore, the contribution to the development of the world economy made by the organization cannot be belittled.

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