

RISING REGIONALIZATION: AN ASSESSMENT OF REGIONAL TRADE AGREEMENTS

YÜKSELEN BÖLGESELLEŞME: BÖLGESEL TİCARET ANLAŞMALARINI ÜZERİNE BİR DEĞERLENDİRME

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ABSTRACT

In parallel with the structural change in world trade, Regional Trade Agreements (RTAs) are becoming more prominent and gaining increasing importance. The proliferation of these agreements fills the gap left by multilateral trade negotiations, with their scope of influence expanding beyond trade tariff reduction. Since the mid-20th century, multilateral trade negotiations have been used to liberalize global trade, and the Bretton Woods institutions have accelerated this process. Along with multilateral initiatives, countries have also tended to liberalize trade among themselves through bilateral, regional, or interregional formations. Especially in the last three decades, Asia's rapidly expanding role in the world economy and its growing weight in global production and supply chains, coupled with the slowing economic power of developed countries, rising protectionism, and global uncertainties, have shown signs of a significant transformation in the international trade system. The breakdown of the Doha Round process in the face of rapid and structural change in the world economy, the failure of the WTO to realize the expected reforms and improvements, and the effects of the global financial crisis have led member countries to turn to RTAs instead of multilateral negotiations. This interest has increased even more and shifted towards new RTAs, namely, mega-regional agreements. This study examines the transformation of multilateral trade

ÖZ

Dünya ticaretinin yapısal değişimine paralel olarak, Bölgesel Ticaret Anlaşmaları (BTA) daha fazla ön plana çıkmakta ve giderek artan bir önem kazanmaktadır. Bu anlaşmaların yaygınlaşması çok taraflı ticaret müzakerelerinin oluşturduğu boşluğu doldurmanın ilerisine geçerek ticaret tarifelerinin düşürülmesinin ötesinde etki alanlarını genişletmektedir. 20. yüzyılın ortalarından itibaren küresel ticaretin serbestleştirilmesi yolunda çok taraflı ticaret müzakereleri devam etmiş ve bu süreç Bretton Woods kurumları eliyle hız kazanmıştır. Çok taraflı girişimlerin yanı sıra ülkeler kendi aralarında ikili, bölgesel veya bölgeler arası oluşumlarla ticareti serbestleştirmeyi de tercih etmişlerdir. Özellikle son otuz yılda Asya'nın dünya ekonomisindeki hızla gelişen rolü ve küresel üretim ile tedarik zincirindeki artan ağırlığının yanında gelişmiş ülkelerin yavaşlayan ekonomik güçlerine paralel olarak korumacılığın artması ve küresel belirsizlikler, küresel ticaret sistemi için önemli dönüşüm işaretleri göstermiştir. Bu hızlı ve yapısal değişimin karşısında, Doha Turu sürecinin duraksaması, Dünya Ticaret Örgütü'nün beklenen reformları ve iyileştirilmeleri gerçekleştirilememesi ve küresel finans krizinin etkileri, üye ülkelerin çok taraflı müzakereler yerine BTA'lara yönelmesine neden olmuş ve bu ilgi günümüzde daha da artarak yeni BTA'lara bir anlamda mega bölgesel anlaşmaların oluşumuna doğru kaymıştır. Bu çalışmada liberal ticaret sistemi içinde çok taraflı

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negotiations within the liberal trade system and argues that the emergence of new regionalism in this process, and hence the RTA, has promoted globalization through trade liberalization. In this context, it addresses the dynamics of RTAs, which are an essential part of the global trade system and have proven to have trade-creating potential. It argues that they will continue to be preferred by countries to broaden and deepen their trade policies in the coming years.

Keywords: Global Trade System, Regional Trade Agreements, World Trade Organization

ticaret müzakerelerindeki deęiřimi ele alırken, bu süreçte yükselen yeni bölgeselleřmenin ve dolayısıyla BTA'ların ticaret serbestleřmesini ve küreselleřmeyi teřvik ettięini savunmaktadır. Bu bağlamda küresel ticaret sisteminin önemli bir parçası olarak görülen ve ticaret yaratma potansiyeli kanıtlanan BTA'ların dinamikleri incelenmekte ve ilerleyen yıllarda ülkelerin ticaret politikalarını genişletmek ve derinleřtirmek için tercih edilmeye devam edeceęi öngörülmektedir.

Anahtar kelimeler: Küresel Ticaret Sistemi, Bölgesel Ticaret Anlařmaları, Dünya Ticaret Örgütü

Introduction

The policies institutionalized by Bretton Woods to first discipline and then liberalize the global trade system introduced a new era in the world economy. The institutions-agreements (IMF, World Bank and GATT-WTO) of differing functional aims implemented during this period had the common goal and emphasis of liberalizing the global economy and contributed greatly to the transformation of international trade. Today, the trade of goods and services has been extensively liberalized compared to the past, and protectionist tariff rates have fallen to their lowest levels in history. The GATT was signed in 1947 as a temporary agreement to implement customs reductions on certain goods due to reservations of countries that did not want to abandon protectionist policies and the ongoing negotiations for the implementation of the International Trade Organization (ITO) at the Bretton Woods meeting with the aim of implementing liberalization-oriented policies in world trade and reducing trade barriers. Unlike other institutions, the GATT, which entered into force as a temporary agreement to reduce tariffs and increase trade, aimed to deepen international trade and cooperation through rounds of negotiations to gradually reduce tariffs, eliminate non-tariff barriers, ensure non-discriminatory trade, and thus establish a free foreign trade regime. To this end, member states came together to hold eight long and comprehensive rounds of multilateral negotiations. With the Marrakesh Agreement agreed upon during the last round of negotiations held in 1994 in Uruguay, the establishment of the WTO as a replacement for the GATT was announced. Within this process, there was an attempt to continue what had been started with the GATT in liberalizing global trade, but the steps taken under the auspices of the WTO during the Doha Development Round were unsuccessful. In the Doha negotiations, the ninth in the series of talks initiated by the GATT and the first round of the WTO, the process was protracted, with no clear outcome achieved as various and divergent interests were negotiated in parallel within a single package.¹ While an agreement on trade facilitation was signed in 2013, negotiations on other agenda items continue.

The liberal trade system adopted after the establishment of the Bretton Woods institutions brought innovations for many countries. In particular, it was a period when countries that gained political independence sought economic

1 In the Doha Development Round, the first round of the WTO, 21 topics which were to be negotiated in the interests of 157 countries were listed within a single packet. For more details see; WTO, "Doha Development Agenda", https://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm, accessed: 6.7.2023

independence, countries that had suffered great destruction in the world wars (especially Japan and Germany, as well as other European countries) re-emerged on the stage, and underdeveloped countries made efforts to integrate into world trade, develop, and industrialize. In the aftermath of the First World War, state intervention remained dominant in many countries until the 1970s despite Bretton Woods. Protectionist policies were implemented by developing countries during this period, particularly in the areas of industrialization, development, and growth. Liberal policies also continued in this period. In fact, liberalization-oriented policies in the world economy after the 1950s were seen as advantageous for countries and created important opportunities for those who wanted to integrate into world trade. However, developments such as the collapse of the Bretton Woods system in the 1970s, the OPEC oil crisis, stagflation in the world economy, and the emergence of new power centers took their place in history as a temporary period of implicit protectionism. Nevertheless, the political and economic crises that followed these developments would further strengthen free trade and place it at the center of the world economy.

The new era saw the increasing adoption of neoliberal policies such as limiting state intervention in the economy, removing trade barriers, and liberalizing financial markets. The global change and transformation in commercial, financial and production dimensions accelerated the liberalization of foreign trade worldwide. This trend of trade liberalization led to an increase in regional, bilateral, and multilateral trade agreements to expand economic and trade cooperation, which also resulted in a significant increase in global trade. In this process, the bottlenecks and legitimacy crises in the decision-making mechanism of the WTO, which replaced the GATT as a more institutionalized structure, led to a failure in meeting expectations in multilateral negotiations. Over time, this situation increased interest in Regional Trade Agreements (RTAs)² and supported the tendency to prefer RTAs, which were seen as alternative or complementary.

2 In certain studies, Preferential Trade Agreements (PTAs) are used synonymously with Regional Trade Agreements (RTAs). Although RTAs might seem to refer to agreements defined by geographic regions, they are actually used as an umbrella term that covers bilateral or multilateral agreements that are both within a specific region and among regions which aim for the deepening of economic liberalization. These might include free trade agreements, preferential trade agreements, customs unions, common markets, and other agreements which increase trade and accelerate economic integration. In this study, the Regional Trade Agreement expression adopted within the WTO system is used as a more general term. Additionally, the terms "deep agreements/integrations" are also used to emphasize more comprehensive economic cooperation. On this see; Aaditya Mattoo, Alen Mulabdic and Michele Ruta, "Trade Creation and Trade Diversion in Deep Agreements", *Canadian Journal of Economics/Revue Canadienne D'économique*, 55(3), 2022, pp. 1598-1637.

With the global economy not yet recovered from a period of decelerated growth compared to previous years and in a recession, the shocks experienced in global trade since the coronavirus pandemic have yet to disappear.³ According to UNCTAD, world trade in goods and services is projected to grow by 1% in 2023, which is not only below the growth in world production but also below the average of the last decade, the slowest average growth since the end of World War II.⁴ The trade war between the US and China, the pandemic, Russia's intervention in Ukraine, economic sanctions against Russia and the resulting geopolitical risks, productions disruptions, supply chain fragility, rising protectionism, rising energy and food prices, and difficulties in accessing raw materials are putting the global economy under severe stress.

For some time, countries and companies have been developing various policies and strategies to diversify and strengthen their production centers and supply chains. These policies and strategies include approaches such as “reshoring”, “nearshoring”, and “friendshoring”; they aim to shift production activities to their home countries or nearby regions. By expanding trade policy beyond traditional tariff policies, governments clearly support the need for modern trade agreements that are aligned with the country's economic strategy and strategic interests.⁵ These agreements are broader in scope and have the potential to transcend traditional trade agreements and have an integrated impact on economic strategy. The global economy has evolved into a situation of higher levels of international economic integration and interdependence compared to previous periods. An analysis of countries' intra-regional and extra-regional export data shows that in 2022, 86% of Africa, 85% of Latin America, 70% of North America, 41% of Asia, and 32% of Europe exported outside their region.⁶ In this context, the spread of intermediate goods production across many countries worldwide singled out certain countries, leading to the fragmentation of the supply chain and increased division of labor and specialization, globalizing production and transportation. This process has made trade cooperation between countries even more critical than in previous periods. The inability of the WTO to fully respond to the requirements of the

3 UNCTAD. *Trade and Development Report 2023: Growth, Debt and Climate: Realigning the Global Financial Architecture*, United Nations Publications, New York, 2024.

4 UNCTAD, (2024).

5 Jake Sullivan, “Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution”, *The White House. Washington, DC. 27 April 2023*.

6 UNCTAD. *Trade Structure by Partner-UNCTAD Handbook of Statistics 2023*, <https://hbs.unctad.org/trade-structure-by-partner/>, accessed: 10.11.2023.

multilateral trade system has paved the way for the development of bilateral, multilateral, and regional trade agreements. These agreements play an important role in the functioning and regulation of global trade.

RTAs, which have significant impact on transforming global trade, contribute to increased trade and thus to welfare growth through the driving force of liberalization via deepened trade and the encouraging role of global trade rules. In fact, issues that fall under the purview of traditional trade policies (such as tariff reductions or services liberalization) come up more frequently in RTAs; the issues negotiated can even go beyond WTO commitments (such as investment, services, and intellectual property rights).⁷ Although regionalization agreements emerged to fill the vacuum left by multilateral negotiations, they have come to create broader political and economic expectations. Currently, RTAs go beyond the provisions of the WTO and have two important areas in this regard: first, they can reduce import tariffs below WTO levels, and second, they negotiate issues that the WTO has not yet addressed.⁸ According to the WTO, trade among RTA members, which increased sharply after the 1990s, has risen substantially: the share of intra-RTA trade rose to 35% of total world trade in 2008, nearly double its share of 18% in 1990.⁹ These developments may encourage countries that are not members of an existing RTA to join an existing agreement or to implement a new one in order to avoid potential market losses.

This study assesses the impact of regionalization agreements on the global trading system as opposed to multilateral negotiations. The study is divided into four sections. The first section examines the development of regional trade agreements in the world economy and the factors affecting the negotiation process of the current agreements and the theoretical approaches to it. The second section discusses the stalemates in multilateral negotiations that started with the GATT and continued with the WTO and the legitimacy crisis of the WTO. The third section examines the rise of RTAs in the process of globalization and their impact within the liberal trading system. The fourth section examines the role of mega-regional agreements as the new normal of the 21st century within the trend of regional trade agreements.

7 Aaditya Mattoo, Nadia Rocha and Michele Ruta, *Handbook of Deep Trade Agreements*, World Bank Publications, Washington, 2020.

8 Kyle Bagwell, Chad P. Bown and Robert W. Staiger, "Is the WTO passé?", *Journal of Economic Literature*, 54(4), 2016, pp. 1125-1231.

9 WTO, *World Trade Report 2011: The WTO and Preferential Trade Agreements: From Co-Existence to Coherence*, World Trade Organization, Geneva, 2011.

The Development of Regional Trade Agreements and Their Impact on Free Trade

The accelerated pace of globalization in the second half of the 20th century increased regionalization initiatives. The liberal trade system, initiated with the Bretton Woods institutions and reinforced by neo-liberal policies, tends to regionalize through RTAs as it moves towards a global structure. Although regionalization movements were predominantly security-oriented during the Cold War period, with globalization, an uptick in trade- and cooperation-oriented integration movements wherein economic priorities are decisive have been observed. Although there have been studies on regionalization since the mid-20th century, bilateral agreements that would be defined as regional have played a major role in world political history since the 19th century. In the 19th century, the German customs union known as the *Zollverein* wherein 18 small and large states contributed to the formation of the great nation of Germany, the *Cobden-Chevalier* trade agreement signed between England and France to reduce customs rates, and the subsequent increase in the number of European countries participating in the agreement were among the first examples of regional trade agreements.¹⁰ At the beginning of the 1900s, the UK signed bilateral agreements with 46 countries, Germany with 30 countries, and France with more than 20 countries, while customs unions similar to the German *Zollverein* system were established in the decade between 1850-60 in countries such as Austria, Sweden, Denmark, and Italy.¹¹ The customs unions and bilateral trade agreements that occurred in Europe during this period would contribute significantly to the spread of regionalism and the spirit of unity that would emerge in the future.

There have also been studies analyzing the effects on economic growth of regionalization movements that have emerged alongside global initiatives to liberalize the international trade system after the Second World War. Viner divides the economic effects of RTAs for member countries within the framework of a customs union into two categories: one-off static effects (trade creation or trade diversion effects) and dynamic effects (such as investment promotion, technology development, resource mobility) that last for a longer period and accelerate

10 Jeffrey A. Frankel, Ernesto Stein and Shang-Jin Wei, *Regional Trading Blocs in the World Economic System* Peterson Institute, Washington, 1997; Edward D. Mansfield and Helen V. Milner, "The New Wave of Regionalism", *International Organization*, 53(3), 1999, pp. 589-627.

11 Mansfield and Milner, (1999).

development. Studies in classical literature have been conducted on this aspect of RTAs.¹² In this respect, the contribution of RTAs to the welfare of countries may depend on various dynamics, including the relative magnitude of trade creation and trade diversion for members, the economic structure of the country, and the capacity of producers in the face of external competition. However, it should be kept in mind that this approach was introduced at a time when tariffs and quotas were the main issue in the global trading system and trade agreements were still shallow and bilateral.¹³ In this respect, the removal of trade barriers was seen as the best policy.

The question of whether RTAs help further the liberalization of the multilateral trading system and their relationship with the global trading system have been the subject of various studies.¹⁴ When regionalization movements started in the 1960s, they were seen as the liberalization of trade in goods by removing trade barriers among countries that were geographically and developmentally close to each other, and the countries participating in them aimed to overcome the market constraints created by protectionist policies aimed at supporting national development policies.¹⁵ Evaluated within the framework of regional trade agreements, the first wave of regionalism occurred in the 1950s-60s, and the second spanned the period from the mid-1980s to the 1990s.¹⁶ The first wave of regional trade cooperations bore the political and economic scars of the Cold War and an increasing number of RTAs were initiated by the AET, EFTA, CMEA, and developing countries.¹⁷ In the second wave of regionalization, in line with the changing structure of the global system after the end of the Cold War, the motivation of the countries participating in RTAs also shifted to more weighted economic expectations to liberalize foreign trade and accelerate external openings to attract investment. The opportunities for trade cooperation among countries were advantageously used at this time under the influence of GATT, and the

12 Jacob Viner, *The Customs Union Issue*, Carnegie Endowment for International Peace, New York, 1950.

13 Mattoo, Mulabdic and Ruta, (2022).

14 Jagdish Bhagwati, "Regionalism versus Multilateralism", *World Economy*, 15(5), 1992, pp. 535-556; Anne O. Krueger, "Free Trade Agreements versus Customs Unions", *Journal of Development Economics*, 54(1), 1997, pp. 169-187

15 Luis Abugattas Majluf, "Swimming in the Spaghetti Bowl: Challenges for Developing Countries under the 'New Regionalism'", *Policy Issues in International Trade and Commodities Study Series*, No.27, United Nations Publication, New York & Geneva, 2004.

16 There are different approaches to classifying regionalization in the literature. While some texts classify the first wave as old regionalization, the second wave is classified as the new regionalization. See; WTO, (2011).

17 Mansfield and Milner, (1999).

process of expansion and deepening of RTAs accelerated in the 1990s. Europe's integration process also sped up during this period, focusing on expanding and deepening economic cooperation across the continent.

RTAs are divided into five categories depending on the stage of integration: (1) preferential trade agreements, (2) free trade agreements, (3) customs unions, (4) common markets, and (5) economic unions. In trade cooperation, the first three integrations are defined as shallow integration, while the fourth and fifth are considered deep integration. Today, RTAs are mainly realized in the form of preferential trade agreements or free trade agreements, which are defined as shallow integration. While the European Union (EU) exists as deep integration, the US-Canada-Mexico Free Trade Agreement (USMCA), the ASEAN Free Trade Area (AFTA), and the South American Common Market (Mercosur) can be shown as shallow integration.

Some economists have been concerned about the rise of RTAs, now regarded as an important part of the global trading system, as they reduce incentives for the liberalization of the trading system.¹⁸ Others, on the contrary, have viewed regionalism positively, seeing it as a complementary element to the multilateral trading system.¹⁹ The main economic effects of RTAs are theoretically to promote trade between member countries, allowing exporters to benefit from lower tariffs in common markets, which can have negative consequences for non-member countries by reducing trade with third countries.²⁰ While tariff reductions have been regarded as delaying trade and thus global liberalization, whether implemented bilaterally or multilaterally, the opposite argument that they will help accelerate liberalization has also been put forth.²¹ In this regard, the IMF and the WB have been criticized for providing conditional support for the liberalization and opening of markets. RTAs have in fact had significant effects on increasing economic welfare for countries and promoting trade by ensuring

18 Antoni Estevadeordal, Caroline Freund and Emanuel Ornelas, "Does Regionalism Affect Trade Liberalization toward Nonmembers?", *The Quarterly Journal of Economics*, 123(4), (2008), pp. 1531-1575.

19 Paul Krugman, "Is Bilateralism Bad?", in Elhanan Helpman and Assaf Razin (eds), *International Trade and Trade Policy* (pp. 9-23), MIT Press. Cambridge, Mass. 1991; Lawrence Summers, "Regionalism and the World Trading System", *Policy Implications of Trade and Currency Zones*. Wyoming: Federal Reserve Bank of Kansas City, 1991; Richard E. Baldwin, "The Causes of Regionalism", *World Economy*, 20(7), 1997, pp. 865-888; Frankel, Stein and Wei, 1997; Robert Z. Lawrence, *Regionalism, Multilateralism, and Deeper Integration*, The Brookings Institution Press, Washington, 2000; Wilfred J. Ethier, "The New Regionalism", *The Economic Journal*, 108(449), 1998, pp. 1149-1161.

20 WTO, (2011).

21 Estevadeordal, Freund and Ornelas, (2008).

market security.²² RTAs have been shown to positively affect tariff reductions and thus trade liberalization in Latin America and Asia.²³ By reducing barriers to international trade, RTAs have contributed not only to the increase in foreign trade but also in foreign direct investment.²⁴ In addition to the trade creation and lower trade diversion effect of deep agreements within RTAs compared to shallow agreements, it also contributes to the increase in trade with non-member countries by creating public benefits.²⁵ In line with the economic policy decisions made in studies in the literature, RTAs can eliminate protectionism while maintaining cooperation outside of trade with high external tariffs.²⁶ Despite the economic benefits described above, RTAs may have a diversionary effect on trade; this may occur in cases where political rather than economic decisions are effective.

Today, it is recognized that RTAs enable the development of new trade and investment and have a trade-creating effect, but the main issue is whether and how their possible negative effects on the multilateral trading system will contribute to the WTO.²⁷ The concerns of Bhagwati and Krueger in their study on whether RTAs help further liberalization of the multilateral trading system and their relationship with the global trading system are noteworthy.²⁸ There is a particular concern that the trend towards RTAs will have negative effects in the long run not only on the multilateral trading system but also on trade liberalization. Bhagwati problematizes whether RTAs are a “building block” or a “stumbling block” for trade liberalization and distinguishes RTAs as good and bad.²⁹ In addition to creating discrimination and trade diversion, RTAs can pose challenges to

22 Dean A. DeRosa, “The Trade Effects of Preferential Arrangements: New Evidence from the Australia Productivity Commission”, *Peterson Institute for International Economics* (Working Paper: 07-1), 2007; Scott L. Baier and Jeffrey H. Bergstrand, “Do Free Trade Agreements Actually Increase Members’ International Trade?”, *Journal of International Economics*, 71(1), 2007, pp. 72-95; Scott L. Baier and Jeffrey H. Bergstrand, “Estimating The Effects of Free Trade Agreements on International Trade Flows Using Matching Econometrics”, *Journal of International Economics*, 77(1), 2009, pp. 63-76.

23 Hector F. Calvo Pardo, Caroline L. Freund and Emanuel Ornelas, “The ASEAN Free Trade Agreement: Impact on Trade Flows and External Trade Barriers”, *World Bank, Policy Research Working Paper* (4960), 2009; Estevadeordal, Freund and Ornelas, (2008).

24 Mattoo, Rocha and Ruta, (2020).

25 Mattoo, Mulabdic and Ruta, (2022).

26 WTO, (2011).

27 Antoni Estevadeordal, Kati Suominen and Christian Volpe, “Regional Trade Agreements: Development Challenges and Policy Options”, *International Centre for Trade and Sustainable Development (ICTSD) & World Economic Forum*, Geneva, 2013.

28 Bhagwati, (1992); Krueger, (1997).

29 Jagdish Bhagwati, “Regionalism and Multilateralism: An Overview”, in Jaime de Melo and Arvind Panagariya (eds.) *New Dimensions in Regional Integration* (pp. 22-50), Cambridge University Press, Cambridge, 1993.

multilateral trade negotiations.³⁰ Also, countries' creating regionalization movements by concluding numerous bilateral, regional, and interregional trade agreements with each of these agreements formulating different obligations within their own structures, especially rules of origin, complicates the global trade order and turns it into a very complex structure. In Bhagwati's words, this situation of regionalization movements can lead to a "spaghetti bowl" in the trade system,³¹ exemplifying the complexity of the current world trading system. On the other hand, powerful countries may benefit more from trade liberalization than smaller countries in RTAs; there is also a risk of conflict between regional agreements.³²

From GATT to WTO: Crisis of Institutional Legitimacy in the Multilateral Trade System

GATT, an important step opening the way for global trade, aimed to reduce tariffs on trade over time through multilateral negotiations to create a global trade regime and made significant progress in this regard. While the GATT aimed to increase trade by reducing barriers, it set some principles for all member countries. These were built on the principles of non-discrimination in trade among member countries, the most favored nation rule (MFN), the reduction of customs duties, and the use of tariffs as a means of protection. These principles aim to ensure that members do not discriminate between trading partners and between imported and domestic products, that protection is achieved through tariffs and not through other measures, and that, first and foremost, tariffs are reduced. A significant part of these objectives was achieved through protracted GATT negotiations.

The first of the GATT's eight series of multilateral negotiations focused on tariffs and tariff reductions, and later expanded to include anti-dumping, non-tariff barriers, and voluntary export restrictions in addition to tariff reductions. The Uruguay Round, which started in Punta del Este in 1986 and is considered to be the largest trade negotiation since the establishment of the GATT, negotiated not only trade in goods but also trade in services, intellectual property rights, investment, and agricultural subsidies, which are sensitive issues not covered

30 Bhagwati, (1993).

31 Jagdish Bhagwati, "US Trade Policy: The Infatuation with Free Trade Areas", in Jagdish Bhagwati and Anne O. Krueger (eds.), *The Dangerous Drift to Preferential Trade Agreements* (pp.1-18), The American Enterprise Institute Press, Washington, 1995.

32 Bhagwati, (1995).

by the GATT.³³ The negotiations were lengthy and no agreement was reached on agricultural trade, especially due to the attitude of developed countries on agricultural subsidies and disagreements between the US and the EU (then the European Community) on subsidies. Finally, the WTO was established in Marrakesh in 1994 with the signature of the majority of its members, replacing the GATT. Although the WTO came into force, the GATT 1994, which was brought up to date as a result of the Uruguay negotiations, is still accepted as the umbrella agreement for trade in goods.³⁴ In addition to trade in goods, new areas such as trade in services, investment, and intellectual property rights were introduced in the Uruguay negotiations and certain rules were established in this regard.

The above-mentioned areas, weightier in the global economy since the 1980s, would be put on the WTO's agendas repeatedly with multiple attempts to set certain standards. The Doha negotiations, for example, launched by the WTO in 2001, progressed rather slowly. The main issue in Doha was to liberalize agricultural trade, reduce barriers to trade in non-agricultural products and services, and facilitate market access. There were disagreements in the Doha negotiations and the process slowed to a standstill. Despite the global financial crisis and the questionable role of the WTO in its aftermath, the process continued until a Trade Facilitation Agreement (TFA) was signed at the 9th Ministerial Conference in Bali in 2013. Thus, twenty years after its establishment, the first multilateral trade agreement was signed under the auspices of the WTO. With this trade facilitation agreement, setting common customs standards and facilitating the flow of goods was approved.³⁵ The International Chamber of Commerce (ICC), the world's largest and most represented business organization, estimated that the agreement would reduce the cost of doing business by 10-15% and contribute \$1 trillion to global output.³⁶ The Bali meeting also resulted in compromises on agriculture, development, export subsidies, and agricultural quotas. After the Bali meeting, which paved the way once again for restoring the WTO's credibility, member countries' expectations rose with hopes rekindled for the completion of the Doha Round.

33 WTO, "The Uruguay Round", https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm, Accessed: 12.7.2023

34 WTO, "The Uruguay Round". (2023)

35 Shawn Donnan, "WTO Approves Global Trade Deal", *Financial Times*, 7.12.2013, <https://www.ft.com/content/072486ac-5f3f-11e3-8d1d-00144feabdc0>, Accessed: 14.7.2023

36 Donnan, (2013).

In 2015, the WTO's Ministerial Conference took place for the first time in an African country; important steps were taken in the field of agriculture, which was expected in line with the needs of the continent. At the 10th Nairobi Conference, the crucial issue of eliminating export subsidies for agricultural exports was agreed upon with the WTO Director-General Roberto Azevêdo describing the decision as, "the most important outcome in agriculture in the 20-year history of the WTO." For a long time, developed countries had avoided compromising on subsidies and incentives for exports of agricultural products, creating a serious competition problem for developing countries. According to the decision, developed countries agreed to immediately eliminate export subsidies with the exception of certain agricultural products, and developing countries agreed to phase them out gradually by 2018, but with the allowance granted to exercise these rights until the end of 2023.³⁷ Also in Nairobi, an agreement was reached on the extension of the Information Technology Agreement (ITA), which provides for the gradual elimination of tariffs on information technology products worth more than \$1.3 trillion.³⁸

At the 2017 Buenos Aires meeting, the 11th of the WTO's biannual, highest-level Ministerial Conferences, the decision was to continue negotiations. The 12th Conference, postponed twice due to Covid-19, was held in Geneva in 2022 and the decisions taken at the meeting were considered critical. At the WTO's Geneva meeting, it was decided to continue the agreement on fishing subsidies and the compromise on e-commerce. Additionally, an exception was made to patent restrictions for the production and supply of vaccines, which occupied an important place on the world agenda at the time, and vital decisions were taken in regard to being prepared in case of any emergent epidemics as well as the food supply problem.³⁹ Unlike previous conferences, the WTO's critical role in solving important and urgent global problems was a reminder of the importance of the multilateral trading system. However, after the establishment of the WTO and especially after the freeze in the Doha negotiations, major changes have taken place in global trade. The speed of digitalization has greatly affected habits and consumption patterns, and the expansion of global internet access and the

37 WTO, "Ministerial Conference, 10th, Nairobi: WTO members secure "Historic" Nairobi Package for Africa and the World", 19.12.2023, https://www.wto.org/english/news_e/news15_e/mc10_19dec15_e.htm, Accessed: 16.7.2023

38 WTO, "Ministerial Conference, 10th, Nairobi: WTO members secure "Historic" Nairobi Package for Africa and the World", (2023).

39 WTO, "Twelfth WTO Ministerial Conference: WTO Members Secure Unprecedented Package of Trade Outcomes at MC12", 17.6.2022, https://www.wto.org/english/news_e/news22_e/mc12_17jun22_e.htm, Accessed: 16.7.2023

increase in online trade have contributed greatly to the spread of e-commerce in the world. In 2020, the global value of e-commerce was \$5.7 trillion, accounting for 5.7% of global national income, and these figures are estimated to increase.⁴⁰ In addition to e-commerce, the increased awareness of climate change all over the world has resulted in major changes in production, supply, investment, and consumption. In the midst of this transformation, there are significant constraints to the functionality of the WTO to negotiate and reach consensus through multilateral agreements with its 164 members. These developments in global trade have encouraged members to seek alternative RTAs and members have signed regional agreements among themselves, which serve a complementary role in liberalizing foreign trade. In a sense, countries have entered into regional trade agreements to gain a larger share of global trade and increase trade cooperation through regional or bilateral agreements.

The GATT process accelerated free trade initiatives, especially with the establishment of the WTO, by increasing interest in regional trade agreements. The formation of the GATT allowed member countries to engage in preferential behavior such as free trade agreements or customs unions under certain conditions. These economic integrations were separate from the “most-favored-nation” rule (GATT Article 24). According to this rule, countries within the union would abolish tariffs against each other, while continuing to apply tariffs against third countries. Similarly, under the RTAs, the countries included in these agreements were authorized to impose a common customs tariff against countries outside the union.

The Rise of Regional Trade Agreements in the Global Trade System

One of the biggest advantages offered by globalization is the removal of barriers to foreign trade and increased interdependence among countries by facilitating trade. After the 1980s, some countries moved towards export-led development and trade liberalization policies, while others gravitated towards such policies through the conditional assistance of the IMF. Important developments such as the expansion of neo-liberal policies, the growing influence of multinational corporations, the communications revolution, and the collapse of the Soviet Union accelerated the liberalization of the market economy and foreign trade. These developments have encouraged countries to engage more in economic

40 Statista, “E-commerce Worldwide-Statistics & Facts”, 26.9.2023, <https://www.statista.com/topics/871/online-shopping/#topicOverview>, Accessed: 30.09.2023

cooperation, while economic integrations have become more important in deepening economic and trade cooperation between countries.

Economic integrations are economic consolidation activities that occur to further liberalize and facilitate foreign trade in order to enhance economic cooperation. The stages of economic integration are defined under the RTA umbrella and can be bilateral, regional, or multilateral. The advantages that countries have by signing RTAs are seen as exceptions under the GATT/WTO, in the sense that these agreements do not contradict the multilateral trading system. As mentioned in the previous section, the parties to the WTO have imposed the condition that all members trade with each other on equal terms to prevent unfair competition under the MFN. However, exceptions have been made for (1) regional trade agreements, (2) generalized system of preferences, and (3) anti-dumping and compensatory tax (GATT, XXIV). Through these exceptions, RTAs allowed members to undertake trade liberalization initiatives under economic integration.

As mentioned earlier, the failure of the WTO, which acts as an institutional structure to further liberalize global trade, to meet expectations has turned countries' attention to RTAs. Baldwin and Carpenter divide the reasons for preferring RTAs with narrower constraints over multilateral negotiations to liberalize trade into three categories:⁴¹ first, RTAs are easier and more flexible; second, they are less uncertain and more secure; and finally, they offer benefits that the WTO cannot.⁴² Despite the lengthy multilateral trade negotiations of GATT/WTO members, almost all of them have participated in regional integration processes in one way or another. Different theories have been put forward as to why member countries have taken such a stance, including pressure from interest groups, political and ideological attitudes, strategic considerations in the international system, and the dynamic nature of the multilateral trading system.⁴³

The different expectations of developing countries on the one hand and developed countries on the other, the lengthy yet inconclusive Doha negotiations, and the failure of the WTO to meet expectations have opened the door to alternative formations. In other words, the inconclusive Doha negotiations and

41 Richard Baldwin and Theresa Carpenter, "Why not in the WTO? The Erosion of WTO Centricity in Trade Liberalisation", *World Trade Organization, Centre for Trade and Economic Integration, The Graduate Institute, Geneva, 2009*.

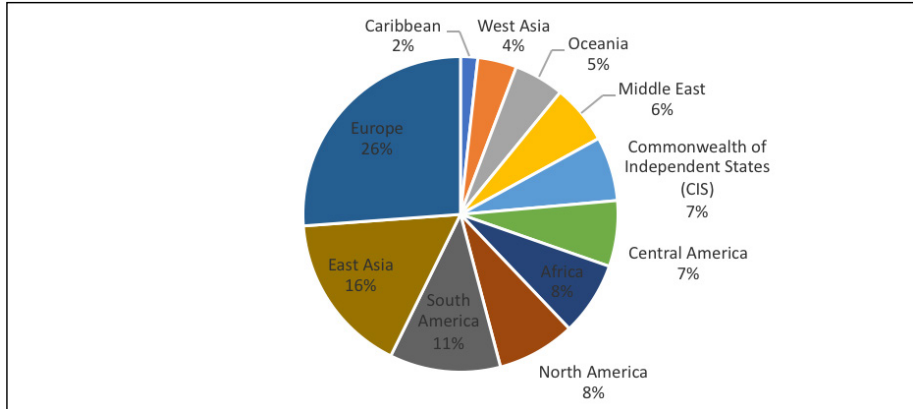
42 Baldwin and Carpenter, (2009).

43 Estevadeordal, Suominen and Volpe, (2013).

the structural problems in the WTO have led countries to alternative paths, with RTAs coming to the forefront. For members, RTAs have created expectations to establish different relations with their partners beyond trade tariffs. Over time, RTAs can offer members bargaining power, security against external shocks such as trade wars, and significant opportunities in investment and infrastructure.⁴⁴

While RTAs – which occupy an important place in the multilateral trading system – promote free trade, they have also enabled all WTO members to become parties to current RTAs. Western countries have a significant share of the countries that have joined existing RTAs (Graphic 1). In this context, the EU and North America have joined one-third of the RTAs in force, while East Asia and South America have joined 16% and 11% respectively. Particularly since the establishment of the WTO, there has been a sharp increase in the number of RTAs. While 37 RTAs were concluded between 1948 and 1994, this number had reached 360 by 2023 (Figure 1). As of July 2023, there are 593 RTAs that have been notified to the GATT/WTO which are in force; free trade agreements and preferential trade agreements constitute the vast majority – 90% – of those RTAs.⁴⁵

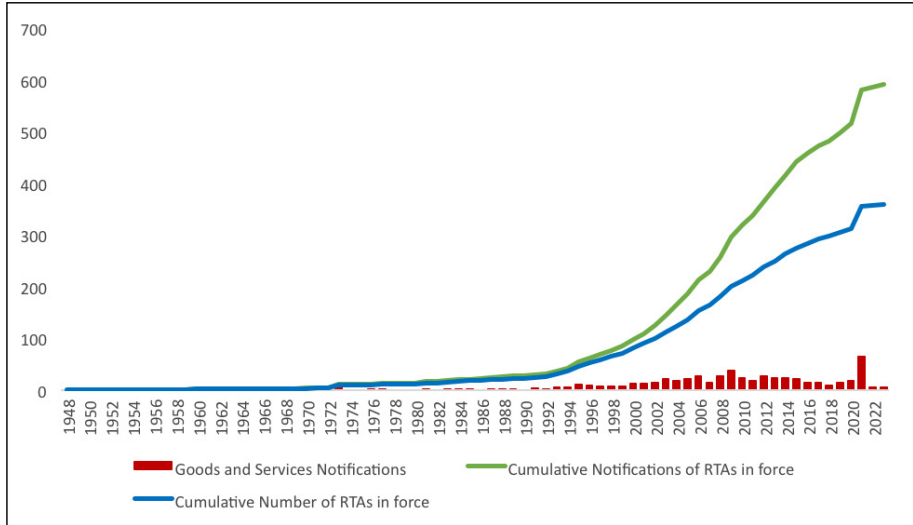
Graphic 1: RTAs in force, participation (by region, 2023)



Source: WTO, <https://rtais.wto.org/UI/charts.aspx>, (Accessed: 5.10.2023)

44 Estevadeordal, Suominen and Volpe, (2013).

45 The reasons for the difference in the number of trade agreements notified to the WTO and the number of trade agreements in force include: the notification of new agreements, the notification of new countries joining existing agreements, the inactivity of certain agreements that have already been notified to the WTO, and the replacement of certain inactive agreements with others. Examples include Croatia's accession to the EU in 2013 and the expansion of the 1987 FTA between the US and Canada (CUSFTA) with the accession of Mexico (NAFTA). For detailed information on this topic see; Bagwell, Bown and Staiger, (2016): WTO, *Regional Trade Agreements Database*, <https://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>, Accessed: 6.07.2023

Figure 1: The Evolution of Regional Trade Agreements (1948-2023)

RTAs in force (goods and services); cumulative notifications of RTAs in force; cumulative number of RTAs in force

Source: WTO, <https://rtais.wto.org/UI/charts.aspx> , (accessed: 5.10.2023)

The current RTA negotiations can be seen as deeper integrations that prioritize non-tariff and cross-border policies rather than tariff reductions.⁴⁶ In terms of deeper integrations, RTAs fall into two categories: first, WTO-plus RTAs, where the existing agreement allows members to go further in taking on their commitments, and second, WTO-extra areas, which cover provisions of the WTO that have not yet been implemented (i.e. environmental standards, data protection, competition policy).⁴⁷ Analyses reveal that many RTAs go beyond WTO provisions and implement deep integration provisions in a legal manner.⁴⁸

The Future of Regionalization: Mega Regional Trade Agreements

Countries may come together for different purposes and objectives in an endeavor to form modern RTAs. The blockage of multilateral trade negotiations under the WTO has pushed developed countries in particular towards agreements in line with trade rules that fit the spirit of the era. The globalization of trade and production in the world economy has led to the fragmentation of production

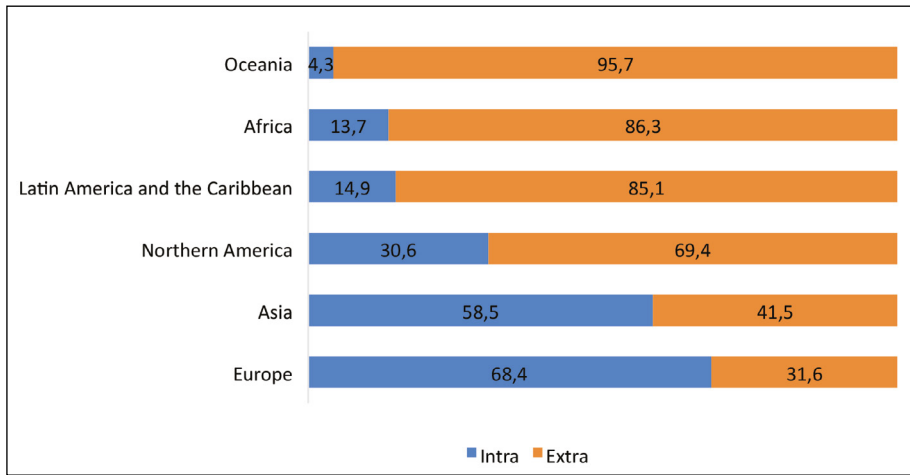
46 Bagwell, Bown and Staiger, (2016).

47 Bagwell, Bown and Staiger, (2016).

48 WTO, (2011).

across countries and increased interdependence in trade. An analysis of countries' intra-regional and extra-regional export figures reveals that developing countries are more dependent on extra-regional trade than developed countries (Figure 2). In an environment where world trade will be \$24.7 trillion in 2022, foreign trade between the world's two largest economies, the US and China, will be \$755 billion in 2022, while exports between developed countries will be \$9.5 trillion and exports between developing countries will be \$6.1 trillion, and exports from developed countries to developing countries will be \$8.9 trillion.⁴⁹

Figure 2: Intra- and Extra-regional Exports (2022, percentage of total exports)



Source: UNCTAD, (2023).

As the proximity and interaction between countries increases with the expansion of global trade, so does the importance of RTAs. Considered to be geographically significant, RTAs can be intercontinental and interregional. In pursuit of this goal, the US launched two mega regional trade agreements during the Obama administration, the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP). However, under the Trump presidency, the US withdrew from these initiatives. One of the most important issues underlying the initiatives of developed countries regarding trade agreements, particularly the US, is the changing rules of trade and the rising share of Asian countries in the global value chain and the resulting competition.

⁴⁹ UNCTAD, (2024).

China's economic rise is a fundamental driving force behind the initiatives and policies that the US wants to implement. The US launched an initiative through the TPP to re-establish the balance of power in the Asia-Pacific region and to limit China's influence. Although the US wanted to conclude an FTA with Asian countries for its strategic and economic interests in the Asia-Pacific region, it had not yet been successful. Trump withdrew from the TPP, which was signed in February 2016 during the Obama administration with the aim of establishing the world's largest free trade bloc, but a new version, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), was signed in Chile on March 8, 2018, with the participation of the remaining 11 countries. Regardless of Trump's withdrawal from the TPP, the remaining countries signed the agreement in the hope that the US would return. In an interview in 2015, Obama stated that without a free trade agreement with Asia, China would write the rules in the region (the economic vacuum) and American companies would lose markets and jobs.⁵⁰ A similar concern can be seen in the Biden era, with talks of widening the military alliance between the US, Britain, and Australia in the Indo-Pacific Ocean against China under the AUKUS Pact economically so as to combat China's ever-expanding control over the region.⁵¹ The US' goal of limiting China's influence through the establishment of mega RTAs can be seen in the past and present under different administrations.

In 2013, negotiations began with the aim of establishing a comprehensive trade and investment partnership (TTIP) between the US and the EU, which was seen as the second mega RTA of the US during the Obama era. The fact that the US and the EU occupy such a large share of the world economy in terms of trade, investment, and economic size shows how great the potential of this initiative is. More than three decades of talks between the two, which today have the largest trading relationship in the world, have been revived because of changing conditions in the global economy, Europe's economic stagnation, the cessation of multilateral trade negotiations, and the desire of the US and the EU to achieve stronger economic growth and promote employment.⁵² This

50 Gerald F. Seib, "Obama Presses Case for Asia Trade Deal, Warns Failure Would Benefit China", *The Wall Street Journal*, 27.4.2015, <https://www.wsj.com/articles/obama-presses-case-for-asia-trade-deal-warns-failure-would-benefit-china-1430160415>, Accessed: 4.8.2023

51 Tim Groser, "The U.S. Has a Way Back on Pacific Trade", *The Wall Street Journal*, 29.9.2021, <https://www.wsj.com/articles/america-tpp-china-japan-indo-pacific-trade-influence-11632931688>, Accessed: 4.8.2023.

52 Jeffrey J. Schott, "Why Transatlantic Trade Winds are Blowing", *Council on Foreign Relations*, 25.2.2013, <https://www.cfr.org/interview/why-transatlantic-trade-winds-are-blowing>, Accessed: 5.8.2023

comprehensive initiative, begun by the two sides as a transatlantic bloc, was put on the back burner after both Brexit and Trump's election as president; TTIP negotiations stalled and subsequently lost their appeal.

One of the significant milestones of China's economic rise is undoubtedly its accession to the WTO. China made significant changes in its trade policy after joining the WTO. Notably, it has used WTO membership as a tool to deepen bilateral and multilateral economic relations and strengthen its role as a regional hegemon.⁵³ As one of the countries that has benefited the most from the advantages of globalization, China has a more liberal rhetoric compared to the US' aggressive ventures and inward-looking, protectionist policies towards the functioning of the liberal trade system. Following the US withdrawal from the TPP, China's interest in the Regional Comprehensive Economic Partnership (RCEP) gained momentum and the RCEP agreement was signed at the virtual ASEAN (Association of Southeast Asian Nations) Summit in 2020. Alongside the ASEAN Bloc and China, the agreement was also signed by Japan, South Korea, Australia, New Zealand, and Singapore, all allies of the US. Entering into force on January 1, 2021, the RCEP made history as the world's largest free trade bloc ever signed, covering one-third of the global population and 30% of national income.⁵⁴ China's trade with RCEP members accounts for one-third of its total trade, and the agreement was envisioned to be an important leverage for China, one of the world's largest economies, to combat global economic recession, the negative effects of the pandemic, and its own economic transformation.⁵⁵ It is a major development for China, which has a significant share in the foreign trade of countries in the Asia-Pacific, to join the world's largest free trade bloc with important trading partners. Today, China is in the top three import and export markets of almost all RCEP members and has very strong economic ties with the region.⁵⁶ Therefore, the regional trade agreements that China has joined to liberalize trade due to liberal rhetoric stand out as a reflection of Beijing's expressions of cooperation. With the US and the EU turning inward

53 Walter M. Hudson, "Revisiting Albert O. Hirschman on Trade and Development", *American Affairs*. 20 August, 2022.

54 Andrew Mullen, "What is RCEP, the World's Largest Free Trade Deal that is Under Way?", *South China Morning Post*, 1.1.2022, <https://www.scmp.com/economy/global-economy/article/3161707/what-rcep-worlds-largest-free-trade-deal-under-way>, Accessed: 5.8.2023

55 Orange Wang, "RCEP: China Says World's Largest Trade Pact Gives it 'Powerful Leverage' To Cope With 2022 Challenges", *South China Morning Post*, 31.12.2021, <https://www.scmp.com/economy/china-economy/article/3161601/rcep-china-says-worlds-largest-trade-pact-gives-it-powerful>, Accessed: 5.8.2023

56 Lisandra Flach, Hannah-Maria Hildenbrand and Feodora Teti, "The Regional Comprehensive Economic Partnership Agreement and Its Expected Effects on World Trade", *Intereconomics*, 56, 2021. pp. 92-98.

and distancing themselves from new trade agreements, China will undoubtedly gain significant advantages by filling these gaps.⁵⁷ Meanwhile, India joined the negotiations fearing that Chinese products would threaten its domestic market, but later withdrew from the agreement.

Figure 3: Comparing RCEP to Other Regional Trade Agreements (2019)

Agreement	Parties	Global GDP (%)	Global Trade (%)	Global Population (%)
<i>Regional Comprehensive Economic Partnership (RCEP)</i>	15	28,70	27,80	29,65
<i>Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP)</i>	11	15,03	15,43	6,64
<i>United States-Mexico-Canada Agreement (USMCA)</i>	3	25,82	16,11	6,45
<i>Southern Common Market (Mercosur)</i>	4	3,44	1,49	3,49
<i>African Continental Free Trade Area (AfCFTA)</i>	54	3,07	2,79	17,04
<i>Gulf Cooperation Council (GCC)</i>	8	1,84	3,44	0,75

Source: Francois and Elsig, (2021).

With six members of the RCEP also being members of the CPTPP, the market access of the members expanded considerably. Compared to other RTAs, the RCEP, signed by Asia-Pacific countries, is the world's largest trade agreement in terms of economic indicators (Table 1). RCEP, considered a mega-RTA, is much more important than other regional agreements in terms of both the economic power of its members and its scope. At a time of political uncertainty and when the world economy is turning inward, the RCEP is expected to help strengthen intra-regional trade, investment, and cooperation.⁵⁸ Another mega-deal is the AfCFTA (African Continental Free Trade Area), a free trade agreement involving most countries in Africa. Historically the most comprehensive integration initiative experienced by the African continent, the AfCFTA entered into

57 Udi Dadush and Enzo Dominguez Prost, "Preferential Trade Agreements, Geopolitics, and the Fragmentation of World Trade", *World Trade Review*. 22(2), 2023, pp. 278-294.

58 Joseph Francois and Manfred Elsig, "Short Overview of the Regional Comprehensive Economic Partnership (RCEP)", *European Parliament* (2021).

force on January 1, 2021, as the free trade agreement with the largest number of member countries after the World Trade Organization. Negotiations were initiated in 2015 under the leadership of the African Union; the agreement is expected to go beyond economic integration as it aims to achieve socio-economic development across the continent, boost regional trade, and has the potential to engage in negotiations with third parties outside the continent. The African continent is currently divided by eight different RTAs (free trade agreements and customs unions) and is also dependent on exports of primary raw materials due to the structural challenges of the continent's colonial past. The AfCFTA is therefore expected to boost intra-regional trade, strengthen regional value chains and production networks, and play an active role in the continent's structural transformation, acting as both a tool and a safeguard.⁵⁹

Countries' participation in mega-agreements, defined as deep RTAs, facilitates the integration of higher value-added industries and contributes to increased trade in the global value chain.⁶⁰ Similarly, recent studies show that concerns over issues such as tariff reductions and complex rules of origin have diminished, easing doubts about the distortionary effects of mega-agreements on trade, and that these agreements can benefit third parties.⁶¹ However, in an environment of high interest in mega-regional agreements, there may be the risk of loss of sovereignty and independence for small and comparatively weak countries that become parties to these agreements. The ability of the US and the EU to use their political influence and economic power to extract concessions in trade agreements can have negative effects on these countries, be they developed or developing.⁶² Relatively less powerful countries may be at risk of losing their sovereignty in the event of the implementation of RTAs wherein they have not been able to negotiate on equal terms. In this context, RTAs, which the EU has been using as a trade integration strategy for a long time, have been implemented for political as well as economic purposes as the main instrument of foreign policy.⁶³ However,

59 Dadush and Prost, (2023); Philomena Apiko, Sean Woolfrey and Bruce Byiers, "The Promise of the African Continental Free Trade Area (AfCFTA)", *ECDPM Discussion Paper 287*, 2020, pp. 1-16.

60 Edith Laget vd., "Deep Trade Agreements and Global Value Chains", *Review of Industrial Organization* 57, 2020, pp. 379-410.

61 Dadush and Prost, (2023).

62 Frederick M. Abbott, "A New Dominant Trade Species Emerges: Is Bilateralism a Threat?", *Journal of International Economic Law*, 10(3), 2007, pp. 571-583.

63 Paolo Guerrieri and Irene Caratelli, "EU's Regional Trade Strategy, the Challenges Ahead", *The International Trade Journal*, 20(2), 2006, pp. 139-184.

as the global economy undergoes a significant transformation, countries' interest in economic integration, and in this context RTAs, is likely to increase. Mega agreements are becoming increasingly important for developing countries, where they can gain more geopolitical and political opportunities beyond commercial cooperation.

Conclusion

Accelerating the process of integration with the global economy, countries have joined globalizing trends and engaged in trade cooperation through RTAs. The number of these initiatives increased sharply after the 1980s. Today, RTAs play a decisive role in shaping trade in the 21st century, surpassing the WTO in trade negotiations and contributing significantly to the transformation of global trade. By deepening trade at a time of fierce global competition, these agreements are the driving force of liberalization and play an incentivizing role in global trade, contributing to increased trade and thus welfare. Regional trade initiatives, which initially emerged to fill the void left by multilateral negotiations through trade cooperation, are now increasingly functional, creating broader political and economic prospects. On complex, sensitive, or technical issues that the WTO cannot address, RTAs facilitate and accelerate the process of deeper integration. By overcoming the limitations of the WTO and focusing on more specific issues, these agreements enable trade deepening and increase integration in this area.

Increasing in number and scope after the establishment of the WTO, RTAs are preferred in accordance with the changing trade relations and production-supply chain structure in the world economy. In recent years, developed countries have tended to conclude RTAs or revise existing agreements with developing countries, while developing countries have tended to deepen their cooperation with more comprehensive agreements. RTAs have become an important trade policy for WTO member countries due to structural problems in maintaining the WTO's multilateral trading system, with members increasingly participating in bilateral or multilateral (regional or interregional) RTAs. These agreements contribute to further integrating developing countries into the world economy and enhancing policy coordination among them, while contributing to a more advanced level of cooperation with the complex structure of international trade relations. In addition, they can also help to bring the political and economic competition between countries to a more cooperative level.

Unlike the multilateral WTO system, an important feature is that it grants privileges to RTA member countries and excludes third countries from these privileges. The establishment of privileged trade relations within RTAs should not be seen as an obstacle to the functioning of the global trade system. RTAs provide access to sectors that have not yet been fully liberalized beyond tariffs. There may also be political, geopolitical, foreign policy, and national security-related reasons that do not fall within the economic and commercial sphere. Particularly in connection with the transformation of the world economy, developed countries are not only updating their existing bilateral or multilateral agreements as a way to further economic integration, but are also going further and striving to implement mega regional agreements. However, there is also the possibility that countries with greater relative economic and political power may benefit more from the agreements that come into force. As a result, agreements in which politically weaker countries make concessions that are incompatible with their economic interests may create trade uncertainties and negative effects.

The proliferation of RTAs, which countries resort to as an alternative in their liberalization journey, raises some concerns about the sustainability of the liberal trade system. While RTAs contribute positively to the increase in global trade, the lack of a situation in which all countries benefit proportionally and the inability to negotiate on equal terms may pose the risk of sovereignty loss. Although the objective of RTAs is to deepen economic cooperation among countries by furthering trade in goods and services, countries participating in these agreements may have different objectives beyond their commercial needs. Nevertheless, in today's world economy, while RTAs offer important opportunities and possibilities for their members, convincing arguments/claims that these agreements pose an economic threat to the liberal trade system cannot be put forward. On the contrary, they can serve as a foundation for the resilience and healthy functioning of the global trade system. In a world system where global production, value, and supply chains are deeper and more widespread than ever before, interregional and intercontinental trade cooperation and investment relations are flourishing, and multipolarity is getting stronger, the RTA, while more complex, is more permanent and has stronger legal grounds than before.

RTAs, which are seen as the new normal and signed by countries to make up for the shortcomings of the WTO, have become an important reality of today's world trade. The mega regional agreements initiated by developed countries can

offer even more opportunities than trade and investment liberalization. When countries enter into mega-agreements and establish a common framework of rules among themselves, this integration can be much stronger. Deep and comprehensive RTAs that go beyond the traditional benefits of free trade are complex, but they have great potential for the future of trade policy. Today, WTO bottlenecks in the global liberal trade system are paving the way for mega-regional agreements, but there too, less powerful countries – due to their asymmetric relations – need to speak out more to create an environment in which they can present their preferences. The impact of these non-trade dynamics on RTAs is an important issue that needs to be emphasized in a separate study.

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