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Regionalisation of International Trade Rules

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Abstract

The regionalisation of international trade rules represents a significant evolution in the global trading system, characterized by the increasing prevalence of regional trading agreements (RTAs) alongside multilateral frameworks like the General Agreement on Tariffs and Trade (GATT). These arrangements aim to enhance trade relations and reduce barriers within specific regions, reflecting localized approaches to trade liberalization. Different regional trade agreements may have conflicting rules and standards, leading to a fragmented global trading system. This can create barriers for countries outside these agreements, making it harder for them to access markets. This paper aims to explore the regionalisation of international trade rules, examining the development and impact of various regional trading arrangements (RTAs) within the framework of the General Agreement on Tariffs and Trade (GATT). A doctrinal method is used in articles which discuss the regionalization of international trade rules and the impact of various regional trading arrangements (RTAs) within the framework of the General Agreement on Tariffs and Trade (GATT). The research found that the increase in regionalization of international trade rules has transformed the global trade landscape. Despite their benefit, the interconnectedness of numerous trade agreements can lead to complexity and inefficiencies that can weaken the multilateral trading system.

Keywords: Regionalisation, International Trade Rules, Regional Trading Agreement.

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1. Introduction

Regionalisation of international trade rules refers to the process of creating regional trade agreements (RTAs) that liberalize trade within specific geographic areas but not globally. These agreements can take various forms, such as free trade areas (FTAs), customs unions, and common markets. The primary goal of RTAs is to reduce trade barriers and increase economic cooperation among member countries, often with the intention of promoting economic growth and development within the region (Panagariya,1999).

On the positive side, RTAs can increase trade by reducing tariffs and other trade barriers, leading to increased economic activity and growth (Nagarajan,1998). They can also foster cooperation among member countries, which can lead to more effective management of global trade issues and a more stable international trading system. Furthermore, the formation of RTAs can reduce interstate conflict by creating a sense of shared economic interests and cooperation among member countries.However, regionalisation of international trade rules can also have negative effects, Trade diversion happens when countries in an RTA get special deals, like lower tariffs, making it cheaper to trade with them. This causes trade to shift away from non-member countries, even if those non-members offer better or cheaper goods. The second paragraph mentions that RTAs cause trade to move away from non-member countries, reducing global trade. RTAs can divert trade away from non-member countries, potentially leading to trade diversion and reduced global trade. They can create discriminatory trade regimes, where member countries enjoy preferential treatment while non-members face higher trade barriers. It's considered unfair (discriminatory) because only member countries in the RTA get special benefits, while non-members face higher tariffs and barriers. This makes trade unequal, which goes against the WTO's rule that all countries should have equal chances. The third paragraph explains that this favoritism creates an unfair trade system where non-members are left out. Additionally, the proliferation of RTAs can undermine the multilateral trading system, as countries may prioritize regional agreements over global agreements.

Thus, regionalisation of international trade rules is a complex issue with both benefits and drawbacks. While RTAs can promote cooperation and increase trade within specific regions, they can also lead to trade diversion and discrimination. Therefore, careful management and monitoring of RTAs

are necessary to ensure that they promote open regionalism and do not undermine the multilateral trading system.

Furthermore, The General Agreement on Tariffs and Trade (GATT) is founded on the principle of non-discrimination among its Contracting Parties. Article 24 permits the formation of regional trading arrangements, provided they do not impede trade with other nations and adhere to specific conditions. Between 1947 and 1990, more than 80 regional arrangements were reported to GATT under Article 24 or other applicable articles. The term "Regional Trading Arrangement" (RTA) encompasses all forms of regional trading except for preference schemes and association agreements. Furthermore, numerous reciprocal trading arrangements have been established among developing countries, especially in Africa, which do not necessitate notification to GATT (Lloyd,1992).

The regionalisation of international trade rules has significantly shaped the global trading landscape, particularly through the framework established by the General Agreement on Tariffs and Trade (GATT). Since GATT's inception, numerous regional trading arrangements (RTAs) have emerged, reflecting a trend towards localized trade liberalization alongside multilateral efforts. Thus, Regionalisation of international trade rules is a complex issue with both benefits and drawbacks. While RTAs can promote cooperation and increase trade within specific regions, they can also lead to trade diversion and discrimination. Therefore, careful management and monitoring of RTAs are necessary to ensure that they promote open regionalism and do not undermine multilateral trading (Pomfret,2020).

The global trade network is characterized by a relatively high density and a progressively tighter structure, suggesting the presence of closer trade relationships. Despite this, the network remains highly asymmetric, dominated by the principal trading powers. Based on the specific circumstances of countries within this network, most nations possess a relatively high number of trade partners but exhibit low trade intensity, with only a few countries displaying significant trade disparity (Zhao and Dzever,2018).

Therefore, it is important to achieve harmonization of trade laws for uniformity of trade law and sustainable development of global trade (Alam,2019).

2.Methodology

The study is doctrinal research (Althabhawi and et al,2023). A doctrinal method is used in articles which discuss the regionalization of international trade rules and the impact of various regional trading arrangements (RTAs) within the framework of the General Agreement on Tariffs and Trade (GATT) (Shahadha and et al,2023). Several methods of data collection will be used, namely through literature review and online (Azmi and et al,2023). Literature review and online research are the main methods for data collection, where primary sources such as provisions regulating regional trading and legal cases will be researched, while secondary sources that will be referred to are such as books, journal articles, news and so on (Romaninoor and et al, 2023). Among the databases that will be used are HeinOnline and LexisNexis Database (Dazulhisham and et al,2023).

3. An Overview of Regionalisation of International Trade Rules

3-1.WTO Provisions Regarding Regional Trade Agreement (RTA)

According to the World Trade Organisation, regional trade agreements, or RTAs, are composed of customs unions and free trade agreements (FTAs) between two or more parties. With a discernible rise in the quantity of significant plurilateral agreements that are presently pending, regional trade agreements (RTAs) have grown in number and scope over time. Inter-trade partner discrimination is forbidden as one of the core principles of the World Trade Organisation. Nonetheless, one of the exceptions is the WTO's authorization of RTAs, which are reciprocal preferential trade agreements between two or more partners, subject to certain regulations. RTAs can address labor issues in two ways: (i) by requiring or expecting signatory nations to align their national labor laws with internationally accepted norms, or (ii) by outlining the processes for inter-nation consultations and/or dispute resolution regarding labor-related matters (Santeramo and Lamonaca,2021). There are more and more labor clauses in bilateral or multilateral trade agreements (also known as regional trade agreements, or RTAs) that require the signatory nations to uphold a specific standard of labor standards.

According to Hooker (1999), RTA is defined as “rapprochement” as it allows regulatory cooperation. Trade partners that cooperate in regulatory matters do so by taking steps (such as mutual standard recognition and standardization) to minimize, eliminate, and prevent regulatory disparities between them. According to Wieck and Rudloff (2020), the rapprochement is in favor of the countries' constructive integration at the regional level, or

within the framework of RTAs. Trade between signatory nations may be boosted by the RTAs' regulatory cooperation, but trade from non-signatory nations may also be diverted (Santeramo and Lamonaca,2021). According to the World Trade Organisation, many countries participate in multiple regional trade agreements (RTAs), which causes trade agreements to overlap with regulatory frameworks and market access regulations. Trade may suffer as a result of this. Criteria that apply to commodities transported between members of a trading bloc should really work to stop trade deflection, even though they might entail fixed compliance costs. According to Cadot and Ing (2019), one of the challenges with RTAs is preventing standards, or rules of origin, from obstructing the growth of international value chains. Cooperation on regulations may be the solution.

RTAs have grown in quantity, complexity, and depth over time. Older RTAs deal with tariff liberalization and associated regulations; newer, more complicated RTAs create more integrated unions and harmonize non-tariff and domestic policies. Since RTAs do not erect trade obstacles against other parties, their goal is to promote trade amongst signatories. RTAs are discriminatory by definition since they grant preferential market access to only those who sign them. As such, Part II Chapter 15 Regional Integration the effects of RTAs on trade liberalization could be diverse: while the goal of RTAs is to benefit the signatory countries, the benefits might be compromised without lowering the risk of trade divergence. Article XXIV of the GATT 1994, the WTO allows the establishment of CUs, FTAs, and temporary agreements provided that their objective is to advance trade within the region and not obstruct trade with other parties. If these RTAs fulfill the conditions outlined in the same clause, the WTO allows them to be exempt from the most-favorable-nation principle. To date, the question of whether most CUs or FTAs comply with Article XXIV of the GATT has been investigated by working groups that have been established especially for each RTA for which notification has been given. Nevertheless, because Article XXIV:5 of GATT 1994 is so vague—referring to "other restrictive regulations of commerce (ORRCs)" and "substantially all the trade between the constituent territories"— and “on the whole... shall not be higher or more restrictive”—there is virtually always debate about how to interpret it. Due to this ambiguity, the claims of non-parties with competing interests and those of the parties to the FTAs and CUs have virtually always been given equal weight.

During the 1957 Treaty of Rome revision process, which established the European Economic Community (EEC), there was a discussion regarding the meaning of Article XXIV. In fact, out of the 69 working parties that finished their reviews by the end of 1994, only six of them were able to come to an agreement about compliance issues. The legitimacy of the most-favorable-nation treaty for an RTA has only been questioned in three panel decisions, despite the fact that there are differences regarding the interpretation of Article XXIV in almost every RTA review. The GATT Council hasn't endorsed any of these panel recommendations. Upon the establishment of the World Trade Organisation, the Appellate Body released three reports on RTA; however, none of them definitively addressed the fundamental issue of Article XXIV.

Therefore, during the Uruguay Round Negotiations, the members had talked on eliminating the uncertainty that had complicated the interpretation of Article XXIV. As a result, a revised "Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade" was created. Unlike the EU's arithmetical average, this understanding explicitly states that "the general incidence of the duties" must be calculated using an average weighted for trade volume. Furthermore, it was suggested that significant products cannot be excluded from "substantially all the trade between the constituent territories" because of its necessity, but this idea was rejected. Rather, only modest advancements were achieved.

3-2. The Exceptions and Limitations of RTAs under the GATT

RTAs would typically result in contradictions with WTO regulations because they include discrimination that goes against the overall MFN responsibilities. WTO agreements do, however, provide a number of RTA exclusions that permit limited deviations from WTO regulations for RTAs that satisfy specific requirements. Only RTAs that fit within the GATT's Article XXIV:5 exclusions are recognised by the WTO. Put differently, a WTO member is required to make sure that every RTA in which it participates complies with the applicable WTO exclusions (Nicolas and Andrew,2005). If not, the member runs the danger of acting against WTO regulations and could face harsh repercussions.

Free trade agreements and custom unions are the two sorts of RTAs that are conceivable, as was previously mentioned. For the two categories of RTAs, the GATT 1994's Article XXIV:5 grants an exemption from several WTO requirements. "Accordingly, the provision of this agreement shall not prevent, as between the territories of its members, the formation of custom

unions and FTAs," reads the first paragraph of Article XXIV:5 of the GATT. According to the Appellate Body, the phrase "*shall not prevent*" refers to the GATT's provisions not permitting the creation of custom unions or, most likely, free trade agreements. In other words, this article serves as a defence against a charge that a particular RTA violates any GATT 1994 regulation and justifies the implementation of certain RTAs (Nicolas and Andrew,2005).

This means that, in accordance with the general jurisprudence of WTO panels and the Appellate Body regarding the burden of proof in WTO disputes, the burden of proof would lie with the member contesting an RTA to demonstrate its consistency with a GATT provision, and the responding member would have to demonstrate that the inconsistency is eliminated or justified because the RTA is exempt from GATT provisions.

The terms used in the WTO Agreements, including GATT 1994, should be construed in accordance with their context, the treaty's mission and purpose, and the language used in the agreement. Article XXIV:4 serves as a reference for comprehending and implementing Article XXIV:5's exception since it outlines its goal. According to Article XXIV:4: "The Members recognise the desirability of increasing trade freedom by the development of closer economic integration between the countries parties to such agreements, through voluntary agreements." They also acknowledge that the goal of a free-trade area or customs union should be to promote commerce within its member territories rather than to erect obstacles to trade between other Members and these areas (Chen,2023). This assertion is supported by the Understanding on the Interpretation of Article XXIV of the GATT 1994 (RTA Understanding), which goes into additional detail regarding the purpose of Article XXIV: 5.

The members has stated 3 elaborations for the RTA Understanding after examining the intent of Article XXIV:5 which is that the members shall acknowledge that the creation of customs unions and free trade agreements (FTAs) may "contribute to the expansion of world trade". They also shall acknowledge that the removal of internal trade restrictions within an RTA for "all trade" and the exclusion of any significant trade sector "diminish" the expansion of world trade and lastly, they shall restate the principle that the creation of an RTA "should, to the greatest extent possible, avoid creating adverse effects on the trade of other Members:. Therefore, it can be concluded that ss stated in Article XXIV:4 and the RTA Understanding, the main objective of the exemption is to advance commerce. Special trade

preferences, not available to other WTO Members, are granted by the parties to an RTA to one another, as was previously mentioned. Therefore, the implementation of an RTA carries the risk of having a favorable impact on trade within the parties (who gain from the preferences) and a detrimental impact on trade outside the parties with other Members (who do not receive the preferences). The purpose of Article XXIV:5 exemption is to ensure global trade expansion by optimizing the trade liberalization impacts of a free trade agreement (RTA) while minimizing its trade-restrictive implications on external trade.

4. THE Challenges for Regionlisation Provisions in Tradr Agreements

A major issue in international trade agreements is making sure that all parties are treated fairly, given the wide range of economic interests and development stages among the participating nations. Achieving a fair balance of territorial allocation requires careful negotiation and compromise, with considerations such as special and differential treatment for developing nations. Transparent and inclusive negotiation processes, along with robust legal mechanisms like dispute resolution and monitoring systems, are essential to maintaining equity and adjusting imbalances. Plus, regionalisation in trade agreements also refers to the creation of trade blocs and regional markets that aim to enhance economic integration among member countries. However, despite the potential benefits, regionalisation provisions in trade agreements face significant challenges.

Firstly, one of the challenges for regionalisation provisions in trade agreements is the alignment of national policies among member countries. Every nation has its own norms, laws, and economic policies, some of which may be in opposition to those of other members. The obstacles encountered in coordinating national policies within regional trade agreements are similar to the more general difficulty in putting reforms recommended by technical and economic experts into practice because they are contentious and could produce winners and losers; these reforms, which are meant to increase economic efficiency and competitiveness, frequently lack strong political backing (Michael,2006). Similarly, the process of harmonizing national policies in trade agreements requires significant adjustments and compromises, posing political and economic challenges. However, regional integration provides a framework to address these challenges by fostering formalized agreements among member countries. As seen by the admission of Greece, Portugal, and Spain into the European Economic Community (EEC) and the participation of Mexico in NAFTA,

developing countries possess the greatest potential to gain from these reforms. Even in areas where informal agreements are valued, such as Asia, enforcing strict formal agreements faces resistance despite their positive effects. However, attaining full economic integration requires formal agreements with binding terms. For example, initiatives like Kuala Lumpur Declaration on the ASEAN Charter demonstrate that ASEAN is seeing the need for more formalization. Thus, a deliberate effort has been made to address the difficulties in aligning national policies and to realize the potential economic benefits of regional trade agreements and reforms, as seen by the shift towards more formalized regional integration.

Next, the challenge in regionalisation of provisions in trade agreements is that it can affect global trade due to the shift in goods tariffs. This can be seen in situations when nations come to trade accords, they establish trade zones where they deal more with one another while excluding other nations. Furthermore, variables both inside and outside the participating countries affect the creation or diversion of trade resulting from these agreements. Thus, these shifts have a greater impact on less developed economies than on wealthier nations. These agreements' main goal is to increase commerce, yet at first they frequently cause trade to diverge. But in the long run, they tend to encourage more commerce creation than diversion. However, the interconnectedness of these agreements presents a major difficulty as the number of agreements between nations rises. Since regional agreements have to fit within preexisting frameworks, their individual significance is diminished by their interdependence. Therefore, a greater degree of trade diversion and complexity in international trade may result from the development and interconnectedness of several accords, which globally affect trade dynamics (Oscar and et al,2020). Additionally, by causing inefficiencies and market distortions, this complexity and the growth of RTAs have the potential to weaken the multilateral trade system that the World Trade Organisation (WTO) represents. As a result, although Regionalisation Trade Agreements can promote economic progress in specific regions, they also pose serious obstacles to international commerce since they can cause regulatory environments to become more complex and can cause trade to diverge away from its intended path, which is particularly detrimental to less developed economies. In a nutshell, mitigating these difficulties still requires striking a balance between regional and global trade policies.

Lastly, provisions pertaining to regionalization may be seriously challenged by economic and political tensions in member nations (Michael,2006). When countries experience political changes, economic crises, or social unrest, they may shift their trade policies and priorities, undermining their commitments to regional trade agreements (RTAs) (Du,2023). For example, if a member country undergoes a change in government, it might adopt protectionist measures that violate the terms of the RTA, causing tensions among member states and reducing the effectiveness of the agreement. This scenario aligns with how ASEAN's early success relied heavily on political stability and the establishment of dialogue to prevent conflicts. Despite the economic cooperation initiatives being weak initially, they played a crucial role in maintaining stability and supporting economic growth (Naya and Michael,2005). Similarly, the EU's use of preferential trading arrangements as diplomatic tools underscores the importance of political alignment and stability in achieving economic cooperation goals. Even if regional agreements are weak in and of themselves, they promote economic progress and policy reform when they support political stability. Political and economic instability is still a major worry in the context of Asia as the continent forges its own strategic economic policies and diplomatic ties. A commitment to greater integration is shown by the establishment of the ASEAN Economic Community (AEC) and the rise in regional agreements. However, the success of these initiatives depends heavily on the political and economic stability of member countries. Therefore, just as political and economic stability is essential for the effectiveness of preferential trading arrangements in the EU and ASEAN, it is equally crucial for the success of regionalisation provisions in RTAs because instability can lead to shifts in trade policies, protectionist measures, and tensions that undermine the agreements' goals, highlighting the interconnected nature of political stability and successful regional economic cooperation.

In conclusion, regionalisation provisions in trade agreements hold the promise of enhanced economic integration and increased trade among member countries. However, the challenges they face are significant and multifaceted. The challenges stated above are all critical issues that need to be addressed to realize the full potential of regional trade agreements. Addressing these challenges requires sustained political will, cooperation among member countries, and a commitment to both regional and global economic goals. By overcoming these obstacles, regional trade agreements

can contribute to more robust and inclusive economic growth, benefiting not only the member countries but also the global economy.

5. Analysis: Has the World Economy Become more Regionalised?

The concept of regionalisation in international trade refers to the raising of integration among the economies within some geographic region. This is often brought about by the establishment of regional trade agreements (RTAs). One of the most important purposes of economies signing these agreements is to reduce or eliminate trade barriers between member economies, promote closer economic ties and regional economic growth. This section reviews whether the world economy has become more regionalised by examining the growth trends in RTAs and their bilateral impact on global trade patterns in the light of trade data.

5-1. Growth Trends in the Number of RTAs

The World Trade Organization (WTO) is an intergovernmental international organisation responsible for coordinating and promoting international trade (Matsushita and et al,2015). Since the establishment of the WTO in 1995, there has been a significant growth in the number of RTAs in force. This growth is well-documented by the data provided by the WTO, which showcases the cumulative number of RTAs from 1995 to 2023.

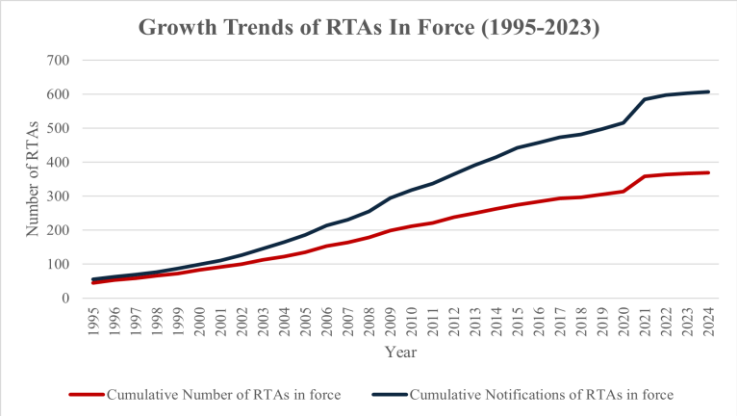

Figure (1): Growth Trends of RTAs in Force (1995-2023)

According to the WTO, in 1995, when the WTO was established, 45 RTAs were in force. By 2000, the number of RTAs in force had increased to 83, in 2005 to 135, in 2010 to 211, in 2013 to 250, in 2020 to 314, in 2021 to 358, and in 2023 to 367. Expressed in this manner, the rate of increase in RTAs

in force around the world provides an optimistic indication of regionalisation, whereby economies endeavour to ensure favourable terms for their trade with their neighbouring economies and important trading partners within the region.

RTAs can take different forms and scopes, the most common of which are: free trade agreements (FTAs), i.e. a treaty between two or more economies that keeps tariffs on trade with non-member economies in place while eliminating all tariffs on goods produced in member economies (Athukorala,2020); custom union, i.e. a group of economies with a common trade protection barrier (Capie,2012); and single market, i.e. remove all restrictions and economic barriers between members, ensure that rules and regulations are harmonised across the community (McGee and Weatherill,1990).

Geopolitical factors play an important role in shaping the dynamics of regionalisation and globalisation (Rumley,2005). This is because political relations between countries can affect trade policies and agreements of the countries. Geopolitical tensions can drive regionalisation trends in trade.

The war in trade between the United States and China broke out in 2018. All of this began when the United States put a tariff on Chinese goods, arguing that China had involved itself in intellectual property theft and other unfair trade practices against her. Subsequently, China set tariffs on American products. Several rounds of negotiation, followed by tariffs and retaliatory measures that have made global markets take hits, have been involved in the conflict. The US-China trade war has also had some countries reinforcing regional trade relations (Kapustina and et al,2020).

5-2. Cases of Regionalisation

5-2-1. The European Union

The first coherent regional initiatives began after the Second World War, and at that time, the most prominent example of economic regionalism was the establishment of the European Economic Community (EEC).

The EEC was created by the Treaty of Rome 1957, also known as the EEC Treaty, and established on 1 January 1958 (Inoue,2011). The purpose of the establishment of EEC was to promote lasting reconciliation between France, Germany, Italy, the Netherlands, Belgium and Luxembourg, develop the economies of the member states, form a large common market, and try to establish a political union of Western European countries to ease the fear of war between each other. One of the main goals of the EEC is to eliminate trade barriers between member states by eliminating tariffs on goods

imported from each other and allowing free cross-border trade (Coppolaro,2016). After being included into the first pillar of the newly established European Union in 1993, the EEC was renamed to the European Community. In 2009, the European Community institutions were absorbed by the EU.

In comparison with other cases, the EU now stands as one of the most advanced examples of regional integration existing in the contemporary world. Since the establishment of its predecessors, the EU has moved from the simplest form of a customs union to an economic and political union with its own currency—the Euro (€). Currently, 20 out of the 27 member states use a common currency, the Euro, which is collectively known as the euro area or most commonly referred to as the eurozone. It established a single market, the European Single Market, in 1993. The objective is to allow the free flow of goods, services, people, and capital within the European Union in order to achieve a single market like in a country (Ambroziak,2023). In 2023, intra-EU goods trade volume made up about 45% of the total EU goods trade volume, reflecting its close economic integration.

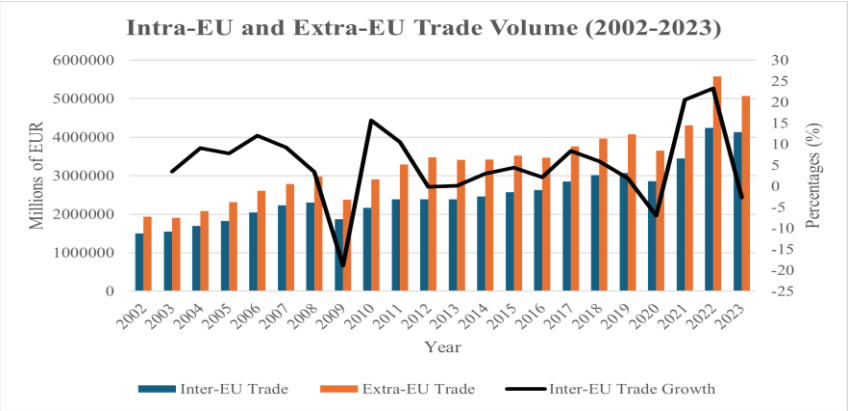

Figure (2): Intra-EU and Extra-EU Trade Volume (2002-2023)

5-2-2. The Association of Southeast Asia Nations

The Association of Southeast Asia Nations, or commonly known as the ASEAN, is a regional intergovernmental organisation that brings together countries in the Southeast Asian region. Today, ASEAN has ten official member states, i.e Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, the Philippines, and Vietnam. Under the ASEAN

framework, member states also formed the ASEAN Free Trade Area (AFTA), one of the largest regional free trade areas in the world.

The AFTA Agreement is a regional free trade agreement with the purpose of promoting trade liberalisation among the Southeast Asian countries (Mottaghi and Khoy,2016). AFTA was proposed in 1992 by six founding members of the AFTA, i.e. Brunei, Indonesia, Malaysia, Singapore, Thailand, and the Philippines. AFTA officially established in 2002 and currently has all 10 ASEAN member states as its members, including six founding members of the AFTA and additional four new members, i.e. Cambodia, Laos, Myanmar, and Vietnam. The main goal of the AFTA is to reduce tariffs and non-tariff barriers, and promote economic cooperation and development in the region (Stubbs,2019). Since the establishment of the AFTA, ASEAN member states have taken a series of measures, including tariff concessions, most-favoured-nation treatment, and the principle of origin. These measures have facilitated cross-border trade, investments, and strengthened economic ties within the region. Since the establishment of the AFTA, the growth in bilateral trade among its members has been rapid. This can be seen from the following chart and table that show the bilateral trade volume between selected AFTA members in 2001 (before the establishment of the AFTA), 2011 (10 years after the establishment of the AFTA) and 2021 (20 years after the establishment of the AFTA).

Figure (3): Bilateral Trade Volume between selected AFTA Members in 2001, 2011 and 2021

Nonetheless, the regionalisation of the trade did not stop in the Southeast Asia region. In 2009, the ASEAN–Australia–New Zealand Free Trade Area (AANZFTA) was signed and came into effect in 2010. Subsequently, the

ASEAN–China Free Trade Area (ACFTA) and the ASEAN–India Free Trade Area (AIFTA) and the ASEAN–Korea Free Trade Area (AKFTA) were signed by the ASEAN and its regional trade partners to promote cross-border trade and trade liberalisation.

5-3. Future Prospects

In short, the world economy has, indeed, become more regional since the last decades, as more and more RTAs emerged and intra-regional trade has been on the rise. Looking in the future, the trend of regionalisation is likely to remain and to be driven by both economic and geopolitical factors. The enlargement of present RTAs and the trend of creation of new ones will further integrate regional economies. There is a real potential to enlarge the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, with new members, which promises to deepen economic integration in the Asia-Pacific (Petri and Michael,2020).

6. Conclusion

Regionalisation has significantly transformed the whole global trading system by way of the proliferation of regional trading agreements. RTAs like free trade areas, customs union, and common markets aim to reduce trade barriers and further economic cooperation in a specific geographic region. While RTAs have shown that greater economic growth, stability, and cooperation with fellow member countries can be achieved, they also pose significant challenges. These challenges range from diversion of trade to encumbrance of global trade regulation and possible undermining of the multilateral trading system as set by the World Trade Organization (WTO).

It is suggested that the increase in RTAs leads to a more fragmented global trading system with conflicting rules and standards exacting a cost for countries that are not signatories. The need for careful management and surveillance of RTAs is, therefore, underlined so that they actually serve open regionalism without undermining the broader multilateral framework of trade. Case studies, such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) provide detail on the successes and difficulties that regional economic integration may offer. The EU probably offers one of the most sophisticated forms of regional integration, which has grown from something as simple as a customs union to a comprehensive economic and political union. ASEAN, with its various free trade agreements, shows how regional liberalization can engender economic development.

However, such success requires strong and unwavering political will, cooperation from its member countries, and a strong commitment towards tempering regional as well as global economic objectives. This suggests that warding off regionalization wide-ranging challenges would require sound legal procedures and mechanisms, transparent negotiating procedures, as well as harmonization of national policies between the member countries. While a regional trade agreement can do much for economic integration and growth within regions, the implications it could have on global trade dynamics and the multilateral trading system also require a very careful and balanced approach. RTAs can significantly serve the highest goals of promoting inclusive economic growth and improvement in global trade relations by surmounting these obstacles.

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