

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Proposal on Regional Trade Agreements

Communication from Korea

The following communication, dated 12 April 1999, has been received from the Permanent Mission of Korea.

Background

1. Since the early 1990s we have witnessed a proliferation of regional trade agreements (RTAs). With the rapid rise in the number of RTAs and the significant expansion of their scope, the trade between the parties to RTAs is increasing as well. By some estimate more than 50 per cent of world trade now takes place within the framework of RTAs.
2. RTAs are a prominent exception to the MFN treatment that constitutes one of the most fundamental principles of the multilateral trading system. As such it is highly important to ensure that RTAs comply with WTO rules and complement the multilateral trading system.
3. Article XXIV of the GATT, which deals with RTAs, was drafted at a time when a proliferation of RTAs was not anticipated. The provisions of Article XXIV also suffer from a conspicuous lack of clarity that prevents Members from reaching a common understanding on their exact meanings. The Understanding on the Interpretation of Article XXIV of the GATT agreed at the Uruguay Round negotiations did not succeed in providing a basis on which to derive clearer interpretations of the provisions of Article XXIV. The provisions of Article V of the GATS, which concern services aspects of RTAs, are similar to those of Article XXIV of the GATT in terms of their ambiguity and thus are subject to diverging interpretations.
4. Consequently, it is almost impossible to come to an agreed conclusion whether a certain RTA complies with the WTO rules. The WTO Committee on Regional Trade Agreements (CRTA) has completed a factual examination of 34 out of the 60 RTAs notified to the WTO. It has yet to adopt a single examination report.
5. The CRTA has also engaged in discussions about systemic issues regarding the relationship between RTAs and the multilateral trading system to develop recommendations thereon. Little progress has been made up to now.

Objectives of the Negotiations

Korea suggests that Members review the WTO rules on RTAs in order to clarify and strengthen them as necessary.

6. An indicative list of areas of particular interest to Korea is as follows:

- Developing yardsticks for “substantially all the trade” (Article XXIV of the GATT)/ “substantial sectoral coverage” (Article V of the GATS).
 - Establishing the scope of “other regulations of commerce” and “other restrictive regulations of commerce” (Article XXIV of the GATT).
 - Developing ways to measure “level of duties and other regulations of commerce” (Article XXIV of the GATT)/“level of barriers” (Article V of the GATS).
 - Developing disciplines on preferential rules of origin.
 - Clarifying the notification requirements.
 - Considering strengthening examination of RTAs’ operation.
 - Considering the relationship between Article XXIV of the GATT and Article V of the GATS.
 - Considering the relationship between WTO provisions relating to RTAs and other WTO Agreements.
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