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MEGA-REGIONAL BLOCS IN GLOBAL TRADE – FROM “NOODLE BOWL” TO “JIGSAW PUZZLE” – THE RCEP CASE

MEGAREGIONALNE BLOKI W HANDLU GLOBALNYM – OD „NOODLE BOWL” DO „JIGSAW PUZZLE” – PRZYPADEK RCEP

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Summary: The proliferation of RTAs in Asia is a response to trade regionalism in other parts of the world as well as an answer to the slow progress in Doha negotiations, within the World Trade Organization (WTO), which clearly cannot keep up with the changes ongoing in the world economy. Since the turn of the century, trade regionalism has been the most frequently adopted form of regulating economic cooperation. It manifests itself particularly in forming new RTAs, of which mega-regional trade agreements (MRTAs) are of great importance to the world economy as they may change the future structure of the world trade system. The emergence of so many FTAs caused, however, the “noodle bowl” effect. Eliminating the problems ensuing from the confusion, e.g. by the RCEP initiative, is a complex task and yet a vital one but the creation of that MRTA is not effortless for the parties. Nevertheless, the creation of RCEP may serve as a tool to put in order the net of intertwining agreements, especially in that region.

Keywords: RTA, FTA, world trade, regionalism, RCEP, ASEAN.

Summary: Proliferacja porozumień regionalnych w Azji jest odpowiedzią na regionalizm handlowy w innych częściach świata, ale także na impas w negocjacjach wielostronnych na forum WTO, które ewidentnie nie nadążają za zmianami zachodzącymi w gospodarce światowej. Od przełomu wieków obserwujemy zatem stawanie się regionalizmu handlowego główną formą współpracy gospodarczej między krajami. Przejawia się to szczególnie w powstawaniu nowych RTAs, z czego kluczowe znaczenie dla gospodarki światowej mają megaregionalne bloki handlowe, gdyż to właśnie one mogą wpłynąć na zmianę struktury światowego systemu handlowego. Jednak powstawanie tak wielu porozumień, głównie w postaci stref wolnego handlu, doprowadziło do wystąpienia efektu „noodle bowl”. Eliminacja problemów wynikających z tego zamieszania, m.in. poprzez inicjatywę RCEP, jest zadaniem bardzo skomplikowanym i jednocześnie postrzeganym jako ważne wyzwanie dla stron porozumienia. Niemniej

jednak utworzenie RCEP może posłużyć jako narzędzie do uporządkowania gęstej sieci przepływających się umów handlowych, szczególnie w tym regionie.

Słowa kluczowe: RTA, FTA, handel światowy, regionalizm, RCEP, ASEAN.

1. Introduction

The pace of transformations taking place in the world economy has seen a marked gain of momentum. The global trading system has been undergoing profound changes for some time. These transformations are, in a way, imposed on it by significant alterations occurring in the international economic relations. They mainly concern a shift of the economic development pole towards Asia, particularly the Far East, as well as taking up the role of the global economic growth “locomotive”¹ by the emerging markets, especially in the context of the world economic crisis 2007/2008 + aftermath. It is also connected with the re-integration of the developing markets with the global market (the rise of China and India) as well as attempts of the USA to re-establish its previous position since the second strongest global economy is breathing down the US neck. Moreover, we may observe growing tendencies towards integration, particularly on the regional scale.

It seems, however, that multilateral negotiations within the World Trade Organization (WTO) clearly cannot keep up with the ongoing world economy transformations. This situation compels many countries to lean towards alternative activities and protect their own interests in this respect. Mainly for this reason, since the end of 20th century, we have observed a substantial proliferation of regional trade initiatives of a different scope and coverage.

The last 20 years of the WTO’s multilateral efforts have not been successful. Although the WTO is the world biggest forum for trade negotiations, the negotiation impasse that the WTO had been experiencing for years, increased the number of bilateral and regional agreements and as well as mega-regional trade negotiations. This trend has been increasing in recent years, resulting in the largest number of free trade partnerships established especially in Asia. Moreover, the two major plurilateral agreements, i.e., RCEP and TPP, pertain to Asia-Pacific region and they are the ones with the utmost significance to the world economy. These partnerships are changing rules of international trade. Moreover, such a situation might lead to a shift in the balance of forces in the world trade and influence the course of talks within the ongoing Doha Round.

¹ Despite the fact that economic growth in Asia has slowed down in recent years, since the world economic crisis it remains strong in comparison to other regions. In the Asia-Pacific region, economic growth is projected to continue to slow to 6.3% in 2016 from a slightly less-than-expected 6.4% in 2015. See more: [Asian Development Bank 2015, p. 2].

All those abovementioned changes in the global economy are imposing new points of reference, forming unique and fascinating directions in the international trade policy, the analysis of which shows that the new trends in the global trade are emerging. It manifests itself particularly in forming new RTAs, of which mega-regional trade agreements (MRTAs) are of great importance to the world economy.

It is worth noting that the rapid rise in trade integration and the proliferation of RTAs, including the mega-regional ones as well, are named as key characteristics of the most recent wave of globalization [Subramanian, Kessler 2013].

Therefore, it is important to observe phenomena taking place in the global trade and their systematic analysis not only for scientific reasons, but also for the need to interpret in an appropriate way the directions of the world economy development.

The aim of the paper is to present that the consolidation of various FTAs under RCEP (ASEAN+6 FTA) and creation of that MRTA is not effortless for the parties as far as tariff elimination and rules of origin are concerned. But the creation of that partnership will surely resolve – at least partly – the “noodle bowl” problem.

The article, in its methodological assumptions, is mainly based on the study on international economy, especially the area which refers to the theory of economic integration and trade regionalism as well as trade policy. The study is mainly based on the Asian Development Bank and the World Trade Organization resources.

2. Proliferation of RTAs in Asia-Pacific – towards the “noodle bowl”

The ever-growing number of RTAs is a notable feature of the current international trade. Over the past two decades we have witnessed an explosion of RTAs. A part of them involves a few countries but many of them are just bilateral, some are created within regions, others are extended across them.

According to the WTO definition, RTAs are reciprocal trade agreements between two or more partners. What is important, those agreements may also be established between countries not belonging to the same geographical region.²

We are experiencing the continuous proliferation of RTAs in the Asia-Pacific region.³ It must be stressed that generally in the world 90% of all RTAs are FTAs and

² Furthermore, the WTO also receives notifications from the WTO members concerning Preferential Trade Arrangements (PTAs). In the WTO, PTAs are unilateral trade preferences. See more: [WTO 2016].

³ Fundamentally, there are five main reasons for the prompt growth of RTAs within the Asia-Pacific region. These are: 1) developing and intensifying regional market integration; 2) a defensive response to regionalism in other parts of the world – especially the European and North American economic integration; 3) the Asian Financial Crisis (AFC) of 1997–1998; 4) a relatively good economic condition of Asia during the world economic crisis; 5) slow progress in the WTO Doha negotiations. See more: [Vitalis 2015, pp. 3, 4].

Partial Scope Agreements i.e. only some types of goods (or sectors) are eligible for preferential treatment. The remaining 10% are customs unions (CUs) [WTO 2015].

The analysis below, showing an increase in the number of FTAs in Asia-Pacific (see Table 1), is based on the ARIC FTA database.⁴

Table 1. FTAs by status, cumulative, selected years (as of August 2015)

Year	Under negotiation		Signed but not yet in effect	Signed and in effect	Total	Proposed
	framework agreement signed	negotiations launched				
1975	0	0	1	0	1	0
1980	0	0	1	1	2	0
1991	0	0	2	5	7	1
1995	0	0	9	22	31	1
2000	0	6	10	35	51	3
2005	16	28	17	63	124	37
2010	11	47	15	106	179	53
2015	5	62	14	134	215	67

Framework agreement signed: the parties firstly negotiate the contents of a framework agreement (FA), which provides a framework for future negotiations; negotiations launched: the parties declare the official launch of negotiations or set the date for such, or start the first round of negotiations; signed but not yet in effect: parties sign the agreement after completed negotiations, but the agreement has yet to be implemented; signed and in effect: provisions of FTA come into force, after legislative or executive ratification.

Source: [<https://aric.adb.org/fta-trends-by-status>].

In analysis of the actual scene of regional agreements and the trends of the recent years, the dominance of FTAs over CUs is visible. Moreover, agreements between non-neighbouring countries, a great tendency for bilateral partnerships (see Table 2), overlap geographically (countries are parties to different agreements) as well as notable variety in the coverage and scope of various agreements is evident [Baldwin, Low (eds.) 2009].

Asia-Pacific countries⁵ were a latecomer to regional trade agreements, but since the 2000s, they have become an active participant. The geographic scope of the agreements has also expanded.

⁴ That database gives a broad register of bilateral and plurilateral FTAs with at least one of ADB's 48 regional members. It includes all agreements at all phases of development (from those under study or consultation to those in force). See more: [<https://aric.adb.org/beta>].

⁵ For instance Japan concluded its first bilateral free trade agreement in 2000 with Singapore. China was a latecomer to regional trade agreements, but, as a result of the WTO accession in 2001, it has become an active participant.

As far as the scope of FTAs in Asia-Pacific is concerned, we may observe a notable rise of bilateral agreements within the period in question, but there is also an increase in plurilateral agreements.⁶

Table 2. FTAs by scope, cumulative, selected years (as of August 2015)

Year	Bilateral	Plurilateral	Year	Bilateral	Plurilateral
1975	0	1	2000	46	5
1980	0	2	2005	99	25
1991	5	2	2010	137	42
1995	27	4	2015	154	61

Source: [<https://aric.adb.org/fta-trends-by-scope>].

There are several reasons why there is a shortage of customs unions (CUs) in the world economy, in comparison with the expansion of FTAs. First, future members have to resign from autonomy over their trade policies. Second, it is not easy to achieve a compromise on a common external tariff. As far as the ASEAN countries are concerned, the dispersion of tariff rates among ASEAN members must also be considered.⁷ However, as trade policy includes not only tariffs but also the removal and harmonization of non-tariff barriers to trade (NTBs), many ASEAN countries may not find it easy [Baldwin et al. (eds.) 2014, p. 310].

The stalemate of the Doha Round and the WTO caused the FTAs to triple in number in the last decade and thus earn the name of “the noodle bowl” effect. It is connected with the significant differentiation of the rules of origin (ROO). This problem is particularly relevant as far as the ASEAN is concerned, as along with the regional FTAs, the members have also their own bilateral ones. It is worth emphasizing that the number of FTAs including the abovementioned ASEAN+6 countries increased from 27 established in 2002 to more than 200 in 2015 (see Table 3).

⁶ When a preferential trading arrangement involves three or more parties.

⁷ CU would become more achievable if overall ASEAN’s MFN applied tariffs were cut down to zero or close to zero. It must be underlined that significant progress in tariff elimination has been made, firstly by the AFTA in 1992, and later by the ASEAN Trade in Goods Agreement (ATIGA) in 2010. As far as the so called ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) is concerned, countries have eliminated import duties among themselves by 2010. For the Cambodia, Lao PDR, Myanmar and Viet Nam – by 2015 with flexibility to 2018. The ASEAN-6 have practically eliminated their intra-regional tariffs (99.2% of tariff lines at 0%). For the second group, the figure stands at 90.86%, what gives an ASEAN average of 95.99%. As far as the national security, health and protection of animal and plant life, and historical-cultural artifacts are concerned, there are some products excluded from liberalisation. The same applies to the so-called sensitive products. Cf.: [The ASEAN Secretariat 2015, pp. 10 ff.].

Table 3. RCEP Countries and the Agreements they are engaged into (within or outside the Asia-Pacific region, as of August 2015)

Country				FTAs [^]	TPP	APEC	WTO
ASEAN+6	ASEAN+3	ASEAN	Brunei	12	✓	✓	✓
			Cambodia	8	–	–	✓
			Indonesia	17	–	✓	✓
			Laos	10	–	–	✓
			Myanmar	10	–	–	✓
			Malaysia	21	✓	✓	✓
			Philippines	10	–	✓	✓
			Singapore	32	✓	✓	✓
			Thailand	21	–	✓	✓
			Vietnam	15	✓	✓	✓
	China Rep. of Korea Japan			22	–	✓	✓
				23	–	✓	✓
				24	–	✓	✓
	India Australia New Zealand			28	–	–	✓
				19	✓	✓	✓
				17	✓	✓	✓

✓ – is a member; [^] – the number of FTAs the country has either concluded or is currently negotiating.

Source: [<https://aric.adb.org/fta-trends-by-status>; Basu-Das 2013, p. 6].

Because of the fact that only some ASEAN countries are simultaneously a part of the TPP, the RCEP will work for uniting ASEAN under the Asian-FTA track. With ASEAN members joined under the AEC (see more in [The ASEAN Secretariat 2015]), it should be able to achieve its aims much more effectively at both the regional and international level [Baldwin et al. (eds.) 2014, p. 309].

3. RCEP as one of the mega-regional trade blocs

Mega-regional trade agreements (MRTAs) are defined as “regional agreements that have systemic, global impact. In other words, they are large enough and ambitious to influence trade rules and trade flows beyond their areas of application” [Lakatos et al. 2016, p. 221].

The Regional Comprehensive Economic Partnership (RCEP) project unites 10 countries belonging to ASEAN (*Association of Southeast Asian Nations*), Australia, China, India, Japan, South Korea and New Zealand (the whole group is called ASEAN+6).

Determined to look at possibilities to overcome the global economic slowdown, the negotiations within RCEP were launched by 10 ASEAN Member States and its FTA partners during the East Asia Summit in Cambodia in 2012 [*Building the ASEAN Community...*].

The ASEAN+1 FTAs – with China (CAFTA), Japan (AJCEP), Korea (AKFTA), India (AIFTA), and Australia and New Zealand (AANZFTA) – offer an insufficient level of liberalization, both in tariffs and services trade. The coexistence of five FTAs with various rules of origin threatens the creation of the “noodle-bowl” situation, which may block the successful use of the FTAs. With the RCEP, it is believed that easier rules will facilitate smoother trade [Fukunaga, Isono 2013].

The areas of RCEP negotiations cover: trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other relevant issues [*Building the ASEAN Community...*].

These negotiations are ambitious in scope. The agreement is negotiated between 16 countries, which make up 45% of world population⁸ and contribute a third of the world's GDP in total. The important progress made in five ASEAN's FTAs has put these trade partners in a situation to bring to an elevated level their economic partnership by discussing a comprehensive economic partnership that would manage to create an integrated market that covers 16 countries with a combined market of over 3 billion people. The RCEP would be one of the biggest regional trading arrangements in the world. In the background of the volatile global financial and economic situation, the RCEP is a strategic step aimed at maintaining the momentum of growth in the region by ensuring that markets of the participating countries remain open and competitive.⁹ Vast economic disparities among the countries are surely a challenge in the negotiating process.

The RCEP is considered to be a consequence of Doha Round fiasco.¹⁰ It should, however, be borne in mind that it is also an Asian response to the US aspirations of building a new system for international trade flows in the global economy. It would greatly improve the position of the USA in the world economy and is associated with the “pivot to Asia” policy, adopted by the US. It mainly concerns signing the TPP agreement at the end of 2015. Therefore, negotiations within the RCEP were

⁸ Only ASEAN has a market of 600 million people and in terms of the population size it exceeds the EU and NAFTA. But simultaneously it has only a fraction of their economic size. Moreover, unlike the EU, in ASEAN the highest incomes *per capita* are found in Singapore and Brunei Darussalam, which are small economies. In the EU, the biggest economies are also the richest [Baldwin et al. (eds.) 2014, p. 309].

⁹ The RCEP is also expected to comprise economic and technical cooperation that would enable all parties, regardless of their level of development, to boost the opportunities made available by deeper and broader economic engagements. See: [The ASEAN Secretariat 2012].

¹⁰ It must be taken into account that there are also fields in which the WTO can complement, support and promote the integration in that region. As an example, a completion of the TFA (Trade Facilitation Agreement) as a part of the Bali Package could help in reducing logistical and other costs connected with border and customs procedures and enhance regional connectivity.

certainly started in response to the situation connected with the WTO negotiation impasse, but also as an answer to the TPP. Moreover, China is considered as the key driver of that trade partnership, which is seen as an alternative to the TPP (led by the US), from which the second-biggest economy in the world was excluded.¹¹ Thus, the discussions over the RCEP are to be finalized in 2016. It is particularly important in the context of the concluded TPP negotiations.¹²

The RCEP will broaden and deepen the current engagement that has already been reached through the existing ASEAN+1 FTAs. The project boosts access to an enormous-potential market that will bring profits to both businesses and consumers in the participating countries. On the other hand, along with the TPP, the RCEP is a potential way to a Free Trade Area of the Asia Pacific (FTAAP),¹³ an impulse for world trade reform.

In addition to the RCEP, main new mega-blocs include the TPP and the Trans-Atlantic Trade and Investment Partnership (TTIP) between the EU and the United States. An even larger aforementioned FTAAP including 21 Asia-Pacific Economic Cooperation (APEC) countries is also in an early phase of consultation. There is substantial overlap among agreements which are currently being discussed [Lakatos et al. 2016].

The RCEP, as well as TPP, are ambitious FTAs and will involve multifaceted negotiations. For instance, Singapore regards the TPP and RCEP as mutually-reinforcing corresponding tracks for regional integration (see Figure 1) [Ministry of Trade and Industry 2014]. These two MRTAs are essential processes to build a broader Asia-Pacific FTA, which, nevertheless, would need to successfully address the difficult task of forging a US-PRC agreement.

In the context of shifting trade flows, it is crucial to indicate advantages and challenges posed by regional agreements. Firstly, as far as benefits for member countries are concerned, it must be stressed that there will be more opened markets between partners leading to more effective specialization in the integrated area (functioning of the trade creation effect). Those trade agreements may also support developing countries' internal reforms. Moreover, RTAs may also lead toward greater agreements. It seems that Asia-Pacific process of economic integration

¹¹ China “is analyzing” the TPP because it knows that lack of influence on the development of the two biggest RTAs (TPP and Transatlantic Trade and Investment Partnership – TTIP), with the USA as a participant, is not favourable.

¹² In February 2016 the 11th negotiation round was concluded. Three more such meetings are scheduled by the end of 2016; however, the 14th round is to be the final one, which will conclude the negotiation process.

¹³ The negotiations for both the RCEP and TPP are leading towards establishing the Free Trade Area of the Asia Pacific that the APEC member states are aiming to introduce around 2020. APEC is the premier Asia Pacific economic forum. The primary goal of the forum is to support sustainable economic growth and prosperity in the Asia Pacific region. APEC has 21 members. See more: [<http://www.apec.org>].

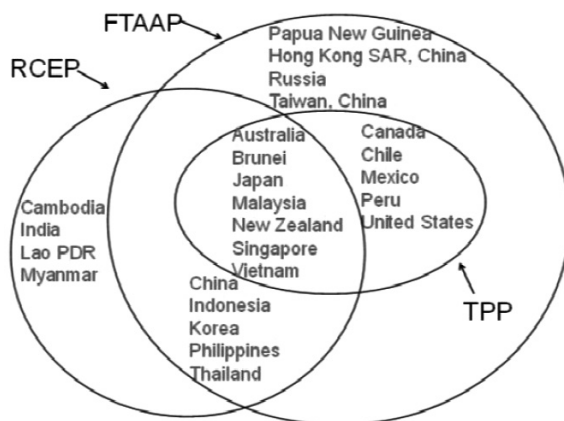


Figure 1. Asia-Pacific RTAs overlaps

Source: [Lakatos et al. 2016, p. 221].

may follow this way.¹⁴ According to the Baldwin's domino theory of regionalism [Baldwin 1993], potential parties likely benefit more from joining as a bloc expands, and therefore offer better deals to protect access [Lakatos et al. 2016, p. 222]. As far as disadvantages posed by RTAs are concerned, the trade diversion effect should be noted as the first. As the trade is shifted from the global market to the market of the member countries whose production is less effective, the third countries producers encounter trading barriers when trying to access the market of the group and therefore lose shares in the area. Moreover, the erosion of preferences may also appear.¹⁵

4. Moving from the “noodle bowl” to the “jigsaw puzzle” – building the global trade system from smaller pieces

As the regional economic integration is so intensive, the significant increase in the creation of the MRTAs, such as RCEP, shows that the global trade system is disintegrating. In addition, this fragmentation, particularly reflected in the

¹⁴ As an example, aforementioned NAFTA evolved from Canada-US FTA, and European integration has developed from 6 to 28 members. Moreover, some ASEAN countries claim that regionalism should be seen as a stepping stone toward trade and investment liberalization through the WTO. As Singapore's Trade and Industry Minister remarked: „Even with progress made on RCEP and TPP, they should not be seen as ends in and of themselves. Rather success on these fronts should be seen as building momentum toward a longer-term goal of reforming the multilateral trading system. Ongoing WTO talks in Doha Round should not be abandoned or allowed to falter. The WTO remains the best insurance against protectionism and predictability for traders and businesses from all countries, small and large, developed and developing”. Cf.: [Baldwin et al. (eds.) 2014, p. 312].

¹⁵ It means depletion in the value of preferences given to LDCs under preferential schemes, such as the Generalized System of Preferences (GSP).

regionalization of trade, seems to be now more like a jigsaw puzzle than a noodle bowl [Menon 2014, p. 1].

As mentioned above, the purpose of the RCEP is to deepen and broaden ASEAN's engagement with its FTAs partners. It is an attempt of creation of consolidated MRTB in order to replace the different ASEAN+1 FTAs and other bilateral FTAs among those countries [Menon 2014, p. 1].

It is feasible that partnerships among a few countries (a small group in comparison to the 162 WTO's members), like RCEP, may mitigate some of the issues of the “noodle bowl” effect¹⁶ i.e. overlapping smaller FTAs, and develop an overarching set of free trade principles. This is especially the case for ASEAN, since apart from the regional FTAs, the members have their own bilateral ones, too. This causes the problem of reducing possible profits connected with economic integration. Enterprises have to concentrate on various rules, thus raising the cost of using preferential concessions [Basu-Das 2013, p. 5].

Thus, a question arises: is it possible to build the global trade system from smaller pieces, which would replace the WTO in the future? It would entail meticulously piecing together the regional “jigsaw puzzles” before any attempts at making it uniform. But that process may not be easy. As far as the RCEP is concerned, the so-called pieces, in that case the ASEAN+1 and bilateral FTAs, are totally different and they may not fit well together [Menon 2014, p. 3]. The evidence confirming the existence of the problem are models of tariff elimination, which differ for the five ASEAN+1 FTAs, as shown in the Table 4.

There are broad differences in tariff reduction rates between the parties in ASEAN+1 FTAs. Among the ASEAN members, as far as the average tariff elimination rates are concerned, the highest tariff elimination rate refers to Singapore (100%), presenting a complete tariff reduction in all ASEAN+1 FTAs. On the other hand, Indonesia shows the lowest rate (83.4%), indicating its rather protective trade policy.¹⁷

It must be stressed that in FTAs, a very important role is played by the rules of origin (ROOs). This is connected with ensuring that the members of FTA are treated preferentially by avoiding trade deflection. An analysis of the ROOs in ASEAN+1 FTAs shows a wide diversity in the types of ROOs inside of ASEAN+1 FTAs, as well as among ASEAN+1 FTAs. The consolidation of FTAs requires establishing of a common ROO for every product.¹⁸

¹⁶ The “noodle bowl” effect is defined as a net of intertwining agreements, composed of trade agreements signed in the region [Munakata 2001].

¹⁷ The relatively low tariff reduction rate adopted by ASEAN members in the AIFTA is connected with the competition between India and many ASEAN states in a number of products. For instance apparel products are significant export articles of India as well as of many ASEAN members. See more: [Baldwin et al. (eds.) 2013, p. 103].

¹⁸ For instance, among the ASEAN+1 FTAs there are eight various types of ROOs connected with the electronics (HS 85); automotive products (HS 87, 76 6-digit tariff lines) have six different types of

Table 4. Tariff elimination in ASEAN+1 FTAs (%)

Country	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA	Average
Brunei	99.2	98.3	85.3	97.7	99.2	95.9
Cambodia	89.1	89.9	88.4	85.7	97.1	90
Indonesia	93.7	92.3	48.7	91.2	91.2	83.4
Lao PDR	91.9	97.6	80.1	86.9	90	89.3
Malaysia	97.4	93.4	79.8	94.1	95.5	92
Myanmar	88.1	94.5	76.6	85.2	92.2	87.3
Philippines	95.1	93	80.9	97.4	99	93.1
Singapore	100	100	100	100	100	100
Thailand	98.9	93.5	78.1	96.8	95.6	92.6
Viet Nam	94.8	n.a.	79.5	94.4	89.4	89.5
Australia	100					
PRC		94.1				
India			78.8			
Japan				91.9		
Rep. of Korea					90.5	
New Zealand	100					

n.a. – not available.

Source: [Baldwin et al. (eds.) 2013, p. 102].

The creation of the ASEAN+6 FTA (RCEP), by combining five ASEAN+1 FTAs is not easy due to the variations in the patterns of tariff elimination and the definitions of ROOs in five ASEAN+1 FTAs. To overcome problems with setting up RCEP, ASEAN+6 countries need solid determination for further trade liberalisation. Adopting a gradual approach may appear profitable, which has been quite effective in the constitution of the AFTA as far as tariff elimination and a parallel approach in the definition of the rules of origin are concerned [Baldwin et al. (eds.) 2013, pp. 106, 107].

5. Conclusions

The proliferation of RTAs in Asia is a response to regionalism in other parts of the world, as well as an answer to the slow progress in Doha negotiations. Since the turn of the century, trade regionalism has been the most frequently adopted form

ROOs. Common ROOs are shared only by circa 30% of tariff lines among these FTAs. Moreover, there is not only notable disparity in ROOs across products inside an FTA, but also between FTAs for the same product. See more: [Menon 2014, p. 5].

of regulating economic cooperation. Currently, nearly every country concludes regional trade agreements with its trade partners, creating either free trade areas or customs unions. It is certainly a viable alternative to multilateral negotiations until the crisis has been resolved. Thus, governance in the world trade system has changed, in a way, from multilateral to regional in general. Another significant issue is that a few of the key players in the global economy are now developing RTAs with an increasingly higher number of partners, with developing countries being the main focus of such initiatives.

The emergence of so many RTAs caused, however, the “noodle bowl” effect. Eliminating the problems ensuing from the confusion, e.g. by the RCEP initiative, is a complex task and yet a vital one. Otherwise, it could lead to the emergence of a similar problem but at the global scale, particularly in light of the evident crisis of negotiations carried out within the WTO.

The system established within the WTO is by no means an ideal one, still, it provides a sense of security against the unpredictability of the global economy, which, thanks to the WTO, functions within a certain framework. It will soon become apparent whether shifting the centre of gravity and attention of some countries to multilateral regional agreements exclusively will lead to a situation in which we will be able to experience this unpredictability.

The ASEAN+6 mega bloc, as a sizable structure, which may lead towards an East Asia FTA, may be able to mitigate the “noodle bowl” effects and generate profits for that region. Against the background of aforementioned inadequate progress in multilateral negotiations, slowing trade growth, and rising non-tariff barriers to trade, the RCEP presents a significant milestone. However, completing the process of consolidation of various free trade areas into one is a very challenging undertaking to all the partners since their economies differ considerably. Nevertheless, as abovementioned analysis presents, the creation of the RCEP is feasible and finishing of the negotiation will surely serve as an arranging factor as far as the net of intertwining agreements is concerned, especially in that region. Moving the centre of development in global economy – connected with the prompt economic growth of China and India – shows that Asian economies, including the developing ones, perceive RCEP as a very promising initiative. Thus, as far as the economic and trade importance in the world economy are concerned, Asian countries are expected to assume the roles of leaders of the future system of world trade.

To conclude, it is worth quoting R. Baldwin’s argument: “as 21st-century trade became more complex, demands arose for more complex international trade rules” [Baldwin 2011, p. 8]. And maybe this is a short answer to all those sophisticated questions related to dynamic changes in the global trade system.

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