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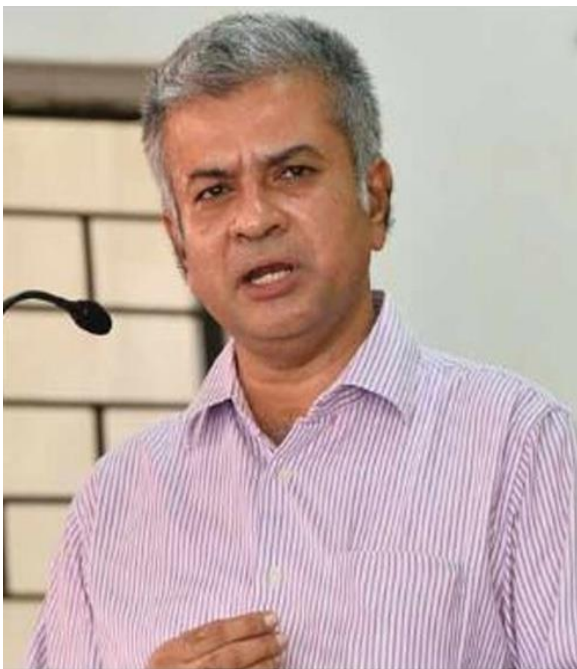
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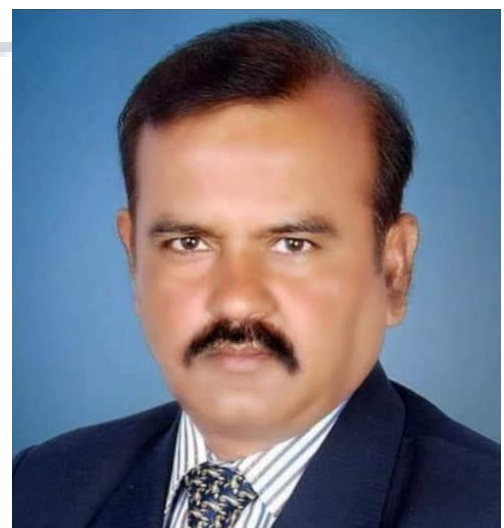
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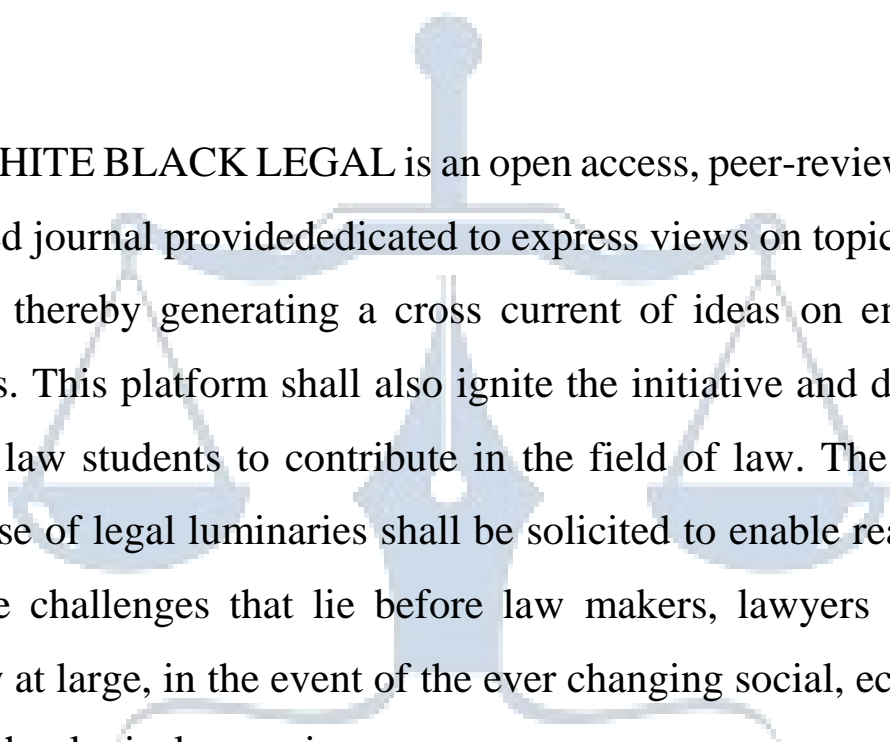


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With this thought, we hereby present to you

W H I T E B L A C K
L E G A L

REGIONAL TRADE AGREEMENTS AND THEIR IMPACT ON GLOBAL LEGAL HARMONIZATION

AUTHORED BY - PRAGALYA M

Abstract

The research paper investigates the development and importance of Regional Trade Agreements (RTAs) in advancing legal harmonization among member states. RTAs, as preferential trade arrangements, have become widespread globally, departing from the non-discrimination principle of the World Trade Organization (WTO). It explores the different categories of RTAs, their influence on legal harmonization, and the methods through which they accomplish this objective. By analysing case studies, the positive and negative impacts of RTAs on global legal harmonization, including their long-term implications for world trade, are examined. The study offers valuable insights into the role of RTAs in shaping the global trade landscape and presents recommendations for policymakers and stakeholders to maximize their benefits while minimizing their drawbacks. Ultimately, the paper contributes to a deeper comprehension of the intricate interrelationships among RTAs, legal harmonization, and global trade.

Keywords: RTAs, Legal Harmonization, Global Trade, Trade Agreements

1. Introduction:

Regional Trade Agreements (RTAs) are preferential trade arrangements that benefit their members by lowering tariff and non-tariff barriers below the level of liberalization undertaken under the multilateral system. Non-discrimination is a fundamental principle of WTO, or the multilateral trading system, but RTAs are the exceptions. According to GATT Article XXIV¹, which examines RTAs' purpose, the enhancement of world trade is served by the involvement of every trade sector, and hindered by the exclusion of major sectors. RTAs are now emerging as objects of interest not only in view of their formation in numbers and quantities but more so as far as the economic and legal issues that these engender. Some scholars have desired to systematically check the opened economic theory concerning the RTAs and have developed

¹ General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat.

different conclusions on efficiency of the RTAs in the economic world. However, the legal aspect concerning or stemming from RTAs has received much less attention in empirical and especially theoretical literature as the economic. The same can be due to reasons such as people still think that signing of RTAs is an economic matter, which can be solved by economic means; secondly, where there are vigorous political influence in the formation of RTAs, and a very important role after formation of RTAs come into force give the impression that formation of RTAs is as a result of political and economic factors than a legal one; some confusion that surrounds the applicability of law.²The use of law is fundamental in studying the interface between the multilateral and regional trade orders and this cannot be done from an economics only lens.

The process of legal harmonization that involves the synchronisation of laws and regulations across countries is central to the improvement of global trade efficiency. It minimizes risk through legal indistinctiveness and, within trade, brings down barriers, encourages foreign investments, and coordinates joint actions of nations. The distinctive nature of many global markets makes it even more crucial to have sound legal structures that many corporations can understand and use. Nonetheless, in the absence of legal assimilation, the existence of discrepancies results in trade touchpoints and reduced competitiveness.

The purpose of this paper is to identify how regional trade agreements have affected legal integration around the world. This paper will, therefore, discuss the ways in which RTAs affect legal standards and practices to reveal the pros and cons of these agreements with regard to the trade between nations. Finally, the study aims at adding to the knowledge of how RTAs influence the characteristics of international legal relations and their role in promoting increased globalisation and integration of the world economy.

2. Background and Evolution on Regional Trade Agreements:

The WTO is established from the GATT in 1947 under the Bretton Woods system and the creation of the United Nations as the pillar of the trade liberalization. After the coming into force of the UN Charter, an attempt was made globally to trade for mutual elimination of tariffs on products between United Nations member nations. GATT was born and concluded in

² Mohammad F. Nsour, *Regional Trade Agreements in the Era of Globalization: A Legal Analysis*, 33 N.C. J. Int'l L. & Com. Reg. 359 (2007).

Geneva on 30th of October 1947 after a two year negotiation which included 23 out of the total fifty member states of the United Nations and the International Federation of Trade and Development. This was the reason when signing the GATT it was anticipated that it would only be an inter-phase agreement until when the United nations related International Trade Organisation ITO is formed. The organisation referred to as the ITO was never formed as the ITO Charter under which it was to be formed was never completely ratified after its preparation at Havana in March 1948. Therefore, during 1948-1995, “without the WTO”, the only efficacious trade liberalisation still regulating the international business was the GATT (when, of course, it was created). Others believe that under GATT that was set in 1948 the UN pursued the policy of the reduction of tariffs diligently. Such multilateral talks are called ‘trade rounds’ and are believed to have driven the liberalisation of world trade forward. This has been evidenced with every trade round of the earliest years of the GATT being dominated by the issue of tariffs. There were several liberalisations from 1964 to 1967 known as the ‘Kennedy’ round and the term was developed from 1973 to 1979 known as the ‘Tokyo’ round. WTO and other extra GATT additional multilateral trade agreements was the consequences of the latest round called as ‘Uruguay’ round of 1986-1994. The GATT agreements and principles were incorporated into WTO at its formation and WTO has been able to monitor and enhance them.

2.1. Types of RTAs:

Article XXIV of the GATT mentions three types of RTAs: Organized at three levels, namely Free Trade Agreements (FTAs), Customs Unions (CUs), and interim agreements. However, there are other type of RTAs other than those explained under Article XXIV such as the Common Markets, the Economic Unions and the Monetary Unions.

A. Customs Unions

Article XXIV:8(a) defines a CU as a situation whereby two or more customs territories are replaced by a single territory so that duties and other restraints to commerce... are removed *for* and with respect to ‘substantially all the trade’ between the parties. But it does not have to be a total elimination; members of CUs will still be able to exempt trade from liberalisation, when necessary, considering GATT Articles XI, XII, XIII, XIV, XV and XX. Article XXIV: Paragraph 8(a) entails that forming parties of CUs shall be equally subjected to ‘substantially the same duties and other regulation of commerce while trading with the other countries. In other words, the CUs have to have common external tariffs (CET) imposed for all products imported into the CU. To minimise the negative impact on third parties, Article

XXIV:5 within the new CET and the other regulations of commerce can not be “higher and more restrictively than” what was preceding the formation of the free-trade area.

B. Free Trade Agreements

FTAs represent trade agreements that its member-states agree to impose no barriers to intra-trade and tariffs³. Members of FTA are able to stick with the current tariff-rate to imported goods from the third countries. As such, then Article XXIV describes FTAs as a group of two or more customs territories in which the duties and other restrictive regulations of commerce are removed on substantially all the business of trade in products from the member territories. Like CUs, the FTAs also do not have CETs incorporated in them except for the Ch presidential exemption. As it enables any member of an FTAs to retain its policy to the third party, these characteristics explain how economic integration with countries that are not neighbouring or which are far off becomes reasonably feasible. This fact partially explains why the FTAs are the most preferred type of the RTAs in the global market today. Trade deflection is one of the key problems which can be attributed to the FTAs⁴. In light of such a scenario, to not allow third parties to take advantage of the zero-tariff rate applicable to FTA members, FTAs are established to provide “rules of origin” to determine which products should be eligible to receive the tariff preference. Rules of origin are the mechanism of the determination of qualifying goods that may receive preferential tariffs within the Free Trade Area. Critics argue that the rules of origin do not make full sense because they are prejudiced somehow.

There are two main categories of rules of origin: They include preferential and non-preferential goods. Preferential rules of origin are usually employed in RTAs with a view of classifying them as regional products when competing with like products from third parties, thus being offered certain preferential treatment. Non-preferential rules of origin are used for any purpose other than the awarding of lower most-favoured-nation tariff rates, including the application of duty rates to imported goods, antidumping/countervailing duties, country-of-origin labelling, or the putting in place of country-specific quotas or voluntary export restraints.⁵

The Rules of origin include the prescribed general elements of rules of origin which are; Article

³ Supra note 2

⁴ Jonathan M. Cooper, *NAFTA's Rule of Origin and Its Effect on the North American Automotive Industry*, 14 Nw. J. INT'L L. & Bus. 442, 452 (1994)

⁵ Lan Cao, *Corporate and Product Identity in the Postnational Economy: Rethinking U.S. Trade Laws*, 90 CALIF. L. REV. 401,463 (2002).

2 of the Agreement on Rules of Origin provides that rules of origin should be: It can also be: (i) neutral, that WTO members should(d) not abuse rules of origin for the purpose of achieving goals outside of trade and encompassing security and environmental objectives: (ii) non-discriminatory and; (iii) transparent, predictable, and legally consistent. Besides this, the WTO agreement also established the WTO Committee on Rules of Origin (CRO) is also known as WTO Technical Committee on Rules of Origin (TCRO) is also engaged in the process of standardizing the rules of origin. They should be informed, however, that the Agreement on Rules of Origin concerns only non-preferential rules of origin not preferential ones. Similarly, the structure of the Agreement on Rules of Origin is one that set rules of origin for products, but strictly there are no rules of origin for investment and services as may be seen in some RTAs. The Rules of origin under the Agreement for Rules of Origin was meant to showing ways of establishing non-preferential rules of origin with timetables for the exercise, but all schedule were expired due to the high number of products that required to be harmonized and controversy on some product such as textiles⁶

C. Interim Agreements

In construct the of an RTA, mobilization involves a lot of consultative processes between the prospective members. With the depth of integration, the member countries of RTA are normally expected to change their domestic laws. Hence, Article XXIV permits such interim agreements on the basis that such interim agreements afford a transition period towards the formation of CUs or FTAs. Pursuant to Article XXIV: According to the WTO Wireless, the use of interim agreements is in establishing CU or an FTA. Interim agreements shall “contain a plan and schedule” to signal how the parties will give rise to their RTA by virtue of the interim agreement “within a reasonable period of time.” As mentioned above, extending a reasonable length of time is a rather discrete concept; therefore, the Understanding of Article XXIV stipulates that the reasonable length of time should not exceed ten years from the date when the GATT member notified the formation of the customs union or FTA. One thing that many people do not get right about the issue of interim agreements is that it raises two major concerns. First, countries are not coming forward with their interim agreements so that The WTO can review it for any compliance with Article XXIV (as provided for in paragraph 7 (a) of Article XXIV). The organizations and governments involved in the creation of any RTA

⁶ RAJ BHALA, INTERNATIONAL TRADE LAW: THEORY AND PRACTICE 666 (Lexis Publishing 2d ed. 2001).

circumvent the whole idea of interim agreements altogether by simply asserting that they will fully and without exception integrate their RTA over a period that could possibly take more than ten calendar years. They make it possible for members of RTAs to evade the notification obligation to the WTO on the terms of their RTAs and afford them a discretionary authority in defining the terms of their agreements.

2.2.Important Regional Trade Agreements:

North American Free Trade Agreement (NAFTA):

The North American Free Trade Agreement (NAFTA) was signed in 1994. At this time, many people considered trade relations between the United States, Canada, and Mexico⁷. When the NAFTA was signed, the three countries adopted policies that removed tariffs on a myriad of imports and exports; which resulted in growing levels of economic integration due to enhanced trade amongst the three countries. They signed it with an intention of developing a competitive environment in terms of trade and investment. NAFTA was replaced by USMCA in 2018 because some of its provisions require updates and new areas of cooperation for the modern world include digital trade and worker's rights.

European Union (EU):

EU is amongst the largest and the most intricate projects in regional integration in the contemporary world. EU is set political and economic union of 27 nations; trade in goods, services, capital and people are enable within the union. The creation of the Single Market is fundamental to the EU's objectives, designed which is to create a single market free of barriers for goods and services across the member states⁸. Besides enhancing trade, this integration has promoted economic developments and risks within the region, thereby making the EU a significant global trader.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):

CPTPP is the next version of the TPP or the Trans-Pacific Partnership that was arrived at in 2018 by eleven countries inclusive of Canada, Japan, and Australia. Its aims are to produce a vision of multilateral cooperation with the countries of the Pacific area in order to expand

⁷ Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA Revisited: Achievements and Challenges*, Institute for International Economics, October 2005.

⁸ Studnicka, Z., Thierie, W. & Van Hove, J. The impact of regional trade agreements on European exports. *Int Econ Econ Policy* **16**, 467–488 (2019).

bilateral and multilateral trade, decrease the tariffs that exist between states and to build cooperation in all spheres. Extraordinary for that, the CPTPP was the first FTA that points modern trade issues including IP rights, digital trade, and labour standards. It is a clear attempt to lay down structurally sound trade architecture in the Asia-Pacific region and at a time when the trade dynamics chart is shifting.

African Continental Free Trade Area (AfCFTA):

Since its starting in 2021, African Continental Free Trade Area is trade liberalization agreement with the vision of deepening development integration in Africa by facilitating a Single African Market-SAM for goods and services within the 54 African countries member states. This is an FTA that aims at eradicating tariffs, streamlining the countries' trading partners and enhancing economic integration of African countries. This way AfCFTA being able to reduce trade barriers could greatly enhance growth and development of the continent's economy leading to greater integration.

Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA):

In 1992, ASEAN Free Trade Area (AFTA) was created to increase the overall competitiveness of the region on the global supply chain as a production site. AFTA which involves an integration of 10 South Asian countries has the mandate of Tariff liberalization, as well as the promotion of regional trade and investment⁹. This boosts economic integration through improvements in the co-ordination of trade policies and measures, the standards of which enhances the general economy of the region. AFTA has also been gonadal in the enhancement of the trade in the South East Asian region thus the economic growth and development.

Mercosur

Mercosur, South American common market was established in 1991 and is comprises of Argentina, Brazil, Paraguay, and Uruguay with Venezuela currently being in a suspended state. Mercosur has the following objectives that are to encourage and support free trading among the members through reducing tariff barriers and support intersectoral cooperation among its members. It has established a good boost in trade liberalization leading to economic integration among the member countries within the region. Nevertheless, Mercosur continues to be an

⁹ Hiratsuka, D., K. Hayakawa, K. Shino and S. Sukegawa (2009), 'Maximizing Benefits from FTAs in ASEAN', in Corbett, J. and S. Umezaki (eds.), Deepening East Asian Economic Integration. ERIA Research Project Report 2008-1, pp.407-545. Jakarta: ERIA

undeniable actor in the South American economic scene, despite the political tensions and the economic fluctuations in some of its member countries.

3. The Role Regional Trade Agreements on Legal Harmonization

Regional Trade Agreements (RTAs) play a pivotal role in facilitating legal harmonization among member countries, thereby promoting economic integration, and enhancing cross-border trade.

3.1. Mechanisms of Legal Harmonization through RTAs

1. Common Standards and Regulations

RTAs frequently establish shared standards and regulations across member countries, fostering legal harmonization in various sectors. This process typically encompasses:

- a) Mutual recognition agreements that is Member countries consent to recognize each other's standards, certifications, and regulatory processes, thereby reducing trade barriers.
- b) Harmonization of technical regulations where RTAs may necessitate members to align their technical regulations, ensuring consistency in product standards and specifications.
- c) Regulatory cooperation in which Member countries collaborate to develop common regulatory frameworks, exchanging best practices and aligning their legal systems.
- d) Adoption of international standards where RTAs often encourage or mandate the adoption of internationally recognized standards, facilitating harmonization beyond the regional level.

2. Dispute Resolution Mechanisms

RTAs commonly incorporate dispute resolution mechanisms that contribute to legal harmonization by Establishing supranational courts or tribunals. These bodies interpret and apply the agreement's provisions, creating a body of case law that guides member countries' legal systems. RTAs may include provisions for binding arbitration to resolve disputes between member states or between investors and states¹⁰. Some of them also promote mediation and conciliation as alternatives to formal litigation, fostering a harmonized approach to conflict resolution. Through consistent interpretation and application of RTA provisions, dispute resolution bodies contribute to the development of shared legal principles among member countries.

¹⁰ Nguyen, S. T. (2018). Resolving jurisdictional conflicts between WTO and RTA dispute settlement: Toward an interpretative approach. *Bond Law Review*, 30(2), [1]-26.

3.2. Case Studies

1. European Union as a Model for Legal Harmonization

The European Union (EU) serves as an exemplary model of successful legal harmonization through an RTA. The EU's body of common rights and obligations, which all member states must adopt, ensures a high degree of legal harmonization across diverse areas. EU legislation, in the form of directives and regulations, requires member states to align their national laws with EU-wide standards. The supranational European Court of justice ensures uniform interpretation and application of EU law across member states, contributing to legal harmonization¹¹. The EU's mutual recognition principle facilitates the free movement of goods and services by requiring member states to accept products and services legally sold in other member states.

2. MERCOSUR's Efforts in Legal Alignment;

The Southern Common Market (MERCOSUR) demonstrates both the potential and challenges of legal harmonization in developing economies. MERCOSUR has made progress in aligning commercial laws, particularly in areas such as competition policy and consumer protection. Protocol of Olivos established a Permanent Review Court, enhancing the dispute resolution mechanism and contributing to legal harmonization among member states¹². MERCOSUR has worked towards harmonizing technical regulations in various sectors, facilitating intra-regional trade. Despite progress it faces ongoing challenges in achieving full legal harmonization due to political, economic, and institutional differences among member states. RTAs serve as effective instruments for legal harmonization, employing mechanisms such as common standards, regulations, and dispute resolution systems. The EU exemplifies the potential for comprehensive legal harmonization, while MERCOSUR illustrates the complexities involved in this process.

4. Impact of RTA on Legal Harmonization:

4.1. Positive Impacts of RTAs on Legal Harmonization

a. Standardization of Regulation

Perhaps the biggest benefit of RTAs is to provide and set standard and rules of trades

¹¹ Mohammad F. Nsour, *Regional Trade Agreements in the Era of Globalization: A Legal Analysis*, 33 N.C. J. Int'l L. & Com. Reg. 359 (2007).

¹² The European Union-Mercosur Free Trade Agreement: prospects and risks Author(s): Michael Baltensperger and Uri Dadush Bruegel (2019)

among member countries. With aligned legal systems, RTAs lead to efficiency in trade processes since firms trading across borders file fewer lawsuits that lead to higher compliance cost to traders. For example: when different countries adopted similar standards of product safety, labelling, and quality standards then organisation can easily operate and avoid the complications of different legal structures inherent in other countries. This standardization not only increases efficiency but also contributes widely to increased transparency and manageability of the risk environment in trade partnerships, which in turn helps businesses to predict and plan their actions.

b. Promotion of Cross Border Business

Trade laws of importing countries can be complex and cumbersome, not only in customs but also in regulatory system; RTAs standardize these procedures. Cutting down on formality, these agreements promote exportation and importation between countries, and thus may result in the growth of member countries' economy. For instance, North American Free Trade Agreement (NAFTA) involves trade liberalisation between the United States of America, Canada and Mexico where tariffs were slashed and; administrative barriers to trade lifted. The processes of legal integration that take place within RTAs minimize the potential for legal controversies, improve interaction between countries, and accordingly create a more integrated global economy.

c. Increased Legal Cooperation

Employment laws, protection of intellectual property rights, treatment of environment and natural resources are some of the areas which are provided under the article on cooperation on legal and judicial affairs of RTAs. This cooperation involves development of mutual recognition of legal principles and procedures among member countries and hence strengthens their legal frameworks as well as the enforcement mechanisms. For example, the EU has developed a wide legal relationship for legal integration based on cooperation of its members in a multiple number of areas such as competition law and consumer protection among others. This way of work not only improves the efficiency of legal frameworks but also increases confidence between countries and makes further relations in trade easier.⁴

4. Promotion of Best Practices

Through RTAs, countries can share best practices in regulatory frameworks and legal standards. This exchange of knowledge is instrumental in the development of more effective laws and encourages countries to adopt progressive legal reforms that align with international standards. For example, countries participating in the Comprehensive

and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have committed to upholding high standards in labour rights and environmental protection, thereby promoting best practices across the region. Such initiatives not only enhance legal harmonization but also contribute to sustainable development and social welfare.

d. Encouragement of Regional Stability

Legal harmonization through RTAs can contribute to political stability in regions by fostering interdependence among member states. As countries become economically intertwined, the likelihood of conflict diminishes, leading to a more stable legal environment. This stability is crucial for attracting foreign investment and promoting economic growth. The Association of Southeast Asian Nations (ASEAN) is a prime example of how legal harmonization can enhance regional stability, as member countries have worked together to create a more cohesive legal framework that supports economic cooperation and conflict resolution.

4.2. Negative Impacts of RTAs on Legal Harmonization

a. The Fragmentation of global Trade Law

That is, even as they bolster regional legal integration, RTAs are also capable of increasing the proliferation of international trade law. The situation whereby countries not under an RTA may face some disadvantages mean that the world is left with a puzzle of rules governing trades. This fragmentation can thus poses procedural hindrances to non-member countries when it comes to accessing certain markets. For instance, non-member nations are subjected to high tariffs or restricted regulatory policies every time they try to penetrate the market in RTA member nations hence distorting the level playing ground and hindered performance of the liberal international trade.

b. Regulatory Race to the Bottom

This is an open call for the countries to dilute their regulatory benchmarks to allure foreign direct investments, often termed as the race to the bottom. Outcomes of such legal convergence may lead to decline of labour standards, environmental measures, and consumer protection, to say the least, which runs counter to the purpose of the harmonization process in achieving fair trade standards. For instance, some developing countries may be inclined to lower their standards of environmental protection to lure companies from all over the world; doing this have adverse effects on communities and the environment. It also threatens essential aspects of social and environmental

regulation, as well as capital homogenization when it comes to regulatory requirements.

c. Overlapping Agreements

There is the likelihood that with the establishment of many RTAs there will be issues of duplication of agreements which are complex to businesses and legal experts. Managing the rules and standards of getting involved into multiple RTAs can be cumbersome.

5. Long-term Effects of RTA on Global Trade:

RTAs are now an important part of the global economy; they have had a lasting impact on the trade relations and development of economic ties between countries. These can come in forms of free trade agreements or even a union of customs and their primary purpose is to liberalize trade and cooperation among member countries. Another realistic significant long-term impact of RTAs on the international trade is the generation of trade diversion and trade creation¹³. Appreciably, trade creation happens when member countries import more goods and services from cheaper and more efficient producers within the trade bloc leading to the improvement of economic efficiency. On the same note Trade Diversion takes place when imports occur from less efficient member countries due to preferential treatment as opposed to importing from more efficient non-member countries¹⁴. Therefore, such effects may permanently transform the structure of global trade and change the conditions of rivalry between the companies operating in various countries.

They also enable the realisation of deeper economic integration among member countries of RTAs. When restrictions are lifted and standards are aligned, host nations typically record greater greenfield investment, technology acquisition and skill flows across borders. This can culminate in identification of regional value chains and production networks, with subsequent evolution of more specialized structure and scale effect within the bloc. The formation of RTAs has implications for the multilateral trading system regulated by the World Trade Organization WTO. : Thus, while RTAs can support WTO initiatives aimed at liberalization of trade, they contribute to the formation of a maze of, often conflicting, bilateral and regional agreements referred to as the “spaghetti bowl”. This situation may result in high transaction cost to the

¹³ Alhassan, A., & Payaslioglu, C. (2023). Trade Diversion and Creation Effect of Free Trade Agreements in ASEAN: Do Institutions Matter? *Journal of the Knowledge Economy*, 1-19.

¹⁴ Handoyo, Rossanto Dwi, Lilik Sugiharti and Miguel angel esquivias Padilla. “TRADE CREATION AND TRADE DIVERSION EFFECTS: THE CASE OF THE ASEAN PLUS SIX FREE TRADE AREA.” (2021).

business entity due to interactions with different regulatory systems, and therefore act as a bottleneck on the efficiency of international trade in the long-run.

Moreover, RTAs impact the bargaining power of countries in trade talks. Since the 1990s, there has been a. With the expansion of RTAs leading to the creation of larger trading blocs, the formed trading bloc may find itself in a better position in terms of bargaining power to negotiate for the terms of trade with other countries or trading blocs leading to the setting of rules and standards of trade in the world¹⁵. These shifts have long-run implications for the architecture and of the international trading system. It has already been discussed that impact of RTAs on international trade is comprehensive and enduring. As these agreements can spur regional economic integration and engender new trading opportunities, they are not without tensions to the MTNs and may engender trade architectures. Thus, the evolution of multiple and complex RTAs seems to add a significant weight to the question of whether they can become a regular in further defining the profiles of international trade and economic partnership.

Conclusion and Suggestions:

The use of Regional Trade Agreements (RTAs) has had profound effects on the process of legal integration in the international trading system altering the nature of the economic cooperation between countries. Such agreements have entailing enhanced economic cooperation among its members which potentially has encouraged the creation of trade and efficiency in the usage of resources. As they lower tariffs and non-tariff measures within the RTAs new possibilities for operation are opened for businesses that may lead to economic growth and technological advancements.

However, this has been accompanied by a multidimensional challenge with the introduction of RTAs. They have nevertheless produced positive effects in nurturing intra-bloc trade and negative effects in creating trade diversion that erodes on the trade efficiency of free trade globally. This happens where trade is moved from cheaper suppliers outside the bloc to dear suppliers inside the bloc just because of preferential treatment. It can result in inefficient resource allocation on international level, and may have a rather adverse effect on the countries which are not parties to such agreements.

¹⁵ Jiménez-García, Blanca and Julio Rodríguez. "A Quantification of the Evolution of Bilateral Trade Flows Once Bilateral RTAs are Implemented." *SSRN Electronic Journal* (2022): n. pag.

The multilayered system of linked RTAs has posed profound problems in the formation of a single trading system of the WTO. This has introduced legal complexity in the sense that trade relations have the potential of being governed by different rules with different partners thereby leading to the so called “spaghetti bowl”. This makes it more expensive for players engaged in trade across the different trade blocs because they must deal with difference bureaucracy, rules of origin and compliance standards. However, this kind of inconsistencies in different RTAs makes legal frameworks of the trade relations in certain area questionable and thus prone to controversies.

These effects go beyond trade flows and economic efficiency as will be appreciated by examining the effects of RTAs starting with. They contain elements on such aspects as intellectual property rights, employment conditions and discrimination, environment, and settlement of disputes. Although these provisions might contribute to enhancing such standards, they may at the same time reduce equality among the member and non-member countries and provoke divergence in regulation on the international level.

Future research should extend our work by incorporating data envelopment analysis (DEA) to analyse the long-run impacts of RTAs on international trade and economic welfare. It is recommended that this research should use highly sophisticated econometric models together with highly exhaustive data set in order to capture the dynamic nature of RTAs over time that include such aspects as trade creation, trade-diverting, productivity, and innovations. More research should be conducted on the effect of RTAs on the non-member countries both at the bilateral and multilateral level, with regards to their economic welfare and the trade links which they have developed. This could aid the discovery of possible measures towards dealing with deterioration of negative externalities for enhancing international trade integration.

Second, there is the need to look at the relationship between RTAs and Multilateral Trade Agreements, in order to establish where the two complement each other, or where there is conflict of interest. This could include comparing the legal and economic complementarity and sometimes contradiction, of different trade arrangements, examining how to align the different systems of laws that have evolved to govern trade, and constructing architectures for linking regional and global trade institutions.

Policymakers should consider the following recommendations to address the challenges posed

by the proliferation of RTAs:

1. Ensure agreement on RTAs is transparent and harmonised in order to avoid violations of existing bilateral and multilateral agreements. This could involve such measures as setting of rules to be followed while conducting negotiation on RTA that respects WTOIOD, and engaging in productive dialogue with non-member countries.
2. Significantly, create ways of synchronizing RTA provisions with WTO regulations to avoid disparate tendencies in the global trading system. This could include development of a comprehensive and procedural approach to analysing how far RTAs coalesce with rules of multilateral trade and interpreting where adjustment can occur.
3. Promote the integration of measures within-, or clauses of, RTAs that agree to make the RTA liberalization process more multilateral in nature. This could include creating RTAs with provisions for open accession and rules that are coordinated to be fairly incorporative into a wide range of multilateral arrangements.
4. By contributing towards the enhancement of general measures for the development of capacity, citizens in the developing nations will be in a better position to tackle the subject matter owing to the increasing entanglement of overlapping conventions on trade. This could involve provision of technical cooperation services such as help desk, training, seminars and RKC/RTO for improving the capacity of developing countries in Regional and multilateral trade.
5. Propose the ideas of coping with the challenges resulted from the establishment of RTAs including the ways to establish the international standards for the unification of RTAs. This could entail storing a wealth of provisions on RTAs at a portal launched at the WTO, evolving more standards on issues relating to the design of RTAs, and having systems on how to handle dispute arising from different RTAs.
6. Enhance monitoring and evaluation mechanisms to assess the impact of RTAs on global trade flows, economic development, and social and environmental outcomes. This could involve developing standardized metrics and reporting frameworks to facilitate comparative analysis and evidence-based policymaking.
6. Promote dialogue and cooperation between different RTAs to identify areas of common interest and potential collaboration. This could include establishing regular forums for RTA representatives to discuss shared challenges and explore opportunities for alignment and coordination.
7. Investigate the potential of plurilateral agreements as a bridge between RTAs and multilateral trade governance. These agreements, which involve a subset of WTO

members but are open to all, could provide a pathway for gradually expanding the scope of trade liberalization while maintaining consistency with WTO principles.

By addressing these issues and implementing these recommendations, policymakers can work towards a more cohesive and efficient global trading system. This approach would aim to harness the benefits of regional economic integration while minimizing the fragmentation and inefficiencies that can arise from a proliferation of overlapping trade agreements. Ultimately, the goal should be to create a global trade architecture that is inclusive, transparent, and conducive to sustainable economic growth and development for all nations.

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