

THE EFFECTS OF FTAS ON THE OPERATION OF THE WTO: REVIEWS AND RECOMMENDATIONS

Duong Anh Son^{*}, Tran Vang-Phu^{**}

^{*} University of Economics and Law, Ho Chi Minh City, Vietnam;
Vietnam National University, Ho Chi Minh City, Vietnam

^{**} Corresponding author, Law School, Can Tho University, Can Tho City, Vietnam

Contact details: Law School, Can Tho University, 3/2 Street, Xuan Khanh Ward, Ninh Kieu District, Can Tho City, Vietnam



Abstract

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The primary goal of this article is to examine the positive and negative effects of free trade agreements (FTAs) on the World Trade Organization (WTO), highlighting that the current objective requirement is to reform the WTO's operating mechanism and strengthen obligations to binding member states' responsibilities when negotiating and signing new FTAs. This research employs comparative jurisprudence and written law analysis methods. This article is divided into four sections that address issues concerning FTAs and the WTO: 1) the history of FTAs; 2) the benefits and drawbacks of FTAs on international trade; 3) WTO members' obligations when signing FTA, and 4) the need to reform the WTO's current regime and what the WTO should do to control the "Spaghetti Bowl" phenomenon of FTA. The study's findings suggest that FTAs are an inevitable trend in both the economic and political domains; FTAs should be regarded as WTO pluses; however, the WTO and its members must reform the current regulations governing the WTO's power and member states' obligations in negotiating and signing new FTAs. This paper will be highly useful to other scholars studying FTAs and the WTO in current global trade and the future development trend of FTAs.

Keywords: Free Trade Agreements (FTAs), World Trade Organization (WTO), Impacts, International Trade, Reviews, Recommendations

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1. INTRODUCTION

Liberalization and globalization posed serious challenges to both developed and developing countries. Free trade agreements (FTAs) are being adopted for the sustenance of economic growth and development. Trade liberalization paved the way for bilateral and multilateral agreements. The General Agreement on Trade and Tariffs (GATT, 1947)¹ was signed and adopted in 1947 with the purpose of laying the foundation stone of fundamental principles for fostering international trade, most

notably non-discrimination treatment encompasses both national and most-favored-nation treatment, with the goal of reducing and eventually eliminating tariff obstacles to international commerce (Van den Bossche & Zdouc, 2013). Europe began a program of regional economic integration within the period of five years after the establishment of GATT in 1947, with the establishment of the European Coal and Steel Community in 1951, which later evolved into the European Community, and finally the European Union (EU). Following the collapse of the Soviet Union, the EU pushed for the negotiation of trade agreements with several Central and Eastern European countries, and in

¹ https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

the mid-1990s, the EU signed many bilateral trade agreements with Middle Eastern countries. The US also pursued trade discussions, concluding a deal with Israel in 1985 and the tripartite North American Free Trade Agreement (NAFTA) with Mexico and Canada in the early 1990s. Additionally, significant numbers of regional accords have been reached in South America, Africa, and Asia. Followed by the Uruguay Round of Trade Negotiations, the World Trade Organization (WTO) supplanted GATT 1947 as the worldwide watchdog for global trade liberalization in 1995. While the GATT 1947 concentrated on products, the WTO expands its scope significantly by embracing regulations on services, intellectual property, and investment (Baldwin & Low, 2009). However, the WTO upholds the GATT 1947 concept of non-discrimination, which is more precisely specified in specific agreements.

While the WTO sought to expand the GATT 1947 multilateral trade initiatives, recent trade negotiations have demonstrated a strong development of regionalism through the negotiation and signing of a series of multilateral and bilateral trade agreements, including the Transatlantic Free Trade Agreement (TAFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Cooperation in Asia and the Pacific Ocean (RCEP). Already, it accounts for a sizable proportion of global gross domestic product (GDP) and international trade. It is critical to emphasize that neither the GATT 1947 nor the WTO contain a provision for prohibiting countries from concluding additional trade agreements in addition to the WTO (Srinivasan, 2005). However, it is precisely for this reason, and except for the principle of non-discrimination, that the WTO's goal of establishing an open, non-discriminatory global economy has been seriously harmed by bilateral and multilateral trade agreements (Aggarwal & Evenett, 2013). FTAs are distorting WTO's rules in certain aspects such as overusing the exceptions of WTO to create more barriers (non-tariff barriers) to trade; creating discrimination between countries in international trade, and somewhat nullifying the effect of the WTO on international trade. The next sections will indicate how signing FTAs is an inevitable trend and how it impacts international trade in general and WTO's regime in specific. The paper examines the efficacy of FTAs on international trade and assesses their contributions.

The rest of the paper is organized as follows. Section 2 comprises an explanation of the literature and hypothesis. Section 3 describes the research methodology and data sources. Section 4 introduces the principle of non-discrimination in international trade. Section 5 presents the factors that contributed to the increase in FTAs and their detrimental effect on international trade. Section 6 analyses the WTO members' obligations regarding FTAs. Section 7 explains the need for reformation in the FTA trade model. Finally, Section 8 is the conclusion and recommendations.

2. LITERATURE REVIEW

Considering the effects of anti-trade and anti-globalization policies on the world economy as well as the concepts of national treatment and

the most favored nation principle. The literature that is currently accessible on the subject goes in-depth to comprehend the potential effects that FTAs may have on the WTO system. The current work conceptually supports the body of research on the effects of WTO through FTAs. The work of Aggarwal and Evenett (2013) postulates that bilateral and multilateral trade agreements damaged the WTO's goal of establishing an open global economy. The work of Maull (2005) is worth to be discussed which enunciates how developing countries try to counter and maintain the balance in international trade with the help of trade agreements (Maull, 2005). Aggarwal and Evenett (2013) further elaborates that how developed countries bypass WTO rules and sign agreements to maintain their supremacy in the international market. Drache and Froese (2007) propounded that the incomprehensible work system and complexities in the WTO scope are problematic. An overview and implications of international trade agreements was a helpful article. Zoellick (2016) best summarized the promotion of trade cooperation through FTAs. The increasing number of free trade agreements, certain systematic problems, and U.S. obstacles to reappointments of WTO judges while a crisis in dispute resolution looms is crucial because they provide insight into how FTAs affect trade (Zoellick, 2016). The WTO and the Spaghetti Bowl of Free Trade Agreements' four forward-looking recommendations show that FTAs, RTAs, and PTAs are not only permissible under the WTO but also explain how member states are organized through various trade agreements and demonstrate the benefits of trade agreements (Panezi, 2016). The impact of free trade agreements is differentiated across various sectors of the economy. Growth of free trade agreements "cover areas beyond tariff reductions, such as customs regulations, anti-dumping, countervailing measures, and technical barriers to trade (TBT), sanitary and phytosanitary standards (SPS), services and investment provisions" (Cali, Maliszewska, Olekseyuk, & Osorio-Rodarte, 2019). FTAs are thought to be very advantageous for emerging nations. FTAs offer contractual parties, especially developing countries, a number of benefits that cannot fully be accounted for by economic models. These intangible advantages could be quite important for developing countries in terms of politics, economy, or strategy (Plummer, Cheong, & Hamanaka, 2011).

This study is carried out with the hypothesis that FTAs are challenging the WTO's regime, and cause many adverse effects on the stability of international trade.

3. RESEARCH METHODOLOGY AND DATA SOURCES

3.1. Research methods

This article is purely doctrinal. Compilation of the data utilized secondary sources, such as books, articles, and other organization reports and surveys. This study is purely theoretical and interpretive in nature. In addition, the author employs comparative jurisprudence and analysis of written law to assess the influence of FTAs on the current operation of the WTO and to analyze WTO regulations.

3.2. Research data sources

The study's primary research data source is WTO regulations pertaining to multilateral agreements and free trade agreements. Furthermore, the author selectively uses secondary data sources — published data — to aid the research, maintain objectivity, take a multi-dimensional approach, and ensure the accuracy of the research.

4. PRINCIPLE OF NON-DISCRIMINATION IN INTERNATIONAL TRADE

The GATT 1947 and WTO's principle of non-discrimination are based on two principles: 1) treatment according to the most favored nation (MFN); 2) national treatment (NT). The term "most favored nation" is interpreted by the WTO to mean that others receive equal treatment. Member states are generally prohibited from discriminating between trading partners and their trade under WTO agreements. Once a member state accords a particular country preferential treatment (such as a lower customs duty rate on one of its products), the importing country is required to extend the same treatment to all other WTO members. This is referred to as the MFN treatment, and it is the GATT 1947's first provision. The MFN principle is also enshrined in Article 2 of the General Agreement on Trade in Services (GATS) and Article 4 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and while these principles are applied somewhat differently in each Agreement, its essential meaning is guaranteed (WTO, 2021b). However, Article XXIV of GATT 1994 permits an exemption from MFN obligations in the case of free trade agreements between member states that apply only to goods traded between member states and also permits discrimination against goods from WTO member countries that are not covered by bilateral or multilateral agreements. Additionally, where the exporting country is a developing country, the importing country may offer preferential treatment to its market, or a country may erect barriers for the products from certain countries that are deemed to violate "fair trade" obligations (WTO, 2021b).

During the sixteenth to the late eighteenth century, the mercantilism doctrine had a significant influence on the commercial policies of the European powers. The primary objective of trade, according to mercantile economics, is to assist domestic traders in achieving a more favorable balance of trade than foreign dealers (Dales, 1955). Mercantilist trade practices did not promote bilateral trade agreements; rather than they compelled governments to support the domestic industry through tariffs and import quotas, as well as by imposing prohibitions on the export of tools, capital, skilled labor, and anything else that could help foreign countries compete with domestic production of similar goods. The British Navigation Act of 1651 was one of the best examples of mercantile trade policy during this period, as it prohibited foreign ships from engaging in coastal trade in the UK and imposed restrictions that all goods imported from mainland Europe must be transported either by British ships or ships registered in the country of origin of the goods (Johnston, 2021).

However, in 1823, the British established the Reciprocity of Tariffs Act to aid the expansion of international trade by way of permitting the reduction of import duties on commodities imported under commercial agreements with other countries. British removed limitations on grain imports in 1846, and up till by 1850, most protectionist policies affecting British imports had been eliminated. Additionally, the Cobden-Chevalier Treaty between the United Kingdom and France established tariff reduction measures based on the notion of "reciprocity". Additionally, the treaty contains a paragraph defining the most favored nation treatment, which initially meant a policy of non-discrimination against the goods of a signatory country. This Agreement paved the way for an accelerated negotiation of several agreements on non-discrimination in trade throughout the rest of Europe, so kicking off the development of multilateral or trade liberalization, often known as free trade (Farnell, 1946). International free trade is firmly founded and developed on Adam Smith's theory of competitive advantage and natural division of labor, as well as David Ricardo's idea of comparative advantage. The two professors, along with many other economists, later emphasized the enormous benefits of trade liberalization, significantly influencing the world's recent signing of bilateral and multilateral trade agreements (Atkinson, 2011).

Under normal circumstances, the principle of national treatment requires equal treatment of foreigners and domestic citizens, imported goods and domestically produced goods, foreign services and domestic services, and other intellectual property-related matters. Additionally, the principle of "national treatment" is incorporated into each of the three major WTO agreements (Article 3 of GATT 1994, Article 17 of GATS, and Article 3 of TRIPS). Furthermore, the national treatment principle applies only when an intellectual property product, service, or item is placed on the market; therefore, the principle does not apply to the calculation of taxes on imported goods (WTO, 2021b).

5. THE FACTORS THAT CONTRIBUTED TO THE INCREASE IN FTAs AND THEIR DETRIMENTAL EFFECT ON INTERNATIONAL TRADE

Parallel to the trend toward free trade is for strengthening bilateral and multilateral trade agreements, as well as protectionism. The rapid growth of free trade agreements in recent years is due to the following factors:

In the beginning, developing countries feels unequal treatment during the Uruguay Round, but they also do not want to forego the benefits of WTO accession; thus, developing countries opt for bilateral and multilateral trade agreements with other countries in the region and developed countries in order to create a counterbalance in international trade, economic and political pressure from major trading partners during the negotiation process (Maull, 2005). Additionally, the rapid economic growth of emerging markets, particularly the five BRICS countries (Brazil, Russia, India, China, and South Africa), has diminished the status of developed economies such as the United States, the European Union, and Japan, resulting in

an impasse in the Doha Round negotiations. On the other hand, developed countries do not want to lose their trading position but also do not want to leave the WTO. As a result, the United States, Japan, the European Union, and many other developed countries have come to believe that signing bilateral or multilateral free trade agreements will help to retain their status as “powerful countries” in international trade and avoid WTO constraints in the short and medium term (Aggarwal & Evenett, 2013).

Secondly, the inefficiencies in the WTO’s operation and scope of work are quite broad and ambitious, resulting in work programs and discussions that are far too large and complicated, exceeding the WTO’s scope and controllability (Drache & Froese, 2007). The WTO is a member-driven organization, and most WTO decisions are made by unanimous consent of member countries. Consensus demonstrates the superiority of member states’ views and wills while deciding on common international trade issues within the framework of the WTO. However, in practice, these principles have a significant impediment to the adoption of WTO decisions, as each country or group of countries has distinct political and economic positions, development strategies, and concerns; as a result, it is difficult to pass an agreement that garners unanimous support from all members (Hoekman & Mavroidis, 2021). A good illustration of this situation that is the United States has long opposed the appointment of WTO Judges: first in 2011 when Judge Jennifer Hillman was appointed to a second term on the grounds that the WTO had failed to protect the United States interests; then in 2016, when Judge Seung Wha Chang was denied re-appointment (Rathore & Bajpai, 2020); in 2018, when Judge Shri Baboo Chekitan Servasing was denied re-appointment (“US shuts down WTO appeals court”, 2019). Additionally, due to historical and objective considerations, some WTO regulations lag behind the advancement of science and technology and the diversity of international trade, particularly in areas such as electronic commerce and transnational services (Matsushita & Lee, 2008). As a result, certain trade agreements must be signed to regulate newly arising issues; thus, some experts argue that FTAs are a complement agreement to WTO (Sally, 2008, pp. 109-111).

Thirdly, international trade fragmentation is an unavoidable development trend, alongside active participation in major economic organizations, because of the concurrent development of free trade and democracy, and protectionism. Often, trade agreements or international trade organizations provide member states with economic opportunities and rules that are legally binding. In addition to actively participating in major trade agreements in order to pursue investment opportunities and establish influence on the international market, countries with similar political and economic concerns frequently band together to safeguard their economic interests (Baldwin & Low, 2009). This trend has resulted in the “Spaghetti Bowl” phenomenon in international trade (Panezi, 2016),

and it leads to a situation that the anti-discrimination commitments in international trade are frequently invalidated by bilateral or multilateral international agreements (Ortino, 2006).

One thing that cannot be denied in recent years that is the proliferation of bilateral and multilateral FTAs has significantly increased trade between countries and contributed to the world economy’s strong growth in general (Baldwin & Low, 2009). Additionally, FTAs supplement issues on which the WTO still has general provisions or has not yet adjusted, allowing countries outside the WTO to continue participating actively in the global trade market. FTAs assist businesses in spreading the risks associated with trade and investment activities and in reducing their reliance on and passivity toward a single or a few markets. Simultaneously, FTAs assist businesses in expanding their markets and establishing new production-consumption links, thereby assisting in the stabilization of a country’s production, and export activities and contributing to the world economy’s continued growth (Kutlina-Dimitrova & Lakatos, 2017). However, the current trend toward free trade agreements has had a detrimental effect on the WTO in particular, and on international trade in general, as evidenced by the following major contents:

To begin, significantly influencing the globalization trend in international trade by lowering trade barriers (tariff and non-tariff) and expanding opportunities for least-developed and developing countries in order to achieve poverty reduction and sustainable development goals (Fugazza, 2013). The fragmentation of international trade, which began with the establishment of FTAs, has resulted in significant tariff inequality. Simultaneously, as a WTO member but depending on the importing country and different import tariffs for the same goods may apply. This inadequacy will result in two major outcomes: 1) exporters in countries without special incentives will use the “treaty shopping” method to relocate factories to countries with favorable tax policies, which will have a significant impact on the division of labor and global distribution of products; 2) countries will promote their trade agreements in order to gain preferential treatment and advantages over other exporting countries (Hartman, 2013).

This tax disparity is exemplified by Vietnam’s import car tax regulations. For unused vehicles, the tax policy with origin discrimination is determined by the commitments contained in the Trade Agreements that Vietnam has signed, as well as the importing enterprises’ compliance with applicable requirements for a valid Certificate of Origin under the certain Agreement. The import tax rate varies slightly depending on the vehicle type, cylinder capacity, and fuel type; however, except for ambulances, which are subject to a 15% import tax, the remaining cars are subject to a 70% preferential import tax. This auto import tax rate may be lower for automobiles originating in countries that have signed preferential trade agreements with Vietnam (see Table 1).

Table 1. Comparison of tariffs on imported used cars from some selected countries into Vietnam

Number	Origin	Short name of the Agreements	Medium preferential import tax	Documents
1	ASEAN	ATIGA	0%	Decree 156/2017/ND-CP
2	ASEAN-China	ACF	50%	Decree 153/2017/ND-CP
3	The United States	There is no FTA; only a BTA was signed in 2000, but there is no agreement on vehicle preferential tariffs.	70%	N/A
4	The EU	EVFTA	68.5%	Decree 111/2020/ND-CP

Source: compiled by the author, 2021.

Second, generating complications and overlap in national legislation on the settlement of preferential commitments or investment protection when preferential policy changes (Ortino, 2006). The “Spaghetti Bowl” situation will lead to an overlap in the internalization of legislation and principles of fair trade, transparency in international trade activities, break the foundational principles of non-discrimination in international trade, reduce the WTO’s power to coordinate commercial activities, and settle international disputes (Shaffer & Winters, 2017).

An example is a disagreement between Peru and Guatemala over import tariffs on certain agricultural products (WTO, 2015). A Bilateral Free Trade Agreement (BTA) exists between Peru and Guatemala, and some of its obligations differ from those stipulated in WTO agreements. For example, Peru’s Price Range System requires it to impose an additional tax when the reference price for an affected product falls below a certain floor price or reduce the tax when the reference price exceeds a certain ceiling price, which Guatemala considered unfair. On April 12, 2013, Guatemala requested discussions with Peru regarding “extra taxes” imposed on imports of rice, sugar, corn, milk, and dairy goods. Guatemala argues that the policy violates the GATT 1994, Agriculture Agreement, and the GATT Customs Valuation Agreement. Ultimately, the WTO Appellate Body declared Peru’s Price Range System incompatible with the Agricultural Agreement. Peru eventually altered its Price Range System to comply with its requirements (WTO, 2021a). Despite the WTO’s final decision and Peru’s revision of its import tax legislation, numerous questions remain about the rationality of the WTO’s judgment addressing the case when one or more points of a given FTA deviate from those of the WTO (Shaffer & Winters, 2017). Can these FTAs be considered an exception to the WTO (Saggi & Wu, 2016)?

Troubling international efforts on fair trade, invalidating WTO principles, and establishing various barriers to international commerce, especially for developing and less developed nations; poses hazards not just to international trade but also to regional and global security stability (Kutlina-Dimitrova & Lakatos, 2017). Economic escalation can lead to political escalation and vice versa. Thus, the lack of clear rules to govern and settle trade disputes create various potential threats to both the economy and global security. Commensurate instances are Russia-EU (European Council, 2020), and US-China (Sachs, 2018).

In order to eliminate the adverse impacts of FTA on international trade, WTO requires its members have some obligations when signing FTAs. Such obligations are analyzed in the next session.

6. WTO MEMBERS’ OBLIGATIONS REGARDING FTAs

As discussed previously, WTO members’ participation in trade agreements and preferential tariff arrangements does not violate the WTO’s non-discrimination principle. As of October 15, 2021, 315 regional trade agreements (RTAs) have been signed and entered into force between WTO members (WTO, 2021c). To mitigate the negative impacts of FTAs on the WTO’s operation, the WTO’s General Assembly established a new interim transparency mechanism for all trade agreements on December 14, 2006, Regional Trade Accord (WTO, 2021c). The new transparency mechanism, which was negotiated in the Rules Negotiating Group, provides for the publication and early notification of member countries’ responsibility for negotiating and concluding any RTA. Member states will examine and comment on notified RTAs considering a WTO Secretariat report (WTO, 2021d). The Committee on Regional Trade Agreements will consider RTAs pursuant to GATT 1994 Article XXIV and GATS Article V, and under the Authorization Clause, the Trade and Development Commission will review RTAs. It should be noted that the transparency mechanism is temporary; if member states deem it necessary, the temporary mechanism may be revised to become mandatory as part of the Doha Round’s overall outcome (United States Trade Representative [USTR], 2021). Additionally, it is worth emphasizing that the WTO currently only has a “temporary supervision” mechanism in place for RTAs, which has not been extended to bilateral trade agreements.

Member states begin new negotiations to conclude an RTA and are required to notify the WTO Secretariat. Simultaneously, member states that are parties to a newly concluded RTA must provide the Secretariat with information about the RTA, including its official name, scope, signing date, any proposed timetable for implementation such as agreement in force or provisional application, and relevant contact points or website addresses. Member states are encouraged to provide information about new negotiations or recently concluded RTAs electronically, for example, via email to the Secretariat’s RTA, a copy of a relevant press release, or the official website address for the information. The Secretariat will publish such information on the WTO website and will provide a summary to the member states on a periodic basis. Member states shall be notified of an RTA as soon as possible, but no later than the parties’ ratification of the RTA or any decision by any party on the application of relevant provisions of an agreement, and prior to the agreement’s application of preferential treatment among members. The parties should specify which WTO provisions apply to the RTA and provide

the relevant full text and annexes in one of the WTO's official languages. Normally, member states will complete their review of a notified RTA within one year of notification. At the time of notification, the WTO Secretariat will establish an exact timeline for the RTA's review in consultation with the parties. After the date of notification of the RTA, the parties will provide the Secretariat with data (described in detail in the Annex to the Transparency Decision) over ten weeks or twenty-week period in the case of RTAs that are only relevant to RTAs (WTO, 2021c).

As a rule, a single formal meeting will be scheduled to review each notified RTA; any information exchanged or added will be in writing. The WTO Secretariat's report and other documents shall be circulated for at least eight weeks prior to the relevant Secretariat's RTA meeting in all official WTO languages. Member states' written questions or comments on the RTA under consideration should be communicated to the parties via the Secretariat at least four weeks prior to the CRTA meeting and distributed to all member states along with responses to the RTA meeting at least three business days prior to the meeting. Any changes to an RTA's implementation or operation must be notified to the WTO promptly, and the parties must provide a summary of the changes implemented and all relevant documents in one of the WTO's official languages. At the conclusion of the RTA's implementation period, the parties must submit to the WTO a concise written report on the RTA's liberal commitments as initially notified (WTO, 2021c).

7. NEED FOR REFORMATION IN THE FTA TRADE MODEL

Since WTO member countries have recognized the benefits of FTAs, no WTO regulation has been adopted that contains provisions to prohibit or restrict its member's ability to negotiate and conclude FTAs. Member countries, on the other hand, need a strong control mechanism over individual trade commitments among WTO members in order to ensure the world economy's stability and to limit protectionism's negative impact on international trade. The authors are of the opinion that it is necessary to take the following steps:

To begin, reforming the WTO's operating mechanism by increasing the Director-and General's and the WTO Secretariat's real authority. The Director-General and the WTO Secretariat currently serve solely as administrative bodies, coordinating WTO activities and organizing trade dispute settlement within the WTO framework, with no real authority over the development and adoption of WTO operating principles binding member states' responsibilities. At the WTO, decision-making authority is delegated to the member states, most notably through the Ministerial Conference (WTO, 2021e). As a result, it is necessary to reform the WTO's administrative apparatus in order to increase the real authority of "administrative agencies" and to empower the WTO to impose trade sanctions if one or few members do not voluntarily comply with the WTO's dispute settlement body's rulings or violate the WTO's operating principles (Hoekman & Mavroidis, 2021).

Secondly, it is necessary to update and supplement WTO agreements, particularly those pertaining to trade in services, intellectual property, and non-tariff trade measures. The content of these agreements has revealed numerous inadequacies in member countries' understanding and application (Matsushita & Lee, 2008) most notably the contradiction between a group of developed countries led by the United States. The United States, the European Union, and Japan, along with a group of emerging economies like (India, Russia, and Brazil), as well as a group of other developing and less developed countries (Binswanger & Lutz, 2000). The agreements are being revised primarily to keep up with advances in science and technology that affect trade, as well as to keep up with the rapid and diverse changes in international trade. Additionally, revising existing agreements contributes to the development of trade principles based on a balance of commercial and political interests between countries and territories with favorable economic development conditions — distinct societies (Bohnenberger, 2021). If the WTO is sufficiently broad and powerful to regulate commercial practices, member states are not required to engage in excessive activity in concluding additional trade agreements outside the WTO framework.

Thirdly, the establishment of an official WTO monitoring mechanism for free trade agreements as well. At the moment, the transparency guarantee mechanism is a temporary measure that applies only to RTAs, with no clarity regarding its applicability to other types of FTAs (Rollo, 2009). Thus, in addition to reforming the WTO's administrative body in a more realistic direction by amending and supplementing existing agreements, the third pillar of ensuring the WTO's proper functioning is the establishment of an official monitoring mechanism for all member states' RTAs and FTAs. This monitoring mechanism will be used to determine whether specific agreements in FTAs and RTAs violate the WTO's operating principles and commitments, and, if so, to make recommendations to the Member States concerned.

8. CONCLUSION

The increased activity of countries in negotiating and signing FTAs has created a plethora of potential dangers for government signatories to FTAs and global trade, especially with regard to the WTO's trade stabilization mechanism (Aggarwal & Evenett, 2013). Since WTO member countries have recognized the benefits of FTAs, no WTO regulation has been enacted that prohibits or limits their ability to negotiate and conclude FTAs. Member countries, on the other hand, require a strong control mechanism over individual trade commitments among WTO members in order to ensure global economic stability and limit the negative impact of protectionism on international trade.

The paper investigates the future implications of free trading agreements on the WTO system. FTAs have been offered as a useful model for increasing bilateral commerce but the fragmentation of international trade FTAs are concerning for international trade. The phenomenal flow of trade agreements would result in the overlapping of WTO

membership. Trade inconsistencies could widen and the flow of trade would be hampered through preferential treatments. The article examines in depth how a healthy global economy would advance through FTAs while maintaining that FTAs have the tendency to broaden discrimination. Wide-ranging sustainable trade agreements would create contemporary trade laws that would address issues like intellectual property, e-commerce, and anti-competitive activities. Politicians believe that the exponential growth of FTAs is bad for world trade. It would have significant effects on how goods are distributed, and the working community would suffer as a result of corporate titans trying to move their operations to tax-friendly nations.

The study focuses on examining how a free trade zone may grow into a large trading market, and how free trade agreements circumvent the WTO's administrative structure, and the paper offers a reformation strategy. It would also show how FTAs open up access to both domestic and foreign markets. The FTAs would encourage states to advocate for trade agreements in order to receive preferential treatment and boost trade. In the event that trade regulations are not followed, preferential trade agreements frequently prevent trade consequences. Thus, it has an impact on the WTO's dispute resolution process. The "Spaghetti Bowl" situation will result in an overlap in the internalization of legal requirements and fair-trade principles, transparency in international trade activities, a breach of the fundamental norms of non-discrimination in trade, and a reduction in the WTO's capacity to coordinate commercial activities and resolve international disputes.

In conclusion, while FTAs benefit signatories in the short term, the "Spaghetti Bowl" phenomenon

may cause confusion in the internalization of international commitments or overlap in investment disputes and commerce. Furthermore, FTAs not only compensate for the WTO's shortcomings, but they also have a significant impact on how this global trade organization operates, potentially creating numerous instabilities for the WTO and the global economy. Countries cannot be barred from entering into and signing FTAs outside of the WTO because this is an unavoidable trend of free trade and each country's sovereign rights, but they also cannot allow fragmentation of international trade, which would harm the economy (Urata, 2016). FTAs add complexities to the international trading system and transaction becomes expensive. Thus, restructuring the WTO in the manner suggested above will contribute to reducing fragmentation in international trade, ensuring the smooth operation of the world economy, and the WTO's effective functioning while protecting member states' economic and political interests (European Commission, 2021).

The study's limitation is that it did not examine in depth the impact of FTAs on international investment activities, particularly the basis for dispute resolution in the case of several intertwined international treaties. As a result, future study will concentrate on determining the sequence of priority of application and the principles of commercial dispute resolution in the event that the originating case is controlled by a number of international treaties. Simultaneously, research is being conducted to develop principles to bind countries' duties when negotiating and signing FTAs in order to reduce the detrimental impact of FTAs on international trade operations.

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