



INTERNATIONAL ECONOMIC RELATIONS

МЕЖДУНАРОДНЫЕ ЭКОНОМИЧЕСКИЕ ОТНОШЕНИЯ

DOI: 10.22363/2313-0660-2024-24-1-126-141

EDN: DVXPCJ


Research article / Научная статья

Transition to Polycentrism and the Transformation of Regional Trade Agreements

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Abstract. Regional trade agreements (RTAs) are important instruments of the world trade system, which have been increasingly developed in recent decades, since they complement the existing World Trade Organization (WTO) and WTO+ agreements and allow taking into account the specificities of regions. The principle of ensuring non-discriminatory trade is the main principle of multilateral trade of the WTO, or in other words, observes the rule of not favoring one trading partner over another. RTAs are, in fact, an exception to this approach, as it is the signatories that enjoy more favorable market access conditions. At the same time, the WTO recognizes the legitimate role of RTAs in facilitating trade between their parties, but requires that they not create barriers to trade with third parties. RTAs cover more than half of world trade, and new transcontinental agreements have been concluded in recent years: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Comprehensive Regional Economic Partnership, and the African Continental Free Trade Area. There are different types of RTAs in international cooperation, ranging from free trade agreements to common markets, including between countries of a territorially contiguous or transcontinental nature, based on WTO and WTO+ agreements or protectionist in nature. The article reflects the consequences for the national economies of developing countries, it is revealed that the European Union in the RTAs is actively promoting its values as the absolute truth for all peoples and nations, and their non-acceptance is considered as a factor causing possible restrictions. Other developed economies have also imposed obligations on signatories in terms of ensuring the transformation of the national economies of developing countries, but in recent years this trend has weakened somewhat. China, initiating the RTA, pursues the realization of its national interests, without imposing any political, mental or social aspects, and at the same time is ready to develop mutually acceptable compromises. The transformation of RTAs in modern conditions is carried out in three basic directions: preference for the preservation of full sovereignty by the signatory countries; the inclusion of articles that condition the promotion of sustainable development; control and monitoring to ensure compliance with labor safety regulations, non-damage to the ecological environment, as well as the use of tools of responsible corporate business conduct.

Key words: government regulation, liberalization, international relations, responsible corporate governance, free trade agreements, sustainable development

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Conflicts of interest. The authors declared no conflicts of interest.

Authors' contribution. The authors made an equal contribution to the design, research and preparation of the final article's text.

For citation: Perskaya, V. V., Morkovkin, D. E., Chupin, A. L., Mamedov, T. N., & Zvereva, A. D. (2024). Transition to polycentrism and the transformation of regional trade agreements. *Vestnik RUDN. International Relations*, 24(1), 126–141. <https://doi.org/10.22363/2313-0660-2024-24-1-126-141>

Трансформация региональных торговых соглашений в условиях перехода к полицентризму

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Аннотация. Региональные торговые соглашения (РТС) представляют собой важный инструмент мировой торговой системы. Они получают все большее развитие в последние десятилетия, поскольку дополняют действующие договоренности Всемирной торговой организации (ВТО) и ВТО+ и позволяют учесть специфические черты, свойственные отдельным регионам. Принцип обеспечения недискриминационной торговли является основным принципом многосторонней торговли ВТО, позволяя не отдавать предпочтение одному торговому партнеру перед другим. РТС являются по факту исключением из такого подхода в силу того, что именно подписанты пользуются более благоприятными условиями доступа на рынок. При этом ВТО признает законную роль РТС, которые направлены на содействие торговле между его сторонами, однако требует отсутствия создания в них торговых барьеров для третьих сторон. РТС охватывают более половины мировой торговли, и в последние годы были заключены новые трансконтинентальные соглашения — Всеобъемлющее и прогрессивное соглашение о Транстихоокеанском партнерстве, Всеобъемлющее региональное экономическое партнерство и Африканская континентальная зона свободной торговли. Международному сотрудничеству известны разнообразные виды РТС: от соглашений о свободной торговле до общего рынка, в том числе между странами, территориально граничащими друг с другом, или трансконтинентального характера, базирующиеся на договоренностях ВТО и ВТО+ или носящие протекционистский характер. Отражены последствия РТС для национальных экономик развивающихся стран, выявлено, что в РТС Евросоюз усиленно продвигает свои ценности в качестве абсолютной истины для всех народов и наций, и неприятие их рассматривается в качестве фактора, обуславливающего возможные рестрикции. Другие развитые экономики также накладывали обязательства на подписантов в части обеспечения трансформирования национальных экономик развивающихся стран, но в последние годы этот тренд несколько ослаб. Китай, иницируя РТС, преследует реализацию своих национальных интересов, не навязывая никаких политических, ментальных или социальных аспектов, и при этом готов к выработке взаимоприемлемых компромиссов. Трансформирование РТС в современных условиях реализуется по трем базовым направлениям: предпочтение сохранения полного суверенитета странами-подписантами; включение статей о содействии устойчивому развитию; контроль и мониторинг над обеспечением соблюдения техники безопасности труда, нанесения ущерба экологической среде, а также использования инструментов ответственного корпоративного ведения бизнеса.

Ключевые слова: государственное регулирование, либерализация, международные отношения, ответственное корпоративное управление, соглашения о свободной торговле, устойчивое развитие

Заявление о конфликте интересов. Авторы заявляют об отсутствии конфликта интересов.

Вклад авторов. Авторы внесли равнозначный вклад в разработку дизайна, проведение исследования и подготовку текста статьи.

Для цитирования: Перская В. В., Морковкин Д. Е., Чупин А. Л., Мамедов Т. Н., Зверева А. Д. Трансформация региональных торговых соглашений в условиях перехода к полицентризму // Вестник Российского университета дружбы народов. Серия: Международные отношения. 2024. Т. 24, № 1. С. 126–141. <https://doi.org/10.22363/2313-0660-2024-24-1-126-141>

Introduction

Regional trade agreements (RTAs) are a key element of international trade relations. Over the years, the number of RTAs has increased not only in number but also in the breadth of issues and their complexity. RTAs are in fact an evolution of the multilateral trading system, as they can be either bilateral or multilateral (Lee, Mulabdic & Ruta, 2023).

A regional trade agreement in the World Trade Organization (WTO) refers to any reciprocal trade agreement between two or more partners, not necessarily belonging to the same region. As of February 12, 2023, 583 RTAs have been notified to the WTO since 1948, including 19 agreements on trade in services and 8 on trade in goods in 2019; 8 agreements on trade in services and 7 on trade in goods in 2020; 22 agreements on trade in services and 42 on trade in goods in 2021; and in 2 agreements on trade in services and 1 on trade in goods in 2022. In comparison, the most productive year in terms of RTA notification was 2009, when there were 17 agreements on trade in services and 21 on trade in goods.¹

RTAs in the form of Preferential Trade Agreements (PTAs) refer to unilateral trade privileges, such as the Generalized System of Preferences schemes and non-reciprocal preferential programs implemented by a number of WTO members for goods from developing and least developed countries. Currently, the number of preferential trade agreements accounted for under the WTO is more than 40.²

Under WTO provisions, non-discrimination is a basic principle of multilateral trade, i.e.

¹ Regional Trade Agreements Database // WTO. URL: <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (accessed: 12.02.2023).

² Preferential Trade Arrangements // WTO. URL: <http://ptadb.wto.org/ptaList.aspx> (accessed: 12.02.2023).

WTO members are generally required not to favor one trading partner over another.

Regional trade agreements are an increasingly important part of the international trading system, covering more than half of world trade, and in recent years new transcontinental agreements (or mega-agreements) have been concluded — the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (CPTPP) (11 countries); the *Regional Comprehensive Economic Partnership* (RCEP) (16 countries); and the *African Continental Free Trade Area* (ACFTA) (54 countries).³

In the world practice, there are various regional trade agreements ranging from Free Trade Agreements (FTAs) to Common Markets, including between countries of a territorially contiguous or transcontinental character, based on WTO and WTO+ agreements or having a protectionist character.

The purpose of this research is to investigate the transformation of RTA/FTAs to achieve the United Nations (UN) Sustainable Development Goals (SDGs) by 2030, to minimize negative impacts on the economies of developing countries, to preserve the ecological environment and to ensure corporate social responsibility, in the context of the world community's transition to a polycentric configuration.

Literature Review

RTAs/FTAs in the development of world trade, which acted as a growth driver under the neoliberal concept, began to be seen as one of the tools to promote the liberalization of world trade, removing barriers to the movement

³ 2023 Multilateral and Regional Trade Agreements // International Law Institute. URL: <https://www.ili.org/training/1443-2023-multilateral-and-regional-trade-agreements/> (accessed: 12.02.2023).

of goods, services and capital, as well as reducing the level of state regulation and protectionism. The variety of regional trade agreements — Free Trade Agreements and Customs Unions, including the Common Market — is constantly diversifying, becoming an important part of WTO law (Fратиanni & Pattison, 2001, p. 340). At the same time, however, RTAs/FTAs concluded with developing countries by advanced economies have negative consequences for developing countries.⁴

A number of researchers note that RTAs are designed to act as a kind of “damper” of negative consequences for national economies in modern conditions, including acting as a tool to regulate trade in the crisis of the multilateral trading system (Zuev, Ostrovskaya & Skryabina, 2023, p. 85). Trade within RTAs has either declined to a lesser extent during the crisis or has restored its pre-crisis volumes against trade volumes between countries without regional trade agreements. V.A. Maltseva and D.A. Chupina argue that the signing of mega-regional trade agreements (MRTAs) in recent years was a response to the prolonged stagnation of the system of multilateral trade regulation under the WTO, but at the same time the authors try to substantiate the idea that RTAs are a stage in the development of international integration processes, and even as a new form of integration in the form of transregional agreements (Maltseva & Chupina, 2017, p. 50).

Conclusion of cross-border mega-regional agreements (in particular, RCEP) is considered as a factor in strengthening trade turnover between Asia-Pacific countries, allowing to overcome the sanctions strategy of Western countries on geopolitically sensitive commodity groups within the *Asia-Pacific Economic Cooperation* (APEC). In order to increase the

sustainability of the national economies of the Asia-Pacific countries and Russia, it is proposed to develop the RTA system, which will not be subject to sanctions pressure and will best meet the national interests of the member countries) (Tkachenko, 2023, p. 33).

According to A.A. Semenova, the emergence of mega-regional trade associations and the strengthening of multipolarity in international relations is evidence of the growing role of developing economies of the Global South (Semenova, 2023, p. 15). The consideration of mega-regional trade agreements as a new form of trade and economic cooperation is devoted to the works of many foreign and domestic authors, including A.N. Spartak (2017, p. 25), D.A. Kuznetsov (2016, p. 20), G.M. Kostyunina and V.I. Baronov (Kostyunina & Baronov, 2016, p. 100), as well as C.P. Bown (2017, p. 107) and R. Baldwin.⁵

At the same time, the issues of RTAs impact on the implementation of sustainable development goals until 2030, their compliance with responsible business management, including the social aspect, “green” investment, are practically left without due attention in modern conditions.

Discussion

The transformation of the RTA in modern conditions is realized in three basic directions:

- 1) preference for the preservation of full sovereignty of the signatory countries;
- 2) inclusion of articles conditioning the promotion of sustainable development;
- 3) control and monitoring of ensuring compliance with occupational safety, non-damage to the ecological environment, as well as the use of tools of responsible corporate business conduct or the principles of environmental, social and corporate governance (ESG).

⁴ 3. FTAs — Advantages and Disadvantages. An Australia — United States Free Trade Agreement — Issues and Implications // Department of Foreign Affairs and Trade. Australian Government. 2001. URL: <https://www.dfat.gov.au/sites/default/files/Chapter3-2.pdf> (accessed: 12.02.2023).

⁵ Baldwin R. What Are Mega-Regional Trade Agreements? // World Economic Forum. July 9, 2014. URL: <https://www.weforum.org/agenda/2014/07/trade-what-are-megaregionals/> (accessed: 12.02.2023).

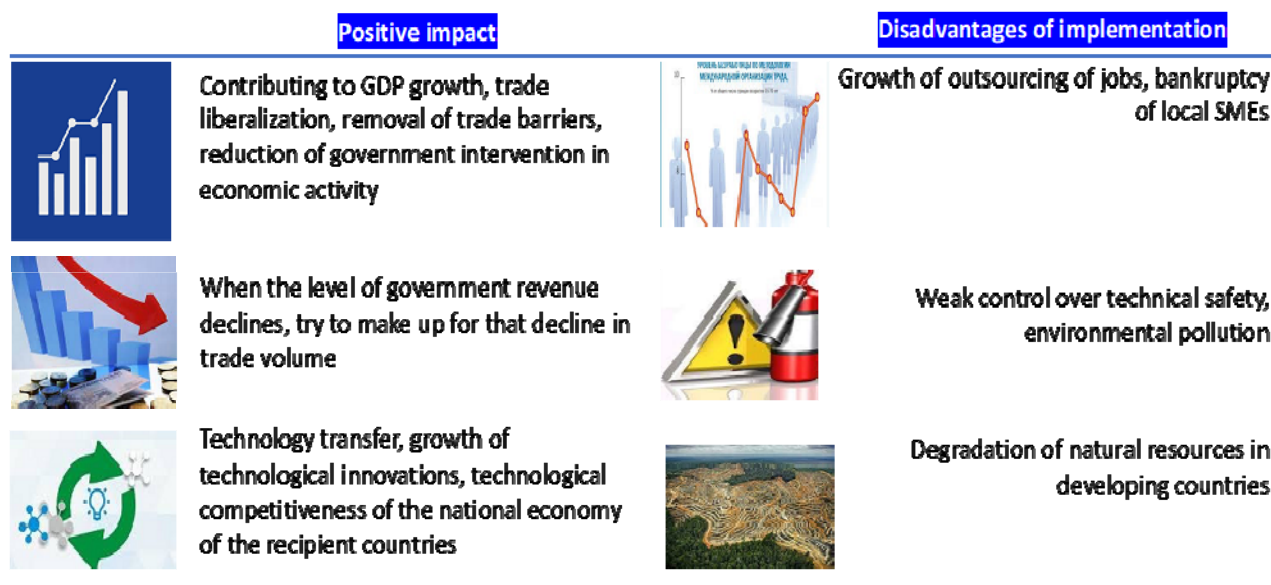


Figure 1. Comparative Analysis of the Positive and Negative Effects of RTA/FTAs

Source: compiled by the authors.

Free trade agreements should help to eliminate protectionism, which also has its drawbacks. Trade protectionism leads to high tariffs and only protects domestic industry for a short time. In the long run, global corporations will hire the cheapest workers wherever they can to make higher profits. Therefore, in order to strike an optimal balance, the agreement is supposed to include appropriate clauses to minimize the negative impacts⁶ (Figure 1).

Thus, under polycentrism, RTA/FTA signatory states should take care of balancing positive benefits and negative consequences for national economies.

In the established view, which corresponds to the neoliberal concept of the economy, the integration process should be oriented towards achieving the so-called full integration; the most characteristic representative of such evolution is the European Union, which has gone from the Treaty establishing the European Coal and Steel

Community of 1951 to the Treaty on European Union (Maastricht Treaty) of 1992, which defined as three basic components (pillars): Economic and Monetary Union, Common Foreign and Security Policy, and Common Justice and Home Affairs Policy. At the same time, member states make a positive cession of national sovereignty in favor of supranational bodies.

Unlike the European Union, Southern Common Market (*Mercado Común del Sur*, Mercosur) is a South American intergovernmental organization that focused on economic cooperation and represents the common market, which includes Argentina, Uruguay, Paraguay, Brazil, and a number of associated countries. However, the member states of Mercosur, while eliminating non-tariff barriers and developing common competition policies to fill their domestic market, do not seek to institutionalize Mercosur into a supranational political body to promote further economic and political integration. Despite the existence of a Mercosur parliament, all member countries prefer a small-scale political integration with minimal regional bureaucracy and limited common policies.

⁶ Amadeo K. Pros and Cons of Free Trade Agreements Free Trade Grows Economies, but It Increases Job Outsourcing // The Balance. April 23, 2022. URL: <https://www.thebalancemoney.com/free-trade-agreement-pros-and-cons-3305845> (accessed: 12.02.2023).

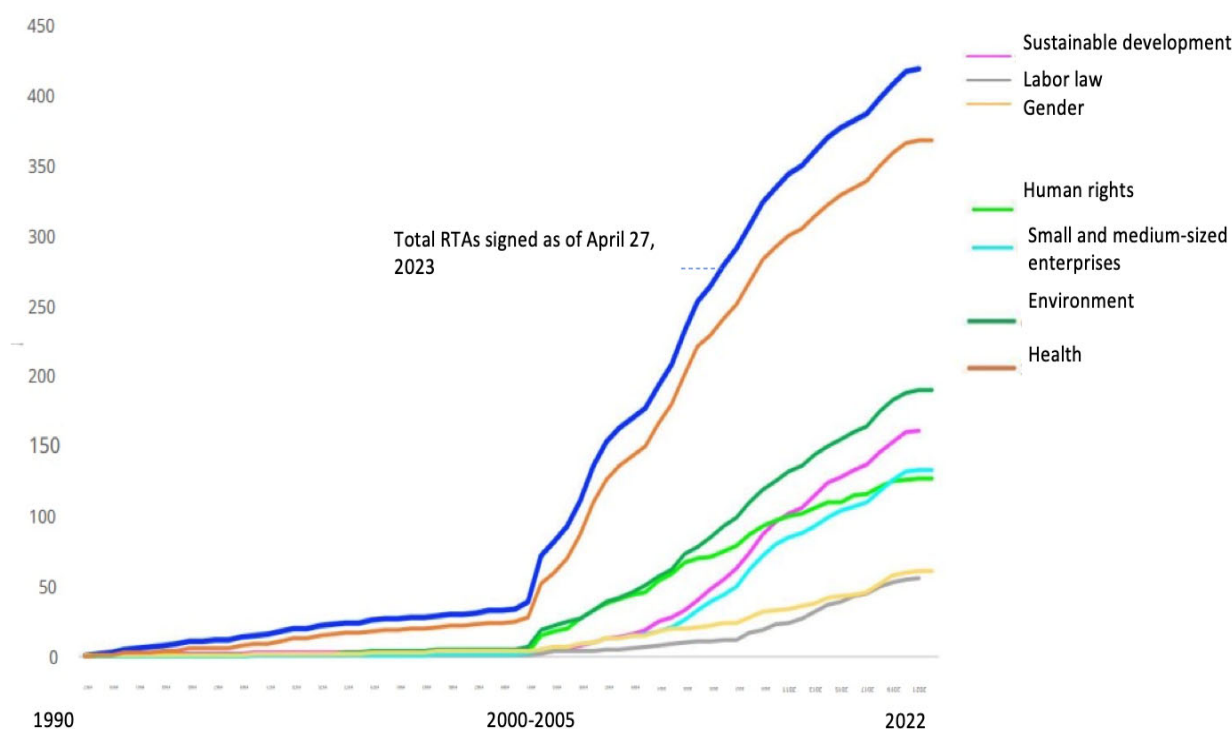


Figure 2. Schematic Representation of the Content of RTAs Related to the UN SDGs 2030

Source: Malingrey L., Duval Y. *Mainstreaming Sustainable Development in Regional Trade Agreements: Comparative Analysis and Way Forward for RCEP* // ARTNeT Working Paper Series. July 2022. No. 213. P. 5. URL: <https://www.unescap.org/kp/2022/mainstreaming-sustainable-development-regional-trade-agreements-comparative-analysis-and> (accessed: 12.02.2023).

An example of a continental association, also created in the contemporary context, is the African Union, which has outlined a planning horizon until 2063, and it is expected that Africa will achieve improved living standards; transform and develop an inclusive and sustainable economy (Volkov & Deych, 2020, p. 75); implement a strategy to strengthen regional and continental integration; develop societies along a path where women and children are protected and have equal rights; create an environment where societies are free of corruption; and develop an inclusive and sustainable economy.⁷

⁷ Key Transformational Outcomes of Agenda 2063 // African Union. URL: <https://au.int/agenda2063/outcomes> (accessed: 12.02.2023).

According to the UN *Economic and Social Commission for Asia and the Pacific* (ESCAP) survey of respondents, as of mid-2022, RTAs have begun to focus on the following SDG-related issues: sustainable development as conceptualized, employment rights and labor standards, citizens' rights in general, environmental protection, promotion of small and medium-sized enterprises, promotion of health systems, and gender diversity and equality. Figure 2 shows the growth dynamics of the number of RTAs related to the UN SDGs until 2030.

The specifics of the RTA in terms of sustainable development are the sections that indicate the interdependence of the development of partnership relations, which should contribute to regional sustainability and each of the parties to the RTA.

At the same time, within the framework of the sustainable development agenda, the RTA includes sections on the labor rights of citizens, including those in accordance with the recommendations of the International Labour Organization, and the settlement of disputes in labor relations, the dissemination of traditional knowledge that corresponds as a rule to the mentality and customs of developing countries, as well as the importance of preserving the right of RTA participants to regulate the provisions of the RTA in the conditions of the need to realize public interests.

Symptomatically, RTAs concluded by developed countries tend to contain provisions that reflect the EU's criteria values,⁸ as the EU is considered in developed countries to be the benchmark of full integration, and priority is given in the RTA to the promotion of health care and small and medium-sized businesses. The developed countries — Canada, Japan, Australia — are characterized by the desire to create an institutional structure that would regulate and control the process of ensuring the implementation of RTA goals.

In particular, for example, under Articles 23.1–23.3 of the CPTPP,⁹ the Parties assume that economic growth should aim to reduce poverty while ensuring the sustainable provision of basic services and promoting people's ability to lead healthy lives. At the same time, the Parties expect that broad-based economic growth will *promote peace, stability, democratic institutions*, attractive investment opportunities, and effectiveness in addressing regional and global challenges.

RTAs should enhance trade relations and cooperation among the Parties, thereby promoting sustainable development, but not the

harmonization of environmental or labor standards among RTA participants, an approach that dominates the perception of the role of RTAs in virtually all developing countries.

A study published in 2023 on the role of sustainability-related RTAs in the actual creation of *global value chains* (GVCs) is important. British researcher J. Harrison notes that social and environmental obligations under RTAs are actually imposed on the economic actors that create GVCs, while governments themselves remain in a watchdog role (Harrison, 2023). The author of the study notes that environmental or social regulations imposed by developed countries can only have a positive impact on GVCs if governments establish a system for implementing these standards domestically, especially in export-oriented industries. Thus, it seems important to develop state regulation of economic activity, which is not possible in the context of neoliberalism, which causes the reduction of the role of the state in the national economy within the framework of concluded RTAs or FTAs. In this regard, the wishes of the RTAs on the sustainability of development can become realizable at the level of the establishment of the GVC only under conditions of the creation by the state of an appropriate legal business environment and the increase of the role of the state as an institution in the regulation of economic activity.

The environmental and social provisions of RTAs also present a number of implementation challenges. For example, a study of free trade agreements affecting 189 countries between 2001 and 2012 found “a large and statistically significant increase in deforestation in the three years following the entry into force of the RTA, which meets the goal of increasing agricultural land conversion” (Abman & Lundberg, 2020, p. 35).

The impact of free trade agreements on employment in the real sector has shown that in Moldova, with tariff reductions and simplified

⁸ Making Trade Policy // European Commission. 2022. URL: <https://ec.europa.eu/trade/policy/policymaking/sustainable-development/> (accessed: 12.02.2023).

⁹ Comprehensive and Progressive Agreement for Trans-Pacific Partnership // Department of Foreign Affairs and Trade. Australian Government. 2018. URL: <https://www.dfat.gov.au/sites/default/files/tpp-11-treaty-text.pdf> (accessed: 12.02.2023).

export procedures for garment products due to the trade agreement with the EU, exports have increased significantly, especially to the UK and Italy. This has stabilized the employment situation of the female workforce, but competitive pressure from leading firms in the UK and Italy, with a weak labour protection system in Moldova, has led to the entrenchment of low wages and a heavy reliance on piecework and the use of unpaid or underpaid overtime. In this regard, studies have shown that labor, human rights, and environmental issues of RTAs in developing economies face enforcement problems, which negatively affect the socio-public climate in the country (Smith et al., 2020).

We find J. Harrison's assessment of the implementation of sustainable development articles in RTAs somewhat radical, reducing it to an accusation of disguised protectionism and / or neocolonialism, especially when developed countries impose these articles on developing countries on the basis of RTAs. Disguised protectionism refers to the idea that states are seeking to restrict international trade to advantage domestic producers while using the justification of social and environmental concerns to give a veneer of moral credibility to those actions. "Neocolonialism refers to the control of less-developed countries by developed countries, not through direct conquest and rule, but rather through indirect means, such as by using their economic leverage. Requiring developing country governments to conform to environmental and social conditions dictated by developed countries risks accusations of both disguised protectionism and neocolonialism. It has undermined the legitimacy of the trade linkage agenda for many years: from debates about the social clause and environmental conditionality in the WTO to concerns about neocolonialism in relation to the environmental conditionality sought by the EU in its trade deal currently being negotiated with Mercosur countries" (Harrison, 2023).

In recent years, FTAs or RTAs have begun to include provisions that have been implemented in sustainability provisions that have gone beyond voluntary implementation, including the promotion of corporate social responsibility regulations (ESG principles) that impose specific obligations on direct business entities.

For example, the Agreement between the European Free Trade Association (EFTA) countries and Indonesia (EFTA — Indonesia CEPA), which entered into force in 2021, stipulates that palm oil production should not be associated with social and environmental impacts such as deforestation, displacement, air and water pollution, widespread labor rights violations and destruction of peat lands. Meanwhile, the Trade and Sustainable Development section of the EFTA — Indonesia CEPA stipulates that all vegetable oils and their derivatives must be traded in accordance with "laws, policies and practices that protect primary forests, peatlands and related ecosystems; halt deforestation, peat drainage and fires; reduce land clearing for land preparation; reduce air and water pollution; and respect the rights of local and indigenous communities and workers."¹⁰

The research of several authors on the environmental impact of RTAs and FTAs (Yao et al., 2019) proved that the expansion of trade volume increases the share of air emissions and requires the improvement in waste management. Moreover, the authors proved that free trade agreements are beneficial for high-income countries as their interests dominate these arrangements and product standards are already respected by national actors. Consequently, emissions are identical. For upper-middle-income and lower-middle-income countries,

¹⁰ Comprehensive Economic Partnership Agreement Between the Republic of Indonesia and the EFTA States // EFTA. December 16, 2018. P. 45–51. URL: <https://www.efta.int/sites/default/files/documents/legal-texts/free-trade-relations/indonesia/efcta-indonesia-main-agreement.pdf> (accessed: 12.02.2023).

free trade agreements do not benefit the environment, and for low-income countries, emissions are significant even if an FTA or RTA stipulates lenient environmental standards. Low-income countries seek to increase their share of world trade, so CO₂ emission standards tend to be substantially lower than those of developed countries with access to advanced technologies. Characteristically, FTAs/RTAs legitimize the de facto removal by high-income countries of polluting intensive industries to poorly regulated areas of developing countries.

The authors conclude that rich countries are responsible for the formation of “pollution areas.” At the same time, RTAs with low cross-border distances between partners lead to higher trade volumes, but also to higher pollution.

However, the actual estimation of only CO₂ emissions based on the common general equilibrium (CGE) econometric model under the EU — South Korea RTAs showed that CO₂ emissions increased by 0.12% in the EU and 0.19% in Korea precisely due to the development of free trade with reduced tariffs. However, global CO₂ emissions decreased (–0.02%) as a result of the RTAs increasing EU and Korean mutual trade, while reducing EU trade with the U.S. and China.¹¹

We find it interesting to evaluate the correlation of the Internet usage and environmental pollution, primarily CO₂ emissions, because internet usage plays a significant role in making services and goods tradable as well as the globalization of internet and internet-enabled services. Thus, in the country where the product is produced, the impact is manifested by an increase in

emissions, and in the country where the product is purchased, by a decrease in emissions. According to the above analytical arguments, it is suggested that in order to ensure sustainable GVCs and reduce environmental burdens, the establishment in developing countries should be somewhat more cautious in entering into free trade agreements, as free trade contributes significantly to CO₂ emissions and pollution, especially in developing economies. In doing so, it is recommended that low-income countries engage in cleaner production rather than developing industries that do not meet environmental standards (Yao et al., 2019). However, the latter desire should result either from the introduction of higher-tech manufacturing by foreign investors, or evolutionarily, when the real sector of the developing economy will provide cleaner production while training the corresponding national human resource capacity (Abramova & Fituni, 2018).

The EU member states are aware that the inclusion of environmental and social standards in RTA/FTAs significantly complicates their implementation and creates a negative image of Western Europe as a partner. It is noteworthy that the assessment of the negative impact of RTA/FTAs is made by the EU countries solely in the context of promoting sustainable development goals. In other words, the difficulties¹² created for developing countries by the environmental and social standards implemented by the EU are assessed in the context of facilitating the restructuring of developing countries' economies in order to achieve the end result of the UN SDGs up to the Sustainable Development Goals.¹³

¹¹ Enhancing Sustainability in EU Free Trade Agreements: The Case for a Holistic Approach // Institute for European Environmental Policy. April 2022. P. 22. URL: <https://ieep.eu/wp-content/uploads/2022/12/Enhancing-sustainability-in-EU-Free-Trade-Agreements.-The-case-for-a-holistic-approach-IEEP-2022.pdf> (accessed: 12.02.2023).

¹² Negative side effects include: CO₂ emissions, threats to biodiversity and industrial accidents; financial side effects such as financial secrecy and offshore transfer of profits; and, as secondary effects of cooperation, organized crime and arms exports.

¹³ Enhancing Sustainability in EU Free Trade Agreements: The Case for a Holistic Approach // Institute for European Environmental Policy. April 2022.

At the same time, the EU considers RTA/FTA as a tool for reforming national economies of developing countries. For example, the EU — Vietnam FTA is practically slowed down in implementation due to the inconsistency with the structure and nature of trade unions in Vietnam, which are considered to be dependent on the country's leadership, according to the EU Human Rights Council. In this regard, as a basic recommendation, the EU considers the use of RTAs/FTAs as a mechanism for implementing EU values as consistent with sustainable development, and it is assumed that the agreements themselves should contain articles that will allow the EU supervisory authorities to monitor the partners' compliance with EU values and freedom criteria, otherwise it is proposed to actively use the sanction mechanism.

We find such an approach somewhat cynical, reflecting the neocolonial superiority of developed economies and their disregard for all other peoples, apparently subhuman, who may be plunged into disasters, rampant crime, and armed conflicts as part of the UN 2030 SDGs.¹⁴

RTAs in the Context of Polycentric Development

The emergence of a polycentric world is based on ensuring national sovereignty and socio-spiritual and mental identity for states as institutions of societal governance.

The neoliberal model was based on the complete liberalization of trade flows, without taking into account the mutual national interests of the counterparties, claiming that the growing

interdependence of economies was a guarantee of security, progressive development and growth of people's welfare. These postulates turned out to be illusory in practice, as social disproportionality grew in both developed and developing countries, and the middle class of developed countries began to disappear,¹⁵ and neoliberalism and global network management, which deny national interests and the need to preserve identities, limit the availability of social elevators.

Polycentrism implies ensuring full national sovereignty, and, therefore, foreign trade activities cannot be the main driver of national economic development, as they must be subordinated to the task of ensuring national sovereignty (Anfinson et al., 2023).

At the same time, the state regulates tariff policy according to the agreed order in RTAs (Grübler & Reiter, 2021). An example is the adjustment of customs and tariff policy by a number of countries, notably India, which reduced the tax on diesel exports, abolished anti-dumping duties on pneumatic radial tires from China and introduced them on Chinese seamless stainless steel pipes, Kazakhstan introduced export duties on sunflower seeds and corporate income tax on digital mining companies (Song et al., 2024). The enlarged EU — Chile agreement that came into force exempts 99% of EU goods from tariffs, expands EU access to clean energy and raw materials (lithium, copper, and hydrogen) associated with the green transformation, and provides greater integration with Chile's telecommunications, rights to waterways and financial services.¹⁶

China also implemented the adjustment of the tariff policies under the RCEP and bilateral RTAs from January 1, 2023, specifically

P. 22. URL: <https://ieep.eu/wp-content/uploads/2022/12/Enhancing-sustainability-in-EU-Free-Trade-Agreements.-The-case-for-a-holistic-approach-IEEP-2022.pdf> (accessed: 12.02.2023).

¹⁴ Sustainable Development in EU Trade Agreements // European Commission. URL: https://policy.trade.ec.europa.eu/development-and-sustainability/sustainable-development/sustainable-development-eu-trade-agreements_en (accessed: 12.02.2023).

¹⁵ Dickler J. Amid Inflation, More Middle-Class Americans Struggle to Make Ends Meet // CNBC. January 18, 2023. URL: <https://www.cnbc.com/2023/01/18/amid-inflation-more-middle-class-americans-struggle-to-make-ends-meet.html> (accessed: 12.02.2023).

¹⁶ Ibid.

introducing a provisional import tax rate lower than the most-favored-nation tax rate for 1,020 goods, with an overall tariff burden of 7.3% (Xu et al., 2023). In January 2023, following Indonesia's accession to RCEP, China introduced a harmonized tax rate applicable to ASEAN RCEP member states in 2023 on certain imported goods originating from Indonesia.¹⁷ China reduced import duties on food products (homogenized mixed foods for infants and young children, frozen blue cod, cashew nuts) and small household appliances — coffee makers, juicers and hair dryers. The tax rate reduction on homogenized feed, frozen fish and other products cannot be less than 50%. From July 1, 2023, China will also implement the eighth phase of the most-favoured-nation (MFN) tariff reduction for 62 information technology products. After the adjustment, China's overall tariff rate will be reduced from 7.4 to 7.3%.¹⁸

China has been pursuing a policy of continuously reducing tariffs for new RCEP members, with the State Council's Customs and Tariff Commission making it clear that it will further reduce tariffs in line with the free trade agreements between China and New Zealand, South Korea, Australia, Cambodia and the RCEP: "New Zealand companies have experienced more favorable tariffs and more acceptable terms of trade thanks to the comprehensive implementation of the RCEP. There has been an improved business environment, which has increased exports to the PRC, ensuring that Chinese consumers have access to high quality products."¹⁹

Due to the implementation of RTAs, the participating countries receive the effect as a

¹⁷ Guan shui lian jiang, kai fang hong li jia kuai shi fang // Renmin Ribao [Tariffs Were Constantly Reduced, and the First Dividends Were Paid at an Accelerated Pace // People's Daily]. January 10, 2023. (In Chinese). URL: <http://finance.people.com.cn/n1/2023/0110/c1004-32603060.html> (accessed: 12.02.2023).

¹⁸ Ibid.

¹⁹ Ibid.

consequence of the development of regional international economic interaction, while activating the advantages of each party in the system of international division of labor. At the same time, the RTA effect is based on the advantages of the so-called "economy of scale," on the reduction of transaction costs in a favorable foreign policy climate, on the basis of increasing the volume of commodity exchange operations, including services, contributing to the structural transformation of national economies according to their strategic goals and objectives of improving the welfare of the population of the RTA member states.

RTAs should not be identified with regional integration, although a number of types of RTAs represent stages in the development of regional integration.²⁰ RTAs can promote regional integration, but evolutionarily, i.e. without the use of administrative levers and management measures, RTAs can help to increase GDP growth rates of member countries, labor productivity and cost reduction, but the process of formation of regional markets for goods and services may take decades, as the global competitive environment is rapidly changing and partners may give preference in the development of economic ties to counterparties from other regions. Nevertheless, RTAs can promote both horizontal and vertical cooperation.²¹

²⁰ Currently, experts note the existence of such forms of regional economic integration: free trade zone (FTA) or special economic regime zone; customs union (CU); single or common market; an economic union which, based on the experience of the European Union, is supplemented by a monetary union.

²¹ Horizontal cooperation involves the cooperation of business entities in the same industry in the same industry market. Vertical cooperation is an intersectoral interaction based on the creation of GVCs by subjects of different industries and different industry markets, where the basic actor, as a rule, is TNCs/MNEs, which accumulate in their hands, as a rule, intellectual property rights and investment potential, which together vary in within 30–40% of the final value created. See: (Perskaya & Eskindarov, 2022, p. 60).

For example, the EU considers the concluded trade agreements (there are more than 40 of them) not only in the context of their continuous improvement and supplementation with relevant articles, but also in the key of mainly “market facilitation,” indicating that the main goal is the reduction of customs tariffs (Kaliske, 2023). At the same time, the Stabilization and Association Agreements with six Western Balkan countries contain additional aspects as an instrument of preparation for their integration into the EU market. With a number of developed countries (Canada, Japan, etc.), there are broader commitments on opening trade in goods and services, as well as on investment, public procurement, competition, subsidies and regulatory issues. At the same time, the Economic Partnership Agreement with Japan has a section on small and medium-sized enterprises, as well as special provisions on information and telecommunication services and e-commerce. The EU also has a special type of agreement that focuses on transforming the regulatory framework of the partners towards the adoption of EU legislation, especially in trade-related areas (Georgia, Moldova, and Ukraine).

So-called asymmetric trade agreements are also common in the EU, in which the associated partner liberalizes about 80% of trade over 15–20 years and the EU grants duty-free and quota-free access from day one (Marchewka-Bartkowiak, 2023). These RTAs aim to promote international development, but the Economic Partnership Agreement (EPA) with the Caribbean region additionally includes provisions on services, investment, and other trade-related issues. The regions to which the EU provides development assistance include West Africa (Ghana, Côte d’Ivoire), Central Africa (Cameroon), East and Southern Africa (Volkov & Konstantinova, 2023, p. 159), and the post-Soviet countries of Armenia, Azerbaijan, and Kazakhstan.

The RTA/FTA includes sections that promote states subsidies for the production of

environmentally friendly products, as well as sections aimed at facilitating trade and investment in ESG (Ajabli et al., 2023). These provisions are found in the RTAs between Canada and the European Union (Comprehensive Economic and Trade Agreement, CETA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam), and the USMCA (United States, Mexico and Canada).²²

Trade facilitation in environmental goods has been emphasized in the development of RTAs, but there has been controversy over what constitutes an environmental good.

In the absence of a universally accepted definition in the WTO, discussions focused on agreeing on a specific list submitted by developed countries. It included goods that have other non-environmental uses or are characterized by non-environmental production — for example, pipes, which can have both environmental and non-environmental uses.

The representatives of India and Argentina at the WTO expressed concern about the lists submitted, which contained “dual-use” items with limited environmental characteristics. They also expressed concern about the prospects for maintaining their industrial sectors, which would be affected by broad-based tariff liberalization. Instead, they proposed a temporary tariff exemption only for goods and services destined for approved environmental projects (“project-based approach”). But the developed countries blocked these proposals.

²² Bellmann C., Sugathan M. Promoting and Facilitating Trade in Environmental Goods and Services: Lessons from Regional Trade Agreements // Forum on Trade, Environment & the SDGs (TESS). June 2022. P. 6. URL: <https://cdn2.assets-servd.host/lyrical-cormorant/production/assets/images/Publications/TESS-Technical-Paper-Promoting-and-Facilitating-Environmental-Goods-and-Services.pdf?dm=1678460883> (accessed: 12.02.2023).

Thus, the WTO has failed to ensure a consistent approach to the definition of the concept of a green product.

In this regard, almost all RTAs/FTAs contain a complete list of groups of goods and services that are classified as environmental products by all signatories to the agreement. The parties' approaches tend to focus on specific environmental issues, such as renewable energy, energy efficiency or organic agriculture, and as a starting point, RTAs develop specific provisions to address a range of issues to eliminate the application of specific non-tariff measures affecting trade in these areas.²³

Speaking about the importance of RTAs/FTAs in the conditions of the formation of a polycentric world order, it should be emphasized that the principal legal basis for them are the General Agreement on Tariffs and Trade (GATT) and WTO Agreements and Arrangements. In today's conditions, the WTO is tasked with a closer examination of the consequences of the massive growth of regional trade agreements, including the organization of educational courses for all WTO countries, including developed countries. The aim is to help governments and businesses take full advantage of the opportunities offered by multilateral and regional trade agreements and to address their concerns. The WTO had some early successes, but the complete failure of the Doha Round meant that it had failed in one of its core functions — organizing multilateral trade negotiations.²⁴ The other core function of

the WTO is the settlement of disputes among its members, which until recently the organization performed to the best of its ability, but which has now been thrown into limbo by the US veto over the appointment of new members to the Appellate Body.

In this regard, the inclusion of dispute settlement provisions in RTAs/FTAs contributes to complement the WTO's functionality at the regional level. RTAs are becoming an increasingly important part of the international trading system, covering more than half of world trade, and their importance will increase as RTAs/FTAs allow for mutual and reciprocal consideration of the national interests of partners.²⁵

training/1443-2023-multilateral-and-regional-trade-agreements/ (accessed: 12.02.2023).

²⁵ In an unstable international environment, RCEP ensures stability and order in the global economy, bringing significant benefits to economic entities, strengthening the confidence of member states, and contributing to the recovery of the regional economy. According to data from the General Administration of Customs of the People's Republic of China and the Ministry of Commerce, from January to November 2022, the total import and export volume between China and other RCEP member countries amounted to 11.8 trillion CNY, an annual increase of 7.9%, or 30.7% of China's total foreign trade. Among them, China's exports to other RCEP members reached 6.0 trillion CNY, an annual increase of 17.7%, exceeding China's overall export growth rate of 5.8%. The growth rate of China's foreign trade turnover with the Association of South East Asian Nations (ASEAN) countries: the total volume of imports and exports between China and the countries increased by 15.5%, and the growth dynamics of trade volume with countries such as Malaysia, Singapore and Indonesia exceeded 20%. At the same time, RCEP helps reduce costs, stabilize supply chains and promote the development of intra-regional trade and business growth. 75% of companies surveyed indicated that they plan to expand their supply chains to China in the next two years, and 93% plan to increase their trade with China, and more than 40% of them expect their business in China to increase production by 30% by 2023–2024. See: 2023: RCEP cu jin fu su wei lai ke qi // Zhong hua ren min gong he guo shang wu bu [2023: RCEP May Contribute to Future Recovery // Ministry of Commerce of the People's Republic of China]. January 9, 2023. (In Chinese). URL: http://fta.mofcom.gov.cn/article/rcep/rcepfgfd/202301/51784_1.html (accessed: 12.02.2023).

²³ Bellmann C., Sugathan M. Promoting and Facilitating Trade in Environmental Goods and Services: Lessons from Regional Trade Agreements // Forum on Trade, Environment & the SDGs (TESS). June 2022. P. 28. URL: <https://cdn2.assets-servd.host/lyrical-cormorant/production/assets/images/Publications/TESS-Technical-Paper-Promoting-and-Facilitating-Environmental-Goodsand-Services.pdf?dm=1678460883> (accessed: 12.02.2023).

²⁴ 2023 Multilateral and Regional Trade Agreements // International Law Institute. URL: <https://www.ili.org/>

According to experts, RTA/FTAs allow countries at the regional level to form an atmosphere of trust and harmony and to develop friendly relations. For example, industrial complementarity, close mutual trade and investment relations, a wide space for cooperation, facilitated by the opening of national markets, but regulated in the national interests of the countries, are a priority for the RCEP member countries.²⁶

Conclusion

1. RTAs/FTAs, while preserving the basic principles of the WTO agreements, in modern conditions allow not only expanding the segments of interaction, but also on a mutually acceptable basis to promptly adjust the tariff policy without causing significant damage to the parties to the agreement.

2. In the conditions of the formation of a polycentric configuration of the world community, regional trade agreements,

including mega-agreements (linking the economies of countries of different continents), become the most appropriate tool for promoting international cooperation, as they allow to promptly take into account both the political component and to regulate economic interaction, taking into account the national interests of partners and their compliance with economic security thresholds.

3. In the conditions of polycentrism, the states face the task of ensuring full-fledged national sovereignty, in this regard, trade and economic partnership can act only as an auxiliary component of progressive national development, since the main drivers of the national economy should be formed within the economic system. In this regard, regional trade agreements will play the role of facilitating the maintenance of stable economic ties with foreign counterparties, provide an opportunity for strategic long-term forecasting and planning of GDP dynamics of countries, facilitate the entry of economic entities into the markets of other countries by removing tariff and administrative barriers, and support the value chains formed by them in a long-term format.

²⁶ Xu ning ning: 2023 nian shi jie shang zui da zi you mao yi qu RCEP shi shi zhan wang // Guo ji wang [Xu Ningning: Prospects for the Implementation of RCEP, the World's Largest Free Trade Area in 2023 // Cfishnet]. January 17, 2023. (In Chinese). URL: <http://comment.cfishnet.com/2023/0117/1327223.html> (accessed: 12.02.2023).

Received / Поступила в редакцию: 23.05.2023

Revised / Доработана после рецензирования: 02.11.2023

Accepted / Принята к публикации: 27.12.2023

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