

Regulating for Globalization

Trade, Labor and EU Law Perspectives

Bilateralism and Unilateralism: The Future of International Trade Relations?

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Imagine living in a world in which trade comprised of only bilateral agreements. Do you suppose that such two-sided scenarios for trade relations would be capable of meeting the diverse needs of the world's many trading partners? This view of the future is certainly hypothetical, but we are in fact right now observing a strong increase in bilateral agreements – whereas the development of the World Trade System, on the other hand, is in virtual stasis. Free trade agreements, and especially bilateral trade agreements, forge consolidated areas of economic integration that open up a multitude of strategic options for stakeholders. This raises fundamental questions: What are the structural incentives that trade agreements, in particular bilateral strategies, open up – and are they superior, for example, to those offered by a multilateral approach?

Free trade agreements, especially bilateral trade agreements, should be viewed less as alternatives to the World Trade system, but rather as representing interdependent modes of economic integration: Free trade agreements form regions of intensified economic integration that present a range of strategic options for the stakeholders. Against a background of sometimes substantial economic asymmetries, however, they can also be seen to privilege powerful nations and to create risks for smaller trading partners. The World Trade System forms the foundation for world trade. Legislation within the Member States, as well as the rules of the various free trade agreements, must accord with WTO law. To this end, the World Trade System provides governance structures with inbuilt steering instruments. These have the purpose of ensuring that, for example, unilateral action by individual contracting parties is conducted on a rules-based, non-discriminatory basis that is binding on all member states. Additionally, the WTO also offers a dispute settlement system that makes decisions on international trade disputes on the basis of WTO law to better pursue each Member's rights.

More so than has previously been the case, the outcomes that emerge from trade negotiations require far greater acceptance, especially through enhanced rule-of-law legitimacy. Following some crippling controversies, this demands a fresh approach in the public debate. Such a debate could convincingly demonstrate in which ways the pressing questions of our future are also tied up with the issue of trade. To that effect, it would be desirable, within our politicized and channelled public discourses and in an era of rising bilateralism, to explore far more convincingly than has so far occurred, the possible future solutions that the international community can effectively achieve multilaterally: through a system of political cooperation.

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