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Introduction

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From the perspective of international economic relations, the years spanning the end of the second millennium and the start of the third are characterized by two developments of major importance. In the space of one decade, the world has witnessed both the successful conclusion of the most ambitious round of multilateral trade negotiations in the history of humankind and the launching of another. At the same time, the world has seen a proliferation of regional trading arrangements unprecedented at any period in history. To say the least, these parallel developments appear to be paradoxical: on the one hand, non-discrimination is the pillar of the multilateral trading system;[1] on the other, all but 2 of the 140-plus members of the World Trade Organization (WTO) are parties to at least one – and some as many as 26 – preferential trading arrangements.[2] By definition, the cornerstone of these regional trading arrangements is preferential treatment for some members of the multilateral trading system, and discrimination for others. Given this apparent anomaly, it is not surprising that the question has been posed of whether regional trading arrangements hinder or contribute to the good functioning of the multilateral trading system.

This question clearly emerged with the surge in the number of regional trading agreements (RTAs) during the Uruguay Round. The phenomenon was rationalized in some quarters on the grounds that there were doubts about whether the negotiations would succeed. In that environment, it was not surprising for countries to create what were perceived as

safety nets by forming or joining regional trading groupings. In other words, it could well be that membership in these trading blocs was seen as an insurance against the possible collapse of the Round and the forerunner of the adoption of inward-looking trade policies in the event of a failed Round. The alternative view was that the growth in regional trading arrangements was taking place for good economic and political reasons, which owed much to the past successes of the multilateral system embodied in the General Agreement on Tariffs and Trade (GATT). Parties to the agreements were not only firmly committed to multilateral trade liberalization but prepared to liberalize faster on a regional basis than multilaterally.

Irrespective of the rationalization of the rapid increase in RTAs, the expectation of many was that there would be abatement in the growth in numbers of these arrangements in the event of a successful conclusion to the Uruguay Round.[3] Recent history makes clear that this has certainly not been the case. In fact, regional trade agreements have proliferated at an accelerating pace, launching again the debate about their motivation and effect on the multilateral trading system.

The complexity of this debate has increased as a concomitant development has been a change in the nature of these trade agreements. In conventional terms, the analysis of the effects of preferential regional trade agreements has been couched in terms of the net trade and welfare effects of the removal of border protection.[4] On this front, empirical studies conducted by the WTO, the World Bank, the Organisation for Economic Co-operation and Development (OECD) and other bodies have all concluded that regionalism has supported the multilateral trading system in the past, and has not in general undermined its influence (WTO Secretariat, 1995).

However, with the progressive liberalization of border protection world-wide, regional trading arrangements have now come to be characterized by RTAs that at times extend deep into the regulatory structure of the parties to the agreement. This deepening is considered to occur when these agreements go beyond addressing traditional border measures affecting trade, and extend their reach to the liberalization, elimination and harmonization of trade-impeding regulatory policies. Although the concept of deeper integration is imprecise, it does imply a degree of uniformity in a new approach to regional trade agreements. This has sparked a new interest in not only the motivation for the continuing proliferation of RTAs but also the extent to which they promote deeper integration in the regulatory structures of the countries concerned. This interest is further heightened because there may well be profound implications for the multilateral trading system that extend far beyond those of more conventional RTAs.

The intention of this book is to evaluate the impact of a selection of regional agreements on the regulatory structure of the parties to the agreement. It also addresses whether or not recent RTAs have led to increased cooperation and coordination of domestic regulatory policies on a regional basis. More specifically, three central questions are addressed.

1. What is the impact of regional agreements in those non-border areas of regulation that have most recently become the subject of trade agreements?
2. How do the approaches to regulatory barriers differ between regions and, in particular, is there a form of ''regulatory regionalism'' where different approaches compete (such as those of the European Union and the United States).
3. Are regional trade agreements competing with or complementing multilateral attempts to remove regulatory barriers to trade?

To address these questions, the following chapters analyse six regional trade agreements that are very different in their coverage and objectives. These agreements are the Association Agreement between the European Union (EU) and Poland, the Euro-Mediterranean Association Agreement between the European Union and Tunisia, the North American Free Trade Agreement, the European Union–Mexico Agreement, the Chile–Canada Free Trade Agreement and the Closer Economic Relations (CER) Agreement between Australia and New Zealand. In these case studies, special attention has been paid to six areas in which regulatory measures may have an important impact on trade flows: technical barriers to trade, food safety, environmental labelling, public procurement, services and investment. Two chapters also present the results of case studies conducted across different regional trade agreements to determine similarities and differences in the areas of trade in services and of food and environmental standards and labelling.

The proliferation of regional trade agreements

Because the objective of granting preferences to other trading partners is a clear violation of the non-discrimination principle of the multilateral trading system, all regional trade agreements involving WTO members are to be notified to the WTO and examined. The key GATT 1994 Article establishing the rules and procedures for the examination of regional preferential trading arrangements is Article XXIV, entitled ''Territorial Application – Frontier Traffic – Customs Unions and Free Trade Areas''. The WTO rules on regional agreements are designed to minimize the possibility that non-parties are adversely affected by the creation of the regional arrangement and that the arrangements themselves do not be-

come narrow and discriminatory trading entities. Article XXIV of GATT 1994 spells out the guiding principles for RTAs, both customs unions and free trade areas for trade in goods. Free trade areas are to facilitate trade between the parties and not to ''raise barriers to the trade'' of other WTO members. Further, customs duties and other restrictive regulations of commerce are to be eliminated with respect to ''substantially'' all trade between parties to the agreement. The obligations for a free trade area and for a customs union are basically the same, except that for the latter ''substantially the same duties and other regulations of commerce'' must be applied by each member of the union.

As far as developing countries are concerned, the relevant provision emerged from the Tokyo Round and is commonly referred to as the Enabling Clause. This includes a number of provisions permitting WTO members to grant differential and more favourable treatment to developing countries (such as preferences under the Generalized System of Preferences). The Enabling Clause also creates the possibility for developing countries to enter into regional or global arrangements *amongst* less developed members of the WTO for the mutual reduction or elimination of tariffs. They are not subject to the ''substantially-all-the-trade requirement'' of Article XXIV, but they must ''not raise barriers to trade'' for WTO members.

The General Agreement on Trade in Services (GATS) includes an Article on Economic Integration (Article V), which establishes rules that broadly parallel those in the GATT 1994 for goods. However, the negotiators saw no need to provide a GATS equivalent to the distinction between customs unions and free trade areas found in Article XXIV; the relevant Article refers only to economic integration agreements for services, rather than customs unions and free trade areas.

Information on these notifications provides a particularly valuable source of information on the incidence of RTAs involving the 140 WTO members.[5] The analysis of these notifications reveals that, compared with previous decades, the proliferation of RTAs during the past 10 years has taken place at an unprecedented rate. Since the conclusion of the Uruguay Round and the establishment of the WTO in January 1995, 125 new RTAs have been notified to the WTO, with an average of 15 notifications per year. During the four and a half decades of the GATT, the annual average was less than 3.

As of March 2002, a total of 172 RTAs actively in force had been notified to the GATT or the WTO. This falls short of the total number of RTAs in existence, because not all WTO members fulfil their WTO obligations by notifying agreements to which they are a party. If RTAs not (or not yet) notified are also taken into account, the total number in force rises to 243.[6] According to the WTO Secretariat, even taking

into account the increase in notifications as a result of increased WTO membership, the break-up of the Soviet Union, European integration initiatives and new notification obligations,[7] ''it is obvious that the rate of growth of RTAs is continuing unabated'' (WTO Secretariat, 2002).

The notifications to the WTO reveal that free trade agreements (FTAs) are the most common form of RTAs: they account for 72 per cent of the total number, while customs unions account for 9 per cent; RTAs with only a partial sectoral coverage account for the remaining 19 per cent. The configuration of RTAs is diverse and becoming increasingly more complex, with overlapping RTAs and networks of RTAs spanning within and across continents at the regional and subregional levels. The simplest configuration is a bilateral agreement between two parties. These account for more than half of all RTAs in force and for almost 60 per cent of those under negotiation. More complex are plurilateral RTAs and agreements in which one of the parties is itself a regional trade agreement; the latter account for 25 per cent of the RTAs currently in force.

It is clear that there now exists a plethora of regional trade agreements in all hemispheres of the world. Although a comprehensive coverage of all recent agreements is not possible, some prominent examples include the following.

The Free-Trade Area of the Americas (FTAA) involves 34 countries and has set a deadline of January 2005 to conclude negotiations to establish a free trade area. Canada concluded a bilateral agreement with Chile in 1997 (see chapter 7) and with Costa Rica in April 2001, and appears to be preparing for a series of FTAs with other countries in Central America. The United States is now negotiating with Chile and Singapore and has concluded an agreement with Jordan. Mercosur (Argentina, Brazil, Paraguay and Uruguay) is engaged in regional trade negotiations with Mexico and neighbouring countries as well as with the European Union. Mexico has concluded its agreement with the European Union (see chapter 4) and along with Chile is considering arrangements with countries in East Asia and South-East Asia.

The European Union is negotiating with the former centrally planned economies of Europe with a view to their acceding to the Union (see chapter 3). It is also conducting negotiations with a number of countries within the context of the European Mediterranean Agreements (see chapter 5). The European Union also has bilateral agreements with Mexico (see chapter 4) and South Africa and less formal links with the Association of South East Asian Nations (ASEAN), and is negotiating with Mercosur as well as engaging in talks on trade agreements with Russia.[8] The Central European countries, the Baltic states and Turkey are also engaged in a number of RTAs. This process has recently also

extended to south-eastern Europe, in particular the countries of the former Yugoslavia.

A relatively recent development is the activity that is taking place in the Asian region. The ASEAN Free Trade Area has added four more to its six members, with the inclusion of the transition economies Cambodia, Lao PDR, Myanmar and Vietnam. Regular consultations between ASEAN and the three East Asian countries (ASEAN plus three) may well evolve into some form of regional arrangement in the future. The members of ASEAN have recently agreed to initiate RTA negotiations with China and are exploring the possibility of negotiations with Japan and the Republic of Korea. Australia and New Zealand have been exploring the possibility of an agreement with ASEAN (chapter 8), and have recently ratified a free trade agreement with six Pacific Island countries *en route* to a Pacific free trade area involving 16 counties. Japan has recently initialled an agreement with Singapore, and Australia has been discussing a free trade agreement with Singapore for the past two years. The Asia-Pacific Economic Cooperation (APEC) involves 21 economies from four continents: Asia, Oceania, North and South Americas. Other RTAs have recently been completed within the Asian region (Singapore–New Zealand), as well as between individual countries from across continents (Chile–South Korea). Discussions are also taking place on the possibility of a free trade area between Japan and South Korea (and perhaps China). Australia has been exploring for some time the possibility of a free trade area with the United States, and a new impetus appears to have been given to this initiative. Australia has also recently opened discussions with Thailand with the possibility of an agreement between the two countries in view. There are proposals for a Closer Economic Partnership between New Zealand and Hong Kong, China, and Sri Lanka and Pakistan are discussing the possibility of a free trade agreement.

A number of North African and Middle Eastern countries are involved in the Euro-Mediterranean Partnership. This involves individual (Euro-Med) agreements between the European Union and individual countries (chapter 5), as well as the objective of a free trade area involving a number of countries by 2010.[9] There have been recent efforts to create an Arab Free Trade Area by 2007.[10] The Gulf Cooperation Council countries are working towards the establishment of a common external tariff by 2005, and are engaged in discussions with the European Union on the negotiation of a possible RTA.

There have been some advances by the 20 members of the Common Market for Eastern and Southern Africa (COMESA) to reduce border protection, and the parties to the South African Development Community (SADC) have set an objective of concluding a free trade area by

2004. South Africa has negotiated a free trade area with the European Union, and is exploring the possibility of similar RTAs with a number of other countries. The African Economic Community is an initiative that will group SADC, COMESA, the Economic Community of West African States, the Economic Community of Central African States and the Arab Maghreb Union in an effort to achieve Africa-wide economic integration.

The regional structures pertaining to the Soviet era have been replaced by RTAs among the countries of the former USSR, as well as with their neighbours. In addition to the CIS (Community of Independent States) free trade agreement and a customs union agreement (between the Kyrgyz Republic, the Russian Federation, Belarus, Kazakhstan and Tajikistan), a large number of bilateral agreements have also been concluded. In 2001, Georgia alone notified RTAs with Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Ukraine and the Russian Federation to the WTO.

Characteristics of regional trade agreements

In the academic debate on RTAs in the early 1990s, a popular contention arose that three major trade blocs were emerging and the death of the GATT was nigh. Theories emerged to support the notion that RTAs were obstacles to the multilateral trading order (Bhagwati and Krueger, 1995). Others stressed that the RTAs of the 1990s had different starting points and that the objectives of integration today are fundamentally different from those that were driving the ''old'' regionalism. It was argued that recent RTAs represent efforts to facilitate their members' participation in the world economy rather than their withdrawal from it. This was thought to differentiate the recent integration initiatives from those among developing countries in the 1950s and 1960s, which extended national import-substituting policies to the regional level. Among other factors, the increasingly dominant view that openness to world trade and investment plays a vital role in a country's development and economic growth contributed to the reorientation of recent regional initiatives (Sachs and Warner, 1995). Furthermore, the setting of regionalism changed as the world moved to freer trade with the commitments undertaken during the Uruguay Round. RTAs potentially complemented rather than competed with the multilateral trading system.

The current situation is that some RTAs are now characterized by deeper integration, where the arrangements between parties go beyond the traditional reduction of tariffs and other border measures to include the liberalization, elimination and harmonization of trade-impeding regulatory policies. Through cooperation and coordination of domestic

regulatory policies, regional trade agreements are considered to address what is regarded as one of the most important remaining categories of barriers to trade. Deeper integration agreements shift the focus from liberalizing barriers that lie at the border to the liberalization or harmonization of barriers and policies that exist ''within'' or ''beyond'' the border. In this regard, an attractive regulatory environment can be conducive to private sector investment. If RTAs promote domestic regulatory reform, they may well contribute to the creation of such regulatory best practice and thus ease barriers to market access. It is argued that, as countries integrate more deeply on a regional basis, welfare gains may be higher and may exceed the gains from the reduction of tariffs.[11] The elimination of regulatory barriers to trade may also have the potential to produce dynamic welfare effects.[12] Even though authoritative and conclusive results are lacking, the case for the dynamic gains of economic integration has been made by some.

Although the notion of deeper integration is often applied as a generic term to the current phase of regionalism, the studies carried out for the current project reveal that it is an oversimplification to group recent agreements under the same heading in this manner. One reason is that regional trade agreements differ considerably with respect to their objectives, country composition and scope. As far as country composition is concerned, the simplest configuration is a bilateral agreement formed between two parties; a plurilateral agreement engages three or more. There are also agreements in which one (or more) of the parties to an agreement is an RTA itself. Regional agreements composed of two parties account for 98 of the 172 RTAs in force, and for half of all RTAs under negotiation. Plurilateral RTAs account for 16 per cent of all RTAs currently in force, but make up less than 10 per cent of RTAs under negotiation. The percentage of RTAs where at least one party is an RTA itself is about 30 per cent of both the RTAs under negotiation and those in force.[13] According to the WTO Secretariat, the most noteworthy development expected in the next five years is the emergence of a new category, namely RTAs where each party is a distinct RTA itself.[14] None are in force at present, but they account for 9 of the 68 RTAs under negotiation and are composed of both regional and cross-regional initiatives. This new trend reflects the growing consolidation of established regional trading arrangements.

As far as the objectives of the RTAs are concerned, the case studies reveal that the depth and nature of the integration sought are inextricably linked with the motivation for negotiating the agreement in the first place. Depending on the motivation, the desire for and extent of genuinely deeper integration may be of more or less importance. This is in line with the existing literature on regional agreements, which has dis-

cussed the various motivations behind the efforts to create regional agreements from the commercial, economic, strategic and political economy perspectives.

For example, the original literature on European integration as well as more recent international relations writers have pointed to the strategic motivations behind regional agreements. Regional free trade agreements have, for example, been motivated by a desire to reconcile previous enemies or to promote economic and political stability in a neighbouring country. Guaranteed market access has clearly also been an important motivation when there has been some uncertainty about the progress in multilateral negotiations in the WTO, or when access to a major market is threatened by domestic regulation. For example, Canada pressed for an FTA with the United States in an effort to reduce the impact of administrative protection on the part of the United States. The threat of trade diversion has also been a factor in the EU–Mexico FTA following the conclusion of NAFTA. Domestic sector interests have been seen as another major driving force behind the negotiation of RTAs when these offer enhanced market access. It has been argued that groups representing sectors with increasing returns to scale will tend to argue in favour of RTAs. Examples include the telecommunications and financial services sectors in the United States in their support for NAFTA. Finally there is also the objective of consolidating reforms or liberalization by ensuring that a government binds its successors. This was the case with Mexico after the shift to liberal policies in the mid-1980s (see chapter 4), and with Poland and other transition economies in more recent times (see chapter 3).

The various motivations behind the formation of the RTAs will certainly shape negotiations. For this reason, the judgement of whether an RTA is ''effective'' in meeting its objectives will vary. For example, to argue that the Euro-Mediterranean Agreements are not effective in opening markets in non-traditional areas such as services does not necessarily mean that the agreements are not fulfilling important objectives. What emerges from the case study of the Euro-Med Agreements is that, although it would be reasonable for the European Union to introduce harmonization and liberalization provisions similar to those adopted in the process of European integration, this has not been the case. The Euro-Med Agreements are characterized by a gradual and limited coverage of regulatory matters and are much weaker in terms of obligations and slower in terms of implementation than the EU–Poland Agreement, for example. A crucial difference between both sets of agreements is that the Central and East European countries have the incentive of EU membership, which is not the case for the Euro-Med Agreements.

The case study of the EU–Mexico agreement in chapter 4 shows how the European Union was motivated in part by geo-political considerations in response to the apparent success of NAFTA. Market access was also an issue because the establishment of a network of regional trade agreements by Mexico meant that it could potentially function as a stepping-stone into a number of markets in the hemisphere. Another motivation was the European Union's desire to defend long-established economic ties with Mexico, especially at a time when regulatory reform in Mexico promised to make it a more attractive market. Given that the EU share of total Mexican trade shrunk from 10.6 per cent in 1991 to 6.5 in 1999, and given the considerable gap between Mexico's average applied most favoured nation tariff (8.7 per cent) and the preferential NAFTA tariff (less than 2 per cent), there was also a clear concern about trade diversion.

Because NAFTA covered the regulatory issues of services, investment, competition, procurement, technical barriers to trade and sanitary and phytosanitary measures, the European Union also sought to include these in the EU–Mexico FTA. These motivations, along with a desire to deal with long-standing irritants in EU–Mexican trade relations, such as Mexico's labelling schemes, resulted in the EU–Mexico FTA covering an unprecedented 95 per cent of total current trade, and even 62 per cent of agricultural products. But the EU–Mexico FTA also reveals a number of important shortcomings, especially in the areas of regulatory policies.

In many important aspects, the EU–Mercosur and EU–Chile negotiations bear resemblance to the trade negotiations with Mexico (see chapter 4). Besides the political rhetoric and the aim of strengthening the political ties between the two regions, the driving force in the negotiations has been to solidify and expand the existing economic relationships. As in the case of Mexico, the initiative to establish agreements with Mercosur and Chile was, at least in part, a reaction to negotiations in the Western hemisphere – namely, to compete with the United States given the prospective commitments under the FTAA.

In the case of the EU–Poland Agreement, chapter 3 reveals that the intention was to prepare the way for Polish membership of the European Union by deepening cooperation between the European Union and Poland. For Poland, accession to the Union locked Poland into the reforms required for a successful transition from central planning characterized by positive economic, political and security externalities. There was no viable set of national regulatory norms undertaken by Poland and no competing set of regional norms (as with NAFTA in the case of EU–Mexico). Although the WTO offered a potential set of multilateral norms, these were not sufficient to consolidate the initial trade

liberalization initiated in Poland in 1990. A political backlash against liberalization led to increases in tariffs and other measures in 1991. Thus, although extensive efforts are needed for Poland to implement the *acquis communautaire*, the benefits of doing so are clear-cut. The possible disadvantages of the *acquis* are real in that the standards it contains may not be appropriate for Poland at the moment and it may not have broad public support on all counts. The institutional reforms required for transition, however, entail putting in place not just laws and regulations but also mechanisms for ensuring effective implementation and the training of officials to carry out these functions in the intended way. In this respect, the EU–Poland Agreement (and other European Agreements) includes procedural mechanisms that go beyond existing trade regimes and have probably contributed significantly to both regulatory reform in Poland and market opening.

As far as NAFTA is concerned, it is noted in chapter 6 that the US perspective was basically driven by three considerations, apart from what could be called the ''geo-strategic'' aims. First, Mexico, with a market of 90 million consumers, was of commercial interest to some leading US sectors. Second, Mexican poverty levels created problems of immigration for the United States. Third, if the United States did support economic and other reforms in Mexico, the embrace had to be so tight that these reforms would be permanently ''locked in''. For Mexico, as for Canada, guaranteed access to the US market and a desire to ''lock in'' regulatory reforms, or at least provide an ultimate set of objectives for reform, were the key motivations.

In the case of the Closer Economic Relations Agreement between Australia and New Zealand, the objectives were to strengthen the broader relationship between the two countries. One of the tools for doing so was developing closer economic relations through the progressive elimination of trade barriers under an agreed timetable (see chapter 9). At the time of signing, the two countries had the highest average tariff protection of all OECD countries. Thus, a motivating force was the prospect of expanded trade in an area of the world where both countries had much in common in terms of culture and history, and where significant gains were to be had through expanded trade. Although the first years of the agreement saw the emphasis being placed on reductions in border protection, since each country was pursuing a policy of unilateral trade liberalization, tariffs and quantitative restrictions on goods were quickly eliminated. Thus, the depth of integration was accelerated to include trade in both goods and services, and a process of harmonizing a range of non-tariff measures on trade in goods and services was commenced.

In the ensuing years, a process of deeper integration was pursued through the adoption of the Uruguay Round agreements and the creation of a number of additional arrangements in the areas of technical barriers to trade, food standards, sanitary and phyto-sanitary measures, customs harmonization and mutual recognition. Although the objective of closer economic relations between the two countries was the driving force, a reduction of trade barriers and a rationalization of industry were commonsense goals to pursue, especially between two countries with a common cultural heritage and history and geographical location.

Policy conclusions

The case studies reveal that the agreements under review differ considerably in scope and level of ambition, with the differences being clearly apparent in the nature of the rights, obligations and processes that they establish. The result is that any assessment of their success or otherwise should be made in the light of the objectives of the agreement concerned. To facilitate this task, a common yardstick has been developed in chapter 2 to assist in reviewing the agreements – namely, whether the commitments undertaken at the regional level go beyond those in the WTO agreements. In so doing, the concept of WTO-plus is developed to indicate whether the individual agreements under review add to or detract from WTO rights and obligations. In fact, as the motivation behind the agreements differs widely, so does the extent to which they result in deeper integration. The answer to the question of whether the ''new'' regional agreements lead to deeper integration is: it depends.

The concluding chapter (chapter 12) spells out in detail the extent to which the various agreements are WTO-plus or not, but a number of general conclusions can be drawn here. In particular, the case studies reveal that the impact of regional agreements in the new regulatory issues has been broadly consistent with the substantive multilateral principles governing regulatory barriers in the WTO. Indeed, most agreements restate the parties' obligations contained in the various WTO agreements. In this sense, the WTO rules constitute a floor that underpins additional commitments in the regional agreements.

Another conclusion is that there is a more pronounced WTO-plus result in the procedural provisions of agreements than in the extension of substantive obligations. The regional agreements under review generally prove to be effective in improving transparency helping the development of the institutional and regulatory infrastructure; and through cooperation and technical assistance among regulatory authorities. This combi-

nation of procedural provisions and reviews contributes to trade facilitation, and thus market opening, in some sectors characterized by regulatory barriers to trade.

It is clear that divergent approaches to dealing with more recent regulatory policy issues have the potential to result in competing spheres of regulatory influence. However, the broad conclusion of the ensuing chapters is in line with earlier studies by the WTO Secretariat, OECO and others: that the RTAs under review have proven to be complementary arrangements when it comes to promoting more open markets in sectors characterized by barriers to trade.

Regional trade agreements are a fact of life: given their characteristics and the number of RTAs currently under negotiation, it is clear that their incidence will grow and their nature will evolve over time. When asking whether regional agreements are building or stumbling blocks, it is timely to ask what role regional agreements can play in this multi-level process and how the international community can ensure that the measures taken on the respective levels are consistent and mutually reinforcing. These detailed case studies of very different regional trade agreements have as their objective taken a step in the direction of answering this important policy question.

Notes

1. Non-discrimination was the pillar of the General Agreement on Tariffs and Trade (GATT) and is now the pillar of the World Trade Organization (WTO). Members of the WTO are obliged to grant unconditionally to each other any benefit, favour, privilege or immunity affecting customs duties, charges, rules and procedures that they give to products originating in or destined for any other country.
2. There are presently 144 governments that constitute the membership of the WTO. In what follows, these will be referred to as the WTO members. Although the 15 countries of the European Union are individual members of the WTO, they are represented at WTO meetings (with the exception of the Budget Committee) by the European Commission, which speaks on behalf of the 15 member states.
3. John Jackson predicted 30 years ago that ''as the general incidence of all tariff and other trade barriers declined world wide, assuming the trend of the past twenty years continues, the problem of preferential arrangements may fade away'' (Jackson, 1969, p. 623).
4. Customs unions are considered to raise welfare to the extent that they create trade by diverting demand from higher-cost domestic to lower-cost partner products, and to reduce welfare through the diversion of trade from lower-cost foreign to higher-cost partner sources.
5. The WTO Secretariat has usefully analysed these notifications, and in the following paragraphs the figures relating to the number and type of RTAs are drawn from either WTO Secretariat (2002) or WTO Secretariat (1998).

6. Information on notified and non-notified agreements has been gathered by the WTO Secretariat from notifications to the WTO, reports on the operation of agreements and standard formats on information of RTAs submitted to the WTO Committee on Regional Trade Agreements, WTO accession documents, Trade Policy Reviews, and other public sources such as press clippings, websites and publications of other organizations.
7. Prior to the establishment of the WTO, members were not required to notify economic integration areas in services. Of the RTAs identified, 18 (17 free trade areas and 1 customs union) contain commitments on trade in services in addition to tariff concessions on goods.
8. The European Union also has a comprehensive agreement with Norway (and Iceland and Liechtenstein) in the shape of the European Economic Area, which provides an interesting model in deep integration with efforts to retain political autonomy. The European Union has also recently concluded a series of sectoral FTAs with Switzerland and is negotiating a further group.
9. Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, the Palestinian Authority and Syria have negotiated bilateral RTAs based on reciprocal exchange of preferences.
10. Gulf Cooperation Council members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) plus Jordan, Tunisia, Egypt, Sudan, Syria, Somalia, Iraq, Palestine, Lebanon, Libya, Morocco and Yemen.
11. The Euro-Med Agreements provide examples of this. See Hoekman and Konan (2000).
12. Most of the quantitative work on FTAs and customs unions has been based on the impact of tariff reductions on trade diversion and trade creation. But tariffs are now of less and less importance, especially with regard to the third phase of regionalism. Quantitative measures based on dynamic growth effects and imperfect competition have also been limited (mainly to work on the European Union) and have not been very conclusive either. Wider survey work on the impact of regional agreements, such as that carried out in the early 1990s by the WTO and OECD, found that regional agreements were not, in general, inimical to multilateralism. But in all this work there was little focus on the impact of regional agreements on the new issues of regulatory barriers to trade.
13. Examples include the RTAs signed between the European Communities and the European Free Trade Area, as well as those signed by the Caribbean Community and Common Market and the Central American Common Market with third parties.
14. Examples include EU–Mercosur and Closer Economic Relations–ASEAN.

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