



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

African Association of Agricultural Economists. *Shaping the Future of African Agriculture for Development: The Role of Social Scientists.* Proceedings of the Inaugural Symposium, 6 to 8 December 2004, Grand Regency Hotel, Nairobi, Kenya

Regional Networking and Multilateral Context: Enhancing Capabilities in Africa*

M. Marwan Soliman, IDHE- ENS Cachan, Bâtiment Laplace
61 avenue du Président Wilson, 94235 Cachan Cedex, France, Email: soliman@idhe.ens-cachan.fr

Abstract: In times where multilateralism is to be the vector of free trade and the conveyor for liberalism, the phenomenon of regionalism has been increasing quiet steadily. Would it be a transitional step for their members towards multilateralism, or a manner to hide from it without being forgotten? Whatever the response may be to this question, regionalism has been “admitted” by the WTO in its article XXIV. The contradiction here is that regionalism is not always complying with WTO regulations such as including “substantially all trade” as well as “non discrimination” principle. The advantage of regional practices is its taking into account particularities and specifications of the member countries, what the WTO doesn’t seem to consider. We argue that, as much the regional and multilateral levels are important for Africa and developing countries in general, a lot remains to be done, from the inside, to avoid being trapped in a process where control on the future of those countries would become impossible. In other words, enhancing capabilities and re-identifying resources to be able to master destiny.

Introduction

The world trade has been politically framed towards liberalism and « openness ». It is evident that this openness has its own grades and interests that command it. Developing countries have been directed, and pushed towards a playing ground they fear and ignore. But some would argue that even developed countries have to go through such stages. The whole difference here is the gap between where the latter stood when they decided to move toward openness and where developing countries do stand today.

« The market mechanism, which arouses passion in favor as well as against, is a basic arrangement through which people can interact with each other and undertake mutually advantageous activities...The overall achievements of the market are deeply contingent on political and social arrangements... In the context of developing countries in general, the need for public policy initiatives in creating social opportunities is crucially important »,

A. Sen, 1999, p.
142-143.

A simple and obvious proof of that is the increasing number of regional trade agreements (RTAs in following papers for convenience) that most countries have adopted. If we agree that regional networking should serve coordinating interests, RTAs came to answer a multilateral dilemma: multilateral negotiations are asking different and diversified countries, economies and cultures, to melt into a single frame defined by the « Triade »¹, the world powers.

In this paper we will first examine the regional trade in the context of world trade (part 1). Part 2 will discuss main incentives of regional cooperation, what explains the different forms of RTAs exhibited in part 3. Part 4 will contrast regionalism and multilateralism. My conclusion will be in the heading of agreements as a tool but in order to meet governance through development of capabilities.

1/ World Trade and Intra-Regional Shares

RTAs have been an ongoing trend in the past decade. We may consider here bilateral or multilateral agreements, even though,

¹ This Triade includes the European Union, the United States of America and Japan.

« Bilateral agreements may include more than two countries when one of them is an RTA itself (e.g. EC (15) - Turkey (1) is an RTA comprising 16 countries). A plurilateral agreement refers to an RTA in which the constituent parties exceed two countries (e.g. EFTA, CAN, MERCOSUR, etc.). WTO Secretariat, 2003.

Bilateral agreements account for nearly 80% of regional agreements implemented and some 90% of those under negotiation. More complex are, multilateral agreements where one of the contracting parties is itself a regional agreement such is the case of the European Union. This type represents some 20% in 2002 of the regional agreements under process. The WTO estimated the number of RAs to approach 300 by 2005.

The EU is indeed a study case: under the principles of the « *acquis communautaires* »², the enlargement to EC (25) in May 2004 which in addition to adding ten new members to the EC, will result in a consolidation of over 60 RTAs which will cease to exist once the acceding members become party to the EC's existing RTA network.

The rush towards regional agreements:

What explanations can we give to interpret this trend?

The WTO has some:

« A major explanation for the expansion in the number of RTAs in the 1990s was the collapse of the COMECON (the preferential arrangement involving the old Soviet Union and Eastern European countries) and the alignment of the Central and Eastern European countries to the European Union », WTO report, 2003,p.46.

Where do developing countries stand in this background?

« Regional agreements among developing countries account for 30-40 per cent of all RTAs currently in force, including those not notified to the WTO. In Africa alone, there are about eighteen trading agreements. Typically, they seek to reach beyond free trade agreements (FTAs in this paper for convenience) and establish customs unions or common markets. They tend to encompass a large number of countries and may have extended transition periods, often 20 or 30 years. These long transition periods suggest that some recent RTAs are more a declaration of intent than agreements promising a significant impact on trade flows »», WTO Secretariat, 2003, p.46.

Indeed, developing countries have been eager to consolidate proximity and cultural affinities with neighbors or allied countries. Table 1 shows that developing countries have been very active in this trend. More than 149 agreement negotiated or under negotiation by May 2003.

table 1: Regional agreements applying or under negotiations (by may 2003)

	Notified to WTO	Concluded but not notified to WTO	but under negotiation	Total developing countries	share (in percentage)
Total of agreements by developing country, where	76	34	39	149	100
USA is a member	3	2	4	9	6
Canada is a member	4	0	3	7	5
EU of EFTA is a member	24	5	5	34	23
Japan is a member	1	0	1	2	1

² according to which, new Member States agree, at entrance, to adapt to the context, roots, norms and laws implemented by the EU.

Ex-Soviet-Union and other countries in transition are members	16	0	0	16	11
Intra-developing countries	27	26	23	76	51
TOTAL of agreements by developed and developing countries	155	83	46	283	

Source: WTO, www.wto.org/english/tratop_e/region_e/region_e.htm, borrowed from Schott, 2003.

notes: EFTA : European Free Trade Agreement

- a) Agreements are only accounted once, even if notified under the GATT's articles XXIV and V. Nevertheless, NAFTA (which includes USA, Canada and Mexico) where counted twice, as USA, NAFTA and as Canada NAFTA agreements.
- b) Agreements that where under negotiations at that time concerning the American Free Trade Agreement- AFTA) where counted twice: as USA/ Developing countries and Canada/ developing countries, same as Canada/ EFTA was considered under Canada and under EFTA.

As striking as it may be, « One-third of the FTAs currently under negotiation are among countries that belong to different geographical areas. All major countries are involved in cross-regional FTAs. The EU has concluded FTAs with Mexico, Chile, South Africa and numerous other African and Middle Eastern countries and in the process of negotiating RAs with ACP³ countries under the framework of the Cotonou Agreement. The EU is also negotiating an agreement with MERCOSUR », WTO report, 2003,p.51.

Trade has been a major, not the only, component of this evolution. Cultural exchanges, migrations and delocalization have also their places in such process. Let us take a look at world merchandise trade by region shows the tremendous increase in imports in value. A growth where Asian countries can be considered as the main vehicle. Africa and the Middle East have been quite close in last figures of 1993 to 2002, noting a great decline for Africa in imports.

Concerning exports, Western Europe as maintained a steady trend, as well as Asia with a better increase, especially for the six East Asian traders.

table 2: World merchandise trade by region and selected economy, 1948, 1953, 1960, 1973, 1983, 1993, 1999 and 2002 (Billion dollars and percentage)

	1948	1953	1863	1873	1983	1993	1999	2002
Exports								
Value								
World	58.0	84.0	157.0	579.0	1835.0	3671.0	5473.0	6272.0
share								
World	100	100	100	100	100	100	100	100
North America	27.3	24.2	19.3	16.9	15.4	16.6	17.1	15.1
Latin America	12.3	10.5	7.0	4.7	0.0	4.4	5.4	5.6
Western Europe	31.5	34.9	41.4	45.4	38.9	44.0	43.0	42.4
C./E. Europe, Baltic States/ CIS (a)	6.0	8.1	11.0	9.1	9.5	2.9	3.9	5.0
Africa	7.3	6.5	5.7	4.8	4.4	2.5	2.0	2.2
Middle East	2.0	2.7	3.2	4.1	6.8	3.4	3.1	3.9
Asia	13.6	13.1	12.4	14.9	19.1	26.1	25.5	25.8
Japan	0.4	1.5	3.5	6.4	8.0	9.9	7.7	6.6
China	0.9	1.2	1.3	1.0	1.2	2.5	3.6	5.2
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.5	1.3	1.3
Six East Asian traders	3.0	2.7	2.4	3.4	5.8	9.7	10	9.6
Memorandum item : GATT/ WTO								

³ Countries of the Africa Caribbean Pacific region.

members (b)	60.4	68.7	72.8	81.8	76.0	89.5	89.7	94.6
	Imports							
	Value							
World	66.0	84.0	163.0	589.0	1881.0	3768.0	5729.0	6510.0
	Share							
World	100	100	100	100	100	100	100	100
North America	19.8	19.7	15.5	16.7	17.8	19.7	22.3	22.0
Latin America	10.6	9.3	6.8	5.1	4.5	5.1	5.8	5.4
Western Europe	40.4	39.4	45.4	47.4	40.0	43.0	42.2	40.8
C./E. Europe, Baltic States/ CIS (a)	5.8	7.6	10.3	8.9	8.4	2.9	3.7	4.6
Africa	7.6	7.0	5.5	4.0	4.6	2.6	2.3	2.1
Middle East	1.7	2.0	2.3	2.8	6.3	3.3	2.6	2.7
Asia	14.2	15.1	14.2	15.1	18.5	23.3	20.9	22.4
Japan	1.0	2.9	4.1	6.5	6.7	6.4	5.4	5.2
China	1.1	1.7	0.9	0.9	1.1	2.8	2.9	4.5
Australia and New Zealand	2.6	2.4	2.3	1.6	1.4	1.5	1.5	1.3
Six East Asian traders	3.0	3.4	3.1	3.7	6.1	9.9	8.5	8.4
Memorandum item : GATT/ WTO								
members (b)	52.9	66.0	74.2	89.1	83.9	88.7	91.6	91.6

Source: WTO, World Trade Statistics, 2003 (for 1999 data, World Trade statistics 2000).

a: numbers are influenced by 1. changes in the components of the region by country and by an important adjustment of conversion rates of exchanges between 1983 and 1993; 2. the consideration of mutual exchanges between Baltic states and Community of Independent States between 1993 and 1999.

b: membership as of year stated.

Overall, factors determining such paths would need more than the space allowed in our seminar. Nevertheless, we can obviously shape up the effects of globalization from the late figures. One can wonder what happened when countries started implementing their agreements.

Outcomes of regional agreements in terms of trade:

In general, and according to table 3, RTAs have helped empower trade between members of one agreement. Meanwhile, no clear relation or correlation between trade evolution and the RTAs trend can be defined. Shares of intra-regional export have increased significantly for MERCOSUR countries and less ambitiously for NAFTA and CARICOM members a little after implementation of the RTAs. The European Union has again maintained a steady trend.

Table 3: Intra-regional export shares 1970- 2001

	1970	1980	1985	1990	1995	2000	2001	date of implementation
European Union								
CEFTA	--	--	--	--	14,6	11,5	12,4	1993
UE	59,5	60,8	59,2	65,9	62,4	62,1	61,2	1957
NAFTA	36	33,6	43,9	41,4	46,2	55,7	54,8	1994
Latin America								
CACM	26	24,4	14,4	15,4	21,7	13,7	15	1961
« Andean group »	1,8	3,8	3,2	4,2	12,2	8,8	11,2	1988
CARICOM	4,2	5,3	6,3	8,1	12,1	14,6	13,4	1973
MERCOSUR	9,4	11,6	5,5	8,9	20,3	20,7	20,8	1991
Africa								
CEMAC	4,8	1,6	1,9	2,3	2,2	1,2	1,3	1999
COMESA (a)	7,4	5,7	4,4	6,3	6	4,8	5,2	1994
ECCAS	9,8	1,4	1,7	1,4	1,5	0,9	1,1	1983 c
ECOWAS	2,9	9,6	5,1	8	9	9,6	9,8	1975 c
SADC (b)	4,2	0,4	1,4	3,1	10,6	11,9	10,9	1992 c
UEMOA	6,2	9,9	8,7	12,1	10,3	13	13,5	2000
Moyen-Orient								
ASEAN/ AFTA	22,4	17,4	18,6	19	24,6	23	22,4	1992
GCC	4,6	3	4,9	8	6,8	5	5,1	1981 c
SAARC	3,2	4,8	4,5	3,2	4,4	4,3	4,9	1985 c

sources: WTO, 2003, p.56. Citing CNUCED, *Handbook of Statistics 2002*;

WTO: *International Trade Statistics 2002*.

a before 2000, information not available for Namibia and Swaziland.

b before 2000, information not available for Botswana, Lesotho and Swaziland.

c year of foundation.

As it was noted by the WTO report (2003):

«It is true that the share of intra-regional exports as a percentage of regional bloc exports has been increasing since 1970 in most of the major regional trade blocs. Over 60% of EU exports are to other EU partners and over half of NAFTA exports are to other NAFTA partners. However, intra-regional export shares within the EU have remained nearly constant and those for NAFTA have shown an upward trend since 1970, well before NAFTA entered into force in 1994.⁴ Similar patterns can be identified for other major RTAs. MERCOSUR is an exception, where data show a sharp increase in intra-regional export shares after the agreement entered into force. »p.55.

Indeed, structural facts have crystallized cooperation and enhanced trade between members of RTAs. As Crawford and Laird put it:

« Nevertheless, the fact is that trade within RTAs has been generally growing much faster than trade from non-members. An analysis of seven regional integration agreements (APEC, the European Union, NAFTA, ASEAN, CEFTA, MERCOSUR and the Andean Community) shows that, on average, imports from other members of these arrangements increased on (import-weighted) average at some 7 per cent a year in the period 1990-98, while imports from non-members increased at 5.5 per cent. However⁵, while the growth in imports from non-members was on average lower than from members (the exception is the EU whose imports from non-members grew at the same rate as from members), this is similar to the

⁴ Some of the empirical literature finds a significant positive impact of the formation of the EU on intra-regional trade. Results are sharper when estimations are conducted on disaggregated data or focused on growth in trade flows (Frankel, 1997 and Bayoumi and Eichengreen, 1998).

⁵ «In the period 1990-97, imports from other members of these arrangements increased on average at some 15 per cent a year, while imports from non-members increased at 10 per cent. Thus, the decline in trade following the financial crisis had a similar effect overall on members and non-members.»

average rate of growth of 6 per cent in world imports, including those by the selected integration arrangements, in the same period. », p.6.

Economic effects of RTAs were tooled by the works of J. Viner (Viner J., 1950, The Customs Union Issue, Carnegie Endowment, New York) cited by Lloyd and MacLaren (2003):

« ...Where the trade-diverting effect is predominant, one at least of the member countries is bound to be injured, the two combined will suffer a net injury, and there will be injury to the outside world and to the world at large»,p.4.

Lloyd and MacLaren use a model to show that liberalization of trade induces gains for world economy and that countries excluded from RAs lose an opportunity. But how can we measure such proposal? Viner initiated, followed by others, the concept of trade diversion or trade creation. As the WTO has studied the concepts, it defines both as:

« Trade creation takes place when, as a result of the preferential rate established by a RTA, domestic production of a product is displaced by imports from a member country, where the good is produced at a lower cost. Trade diversion occurs when as a result of regional preferences, imports from a low cost country outside the regional trade agreement are displaced by imports from a higher cost partner country », WTO report, p.58.

WTO report states that trade diversion occurs when the difference in production costs between the lowest-cost member and the lowest-cost non-member is lower than the tariff rate faced by non-member countries (p.58).

But it remains difficult to isolate effects of RTAs on trade:

« Since it is empirically difficult to isolate the trade creation effects of RTAs, proxies are often used. But even the most widely used proxies, such as intra-regional trade shares or concentration ratios⁶, will tend to give an over-estimate of the trade creation effects, since the increase in trade among partners may just reflect trade diversion. However, even with the use of these imperfect indicators, the data do not show that trade is increasingly becoming concentrated within RTAs. », WTO report, p.55.

We can see that, in practice, Trade creation is a mixed blessing for a negotiating government: it generates surplus for consumers at home and for exporters in the partner country, but reduces then for domestic import-competing producers; trade diversion, on the other hand, generates no such reduction in profits, and although it correspondingly generates no (or fewer) consumer gains that matters less to governments. If two such governments can swap trade diverting concessions, trade diversion is good politics even if it is bad economics (Winters, p.28). Winters points out that agreements between countries that are opened to trade minimize diversion effects of RTAs.

« Krugman (1993) disaggregates the causes of the welfare losses from regionalism and finds that they owe far more to trade diversion than to increases in the optimum tariff... regionalism with a fixed external tariff may or may not harm multilateralism *ceteris paribus* but the act of raising the external tariff certainly does. », Winters,p.8.

To conclude this part, I argue that RTAs have a growing part in world trade. In fact, they allow a certain context for cooperation and, by a certain “natural law” consolidate similarities. In the mean time, problem is often seen when member states of an RA have too much similarities, same products to export and can not play that role of complementarity. It is essential for RAs to be able to identify points of cooperation for their alliance to work out. Next part can put a light on this matter.

⁶ For a detailed analysis, see WTO Report, p.56- 57.

2/ The Incentives of Regional Networks

What motivates countries to go into regional agreements? Why traditionally closed countries have opened up to RAs in the past decade? Several reasons will be examined in this part, through political, human and economic aspects. WTO explanation of those flourishing of RAs:

« Governments opt for regional trade agreements for a variety of reasons. Possibilities for co-operation at the multilateral level may be absent or attenuated. Governments may wish to go further, faster and at lower cost than is feasible in a multilateral setting. Some may see RAs as a defensive necessity, to avoid exclusion, or as a means of increasing bargaining power in a broader setting. Politically, preferential trade arrangements can help to consolidate regional security and tie in commitments that are more fragile if they need only be answered to in a national context », p.66.

Some are political:

Consolidation of peace was the first aim of the EU treaty after World War II. Governments may seek to consolidate peace and increase regional security. However, the impact of the formation of a RTA on regional security can be twofold. On the one hand, creating linkages between economies can make conflicts more costly and favor cross-border collaboration. On the other hand, RTAs can create internal and external tensions. This is because the design of RAs affects the way gains are redistributed across members and may divert trade from non-members, thus reducing the welfare of third countries (WTO report, 2003, p.50).

In today's world economic order, agreements seem to be a gain in power for some countries, especially small ones, in the negotiation arena. Governments may seek to acquire greater bargaining power in multilateral negotiations by first tying in partner countries through regional commitments. The same might happen at a regional level, where a subset of countries potentially engaged in broader regional negotiations would first strike their own agreement in order to increase bargaining power and press for a better outcome.

Some are human:

Human factor can not be denied in this perspective. As men are the first vehicle of RAs implementation, they define whether alliances stay or stop. For example, it is well known that the bureaucratic ingredient, once set up to negotiate regionally, there is a natural temptation for those involved to seek to perpetuate their functions by creating conditions for the negotiation of successive agreements. There is perhaps also a sense in which governments have come to see the negotiation of trade agreements as a natural accompaniment of economic diplomacy », (WTO report,p.50).

The themes defined in those RAs are also a human made element:

« Many other factors come into play such as the systemic implications of excluding particular sectors from RTAs, whether deeper integration involving regulation and « inside the border » areas of policy imparts an additional discriminatory impact on third parties, and whether regional integration efforts influence the pace of progress in multilateral rule-making and liberalization efforts, WTO report, p.48). When these considerations are factored into the analysis, not to mention the political forces at play, the question whether regional arrangements complement or frustrate multilateralism becomes altogether more complex.

Some are economical:

« A second reason for governments to seek discriminatory liberalization is that they may be able to reap gains from trade in product areas where they cannot compete internationally. In other words, regional trade agreements could serve the purpose of shutting out third-party competition from more efficient suppliers. », (WTO report, p.49).

Economic context formats decisions of governments whether to enter a RA or not. We argue that globalization, and a sense of insecurity, especially for developing countries has been a key element in the increasing number of regional alliances and networks. This was also noted by the WTO report:

« (...) for one reason or another, some countries are simply uninterested in pursuing multilateral liberalization. Second, governments may wish to go deeper in integrating their economies than seems possible in a multilateral framework. They may prefer to remove all trade barriers rather than just reducing some. Or they may want to negotiate agreements on a range of other issues not touched upon or fully dealt with in the WTO, such as investment, competition, trade in services, or environment and labor standards... Third, governments may regard the multilateral option as too time-consuming, with negotiations being more drawn out because a wider range of interests needs to be reconciled. In addition, transaction costs associated with liberalization will be lower with fewer participants in negotiations », WTO report, p.49.

On a medium and long term, the regional partnership strategy is a factor of growth. In our view, this is possible through the « learning by doing » process. Foreign direct investments and regional exchanges at all levels will enhance capabilities and bring know-how to the parties.

At the international negotiations level, the preparation and implementation of RAs is a fruitful « training course » for parties. They create a « précédent » which will serve as models for future negotiations, perhaps at the multilateral level.

In conclusion, it is worth noting that RAs respond to cooperation logic where players agree to cooperate for the benefit of all parties. The union of forces and the human will for partnership seems to be a good way to face multilateralism, the uncertain exit. Geographical, cultural, political and economical affinities form some « natural blocs », where for instance, low trade costs made regionalism a natural and beneficial policy (Krugman, p11). The outcome is the formation of networks, not only in trade, but also in all other fields.

Thus, we might call RAs as regional networks, where for example APEC agreement will serve 40% of world population or where the enlarged EU and its partnership agreements under Euro-med will concern some 500 billion people.

3/ Types of RA

RAs have different consistencies, according to their forms and legal structure. Most agreements have different time frames for implementation, different product coverage and different rules of origin. The main exception on rules of origin is the pan-European System of Accumulation of Origin which links the EU, Central European Free Trade Agreement (CEFTA) and European Free Trade Association (EFTA) countries and seeks to establish a single set of rules of origin within the FTAs signed by these countries (although these also encompass differing rules relating to change of tariff heading and various degrees of value added or transformation). Of course, Rules of Origin (ROO) are not a feature of fully-implemented customs unions where internal barriers have been swept away, but the European Union is unique in having achieved that degree as a Single Market. (Crawford and Laird,p.3-4).

What do they cover?

Usually, agreements do not cover all products, especially concerning agricultural products. Regional agreements have extended lately to include new horizons such as services, investment and intellectual property. In the perspective of WTO agreement, more RAs include conditions concerning quotas and quantitative restrictions, as well as subsidies issues.

In fact, « The risks of distortions associated with RTAs are minimized when these agreements avoid raising barriers to trade with outsiders and when free trade covers all sectors within the preferential area », (WTO report, p.62).

From a multilateral stand point, the WTO, as said earlier finds that « The recent proliferation of RTAs, combined with the very limited historical success of Member governments to agree on concrete standards for judging the GATT/WTO conformity of regional arrangements, have resulted in widespread agreement on the need to revisit the rules » (WTO report, p.65).

Indeed, as Lloyd and MacLaren show it, article XXIV of GATT agreements does not protect non-member states of a RA. The dilemma here stands in the fact that RAs are not compatible with GATT preamble which gives priority to an « elimination of discriminatory treatment in international commerce ». The same text is stated in the Marrakech agreement (1995) establishing the WTO, and was also ignored by members. Thus Doha was a point where ministers decided to launch negotiations concerning RAs to improve and clear up rules and procedures of WTO in this concern.

From that point, it seems that regionalism and multilateralism can't substitute one another. As Siroën puts it:

« Regional agreements often appear as a regional multilateralism. NAFTA uses, and sometimes copies, the principals and the institutions of GATT. Regionalism and multilateralism has appeared recently to be less substitutable or complementary than interdependent... In Europe, the Common Agricultural Policy is renegotiated according to the WTO agenda », 1999, p.27.

In conclusion, regional integration can be considered as a type of reaction to the retreat of the State, or should we say, its change of capacities. Every country seems so be looking for a renewed power of influence that it may have lost in the liberal path. In fine, regionalism has high lightened another consequence of globalization, the State monopoly in supplying public goods.

4/ Regionalism and Multilateralism

Concerning the WTO, the phenomenon of RAs is a dangerous path. The organization attempted to limit its expansion (some how in order to eliminate any institutional competition), WTO does advice Member States not to enter this kind of agreements, explaining that it represents an overlap of norms, standards and rules of origin, which slows international trade. Moreover,

« RTAs can pose threats to a coherent and active multilateral trading system. A proliferation of ill-considered and partial RTAs could turn fears of shortcomings in the multilateral framework into a self-fulfilling reality. The existence of numerous overlapping arrangements can distort trade, raise transactions costs, and undermine the systemic integrity of multilateralism. Regional trading agreements can strengthen vested interests hostile to non-discriminatory outcomes. They can weaken resolve to make multilateralism work by draining away scarce negotiating resources and reducing the effectiveness of pro-liberalization forces in the domestic economy », WTO report, 2003, p.66.

The WTO and regional agreements:

It advises, in order to consolidate the advantages of regionalism and increase the efficiency of multilateralism:

« Two ground rules of policy behavior could help consolidate and build upon the benefits of regionalism and promote a more effective multilateral trading system. The first rule would be to refrain from engaging in regional commitments which governments would be unwilling, sooner or later, to extend to a multilateral setting.⁷ The second would be to consolidate the first rule by agreeing to a consultative system that would map and monitor the timing and conditions attached to the non-discriminatory, multilateral application of commitments made in RAs. Such agreements might provide a more effective link between regionalism and multilateralism than exists today. », p.66.

As we pointed out, WTO seeks to schedule negotiations on RAs in the multilateral frame as well as a panel system on these agreements. It has already started with the creation of a Committee for Regional Trade Agreements. Established in 1996, it has the task of examining the systemic consequences of RTAs on the multilateral system.

⁷ «This assumes that the multilateral framework covers the relevant areas of the rules. Rules on labour rights in a RAs, for example, could not be incorporated within the framework of WTO obligations. Regional tariff reductions, on the other hand, could be replicated in the WTO.»

At that point, one may wonder if regionalism is an answer to a difficult globalization. Is it a barrier to the implementation of multilateral objectives?

Baldwin (1995, 1997) inquired this aspect of regionalism. He sees that the latter is a « complement to multilateralism » (1997). Baldwin explains that NAFTA has induced incentives for this kind of agreements, as a domino game, perhaps an imitative process. We can agree with this view as shows the EU example. Its enlargement is the result of a political will on behalf of the EU members, but also a demand from the ten new comers which entered in May 2004. Meanwhile, as Winters points out, the cost for countries out of the agreement bloc increases (Winters, p.30).

Bhagwati has also studied the regionalism phenomenon. He claims that regionalism is a danger to multilateralism and to the world trade system. The author is sceptic and worries about the diversion effect of regionalism on the multilateral process. Bhagwati claims that there is no need for an alternative system to multilateralism and rejects the argument of regionalism as a promoter of economic liberalization nor as a complement to multilateralism as Baldwin believed.

Winters (1996) is more realistic on this issue. He just answers: « We don't know yet! »,p.1. For Winters, this opposition between regionalism and multilateralism takes us from the issue of the immediate effects of regionalism on welfare to the question of whether regionalism directs us to a more free trade or not. Considering the EU case, Winters argues:

« The EU allows one convincingly to reject the hypothesis that one act of regionalism necessarily leads to the collapse of the multilateral system. But it is difficult to go further: the *anti-monde* to EU creation is unknown and one does not know to what extent the EU is special. Thus any discussion of the evidence is necessarily judgmental. The majority view is, I think, that the advent of the EU aided multilateralism »,p.1-2.

A winners' strategy?

What results can we compare between regionalism and multilateral system? The WTO, citing the OECD has come out with some answers:

« A recent study by the OECD (2002) focused on tariffs (including rules of origin), services, labor mobility, trade facilitation, special and differential treatment and environmental provisions in APEC, NAFTA, EFTA and the EU. The conclusion was that in many respects RTAs have not progressed too much beyond the GATT/WTO agreements, and that it was very difficult to determine whether RTAs represented an improvement in terms of the liberalization of trade », WTO Report, 2003, p.54.

It is noteworthy to note the dynamic aspect of such bargain between regionalism and multilateralism. If we consider multilateralism as an intermediate phase of real globalization, than, as Winters shows:

« In assessing regionalism we need also to recognize another complication. Shifting one partner into a FTA has a direct impact on our measure of multilateralism, but, far more important, it also potentially initiates a whole series of accommodating adjustments, as the integrating partners and countries in the rest of the world (RoW) adjust their policies to the new circumstances. We must consider multilateralism at the end of this process not just at the beginning. Moreover, in some circumstances, the final outcome will not be determinate; rather, regionalism might affect the probabilities with which different outcomes occur. »,p.4.

We agree on this dynamic frame vision of the regional versus multilateral debate. First, it is a solution for many countries today that are in the multilateral system but out of it because of their capacity to negotiate or simply because of a low economic power: « Multilateralism is sometimes referred to as a process whereby countries solve problems in an interactive and cooperative fashion », Winters, p.4.

Second, the late period has been a transitional path for developing countries toward liberalization of their economies in a unilateral level. Indeed, in the context of RAs, the NAFTA members have pursued their liberal path on individual basis (Lloyd and MacLaren,p.18).

This trend towards liberalism has been largely argued and consolidated in the Uruguay Round, when countries which feared to be out of trend went for the multilateral « credo ». As Crawford and Laird note, this context of individual and multilateral liberalization can not be considered as a trade destructive fact:

« ...and in practice, as Baldwin (1997) points out « almost all empirical studies of European and North American arrangements find positive impacts on member's living standards »⁸, Crawford and Laird,p.5.

Concluding Remarks

But there will always be « there will always be a drive towards regional arrangements no matter how well the multilateral trading system functions. Regionalism can serve as a catalyst for further liberalization at the multilateral level. », WTO Report, 2003, p.64.

Has proximity gained reason over multilateral benefits? I guess not, as globalization has decreased the power of distances. Meanwhile, coping with multilateral « desirata » has become a factor of poverty and increasing misery, within and between nations. Regionalism can thus be considered as a short term window, not to escape from multilateralism, but to continue surviving for a large number of countries.

The several last failures in Doha or Cancun for example have shown that the spirit of the international institutions behind today's globalization is not welcomed by the actors concerned. Instead of suffering in silence, one positive thing was born: cooperation, be it through NGOs or other institutions, it is the one sound that decision-takers didn't yet hear very well.

More important, is to acknowledge the two levels of difficulty that we tried to enhance in this paper: an inner level where political and social will is necessary for real growth and sustainable development. A second level, the outside context where multilateral forces find their justification in the markets logic, is unfortunately only in that logic.

Regional agreements in general also were shown to protect dissemination of identities and cultures, by consolidating affinities between close entities. It slows down aggregation of living manners, but unfortunately, it does not enhance living standards. Furthermore, local cultures can facilitate, and stimulate localized innovation networks (Pilon and DeBresson, p.15)

International institutions have been the architects of today's helpless frame under the auspices of liberalism and market hegemony. There are also the ones who, as Omamo and Farrington (2004) point it, converted the role of the state into that of facilitator and regulator of the private sector, « ignoring » local individualities and markets imperfections.

In the terms used by A. Sen (1999), capabilities must be able to flourish to produce development and wealth, and in that perspective: « There must be broad participation that goes well beyond the experts and politicians. Developing countries must take charge of their own futures », Stiglitz, p.252. That is an open way for new contributions in the search of welfare for Africa.

⁸ «an exception is in South Africa, where Evans (1999) finds that there are winners and losers among the participants in the SADC FTA, due to be implemented in 2000.»

References:

- Baldwin, R.E., 1995. A domino theory of regionalism. In Baldwin, Haaparanta and Kiander (eds) Expanding membership in the European Union, Cambridge University Press, Cambridge, 25-48.
- Bhagwati, J.N., 1992. The world trading system at risk, Harvester Wheatsheaf, Hemel Hempstead.
- Crawford, J-A and S. Laird, 2000. Regional trade agreements and the WTO, CREDIT research paper, Centre for Research in Economic Development and International Trade, University of Nottingham.
- Higgott R., 1999. "La regionalization, une réponse à la mondialisation". In problèmes Economiques, Number 2611- 2612, 21-25.
- Krugman P., 1993, "Regionalism versus multilateralism: analytical notes". In De Melo J. et Panagariya A. (eds), New dimension in regional integration, Cambridge University Press, 58-78.
- Lloyd, P.J. and D. MacLaren, 2003. "The case for free trade and the role of regional trade agreements". Seminar on Regional Trade Agreements, World Trade Organization.
- Omamo S.W. and Farrington J., January 2004. "Policy research and African agriculture: time for a dose of reality?". In Natural Resource Perspectives, Number 90, Overseas Development Institute.
- Pilon S. and DeBresson C., 2003. Local culture and regional innovation networks: some propositions. In Fornahl D. and Brenner T. (eds), Cooperation, networks and institutions in regional innovation systems, Edward Elgar Publishing Limited, 15-37.
- Schott J., 2003. "Competitive liberalization: how it affects the multilateral trading system". Seminar on Regional Trade Agreements, World Trade Organization.
- Sen A., 1999. Development as freedom, Oxford University Press.
- Siroën J.M., 1999. "Désintégration et integration régionale". In Problèmes Economiques, Number 2611-2612, 25-28.
- Stiglitz J., 2002. Globalization and its discontents, Penguin Books.
- Winters, 1996. Regionalism versus Multilateralism, Policy Research Working Paper 1687, World Bank, Washington.
- WTO, 1995. The results of the Uruguay Round of multilateral trade negotiations: the legal texts, Geneva.
- WTO Report, November 2003. «The changing landscape of regional integration agreements », submitted at the Regional Trade Agreements and the WTO Conference, World Trade Organization Secretariat, Geneva.

Appendix

Regional Trade appellation used in table 3

CEFTA : Central European Free Trade Agreement

NAFTA : North American Free Trade Agreement

ASEAN : Association of South East Asian Nations

ECCAS : Economic Community of Central African States

SADC : South African Development Community

CEMAC : Communauté Economique et Monétaire de l'Afrique Centrale- EMAC (UDEAC)

ECOWAS: Economic Community of West African States

GCC : Gulf Cooperation Council

CACM : Central America Common Market

CARICOM : Caribbean Common Market.

MERCOSUR : South Common Market includes Argentina, Brazil, Uruguay and Paraguay.

SAARC : South Asian Association for Regional Cooperation

UEMOA : Economic and Monetary West African Union. Union.