

land, the emerging regional dynamic in East Asia would seem to be less problematic the stronger the multilateral dynamic.¹⁹

Finally, in Africa, the New Economic Partnership for African Development (NEPAD) appears to have energized the renewal of interest in trade liberalization (and hopefully rationalization)²⁰ on a continent that has perhaps the world's most complex trade environment due to the number of regional, extra-regional and multilateral RTAs and preferences applying to its trade flows, many of which date from the colonial era.

The Perennial RTA Issue: Building Blocks or Stumbling Blocks?

In theory, the arguments about RTAs break down into those of a pure economic nature and those of a political economy nature.

The Economic Argument: Regionalism and Trade Creation

The pure economic arguments are that regional agreements stimulate greater export orientation, in part by raising the con-

¹⁹ Further to the discussion in footnote 7, it is worth observing that the same trade-finance coherence issues that complicate the picture for the FTAA also loom large in East Asia. The region's currency alignments are principally towards the US dollar. However, while China's RMB has depreciated in nominal terms over the past two decades (and in real terms over the past few years), Japan's yen has appreciated steeply over the same period. With the RMB still fixed to the dollar, it is poised to depreciate if and when the US dollar does what many analysts expect, which is to depreciate as part of the correction of the US external deficit. Such a further depreciation would simply further exacerbate the already existing trade tensions between China and Japan. For the other regional currencies, insofar as they are direct competitors of Japan (e.g., Korea) or are dependent upon Japan for financing (Southeast Asia) but continue to be oriented toward the United States in terms of trade, swings in the dollar-yen parity in real terms will continue to pose difficulties that will be felt through the system of trade, the more so the more tightly knit the trade grouping.

²⁰ The NEPAD Market Access Initiative sets out as one of its aims to promote and improve regional trade agreements. At the present, it appears to be at the "vision" stage. See <http://www.avmedia.at/nepad/indexgb.html>