

increase in the intra-group share is, therefore, weak evidence of the isolated effects of RTAs on trade patterns.

Overall, Lloyd finds that the time series provided only very weak support of the hypothesis that RTA intra-group preferences increase the share of imports for traded commodities, once allowance is made for extensions of membership in the RTAs. One notable exception was agricultural products, an observation related to the EC/EU's Common Agricultural Policy. He finds that there is weak support for the broad hypothesis, mainly in the early years following the formation of the RTAs, but this trend did not continue into the 1980s.<sup>22</sup>

The contradiction between the expected increase in intra-group import shares and the observed trends that only weakly support such a hypothesis is explained by Lloyd to be related to the counteracting influence of multilateral and unilateral reductions in trade barriers over the time period. This non-regional liberalization may have had greater effects than commonly believed. Lloyd also attributes the discrepancy to a tendency to exaggerate the restrictiveness of non-tariff measures which apply exclusively or predominantly to third countries.

#### Multilateralism vs. Regionalism

Lloyd explores the theoretical reasons why multilateralism and regionalism could be either mutually beneficial or detrimental. He tests the hypothesis that the world is becoming more polarized around Europe, North America and Asia, in terms of trade flows. Although evidence of rising intra-area import shares, especially for Asia, is found, other factors are considered to override such evidence and Lloyd concludes that "there is no clear polarization of the world economy".<sup>23</sup> The dissolution of the Sterling Area, the system of British Imperial Preferences and the COMECON are cited as examples of the fluid and more dynamic nature of evolving and changing regional power centres.

Lloyd's general conclusion is that, despite a widespread perception of growing regional bias in trade, the empirical evidence does not support this view. Lloyd also concludes that regionalism need not be counter-productive to multilateralism, in any case. Although there is some evidence from game theory that powerful blocs can win trade wars at the expense of smaller countries, regional agreements can also provide

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<sup>22</sup>*Ibid.*, p.22.

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