

regional integration agreements in respect of services have been signed under GATS Article V, while the WTO enabling clause has allowed a further six (6) regional agreements (including a free trade agreement between India and Sri Lanka) to get underway.² No corner of the world is without some regional or bilateral trade dynamic as various countries seek to be their own hubs rather than someone else's spokes—implicitly therefore securing their place at the expense of others in what seems to be an increasingly uncertain global trading environment.

There is a minefield of issues to walk through in providing an objective assessment of the role of preferential regional and bilateral trade agreements—which I will refer to generally as RTAs—in global trade policy. Preferences are, in trade law and in economic policy terms, essentially synonymous with discrimination; RTAs thus raise one of the oldest of “trade and...” issues, namely trade and discrimination.³ They bring with them, along with the scope to create additional trade and explore new trade rules, the possibility of trade diversion, distortion of relative prices, and proliferation of rules. These effects can be especially severe when external tariffs are high, as they often still are in developing countries. In the end, the result can be what *The Economist* recently described as “a befuddlingly complex series of overlapping deals, each with its own pattern of preferences, schedules and exclusions.”⁴

² *Ibid.*

³ The early critical work on RTAs is associated with Jacob Viner, *The Customs Union Issue* (New York, Carnegie Endowment for International Peace, 1950). Interest in this issue was revived by the Single European Market initiative launched in 1986, the contemporaneous negotiation of the Canada-US FTA and the chatter in East Asia about a bloc that eventually prompted the formation of the Asia Pacific Economic Cooperation forum (APEC) in 1989. For a review of the discussion of the late 1980s/early 1990s from a multilateralist perspective see Jagdish Bhagwati, “Regionalism versus Multilateralism”, *The World Economy* 15(5), 1992: 535-555. For a recent overview, see James Mathis, *Regional Trade Agreements in the WTO, General Agreement on Tariffs and Trade: Article XIV and the Internal Trade Requirement*, (The Hague: TMC Asser Press, January 2002)

⁴ See, “Coming Unstuck”, *The Economist*, November 2nd, 2002, pg 14.