

American trade (e.g., intra-MERCOSUR and Andean Pact trade) and extra-regional trade with industrial countries, actual trade of Latin American countries *exceeds* the expectations of the gravity model. The shortfall in Latin America's trade is thus more than fully accounted for by "missing" trade with developing countries outside of the hemisphere. This empirical evidence suggests that there are rich potential trade opportunities for Western Hemisphere developing countries from the multilateral negotiations in the Doha Round.

In a similar vein, African countries have a large number of RTAs both within the region and between countries on that continent and developed countries. African countries have, of course fared quite poorly in terms of overall economic performance, with little evidence of the sort of international integration that characterized developing Asia, which notably has few regional agreements. The inconsistency of the evidence for positive results from regional pacts involving developing countries led the World Bank recently to conclude that smaller developing countries might be better off liberalizing on a multilateral level.<sup>42</sup> Similarly, a 2002 WTO report stated that south-south regional agreements between small states, or between them and other developing countries, are unlikely to raise welfare for the bloc as a whole and, in fact, are likely to lower welfare for the smaller and less developed partner countries. The recommendation was that RTAs lower external trade barriers, whether unilaterally (where countries are in a free trade arrangement) or by lowering the common external tariff (where countries are in a customs union).<sup>43</sup> The effect of this would be, of course, to reduce the margin of preference conferred on the member countries. In turn, this would reduce the price distortions and trade

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reported in that study was therefore in the context of the global norms for that time period.

<sup>42</sup> See Maurice Schiff, "Regional Integration and Development in Small States", *The World Bank Research Group*, Policy Research Working Paper 2797, February 2002.

<sup>43</sup> *Ibid*, pg 23.