

Even after the multilateral trade system's great leap forward in 1993 - marked by the successful conclusion of the Uruguay Round and the creation of the World Trade Organization [WTO] - the issue of regionalism refuses to go away. Thirty years ago the European Community stood out as a unique experiment in regional integration in a trading system otherwise dominated by the GATT [General Agreement on Tariffs and Trade]: today it seems almost commonplace in a world of NAFTAs [North American Free Trade Agreement], TAFTAs [Trans-Atlantic Free Trade Agreement], APECs [Asia-Pacific Economic Co-operation forum] and FTAAAs [Free Trade Area of the Americas]. Some one hundred bilateral or regional groupings had been identified by the World Trade Organization as of last year, and almost each month brings word of an additional or expanded alliance. It is a process which seems sharply at odds with the stately, almost Cartesian, unfolding of successive GATT Rounds since 1947. This dynamism, in creating additional regional or sub-regional arrangements, gives rise to the fear among some that the global trading system may be in danger of unravelling - resembling Yeats' vision of the Second Coming, "Things fall apart: The centre cannot hold; mere anarchy is loosed upon the world."

Yet so far regionalism has not created an Orwellian world of warring trade blocs. Building blocks would be a more apt metaphor in a trading system that has had to become more sophisticated - and more complex - as a consequence of greater economic interdependence. This complexity is reflected in the diversity of regional groupings themselves. The European Union [EU] remains the most ambitious undertaking, with its broad scope and supra-national powers. Although the NAFTA is less ambitious, here too members have pushed forward in such areas as investment and services where our degree of economic integration seemed to call for a more comprehensive regime than the WTO could provide. The level of sophistication possible in an FTAA or APEC will be different again, if only because of the wide disparity in economic systems. Yet the basic idea remains the same: that regionalism offers a way for countries to resolve issues that would be more difficult to resolve in the wider WTO context.

However, the search for broader and deeper rules does not alone explain the current explosion of regionalism. There are more powerful forces at work. Globalization has placed irresistible pressure on all economies to liberalize - unilaterally if necessary, multilaterally if possible. In a world where technology and capital move freely in search of the highest return, protectionist barriers have become so many self-inflicted wounds - a sure way of isolating oneself from the emerging global economy. Countries rush into free trade arrangements to increase their competitive edge, only to find others joining the race for fear of losing their access to investment, technology and markets. So far the United States has been the most powerful force pushing for deeper regional arrangements through its recent initiatives across the Pacific and in Latin America. But the European Union has also been seeking to expand its own spheres of