

asures against Canadian imports (although the award given Brazil was considerably smaller than it requested). Clearly, the injuries that both countries have already suffered in the form of subsidies paid out to foreign airlines could be compounded by mutual destruction of bilateral trade flows.

Whether the drafters of the WTO dispute settlement provisions fully or even dimly contemplated these types of complexities, the system is kicking out decisions that risk compounding the original problems.

This underscores at a minimum the limitations of the system and the need for sound political judgement in managing the trading system. Significantly, from the perspective of the issues addressed in this paper, it underscores the need for deployment of political capital by WTO members to the refinement of the system. Insofar as a major commitment of resources to the regional activity drains away necessary resources from the multilateral exercise, the cost-benefit ratio of regional activity rises in a not directly observable way.

Conclusions

The conventional wisdom is that regional and multilateral approaches to trade liberalization and rule-making can be viewed as complementary, mutually-supportive initiatives. This convention can be maintained, at least provisionally. There is, however, a question of context: regionalism is much more attractive as a means to extract the potential gains from trade when it is accompanied by a strong multilateral dynamic that minimizes the margins of preference that RTAs can confer on their participant members and thus minimizes the distortions to the relative prices within those economies.

Moreover, given that the WTO remains the best framework yet achieved to mediate the disputes that routinely arise in the complex global economy that we now have, there is a cost to the diversion of scarce negotiating resources to regional/bilateral pacts that have limited ability to provide the institutional capital to effectively mediate trade conflicts.