

Something fundamental seems to have happened to the international trading system over the last several years.

The countries of Asia and the Pacific have agreed to establish free trade among their developed economies by 2010 and among their developing economies by 2020.

A few weeks ago the countries of the Western Hemisphere, meeting in Miami, set 2005 as their target date for free trade. Since four members of this proposed Western Hemispheric Bloc are also members of the Asia-Pacific grouping, the chances of an eventual convergence between the two blocs seems high.

At the same time, Europe is undertaking its own expansion eastward – all the while observing anxiously the dynamism of Asia and the Americas.

Something fundamental is happening to the international trading system because something fundamental has already happened to the global economy.

The technological revolution since the Second World War has laid the foundations of a world economy. When there is worldwide movement of the means of production – of capital, investment and technology – there must eventually be worldwide movement of products.

In a sense, then, trade liberalization is following – not leading – underlying economic trends. A messy and bewildering web of bilateral and regional trade arrangements, especially in Latin America, reflects the efforts of national governments to adapt to an increasingly international economic system.

International structures themselves are under pressure to change. The GATT [General Agreement on Tariffs and Trade] was established after the Second World War to deal with international trading relations among national economies. But such economies are ceasing to exist in any meaningful way. The challenge now is to develop mechanisms and superstructures to deal with economies of regional or global dimensions.

There is still strong pressure for National Governments to be mercantilist – especially in the area of high technology. Yet ironically, these are the very sectors that are least susceptible to national constraints. Governments can prevent lumber or steel from crossing borders; they have little control over the global movement of ideas, know-how, or culture.

These changes in the structure of the global economy have fundamentally altered the dynamic of trade liberalization.

Trade negotiations have in the past been essentially mercantilist in nature – based on the underlying assumption that exports are good and imports bad. Domestic barriers were concessions to be