

TRADE FACILITATION: A STUDY OF SELECTED REGIONAL TRADE AGREEMENTS

Thesis submitted in the fulfilment of the requirement for the degree of

**MASTERS OF ARTS
IN ECONOMICS
(INTERNATIONAL BUSINESS)**



THAPAR INSTITUTE
OF ENGINEERING & TECHNOLOGY
(Deemed to be University)

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JUNE, 2018

CERTIFICATE

This is to certify that the research work presented in this thesis entitled “*Trade Facilitation: A Study of Selected Regional Trade Agreements*” being submitted by Ms. Ravneet Kaur, Regn. No 861601004 in partial fulfilment of requirements for the award of degree of Master of Arts in Economics (International Business), submitted in the **School of Humanities and Social Sciences, Thapar Institute of Engineering and Technology, Patiala** is a bonafide work carried out under the supervision of Dr. (Ms.) Ravi Kiran, Professor & Former Head, School of Humanities and Social Sciences, & Professor In Charge Alumni Relations, and that no part of this project has been submitted for the award of any other degree.

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This is to certify that the above statement made by my student is correct to the best of my knowledge.



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AKNOWLEDGEMENT

I submit my cordial gratitude to my respected teacher Prof. Ravi Kiran for her sincere guidance and help for completing this project.

I am deeply indebted to my Professors Dr Rakesh K. Sharma; Dr Ash N. Sah and Dr. Shilpi Tyagi for the invaluable help in preparing this thesis.

I would also like to give a special thanks to my classmates Japji Kaur and Amandeep Kaur for always supporting me in my work and for always being there whenever I was in need. I also want to thank my parents for giving me strength and support throughout my studies.

I humbly extend my thanks to all concerned persons who co-operated with me in this regard.

ABSTRACT

This study intends to influence an unassuming commitment to civil arguments to encompassing investment by Regional Trading Agreements (RTAs) in developing nations by considering the contentions normally broadcast in these civil arguments in the unique situation of a particular proposition to shape an organized trade agreement.

The study tries to examine the nature of a few selected regional trading agreements. This research is generally constrained in its attention to a great extent in terms of monetary results of RTAs and the externalities are for the most part overlooked. The study tries to question that should regionalism in the form of RTAs prevail in the era where we shifted to multilateralism with the emergence of WTO.

CHAPTER 1

INTRODUCTION

Regional Trade Agreements focus on trade inside a district, for example, Europe or Asia or parts of Asia. Regional Trade has regularly prompt regional free trade agreements. The best case of a RFTA is the European Union inside, in which all trade is free of duties and control. The South East Asian nations have Trade Agreement in the form of ASEAN. Other than the factor of Regional Free Trading Agreements (RFTAs) ,there is additionally the issue that Regional trade is regularly of a informal cross-border type. With long land limits numerous products are traded between, say, India and Bangladesh and quite a bit of this don't go into official records. Most areas or sub-locales are presently secured by Free Trading Agreements (FTAs). This enables the economies to utilize economies of scale in getting to each other's market.

1.1 Regional Trade Agreements

Regional trade is exceptionally restricted in South Asia — just around 3 for every penny for quite a while and now just underneath 5 for each percentage of aggregate universal trade of the South Asian nations. This ought to be stood out from regional trade of 30 for every penny for East Asia and SE Asia. On all sides of the South Asian fringes, there have been second thoughts about expanding regional trade. India being biggest economy in the locale, owes clear responsibility in advancing regional trade. Beginning with the Gujral Precept, the Legislature of India proclaimed its aim to concede one-sided concessions to neighbours keeping in mind the end goal to invigorate regional trade. As of late the Legislature declared the evacuation of all limitations on imports of articles of clothing from Bangladesh. It has likewise gone into a Venture Assurance Arrangement with Nepal. This will help animate regional trade. In any case, endeavours to lessen protectionist obstructions confront deliberate snag the still moderately internal looking financial strategies of South Asian nations. There are politically solid lobbies inside every nation that feed on the general approach of searching for endowments s a method for managing issues of loss of aggressiveness, as opposed to taking a gander at approaches to expand profitability so as to stay

focused. At the point when, for example, the India-Sri Lanka Facilitated Commerce Assentment (ISLFCA) came about in spite imports from Sri Lanka uprooting nearby flavour creation, there was a prompt request by Kerala zest makers for security against Sri Lankan imports. This isn't abnormal in India. These entryways stay restricted to trade-opening measures if their business sectors are probably going to be influenced. Instead of sponsorships, the route forward is to search for measures that would build aggressiveness.

India-Pakistan trade is generally brought out through Dubai, which clearly builds the cost of trade. Despite this cost increment, Indo-Pak trade by means of Dubai is about \$2 billion every year. Were trade to be done all the more specifically, there would be an unmistakable increment in trade between the two nations. India, with its current accentuation on Infrastructure, has imported generous amounts of bond from Pakistan. This is encouraged by the utilization of the land course, as opposed to the outsider Dubai course.

Various synthetic concoctions circular segment are imposed by Pakistan. Be that as it may, other than these imports, there is a long negative Host of things that are not to be foreign made. This incorporates pharmaceuticals, where Indian firms with their nonexclusive creation are significantly less expensive than current Pakistani generation. In any case, the solid anterooms that desire to ensure local generation result in the long negative rundown. Ai the 'JII)C lime, ought to be noted that there is additionally an expansion or quality of topic that help trade opening. In the ongoing circumstances with respect to product exports between India and Pakistan, some exchanging halls have obviously acted against the political interests. While Pakistani traders clearly needed to take c of India's onion lack, expanded Kopf was smothered by Pakistan political interests that needed to limit these fares. So also, when Indian cotton traders needed to increment sportsof cotton to Pakistan (where the Cotton edit was influenced by the surges), this was contradicted by Indian material proprietors, who needed to benefit from the guard In4ian cotton gather. In (he nonappearance of Fares the guard collect would prompt a fall in the cost of crude cotton, benefiting the material plant proprietors.

What ought to be the premise of regional trade arrangement? This involves much open deliberation. In the advancement stepping stool, there is a contrast between 'creating economies', 'less built up nations' (LDCs) and 'rising economies'. Rising economies, for example, India and China, have both innovation and scale favourable circumstances over both LDC and other

creating economies. Most Regional Organized commerce Agreements (RFTAs) depend on the guideline of equivalent access to each other's business sectors. Break even with get to, be that as it may, is probably going to lead extremely unequal trade results, when nations curve at various levels of advancement. Nations with various financial capacities, due to differential access to capital, innovation and scale, would not have the capacity to contend on meet terms. Thus, a RFTA with an improvement plan needs to join the arrangement of non-equal access. Non-equal access implies that the more created economies allow one-sided concessions with the less created economies. Accordingly, India has opened up its articles of clothing division to Bangladesh, without requesting that Bangladesh do likewise consequently. The explanation behind such non-proportional access is that the less created nations require access to the bigger markets of the more created nations. Non-complementary access is presently by and large acknowledged as to LDCs. In the professional WTO period non-corresponding access was a piece of the trade assertions as what was called Exceptional and Differential Treatment (SDT). Non-proportional access, in any case, has arrived in various multilateral trade understandings, for example, the USA's AGOA (African Development and Opportunity Act) and the EU's 'Anything but Arms' for Africa.

This rule can be reached out to South Asian Organized commerce Assentment of SAFTA. This would perceive that India, as a developing economy, has leeway over the littler as well as poorer economies. Such non-corresponding access would empower SAFTA to use the size and quality of the Indian economy to go about as a motor of development for the district. An arrangement of non-corresponding access in SAFTA would help conquer the feelings of dread of the little South Asian nations, which fear control by India. In the meantime, it will free Indian firms to climb the esteem chain. South Asian regional trade faces numerous political impediments. In any case, an innovative trade strategy by India is starting to have an effect on the locale.

1.2 Regional Trade

In today's competitive environment, global trade plays a vital role in the economic growth of nations. It leads to a permanent increase in the country's income because of improvement resource reallocation. In the last two decades, particularly late 1980s and early 1990s, there

was wide spread liberalisation across nations initiated by the World Trade Organisation. The expansion of international trade propelled by the progressive trade liberalization, has enabled the economies to progress and prosper. In recent years, it has been seen that the world trade grew faster than the world output, enabling the overall growth of the world economy. In 1995-96, 3.5 percent in world GDP was supported by 8.9 percent in world trade. Similarly in the year 2001, 3.6 percent growth in world's GDP was supported by 12.4 percent growth in the world trade. The most significant developments in the world over have been the formation of new and strengthening of the existing trade blocs.

At present, around 380 such regional trading arrangements in 2007 are currently in force and the number is likely to go up further to 400 (2010). The majority of these are in the form of Free trade agreements (FTAs) and partial scope agreements constituting 90%. The customs unions represent a meagre ten percent. It may be mentioned that the formation of RTA's, is not repugnant to the provisions of GATT/WTO an engine of economic growth rather than promoting trade among the member countries.

The regional economies integrate with each other to make their national economies stronger by relaxing different kinds of trade barriers to realise economies of scale in production and attain specialization; to take full advantages of their commonalities as regional partners for achieving higher levels of economic growth; to overcome the small size of their markets; and to utilize the available resources.

The idea of regional cooperation in South Asia was initiated in November 1980. After discussion the foreign secretaries of the seven countries met in Colombo in 1981. In New Delhi in August 1983 adopted a declaration on SAARC and officially launched the IPA.

1.3 Regional Trade Agreements

SAARC

The first SAARC summit was held in Dhaka on 7-8 December 1985. In this summit the heads of State adopted an agreement establishing the SAARC. The main objective of the SAARC was to step up the process of economic growth among the member nations, through cooperative agreements in the acceptable. The member countries represented approximately one-third of the world's population. What was surprising was that they represented the most impoverished and

lowest ranked amongst in Human Development indices. But even after a prolonged existence for the member countries have yet to arrive at an agreement tackling poverty in the region jointly. In the initial years the emphasis of the SAARC was not on core economic areas like trade, investment, etc. The initiative for establishment of preferential trading arrangement, SAPTA was initiated in early 1990s and started its operation in 1995, with the aspiration of enhancing trade and collaborated economic growth. Regional trade among SAARC countries has significantly improved. It was \$ 1.59 billion in 1990 and in 2001 it was \$ 6.54 billion. As part of South Asia's world trade this has accelerated from 2.42 percent in 1990 to 4.56 percent in 2001, though the leap is due to simultaneous process of trade liberalization under WTO, Bilateral trade and SAPTA. After missing the deadlines to bring into fruition in the SAFTA agreement twice, the SAARC member countries realized that openness to trade and investment among themselves would alone be the sure-fire-route to step development ladder and make a durable dent on poverty and backwardness.

The SAARC members need to realize that trading synergies are the need of the day especially, considering the uncertain future being signatories of WTO. The member countries have to further strengthened ties with other countries in this region. The `s` in SAARC is now "Southern" to include Afghanistan, Myanmar and Iraq for more meaningful regional economic groupings. In order to further strengthen the cooperation among SAARC region, there is a need of industrial restructuring based on cooperative approach and joint ventures can play a significant role. Joint ventures provide scope for transfer of technology and can help the recipient countries to specialize in particular processes or manufacture of parts to produce finished goods.

This would help countries to achieve vertical integration and to increase the volume of intra-regional trade at the level of intermediate goods within an industry. India has a large and diversified base, which also provides lots of opportunities for setting up Indian Joint Ventures in the other member countries of SAARC as under:

- Bangladesh: IT, Education Sector, Tea, Cement & Tourism.
- Bhutan: IT, Floriculture, Energy, Medicines and Tea.
- Maldives: Education Sector, Fisheries, and Tourism.

- Nepal: IT, Education Sector, Sericulture, Leather and Tourism.
- Pakistan: IT, Cotton Industries, Food Processing Industries, Floriculture and horticulture.
- Sri-Lanka: IT, Tea, Coconut and Coir Industries, Fisheries, Pharmaceuticals and Textiles

ASEAN: Association of Southeast Asian Nations

ASEAN was established on 8 August 1967 in Bangkok. The initial member nations representing ASEAN were:

- Indonesia
- Malaysia
- Philippines
- Singapore
- Thailand

On 8 January 1984 Brunei Darussalam joined ASEAN. Others nations joining ASEAN were, Vietnam on 28 July 1995; Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. Starting at 2006, the ASEAN district has a populace of around 560 million, an aggregate regional area of 4.5 million square kilometers, a consolidated total national output of almost US\$ 1,100 billion. In terms of trade it is 1,400 billion US\$.

The ASEAN Leaders in 2003 agreed that ASEAN Community should represent

- i. ASEAN Security Community,
- ii. ASEAN Economic Community and;
- iii. ASEAN Socio-Cultural Community.

ASEAN Member nations have embraced the standards in their dealings with each other, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC). This is in terms of balance, regional trustworthiness along with autonomy.

ASEAN Free Trade Area: AFTA

ASEAN Free Trade Area (AFTA) supports local manufacturing in all ASEAN countries. The agreement was signed in 1992. The end of tax and non-tax boundaries among Member Countries is required to move forward with more prominent monetary proficiency, profitability, and aggressiveness. Since January 2005, duties on just about 99 percent of the items in the Inclusion List of the ASEAN-6 have been reduced to 5 percent. Moreover 60 percent of these have zero levies. ASEAN 6 nation are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The normal tax for ASEAN-6 has been brought down from 12 percent when to 2 percent. This is for trade facilitation among member nations.

For Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV), the nations who had recent inception levies on 81 percent of their Inclusion List have been decreased to 0-5 percent. These major changes were to assist and move towards free trading zones. The main objective of AFTA is to enhance and improve ASEAN's production in global market through the abolition of tariffs and non-tariff barriers. There is also an endeavor to improve and increase more foreign direct investment to ASEAN.

The South Asian Free Trade Area: SAFTA

The consenting to of the SAFTA arrangement at Islamabad Summit, on Jan 6, 2004 could be viewed as a point of interest in the development of SAARC. The marking of SAFTA trade among part nations would twofold after at regular intervals from the present level of \$6 billion. It is critical that SAARC individuals consider this announcement important and have a striking vision for regional joining demonstrated on EU and abrogate trade and travel confinements, dispatch typical money and choose a super-national parliament.

European Union: EU

The European Union (EU) is a unique agreement among 25 autonomous, majority rule part states of Europe. It is world's prime largest amalgamation of autonomous states, set up through the Maastricht Treaty. A monetary amalgamation established in 1999 came into execution in 2002. Currently 19 EU member nations have adopted Euro. The Union has a Common Agricultural Policy, a typical trade agreement, and a Common Fisheries Policy. EU also has an integrated Foreign and Security Policy. The establishment of EU marks a new beginning, as such agreement to have so many nations adopting a common policy and agreeing to facilitate trade for

promoting growth had never happened earlier. This has attracted many researchers to study the EU strategies, the working and even the problems emerging and how they are being tackled by EU Nations.

North American Free Trade Agreement: NAFTA

The North American Free Trade Agreement (NAFTA) is a trade alliance of United States, Canada, and Mexico. Brian Mulroney of Canada, Carlos Salinas de Gortari of Mexico, and Bill Clinton of the United States joined hands on Dec 1993 and it became effective from January 1, 1994. NAFTA is an agreement, to enhance markets and acceptance was for duty diminishments for facilitating trade.

Most taxes have been eliminated, except in case of horticultural products. U.S. Mexico trade and ventures have become strong. This led to increased travel between U.S. and Mexico and fares increased by 91%, in contrast to 41% to the world. U.S. imports also expanded by 179%. NAFTA made the world's largest free trade area. It made a financial powerhouse of \$20.08 trillion, as estimated by Gross Domestic Product (GDP). That is on account of it connected the economies of the United States (\$16.72 trillion), Canada (\$1.518 trillion) and Mexico (\$1.845 trillion). This trade area is more noteworthy than the monetary yield of all nations in the whole European Union. NAFTA is a standout amongst the best settlements of the circumstances as far as development in trade i.e. imports and fares, output growth and employment.

Brazil, Russia, India, China and South Africa: BRICS

Speaking to around 40 percent of the total populace and almost a fourth of its financial yield, is what BRICS offers. The financial profile of the five countries, particularly China, has been on the rise. China's predominance over the other four nations is distinctly visible. The primary formal summit meeting was held in Russia In June 2009. The entry of South Africa was in December 2010. The effort was to have co-ordinated activity among member countries.

From that point forward the joint explanations of the different BRICS summits have more than once underscored the necessity for a rearrangement after World War II. As the United States is

distracted with inside inconveniences and the Euro-zone is buried in a weakening obligation emergency, a void is there in the worldwide framework. This displays an open door for the BRICS to develop as global players and indulge in joint activities. A Joint BRICS advancement bank is the solution, the one that would back Investments in creating countries.

The International Monetary Fund has anticipated that India in 2016 will become quicker than every one of its BRICS partners out of the blue since 1999. China's rise has been so quick thus fabulous than others. The Chinese economy is the second biggest in North and is larger than the economies of the other members.

WTO statistics on RTAs as reported through table 1.1 suggests an increase to 459.

Table 1.1: WTO statistics on RTAs

	Accessions	New RTAs	Grand total
GATT Art. XXIV (CU)	3	233	236
GATT Art. XXIV (CU)	10	10	20
Enabling Clause	5	46	51
GATS Art. V	7	145	152
Grand total	25	434	459

1.2 Physical RTAs in force, sorted by Coverage:

Goods	142
Services	1
Goods & Services	144
Grand Total	287

This chapter underlines the growth and statistics of RTAs. This introduces the selected RTAs, their inception and basic objectives. After introduction in the next chapter Review of literature is presented.

CHAPTER 2

REVIEW OF LITERATURE

In the research on Regional trade agreements or broad liberalisation; which path leads to faster growth? **Vamvakidis (1991-92)** covers the increase of RTAs. This study keeps all the countries on a parallel scale and shows us that how they have evolved through their liberalization and join the RTAs, it also shows that the economies had a much higher level of progress after they had their liberalization but moved at a slower pace after they participated in an RTA. Broad liberalisation is important to any country, because it leads to higher investment shares than joining a RTA. This paper also shows us the benefits from free trade and what policies the government needs to frame to get the optimum benefits from globalization while minimizing its costs. Through the RTAs the countries increase their links or contacts globally, studies indicate that countries which have less tariff barriers prosper at a faster rate but it is unclear whether the countries who have joined RTAs progress more than those who have not joined it. It remains a dilemma of joining an RTA or opening up to the world economy. Reducing trade barriers is important to increasing openness to the world economy while at the same time having a good framework for fiscal and monetary policy regulation. For this purpose regressions can be run on cross countries to measure trade distortions. Time series data can be used in context to this regard. It is the choice of the country whether to use a discriminatory or a non-discriminatory policy in this regard.

Crawford & Laird (2000) in their paper “RTA and WTO” explained that as liberalised countries joining the RTAs, this is leading to the fading of the Multilateral trading, mostly that of Europe and the Baltic states. Many a times the RTAs overlap each other like in America the agreements like NAFTA and Mercosur have been taken over by the FTA for USA. **Bhagawati (1992)** has analysed the miss-corrections of RTA. The paper lacks the advantage of the RTAs to the welfare of the society. It is difficult to judge whether the RTA rules are consistent with the WTO ones so new proposals should be made to remedy this problem and examine it briefly. There are many agreements under the RTAs which have not been conveyed and accounted to the WTO. Even after 1990s the new agreements are signed.

Fiorentino & Toqueboeuf (2006) in their paper “The landscape of RTA and surveillance” opine that different countries RTAs have different terms of discrimination and complex structure of trade. The paper reaches out to the establishment and development of RTAs and its characteristics and the focus is on WTO as the lead in respect of RTAs. There were even more schemes before GATT whereas RTAs are a new concept. Countries today deal in multiple RTAs with various business partners at Intra and Inter-regional level. It does not mean that if the total numbers of RTAs in the world decrease, then global Trade will also decelerate. The choice of the business partners does matter and also the government policies that deal with such trade. There are many RTA hubs in the developing nations, specifically the North-South and the South-South RTAs. RTAs for the developed nations are only 3% whereas for the developed-developing nations it is 56% and for the developing only nations it is 41%. There is a number of increase in the bilateral RTAs rather than pluri-lateral RTAs, it is because of more regional integration and getting access to the developed and developing markets of other nations. 90% of the bilateral agreements were under negotiation in the year 2007 while 75% of them were enforced. Out of the RTAs which were enforced the customs union accounted for 9%, partial stock accounted for 9% and the free trade agreements accounted for 82%.

The increasing number of RTAs are because of more geopolitical developments which started in the 1980s and the 1990s. As we know that Uruguay round 1986-94 had given protection to all the nations as in the form of insurance in the case if the negotiations fail. The RTAs increased after the collapse of Soviet Union because of emergence of new economies and their need to develop their nations. Many PTAs like NAFTA, Mercosur and AFTA influenced the other nations to go for RTAs. Europe is the region which has more number of RTAs because it constitutes many nations which are in their demographic transition. Countries in Europe like Croatia and Turkey have had many agreements with EC which is still in progress. The Intra-European agreements RTA have grown to a great extent and further the European countries are also planning to do more agreements with Mediterranean countries.

Kemp and Wan (1976) demonstrate that if outer taxes are balanced, the development of a traditions association doesn't influence business deals with untouchables. If duties are with the end goal that outer trade is steady, at that point any extra trade between individuals must be trade creation. This guarantees outcasts are not harmed. Through suitable singular amount exchanges,

it is additionally conceivable to ensure that all individuals are improved off by the association. This is an exceptionally broad outcome. It reaches out to facilitated commerce regions (Panagariya and Krishna 2002), to fractional advancement settings (Nearly 1998), and to blemished rivalry (Mrazova 2009).

Grossman and Helpman (1995) believe a particular components display with two little countries. While assessing conceivable FTA, every administration thinks about the effect of the concession to the normal voter while being affected by the household business through crusade commitments. The more the administration esteems battle commitments, the more noteworthy the impact of makers in the FTA choice, and the more noteworthy the help for agreements that give "upgraded security." A FTA advances improved insurance when makers from the low-(outside) duty part can trade all their yield to the high-levy part without influencing costs there. All things considered, makers in the high-tax nation are not harmed. On the off chance that the FTA advances eight improved security in an "adjusted" manner, with the goal that a critical offer of makers in the two nations benefits, at that point it will attract enough political help to be actualized. In any case, see that upgraded security is equivalent to (welfare-lessening) trade redirection. In this way, as per Grossman and Helpman, governments are exceptionally defenseless to particular vested parties.

According to Krishna (1998) if FTA does not produce trade redirection, firms from every part nation get higher pieces of the overall industry (and benefits) in the other part's market, however they lose local benefits, suggesting nearly no net benefits to them. If the FTA permits alliance firms to uproot those from prohibited nations in their business sectors In this case FTA improves benefits for all organisations.

The study by Magee (2008) is based on data from 133 countries from 1980-1998. He fuses country coordinate settled effects, exporter-year settled effects and trader year settled effects to get the counterfactual coverage. The results suggest that the ordinary impact of agreements on trade streams only three percent.

A substitute perspective is taken by **Chang and Winters (2002)**, considers the effects of Mercosur; a trading coalition model by Argentina, Brazil, Paraguay and Uruguay in 1991-on convey expenses to Brazil. They find that Argentina's charge costs extended the admission

expenses of countries outside Mercosur fell. This demonstrates that Mercosur while helping Brazil (the Mercosur assistant) has hurt outcasts.

To decide if nature assumes a part in RTA development, **Frankel et al. (1995)** tried to discover whether regional trade are more noteworthy than with regards to other regular determinants (nearness, sizes, per capita GNPs, basic outskirts, normal dialect). They find for "characteristic" trade alliance arrangement.

The governments put forth and lay down outside trade arrangements autonomously under FTAs, they neither the advertise control nor the coordination impacts emerge in assent, and different inspirations to re-streamline taxes rise. **Richardson (1993)** opines that outside levies tend to fall after the arrangement of the agreement. A special levy initiates a move of imports from non-individuals; as the redirected imports bring down welfare. Governments have a motivating force to bring down outside levies to move a few imports. In this way, the minor potential for exorbitant trade preoccupation instigates governments to bring down outer taxes. Bagwell and Staiger (1999a) present the part of terms of trade inspirations to bring down outer duties in FTAs. Other creators get comparable outcomes under an assortment of settings.

Bhagwati and Panagariya (1996) demonstrate that the volume of trade and transport cost criteria is not sufficient to pledge that welfare is enhanced. They challenge that volumes are really great indicators of redirection.

Krishna (2003) utilized US trade information to assess the welfare impacts from 24 theoretical trade agreements. Neither geology nor trade volume is observed to be fundamentally connected with welfare picks up. Krishna reports that 80 percent of the potential agreements have welfare-making strides. To figure out which agreements are most attributable, expenses of shaping an assent ought to be additionally incorporated.

Baier and Bergstrand (2004) find that the probability of a RTA was bigger, if two nations were closer to each other. Their outcomes offer help regular exchanging coalitions. Baier and Bergstrand (2007) utilize a similar way to deal with evaluate the effect of RTAs with respect to trade. Their key finding is that, once they consider the endogeneity of the accord, the positive consequence of RTAs on trade is more significant.

Ornelas (2005) unravels a portion of the extra powers prompting levy complementarity. In the event that business sectors are oligopolistic, there is a vital impact that emerges in light of the fact that FTAs make benefit moving more troublesome. The disposal of the intra-coalition obligation expands rivalry and brings down stamp ups in the residential market. As the tax was set before the FTA, a decrease in the outer levy is important to re-like its minor advantage.

Krugman (1991) propelled the market control effect. Syropoulos (1996) highlights that greater co-operations have more market control and higher expenses depends upon the case of gifts and on the adaptability of substitution.

Kennan and Riezman (1990) were the first to think about alterations within outer levies after RTA. They build up a three-nation general harmony enrichment economy where taxes are set to boost welfare. Kennan and Riezman support that harmony outside levies are higher under CUs. CU's make a better market, which builds the nations' market control and improves motivators to consider imports. Second, the coordination enables the CU to disguise the externalities of their trade strategies.

Limao (2007) demonstrates that a RTA can prompt higher duties against outcasts. This is mostly true when the purpose is to instigate participation of RTA accomplices in "non-trade" zones.

Estevadeordal et al. (2008) enquire whether ventures with substantial references changed to indistinguishable degree from different divisions. They discover no confirmation that trade inclinations prompt higher outer taxes or littler tax cuts, however find solid proof that inclinations instigate a speedier decrease in outside levies in facilitated commerce regions.

Calvo-Pardo et al. (2009) prove those of Estevadeordal et al. (2008) for FTAs. They support that inclinations have prompted a more profound decrease in outside levies.

Clausing (2001) builds up an investigation at the item level of the Canada-United States unhindered commerce understanding (CUSFTA) of 1988. She observes that exchange creation has a tendency to administer, and exchange preoccupation the exemption, in many areas.

Trefler (2004) finds both exchange creation and exchange preoccupation in CUSFTA . Conversely, **Romalis (2007)** finds that the extension of CUSTA to Mexico (NAFTA) has been exchange redirecting.

This Chapter has laid the foundation for the research as has been observed that there are different perspectives of RTAs and FTAs. It becomes imperative to examine the nature and purpose of some selected trading agreements.

CHAPTER 3

OBJECTIVES AND RESEARCH METHODOLOGY

This study builds up a complete typology and quantitative examination of condition related arrangements incorporated into RTAs. The investigation covers all the RTAs as of now into compel that have been informed to the WTO in the vicinity of 1957 and May 2016, in particular 270 exchange assertions.

3.1 Objectives of the Study

The present study has been undertaken with the following broad objectives:

O1: To examine the trends of Growth of Regional Trading Agreements.

O2: To examine the changes in the Goods and Services in Regional Trading Agreements.

O3: To examine the dominance of increasing regionalism through RTAs

While ecological exemptions, alongside natural collaboration keep on being the most well-known kinds of condition related arrangements, numerous other distinctive sorts of arrangements are fused in an expanding number of RTAs. The normal component of all condition related arrangements, including ecological special cases is their heterogeneity as far as structure, dialect and degree.

Deep integration is the sign of the cutting edge territorial exchange assention (RTA). RTAs with profound incorporation arrangements try to fortify the contestability of business sectors for firms in accomplice economies through three principle capacities: security of outside firms and their interests; advancement of "behind-the-outskirt" exchange boundaries; and harmonization of residential exchange guidelines to upgrade the productivity of global creation.

This section outlines the principle lines of research on the causes and results of profound mix responsibilities in RTAs and recognizes roads for future research, concentrating on the

significance of exchange inside worldwide and territorial generation systems and the part of multinational firms as political performing artists in have nations. The section additionally calls for future work to address the issue of recognizing the "pattern" in surveying the quality of profound coordination responsibilities and the probability of administrative disorder because of the decent variety of profound joining models encoded in RTA's.

The paper initially reviews the Trade Facilitation scene at the provincial level and examinations the primary powers moulding it. It recognizes key elements driving local Facilitation approaches, looking at their needs, highlights and hidden methods of insight. The investigation likewise features noteworthy patterns in local Trade Facilitation arrangements and examinations their suggestions.

The Trading Bloc Character develop is a total of different indicators, which orchestrated together, yield an estimation of the probability of progress for the RTA. The character of the exchanging alliance fluctuates by the degree of the commitment of different components (achievement factors). It is recommended that if a RTA is lacking in its total quality due to inadequacies in one or a few contributing components, at that point the desire for progress must be directed in perspective of the not as much as perfect conditions. It is in this way placed the character of the exchanging alliance impacts the result of the RTA. The reason for the model, in this manner, is to encourage examination concerning the relative significance of the individual patrons in framing the Trading Bloc Character. It will likewise show the relationship between the exchanging coalition character and some particular execution pointers. In particular, the recommendations are:

- The character of an exchanging alliance as it is shaped by the different significant variables contributing to the qualities of every nation, decides its prosperity possibilities.
- The character of an exchanging alliance relates decidedly with its execution pointers. The higher the extent of the RTA character, the higher the potential for progress.
- The greatness of relationship between the Trading Bloc Character would shift for diverse execution pointers, for example, GDP and the level of framework.

The study covers the key criteria for the taking part nations, resolved to be adding to the Trading Bloc Character, thus to the execution results of an exchange assention, in light of the current writing. A large number of various execution markers can be utilized, be that as it may, the pointers foreseen for this model are thought about center. They are the flagging execution criteria (e.g. Gross domestic product demonstrates charge income, monetary advancement or development and changes in fares and imports).

The monetary profile of every nation is estimated by key markers, not restricted to, but rather counting, GDP, the level of monetary advancement, volume and synthesis of exchange with exchanging accomplices. These estimations show a scope of other information, for example, relative monetary size, characteristic assets, profitable limit, level of innovation and foundation. A specific edge is fundamental as far as key financial pointers for a fruitful RTA. Other financial directing variables including high exchanging costs and outside exchange boundaries, low asset complementarity, and a wide based advancement are required (Yang and Gupta, 2005).

Socio-social components incorporate social attachment, social honesty, political dependability, political framework, legal freedom, debasement, activit+--+y of general society benefit, and human and social capital. (Eg. The Living Standards Measurement Survey for creating nations is utilized by the World Bank to help comprehension of the watched social part results.) A closer mental separation is likely connected with a more grounded execution.

Negotiation incorporates the nation's arranging background, relative dealing power, and duties to different RTAs, which join to affect on its arranging results.

Country targets will shift however nations may utilize RTAs as a technique for accomplishing politically delicate microeconomic change, to anchor access to business sectors, or inspired by a paranoid fear of being let well enough alone for imperative RTAS.

An audit procedure is important to inspect execution against key achievement criteria, to set renegotiation triggers, arrangements for re-evaluation and renegotiation of new issues, issues. Booked audit and renegotiation went for taking care of rising issues and presenting restorative activities are worthwhile.

This study focuses on the need to perceive the shifted targets nations set for their inclusion in provincial exchange understandings while assessing the effects of a specific assent. It accentuates how extraordinary provincial exchange game plans are far and wide, mirroring the scope of destinations that take nations into transactions on these courses of action.

3.2 Regional Trade Agreements (RTA):

Regional trade agreements are proportional exchange understandings between at least two accomplices. Their development, extension and extending has been amazing since the 1990s, going past conventional exchange progression, incorporating disciplines going past WTO manages on issues, for example, administrations, venture, rivalry, government acquisition condition and work. Difficulties from the point of view of creating nations include: Undertaking sway appraisal to comprehend ramifications of new teaches regarding national arrangement making. Guaranteeing that understandings prompt create complementarities that support economies of scale and fortifying profitable limits, prompting improve intra-local exchange openings and advancement picks up from exchange. Around there, UNCTAD's work on exchange arrangements and business strategy underpins nations in their commitment in various periods of transactions, including those went for the improvement of arranging modalities for exchange merchandise and enterprises and giving investigation to encourage the assessment of elective situations and arrangements.

3.3 Preferential Trade Agreements (PTA):

Concede of fractional inclinations on a complementary premise (Preferential Trade Agreements) or one-sided concessions (Preferential Trade Arrangements). No necessity on scope of substantially all trade (SAT) or characterized time period to wipe out duties. Concessions might be upgraded/extended through resulting transactions. A huge and developing number of nations take an interest in different special trade agreements (PTAs), which progressively involve expansive collaboration over strategies reaching out a long ways past trade hindrances. I audit the customary and non-conventional thought processes in PTAs and their observational determinants and additionally their effects on trade and on multilateral progression. I contend that the wide idea of present day PTAs, their considerable making of reciprocal trade and their unassuming consequences for individuals' taxes, expect us to enlarge the monetary and approach structure of

customary models of PTAs as a static particular tax diminishment. All through I draw exercises from the current writing and point towards numerous fascinating ways for future research, to propel our comprehension of the reasons for present day PTAs and their effects on trade related results and past

3.4 Free Trading Agreements (FTA):

Elimination of all (or almost all) tariffs (and NTBs) within a fixed timeframe is the main objective. An unhindered commerce zone is the district enveloping a trade coalition whose part nations have consented to an organized commerce arrangement (FTA). Such agreements include association between no less than two nations to reduce trade obstructions.

3.5 Bilateral Trade Agreements:

– They are between two nations. The two nations assent to remove trade confinements to nurture business openings. They curtail duties and deliberate favoured trade status with each other. The staying point for the most part revolves around key secured or sponsored household businesses. The Obama organization was arranging the world's biggest respective assention. It was the Transatlantic Trade and Investment Partnership with the European Union.

3.6 Multilateral Trade Agreements:

These agreements are among three or more nations. Multilateral agreements are intense and have gained momentum after WTO. They cover a greater geographic region. That presents a more noteworthy upper hand on the signatories. The biggest multilateral understanding is the North American Free Trade Agreement. It is between the United States, Canada and Mexico.

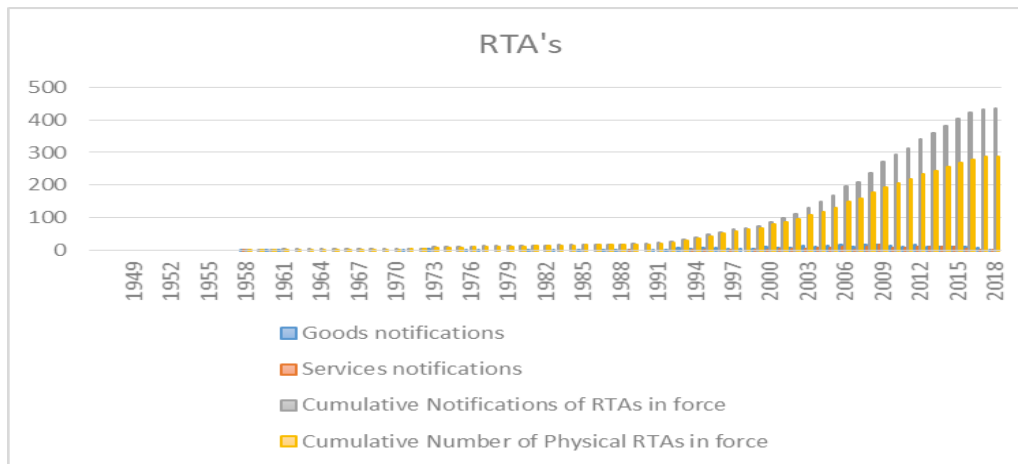
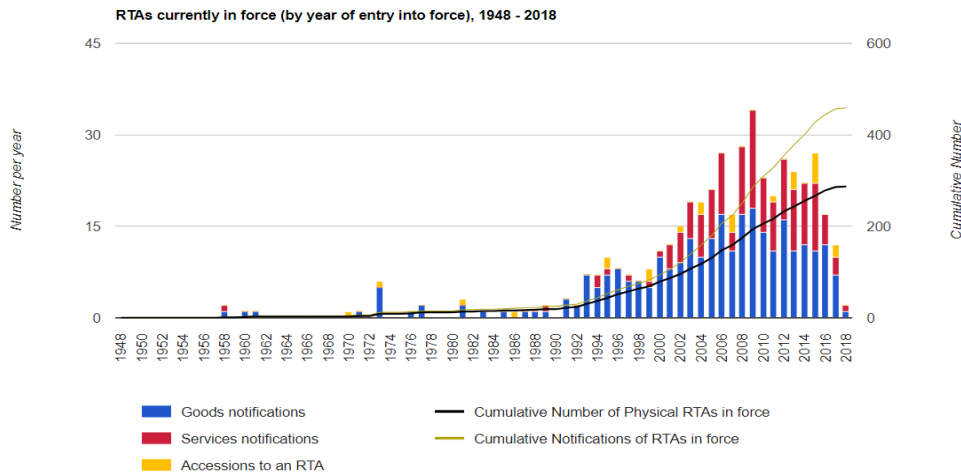
CHAPTER 4

DATA ANALYSIS AND RESULTS

In this Chapter an effort is made to examine the status of RTA in force. The study analyses the trends in RTAs in force. It also briefly examines the status of RTAs in terms of goods and services.

The first objective of the study is:

O1: To examine the trends of Growth of Regional Trading Agreements.



Source: WTO Secretariat, June 14, 2018
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Figure 4.1: RTAs in Force

As shown in Figure 4.1 the statistics suggest an increase in the number of RTAs. Data also suggests an increase in the amount of goods and services over the period.

Table 4.1 : Structure of RTAs

	Developed only		Developed-Developing		Developing only		Total	
	Goods	Services	Goods	Services	Goods	Services	Goods	Services
1958-1964	2	1			1		3	1
1965-1969							0	0
1970-1974	5		1		2		8	0
1975-1979			2		1		3	0
1980-1984	2		1		1		4	0
1985-1989	1	1	1		2		4	1
1990-1994	7	1	3	1	7		17	2
1995-1999	20	1	7	1	8	5	35	7
2000-2003	3	1	20	7	19	6	42	14
2004-2007	7	4	20	17	22	11	49	32
2008-2010	3	1	21	13	21	14	45	28
2011-2013			5	4	4	2		
Total	50	10	81	43	88	38	219	91
	60		124		126		310	

The structure of RTAs advised to the WTO depicts change over the period. As duty assurance decays either because of one-sided choices or multilateral transactions, there is a developing pattern for RTAs to change products trade, with change in rules of inception, benchmarks and trade barrier measures. In addition to change administrations, speculation and cover different issues, for example, protected innovation rights, government acquisition, rivalry arrangement and now and again condition and work gauges change leading to perceptible changes in products and services.

Progressively likewise RTAs incorporate itemized question settlement instruments in spite of the fact that the degree to which they are utilized isn't clear. These "behind the fringe" measures are ending up progressively unmistakable in RTAs. On account of RTAs advised to the WTO since 2000 56%, contain arrangements on merchandise and ventures, 54% on speculation, 47% on

licensed innovation rights that go past WTO duties, 59% on rivalry and 47% on government obtainment arrangements.

An analysis highlights that there is an increase in growth of Regional Trading Agreements.

The next objective was:

O2: To examine the changes in the Goods and Services in Regional Trading Agreements.

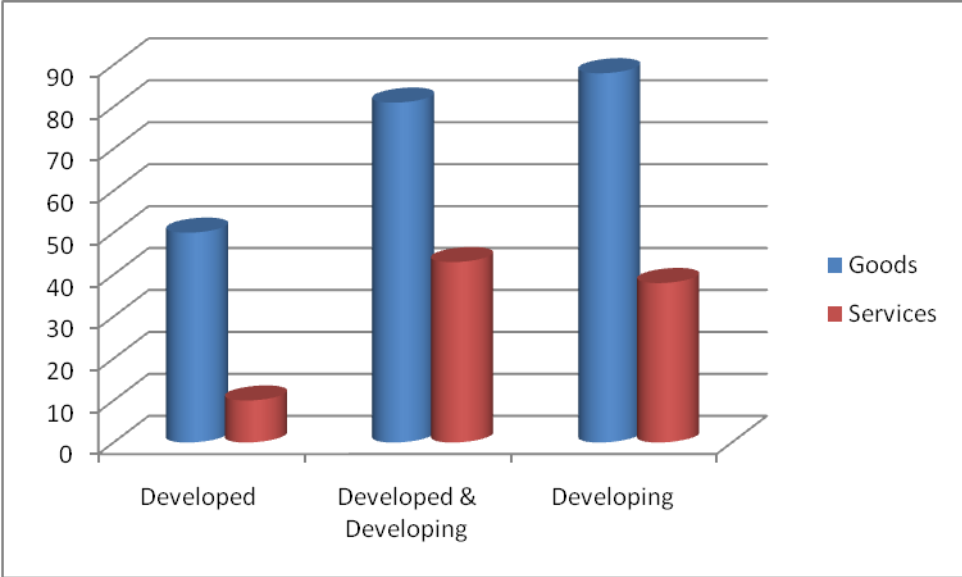


Figure 4.2 : Structure of RTAs

A change in nature and extent is shown through Figure 4.2. As shown through figure 4.2 the developing countries are now emerging in terms of both goods as well as services, but number of goods are greater than services.

Results highlight that trade of goods and services had increased through RTAs. However there are more goods than services are traded through RTAs. Over the past few years services are also increasing.

Table 4.2 : FTA Status of South East Countries, 2017

COUNTRY/ECONOMY	Under Negotiation		Signed but not yet In Effect	Signed and In Effect	TOTAL
	Framework Agreement signed	Negotiations launched			
Afghanistan	0	0	0	2	2
Armenia	0	6	0	11	17
Australia	0	6	1	12	19
Azerbaijan	0	0	0	10	10
Bangladesh	0	2	1	3	6
Bhutan	0	1	0	2	3
Brunei Darussalam	0	1	1	8	10
Cambodia	0	1	1	6	8
China, People's Republic of	0	10	1	16	27
Cook Islands	0	1	1	2	4
Fiji	0	1	1	3	5
Georgia	0	1	0	12	13
Hong Kong, China	0	3	1	5	9
India	1	15	0	13	29
Indonesia	0	6	3	9	18
Japan	0	8	0	15	23
Kazakhstan	0	8	0	11	19
Kiribati	0	1	1	2	4
Korea, Republic of	0	9	0	16	25
Kyrgyz Republic	0	6	0	11	17
Lao PDR	0	1	1	8	10
Malaysia	1	4	2	14	21
Maldives	0	1	2	1	4
Marshall Islands	0	1	1	3	5
Micronesia, Federated States of	0	1	1	3	5
Mongolia	0	0	0	1	1
Myanmar	1	2	1	6	10
Nauru	0	1	1	2	4
Nepal	0	1	0	2	3
New Zealand	0	6	1	11	18
Pakistan	0	7	1	10	18
Palau	0	1	1	2	4
Papua New Guinea	0	1	1	4	6
Philippines	0	2	2	7	11
Samoa	0	1	1	2	4
Singapore	0	8	1	21	30
Solomon Islands	0	1	1	3	5
Sri Lanka	0	2	0	5	7
Taipei,China	1	1	0	7	9

Tajikistan	0	0	0	8	8
Thailand	1	8	1	13	23
Tonga	0	1	1	2	4
Turkmenistan	0	0	0	6	6
Tuvalu	0	1	1	2	4
Uzbekistan	0	0	0	10	10
Vanuatu	0	1	1	3	5
Viet Nam	0	4	1	10	15

The table 4.2 shows the number of Free Trade Agreements of all the South East countries, which are under negotiation, signed but not in effect, signed and in effect and in total number.

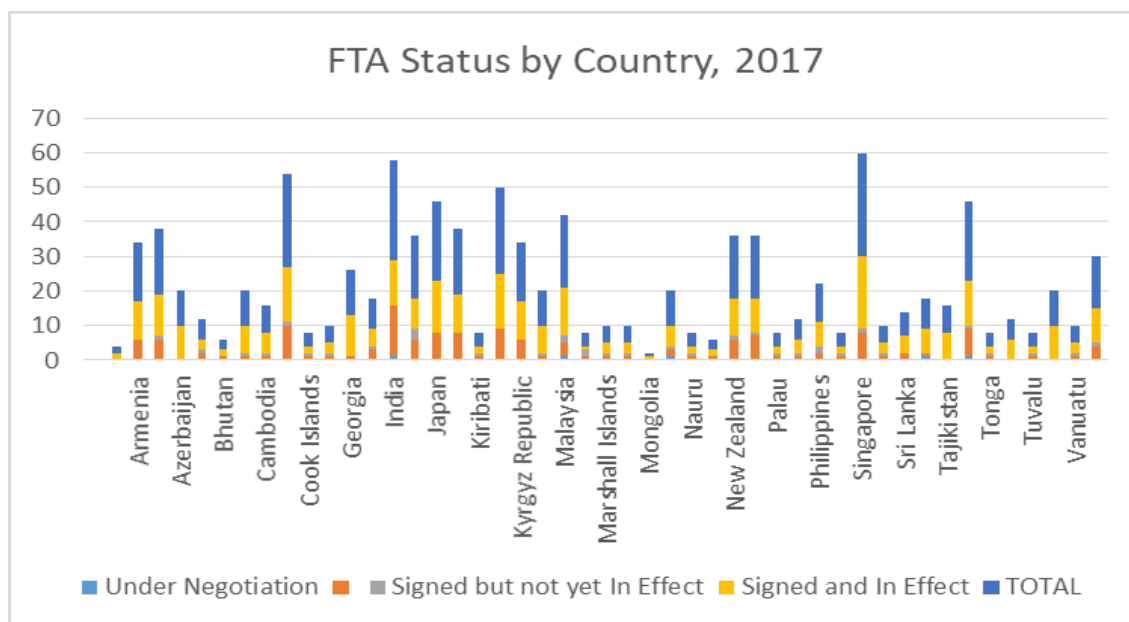


Figure 4.3 FTA Status by country till 2017

From the bar graph in the figure 4.3, it is apparent that countries like Cambodia, India and Singapore have largest number of FTAs and the countries having lowest number of FTAs are Mongolia and Afghanistan. The number of agreements under negotiation are more than the signed ones.

Table 4.3 : Selected basic Indicators of ASEAN member states, 2016

Country	Annual population growth ^{1/}	Gross domestic product at current prices	International Merchandise trade	Foreign direct investments infow ^{5/6/}
Brunei Darussalam	1.4	11,206	7,544	-150
Cambodia	1.2	19,194	22,444	2,280
Indonesia	1.3	9,31,216	2,80,839	3,521
Lao PDR	2.0	15,903	7,231	1,076
Malaysia	1.5	2,99,632	3,57,807	11,329
Myanmar	0.9	68,636	27,205	2,989
Philippines	1.7	3,11,453	1,42,248	7,933
Singapore	1.3	2,96,977	6,29,993	53,912
Thailand	0.3	4,07,048	4,09,994	2,553
Viet Nam	1.1	1,98,196	3,51,038	12,600
ASEAN	1.2	25,59,463	22,36,343	98,042

The tabular chart 4.3 illustrates the different indicators of growth in the selected ASEAN member states reflecting the data of 2016. Indonesia, Philippines and Thailand have highest GDP and countries like Singapore, Thailand and Malaysia excel in International Trade. The most FDI inflow is show in Singapore, Viet Nam and Malaysia.

Table 4.4 : Regression Statistics taking Y(GDP), X1(Total Trade), X2(FDI) variables

<i>Regression Statistics</i>	
Multiple R	0.661
R Square	0.437
Adjusted R Square	0.276
Standard Error	236862.7
Observation	10

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	3.04756E+11	1.524E+11	2.7159948	0.133952
Residual	7	3.92728E+11	5.61E+10		

		6.97484E						
Total	9	+11						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
GDP	77671.80	113409.56	0.68	0.52	190499.2	345842.81	190499.20	345842.81
X1 Total Trade	1.31	0.57	2.31	0.05	-0.03	2.66	-0.03	2.66
X2 FDI	-11.77	7.61	-1.55	0.17	-29.77	6.24	-29.77	6.24

In the table 4.4 the regression analysis shows GDP increase leads to a positive effect on the total international trade and negative on Foreign Direct Investment.

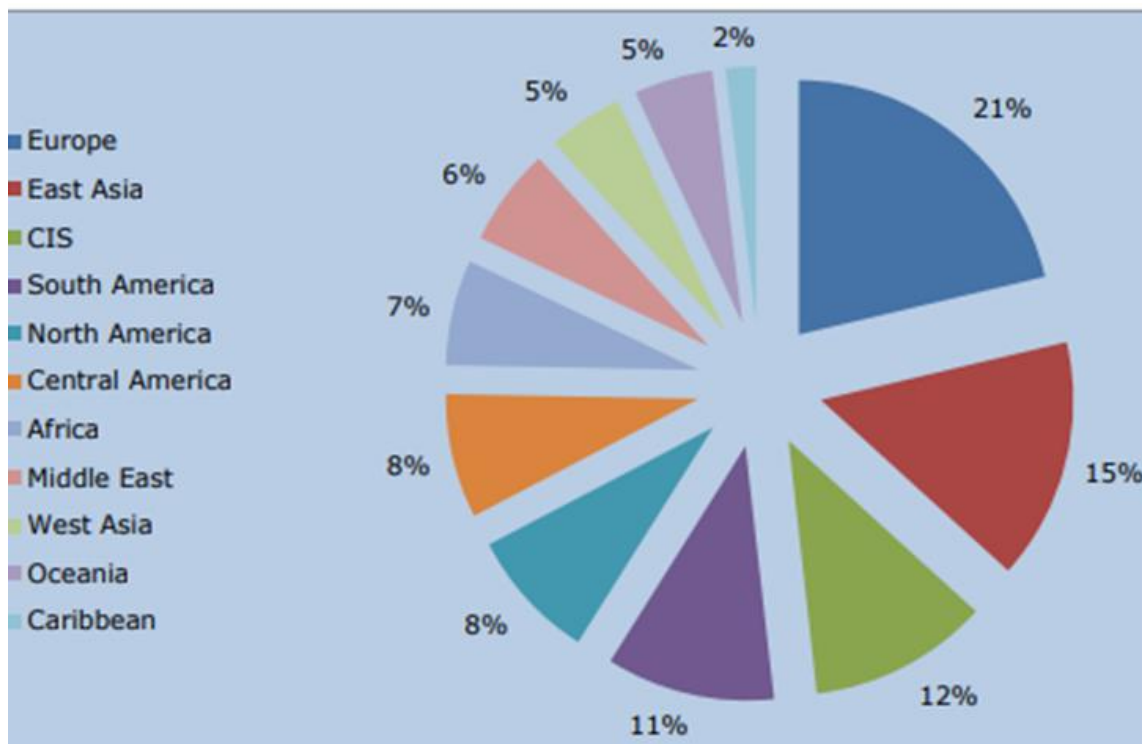


Figure 4.4 RTAs by Region (all notified RTAs as on Dec 2014)

There has been an acceleration in the number of RTAs. It is now important to see which region dominates. As shown through figure 4.4 region wise dominance is by Europe followed by East Asia. Common wealth of Independent States (CIS) represents the next in line. South America is 11% . North America and Central America represent 8 % of region.

The organization of RTAs informed to the WTO has likewise changed. Specifically, as levy security decreases either because of one-sided choices or multilateral transactions, there is a developing pattern for RTAs to not simply change products trade but also to change administrations and cover different issues.

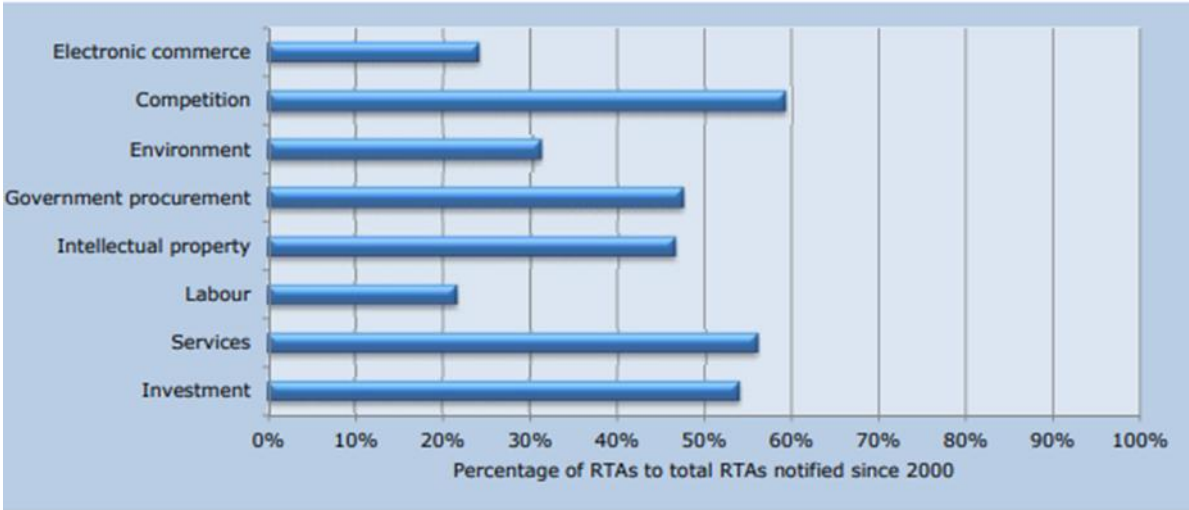


Figure 4.5 Key Topics Covered by RTAs (all RTAs notified since 2002)

As portrayed through Figure 4.5, more than half, viz. 56%, contain arrangements on products and enterprises. 54% are on venture, 47% on licensed innovation rights that go past WTO duties. Many arrangements on electronic trade (24%), condition (31%) and work (22%).

Evolution of RTAs in G 20 Economies

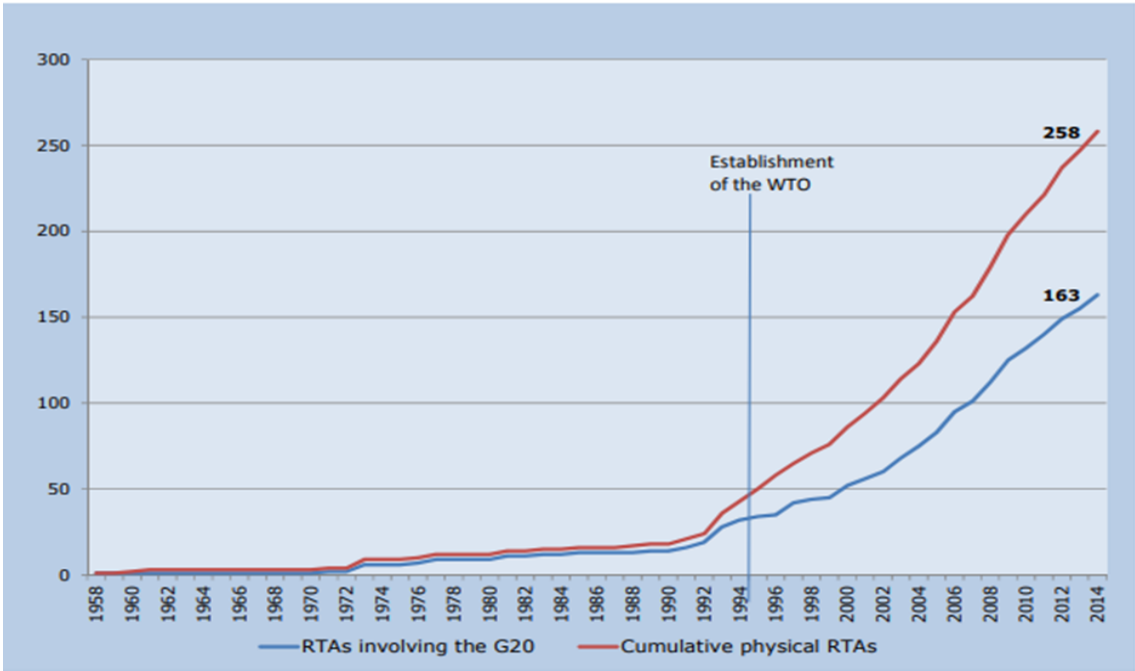


Figure 4.6 Evolution of RTAs in G 20 Economies

Figure 4.6 clearly depicts the increase in number of RTA especially after WTO. However the Russian Federation and Saudi Arabia have no RTAs with other G20 economies.

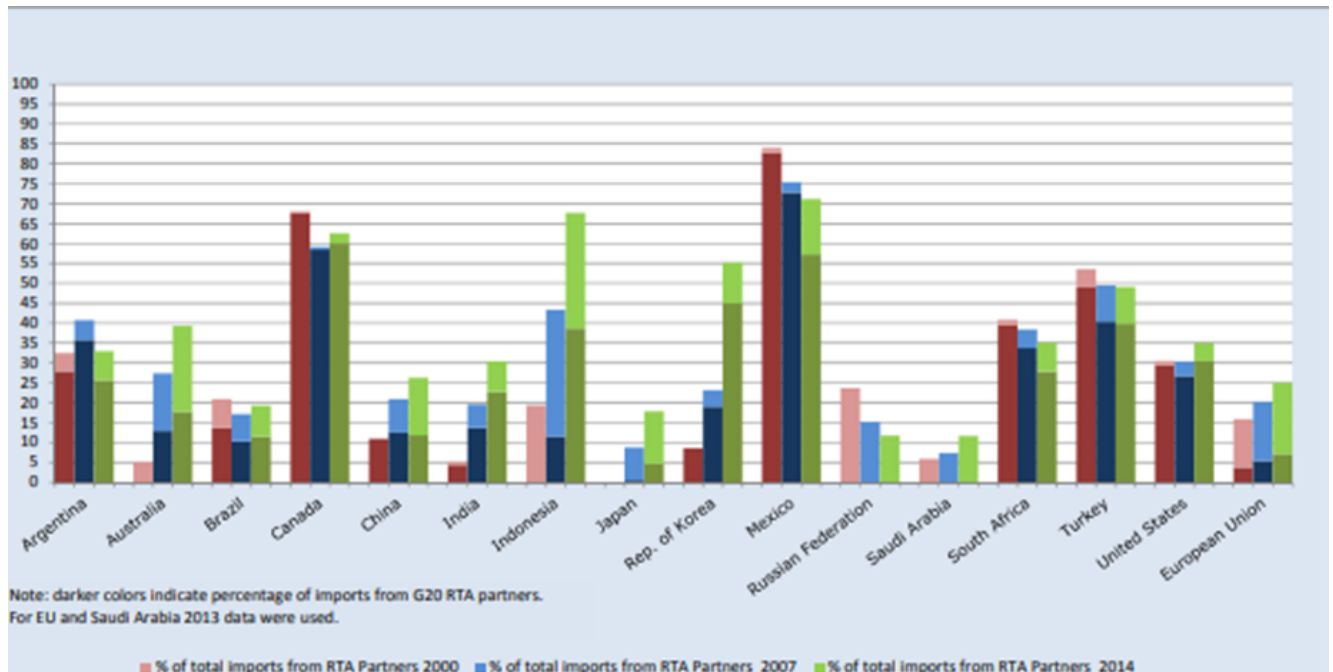


Figure 4.7: Percentage share of Merchandise Imports (RTAs in Force)

Figure 4.7 is indicative of the fact that Percentage share of Merchandise Imports has increased across the regions.

O3: To examine the dominance of increasing regionalism through RTAs.

There is increasing trend towards regionalism, if we only look at number of RTAs. However, it can be said that there is increase in goods and services and in volume and trend. Hence despite the increase it can be said that though there is dominance of regionalism through RTAs, yet they are good especially in terms of improving trade and enhancing economic development.

CHAPTER 5

CONCLUSION

Over the most recent fifteen years regionalism has progressed toward becoming the most prominent type of complementary exchange advancement. This pattern has been met with suspicion in terms of professional career financial analysts; a significant number of these are worried about the bends from the unfair approaches characteristic to these game plans. While honest to goodness, these worries appear to be intemperate. Observational examinations show that exchange creation, not exchange redirection, is the standard.

The other primary concern is that regionalism could jeopardize multilateralism. Possibly it does, perhaps it doesn't. Settling this issue hypothetically has demonstrated extremely troublesome. Observational examinations, which depend on information from a bunch of exchange rounds, ill require some serious energy. Maybe exchange market analysts may improve the situation by searching for approaches to better coordinate regionalism with multilateralism, perceiving that regionalism is and will likely remain the favoured type of complementary advancement foremost countries.

There is the extensive variety of usage rates crosswise over RTAs. For instance, while the EU is completely actualized, most different RTAs are definitely not. Some avoid a couple of divisions; others reject most divisions. Incorporation does not infer free intra-coalition exchange either.

There is need to understand what decides usage rates crosswise over RTAs? Which businesses have a tendency to be avoided? Among those included, what decides the degree of intra-coalition advancement? These are certain questions which still need critical analysis. This research has thrown the perspective that with the growing no of RTAs there are deemed preferences shown for trading goods and services across member nations. This has lead to growing regionalism despite prominence being put to multilateral agreements.

Formation of the European Financial Community in 1958 was inspired for the most part by the longing to avoid future clashes among their individuals. But emergence of Brexit and certain countries opting for voting to adopt euro currency are certain issues that demand attention.

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